

Sectra contributes to a healthier and safer society

ANNUAL REPORT AND SUSTAINABILITY REPORT 2021/2022



SECTRA
Knowledge and passion

Our customers make society work

Sectra offers solutions for medical IT and cybersecurity. We help hospitals and those who are training future healthcare personnel to improve their efficiency so that patients can receive better care. We also support defense, other authorities and various critical social functions. We help them to secure their communication against eavesdropping and to protect their systems against unauthorized access. This is how we create conditions for a healthier and safer society.



Table of contents

4 About Sectra and the 2021/2022 financial year

- 4 This is Sectra
- 5 Why invest in Sectra
- 6 Examples of the value we create
- 8 The year in brief

10 CEO letter

13 Business model, goals and strategies

- 14 Sectra's value-generation model
- 16 Customer value
- 18 Corporate culture and employees
- 22 Innovation
- 23 Multinational presence
- 24 Group-wide goals and outcomes

26 Medical IT

- 27 The market
- 30 Operating area Imaging IT Solutions
- 37 Operating area Business Innovation

41 Cybersecurity

- 42 The market
- 43 Operating area Secure Communications

48 History

- 48 Sectra's history
- 50 Five-year summary

52 The share

54 Corporate governance, financial information and the Sustainability Report

- 54 Board of Directors
- 56 Group Management
- 58 Corporate Governance Report
- 64 Administration Report
- 70 Sustainability Report
- 80 Risks and risk management
- 84 Financial statements for the Group
- 87 Financial statements for the Parent Company
- 89 Notes
- 116 Auditor's report

120 Other information

- 120 Index to the Sustainability Report
- 121 References
- 122 Glossary
- 123 2022 AGM
- 123 2022/2023 financial calendar
- 123 Contact information

- Audited Annual Report and Corporate Governance Report
- Sustainability Report and statutory sustainability report

Sectra—a Swedish company with **global trust**

The desire to change society for the better has driven us for over 40 years. During this time, we have retained our entrepreneurial spirit and realized ideas and innovations in close cooperation with end users. To safeguard Sectra's customer-oriented corporate culture, we have primarily grown organically since our start in 1978.

What we do

Sectra offers products and services in the medical IT and cybersecurity sectors. We are seeing growing synergies between these areas since healthcare is increasingly becoming a target for organized cybercrime.

Our purpose

The overall purpose of our business operations is to solve major social problems that must be addressed in the foreseeable future. There are primarily two global trends that are driving the underlying growth in Sectra's niche areas:

Aging population

The aging population of the industrialized world entails major challenges for health-care. At the same time, the working age population is in decline. For fewer people to be able to take care of an increasing number of elderly patients with considerable needs, healthcare must become more efficient.

Increased digitization

A higher degree of digitization in all areas of society is contributing to efficiency enhancements and simplifying people's everyday lives. However, this trend also makes societies more vulnerable to human error, information leaks, unauthorized data access and cyberattacks. This is particularly the case in the defense forces, healthcare and other critical social functions.

60+

Countries with customers

1,949

Net sales, SEK million

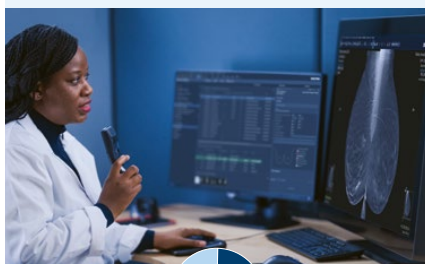
1,000+

Employees in 14 countries

Our operating areas

Imaging IT Solutions

IT systems for managing medical images and patient information related to diagnostic imaging.



88%

Share of consolidated sales

Business Innovation

Sectra's own incubator. This includes Sectra's medical technology research department as well as the business units for Medical Education and Orthopaedics.



3%

Share of consolidated sales

Secure Communications

Cybersecurity solutions for society's most critical functions and organizations that handle sensitive information.



9%

Share of consolidated sales

Why invest in Sectra

Our vision—to contribute to a healthier and safer society



Seven good reasons to invest in Sectra

1 International niche markets with healthy growth

IT for healthcare and cybersecurity for critical infrastructure are rapidly evolving markets. This creates major growth opportunities for companies such as Sectra.

2 Stability, profitability and long-term growth

Sectra has an over 40-year history of growth and profitability. Over half of the company's sales comprise recurring revenue from long-term customer contracts.

3 Strong, customer-focused corporate culture

A corporate culture clearly focused on customer value and employees who are passionate about making a difference lead to satisfied customers.

4 Strong brand with multinational reach

Sectra is an established brand in niche areas where trust and stable products are important success factors. We have a multinational reach, with thousands of customers worldwide.

5 Innovation

We maintain a high pace of innovation and continuously invest in new and ongoing development of products and services. We also have a self-financed portfolio of exciting projects with the potential to add significant value for customers and for Sectra.

6 Sustainable business model

Contributing to a healthier and safer society is the foundation of Sectra's operations and business model. Helping our customers improve the efficiency and quality of patient care and increase cybersecurity in critical social functions is our most significant contribution to a more sustainable society.

7 Long-standing owners and dedicated management

Our principal owners, who have been involved in the company since the 1980s, are dedicated to the long-term development of the company, and all members of Group Management are shareholders in Sectra.

Examples of the value we create



Collaboration saves lives

Each week, healthcare providers share more than 47 million medical images with Sectra's image sharing services. One example of how customers cooperate around images to save patients' lives is the collaboration between physicians in Umeå, Sweden and Vaasa, Finland. Using our services, images are shared for rapid assessment of whether a stroke is treatable, which in such cases means that the patient is immediately transferred to a trauma center by air ambulance.

A complete patient overview leads to better quality of care

We help healthcare providers manage all types of medical images through the same solution. Healthcare teams are provided with a complete patient overview by integrating our medical imaging IT system with other healthcare information systems. With the support of Sectra's solutions, users are able to make faster and more accurate diagnoses, which leads to better patient care.



Digitization for equitable care and remote diagnoses

We help pathologists transition to technology that makes it possible to review tissue samples digitally. This reduces the variance between reviews, and makes it easier to share resources and expertise and reap the benefits of innovative technology such as AI. For patients, digitization leads to a lower risk of receiving the wrong treatment, shorter wait times and more equitable care.



» Read more about these and other examples that show how we help our customers:
medical.sectra.com/customerstories and communications.sectra.com/customerstories

Working remotely without increased risk exposure

With our products and services for secure mobile communication, we help defense organizations, ministries of foreign affairs, civil authorities and companies manage sensitive information while working remotely. Our products and services provide the same high level of security as when work is performed from the office. This was especially important during the COVID-19 pandemic since many of our customers were forced to change their way of working.



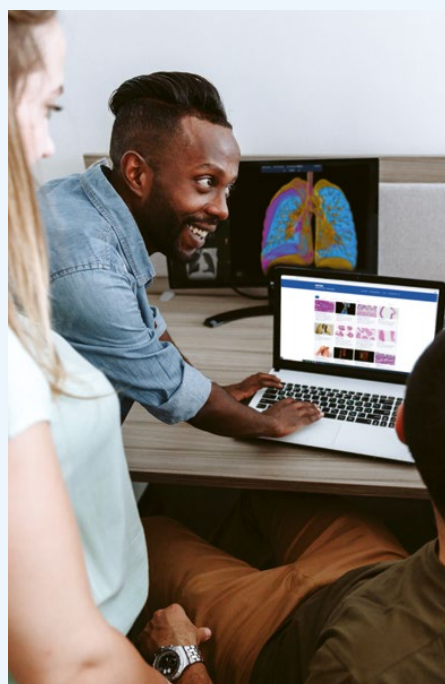
Reduced risk of disruptions and interruptions in critical social functions

Our analysis services and data traffic monitoring help customers reduce vulnerabilities in different energy grids. The total length of the energy grids we monitor is equal to 1.2 times that of the Earth's circumference.

Avoiding unnecessary suffering for patients

With an image-based analysis service, we help orthopaedic surgeons and radiologists determine if the patients who suffer from pain following joint replacement surgery have a loose implant and are therefore in need of revision surgery. This contributes to patients receiving the best possible treatment at an earlier stage.

Approximately 10–15% of all hip and knee surgeries performed in Sweden are revision surgery.¹ Since these procedures are expensive, significant costs can be saved if unnecessary surgery can be avoided. The greatest gain is ultimately the reduced suffering for patients given that revision surgery is associated with risks.



Students who are better prepared for professional life in healthcare

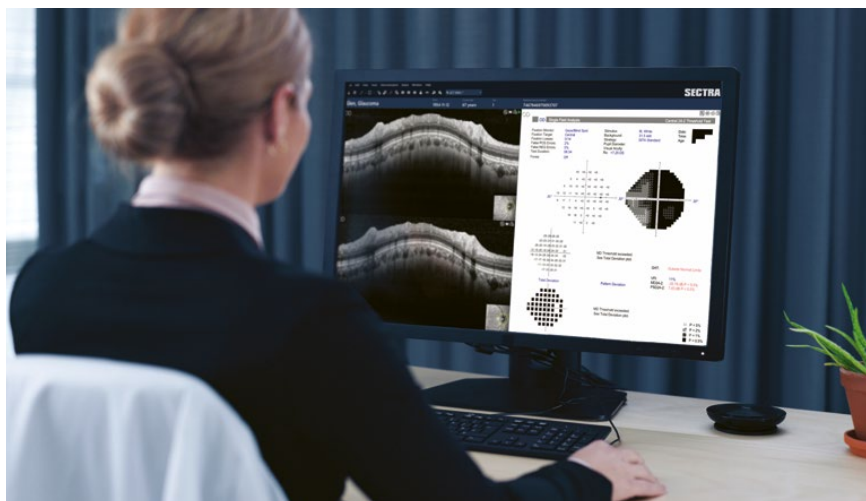
Our cloud-based service for medical education works as a bridge between theory and practice. It helps students interact with medical images in a realistic way, which creates a deeper insight into anatomy as well as functions and processes in the body.

The year in brief

Imaging IT Solutions

- Awards for highest customer satisfaction in the US, Canada and Asia/Oceania.
- Increased sales in markets where Sectra already commands a strong position, and several major customer projects have been delivered around the world.
- Growing customer base in the US.
- Most new customers choose Sectra One, the new subscription model for Sectra's enterprise imaging solution.
- Major deliveries of cloud-based solutions in key markets.
- Sectra helps reputable healthcare providers to introduce digital pathology.
- Customer offerings in medical imaging IT expanded to include a module for ophthalmology.

Read more on pages 30–36.



Business Innovation

- Sectra awarded Annual Spine Technology Award for innovative orthopaedic technology.
- The number of subscribers to Sectra's cloud service for medical education is growing.
- Research results demonstrate clinical benefit of AI.

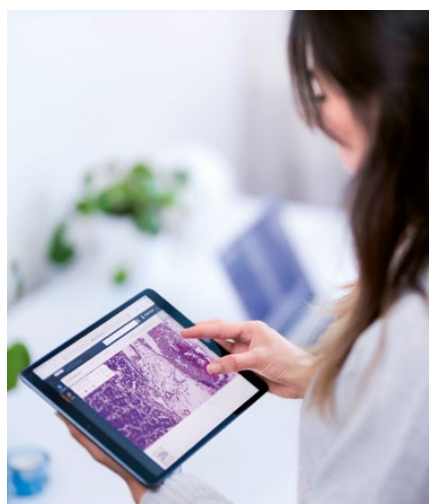
Read more on pages 37–40.



Secure Communications

- Framework agreement renewed with the Dutch Ministry of Defense.
- The Norwegian Defense Forces expands its use of the Sectra Tiger mobile encryption system.
- The pandemic had a significant impact on the financial results, with a certain improvement noted in the final quarter.
- Orders from the Swedish Defence Materiel Administration (FMV) and the Dutch Ministry of Defense.

Read more on pages 43–47.

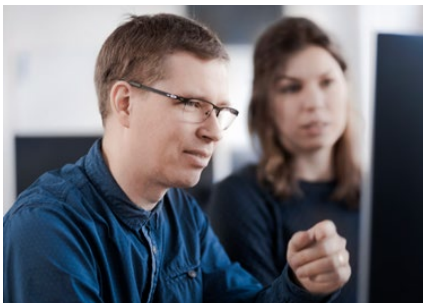
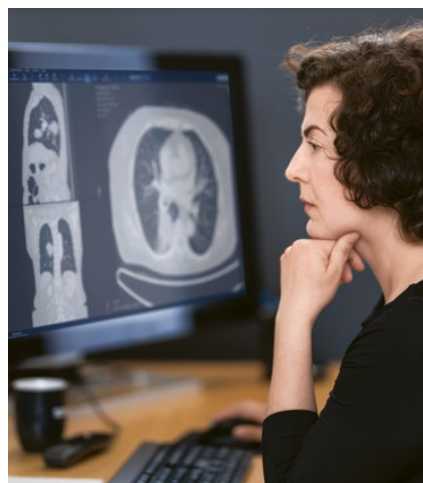


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Business model, goals and strategies

- Our ability to make our customers successful, which is one of our fundamental strategies, enables us to grow.
- Internal and external measurements show that Sectra is an equal opportunity workplace with satisfied employees and a strong culture.
- All of the financial goals have been achieved.

Read more on pages 13–25.



Specific uncertainties

- The invasion of Ukraine and the sanctions imposed have had a minimal direct effect on Sectra's operations. We have very limited activity in Russia, Belarus and Ukraine.
- COVID-19 and the security situation in Europe are contributing to greater uncertainty than normal.
- With a strong financial position, positive cash flows and a significant share of recurring revenue, we are well-equipped to manage these risks.

Read more on page 82.

Financial key figures

1,949

Net sales
SEK million

383

Operating profit
SEK million

2,320

Order bookings
SEK million

3.20

Cash flow per share
SEK

1.63

Earnings per share
SEK

1.00

Redemption price/dividend
per share, SEK

Refer to the **five-year summary** on page 50 for additional performance measures and the **proposed share redemption program** on page 69.



Recurring revenue, SEK 1,081 million



CEO letter

"A company's success stems from happy customers. However, you don't become the best at customer satisfaction without putting in the effort. A great deal of work has gone into Sectra's success."

Torbjörn Kronander, President and CEO

Satisfied customers are what drives us forward

As we look back at 2021/2022, I'm pleased to say it was a year to be proud of. It was an intense year that, despite the lingering pandemic, saw more, and larger, customer projects than ever before. I am grateful for what our employees have accomplished together with our customers. For our empathy, creativity and drive, which enable us to deliver maximum customer value, even under difficult circumstances.

Some of the things that stand out for me looking back over the year are:

- We were once again recognized by the analyst company KLAS for having the highest customer satisfaction in large hospitals in the US as well as in several other categories.
- Feedback from customers who have begun to use Sectra's newly developed module for ophthalmology highlighted our commitment, knowledge and customer-centric attitude.
- The instability in Europe is a reminder of the importance of the work we do in secure communication. It shows how vital it is to be able to protect information and operating systems that are essential to the security of critical social functions.
- Seeing one another more at the office again facilitates cross-team collaboration, our culture and onboarding. Personally, I also feel it makes the workday much more fun.
- Meeting some hundred new colleagues during rookie courses, which are once again being conducted on site in Linköping, Sweden. I still interview everyone, and these training sessions remind me of the importance of careful recruitment.
- Sectra's financial stability and markets make us well equipped to handle times of uncertainty.

Of course, many other things, big and small, also occurred during the year, which you can read more about in the other sections of this annual report.

Customer satisfaction is Sectra's contribution to increased sustainability
Our customers are incredibly important for functioning societies. What we are

achieving together with our customers is benefiting many tens of millions of patients around the world, improving medical education, and helping society's critical functions with cybersecurity. The best way that we can grow is to continue to satisfy customers who purchase more from us and then recommend Sectra to those who are not yet our customers.

Growing at a rapid pace while maintaining a high level of quality is challenging. It is therefore important to balance growth with the ability to retain a high level of quality in terms of both products as well as delivery and support. We are a relatively small company with our head office in Sweden, yet we have the most satisfied customers in the US, Canada and Australia. This is something we are very proud of and it is creating growth opportunities. However, we can never afford to sit back and relax. This trust must be earned every day.

Consolidation and growing volumes of medical images

Images play a key role in healthcare when it comes to diagnostics and providing customers with good care. We can see this in the increase of the number of images shared using Sectra's solutions. In the UK, we have the world's largest network for image sharing, an operation that has been further developed since it was acquired ten years ago. Millions of medical images are shared between healthcare providers in the network each week instead of taking unnecessary radiology images or sending CDs by courier. The system has proven to be of particular importance during the pandemic as many patients have been examined in alternative locations. An additional example is the number of unique users of our Sectra UniView solution. We have passed the milestone of half a million users of the product, which is mainly used by healthcare personnel in consultation with patients to make treatment decisions based on radiology results.

Healthcare is facing major challenges including an exceptionally large number of examinations that need to be completed and evaluated following a pandemic-

related backlog. Extensive healthcare consolidation is also taking place in many countries. Mergers or acquisitions of healthcare providers are leading to an increased need for efficient scaling of IT systems as volumes increase or decrease, which is something we are good at. Our systems are able to scale up from single workstations to consolidated systems that serve entire countries.

Demographics and the increased proportion of elderly people in society are leading to constantly increasing healthcare requirements. This, in turn, imposes major demands on improved efficiency so that society can manage the costs involved. Our mission is to assist with this increased efficiency. We are to support customers in providing high-quality healthcare in a cost-efficient manner. Our product strategy is based on scalable solutions with a particular focus on diagnostics of diseases that mainly affect elderly people, particularly cancer and musculoskeletal diseases. Many IT managers grapple with reducing the number of separate IT systems so that IT personnel can focus more on operational improvement projects instead of maintaining a number of different systems and servers. The advantage of Sectra's solution is that it handles all kinds of medical images in a single system, something we are still the only company to offer.

The value of cybersecurity

Although Sectra's operations predominantly focus on medical IT, cybersecurity accounts for about 10% of sales. Cybersecurity is one of the IT world's most rapidly growing areas. The uncertain geopolitical situation and war in Europe are placing greater demands on communication and driving the need for investments in high assurance products, crypto development and cybersecurity. The crypto products we offer protect networks, workplaces and mobile telephony within the EU and NATO.

Data security is the origin of the company's formation and provided us with our name, SECure TRANsmission. At times, it has been questioned whether



Performing well financially enables innovation and fuels the investments needed to keep providing value to our customers and shareholders.

Torbjörn Kronander

conducting these operations in parallel was a good idea, but the value of this combination has increased in the past few years. Cyberthreats are on the rise in society, and healthcare is a prime target for attacks. As such, there are major advantages to having security expertise to protect information on both a national level and an EU and NATO level. The experience of creating secure systems is also beneficial for our medical IT systems, and possessing this in-house knowledge is a competitive advantage today. We are one of the most trusted companies in the medical IT sector. While it may be impossible to build an entirely secure system, our system is one of the most secure.

Transition to cloud-based services

We currently find ourselves in the middle of a shift to delivering our products as services. This is one of the largest transitions Sectra has ever faced and is expected to continue for many years. Another related change currently under way is the transition to cloud deliveries. Instead of installing our solutions on the customer's hardware, deliveries are made from central server systems where many customers share the same resources "in the cloud". These two things often go hand in hand, but not always. Demand is growing rapidly, and nearly 10% of revenue during the fiscal year pertained to cloud-based services. We expect that in the not too distant future the majority of customers that purchase our medical IT solutions will choose cloud-based services. However, it will take a long time for all of our existing healthcare customers to transition to this new model. This transition will ultimately result in more stable and long-term business than traditional license sales, but sales growth will be weaker in the short term.

The transition will entail changes to our organization, product development and processes as well as how we package and sell our offerings. To increase transparency regarding the transition, we have decided to report a new performance measure for recurring revenue from cloud-based services, Cloud Recurring Revenue.

For more information about the future changes to Sectra's financial statements for 2022/2023, refer to page 69.

Stable financial position and financial goals achieved

Performing well financially enables innovation and fuels the investments needed to keep providing value to our customers and shareholders. We posted our highest sales to date, growth in recurring revenue and increased profit compared with the comparative year. We are also working on initiatives and innovation projects that will create additional customer value and growth going forward. All of the Group's financial goals have been achieved. Both Imaging IT Solutions and Business Innovation reported growth in revenue and operating profit. Secure Communications, which was hit hard by the pandemic, improved its outcome during the final quarter of the fiscal year. We also recruited a new President of Secure Communications, Magnus Skogberg, who will take over the reins in August 2022.

Order bookings, which were at the second best level on record, were in line with our expectations. We are experiencing continued healthy demand, with several comprehensive procurements ongoing in Secure Communications and Imaging IT Solutions. Variations in order volumes and financial outcomes between quarters are not unusual in our market niches. With the transition to selling a larger share of products and software as a service, these variations are expected to gradually decline.

Growth strategy—satisfied customers and happy employees

In an interview last autumn, I was asked about our strategy for growth and for beating our major competitors. I told them about what Judy Faulkner, founder of the US company Epic, once told me. She said that the way to become big in the US as a small company is not to go the financial route of buying growth and making a quick exit, but to have more happy customers than the competition and to be persistent. Growing while maintaining a high level of

quality and satisfied customers resonates well with our fundamental strategies.

Competitive advantages based on product innovation are relatively short lived. If a vendor introduces a new feature, the competition will soon include the same feature in their products. But if your customers are fundamentally happy with how you act and work and the culture of your company and, most importantly, if you have better and more skilled employees than your competitors, this is incredibly difficult to copy.

We cannot create happy customers without happy employees. The only way to sustain a high level of customer satisfaction is to have employees who are motivated and who will do what is best for customers, not because they are told to, but because they want to. Corporate culture is an extremely important factor.


Outlook

The Group's possibilities for growth are favorable in all operating areas. Our recipe for success is customer satisfaction, which in turn requires happy employees, in that order. Add to this a clear focus on markets that must grow due to underlying societal factors, reasonable cost control, a clear vision of where we are headed and the perseverance to stay the course and we can see that Sectra's development over the years is a testament to what a strong combination this is.

We have many strategies for achieving our goals but they can be summarized as follows: treat our customers how we would like to be treated ourselves. Do unto others as you would have them to do unto you—the golden rule that we see, in various forms, in essentially all societies and religions. Living and acting according to the golden rule leads to successful teamwork and successful business, plus it makes work more fun and more satisfying for our employees.

Linköping, July 2022

Torbjörn Kronander
President and CEO of Sectra AB

A photograph of three people in a meeting. A woman with long red hair is in the foreground, seen from the back, holding a pen and looking at a whiteboard. A woman with long blonde hair is in the center, smiling and looking towards the man. A man with a beard and short brown hair is on the right, looking towards the woman. They are in a bright room with large windows in the background.

Sectra's approach to creating value

A strong corporate culture is the foundation for how we create value for our customers, our employees, society at large and thereby our shareholders. The Sectra culture revolves around customer needs and a long-term approach to everything we do. On the following pages, you can read about our goals and priorities for sustainable business development.

A strong corporate culture is the foundation for our value creation

Corporate culture and values

Our strong corporate culture revolves around customer needs as well as a long-term approach to everything we do. It lays the foundation for how we create value.

Mission statements

Medical IT

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

Cybersecurity

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

Operating areas

Imaging IT
Solutions

Business
Innovation

Secure
Communications

Vision

To contribute to a healthier and safer society.

Goals

At Sectra, we are determined to create significant value for our customers. They should be so satisfied with their experience that they remain with Sectra for a long time and preferably expand their use of our solutions. To succeed in this, we need satisfied and motivated employees. Motivation and well-being help employees to develop new, creative solutions that can further increase value for our customers. Value that is then passed on to us through the payment we receive for our products and services.

Our success is monitored through our Group-wide financial goals and operational targets pertaining to these areas:

- customers
- employees, corporate culture and processes
- innovation and new business
- financial outcome

In addition, there are also business-specific goals that are followed up in each operating area and business unit. This ensures that our operations create value and contribute to sustainable business development.

Read more on page 24.

Group-wide strategies for sustainable business development

Customer value is the top priority

Customers and customer satisfaction are always assigned top priority to enable long-term growth. Close relationships with demanding customers ensure that Sectra's solutions meet market demands for quality, functionality and usability.

Read more on page 16.

A motivating corporate culture

A corporate culture that motivates and inspires the company's employees to solve customer problems and constantly drive improvement. All so we can meet—and in many cases exceed—customer expectations.

Read more on page 18.

Constant innovation

Close cooperation with customers, universities and industrial partners in order to identify needs and ideas, combined with a corporate culture where management encourages the employees to test out new ideas and projects.

Read more on page 22.

Geographic expansion

International expansion mainly in areas and regions where Sectra holds an established position. This expansion will primarily be achieved through organic growth, in certain cases supplemented by acquisitions that strengthen the Group's organic growth.

Read more on page 23.

Examples of the value we create for our stakeholders

>240

Total number of patients, in millions, whose diagnostic imaging information is stored in Sectra's systems

2021/2022

286

Purchases of goods for resale from suppliers, SEK million

934

Salaries and other remuneration to employees, SEK million

Customers

- More efficient diagnostics, choice of therapies for treatment and follow-up for these treatments.
- Increased productivity, high quality and security in the healthcare sector, particularly in the use and management of medical images.
- Easier planning and monitoring of orthopaedic procedures.
- Medical and anatomy students who are better prepared for working life.
- Protection against eavesdropping, unauthorized data access and cyberattacks.

Patients

- Faster diagnosis and treatment, especially in areas related to illnesses among the elderly.
- More reliable diagnoses yield better care outcomes.
- Increased access to specialists, regardless of where care is sought.
- Increased security regarding patient data.

Society and citizens

- Increased efficiency and quality in medical diagnostic imaging and patient care.
- Increased cybersecurity in critical social functions.
- Job opportunities and tax payments in the countries where we operate.
- Innovations and research results that could contribute to a healthier and safer society.

Distribution partners and suppliers

- Opportunity to promote better patient care and increased cybersecurity by partnering with Sectra.
- Expanded business opportunities.
- Revenue and job opportunities.

Employees

- Possibilities for making society healthier and safer.
- Meaningful employment at an equal-opportunity workplace with highly engaged and competent colleagues.
- Different career paths and personal development.
- Competitive employment terms and benefits.
- Safe and healthy work environment.

Shareholders

- Return generated by the increased social benefit Sectra creates.
- Initiatives and investments in niche markets, growth areas and innovation that could contribute to returns over a long period.

Sectra's management system includes a process for reviewing stakeholders that can be expected to have some level of demands on the company. Read more in the [Sustainability Report](#) on page 70.

How we contribute to the UN Sustainable Development Goals

Our work helps our customers contribute to a more sustainable society.



UN Goal 3—Good Health and Well-being

The focus in Sectra's medical operations is on good health and well-being for patients and for society as a whole. Cancer diseases, osteoarthritis and orthopaedic surgery represent some of the most costly and resource-intensive areas in the healthcare sector. Our solutions facilitate and optimize diagnosis, planning and follow-up of patients in these areas.



UN Goal 9—Industry, Innovation and Infrastructure

Within the critical infrastructure product segment, Sectra helps society to secure, for example, water and electricity supply and to protect these against different types of threats. Within the field of medical technology, we help healthcare providers become more efficient in medical imaging by providing infrastructure, products and services for image sharing within and between different healthcare providers.



UN Goal 16—Peace, Justice and Strong Institutions

Within the secure communications product segment, Sectra helps politicians, authorities and the defense forces to ensure a functioning government. We also actively work to combat corruption and bribery and to comply with all laws and regulations in the areas where the company operates.

Our strong customer focus builds trust

Sectra is an established brand in niche markets where trust is a vital success factor. Building this trust—like developing solutions that provide real value for our customers—requires that we understand and care for customers.

Prioritized activities

- Hiring and retaining the right personnel.
- Leading through a customer-oriented corporate culture.
- Measuring and following up customer satisfaction.
- Involving customers in product and business development.
- Building each employee's understanding of our customers.



What makes us stand out—our employees

Sectra's solutions are recognized for their stability and usability. But according to our customers, what truly sets Sectra apart from its competitors is its employees—a group of highly skilled individuals who are more than happy to share their experiences and are prepared to go the extra mile to solve customers' problems. The Sectra spirit is built on our customer-oriented corporate culture.

Customer satisfaction is top priority

A high degree of customer satisfaction is central to Sectra's identity as a company, and the impetus to create value for our customers unites us. Satisfied customers are also an effective sales and marketing strategy, since this is the ultimate proof that we have quality solutions that create value in our customers' operations and are delivered by excellent staff. We are convinced that if we prioritize customer

satisfaction, we will also have satisfied employees. With satisfied customers and employees, Sectra will continue to be successful—which will also satisfy our owners. Moreover, a high degree of customer satisfaction means going to work is more enjoyable and attracting new employees is easier.

Close partnerships with demanding customers

Some of the most important parts of Sectra's values and how we act are built on thorough knowledge of our users' day-to-day activities. We always strive to be there for our customers. Developing products that create real value and solve relevant problems requires our employees to understand our customers' day-to-day operations. Working closely with our customers is therefore a part of many of our processes. For example, we partner closely with customers and research institutions on our long-term product development.

All employees, regardless of role, also conduct several customer visits every year to keep their understanding of the daily operations of our customers up to date. This culture helps motivate and engage our employees to truly understand and solve the customer's problems and create value for them. It also empowers them to turn down offers from potential clients whose challenges we are not equipped to address.

“The knowledge to meet expectations. The passion to exceed them.”

Having the right employees and a strong corporate culture creates customer value



Having a strong drive to always meet or exceed customer expectations.



Collaborating with demanding customers and competent end users to create solid solutions.



Continuously improving and innovating in high-tech fields.



Taking initiative and assuming responsibility—act and act smart.



Offering solutions that benefit both individuals and society.



Spreading job satisfaction and joy.



Showing tolerance and respect for each other as individuals and friends.



An engaging corporate culture

Sectra has over 1,000 employees in 14 countries. Both in-house and third-party surveys show that Sectra is a workplace where employees are satisfied and feel that they are doing important things and have the opportunity to develop as individuals. This environment is something we nurture every day, enabling our employees to create value for our customers.

Prioritized activities

- Hire for attitude and ability. Train for skill.
- Guide decisions and conduct using a strong corporate culture.
- Create an environment where everyone, especially those working most closely with our customers, has the possibility of affecting the company's decisions and driving change.
- Create conditions for employees to continuously develop.



Attitude, ability and willingness to learn

Our customers expect to meet especially driven staff who want to understand and help them. That is why we recruit new employees based on the candidates' attitude and characteristics, and on whether they fit in with the Sectra culture. In addition, we look for individuals who are willing and able to continually learn new things. We operate in a rapidly changing world where today's knowledge could be of limited value tomorrow. That is why the ability to re-learn and develop is important to us.

In 2021/2022, Sectra increased its staff by 116 employees. All new employees were interviewed by, in addition to their immediate supervisor and colleagues, the CEO of the Group. This rigorous employment process reflects how important we consider recruiting the right people for the company to be.

Sectra recruits a large portion of its staff immediately from university, and working closely with selected universities around

the world is an important part of our strategy. During the fiscal year, pandemic restrictions were eased, allowing us once again to build relationships with young talent. Programs such as master thesis projects, second jobs and summer internships are important for attracting and selecting future employees.

An engaging corporate culture

Sectra's culture is our way of ensuring that we meet our customers' expectations. It guides our conduct, governs our priorities and creates shared values that bind us together.

We work strategically and proactively to maintain and develop this corporate culture. We focus on leadership and communication as well as the recruitment, training and evaluation of managers and employees. For many years, we have conducted "rookie training" for new employees. Over three days, we provide them with insight into what Sectra stands for, how we create value for our customers and how

each individual contributes to creating that value. We also have similar training for managers, where the focus is on customer value, culture and conduct. During the fiscal year, we were able to hold these training courses again after they were put on hold temporarily by the pandemic.

Among Sweden's best employers

Attracting talent is important for Sectra's growth. That is why we focus on being a workplace where employees can thrive, develop and have the preconditions to create value for our customers. We monitor how well we succeed at this in annual internal surveys. In 2021/2022, Sectra placed fourth in Universum's "Sweden's best employers" survey, which further confirms our success.

Equal-opportunity workplace

At Sectra, everyone should be treated with equal respect, curiosity and attention regardless of how long they have been employed, the role they have, and how old



“

One important reason that our customers choose Sectra is our personnel. Dedicated employees who feel like they're doing something important every day—something that can affect the care of millions of patients. Nurturing this motivation is the most important thing I do.

Marie Ekström Trägårdh, President of the Imaging IT Solutions operating area and Executive Vice President of Sectra AB

or what gender they are. We are deeply convinced that everyone working at Sectra is employed because they have an ability to create value for our customers. This ability is what we value and focus on. Equal opportunity is one of the key performance measures followed up annually (refer to page 76).

Managers who challenge employees to be the best they can

The foremost task of managers at Sectra is to make it possible for our employees to meet customer expectations for both expertise and attitude, thereby delivering value. The foundation is an understanding of and a focus on customers in every decision we make. Our employees have a strong influence on the company, and a mandate to make intelligent decisions on their own.

Managers should lead and act in accordance with our culture, creating clarity by providing feedback and communicating goals as well as expectations and priorities.

We teach Sectra's leadership philosophy through various development programs for managers.

Possibilities for continued growth

Ensuring that our employees develop on a personal level as well as in terms of their expertise is important for employee job satisfaction and for our customers. This is why Sectra University, our educational organization, provides opportunities for in-house and external continuing education for Sectra employees and the staff of our partners. It also provides efficient onboarding in conjunction with a change of role or new employment.

Employees are encouraged to grow and develop as individuals in various ways. For example, we encourage and support job rotation among departments, roles and national organizations. This spreads the company's combined expertise and promotes collaboration within the Group. We also provide various career alternatives. In addition to managerial roles,

employees who have expert knowledge in a specific area can be promoted to senior roles without staff responsibilities or can be recommended for Sectra's annual seniority program. Each year, employees who are regarded as truly embodying Sectra's culture, who have a desire to work hard when needed and who possess extraordinary expertise in a particular area can be nominated by their colleagues and be appointed as seniors or fellows. In addition to the sense of honor and gratification that comes from being appointed, these employees receive expanded benefits and increased freedom to govern their work on their own.

For further information about professional development and leadership programs, refer to page 74.

Sectra welcomes future employees

At Sectra, our success largely rests on our motivated employees who have a strong drive to help our customers. The satisfaction and well-being of our employees is also essential for our success. Actively supporting the possibility of combining parenthood and work is an important area for Sectra. Here are some of the new additions that our employees brought into the world during the fiscal year.



Amelia Aviles Hellström
February 18, 2022
Jesper Hellström
Software Engineer
Sweden



Ava Lia
March 25, 2022
Nima Dehkalani
Application Specialist
Germany



Carice Ivy Klein
October 15, 2021
Bjorn Klein
Finance Assistant
The Netherlands



Daniel Bell
November 15, 2021
Jonathan Bell
Infrastructure Consultant
UK



Ellie Mörlin
January 16, 2022
Linnéa Roivas
Sales & Marketing
System Manager
Sweden



Elton Dahlberg
September 15, 2021
Tobias Dahlberg
Software Engineer
Sweden



Gustav Rålund

January 5, 2022
Markus Rålund
Global Business Lead
Sweden



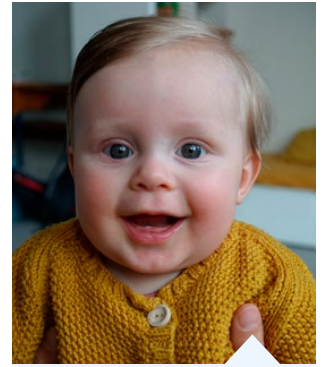
Ivar Häger

June 16, 2021
Simon Häger, Head of Strategic
Analysis, and Elin Häger,
Technical Project Manager
Sweden



Leo Hadarzon

December 1, 2021
Nadja Mohsén
Deployment Manager
Sweden



Maya Besselink

September 23, 2021
Nick Besselink
Global Research
Liaison Manager
The Netherlands



Noelle Warvne

December 25, 2021
Sofia Häger
Project Manager
Sweden



Olivia & Vasco Dias-Carvalho

November 5, 2021
Dulce Dias, Applications
Specialist, and Guilherme
Carvalho, Sales & Contracts
Manager, UK



Patrick Vahan Churcher

March 10, 2022
Tyson Churcher,
Service Engineer
Australia



Philippa Nurthen

May 4, 2021
Robert Nurthen
Applications Specialist
Australia



Saga Torberntsson

July 10, 2021
Kim Torberntsson
Software Engineer
Sweden



Siana Mae Soltani

February 8, 2022
Nader Soltani
President Sectra Canada
Canada



Unni Bengtz

July 10, 2021
Gustaf Bengtz
Software Developer
Sweden



Valdemar Olsson

April 2, 2022
Chahrazed Olsson
Application Specialist
Sweden

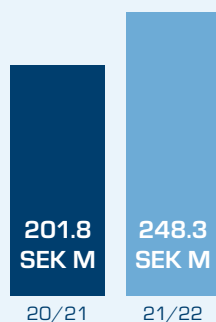
Innovation

for sustainable growth

We want customers to know that Sectra is a future-proof choice that can help them meet the challenges of today as well as tomorrow. Our strategy for innovation is based on allowing customers' needs, combined with Sectra's knowledge of trends and technology, to influence progress and renewal in our customer offering.

Prioritized activities

- Constantly seeking improvement and innovation in our value creation, guided by our corporate culture.
- Conducting research projects in close cooperation with customers, research centers and other parties.
- Pursuing agile development processes in close cooperation with customers.
- Conducting focused projects in a number of future areas such as quantum computing, AI and precision medicine.



The Group's R&D costs

26

patent families in the Group

10–15%

of consolidated sales are invested in R&D every year

Customer-centric product development

We continuously invest in new and ongoing development of products and services. Development takes place in close dialogue with customers to ensure that we deliver solutions that make a real difference in our customers' daily operations. During the fiscal year, for example, we developed our platform for integrating external AI applications into customers' Sectra solutions, functions to improve workflows and functions to help manage the growing workload within radiology. You can read more about various development projects within the Group in the sections for each operating area.

Research to meet future needs

Through research, we help push the boundaries beyond what customers are focusing on today. Our research team develops knowledge, methods and prototypes that pave the way for product development. Many of our innovation projects are conducted together with universities,

hospitals and strategic partners around the world. For example, we participate in projects to accelerate the development of AI-based diagnostic methods. Read more about our research on page 40.

You can find examples of our research partners and scientific publications in medical technology at medical.sectra.com/research

Development in every part of the business

We want to deliver as much value as possible to our customers. That is why we engage in a close dialogue with our customers to continuously evaluate and develop how we interact with our customers, how we provide services and how we package our solutions. During the year, we modernized and digitized our accounting system, order management and data analysis. We also continued to develop how our personnel and customers access training and product-related documentation.

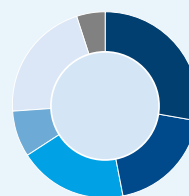
Multinational presence

Sectra believes that it is better to be big in a few countries than to be small in many. Our ambition is to be the largest or second largest supplier in selected segments, in the countries where we conduct our own sales.

Prioritized activities

- Continue to grow and become the leader in the segments and regions where the company conducts its own sales. Special efforts are ongoing in the US, where Sectra has the highest levels of customer satisfaction as well as significant growth potential.
- Implement controlled growth initiatives, carried out by the Group itself and through partners, in a small number of carefully selected markets. France and Canada are the latest countries in which Sectra has established subsidiaries. In both countries, we have gained important reference customers, which will be of great value for our future development in these markets.
- Establish operations in additional countries, and sign agreements with new distribution partners in selected segments and markets.

Sales per market 2021/2022



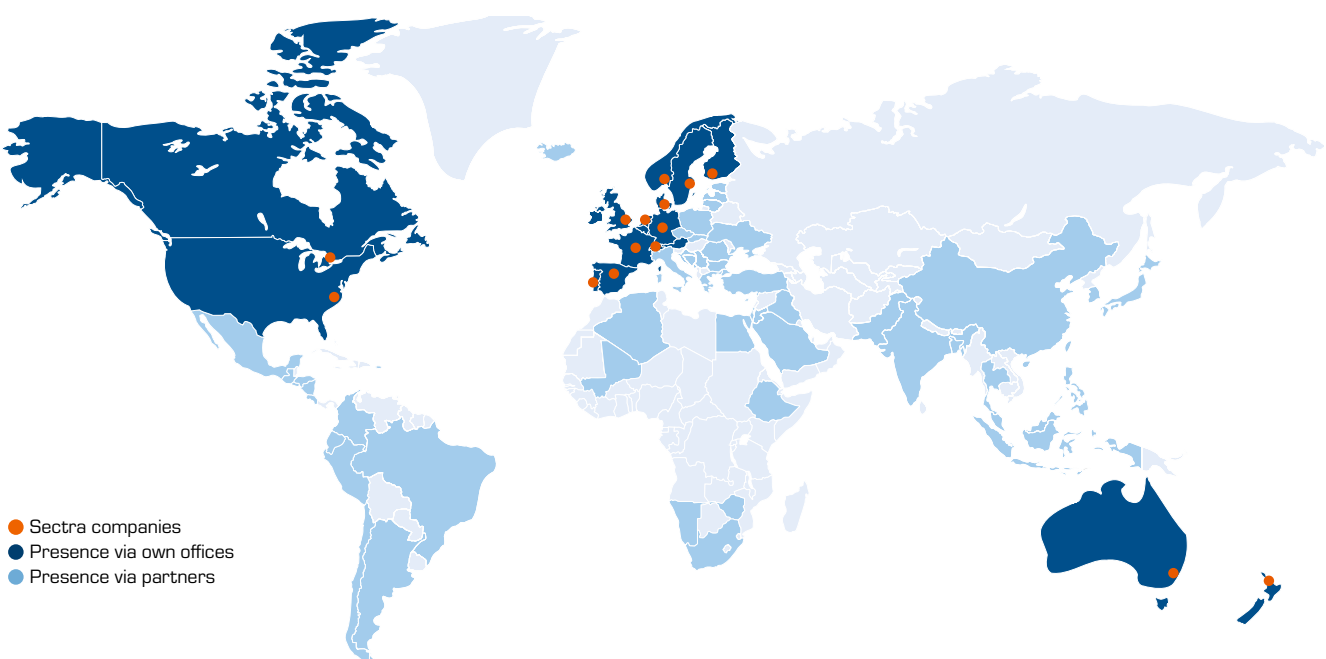
| | Share | SEK M |
|----------------|-------|-------|
| US | 28% | 547 |
| Sweden | 19% | 379 |
| UK | 19% | 371 |
| Netherlands | 8% | 150 |
| Rest of Europe | 21% | 402 |
| Rest of World | 5% | 100 |

19

countries with direct sales

Some
50

partners



- Sectra companies
- Presence via own offices
- Presence via partners

Group-wide goals

Customers are Sectra's top priority. We create profitable growth by having satisfied customers and dedicated employees, which ultimately benefits our owners.

Operational targets

Sectra's overall goal is to create significant value for the company's customers. Since our customers are incredibly important for functioning societies, this is also our most important sustainability target.



Customers

The advantages and value we create for customers lay the foundation for Sectra's long-term, sustainable success. High levels of customer satisfaction are the ultimate proof that we deliver value and that Sectra's services and products markedly improve customers' operations.

Our progress toward the goal is measured on an ongoing basis through internal customer satisfaction surveys based on the Net Promoter Score (NPS) methodology and through leading external evaluations in each area, such as KLAS for our medical IT systems.



Corporate culture, employees and processes

Our employees—and the corporate culture that shapes their conduct and decision-making—are our main competitive advantage. We therefore aim to ensure we have satisfied employees who perceive Sectra as an equal-opportunity workplace without bullying or harassment. We want our employees to feel that our corporate culture motivates and inspires them. This is also crucial to our ability to recruit and retain the right personnel.

We follow up our progress toward achieving these goals with a number of result indicators (see below), which are based on answers from an annual employee survey. To ensure we have the right process and that we can grow in an efficient manner, we also monitor our operating profit in relation to payroll expenses over time.

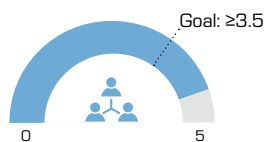


Innovation and new business

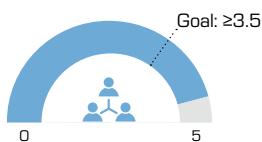
Sectra aims to be a future-proof partner for our customers. Innovation and continuous development are therefore important. This target can be summarized in a quote ascribed to hockey great Wayne Gretzky: "Skate to where the puck is going to be." In other words, we must ensure that Sectra is well-positioned to meet future customer needs.

How well we meet this target is monitored through our annual employee survey.

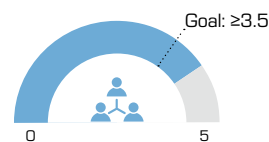
Selection of result indicators 2021/2022



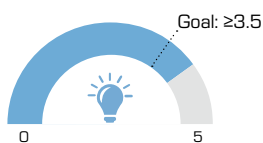
Corporate culture index—weighs together the answers to questions about Sectra's corporate culture.



Equal treatment—the degree to which the employees agree with the statement "Sectra is an equal-opportunity workplace".



Employee "gut feeling"—score for the feeling the employees have when they come to work.



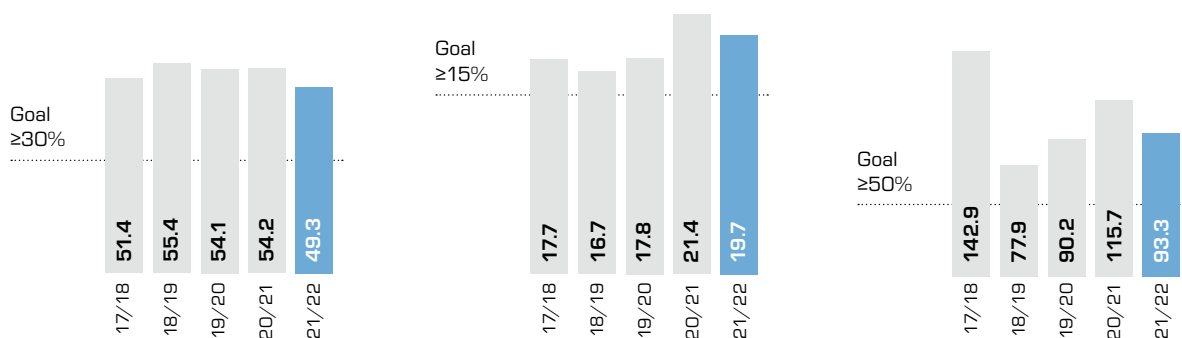
Innovation—the degree to which the employees agree with the statement "Sectra is innovative".



Customer satisfaction—sub-areas that achieve the goal of NPS ≥20.

Financial goals

All Group-wide financial goals exceed the target levels. Stability and profitability are considered hygiene factors. Once these are fulfilled, the focus shifts to our growth goal, and we reinvest our profit in areas that have the potential to increase customer value and thereby contribute to stable and long-term returns for our shareholders.



1. Stability

The equity/assets ratio is to be at least 30%.

A strong financial position provides security for customers and enables investments in products, services and areas that create additional value.

The equity/assets ratio exceeds the strategic goal. Higher total assets as a result of increased contract assets and liabilities as well as large advance payments from customers contributed to a lower equity/assets ratio in 2021/2022.

2. Profitability

The operating margin (EBIT margin) is to be at least 15%.

A healthy operating margin means that the business transactions in which Sectra can provide the most value are given higher priority than devoting resources to areas in which such value is lower. Favorable profitability enables Sectra to implement growth initiatives that generate a strong long-term return for its shareholders.

Profitability exceeds the strategic goal by a comfortable margin. Effects of pandemic restrictions contributed to a temporarily higher operating margin in 2020/2021. During the fiscal year, the restrictions were eased, making it possible to once again visit customers and attend trade fairs, although not to the same extent as before the pandemic. During the year, we also strengthened our delivery capacity and increased our reinvestment in future growth.

3. Growth

Operating profit (EBIT) per share is to grow by at least 50% over a five-year period.

Profit growth is a more relevant goal for the company than higher sales since the proportion of software, services and deliveries via the Internet increases at the expense of hardware deliveries, for example.

The goal is calculated per share in order to include the effects of potential acquisitions paid for with treasury shares and other dilution effects. This places the focus on ensuring that each acquisition results in higher operating profit per share, which is in the best interests of the shareholders.

Profit growth exceeds the strategic goal by a comfortable margin. This is a result of sales growth and Sectra's long-term efforts to boost cost-efficiency and the proportion of higher-margin products.



Imaging IT
Solutions

Business
Innovation

Medical IT

To maintain a high quality of care despite today's population trend, the healthcare sector has to accomplish more with the same or fewer resources. Healthcare for an aging population entails enormous challenges. Medical diagnostic imaging, planning and the monitoring of surgical procedures and training are crucial elements in meeting these challenges.

Trends and needs driving the healthcare market

Trends

Fewer people to care for more

More than one in five people in Europe and North America are currently over the age of 60, a number that continues to rise. Improved living conditions and healthcare are allowing people to live longer lives. At the same time, fewer children are being born and the working age population is decreasing.²

More patients with chronic diseases and considerable need for care

Elderly people primarily suffer from diseases such as cancer, cardiovascular diseases, neurological diseases, diseases of the musculoskeletal system, and loss of sight and hearing. Thus, increased efficiency in diagnosing and monitoring the progression of these diseases is a high priority.

Medical advances

Improved prediction, diagnostics and treatment methods allow more patients to survive their illnesses. This means that more patients are undergoing follow-up examinations, which is contributing to an increased need for diagnostic imaging. Increased use of individually adapted healthcare, known as personalized medicine, is a very important factor that is driving diagnostics faster than therapy. In personalized medicine, treatment is often followed up using diagnostic imaging and, where necessary, is modified during the process.

Digitization

A higher degree of digitization in healthcare enables greater efficiency, increased availability and improved quality of care. At the same time, systems and information are becoming more vulnerable to human error and cybersecurity threats.

Customer challenges and needs

Resource consolidation and collaboration

To accomplish more with the same or fewer resources, cooperation regarding resources and patients needs to increase. This need is intensified by the fact that patients are increasingly being treated by different healthcare providers. This can involve sending images to physicians for remote evaluations, sharing resources within a region or collaborating more closely within and between departments. In order to boost cost efficiency and competitiveness, growing numbers of mergers of healthcare providers are being carried out.

Support for increased diagnostics

Pressure on the healthcare sector is increasing the need to streamline diagnostics. This could take place, for example, through new technology such as AI, new functions or increased user friendliness in tools that are used to review medical images and write responses. New types of modalities are making it possible to use diagnostic imaging at an earlier stage of care and allowing more quantitative assessments during diagnosis and follow-up, which further increases the pressure on diagnostic imaging departments. More high-resolution and multi-dimensional images also substantially increase the amount of data, which poses a challenge when it comes to the storage, distribution and review of images.

Patient integrity and cybersecurity

Improved access to, and presentation of, relevant patient information is a prerequisite for improving the efficiency of care processes, avoiding incorrect treatment and reducing care times. At the same

time, the amount of cybercrime targeting the healthcare sector is on the rise and represents a threat to the lives and integrity of patients. Since the consequences could be serious, healthcare providers have found themselves forced to pay ransom, making cybercrime more lucrative in this sector. The need for increased cybersecurity is driving the transition to more cloud-based solutions in healthcare.

Educating more people more efficiently

In most countries, there is a shortage of qualified healthcare personnel, particularly specialists. At the same time, the use of new technology in diagnostics and treatment is increasing, which demands more frequent professional development. Creating more modern and efficient basic and continuing education programs for physicians, nurses and veterinarians is a top priority for many hospitals and universities.

Lower costs and increase focus on core operations

To reduce the need for in-house expertise in IT and cybersecurity, healthcare providers are choosing to purchase image management as a service, enabling them to benefit from operational and collaborative advantages. This is increasingly taking place in the form of cloud-based services; refer to page 32. Many healthcare providers are also consolidating their IT systems to streamline maintenance and operations, to reduce costs and to create the necessary conditions for collaboration with other medical disciplines.

Medical images are central in the care of patients

Medical images play an important role in illness diagnosis, treatment and follow-up. Sectra's solutions can therefore create considerable value for healthcare, patients and society at large. Efficient diagnostic imaging for illnesses affecting elderly people is highly prioritized in the healthcare sector.

Examples of when medical images are used in the healthcare sector



Diagnosing heart problems



Early detection of cancerous tumors



Assessing tumor aggressiveness and spread



Treatment follow-up



Diagnosis, planning of treatment and monitoring of musculo-skeletal injuries and diseases



Dialogue regarding patients between healthcare departments



Direct dialogue with patients



More in-depth understanding of the body's anatomy and variations in medical and clinical training



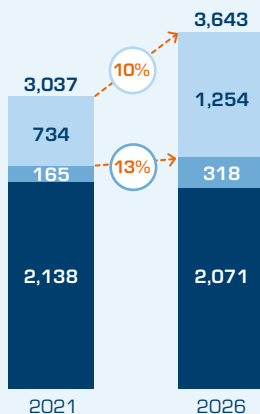
We help the healthcare sector meet the challenges of an aging population

Sectra offers solutions for all diagnostic imaging. Coherent management of all types of medical images provides healthcare teams with a complete patient overview, facilitating quicker and more correct diagnoses. We can thus meet customers' growing needs within areas such as:

- cancer
- cardiovascular diseases
- musculoskeletal diseases
- ear and eye diseases
- neurological diseases.

Market size

The global market for IT systems for radiology and cardiology³, USD million



Medical imaging IT

Existing IT systems for radiology are being replaced with consolidated solutions for image management across entire organizations or regions, known as enterprise imaging. This trend has gained momentum in developed countries where picture archiving and communication systems (PACS) for radiology and cardiology, vendor-neutral archive solutions and electronic medical record systems have achieved a high penetration level. Sectra's enterprise imaging solution also handles medical images in fields such as pathology, ophthalmology and other diagnostic imaging areas.

- Radiology Enterprise
- Cardiology Enterprise
- Radiology Standalone
- Compound Annual Growth Rate 2022-2026

Digital pathology

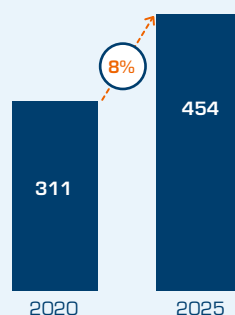
Pathologists are transitioning from microscopes to digital examination of tissue samples, and the market is growing rapidly. Swedish healthcare is a pioneer and has made the most progress worldwide, having digitized primary diagnostics at more than 50% of the country's pathology labs. While Sweden is home to 32 pathology labs, the equivalent figure for the US is over 5,000, which highlights the major growth potential within the area of digital pathology for primary diagnostics. As in other diagnostic imaging areas in healthcare, digitization also provides entirely new possibilities to use innovative technology such as AI and big data to increase quality and efficiency.



Effects of the COVID-19 pandemic

The pandemic has placed additional stress on already strained healthcare budgets. Significant resources have gone to taking care of patients with COVID-19, which has affected other areas of care. Customers have prioritized what was absolutely necessary for the moment, which has led to a temporary decline in demand in certain areas, such as orthopaedics. Planned surgeries were among the first medical procedures to be canceled or postponed. Catching up with postponed care requires increased efficiency and, in the long run, the need for Sectra's medical IT systems will remain significant in all customer segments. Moreover, the need for remote care and education has led to increased demand for solutions that meet these needs.

Global market for orthopaedic IT systems⁴, USD million



Orthopaedics

Hundreds of millions of people suffer from osteoarthritis, a disease that often leads to hip, knee and shoulder joint replacement surgery. The number of patients affected by the disease has doubled over only a few generations.⁵ According to the UN World Health Organization (WHO), the disease is one of the main global healthcare challenges, alongside cancer and stroke.

● Compound Annual Growth Rate 2021-2025

Medical education

>2,500

Educational institutions^{6,7} and hospitals worldwide offer basic and specialist medical training.

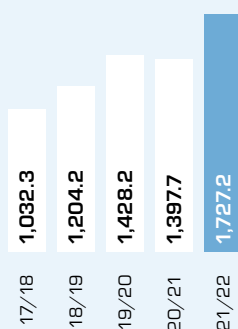


Operating area Imaging IT Solutions

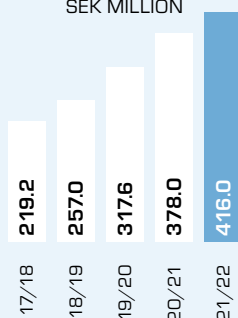
Financial performance

For comments on the company's financial performance, refer to the [Administration Report](#) on page 64.

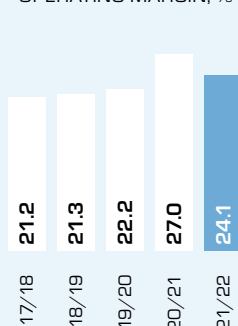
SALES, SEK MILLION



OPERATING PROFIT,
SEK MILLION



OPERATING MARGIN, %



Product and service offering

Sectra Imaging IT Solutions offers medical IT systems and services that help customers care for more patients, while retaining or improving the level of quality. The offering includes:

- IT systems for efficient diagnostics, archiving, presentation and communication of all types of medical images and related patient information.
- Support and upgrade agreements, training and other services connected to the use and implementation of Sectra's solutions.
- Traditional system installations, cloud services or services where Sectra is responsible for the operation of the system.

Employees: 730

Customers

Healthcare providers—normally major hospitals, regions, hospital chains and private clinic chains—that are growing and being consolidated. These customers appreciate our ability to deliver extremely reliable and scalable solutions for medical diagnostic imaging. They also have a need for communication and collaboration between hospitals, which we can meet.

Sales channels and geographic presence

In-house sales organizations in 18 countries and partners in some 30 countries. The largest markets are the Netherlands, Scandinavia, the UK and the US.

Competitors

Among our competitors are Agfa, Change Healthcare, Fujifilm, GE Healthcare, INFINITT Healthcare, Intelrad, Philips/Carestream Health and Vital Images. Our competitors also include local companies such as Mach7 Technologies, Visage Imaging and Visus, and when it comes to image archives, major IT companies such as Hyland Software.



Where we are headed

The long-term ambition of the operating area is to be the leader in making customers' diagnostics more efficient and contribute to proven improved care outcomes for patients. We are also to be a strategic partner in diagnostic imaging with particular focus on cancer diagnostics.

Where we are now

Sectra is one of the world's leading providers of IT systems for managing medical images and patient information related to diagnostic imaging. The operations mainly focus on large diagnostic imaging units, for example, radiology, mammography, pathology and cardiology. Improving the efficiency of diagnostics and follow-up in cancer care is a common thread that runs through our offering. To meet customer demand, long-term growth initiatives are also ongoing in new areas such as AI and ophthalmology. A transition of delivery and payment models is also under way, as is an expansion to more geographic markets.

We have long held a strong position in IT systems for managing radiology images. Within this segment, Sectra has ranked the highest in customer satisfaction for nine consecutive years in the US, three years in Canada and this year also in Asia/Oceania. The fact that we qualified for the distinction in Asia/Oceania for the first time was partly thanks to continued implementation of a joint radiology solution at Australia's largest public healthcare system, NSW Health. KLAS Research is the market research company behind the surveys. The surveys are considered the industry standard for customer satisfaction surveys of IT systems in healthcare. We received one of the highest rankings in Europe and in the digital pathology product category. A focus on high customer satisfaction has resulted in several new prominent healthcare providers choosing Sectra's solutions, and existing customers extending and expanding their use of our products and services.



We have surpassed 2,000 installations of Sectra's IT systems, and our customers include some of the largest healthcare providers in the world. Operations are growing the fastest in the US, where we see a steadily increasing level of trust from several healthcare providers. Lengthy, comprehensive customer contracts promote long-term stability and a high proportion of recurring revenue. Sectra currently commands a market-leading position in the Netherlands, Norway, Portugal and Sweden, and a prominent position in the UK. In some countries, we command such a large market share that our growth potential in certain product segments is limited, although this is not the case in the US, where we have a relatively small market share but very high customer satisfaction. We also have considerable growth potential in the Canadian and French markets, which are newer for us. These

establishments are significant from a long-term growth perspective and we have received several new customers, which has helped to establish our position as a reliable supplier.

Enterprise imaging vendor

Today, customers are increasingly moving from using IT systems for each specialty, such as radiology, to solutions that meet all healthcare imaging needs. Solutions that consolidate all image management are often called enterprise imaging solutions. During procurement, it is normal for customers to evaluate the health system's total imaging requirement, but to purchase and implement systems for an individual department, often starting with radiology. Sectra's scalable solutions manage all types of medical images—radiology, mammography, pathology, orthopaedics, cardiology and ophthalmology—in a single

Customer needs driving the transition to cloud-based services



system. This makes it easy for customers to expand their use of the system as needs and opportunities arise. Our offering also includes services and products for sharing and communicating images, radiation dose registration for patients, and follow-up and analysis of the customer's operations. This means that we can provide a broad portfolio of solutions, which is often requested by customers, thereby creating opportunities for complementary sales to existing customers. As more customers have taken advantage of the opportunity to expand their use to more types of medical images, we have strengthened our position as a total supplier and increased our sales in markets where we have many customers.

Focus on cancer diagnostics

Medical image management in cancer diagnostics is a key part of our strategy. Most users are currently active in the fields of radiology and breast imaging. The use of medical images in other areas such as pathology is growing, partly as a result of more customers implementing digital systems.

In the pathology segment, an increasing number of healthcare providers are transitioning from reviewing tissue samples using microscopes to digital review. Our pathology solution for primary diagnostics is currently used by over 50 laboratories worldwide. In total, our solution has been used to diagnose more than 500,000 cases. With our experience and proven ability to assist healthcare providers in their transition to full-scale digital pathology, Sectra has built a strong brand and a solid position ahead of the market's predicted rapid growth.

Sectra's IT solutions are able to store and display images and information from various diagnostic specialties in a single system, which enables integrated diagnostics. This facilitates collaboration between, for example, pathologists and radiologists, who play a key role in efficient cancer care. To learn more about how Sectra contributes to better cancer diagnostics, refer to page 36.

Multiple AI development projects

AI is an underlying theme in several ongoing projects within our own product development as well as in partnerships. This work is currently concentrated on solutions that can be used in everyday diagnostics, reducing repetitive and time-consuming tasks while improving and streamlining workflows. To provide our customers with faster and easier access to AI-based tools, we offer a cloud-based marketplace: Sectra Amplifier Marketplace. This solution gives customers access to selected external AI applications whose integrations with Sectra's IT solutions have been verified by us. In summer 2021, Sectra Amplifier Marketplace was expanded to include pathology. Sectra is also conducting several research projects within AI (see page 40).

Paradigm shift to cloud-based services

More and more customers are demanding cloud-based services over local installations. The transition involves a new way of working internally and externally. To meet demand while growing with increased

scalability and internal efficiency, Sectra has been preparing for the transition to cloud-based deliveries in recent years. In 2021/2022, a new organization was introduced and a strategic collaboration commenced with Microsoft.

Sectra's offering is on the cutting edge, and several customers in Europe are already using our cloud-based services. For example, most new customers in Sweden during the past few years have chosen this delivery model. The trend of including requirements for a cloud-based service delivery in procurements was particularly clear during 2021/2022 in Benelux, the UK and the US. This delivery model offers cost and security benefits and enables customers to devote greater focus to their core business—delivering efficient and high-quality care. While cloud-based services will ultimately generate cost and operational benefits for Sectra, they initially entail cost increases connected to

investments in hardware, development and organization. All new products that are developed are designed to run efficiently in a cloud environment.

More contracts with the new subscription service

In addition to the shift to cloud-based services, we are seeing a general shift from traditional license sales to delivering our solutions as services. We offer customers a new model, Sectra One, for enterprise imaging subscriptions. Under the model, customers pay a more evenly distributed subscription fee every year instead of paying a higher license fee for software at the start of the contract and a lower rolling service fee. The fee is determined based on the functionality used and the number of different services utilized. Service sales are more stable and long-term than traditional license sales, but will lead to weaker sales growth in the short term.

Since the previous fiscal year, we have offered our IT systems for medical imaging with a subscription as the main alternative in the US, and many of our new US contracts are now subscription-based. In other countries, this is available as an option.

Easy to expand with Sectra One

By choosing Sectra One, customers can more easily expand their use of our enterprise imaging solution. They may, for example, choose to begin using the radiology module and later begin using the pathology module without needing to undergo a comprehensive procurement process. The model provides customers with greater flexibility to expand their use to include additional functionality, more specialties or increased volume to meet the requirements that arise as their businesses grow.

Marie Ekström Trägårdh

President of Imaging IT Solutions and
Executive Vice President of Sectra AB



#1 in customer satisfaction

US (Large & Small), Canada, and Asia/Oceania



Sectra has more than 2,000 installations of medical IT systems worldwide, including several of the world's top-ranked hospitals. High customer satisfaction is an important factor underlying this growing customer base.

The year in brief

New recognitions for the industry's most satisfied customers

For the ninth consecutive year, one of Sectra's medical IT systems, Sectra PACS, topped the most important customer satisfaction survey in the industry—"Best in KLAS." We are ranked the highest in this category in three geographic regions: the US, Canada and Asia/Oceania. With an increased number of customers using Sectra's VNA, we also ranked the highest in the multimedia archive category, but outside the formal ranking because we still have too few customers.

» medical.sectra.com/klas

Growth in the US

New contracts were signed with several major, reputable healthcare providers in the US. For example, the Medical University of South Carolina, which has ordered Sectra One, and UNC Health, which chose Sectra to replace a number of existing systems. Several comprehensive medical diagnostic imaging systems were also delivered to providers such as Atlantic Health System and Dayton Children's Hospital.

Delivery of major region-wide projects

We are also growing in markets where Sectra enjoys a prominent position. In Sweden, a cloud service was deployed

to manage radiology images in Region Västernorrland. We are also delivering major customer projects around the world. In Australia, implementation is continuing of a joint radiology solution at the country's largest public health system and most densely populated region, New South Wales. In the UK, delivery of one of the largest region-wide imaging partnerships in Europe was completed to the Greater Manchester health consortium. Health and Social Care (HSC) in Northern Ireland became the first region in the UK to combine pathology and radiology images in the same medical imaging system.

Product flora expands to include ophthalmology

Eye care is becoming increasingly dependent on different types of image-generating equipment, which has put greater pressure on physicians and created a fragmented IT infrastructure with different systems for different types of images. We can contribute clinical value by offering central storage, viewing and sharing of these images. We are therefore developing functionality to support the unique needs of eye care. An entirely new module for ophthalmology has been developed in close collaboration with, and now successfully delivered to, a major US hospital chain.

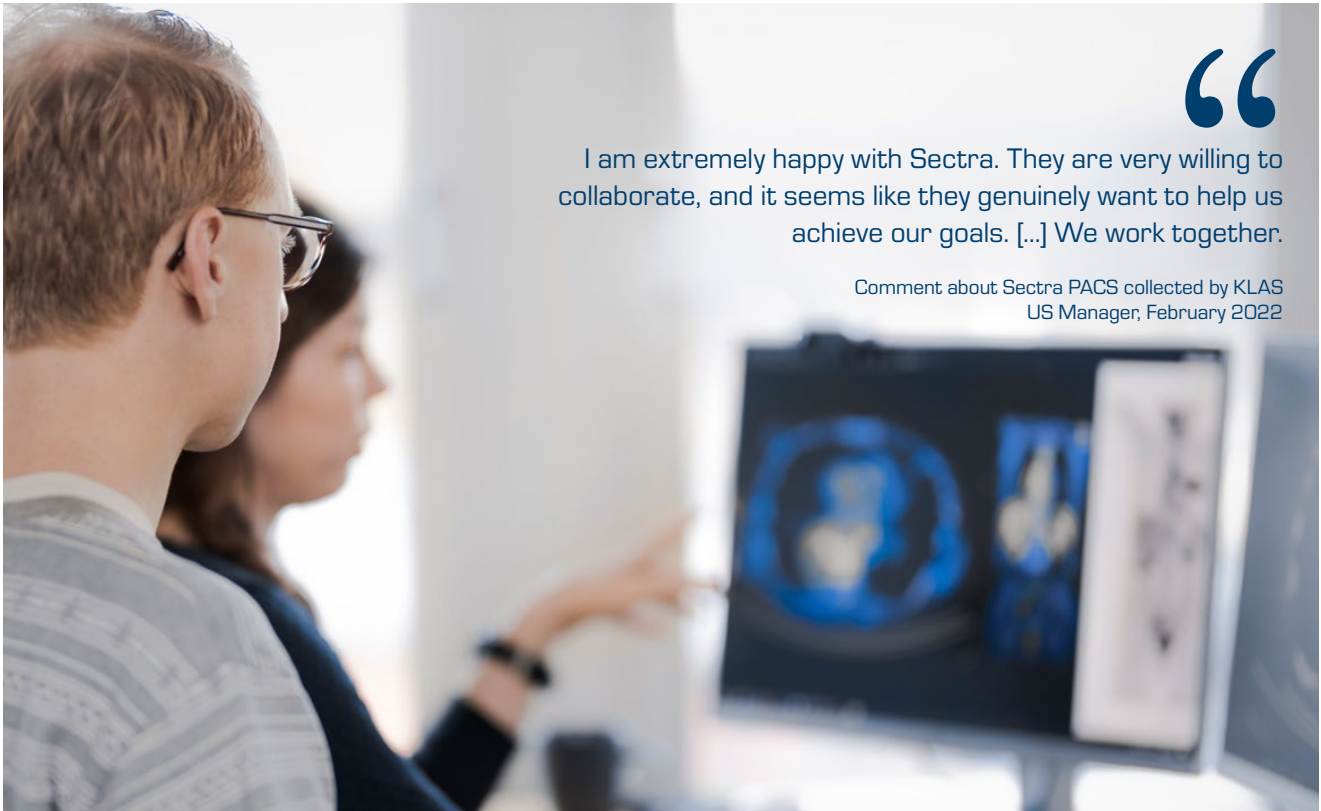
Success in digital pathology

We are consolidating our position in digital pathology in markets that are leading the transition to digital pathology. The University Medical Center Utrecht in the Netherlands, which in 2016 became the first in the world to review tissue samples digitally, is among those who have bestowed renewed confidence in Sectra, having signed a ten-year contract. The Northern Pathology Imaging Co-operative (NPIC) in the UK has also chosen to sign a new agreement with Sectra. Several prestigious hospitals in Benelux, France and the US are choosing Sectra for the digitization of their pathology departments, which is clear proof that we have positioned ourselves as one of the leaders in the market.

“

I am extremely happy with Sectra. They are very willing to collaborate, and it seems like they genuinely want to help us achieve our goals. [...] We work together.

Comment about Sectra PACS collected by KLAS
US Manager, February 2022



The way forward

The table below shows a number of activities being prioritized by the operating area in order to reach its long-term ambition of being a leading provider of complete solutions for managing and communicating all types of medical images for diagnostic purposes. Some activities have the potential to make positive contributions to the earnings trend within one or two years, but the majority have a longer time horizon.

Prioritized activities:

Maintain high customer satisfaction by continuously measuring and monitoring customer opinions and needs.

Adapt all levels of the organization for the transition to cloud-based service deliveries.

Develop partnerships with existing customers through which Sectra's existing products and services can contribute to further efficiency enhancements.

Grow within radiology, cardiology, pathology, ophthalmology and other areas of medical imaging by adding new customers in regions where Sectra already has an established customer base. This includes a continued focus on the US, where Sectra has a very high level of customer satisfaction, but a relatively small market share.

Continue the transition to Sectra One to provide customers with increased access to new functionality and facilitate their expansion.

Operational efficiency and increased digitization of internal processes to increase the scalability of existing resources and to more efficiently support the customer's journey from first contact with Sectra to procurement, installation and throughout the long-term relationship.

Continued product development and strengthening of the product portfolio. Special focus on functions for radiology diagnostics, medical image management in diseases affecting the elderly, particularly cancer diagnostics and cardiology, and on more efficient decision support for physicians and healthcare personnel based on AI.

For information on risks, refer to the [Sustainability Report](#) on page 80 and Note 29 [Risks, risk management and sensitivity analysis](#) on page 111.

More reliable diagnoses and earlier treatment

Cancer care, one of Sectra's strategic areas, is facing major demographic challenges. Sectra's solutions for more efficient reviewing, reporting and collaboration in connection with diagnostic imaging create positive value for our customers and their patients. Here are some examples of how our solutions improve quality of care and reduce the time from suspicion to diagnosis and treatment.

Efficient tools for radiologists

Radiology plays a key role in diagnosing cancer. Sectra works to offer a consolidated workstation, where radiologists can efficiently review images, run the analyses needed and enter the results in a report to the referring physician along with other comments. All this without needing to open several programs or transfer information manually. All in all, Sectra's system reduces the time it takes for radiologists to make a diagnosis and communicate their results.

Immediate access, shorter response times

When the radiologist's results indicate the presence of a cancerous tumor in a patient, a tissue sample is taken to allow the pathologist to definitively determine the type and stage of cancer. Using digital tissue samples means that both previous and recent images are easily accessible at the primary hospital as well as for any experts from other hospitals who may be consulted. Compared with making physical tissue samples available to the right pathologist, digital work methods enable considerable savings in terms of cost and time. The ability to easily consult with other pathologists also increases the quality of the diagnosis.

Collaboration and consultation simplified

Sectra offers pathologists an entirely digital review environment that can replace microscopes and provide new functions that assist pathologists at critical decision points, such as grading or performing more precise measurements. Digital technology also supports the use of AI-based tools that can be used for image analysis, for example, to improve the precision of tasks such as cell counting. Sectra's solution can thus help to streamline the tissue sample review process for pathologists, thereby contributing to better cancer care.

Improved patient overview in a single solution

Sectra offers radiologists, pathologists and other experts in the care chain a shared solution for managing all images and results. This means that each expert's referrals, images, tests and results are immediately available to everyone authorized to access them. This gives all involved a better patient overview, which increases the quality of care and accelerates the process of sending information between the various experts. It also simplifies collaboration and dialogue during the care process.

>50%

The estimated increase in new cancer cases worldwide per year until 2030⁹.

The value we create



Shorter time for radiologists and pathologists to make a diagnosis and communicate their results.



Lower costs and shorter lead times when images are available digitally.



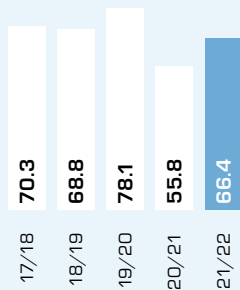
Easier collaboration creates the conditions for better quality of care.

Operating area Business Innovation

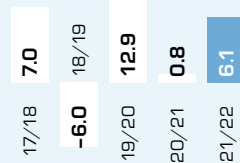
Financial performance

For comments on the company's financial performance, refer to the [Administration Report](#) on page 64.

SALES, SEK MILLION



OPERATING PROFIT, SEK MILLION



Business units

Orthopaedics and Medical Education

Research and future projects

Sectra's medical technology research department and various future projects. Business Innovation also manages and develops Sectra's patent portfolio.

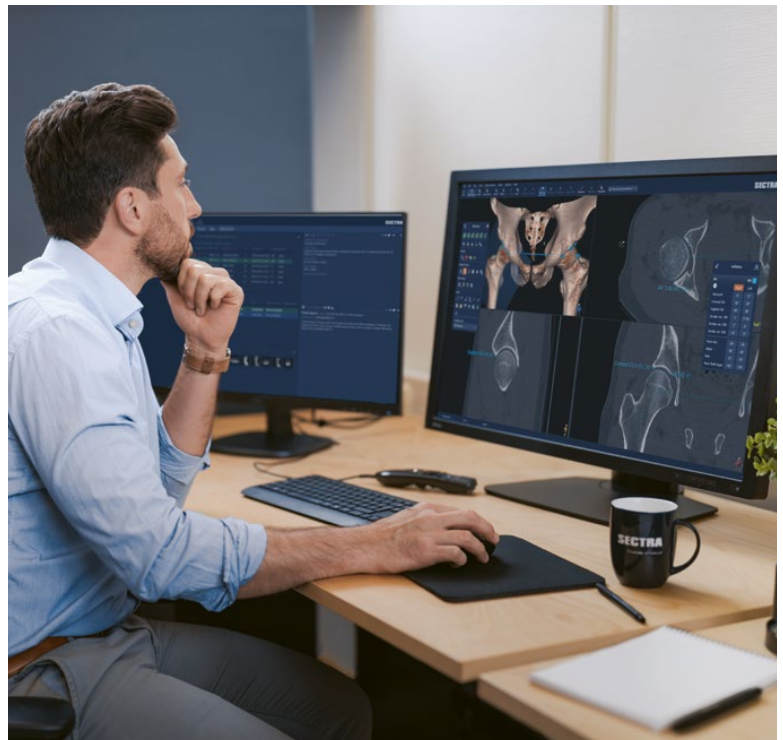
Customers

The Orthopaedics business unit is aimed at private and public orthopaedic clinics as well as manufacturers of prosthetics and implants. The operations in Medical Education focus on educational institutions and hospitals offering basic and specialist medical or veterinary studies, either privately or publicly.

Sales channels

Sales take place through an in-house sales organization and distribution partners in Orthopaedics as well as through an international network of distribution partners in Medical Education. The business units' solutions are also sold as part of Sectra Imaging IT Solutions' customer offerings.

Number of employees: 38



The Group incubator

Business Innovation is the Group's primary incubator. This includes business units, research operations and future projects that, in their current phases, can benefit from being pursued in an incubator environment or that do not easily fit into any of our existing areas. The latter may be because the products and services target another customer segment. The long-term ambitions are to:

- contribute to better care for patients by solving difficult and important problems encountered by Sectra's customers
- commercialize new technology, validate clinical benefits or pursue projects that could lead to new and innovative solutions that add value for customers in Sectra's niche areas
- give smaller operations and business units the best conditions to develop and grow
- build and manage a strong patent portfolio in Sectra's key areas
- develop business models for new products and services

In Business Innovation, there are currently only medical technology projects and operations, but this may be expanded to include projects in other areas in the future.

Some projects soar while others fade away

Sound scientific and medical evidence is essential in healthcare. Implementing new technologies and methods is often a protracted process and associated with high risk. As a result, some research and other early-phase projects will never grow to any major degree.

In some cases, operations in Business Innovation are already profitable business units with existing customers that need to grow further. In the long term, the business units and projects are to be managed in one of the following ways:

- become a separate operating area
- incorporate the unit into an existing operating area. This occurred, for example, when digital pathology was transferred to Imaging IT Solutions in 2014, due to the major synergies identified.
- spin off as an independent company or be sold to an external party if this proves to be the best solution from a financial standpoint. This occurred, for example, with the business unit for low-dose mammography products that was divested in 2011 and the sale of patents in 2015.
- discontinue if the unit does not offer sufficient potential. This occurred, for example, with the osteoporosis business unit in 2017/2018.

The research department's roles are to support Sectra's established areas and to evaluate and conduct long-term, high-risk projects that can result in business within three to ten years.

The year in brief

Sectra recognized for innovative orthopaedic technology

Together with our clinical collaboration partners, we won the Annual Spine Technology Award for our implant movement analysis service, Sectra Implant Movement Analysis. The award was given to Sectra by RRY Publications LLC and Orthopedics This Week for innovative technology developed to improve the standard of care for patients with spine disease.

21% growth for cloud service

The Sectra Education Portal uses digital tools and authentic patient images to provide students with better instructional opportunities on campus as well as remotely. The service is used to train hospital personnel and helps to improve the knowledge of students and better prepare them for a career in healthcare. The number of subscribers to the cloud service increased 21% during the 2021/22 fiscal year.

Progress in clinical use of AI

Sectra's research group developed a new method of presenting results from AI analyses to pathologists. In a study it was shown that precision and efficiency can potentially increase, even in cases where the AI solution is less capable than the pathologists themselves.



Johan Carlegrim
General Manager
Medical Education
business unit



Gustaf Schwang
General Manager
Orthopaedics
business unit



Claes Lundström
Research Director
Medical Systems

Orthopaedics

In total, more than three million joint replacement surgeries are carried out annually⁹ worldwide, and this number is rising sharply due to the aging population. In addition, more than eight million surgeries¹⁰ are performed globally every year due to fractures caused by accidents, falls and activity-related injuries. To meet the growing need for better, more efficient care related to these kinds of surgical procedures, Sectra offers IT systems for image-based planning and follow-up of orthopaedic surgery. This includes, for example, hip, knee, spine and trauma surgery.

Sectra is currently the market leader in preoperative planning of orthopaedic procedures in Scandinavia and commands a strong market position in several other countries, including the Netherlands and the UK. During the year, new customers were primarily added in the US in conjunction with procuring Sectra's enterprise imaging solution for managing medical images.

Clinical studies are a part of the business unit's growth strategy. To disseminate knowledge and collect evidence for products and services, work on initiating new studies has continued. Several were published during the year, including a number of important studies¹¹ using Sectra's CT-based Micromotion Analysis (CTMA) measurement method for monitoring new implants.

Increased precision reduces costs and suffering

Using 2D and 3D medical images, measurement tools, click guides and a library of implant templates from more than 80 different implant manufacturers, orthopaedic surgeons can use Sectra's IT system to diagnose, plan and follow up orthopaedic procedures with greater precision. For healthcare providers, this leads to reduced costs, since the operating time is shortened while the number of implants to be prepared before every surgery is reduced. For the patient, shorter operating time reduces the risk of postoperative infections and other complications.



Our offering also includes tools for radiologists who specialize in the musculoskeletal system, which is a significant area in radiology. The tools allow otherwise time-consuming measurements to be taken more quickly and efficiently. Having orthopaedic surgeons and radiologists working together in the same system also leads to additional time savings.

Service for avoiding unnecessary and risky surgical procedures

Sectra's offering in orthopaedics has included Sectra Implant Movement Analysis (IMA)—a service for postoperative follow-up—for a few years now. The service helps orthopaedic surgeons determine if the pain experienced by some patients after an implant surgery is caused by a loose implant. This means that unnecessary and risky surgery can be avoided if it turns out the implant has not come loose. Other advantages include earlier diagnosis and the fact that the right patients can be given surgery earlier, often leading to a better outcome. The service was introduced in Norway during the fiscal year, where Region Vestfold became the first customer outside Sweden to introduce IMA in its clinical practice. In Sweden, over 600 clinical examinations have been conducted. Continued investments have been made to improve the service's use for knee implants. Knee surgery comprises a significant and rapidly growing aspect of annual revision surgery. This is therefore an important focal area for reducing unnecessary suffering of patients.

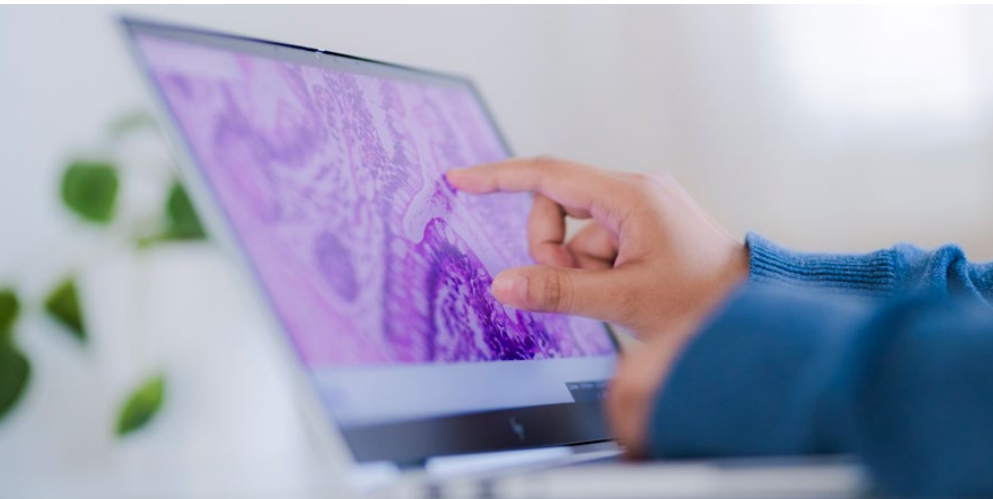
Furthermore, our solutions also contribute to simplifying and streamlining the

proof-of-concept process for new implants using the Sectra CT-based Micromotion Analysis (CTMA) measurement method. Using computer tomography, this method makes it possible to measure movement between implant and bone in an entirely new way. Scientists and implant manufacturers are thus able to increase the quality and long term survival rates of new implants, which is of the utmost importance for patient security.

The way forward

The business unit's ambition is to contribute to improved orthopaedic preoperative planning and postoperative follow-up through the development and sale of cloud-based services and software for image-based orthopaedic planning and follow-up. This is how we can help our customers provide better, more cost-efficient care to patients. Our prioritized activities are:

- growing primarily in Europe and North America where the business unit has its own sales organization
- focusing on sales in the joint replacement surgery (hip, knee and shoulder) and trauma surgery segments through direct sales and in cooperation with implant manufacturers
- introducing and establishing the service for postoperative follow-up and the method for validating new implants in clinical studies in new markets, for example in the US



Sectra Education Portal is used to train healthcare personnel and veterinarians at educational institutions and hospitals in several countries. The number of unique users increased nearly 40% from 2020 to 2021.

Medical Education

Bridging the gap between academia and working life

A growing need for care along with an explosive increase in medical knowledge is creating challenges when it comes to training healthcare personnel effectively. Managing these challenges requires new ways of working, new tools and increased investments in the type of service that Sectra offers in medical education. Digital tools and actual patient cases in Sectra Education Portal, our cloud-based education portal, help create a bridge between training and healthcare. Students have the opportunity to interact with patient cases in a realistic way, which creates a deeper understanding of and insight into anatomy as well as functions and processes in the body. This improves the learning process and helps students develop their analytical and problem-solving skills.

The education portal allows teachers, students and healthcare personnel to access visualization tools and content at the university, at home or at the hospital. The portal includes a large number of anonymized medical cases and images that have been chosen in cooperation with Sectra's customers. Teachers can also choose to import and use their own content, which allows them to customize their lessons.

In addition to Sectra Education Portal, we also offer training terminals—Sectra's visualization table, for example—that are adapted to training in the classroom or lecture hall.¹²

The way forward

Our long-term ambition is to help our customers to improve medical education and simplify the lifelong learning of healthcare personnel. We aim to do this by:

- increasing the use of the education portal so that more students can take advantage of reality-based learning
- increasing the number of subscribers, primarily in Europe and North America
- continuing to invest in our organization to move even closer to end users and help them maximize the value they gain from the portal
- refining our solutions and enabling even broader usage.

Research

The research department conducts and participates in projects to provide scientific support for existing technology as well as to create new products—all in an effort to boost the company's long-term business value. Seven researchers work in the department, two of whom divide their time between Sectra and Linköping University. Sectra is currently involved in approximately ten research projects, including projects in the fields of orthopaedic surgery and digital pathology, where previous projects have resulted in expansions and improvements to our product offering.

Progress in data-intensive diagnostics

An overarching theme for the initiatives in the research department is data-intensive diagnostics that support healthcare's development towards precision medicine. Sectra is contributing research in diagnostic imaging so that AI can move from the laboratory to clinical reality.

Sectra is one of the main participants in the Vinnova-funded project AIDA, which serves as a national arena for research into AI for medical image analysis, with the aim of leveraging the full benefits of AI-based tools in the healthcare sector. We are also cooperating with Visual Sweden, a local initiative that is on the way to becoming a world-leading hub for innovation in image analysis and visualization, with close cooperation between industry, academia and the healthcare sector.

Sectra is also participating in the large-scale Swedish AI initiative WASP (Wallenberg AI, Autonomous Systems and Software Program), where our research during the year showed, in a realistic experiment, that through new ways of working AI support could increase pathologists' precision and efficiency. Progress has also been made in simplifying training of AI models based on unaltered medical images directly from the healthcare system. On the same theme, the multiyear BIGPICTURE EU project (under the Innovative Medicines Initiative) continued, with the aim of developing the largest ever database of pathology images to be used for research and innovation in AI. Sectra's contribution will accelerate the development of improved diagnostic methods based on AI and support collaborative efforts between healthcare and research.



Cybersecurity

IT developments in society and increased cybercrime are driving the need to reduce vulnerability in critical social functions and infrastructure, thus strengthening society's stability and safety.

Need for increased information security in society

Trends

Accelerating digitization

- The focus on productivity and efficiency gains is driving a development towards more connected IT systems where work tasks can be automated or carried out in a decentralized model.
- The need for better availability and flexibility means that mobility and remote working are increasing. The same holds true for society's most important functions, where there are stringent requirements for secure transfers of information.

Growing cyberthreats and information collection

- Technological progress is making it possible to carry out attacks on information-based systems from a distance and the number of cyberattacks is increasing drastically.¹³
- A tense security situation in the world is encouraging intelligence services, for example, to look for information transfers through hacking and eavesdropping.
- Increased regulation includes security requirements for how authorities and other operations essential to society manage their information.

Customer challenges and needs

Access to solutions that protect information management

Operations in general, and society's critical functions in particular, need to protect their information's confidentiality, meaning that information must not end up in the wrong hands or outside operations. The accuracy of information also needs to be ensured, meaning that it needs to be unadulterated. Finally, information needs to be available exactly when it is needed. When any of these information security aspects are lacking, for example when employees are unable to carry out their tasks or become less effective, significant costs can arise for operations.

The need for information security expertise and solutions at organizations will continue to grow in order to meet increasingly stringent regulatory requirements. This can be about, for example, controlling data flows, encryption, logging or stronger authentication that ensures the user's authorization.

High levels of information security in remote working

Growing demand for mobile or remote working is creating a significant need for solutions and services for secure file transfers, connections to internal networks, secure video conferencing and chat functions. Systems that are to be used for handling classified information must, according to national legislation, be reviewed and approved by an independent security authority.

Better protection against cyberthreats

Complex internet-connected systems that are out of date represent a major risk for all types of operations. The cost of cybersecurity incidents is particularly high within critical social functions since they have an effect on society at large. Companies and authorities therefore need to ensure that they can manage, and ideally prevent, cyberattacks and incidents. This increases the demand for solutions that can detect access violations and other unauthorized data traffic in critical systems at an early stage.



According to the Swedish Military Intelligence and Security Service Yearbook 2020¹⁴, every day there are attempts to steal data essential for Sweden's safety or to sway decisions through influence campaigns as well as other activities that threaten public safety.

Operating area Secure Communications

Sectra helps defense forces, other authorities and various critical social functions in Europe to secure their communication against eavesdropping and to protect their systems against unauthorized access. We contribute to a safer society by helping our customers maintain their accessibility.

Customer segment

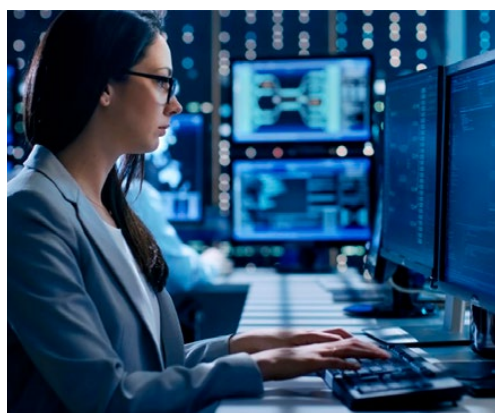
Sectra meets customer needs in two segments:

- customers that handle classified information and thus need to protect information at various classification levels
- customers who need to improve their security by monitoring critical operating systems.

Sales channels and geographic presence

Sectra primarily has direct sales. We have our own offices in the Netherlands and Sweden, which are our largest markets, as well as in Finland and the US.

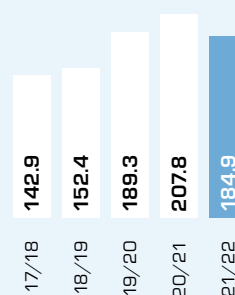
Number of employees: 100



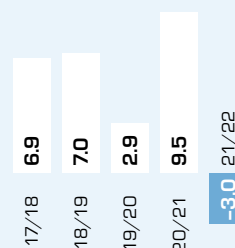
Financial performance

For comments on the company's financial performance, refer to the [Administration Report](#) on page 64.

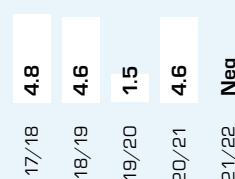
SALES, SEK MILLION



OPERATING PROFIT, SEK MILLION



OPERATING MARGIN, %



Classified information

Customers

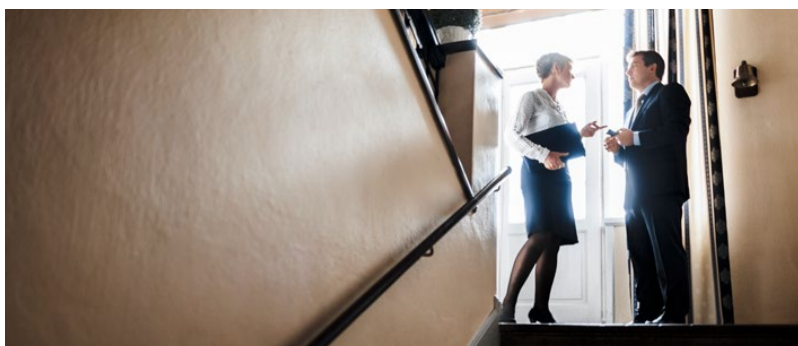
Organizations that handle classified information, including the highest security level of top secret, such as defense, the police and other civil authorities, the EU and NATO.

Offering

- Secure mobile workplaces, including solutions for secure mobile communication, collaborative platforms for digital meetings and VPN solutions for secure connections to sensitive networks.
- Protecting data in high-performing networks.

Competitors

Adverica, Bittium, Secunet, Secusmart, Thales and Tutus.



Market

There is a significant need for crypto products to strengthen cybersecurity. Based on the trends we see in society, this need is growing. Even if needs are increasing, growth is largely governed by how much national budgets allocate to defense. Over time, there are periods of high levels of new investments as well as periods of maintenance investments in existing systems. However, customers are restrictive with information about crypto equipment and planned investments. As a result, no relevant external market research is available.

The market is also affected by national approval processes, export restrictions and political considerations that prioritize the domestic crypto industry. As a result, Sectra's crypto products are sold exclusively in Europe. The barrier to entry in the market segment is very high since customers impose legal requirements on agreements regarding classified information, including related processes, organizations, procedures and secure development environments so that they can deliver at the national security level.

Monitoring services for critical operating systems

Customers

Primarily players in the energy sector and critical process industry. Sectra's technology also has the potential to, for example, monitor building automation in healthcare and systems for drinking water supply.

Offering

Services to detect and manage risks and vulnerabilities and to monitor operating systems.

Competitors

Mnemonic, Nixu and Saab Combitech.



Market

Sectra's focus is initially on the Nordic market for security in IT and critical OT systems in the energy sector. In Sweden, for example, there is a total of 120 small and 24 mid-size and large energy companies. The equivalent figures for Norway are approximately 50 small and 30 large energy companies. Market penetration is still low. Investments were held back during the COVID-19 pandemic, but are expected to increase in the coming years.

Operations are not subject to the same approval processes and export restrictions as crypto products. Sales are thus not limited to Europe. However, locally based personnel is often a requirement in procurements, or at least a competitive advantage, which affects how fast international expansion can grow.

Where we are headed

The operating area's long-term ambition is to be a leading provider of critical cybersecurity solutions for society's most important functions. We mainly focus on operations that handle sensitive information such as government authorities, defense departments, healthcare and other operations that require a high level of security. Ensuring that these players can execute their tasks in a secure manner increases the potential for an open, safe and stable society.

Where we are now

Sectra helps customers in Europe to secure their communication against eavesdropping and to protect their systems against unauthorized access. We have more than 40 years of experience in the area and are considered one of the world's leading players in advanced crypto solutions, particularly mobile solutions.

Protecting classified information

Our offering to defense departments and other public sectors is a central part of the operating area. We provide crypto solutions and services that meet customers' regulatory and national security requirements for handling a country's most sensitive information. Our solutions are used by customers in most European countries, and by the EU and NATO for encryption of both voice and data transfer. We have built a high level of trust within this customer group through a deep understanding of customer needs, high-quality products and skilled personnel. During the year, customers rewarded us with renewed contracts and additional orders.

They are also undergoing a shift. Organizations of the future will be mobile, even if they work with classified information. To maintain our market position, we are moving from focusing on classified mobile phones to offering secure mobile workplaces. The technical platform is continuously developed and the product portfolio is supplemented with third-party solutions



to meet customer needs for efficient and secure information sharing. There is also a shift happening in Sectra's business model in all customer segments, from product and project deliveries to an increased share of service deliveries.

Our growth strategy in the segment is to grow in new geographic areas and expand our international product portfolio. We intend to do this in part by adapting products that were previously only available in the Swedish market for an international context, and in part by providing new customer offerings.

Cybersecurity services for society's critical functions

We are continuing to invest in the area of critical infrastructure. The goal is to meet the growing need for security solutions to prevent cybercrime and to ensure continuous operation of society's critical functions. We help energy companies and other critical social operations, such as healthcare, in their work to detect and

prevent risks and vulnerabilities and to monitor operating systems. In the Swedish market, security analyses have been conducted for both major and more local players, and Sectra's monitoring services have been deployed at several energy companies and in other critical infrastructure areas. Although there is a major underlying need for our offering, we have grown slower than planned. This is due in part to the COVID-19 pandemic, which has led to potential customers choosing to delay purchasing decisions and deliveries.

The year in brief

Increased trust from crypto customers

Several customers are expanding their use of the Sectra Tiger/S mobile encryption system. This is in part due to the uncertain international situation as of spring 2022. With the most recent version of the system, users can exchange classified information across all fixed networks and 4G mobile networks in Europe. These users include the Norwegian defense forces and the Dutch Ministry of Defense, among others, who have confirmed their continued confidence in the ability of Sectra's solutions to protect their most sensitive communication.

Initiative for more efficient energy use

We are participating in a new project financed by Vinnova, Sweden's Innovation Agency, aimed at increasing the share of renewable energy and improving energy efficiency. This will be achieved through the ongoing digital transformation in the energy industry. Sectra is contributing its security and risk detection expertise to enable the secure digitization of the industry. The project is spearheaded by various players in industry, academia and research institutes.

Sectra helps customers with security analysis

Even if investments in system monitoring for critical operating systems have been put on hold, several energy companies have chosen to work with Sectra to assess their overall operational and system security work. Sectra has provided proposals for measures to improve security at the technical and organizational level.

Impact of the pandemic

Procurements were delayed, and deliveries took longer than hoped. However, the situation improved somewhat during the fourth quarter, which meant that both important business negotiations and some of the previously delayed product deliveries could be carried out.

Swedish defense forces strengthen exchange of classified information

The Swedish Defence Materiel Administration (FMV) placed orders for the further development and maintenance of high-performing VPN and mobile telephony solutions approved for highly classified information.



Magnus Brege

Acting President of the Secure Communications operating area since January 1, 2022.

“

We have used the Sectra Tiger system for several years and it meets our high demands for secure communications between Brussels and our EU delegations around the world. As the pandemic highlighted the need for additional secure exchanges with other EU institutions, the existing Sectra system was naturally considered to cover these new requirements.

Senior representative of the European External Action Service, January 2021

The way forward

The table below shows a number of activities being prioritized by the operating area to achieve its long-term ambition—being a leading provider of critical cybersecurity solutions for society's most important functions. Some activities have the potential to make positive contributions to the earnings trend within one or two years, but the majority have a longer time horizon.

Prioritized activities:

Maintain high level of customer satisfaction by providing good service and working closely with customers during the development of new offerings.

Sales of security-approved communication solutions to existing and new customers in Europe, particularly within the Baltics, the Netherlands and the Nordic regions as well as EU and NATO organizations.

Sales of customer-specific assignments. Focus on assignments that either provide important developments in expertise or are deemed to have a significant potential to result in product sales.

Grow the customer base in the area of critical infrastructure. Primarily by focusing on the energy sector, healthcare and particularly vulnerable areas of process industry in the Nordic region and the Netherlands.

Ongoing development of the customer offering for secure remote work via VPN, smartphones/tablets and third-party applications with extra protection against access violations.

Increased cooperation with authorities and other companies as well as carrying out complementary acquisitions to meet our customers' security-related needs.

For information on operating risks, refer to the [Sustainability Report](#) on page 80 and Note 29 [Risks, risk management and sensitivity analysis](#) on page 111.

Long-term commitment to a healthier and safer society

Sectra carried out its first consulting assignment in the late 1970s. A few years later, the company recruited additional joint owners with grand visions for Sectra's future. This marked the start of the company's expansion and development into a well-established brand in the area of information security and medical IT.



Sectra's founders Viiveke Fåk, Robert Forchheimer and Ingemar Ingemarsson are major shareholders in the company.

1978

A team of researchers from the Institute of Technology at Linköping University are presented with the task of creating a security solution for banks. In order to take on the assignment, Professor Ingemar Ingemarsson forms the company Sectra (SECure TRANsmission) together with his postgraduate students Viiveke Fåk, Rolf Blom and Robert Forchheimer.

1993

Delivery of a medical imaging IT system to Mjölby health center, the first in Sweden to use digital radiology images.



1998

With Sectra Tiger, the Swedish defense forces are the first in the world to use security-approved crypto mobile telephony.

1980s

1985

Jan-Olof Brüer, now the company's Chairman and second-largest owner, becomes joint owner and President. We transition to the development and sale of products and system solutions in data security and image encoding.

1987

The Swedish defense forces place an order for the development of a cryptoprocessor, which marks the start of a focus on crypto products for classified information.

1990s



1989

Torbjörn Kronander is recruited to Sectra. Guided by a vision of digital radiology images, he starts and leads Sectra's operations within medical IT until 2012, when he takes over as CEO.

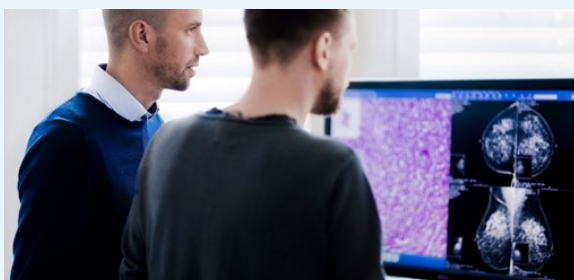
1999

The share is listed on Nasdaq Stockholm AB. Sectra becomes the first in the world to offer a system for digital planning of orthopaedic surgery.

2000s

2013

Our digital image management system is named “Best in KLAS” for the first time for having the highest level of customer satisfaction in the US. The attention this attracts boosts growth in the US market. As of today, we have won the prize nine years in a row, and also have a top ranking in Canada and Asia/Oceania.

**2015**

Launch of solutions for digital pathology, enabling pathologists to review tissue samples digitally instead of with a microscope. In 2021, the solution was named “Best in KLAS” for having the highest level of customer satisfaction.

2016

The offering in secure communications is expanded to include cybersecurity for critical infrastructure, initially focused on the energy sector.

2018

We celebrate 40 years of knowledge and passion for contributing to a healthier and safer society.

**2020**

Following formal FDA approval, healthcare providers in the US can begin to use Sectra’s digital pathology solution for primary diagnostics and remote viewing.

2010s**2010**

Launch of visualization technology for students and physicians.

“Given the fact that customer confidence is a critical success factor, we have always prioritized stable, long-term growth over rapid, high-risk expansion.”

2016

The Group’s sales surpass SEK 1 billion. Thanks to its long-term private and institutional owners, Sectra has developed at a controlled pace and remained a Swedish company.

2020

Sectra was recognized as a leader in innovation with a particularly high level of innovation efficiency by the Swiss investment analysis company ALPORA. According to their research, only 7% of Western European companies with a value of more than EUR 300 million have an innovation efficiency of over 75%—Sectra’s result is 90.03%.

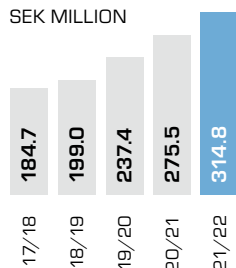
2020s**2021**

Sectra ranks among the top four companies in Universum’s annual survey of Sweden’s best employers.

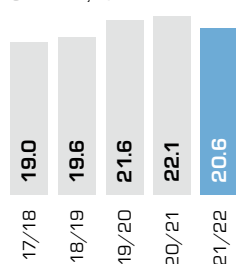
» Would you like to know more about our history? Visit investor.sectra.com/history

Increased stability and profitability

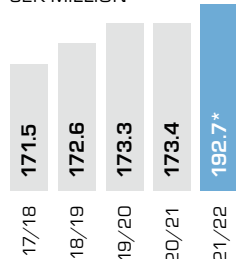
NET PROFIT FOR THE YEAR,
SEK MILLION



RETURN ON TOTAL
CAPITAL, %



REDEMPTION/DIVIDEND
TO SHAREHOLDERS,
SEK MILLION



* Board's proposal to the 2022 AGM. The amount is adjusted for treasury shares.

2021/2022

More, and larger, customer projects than ever before

A year characterized by war in Europe and a lingering pandemic. Nevertheless, Sectra is growing with satisfied customers. Extensive customer projects are contributing to record-high sales. Recurring revenue is increasing, operating profit is the strongest to date and the Group's financial goals have been exceeded. Cash flow was strong, mainly due to an increase in advances from customers.

2020/2021

Record-breaking order bookings and pandemic effects

Although the COVID-19 pandemic and major currency fluctuations have temporarily dampened sales in some markets, demand for Sectra's offering is growing. With the most satisfied customers in the market for many years, Sectra is winning new, extensive customer contracts. This fiscal year was the strongest to date in terms of earnings, and the Group's three financial goals were exceeded. The operating margin was well over the target of 15%, mainly due to the effect of temporarily lower costs for travel and trade fair events as a result of pandemic restrictions.

2019/2020

The US overtakes Sweden as Sectra's largest market

Long-term efforts in creating value for customers, patients and society at large resulted in the best earnings year in Sectra's history. All

operating areas are growing. Geographically, operations in the US represented the single largest growth in sales, thus overtaking Sweden as our largest market.

2018/2019

Long-term customer contracts and increased synergies

New multiyear customer contracts contributed to record-high order bookings, laying the foundation for stable growth over the long term. Successful medical IT system sales in the US as well as Sectra's new growth markets of Canada and France. Increasing synergies between medical IT and cybersecurity had a positive effect on the Group's performance.

2017/2018

Positive earnings trend and healthy order book

The trend in order bookings improved and the fiscal year ended with a healthy order book and positive trends with respect to net sales and operating profit. All financial goals were exceeded. Geographically, Sectra displayed sales growth in essentially all markets, with the largest increases reported in the Netherlands, Sweden and the US. Secure Communications grew rapidly and once again reported profitability. All shares in the associated company Commit; Oy were divested, which had a nonrecurring positive effect on net financial items.

» Interested in the company's performance over the past ten years? Visit investor.sectra.com/ten-year-summary

Strategic acquisitions and divestments

Sectra has grown both organically and through acquisitions. The company's first acquisition was carried out in 1995. Over the years, Sectra also divested various smaller operations. Most recently in 2011, Sectra divested the operation for development and sales of the low-dose mammography product MicroDose Mammography, an innovation that halved the radiation doses delivered during mammography examinations.

Sectra's six most recent acquisitions

| Year | Company | Country | Operating area |
|------|--|-----------|-----------------------|
| 2019 | Assets in Columbitech AB, including the shares in Columbitech Inc. | Sweden/US | Secure Communications |
| 2015 | RxEye AB | Sweden | Imaging IT Solutions |
| 2015 | EXP Analytics Oy | Finland | Secure Communications |
| 2015 | it-mark ApS | Denmark | Imaging IT Solutions |
| 2012 | Product rights for radiation dose monitoring system | Sweden | Imaging IT Solutions |
| 2012 | Burnbank Systems Ltd. | UK | Imaging IT Solutions |

Amounts in SEK thousand unless otherwise stated.
For a definition of key figures, see Note 33 on page 112.

| | 2021/2022 | 2020/2021 | 2019/2020 | 2018/2019 | 2017/2018 |
|---|-------------|-------------|-------------|-------------|-------------|
| Sales, earnings and order bookings | | | | | |
| Net sales | 1,949,140 | 1,632,427 | 1,661,138 | 1,413,522 | 1,209,181 |
| Annual sales growth, % | 19.4 | -1.7 | 17.5 | 16.9 | 7.5 |
| Depreciation/amortization | -81,216 | -78,919 | -72,231 | -46,809 | -39,928 |
| Impairment | 0 | -4,194 | -7,443 | 0 | 0 |
| Operating profit | 383,386 | 350,076 | 295,348 | 235,541 | 214,349 |
| Growth in operating profit per share over five years, % | 93.3 | 115.7 | 90.2 | 77.9 | 142.9 |
| Profit before tax | 394,505 | 348,245 | 303,037 | 248,792 | 231,155 |
| Net profit for the year | 314,793 | 275,512 | 237,354 | 198,979 | 184,706 |
| Order bookings | 2,320,198 | 2,651,650 | 1,815,956 | 2,132,839 | 1,492,529 |
| Profitability | | | | | |
| Gross margin, % | 23.8 | 26.5 | 22.6 | 20.0 | 21.0 |
| Operating margin, % | 19.7 | 21.4 | 17.8 | 16.7 | 17.7 |
| Profit margin, % | 20.2 | 21.3 | 18.2 | 17.6 | 19.1 |
| Return on total capital, % | 20.6 | 22.1 | 21.6 | 19.6 | 19.0 |
| Return on capital employed, % | 37.5 | 37.4 | 36.8 | 35.9 | 34.5 |
| Return on equity, % | 31.9 | 32.2 | 30.7 | 29.8 | 30.4 |
| Value added, SEK million | 1,328.6 | 1,204.6 | 1,110.5 | 912.3 | 798.5 |
| Funding and capital employed | | | | | |
| Capital employed, SEK million | 1,143.4 | 969.1 | 904.6 | 759.4 | 717.6 |
| of which, goodwill | 49.9 | 46.3 | 49.2 | 56.8 | 55.3 |
| of which, other intangible and tangible assets | 295.2 | 289.6 | 294.7 | 166.0 | 176.0 |
| Liquidity ratio, multiple | 1.6 | 1.8 | 1.7 | 1.7 | 1.6 |
| Equity/assets ratio, % | 49.3 | 54.2 | 54.1 | 55.4 | 51.4 |
| Debt/equity ratio | 0.06 | 0.08 | 0.11 | 0.04 | 0.09 |
| Investments, SEK million | 74.4 | 67.7 | 78.5 | 34.9 | 23.0 |
| Cash flow | | | | | |
| Cash flow from operating activities before changes in working capital | 389,794 | 382,143 | 327,274 | 209,299 | 225,355 |
| Operating cash flow | 616,922 | 372,187 | 296,272 | 252,542 | 207,531 |
| Cash flow from investing activities | -68,346 | -66,820 | -78,536 | -34,875 | -22,993 |
| Cash flow from financing activities | -198,748 | -198,688 | -196,543 | -168,933 | -172,604 |
| Cash flow for the year | 349,828 | 106,679 | 21,193 | 48,734 | 11,934 |
| Employees | | | | | |
| No. of employees, average | 908 | 828 | 780 | 706 | 645 |
| No. of employees at the end of the period ¹ | 982 | 876 | 820 | 746 | 674 |
| Sales per employee, SEK million | 2.1 | 1.9 | 2.0 | 1.9 | 1.8 |
| Value added per employee, SEK million | 1.5 | 1.5 | 1.4 | 1.2 | 1.2 |
| The share | | | | | |
| Dividend/redemption per share ² , SEK | 1.00 | 0.90 | 0.90 | 0.90 | 0.90 |
| Dividend yield, % | 0.8 | 0.7 | 1.1 | 1.4 | 2.3 |
| Results per share, SEK | 1.63 | 1.43 | 1.24 | 1.04 | 0.97 |
| Results per share after dilution ³ , SEK | 1.63 | 1.43 | 1.23 | 1.03 | 0.96 |
| Cash flow per share, SEK | 3.20 | 1.93 | 1.54 | 1.31 | 1.09 |
| Cash flow per share after dilution ³ , SEK | 3.20 | 1.93 | 1.54 | 1.30 | 1.08 |
| Equity per share, SEK | 5.61 | 4.65 | 4.24 | 3.80 | 3.47 |
| Equity per share after dilution ³ , SEK | 5.61 | 4.65 | 4.24 | 3.78 | 3.43 |
| No. of shares on balance-sheet date ^{4, 5} | 192,662,325 | 192,627,470 | 192,530,100 | 191,764,355 | 190,598,345 |
| Average no. of shares ⁵ | 192,639,088 | 192,570,670 | 192,083,415 | 190,987,015 | 190,062,270 |
| Share price at balance-sheet date, SEK | 124.8 | 121.0 | 84.0 | 64.4 | 38.84 |
| P/E ratio, multiple | 76.6 | 84.6 | 68.0 | 61.8 | 40.0 |

¹ Refers to the number of employees excluding temporary employees.

² 2021/2022 refers to the share redemption program proposed by the Board of Directors. Amount before completion of the proposed 5:1 share split.

³ Dilution is based on issued convertible programs. Refer to Note 3 on page 96.

⁴ Adjusted for stock as well as bonus issues and new share issues. Comparative figures have been restated due to the 5:1 share split that Sectra carried out in the second quarter of 21/22.

⁵ Number of shares does not include treasury shares, see Note 20.

The share

Sectra's shareholder value is created through customer value and our contributions to sustainable societies. Investments in areas and innovation that have the potential to increase customer value have enabled stable and long-term returns for shareholders over time.

The Sectra family is not only growing with new customers, we are also gaining more shareholders. There were 13,868 shareholders on the balance-sheet date, an increase of 11.9 % over the fiscal year.

Share split and 2021 share redemption program

The 2021 AGM resolved to transfer SEK 0.90 per share, a total of SEK 173.4 million, to the shareholders through a share redemption program. Redemption was implemented through a 2:1 share split, combined with a mandatory redemption process and a stock dividend to restore the share capital. No ordinary dividend was paid. In accordance with the AGM's resolution, a share split was carried out whereby one existing share in Sectra was split into five shares.

Proposal for the 2022 share redemption program

The Board of Directors proposes that the 2022 AGM resolve to transfer SEK 1.00 per share to the shareholders via the same type of redemption process that has been used for the past 11 years. Read more about the proposal for appropriation of profits on page 69. This proposal corresponds to a dividend yield of 0.8% based on the balance-sheet date share price. Combined with the price trend during 2021/2022, this represents total value growth of 4.0% for the Sectra share.

Repurchase of own shares

During the fiscal year, 1,000,000 Class C shares were issued to secure the obligations under new long-term performance-based incentive programs. All Class C shares were repurchased by Sectra to ensure the future delivery of performance shares and to finance the costs of social security contributions related to the incentive programs. All Class C shares were converted to Class B shares.

Dividend policy

Sectra's dividend policy is that the dividend for each year is to be adapted to the company's capital requirements for both operation and growth, and to the shareholders' demand for a dividend yield. The objective is to provide shareholders with a balanced and favorable dividend yield over time and to adjust the dividend so that the company's equity/assets ratio is never less than 30%.

Share price trend May 2017–April 2022

» To see the current share price, visit investor.sectra.com/share

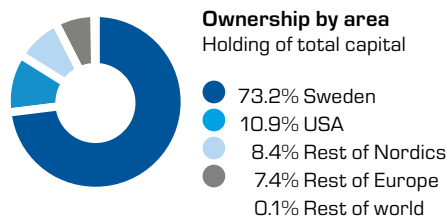
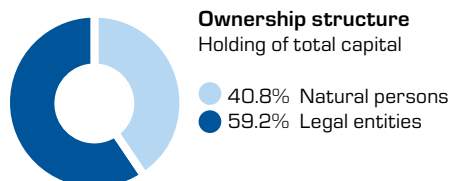


| Share data | Apr 30, 2022 | Apr 30, 2021 |
|---|------------------|--------------|
| Market capitalization total no. of shares, SEK million | 24,169 | 23,308 |
| No. of shareholders | 13,868 | 12,393 |
| No. of shares | 193,662,325 | 192,627,470 |
| Closing price, SEK | 124.80 | 121.00 |
| 52-week high, SEK | 250.20 | 154.20 |
| 52-week low, SEK | 107.20 | 80.80 |
| 52-week price trend, % | 3.14 | 44.0 |
| Stockholm Stock Exchange Total Index OMXSPI, 52-week trend, % | -5.76 | 49.1 |
| Annual turnover rate | 0.30 | 0.26 |
| Annual average volume per day | 231,870 | 186,205 |
| Marketplace | Nasdaq Stockholm | |
| Ticker | SECT B | |
| ISIN code Class B share | SE0016278196 | |
| Listing | March 3, 1999 | |
| Segment | Large cap | |
| Sector | Health Care | |

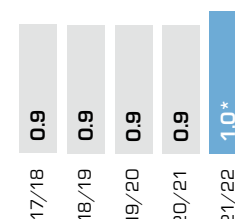
Share capital development and number of shares

The total number of shares outstanding on the balance-sheet date was 13,103,460 Class A shares and 180,558,865 Class B shares. Sectra's holding of treasury shares at the end of the fiscal year was 1,000,000 Class B shares, corresponding to 0.5% of the share capital and 0.3% of the voting rights in the company. All shares carry equal rights to the company's assets and profits. One Class A share confers ten votes, while one Class B share confers one vote. The total number of votes is 311,593,465. For the share capital's development since the listing in 1999, visit investor.sectra.com/share-capital

| Date | Transaction | Change in share capital, SEK | Total share capital, SEK | Total no. of shares |
|---------------------|--|------------------------------|--------------------------|---------------------|
| Apr 30, 2021 | Opening balance | | 38,525,494 | 38,525,494 |
| Sep 27, 2021 | 5:1 share split | 0 | 38,525,494 | 192,627,470 |
| Oct 19, 2021 | Share redemption program—2:1 split | 0 | 38,525,494 | 385,254,940 |
| Nov 2, 2021 | Share redemption program—share redemption | -19,262,474 | 19,262,474 | 192,672,470 |
| Nov 2, 2021 | Share redemption program—stock dividend | 19,262,474 | 38,525,494 | 192,672,470 |
| Jan 18, 2022 | New share issue 1,000,000 Class C shares | 200,000 | 38,725,494 | 193,627,470 |
| 28 Jan, 2022 | New share issue—redemption of convertibles | 6,971 | 38,732,465 | 193,662,325 |
| Feb 2, 2022 | Conversion of 1,000,000 Class C shares to Class B shares | 0 | 38,732,465 | 193,662,325 |
| Apr 30, 2022 | Closing balance | | 38,732,465 | 193,662,325 |

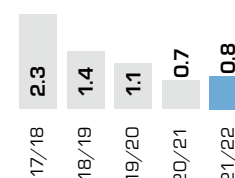


DIVIDEND/REDEMPTION PER SHARE, SEK

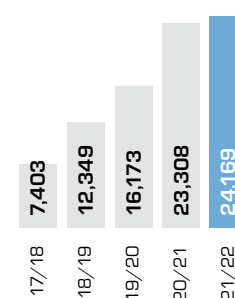


* Board's proposal to the 2022 AGM

DIVIDEND YIELD, %



MARKET CAPITALIZATION TOTAL NO. OF SHARES, SEK MILLION



Analysts

The following analysts monitor Sectra and regularly publish analyses:

Carnegie
Kristofer Liljeberg

Largest owners

The number of shares comprises direct shareholdings and holdings through related parties at April 30, 2022. For current holdings, see investor.sectra.com/shareholders

| Shareholder | Class A shares | Class B shares | Capital | Votes |
|--------------------------------|-------------------|--------------------|--------------|--------------|
| Torbjörn Kronander | 2,328,100 | 13,193,555 | 8.0% | 11.7% |
| Jan-Olof Brüer | 2,328,110 | 13,074,155 | 8.0% | 11.7% |
| Shannon AB* | 3,118,430 | 2,291,820 | 2.8% | 10.7% |
| Frithjof Qvigstad | 1,314,330 | 9,512,595 | 5.6% | 7.3% |
| SEB Investment Management **** | 0 | 21,468,658 | 11.1% | 6.9% |
| Nordea Investment Funds*** | 0 | 20,852,025 | 10.8% | 6.7% |
| Viiveke Fåk** | 1,108,500 | 5,440,750 | 3.4% | 5.3% |
| Robert Forchheimer** | 1,011,015 | 5,890,520 | 3.6% | 5.1% |
| Ingemar Ingemarsson** | 1,106,735 | 153,415 | 0.7% | 3.6% |
| AMF Försäkring och Fonder | 0 | 9,287,612 | 4.8% | 3.0% |
| Fjärde AP-fonden | 0 | 9,275,055 | 4.8% | 3.0% |
| Thomas Ericson | 681,645 | 800,000 | 0.8% | 2.4% |
| JP Morgan Chase Bank NA | 0 | 6,743,922 | 3.5% | 2.2% |
| State Street Bank and Trust Co | 0 | 5,270,972 | 2.7% | 1.7% |
| Swedbank Robur Fonder | 0 | 3,985,726 | 2.1% | 1.3% |
| 15 largest shareholders | 12,996,865 | 127,240,780 | 72.4% | 82.5% |
| All other owners | 106,595 | 53,318,085 | 27.6% | 17.5% |
| Total | 13,103,460 | 180,558,865 | 100% | 100% |

* Shannon AB is owned jointly by Torbjörn Kronander and Jan-Olof Brüer.

** Sectra's founders.

*** Includes Nordea SICAV.

**** Includes SEB AB Luxembourg.

Source: Euroclear Sweden

Board of Directors



Jan-Olof Br  r

Chairman of the Board
Remuneration Committee Chairman

Born 1951/Elected 2013/Chairman of the Board since 2018

Sectra holdings: 3,887,325 Class A shares and 14,220,065 Class B shares

Board fees 2021/2022: SEK 540,000

Board member's independence: Independent in relation to the company and management. One of the company's largest shareholders with 17.0% of the votes and 9.3% of capital

Education/Title: PhD (Technology), Master of Business Administration, officer in the armored troops and Honorary Doctor of Medicine from Link  ping University

Professional experience/previous assignments: Previously President and CEO of Sectra AB 1985–2012 and Board assignment for Arcam AB

Other posts: Board member of Shannon AB, Conflux AB, Sectra Communications AB, Lilla Hallmare G  rd och F  rvaltning and others



Torbj  rn Kronander

Board member
President and CEO Sectra AB

Born 1957/Employed 1985/Elected 1988/President and CEO since 2012

Sectra holdings: 3,887,315 Class A shares and 14,339,465 Class B shares, of which 20,000 Class B shares pertain to savings shares in LTIP 2021 SROW (refer to [Note 3](#) on page 96) and a corresponding number of share rights have been allotted

Board fees 2021/2022: SEK 0

Board member's independence: President and CEO of Sectra AB and one of the company's largest shareholders with 17.1% of the votes and 9.4% of capital

Education/Title: PhD (Technology), Master of Business Administration, officer in the Naval Reserve and Honorary Doctor of Medicine from Link  ping University

Professional experience/previous assignments: Previously President—and founder—of Sectra's medical operation and Executive Vice President of Sectra AB, full-time at Sectra since 1991, ship captain and Board assignments for CellaVision AB and others

Other posts: Board member of Shannon AB, CMIV, Ancylus O   and others, member of the Royal Swedish Academy of Engineering Sciences



Anders Persson

Board member
Member of the Audit Committee

Born 1953/Elected 2004

Sectra holdings: 215,750 Class B shares

Board fees 2021/2022: SEK 320,000

Board member's independence: Independent in relation to the company, management and the company's major shareholders

Education/Title: Doctor of Medicine, Professor, Senior Physician

Professional experience/previous assignments: Director of the Center for Medical Image Science and Visualization (CMIV) at Link  ping University and Senior Physician in radiology

Other posts: Board member of CMIV and others



Christer Nilsson

Board member, Audit Committee Chairman and member of the Remuneration Committee

Born 1952/Elected 2008

Sectra holdings: 44,160 Class B shares

Board fees 2021/2022: SEK 370,000

Board member's independence: Independent in relation to the company, management and the company's major shareholders

Education/Title: Master of Science in Information Technology

Professional experience/previous assignments: President of Vestadil AB. Previously Director and Advisor at 3i plc, senior positions at Datex-Ohmeda and Gambro and Board assignments for Industrifonden and others

Other posts: Chairman of StyrelseAkademien Stockholm, Board member of StyrelseAkademien Sweden and others



Birgitta Hagenfeldt

Board member and
Member of the Audit Committee

Born 1961/Elected 2018

Sectra holdings: 15,000 Class B shares

Board fees 2021/2022: SEK 320,000

Board member's independence: Independent in relation to the company, management and the company's major shareholders

Education/Title: Master of Business Administration

Professional experience/previous assignments: Previously CFO and Executive Vice President of Avanza Bank Holding, Head of Administration at the fund company RAM Rational Asset Management AB and Authorized Public Accountant at KPMG

Other posts: Board member of F  rs  kringsaktiebolaget Avanza Pension, RAM Rational Asset Management AB, RAM ONE AB, Stabelo Group AB and Checkin.com Group AB



Tomas Puusepp

Board member and
Member of the Remuneration Committee

Born 1955/Elected 2017

Sectra holdings: Convertibles corresponding to 5,105 Class B shares

Board fees 2021/2022: SEK 270,000

Board member's independence: Independent in relation to the company, management and the company's major shareholders

Education/Title: Bachelor of Science in Engineering

Professional experience/previous assignments: CEO Investest AB. Previously President and CEO and several senior positions at Elekta. Various positions at the Research Institute of Physics at Stockholm University, Scanditronix and Ericsson

Other posts: Board member of Permobil AB, Implantica AG (publ), Elekta Foundation, Elekta Foundation, Instoria Sweden AB and Instoria Invest AB



Fredrik Robertsson

Board member

Born 1967/Elected 2020

Sectra holdings: 0

Board fees 2021/2022: SEK 270,000

Board member's independence: Independent in relation to the company, management and the company's major shareholders

Education/Title: Master of Science in political science, PhD candidate, leadership training with the Swedish Defense Forces

Professional experience/previous assignments: Group Chief Security Officer at Ericsson.

Major General, CIO and assorted other senior positions in the Swedish Defense Forces. Board assignment for Teracom and representative in NATO's Committee for Standardization

Other posts: Member of the Cybersecurity Council for the Swedish Civil Contingencies Agency (MSB)



Jonas Yngvesson

Board member

Born 1965/Elected 2019

Sectra holdings: 102,985 Class B shares

Board fees 2021/2022: SEK 270,000

Board member's independence: Independent in relation to the company, management and the company's major shareholders

Education/Title: Licentiate of Science (Technology)

Professional experience/previous assignments:

Senior software engineer at Google in Zürich, Switzerland. Previously Chief Software Architect in Sectra's medical operations



Andreas Örneus

Board member

Employee representative

Born 1981/Employed 2007/Elected 2018

Sectra holdings: 300 Class B shares, of which 300 Class B shares pertain to savings shares in LTIP 2021 SROW and a corresponding number of share rights have been allotted

Education/Title: Bachelor of Information Technology

Position: Reporting Solution Specialist, Imaging IT Solutions operating area



Filip Klintenstedt

Board member

Employee representative

Born 1981/Employed 2008/Elected 2019

Sectra holdings: 6,250 Class B shares, of which 1,000 Class B shares pertain to savings shares in LTIP 2021 SROW and a corresponding number of share rights have been allotted

Education/Title: Master of Science in Information Technology

Position: Product Manager, Imaging IT Solutions operating area



Pontus Svärd

Deputy Board member

Employee representative

Born 1976/Employed 2002/Elected 2021

Sectra holdings: 0

Education/Title: Master of Science in Information Technology

Position: Product Manager, Imaging IT Solutions operating area

Refers to Board members at the time of the approval of the 2021/2022 Annual Report. Refer to the [Corporate Governance Report](#) for information on changes during the fiscal year.

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2022. Torbjörn Kronander and Jan-Olof Brüer's holdings include 50% each of a holding through the jointly owned legal entity Shannon AB.

» For current holdings, see investor.sectra.com/board-of-directors

Group Management



Torbjörn Kronander
President and CEO of Sectra AB
and Board member

Born 1957/Employed 1985/Board member
1988/President and CEO 2012

Sectra holdings: One of the company's largest owners with 3,887,315 Class A shares and 14,339,465 Class B shares. Participant in LTIP 2021 SROW, with 20,000 savings shares, and has been allotted a corresponding number of share rights.

Education/Title: PhD (Technology), Master of Business Administration, officer in the Naval Reserve and Honorary Doctor of Medicine from Linköping University

Professional experience/previous assignments: Previously President of Sectra's medical operation and Executive Vice President of Sectra AB, full-time at Sectra since 1991, ship captain and Board assignments for Cellavision AB and others

Other posts: Board member of CMIV, Shannon AB and others, member of the Royal Swedish Academy of Engineering Sciences



Marie Ekström Trägårdh
President of Imaging IT Solutions
operating area and Executive Vice
President of Sectra AB

Born 1961/Employed 1996

Sectra holdings: 250,985 Class B shares, of which 20,000 Class B shares pertain to savings shares in LTIP 2021 SROW and a corresponding number of share rights have been allotted

Education/Title: Bachelor of Science in Systems Science and IT

Professional experience/previous assignments: Formerly President of Sectra Sverige AB, Executive Vice President of Sectra's Imaging IT Solutions operating area and senior positions at Sectra, Board assignment for Swedish Medtech and Pledpharma, Consultant at Frontec AB, Developer/Project Manager/Product Manager at Fujitsu ICL

Other posts: Board member of the Royal Swedish Academy of Engineering Sciences



Magnus Brege
Acting President of Secure Communications
operating area

Born 1966/Acting President since January 2022

Sectra holdings: 0

Education/Title: Master of Science in Business Administration, leadership training with the Swedish Defense Forces

Professional experience/previous assignments: Independent consultant at Brege Consulting AB. Previously President and CEO of Vricon Inc in the US. Business development and leadership experience from senior positions at Vricon AB, SAAB AB, Framfab, ICL and IBM, Officer in the Swedish Defense Forces

Other posts: Board member of Linköping Flying Club and Linköpings Privatflygförörening



Jessica Holmquist
Chief Financial Officer

Born 1976/Employed 2022

Sectra holdings: 3,000 Class B shares

Education/Title: Master of Science in Economics and Business and CEMS Master in International Management

Professional experience/previous assignments: Previously Business Area Controller Corporate and acting Group controller at the defense and security company SAAB AB, held various senior positions in the finance function since 2012, Senior Manager Corporate Finance and experience of auditing listed companies from PwC

Other posts: Board member of Mrent AB, Maskinia Holding AB and Gyllene Näktergalen Fastigheter AB



Lisa Everhill
Chief People and Brand Officer

Born 1979/Employed 2006

Sectra holdings: 14,895 Class B shares

Education/Title: Master of Science in Business Administration and Economics

Professional experience/previous assignments: Formerly Market Communication and Investor Relations Manager and other senior positions in Sectra's medical operation



Per Andersnäs
Chief Information Officer

Born 1962/Employed 1997

Sectra holdings: 3,000 Class B shares

Education/Title: Master of Science in Information Technology

Professional experience/previous assignments: Formerly Product Development Director Imaging IT Solutions operating area and others, senior positions in Sectra's medical operation

Refers to Board members at the time of the approval of the 2021/2022 Annual Report.
Refer to the [Corporate Governance Report](#) for information on changes during the fiscal year.

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2022. Torbjörn Kronander's holdings include 50% of a holding through a legal entity owned jointly with Board member Jan-Olof Bråer.

» For current holdings, see investor.sectra.com/executive-management

Corporate Governance Report

Sectra is a public Swedish limited-liability company, listed on the Nasdaq Stockholm Exchange since 1999. The company's highest decision-making body is the General Meeting, which is normally held once a year in the form of an Annual General Meeting (AGM). The 2022 AGM is scheduled for September 8.

Sectra's corporate governance structure is defined by external legislation, self-regulating standards and internal regulations. Management and control are divided between the shareholders, the Board of Directors and the President. The company's highest decision-making body is the General Meeting. It appoints Sectra's Board of Directors, which is the company's highest administrative body and is responsible for managing the company's affairs, safeguarding and promoting a healthy corporate culture and identifying how sustainability topics impact the company's risks and business opportunities. The Board appoints the President, who is responsible for ongoing administration and for coordinating the operations according to prevailing law, the Articles of Association, the Board's formal work plan, the directive for the President and instructions for financial reporting as well as other guidelines and instructions provided by the Board.

This Corporate Governance Report was prepared in accordance with the rules and application instructions stipulated in Swedish legislation, mainly Chapter 6, Section 6 of the Annual Accounts Act, and the Code. In accordance with the Annual Accounts Act, the auditor's statement is enclosed in this report. In this report, "Sectra," "Sectra AB," "the company" and "the Parent Company" refer to Sectra AB (publ), and "the Group" refers to the Sectra Group, which encompasses Sectra AB and its Group companies.

Sectra applies the Swedish Corporate Governance Code ("the Code"). Sectra's work methods in 2021/2022 deviated from the rules 2:3 and 2:4 of the Code regarding the members of the Nomination Committee and an explanation for these deviations is presented under the heading Nomination Committee below.

During the fiscal year, the financial information in Sectra's 2020/2021 Annual Report and Sustainability Report was reviewed by the Council for Swedish Financial Reporting Supervision and the matter was closed. No breaches of applicable listing regulations or good stock market practice regarding Sectra have been reported by Nasdaq Stockholm's disciplinary committee or the Swedish Securities Council's disciplinary committee in 2021/2022.

Articles of Association

Sectra's Articles of Association are available on the Group's website at investor.sectra.com/articles-of-association. According to the Articles of Association, members of the Board of Directors are elected annually by the AGM. The Articles of Association do not contain any restrictions regarding the appointment or dismissal of Board members or amendments to the Articles of Association. Decisions must be made in accordance with the Swedish Companies Act.

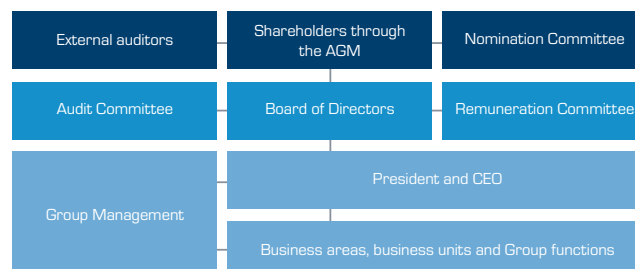
Ownership and voting rights

On the balance-sheet date, Sectra's share capital totaled SEK 38,732,465, distributed between 193,662,325 shares. Of these

shares, 13,103,460 are Class A shares and 180,558,865 are Class B shares. Sectra's holding of treasury shares at the end of the fiscal year comprised 1,000,000 Class B shares, corresponding to 0.5% of the capital and 0.3% of the voting rights in the company. All shares carry equal rights to the company's assets and profits. One Class A share confers ten votes, while one Class B share confers one vote. Information about the largest shareholders and the ownership structure is presented on page 53. The largest shareholders are represented in the Nomination Committee.

The Articles of Association contain a right of first refusal clause for the transfer of Class A shares. No other agreements between shareholders entailing restrictions on the right to transfer shares are

Corporate governance structure



Significant external regulations

- Swedish legislation, such as the Companies Act and the Annual Accounts Act
- Nasdaq Stockholm Rule Book for Issuers
- International Financial Reporting Standards (IFRS)
- Swedish Corporate Governance Code
- EU regulations

Significant internal regulations

- Articles of Association
- The Board's formal work plan, the directive for the President and instructions for financial reporting
- Financial Policy, instructions for authorization and Group guidelines for financial reporting
- Code of Conduct, Quality Policy, Risk Management Policy, Insider Policy, Communication Policy, Information Security Policy, etc.
- Processes and regulations for quality control, internal control and risk management

known to the Company. Nor is the company party to any agreements that would take effect should control of the company change through public purchase offers.

General Meeting

It is through the General Meeting that the shareholders exercise their influence in the company, appoint Board members and auditors, and make decisions regarding appropriation of the company's earnings, amendments to the Articles of Association, changes in the share capital and share-based incentive programs. The General Meeting also makes decisions concerning Board and auditor fees as well as guidelines for remuneration of senior executives. The company prepares the agenda for the General Meeting, but the shareholders have the right to influence it and propose matters to be addressed. The agenda is reviewed and approved by the Board of Directors, and consists of issues that are required by law as well as other issues.

The notice of the Meeting is published in a press release, on the company's website and in an advertisement in the Swedish Official Gazette (Post och Inrikes Tidningar). Publication of the notice is announced in the daily newspaper Svenska Dagbladet.

Agendas, notices, minutes and other General Meeting documents are available on Sectra's website.

2021 AGM

The AGM was held on September 14, 2021. Due to the COVID-19 pandemic, the AGM was held exclusively through postal voting with no physical attendance. The postal votes cast represented 85.9% of the total voting rights and 77.7% of the shares in Sectra. The main resolutions passed were as follows:

- Adoption of the consolidated income statement and balance sheet and the Parent Company income statement and balance sheet, and discharge of the members of the Board and the President from liability.
- Distribution of SEK 0.90 per share to the shareholders through a share redemption program.
- Approval of the remuneration report.
- Re-election of Board members Anders Persson, Birgitta Hagenfeldt, Christer Nilsson, Fredrik Robertsson, Jan-Olof Brüer, Jonas Yngvesson, Tomas Puusepp and Torbjörn Kronander. Re-election of Jan-Olof Brüer as Chairman of the Board. The Board also includes two employee representatives, with two deputies appointed by the local branch of the Swedish Association of Graduate Engineers at Sectra; refer to page 60.
- Re-election of Ernst & Young AB as auditor.
- Fees to the Board of Directors and Audit Committee (see below) as well as the auditor.
- Share split whereby one existing share in Sectra would be split into five new shares.
- Amendments to the Articles of Association.
- Introduction of long-term performance-based incentive programs for employees (refer to [Note 3](#) on page 96) and related measures for implementing the programs and financing the costs for social security contributions in accordance with the terms and conditions.
- Authorization of the Board of Directors to decide on new share issues of a maximum of 18,500,000 Class B shares and to decide, on one or more occasions during the period until the 2022 AGM, on the acquisition and divestment of all of the company's treasury shares. As of the publication date of this report, these authorizations have not been utilized.

For more information on the resolutions visit investor.sectra.com/agm2021

Fees for 2021/2022

In accordance with a resolution of the AGM, a fee of SEK 540,000 was paid to the Chairman of the Board and SEK 270,000 to each of the other Board members who were not employees of the company. For Audit Committee work, an unchanged fee of SEK 50,000 was paid to each of the Board's external members and SEK 100,000 to the Audit Committee's Chairman. No separate fees were paid for Remuneration Committee work. Fees to auditors were paid in accordance with approved invoices.

Nomination Committee

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

- Election of the Chairman and other AGM-elected Board members to the company's Board.
- Allocation of Board fees between the Chairman and other members of the Board and potential remuneration for committee work.
- Election of and fees to the auditors and deputy auditors (where applicable).
- Resolution on amendments to the Nomination Committee directives, if the Nomination Committee deems such amendments to be necessary.
- Chairman of the AGM.

Ahead of the AGM, shareholders have the opportunity to submit proposals to the Nomination Committee, for example, via investor@sectra.com. The Nomination Committee's proposals and explanatory statement is published not later than in conjunction with the notice of the AGM.

During the course of its work, the Nomination Committee pays particular attention to the diversity and breadth of the Board's composition as well as the requirement of working toward an even gender balance pursuant to Sectra's Diversity Policy; refer to page 61. As a basis for its work, the Nomination Committee reviews the Board's assessment of its work and the Chairman of the Board's presentation of the work of the Board, and holds talks with the members of the Board. When drafting proposals for the election of auditors and fees for audit work, the Audit Committee assists the Nomination Committee.

Sectra's Nomination Committee is appointed in accordance with the instructions adopted by the AGM. Before agreeing to the assignment, its members assess whether it would create a conflict of interest and notify the company that no conflict of interest exists. The Nomination Committee comprises four members, one of whom is the Chairman of the Board and three of whom represent the largest shareholders in the company. If any of the largest shareholders in terms of voting rights has waived their right to appoint a member of the Nomination Committee, the next shareholder in order of size has been given the opportunity to appoint a member. Information about the composition of the Nomination Committee for the 2022 AGM was announced in a press release on December 20, 2021. The Nomination Committee comprises the following members:

- Torbjörn Kronander representing his own and related parties' shareholdings. President of Sectra AB and not independent in relation to the company and its management.
- Patrik Jönsson representing SEB Investment Management. Independent in relation to the company and its management.
- Jan Särilvik representing Nordea Investment Funds. Independent in relation to the company and its management.
- Jan-Olof Brüer in his role as Chairman of the Board and representing his own and related parties' shareholdings. Independent in relation to the company and its management.

Jan Särilvik, who represents the company's sixth-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 President of Sectra AB.

The fact that President Torbjörn Kronander is part of the Nomination Committee is a deviation from Rule 2:3 of the Code, which states that neither the President nor other members of management is to be a member of the Nomination Committee. The participation on the Nomination Committee of Sectra's largest shareholder in terms of voting rights Torbjörn Kronander and Jan-Olof Brüer, who are both members of Sectra's Board of Directors, deviates from Code Rule 2:4, which states that not more than one of the Board members included in the Nomination Committee is to be dependent in relation to the company's major shareholders. The reason for this deviation is that, as principal owners, they would otherwise find it difficult to combine their roles as major shareholders with an active ownership role.

Board of Directors

According to the Articles of Association, Sectra's Board of Directors is to comprise not fewer than three and not more than nine AGM-elected members. The members of the Board are elected annually by the AGM for the period until the next AGM is held. The Board currently consists of eight AGM-elected members with no deputies, and two employee representatives with one deputy.

For information on the Board members' independence in relation to the company and its management as well as the company's

major shareholders refer to the table below. With the exception of Torbjörn Kronander, President and CEO of Sectra AB, none of the AGM-elected Board members holds an operational role in the company. The Board has established an Audit Committee and a Remuneration Committee; refer to the table for information about the members of each committee. No Sustainability Committee has been established. Strategies and risks connected to these issues are managed by the Board of Directors in its entirety.

For information regarding the current Board members' backgrounds, other assignments and holdings of shares and other securities in Sectra, refer to page 54–55.

Activities of the Board of Directors

In 2021/2022, the Board held twelve minuted meetings, one of which was the statutory meeting of the current Board on September 14, 2021, and another was held per capsulam. Refer to the table below for information about each member's attendance.

The role of the Chairman of the Board is to lead the work of the Board and to ensure that it fulfills its duties. The Board's work follows an annual agenda with themes and fixed agenda items, including adoption of the Board's formal work plan, a directive for the President, instructions for reporting, the Group's budget, the year-end report and the framework for financial reporting. Four meetings were held in conjunction with publication of the company's full-year and interim reports. The company's CFO regularly participates in Board meetings. Other senior executives participate in Board meetings when necessary.

Members of Sectra's Board of Directors and committees

| AGM-elected members | Elected | Attendance/ number of meetings | Committees ¹ | Independent in relation to the company and its management | Independent in relation to major shareholders |
|--|---------|--------------------------------------|--|---|---|
| Torbjörn Kronander | 1988 | 12/12 | | No | No |
| Anders Persson | 2004 | 12/12 | Member of the Audit Committee | Yes | Yes |
| Christer Nilsson | 2008 | 12/12 | Chairman of the Audit Committee, Member of the Remuneration Committee | Yes | Yes |
| Jan-Olof Brüer, Chairman of the Board | 2013 | 12/12 | Chairman of the Remuneration Committee | Yes | No |
| Tomas Puusepp | 2017 | 12/12 | Member of the Remuneration Committee | Yes | Yes |
| Birgitta Hagenfeldt | 2018 | 12/12 | Member of the Audit Committee | Yes | Yes |
| Jonas Yngvesson | 2019 | 12/12 | | Yes | Yes |
| Fredrik Robertsson | 2020 | 12/12 | | Yes | Yes |

Employee representatives

| | | | | | |
|--|------|-------|--|----|-----|
| Andreas Örneus, appointed September 2021 and previous deputy | 2018 | 8/12 | | No | Yes |
| Filip Klintenstedt | 2019 | 10/12 | | No | Yes |
| Bengt Hellman stepped down September 2021 | 2015 | 4/12 | | No | Yes |

Deputy employee representatives

| | | | | | |
|---|------|------|--|----|-----|
| Pontus Svärd, elected September 2021 | 2021 | 1/12 | | No | Yes |
| Maja Modigh stepped down June 2022 | 2020 | 1/12 | | No | Yes |

¹Pertains to committee members as of the balance-sheet date on April 30, 2022.

Themes and issues in focus at general Board meetings 2021/2022

| JUNE–JULY | SEPTEMBER | OCTOBER | DECEMBER | MARCH | APRIL |
|---|--|---|---|---|---|
| <ul style="list-style-type: none"> • Year-end report • Proposed appropriation of profits • Strategy for delivery of cloud services • Follow-up of employee survey • Sustainability report • Annual report • Corporate governance report • Remuneration report • Proposals to the AGM | <ul style="list-style-type: none"> • Three-month interim report • Contracts and insurance • Focus on the orthopaedics business unit • Statutory meeting and the Board's formal work plan, the directive for the President and instructions for reporting | <ul style="list-style-type: none"> • Strategy meeting focusing on the transition to sales of software as a service • Recruitment processes • Procedures for handling ransomware • The Audit Committee's formal work plan • Results of the Board evaluation • Adoption of the grant notice and agreement, and the terms and conditions of the performance-based incentive programs LTIP 2021 | <ul style="list-style-type: none"> • Six-month report • Focus on the Imaging IT Solutions operating area • Risk analysis and Risk Management Policy • Strategy for talent management • Budget guidelines | <ul style="list-style-type: none"> • Nine-month report • Focus on the Secure Communications operating area • Employees and equal pay survey • Financial Policy • Evaluation of accounting function • Goodwill and impairment testing • Preliminary budget • New crisis plan and continuity planning | <ul style="list-style-type: none"> • Budget and business plans • Focus on the Medical Education business unit |

During the fiscal year, the Board devoted particular attention to the results of customer satisfaction surveys, long-term financial and operational goals, material risks and risk management, competition analysis, major investments, share-based incentive programs for employees, the strategy for the delivery of cloud services and evaluation of acquisitions and other structural matters. The Board also conducted an evaluation of its work, which formed the basis for planning the Board's activities in the coming year. This evaluation took the form of a survey and the results were followed up and discussed at Board meetings. The Nomination Committee was informed about the contents of the 2021 evaluation.

Sustainability issues are addressed every year at Board meetings, and the Board has adopted ethical guidelines for Sectra's conduct in society. For information about key sustainability topics, refer to pages 70–82 of the Sustainability Report.

Audit Committee

The main task of the Audit Committee is to support the Board in its work to increase quality and strengthen the supervision of the company's financial risk exposure, risk management and financial statements. During the fiscal year, the Committee held five minutes meetings at which the Committee discussed matters pertaining to financial reporting, interim reports, the Annual Report, Financial Policy, risk management and internal processes, the Audit Committee's formal work plan, and other tasks of the auditors. The Committee has also submitted a recommendation to the Nomination Committee pertaining to the choice of auditor. The Chairman of the Committee was absent from one meeting, the other members attended all meetings. The employee representatives were invited to participate. The company's CFO and auditor regularly participate in Audit Committee meetings to provide and/or receive information about relevant issues noted during the audit and continuous reporting.

Remuneration Committee and remuneration of senior executives

The main task of the Remuneration Committee is to prepare the Board's decisions on matters pertaining to principles for remuneration and other terms of employment for the President and manage-

ment and the guidelines for remuneration of senior executives and remuneration reports that the AGM is legally obliged to establish. The Committee held three meetings during the fiscal year, which were attended by all members. The Committee was expanded to include an additional member following the 2021 AGM.

Remuneration and other terms of employment for senior executives directly subordinate to the President are decided on by the President in accordance with the guidelines adopted by the AGM (refer to page 64 of the [Administration Report](#)) and the salary policy established by the President. In July 2021, the Board of Directors evaluated the remuneration to senior executives and the current remuneration structures and levels in the company as well as programs for variable remuneration to company management, both ongoing and those that ended during the year. The Board's remuneration report is available on Sectra's website.

Diversity Policy for the Board of Directors

The Board of Sectra has established a Diversity Policy, which entails that the Nomination Committee is to apply the requirements of Rule 4:1 of the Code in its work and other specific regulatory conditions pertaining to the Board's composition. According to the Code, taking into account the company's operations, stage of development and other circumstances, the Board is to have an appropriate composition, characterized by diversity and breadth in terms of the AGM-elected members' expertise, experience and background. An even gender balance is to be pursued. To achieve this, the Nomination Committee must strive for diversity on Sectra's Board in respect of expertise, age, nationality and gender as well as business experience, qualifications and professional background. The policy also stipulates that the Nomination Committee is to give particular consideration to ensuring that the experience and expertise of the Board members matches the Sectra Group's priorities and stage of development.

President

The President and CEO of Sectra AB is Torbjörn Kronander. For information about his background, education and holding of shares and other securities in Sectra, refer to page 54. The President is responsible for ensuring that the ongoing administration is handled

in accordance with the guidelines provided by the Board. Responsibility for the operational activities is decentralized to the Imaging IT Solutions and Secure Communications operating areas as well as the Orthopaedics, Medical Education and Research business units, which are part of the Business Innovation operating area. Responsibility for the coordination of certain central functions, such as IT and regulatory affairs, Group finance and finance, and People and Brand (corporate culture, brand, recruitment and marketing communication), lies with each function.

The President ensures that the Board receives factual, comprehensive and relevant information and decision-making data and engages in ongoing dialogue with the Chairman of the Board, and keeps the Chairman informed about the company's performance and financial position.

Auditor and external auditing

The 2021 AGM re-elected Ernst & Young AB as the external auditor for a period of one year, with Authorized Public Accountant Andreas Troberg as Auditor in Charge. Ernst & Young AB has been Sectra's auditor since the 2020 AGM.

The company's auditor regularly participates in Audit Committee meetings. The company's auditor participated in the Board meeting at which the year-end report was presented, and communicated his observations and suggestions to the Board. In conjunction with this meeting, the auditor held a meeting with the Board without the attendance of representatives of company management. The auditor also participated in the Board meeting at which the annual review of risks was presented and discussed.

The auditor's examination and audit of the year-end report and Annual Report were conducted in May to June 2022. In addition to the audit assignment, Ernst & Young AB also reviewed the nine-month interim report, submitted certifications in accordance with the Companies Act and, in accordance with the established guidelines, carried out permitted non-audit services in the form of tax advisory services to a lesser degree, reviewed work pertaining to business ethics risks in a selection of the Group's companies and provided other services such as consultations related to accounting policies. Fees to auditors are paid on the basis of invoices received, in accordance with an AGM resolution. For more information, refer to [Note 4](#) on page 99.

Internal control and risk management regarding financial reporting

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

At present, the Board is of the opinion that sufficient control of the financial statements and risk management are achieved through collaboration with the company's external auditors and the thorough reviews and follow-up carried out at the meetings of the Audit Committee. At the subsequent Board meeting, the Chairman of the Audit Committee presents the issues that have been discussed and the proposals and issues to be addressed by the entire Board.

Internal auditing

The Board of Directors has assessed the need for a special auditing function (internal auditing) and concluded that such a function is currently unjustified at Sectra considering the scope of the business and the existing internal control structures. The Board re-examines the need annually.

Control environment

The procedures are designed to ensure efficiency in the operations and compliance with laws and regulations. The company has implemented specific control activities to continuously monitor and control the risks associated with the business. An essential part of the control environment is the policies, instructions and procedures that are maintained by the organizational structure which clearly defines roles and responsibility. The Board is ultimately responsible for the internal control, but the ongoing administration has been delegated to the President.

Risk assessment

Group Management identifies and evaluates the most serious risks associated with the Group's operations. Where risks are identified, control requirements are formulated and must be followed. Where necessary, new control requirements are established. The most serious risks are assessed based on potential financial damage to Sectra's operations, the likelihood of occurrence and mitigating measures that have been implemented. Weighed together, these three factors yield an assessed level of risk. The risk analysis is addressed annually by the Board and, if necessary, additional monitoring and control measures are conducted. For information about the company's most serious risks, refer to page 80 and [Note 29](#) on page 111.

Control activities

The Board's measures to monitor internal control in connection with financial reporting include thorough reviews and follow-ups at the meetings with the Audit Committee, which maintains regular contact with external auditors. The control structure has been designed to manage the risks deemed by the Board and Executive Management to be significant to the Group's operating activities, financial reporting and compliance with laws and regulations. The primary objective of the company's control activities is to prevent and identify errors as early as possible so that any deficiencies can be resolved. Procedures and activities have been designed to detect and manage the most essential risks related to financial reporting.

The business areas, business units and Group companies are monitored by the President and CFO through regular reports and personal meetings with each management team of companies included in the Sectra Group. The Board receives monthly reports in which the President and CFO present the earnings and financial position of the Group and its business areas for the preceding period. Work relating to monthly and annual accounts is well-defined and reporting is conducted in accordance with standardized reporting templates, including comments regarding all significant income statement and balance-sheet items. Financial managers and controllers with functional responsibility for accounting, reporting and analysis are employed at both central and unit levels. This enables several controls of the company's financial reports to be performed, which reduces the risk of errors.

Internal information and communication

Financial reporting is governed by internal guidelines and instructions. The CFO is responsible for informing financial managers and controllers about Group-wide accounting policies as well as other matters pertaining to financial reporting. Financial managers and controllers in the Group are responsible for ensuring a high level of quality in the internal reports and that reporting to the Parent Company takes place at the agreed time for financial reporting.

Follow-up

Follow-up of internal control is carried out continuously through monthly and interim reports to the Board outlining the company's

financial outcome, including comments from Group Management. In addition, follow-up takes place through reports from the Audit Committee and the company's auditors. The company's Auditor in Charge also participates in most Audit Committee meetings and at least one Board meeting per year, during which the most significant observations during the year's audit are reported directly to the Board. At the same time, the Board is able to present questions to the auditor. At company level, follow-up is performed through weekly and monthly reporting to the Parent Company and personal visits to subsidiaries by the CFO, Accounting Manager or Group Controller. During these visits, a review of essential procedures and compliance with Group-wide policies and guidelines is conducted. However, there were no on-site visits to foreign subsidiaries in 2021/2022 due to pandemic restrictions. Follow-ups were instead conducted through online meetings.

External information

The Sectra Group's disclosure of information is regulated by an Information Policy established by the Board. All communication should comply with the listing agreement for listed companies in Sweden. The financial information provided by Sectra is to be accurate and current, and provide comprehensive information about the Group's operations and financial performance to all stakeholder groups. The company observes a quiet period during 30 days prior to the publication of a year-end or interim report.

The Board adopts the Group's annual report, year-end report and interim reports. All financial reports and press releases are published on the Group's website at [sectra.com](https://www.sectra.com) and distributed simultaneously to the media and Nasdaq Stockholm.

Linköping, the date stated by our electronic signature
The Board of Sectra AB (publ)

Jan-Olof Brüer
Chairman of the Board

Torbjörn Kronander
President and CEO of Sectra AB
Board member

Christer Nilsson
Board member

Anders Persson
Board member

Birgitta Hagenfeldt
Board member

Tomas Puusepp
Board member

Fredrik Robertsson
Board member

Jonas Yngvesson
Board member

Andreas Örneus
Board member,
Employee representative

Filip Klintenstedt
Board member,
Employee representative

Auditor's report on the corporate governance statement

To the general meeting of the shareholders of Sectra AB (publ), corporate identity number 556064-8304

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the financial year May 1, 2021 – April 30, 2022 on pages 58–63 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, the date stated by our electronic signature

Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Administration report

The Board of Directors and the President of Sectra AB (publ), Corporate Registration Number 556064-8304, hereby submit the Annual Report and the consolidated financial statements for the period from May 1, 2021 to April 30, 2022. The following sustainability report, income statements, balance sheets, statements of changes in equity, cash-flow statements and notes comprise an integrated part of the Annual Report.

Governance

Sectra applies the Swedish Corporate Governance Code ("the Code"). Sectra has prepared a Corporate Governance Report in accordance with the rules and application instructions in Swedish legislation and in the Code. The Corporate Governance Report is presented on pages 58–63 of this Annual Report and the auditor's statement on the Corporate Governance Report is presented on page 63.

Sustainability Report

The statutory Sustainability Report is included in Sectra's Sustainability Report, which encompasses pages 4, 13–25 and 70–82. The Sustainability Report has been prepared in accordance with the requirements of the Swedish Annual Accounts Act. The Report encompasses the Parent Company Sectra AB and all units included in Sectra's consolidated financial statements for the 2021/2022 fiscal year. Refer to **Note 13** on page 105. The auditor's statement on the Sustainability Report is included in the auditor's report on pages 116–119.

The Group's operations and structure

Sectra conducts research, development and sales of high-tech products and services in the niche markets of medical imaging IT and cybersecurity. Sectra AB is the Parent Company of the Group, which comprises the operating areas Imaging IT Solutions, Secure Communications and Business Innovation. Other Operations pertain to joint functions for administration, recruitment, Group finance, IT, regulatory affairs, people and brand, and investor relations activities. Sectra's operating areas are organized as separate companies based on the customer segments and geographic markets targeted. The Group has its head office in Sweden and several subsidiaries around the world (refer to **Note 13**).

Changes in legal entities

The Medical Education and Orthopaedics business units within the Business Innovation operating segment were included in the Parent Company's reporting until April 30, 2021. Since then, the business units have been operated in separate legal entities. Sectra has also registered a new subsidiary in Switzerland. Refer to **Note 13** for further information.

Significant events

2021/2022 fiscal year

- Order bookings amounted to SEK 2,320.2 million, compared with SEK 2,651.6 million in the preceding fiscal year. Demand was in line with Sectra's expectations, although order bookings did not meet the record-breaking level achieved in the preceding year.
- Sectra posted its highest sales to date and growth in recurring revenue. Net sales rose 19.4% to SEK 1,949.1 million. Recurring revenue accounted for SEK 1,081.4 million of sales, up 11.7% on the comparative year.

- Operating profit increased 9.5% to SEK 383.4 million, corresponding to an operating margin of 19.7%. The fiscal year was the best to date for Sectra in terms of earnings, and the Group's three financial goals were exceeded. Refer to page 25.
- Through a share redemption program totaling SEK 173.4 million, SEK 0.90 per share was distributed to shareholders in November 2021.

After the balance-sheet date

- The Board of Directors and President propose that the 2022 AGM resolve to distribute SEK 1.00 per share to the shareholders through a share redemption program, an increase on the corresponding amount in the preceding year.
- Jessica Holmquist (refer to page 57) assumed the position of CFO on May 1, 2022. She replaced Mats Franzén, who transitioned to a new role as a senior advisor to company management.

Outlook

Sectra plays a key role in meeting the needs of medical imaging IT and cybersecurity—two changing, growing markets with additional scope for expansion, where the underlying societal trends mean these areas must grow. The company is well positioned in these areas, with stable solutions, high levels of customer satisfaction and a long-term future focus. The Group's financial position enables investments in forthcoming projects and new geographic markets that could eventually become significant.

The Group's possibilities for growth are favorable in all operating areas. The need for higher productivity, scalability and access to new technology is growing in all product areas. Sectra's recipe for success is customer satisfaction, which in turn requires happy employees, in that order. Add to this a clear focus on growing markets, reasonable cost control, a clear vision of where the company is headed and the perseverance to stay the course. Sectra's development over the years is a testament to what a strong combination this is.

Financial overview, Group

| Performance measures | 2021/2022 | 2020/2021 | Change, % |
|---|-----------|-----------|-----------|
| Order bookings, SEK million | 2,320.2 | 2,651.6 | -12.5 |
| Net sales, SEK million | 1,949.1 | 1,632.4 | 19.4 |
| Operating profit, SEK million | 383.4 | 350.1 | 9.5 |
| Net financial items, SEK million | 11.1 | -1.8 | n/a |
| Profit after financial items, SEK million | 394.5 | 348.2 | 13.3 |
| Net profit for the year, SEK million | 314.8 | 275.5 | 14.3 |
| Operating margin, % | 19.7 | 21.4 | n/a |
| Profit margin, % | 20.2 | 21.3 | n/a |
| Earnings per share before dilution, SEK | 1.63 | 1.43 | 14.0 |
| Cash flow per share, SEK ¹ | 3.20 | 1.93 | 65.8 |

¹ Cash flow from operations after changes in working capital.

Comments on order bookings, sales and earnings

The order volume for the fiscal year did not meet the historically high levels for the comparative year, which was in line with Sectra's expectations. This result includes several major multiyear agreements, which contribute to long-term stability, but also lead to significant variations in order bookings between individual quarters and periods. The ratio of order bookings to net sales was 1.2, compared with 1.6 at the end of the preceding fiscal year.

Sales rose 19.4% compared with the comparative year. Imaging IT Solutions was the main contributor to sales growth. The other operating segments were affected by the pandemic to a greater extent. Secure Communications' operations were hit particularly hard, and Business Innovation's outcomes fluctuated considerably.

Based on unadjusted exchange rates, net sales increased 16.9%. More than 70% of our net sales are carried out in foreign currency, primarily EUR, GBP and USD, which entails a relatively large sensitivity to currency fluctuations. Sales primarily increased in the UK and the US. The change in Sweden compared with the comparative year was mainly attributable to Secure Communications. In Rest of Europe, we noted sales growth in Norway and Germany as well as in newer markets for us, such as Belgium and France.

The Group's operating profit rose 9.5% to SEK 383.4 million. Based on unadjusted exchange rates, operating profit increased 4.8% compared with the comparative year. The operating margin was 19.7% (21.4), which exceeded Sectra's financial goal of 15%. This result includes higher costs for third-party products for customer projects and increased operating expenses compared with the temporarily low level in the comparative year. Secure Communications' result was hit particularly hard by pandemic restrictions, although the situation improved somewhat toward the end of the fiscal year. At the same time, travel and marketing activities resumed across the Group, even if costs are lower than their pre-pandemic levels.

The Group's financial items amounted to SEK 11.1 million (expense: 1.8). This improvement in financial items is mainly a result of major currency fluctuations, primarily a strengthening of the USD and GBP against the SEK. Currency fluctuations in the fiscal year had an impact of SEK 5.7 million (neg: 7.1) on financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact. Profit after financial items increased 13.3% to SEK 394.5 million (348.2). This corresponds to a profit margin of 20.2% (21.3). Net profit for the year rose 14.3% to SEK 314.8 million, corresponding to earnings per share of SEK 1.63 (1.43) before dilution.

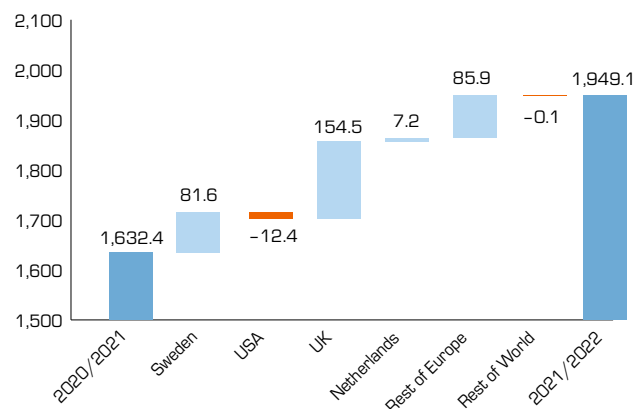
Financial position and cash flow

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 808.8 million (454.9). This change was mainly attributable to an increase in advances from customers. The Group's debt/equity ratio was 0.06 (0.08) as of the balance-sheet date. Interest-bearing liabilities amounted to SEK 62.6 million (73.5), of which SEK 62.2 million (70.5) pertained to lease liabilities according to IFRS 16.

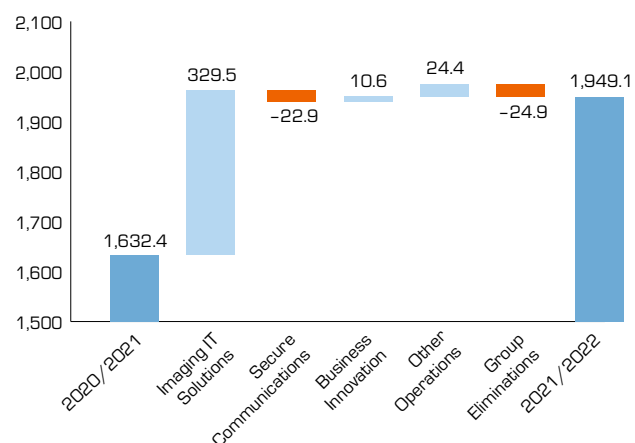
The Group's cash flow from operations improved as a result of advances from customers and increased to SEK 616.9 million (372.2) for the fiscal year. Cash flow per share amounted to SEK 3.20 (1.93).

Cash flow from investing activities amounted to a negative SEK 68.3 million (neg: 66.8) (see below). The Group's total cash

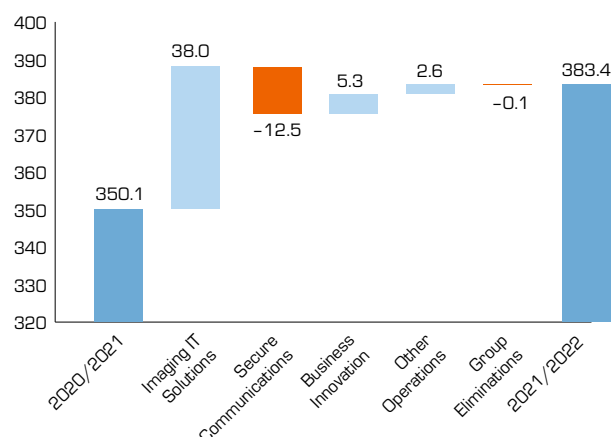
Sales trend per operating segment
SEK million



Sales trend per geographic market
SEK million



Earnings trend per operating area
SEK million



flow for the fiscal year was SEK 349.8 million (106.7). This result includes a disbursement of SEK 173.4 million (173.3) to the shareholders through share redemption programs.

Investments, depreciation/amortization, impairment, and R&D

Group investments amounted to SEK 74.4 million (67.7). Investments pertained primarily to capitalized work for own use, which decreased 7.0% during the fiscal year to SEK 44.3 million (47.4).

Depreciation, amortization and impairment totaled SEK 81.2 million (83.1). No impairment took place in 2021/2022, compared with SEK 4.2 million in the preceding fiscal year. Of the total depreciation and amortization, SEK 32.2 million (31.9) pertained to capitalized development costs. Depreciation of right-of-use assets according to IFRS 16 amounted to SEK 25.2 million (24.6). At the end of the fiscal year, capitalized development costs totaled SEK 149.8 million (137.7).

Every year, Sectra invests 10–15% of its consolidated sales in research and development (R&D) projects. Read more on page 22. R&D costs for the fiscal year amounted to SEK 248.3 million (201.8).

For further information, refer to [Note 10](#).

Effects of notable uncertainties

The invasion of Ukraine and the sanctions imposed had a minimal direct impact on the Group's operations during the fiscal year. However, COVID-19 resulted in increased variation and temporary shifts in markets and product areas. Although as much as possible is being conducted remotely, COVID-19 continued to pose certain challenges in terms of go-live, product deliveries and training.

Thanks to its financial stability and markets, the Group is well equipped to manage times of uncertainty. Sectra has neither needed nor received any support in the form of reduced rent, furlough assistance or business transition support due to the COVID-19 pandemic. No need for impairment is deemed to exist owing to the pandemic or the war in Europe.

For more information, refer to page 82.

Seasonal variations

Sectra has historically experienced major seasonal variations, since individual projects can be very large relative to Sectra's sales. This applies for both medical systems and encryption systems. As a result, the beginning of the fiscal year is usually weaker since many customers prefer not to put systems into operation during the summer. During the pandemic, this seasonal pattern was affected

by when customers were able to accept deliveries, which entailed a certain change from the traditional pattern. The variations in order volumes between individual quarters are significant since certain contracts are very large and have long terms. As Sectra transitions to selling products as a service, which increases recurring revenue, this variation is expected to gradually decrease over the next several years.

The fourth quarter is normally our strongest quarter, and this year was no exception. Compared with Sectra's historical seasonal pattern, we also had an unusually strong start to 2021/2022, with early deliveries in Imaging IT Solutions. In the coming fiscal year, we expect to see a return to a more normal seasonal pattern, with a weaker first quarter.

Financial overview, operating areas and Parent Company

Imaging IT Solutions

Imaging IT Solutions reported growth for 2021/2022, with sales increasing 23.6% to SEK 1,727.2 million (1,397.7). The operations have grown in markets where Sectra already has a strong position, and several major customer projects have been delivered around the world. Specific initiatives are ongoing in the US, where Sectra has strengthened its position through contracts with additional important, major customers. In most of the major contracts entered into during the fiscal year, the customers chose Sectra One, the new subscription model for Sectra's enterprise imaging solution.

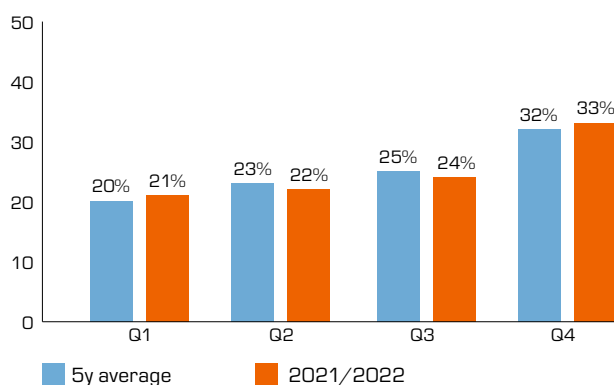
Operating profit rose 10.1% to SEK 416.0 million (378.0), corresponding to an operating margin of 24.1% (27.0). Costs for travel and marketing activities increased, even if they have not returned to pre-pandemic levels. The operating margin was also impacted by a higher share of sales attributable to third-party products related to upgrades and deliveries made to customers as well as a continued improvement in delivery capacity.

Read more about the operating area on page 30.

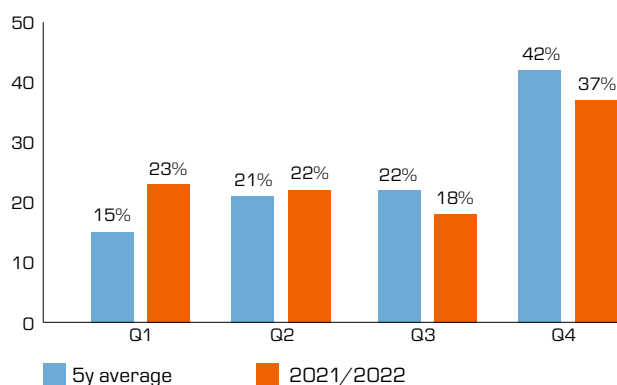
Business Innovation

In 2021/2022, sales for Business Innovation amounted to SEK 66.4 million (55.8), up 19.0% from the comparative year. Operating profit amounted to SEK 6.1 million, compared with SEK 0.8 million in the comparative year. The results in Business Innovation's relatively small business units vary significantly between quarters and periods. The pandemic has had a significant impact on operations. A transition to business models based on selling software and products as services is also under way in these units,

Share of net sales per quarter, seasonal pattern, %



Share of operating profit per quarter, seasonal pattern, %



which will initially have a negative impact on sales growth. While sales from services in Business Innovation increased compared with the preceding fiscal year, hardware and third-party products currently account for approximately two-thirds of revenue. In the long term, the new business models will result in higher recurring revenue, resulting in fewer variations going forward.

Read more about the operating area on page 37.

Secure Communications

Sales in 2021/2022 amounted to SEK 184.9 million, compared with SEK 207.8 million in the comparative year. Operating profit decreased to a loss of SEK 3.0 million (profit: 9.5). Major defense contracts contribute to fluctuations in financial results, and the pandemic had a significant impact on operations during the fiscal year. Procurements were delayed, and deliveries took longer than hoped. However, the situation improved somewhat toward the end of the fiscal year, which meant that both important business negotiations and some of the previously delayed product deliveries could be carried out.

Read more about the operating area on page 43.

Other Operations and Parent Company

Sales from Other Operations are mainly intra-Group in nature and amounted to SEK 98.9 million (74.5). The change in sales mainly pertained to increased central management of costs distributed across the organization. An operating loss of SEK 35.7 million (loss: 38.3) was reported.

For information about the Parent Company's financial outcome, please refer to the following income statements, balance sheets, accounting policies and notes.

The share

Share capital and number of shares

In accordance with the resolutions and authority granted by the most recent 2021 AGM, the following changes in the number of shares occurred during the fiscal year:

- Share split whereby one existing share in Sectra was split into five shares.
- Issue of 1,000,000 Class C shares at a price corresponding to the quotient value, meaning SEK 0.20 per share and a total of SEK 200,000, to secure the obligations under new long-term performance-based incentive programs LTIP 2021 (see below).

In addition, 1,000,000 Class C shares were converted to Class B shares and 34,855 Class B shares were issued as a result of the conversion of the 2018/2022 convertible program. Sectra's has one remaining convertible program that expires in January 2023 (refer to [Note 3](#)).

On April 30, 2022, Sectra's share capital totaled SEK 38,732,465, distributed between 193,662,325 shares and 311,593,465 voting rights. The number of shares is distributed between 13,103,460 Class A shares and 180,558,865 Class B shares. One Class A share confers ten votes, while one Class B share confers one vote. All shares carry equal rights to the company's assets and profits. The Articles of Association contain a right of first refusal clause for the transfer of Class A shares. No other agreements between shareholders entailing restrictions on the right to transfer shares are known to the Company. Nor is the company party to any agreements that would take effect should control of the company change through public purchase offers.

For further information, refer to [Note 20](#).

Repurchase of own shares and holding of treasury shares

All 1,000,000 Class C shares have been repurchased at a price corresponding to the quotient value of SEK 0.20, totaling SEK 200,000. The purpose of the repurchase is to ensure the future delivery of performance shares and to finance the costs of social security contributions related to LTIP 2021. All Class C shares were thereafter converted to Class B shares.

Sectra's holding of treasury shares at the end of the fiscal year comprised 1,000,000 Class B shares, corresponding to 0.5% of the capital and 0.3% of the voting rights in the company.

Major shareholders

Sectra had 13,868 (12,393) shareholders on the balance-sheet date. Of these, the following shareholders had direct and indirect holdings comprising more than 10% of the number of votes for the total number of shares in the company on the balance-sheet date:

- Torbjörn Kronander, who directly and indirectly through the company Shannon AB represents 17.1% of the voting rights.
- Jan-Olof Brüer, who directly and indirectly through the company Shannon AB and other related parties represents 17.0% of the voting rights.

New performance-based incentive program 2021

In accordance with a resolution by the AGM, long-term performance-based incentive programs were introduced for employees in the Sectra Group in Sweden and the rest of the world (LTIP 2021 SROW) and in the US and Canada (LTIP 2021 NA). In total, 57% of entitled employees chose to participate in the programs. The participants in LTIP 2021 SROW were allotted a total of 238,097 share rights, the participants in LTIP 2021 NA were allotted 119,960 performance stock units (PSU). During the fiscal year, total costs for the program amounted to SEK 4.1 million, which was recognized as personnel costs. For more information, refer to [Note 3](#).

Following the set vesting period, participants will receive shares in Sectra free of charge provided they remain employed by the company and certain performance conditions have been met. The allotment of performance shares will take place within 60 days from the end of the qualification period, which runs from January 1, 2022 to December 31, 2026. The maximum number of performance shares that can be allotted under LTIP 2021 is limited to 780,000 Class B shares. In addition, a maximum of 220,000 Class B shares may be transferred on Nasdaq Stockholm, including by way of a financial intermediary, to finance the costs of covering social security contributions and non-wage labor costs as a result of the incentive programs.

Authorization

The 2021 AGM authorized the Board of Directors, during the period until the next AGM, to decide on a new share issue of not more than 18,500,000 shares. The purpose of the authorization was to enable the use of newly issued shares to finance market investments and acquisitions of companies or operations. The AGM also authorized the Board to resolve to buy back, or divest, Sectra's own shares. Divestment can take place on Nasdaq Stockholm or in conjunction with acquisitions of companies or operations, in conjunction with market investments, to cover the costs arising as a result of the company's incentive programs and to continuously adapt the company's capital structure and thereby contribute to increased shareholder value. A condition for this authorization is that the holding of treasury shares at no time exceeds 10% of all shares in the company.

At the time of publication of this financial report, the Board had not utilized this authorization.

Guidelines for remuneration to senior executives

In accordance with the guidelines prepared by the Board, the 2020 AGM adopted the following policies for remuneration and other terms of employment for senior executives of Sectra AB. All current agreements follow these principles.

Scope and applicability of the guidelines

These guidelines cover the President and CEO, other members of Group Management and, where applicable, remuneration to Board members for work performed above and beyond their commission. The guidelines will be applied to contractual remuneration, and changes made to remuneration already contracted, after the guidelines are adopted by the 2020 AGM.

The guidelines do not cover remuneration that has been resolved on by the General Meeting of Shareholders. Board fees will not be paid to executives employed in the Group.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

Briefly, Sectra's business strategy entails developing and selling products and services for medical IT and cybersecurity. Helping our customers improve the efficiency and quality of patient care and increase cybersecurity in critical social functions is the company's most significant contribution to a more sustainable society. For more information about the company's business strategy, refer to the Sectra's latest Annual Report, which is available at the company's website, [sectra.com](https://www.sectra.com).

Successfully implementing the company's business strategy and looking after the company's long-term interests including sustainability assumes that the company can recruit and retain qualified employees. This requires the company to offer competitive remuneration. These guidelines make it possible to offer senior executives competitive total remuneration. Long-term share-based incentive programs have been introduced at the company in certain years. These programs are adopted, where necessary, by the General Meeting of Shareholders and are thus not covered by these guidelines.

Forms of remuneration, etc.

The terms and conditions of remuneration must emphasize remuneration after performance, and varies in relation to the individual's performance and the Group's earnings. Total remuneration is on market terms and can consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits.

Fixed remuneration

Fixed remuneration consists of a basic annual salary (the "Basic Salary"), which is to be competitive in the relevant market and reflect the responsibilities that the job entails. Salary levels will be reviewed once a year to ensure continued competitiveness and to reward individual performances.

Variable remuneration

Variable cash remuneration covered by these guidelines must be intended to promote the company's business strategy and long-term interests, including sustainability.

Variable cash remuneration will be based on predetermined and measurable criteria. These criteria must be based on (i) financial earnings (profit, financial efficiency and sales) or alternately operational goals that over the long term are felt to lead to solid financial results; (ii) share-related goals and (iii) non-financial goals such as sustainability, customer satisfaction, quality and corporate culture. They should also consist of individually adapted quantitative or qualitative goals.

Meeting the criteria for disbursement of variable cash remuneration should be measurable over a period of one or more years. Variable cash remuneration can total a maximum of 50% of the Basic Salary as regards financial, operations, non-financial and individually adapted goals and a maximum of 25% as regards share-related goals during the relevant measurement period.

When the measurement period for meeting the criteria for disbursement of variable cash remuneration has concluded, the extent to which the criteria were met must be determined. The Remuneration Committee is responsible for assessment regarding variable cash remuneration to the President. As regards variable cash remuneration to other executives, the President is responsible for the assessment. As regards financial goals, the assessment must be based on the latest financial information released by the company.

In addition to variable remuneration that executives may receive in accordance with these guidelines, the Board of Directors may decide that such executives could be covered by programs for variable remuneration that also cover personnel categories other than senior executives such as all employees in the Group or in a particular business area. Such programs must entitle all employees (regardless of position) to the possibility of the same nominal remuneration.

The Board of Directors must also have the legal or contractual possibility—with the ensuing limitations—of demanding the return in full of erroneously disbursed variable remuneration ("clawback"). A clawback of this kind, where applicable, must be issued within five years of the disbursement.

Pension and other benefits

For the President and other executives covered by these guidelines, retirement and survivor benefits including health insurance must be provided and are to be defined-contribution. Variable cash remuneration must not be pensionable. Pension premiums must total a maximum of 30% of the Basic Salary.

The executive must be provided with the possibility of exchanging a portion of the Basic Salary with other benefits such as life insurance, healthcare insurance and a company car, provided that it is cost-neutral for the company.

As regards terms of employment subject to laws other than Swedish, the company may make the proper adjustments concerning pension and other benefits in order to comply with compulsory regulations or local practice, in which case the overall goals of these guidelines must be met to the greatest possible extent.

Period of notice

The period of notice must be linked to the age of the executive, in accordance with the following policies.

Upon termination by the company or the executive, the period of notice must be at most (i) six months, if at the time of termination the executive is age 40 or younger; (ii) 12 months, if at the time of termination the executive is age 41–50; (iii) 18 months, if at the time of termination the executive is age 51–60; and (iv) 24 months, if at the time of termination the executive is age 61 or older. From the date the executive turns 67, however, the period of notice must be at most six months.

Salary and conditions of employment for employees

In preparing the Board's proposal for these remuneration guidelines, salary and conditions of employment for the company's employees were taken into account through information on total employee remuneration, the components of remuneration and the increase (and rate of increase) of the remuneration forming a part of the basis for decision by the Board and the Remuneration Committee in assessing the reasonableness of the guidelines and the ensuing limitations.

The decision-making process for adopting, reviewing and implementing the guidelines

The Board of Directors has set up a Remuneration Committee, the tasks of which include preparing the Board's decisions on proposals for guidelines on remuneration to senior executives. The Board of Directors will draw up proposals for new guidelines at least once every four years, and present the proposal for resolution by the AGM. The guidelines will be in force until new guidelines are adopted by the General Meeting of Shareholders.

Remuneration to the President and, where applicable, Board members (above and beyond ordinary remuneration resolved on by shareholders' meetings) is decided by the Board based on the recommendations of the Remuneration Committee. Remuneration to other executives is determined by the President. The Remuneration Committee must also monitor and evaluate programs for variable remuneration to Group Management, the application of guidelines for remuneration to senior executives and applicable remuneration structures and remuneration levels in the company. The members of the Remuneration Committee are independent in relation to the company and Group Management. To the extent they are affected by such issues, neither the President nor other members of Group Management are present when the Board discusses and decides on issues related to remuneration.

Departures from the guidelines

The Board of Directors may decide to temporarily depart from the guidelines in full or in part if, in an individual case, there are particular reasons to do so and a departure is necessary to safeguard the company's long-term interests including its sustainability, or to ensure the company's financial strength. As indicated above, the tasks of the Remuneration Committee include preparing Board decisions on remuneration issues, which includes decisions on departures from the guidelines.

Future changes in Sectra's reporting

In light of Sectra's transition to increasingly selling services, particularly cloud-based services, the Board of Directors and the President have assessed the performance measures recognized in the financial statements. As a result, Sectra's recognition of order bookings and recurring revenue will change starting on the next reporting date.

As sales of products and software as a service increase, the relative importance of order bookings as a measure of growth will decrease. In addition, when software is sold as a service, customers usually want to have the option to terminate their agreement with the provider if the purchased service does not deliver maximum value. With new contract clauses giving the customer the right to terminate the contract for no specific reason, revenue from long-term customer contracts is only partially guaranteed. Contracts will continue to typically be based on terms of five to ten years, and assuming the service is satisfactory, it will likely be utilized throughout this period, at a minimum. However, guaranteed future revenue will be limited to initial delivery of consultancy service and a notice period of approximately one year, depending on the specific contract.

Accordingly, Sectra intends to change the way in which order bookings are recognized. Up until the 2023/2024 fiscal year, at which point order bookings will be entirely excluded from the financial statements, the recognition of order bookings will be divided between contracted and guaranteed order bookings. Contracted order bookings refer to the contract value that the customer has procured and intends to purchase during the term of the contract. Guaranteed order bookings are the share of contracted order bookings that correspond to what the customer has undertaken to

purchase when the contract is entered into. For guaranteed order bookings received during a given quarter, Sectra will also state the share that has already been recognized as revenue as well as the share expected to be recognized as revenue within 12 months of the end of the quarter.

Sectra will also clarify its recognition of recurring revenue. In pace with the gradual transition to delivering software as a service, initial sales in the form of software licenses will decrease and be replaced by per-use sales over a longer period of time. To clarify how its former license sales will be replaced, recurring revenue will be supplemented with the new performance measure "Cloud Recurring Revenue" (CRR) for recurring revenue from cloud services. CRR refers to the recurring revenue we receive from customers for software delivered via the cloud, including operating services and underlying infrastructure, meaning a portion of the total recurring revenue.

Within one year, Sectra intends to start recognizing the reduction in recurring revenue attributable to customers that leave Sectra ("Revenue churn"). This will be done to comply with standard reporting practices in software companies that deliver software as a service.

Proposed appropriation of profits

In accordance with a Board decision on July 5, 2022, this Annual Report has been signed by the Board of Directors of Sectra AB (publ) and approved for publication. The Parent Company and consolidated income statements and balance sheets included in the Annual Report and consolidated financial statements are subject to approval by the AGM on September 8, 2022.

The following funds are at the disposal of the AGM (SEK):

| | |
|-------------------------|-------------|
| Share premium reserve | 134,463,550 |
| Retained earnings | 63,235,852 |
| Net profit for the year | 216,596,187 |
| | 414,295,589 |

The Board and President propose that the profits be appropriated so that SEK 414,295,589 is carried forward. In addition, it is proposed that the Annual General Meeting resolves that SEK 1.00 per share be 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. This entails a distribution of SEK 192,662,325 to the company's shareholders. The amount is adjusted for treasury shares. The corresponding distribution to the shareholders in the preceding year was SEK 0.90 per share, corresponding to SEK 173,364,723. No ordinary dividend is proposed.

The proposal is in line with Sectra's dividend policy. The Board deems that the company's current balance sheet and cash flows are of adequate strength to secure the development of the business, while providing the shareholders with a high return. In its assessment, the Board took Sectra's levels of incoming orders, earnings and expected cash flow over the coming year into account as well as the uncertainties caused by COVID-19 and the war in Europe; refer to Risks and risk management on page 82. With a strong financial position, positive cash flow and significant recurring revenue, Sectra is well equipped to manage the unpredictability resulting from these uncertainties.

At the end of the fiscal year, the Group's equity/assets ratio was 49.3%. 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 and a timetable for a mandatory redemption process will be published in the notice of the AGM and the full proposal to the AGM.

Sustainability report

The basic goal of Sectra's operations is to solve major societal challenges. We provide high-quality solutions to our customers to allow them to provide more patients with the best care possible and protect critical infrastructure and communication in today's digital society. These are our largest contributions to a more sustainable society.

The foundation for Sectra's sustainability work is our vision, the value we create for our customers and our corporate culture, where corporate responsibility permeates everything that we do. Through our customer offerings, we help make people's lives healthier, safer and more secure. Our vision, business models and corporate culture are described on pages 13–25 and the customer offerings are described on pages 30, 37 and 44. These sections are supplemented below by detailed descriptions of governance, processes, risks and risk management as well as the result indicators we use to monitor our work on various sustainability issues. These descriptions include statutory information about social conditions and employees, the environment and climate, respect for human rights and anti-corruption. We also describe how we work with customer value, information security, quality, product safety and taxes. A sustainability index is also presented on page 120.

Sustainability targets

Value creation is integrated into our strategic business priorities—customer value, corporate culture, innovation and international expansion. Through the goals we have defined to create value for our customers, we also create value for our employees, shareholders and society as a whole. That is why our Group-wide operational targets and financial goals (see pages 24–25) also serve as our overall sustainability targets. They are monitored quarterly using the same process: from the business areas to the management team to the Board. Additional sustainability disclosures and result indicators are used to monitor the results of the operational sustainability agenda in the key sustainability areas that have been identified through the risk analyses included in our processes:

- Customer value, quality and safety
- Social conditions and employees
- Corporate responsibility

Additionally, all operating areas and business units have established business-specific operating targets that are monitored using result indicators. The Objectives and Key Results (OKR) method has been used for some time to measure major change goals. This ensures focus and transparency at all levels within our organization and enables us to more efficiently prioritize, focus and measure the level of success in our work.

Overall governance, processes and follow-up

The Board of Directors is the company's highest administrative body and is responsible for managing the company's affairs as well as safeguarding and maintaining Sectra's corporate culture. The Board determines Group-wide policies and is responsible for identifying how sustainability issues impact the company's risks and opportunities, which are followed up in an annual review of the risks within the Group. Responsibility for financial, environmental and social issues, and sustainability initiatives as well as for maintaining society's confidence in Sectra then lies with the President/CEO in accordance with the instructions established by the Board. The organization is decentralized, which for example means that all customer-related sustainability issues rest with the different business areas, with responsibility delegated to the respective operating area and business unit managers.

Sectra's management system, The Sectra Way, encompasses policies, processes and procedures for managing the companies in the Group as well as the sustainability agenda. The adequacy and efficiency of the management system is followed up during management's annual review. These reviews also include an analysis and review of stakeholders that can be expected to have some level of demands on Sectra. The analysis includes both internal and external stakeholders. Sectra's key stakeholders are the groups that are most impacted by our operations; refer to page 15. An ongoing dialogue is maintained, primarily with the Group's customers, employees, owners, sub-suppliers and distributors. This dialogue provides us with valuable information about various needs and challenges as well as key sustainability topics. Their demands are matched with the processes in The Sectra Way. When we identify demands that are not managed by any of our processes, the risks and opportunities they entail are evaluated. If a risk or opportunity is deemed significant, a change is proposed to The Sectra Way for management to address. For more information about management at Sectra, read the Corporate Governance Report on pages 58–63.



Sustainability in Sectra's value chain

Our value chain, and how we strive for more sustainable development in every step, is illustrated below.



84%

Services and software,
share of consolidated sales*

16%

Hardware and third-party products,
share of consolidated sales*

95%

Europe and North America,
share of consolidated sales*

Examples of initiatives in 2021/2022 that strengthened Sectra's sustainability

- Refining the company's processes for identifying risks (refer to [Risks and risk management](#) on page 80).
- New crisis plan and further development of processes and procedures to strengthen the organization's ability to successfully manage crises over the long term.
- Developing continuity plans for operations in the Group that previously lacked such plans.
- Certifying the operations in the US in accordance with ISO 27001, ISO 27017 and ISO 27018 (refer to [Information security and data protection](#) on page 73).
- Beginning work to certify cloud-based services for medical imaging in accordance with CSA STAR 1.
- Deciding to review the Group's environmental policy and relevant result indicators and requirements for sub-suppliers in purchasing processes.
- Introducing a new global business system to strengthen the ability of our operations to grow efficiently and scalably while limiting financial risks through consolidation of existing systems.
- Initiatives to further develop internal training in order to increase the scalability of the organization; refer to page 74.

* Refer to [Note 2 Revenue recognition](#).

Customer value, quality and safety

Quality control and product safety are highly important, since Sectra's products and services can mean the difference between life and death for individuals and large groups of people. Moreover, some products handle sensitive and classified information that may be crucial for national security or the integrity of an individual. The management system contains policies, procedures and guidelines for how issues concerning customer satisfaction, information security, personal data and patient security are to be managed. This is supplemented by certification programs and internal training to ensure that employees and distributors have the right skills and conditions to act responsibly and safely.

Customer satisfaction

The value we create for customers lays the foundation for Sectra's long-term, sustainable success. Satisfied customers are the ultimate proof that we deliver customer value that markedly improves customers' operations. In all our markets, we routinely conduct our own customer satisfaction measurements by using the Net Promoter Score (NPS) method, based on how our customers respond to the question "How likely are you to recommend Sectra to a friend or colleague?". These surveys provide important information for achieving high customer satisfaction and continuing to develop as a company. Customer feedback on Sectra indicates a high level of delivery quality and that they appreciate our employees, which is also confirmed externally by surveys such as "Best in KLAS" (read more on page 34).

Quality and product safety

Sectra's operating areas are certified according to relevant standards in their respective areas, including:

- ISO 9001 Quality Management
- ISO 13485 Medical Devices and the Medical Device Single Audit Program (MDSAP).

CUSTOMER SATISFACTION

Governance

Corporate culture

The procedure for measuring and monitoring customer satisfaction

Responsible:

Brand Manager, operations managers and regional managers

Review procedure

Monitoring and analysis in management groups for the respective subsidiaries

Management review at Group level, annual evaluation and decisions on measures

Regular reporting to the Board

Internal controls and external certifying auditors annually review our compliance with our own procedures and call our attention to any shortcomings that may need to be addressed

Result indicator

NPS ≥20



Result

High level of customer satisfaction

The company's products are subject to industry-specific regulations and requirements. Sectra's crypto products are evaluated and approved by security authorities since they are used to protect highly sensitive information. Sectra's medical IT systems comply with relevant patient security requirements, such as the European directive for CE marking: the Medical Devices Regulation (EU) 2017/745. The systems have received regulatory approval from the authorities in all markets where Sectra sells these IT systems, such as the notified body applied to in Europe, the US Food and Drug Administration (FDA) in the US, Health Canada in Canada and the Therapeutic Goods Administration (TGA) in Australia.

The company's products are developed, manufactured, marketed, sold and maintained in accordance with quality-control processes and procedures. This includes, for example, continuous improvements to the quality, safety and effectiveness of its products before, during and after they are delivered to customers. The company's procedures and processes for follow-up after delivery mean, for example, that incidents involving Sectra's products and services are systematically investigated in order to identify the underlying causes. Based on these investigations, corrective and/or preventive measures are taken for the products in question and, in certain cases, reports are submitted to customers and the relevant supervisory authorities.

Recurring internal controls and annual reviews by external certifying auditors are used to monitor compliance with standards, processes and procedures as well as measures to address any shortcomings. The result of this systematic work, certification and regulatory approval is high levels of patient and information security in Sectra's customer offerings.

QUALITY AND PRODUCT SAFETY

Policies/Governance

Quality policies for Medical IT and Secure Communications

Relevant regulations and standards in the respective areas; refer to text above

Internal processes and procedures for quality assurance and incident management

Own certification programs and internal training courses for employees and distributors

Responsible:

President/CEO, operations managers and quality managers

Review procedure

Management review at Group level, annual evaluation and decisions on measures

Internal controls and external certifying auditors annually review our compliance with standards as well as our own processes and procedures, and call our attention to any shortcomings that need to be addressed

Sectra's crypto products are evaluated and approved by security authorities

Government authorities review and approve the medtech products that Sectra sells

Examples of result indicators

Trends, results from internal and external certification audits

Trends, number of security reports/incidents per million diagnostic imaging examinations

Number of customer visits/employee, ≥3 per year

Trend, quality index (includes number of incident reports and issued reported to customer support)

Number of customers with fully supported solutions, ≥70%

Customer satisfaction

Degree of innovation



Result

High level of quality and product safety



At HIMSS 2022, Sectra was one of eight health-care IT system suppliers designated as “mature” in the area of cybersecurity preparedness. Ahead of the industry trade fair, Sectra participated in a security audit carried out by Censinet. To ensure the highest level of data security for our business and for our customers, we implemented the company’s recommendations.

Information security and data protection

Information security and personal data protection are deeply rooted in the company’s processes, procedures, products and services since these areas play a very important role in maintaining a high level of trust from our customers, employees and other stakeholders. Sectra’s operating areas have relevant certifications in each area, including:

- ISO 27001, Information security management
- ISO 27017, Security controls for cloud services
- ISO 27018, Protection of personally identifiable information (PII) in public clouds acting as PII processors.

Sectra’s CEO is responsible for the company’s information security policy. All Group employees are covered by the policy, which describes goals for how we preserve the confidentiality, accuracy and accessibility of Sectra’s information and that of our customers. These goals include:

- following applicable security and privacy provisions and customer demands
- ensuring a high level of security awareness among employees
- having a strong ability to protect, detect and respond to damaging activities and other security incidents
- maintaining high accessibility for critical systems and services
- having effective recovery procedures.

Confidentiality agreements are signed with all employees and consultants since they can be exposed to or have access to confidential information. Individuals working in the Secure Communications operating area also undergo security checks and are provided with mandatory training for handling confidential defense information. Sensitive information is handled in small groups and, in special cases, a logbook is kept with the names of the people who have access to the information. Executive Management and employees in particularly exposed positions use Sectra’s solutions for secure communications.

Sectra has also established a policy that provides roles and responsibilities for data protection within the Group and how we work with data protection, both internally and in the products and services we provide. All Group employees are covered by the policy, which includes guidelines and principles regarding the protection of personal data during processing, the right to have data erased, technical and organizational measures, use of processors, reporting of personal data crime and transferring personal data outside the EU.

INFORMATION SECURITY AND DATA PROTECTION

Policies/Governance

Code of Conduct
 Information security policy
 Data protection policy
 Policy for permitted use of assets
 Policy for general security in the offices
 Policy for IT communication
 Policy for IT operations
 Policy for software and hardware management
 Internal processes and procedures for incident management
 Own certification programs and internal training courses
Responsible:
 President/CEO, IT Manager, Quality Manager, Information Security Manager

Review procedure

Management review at Group level, annual evaluation and decisions on measures
 Internal controls and external certifying auditors annually review our compliance with standards as well as our own processes and procedures, and call our attention to any shortcomings that need to be addressed

Examples of result indicators

Results of external security and certification audits
 Percentage of employees who have successfully completed obligatory training in information security as well as data protection and privacy
 Labor hours lost per employee due to interruptions in internal IT systems and services
 Number of data protection incidents investigated and reported



Result
 Sectra maintains the trust of its customers, employees and other stakeholders through high levels of information security and compliance with relevant data protection and privacy laws

The goal of the policy is to follow data protection and privacy laws in the various markets where Sectra operates and to ensure that our customers, our employees and other relevant parties can rely on us when it comes to data protection.

The CEO, together with the operating area and business unit managers, has the overall responsibility for ensuring that Sectra meets its data protection obligations when processing personal data. The department and line managers are responsible for implementing appropriate procedures, processes, controls and training to ensure that employees in their area comply with the policy. The overall data protection agenda is monitored by the Group's Data Protection Officer (DPO), who is also responsible for reviewing the data protection policy. The DPO provides information and advice, assists with training, conducts internal audits and consequence assessments, monitors compliance with laws and the policy for the protection of personal data and is responsible for reporting any deviations to the supervisory authorities. The DPO also acts as the contact person for registered users, employees and supervisory authorities. The allocation of responsibilities among managers, the DPO and employees is described in the policy.

Training in basic information security, the General Data Protection Regulation (GDPR) and data protection is an obligatory part of the introduction for all new employees and is repeated regularly. There is also obligatory Health Insurance Portability and Accountability Act (HIPAA) training for all employees who might come into contact with patient information from the US market. This training covers general information security and privacy matters. All employees who might come into contact with patient information from the UK undergo an equivalent information security course developed by the National Health Service (NHS). All training is digital and provided through the platform Sectra uses for employee recruitment, development and training. Completed data protection activities and training are documented to demonstrate compliance with applicable data protection legislation and internal regulations.

In 2021/2022, several result indicators were established for target follow-up and compliance with standards, as well as processes and procedures for information security and data protection (refer to the previous page).

Social conditions and employees

Sectra offers a workplace with an attractive work environment and competitive terms. We support our employees' professional development and ensure their health, safety and well-being as well as dedication.

Having satisfied and dedicated employees is a precondition for delivering maximum customer value, and our corporate culture is an important governance tool. That is why we value the Sectra culture and our employees' satisfaction and safety on the job. Our long-term efforts to maintain and improve our corporate culture include developing and clarifying internal procedures throughout the entire employee life cycle, from recruitment to the day they leave us.

Recruitment

We help customers to ensure a sustainable, functioning society and are thus a workplace where employees can feel they are creating meaningful results in their work. This strengthens our ability to hire and retain employees who have the right expertise, abilities and attitude. Attracting new talent and retaining key individuals are important for meeting customers' needs and expectations.

Identifying, planning and monitoring employee needs and skills are part of the management system's planning process and are included in HR management procedures as well budget and

forecast processes. During recruitment, there is a process to help managers make decisions and evaluate candidates based on abilities and attitude. This process includes, for example, instructions for screening, proficiency tests, work tests and interviews. At Sectra, all candidates are interviewed by the recruiting manager, colleagues and the CEO. This rigorous process reflects how essential recruitment is for our success. We also have an internal program to reward employees who recommend candidates that are later employed.

Sectra has a program to appeal to and attract young talents from selected universities that includes, for example, participating in job fairs, collaborations with student unions, opportunities for thesis projects and summer jobs as well as company evenings. We measure our attractiveness through our employee Net Promoter Score (eNPS) among employees and questionnaires for participants at our various events.

Professional development

Given that knowledge rapidly becomes outdated, continuous development of individual skills as well as the company's approach and products is a top priority. Our processes for HR management include procedures for developing employees, strengthening leadership and monitoring employee satisfaction. We do this through performance reviews, employee surveys, competence training and leadership development. Responsibility for evaluating and determining the need for expertise and training to bridge any gaps lies with each role owner/head of function.

Our employees' motivation to share knowledge within the organization and to independently pursue their own continuous development is behavior that is evaluated and encouraged, for example in performance appraisals. Managers and employees work together to identify development needs and draw up development plans in conjunction with regular performance appraisals, at least once per year. This is conducted using an established process for personnel management, which is part of the management system. Training programs, various certification programs and supervision then help to ensure that employees have the correct skills for their role and their duties.

Many of the courses are digital. Quality is assured through practical steps and course evaluations. Managers are responsible for following up on whether employees meet the training criteria for their specific roles. Both managers and employees have access to systematic support to ensure this. Sectra offers leadership development programs for both new and more experienced managers. We conduct a large portion of training internally, but we also partner with external parties such as the Stockholm School of Economics. Sectra also actively contributes to the education of engineers and health-care personnel, for example through guest lectures at universities.

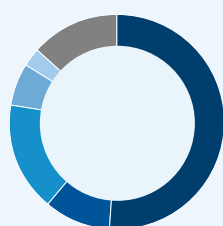
In 2021/2022, we worked to define career paths for various roles and important training included in each step. At the same time, targeted initiatives are being carried out to globalize and create a better structure for role-based training and streamline the introduction of new employees. We also introduced a new course in our leadership program that will strengthen support for managers who are supervising other managers for the first time. The goal of this initiative is to improve the organization's scalability and to ensure that employees meet regulatory requirements and customer expectations.

Work environment

The Group takes a proactive and systematic approach to occupational health and safety issues. Examples of Sectra's work environment goals:

- No employee shall be exposed to a risk of injury or sickness due to their work.

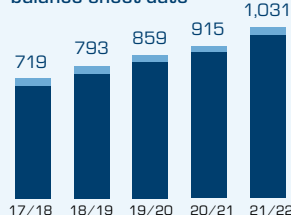
Key figures, employees



Geographic distribution of employees

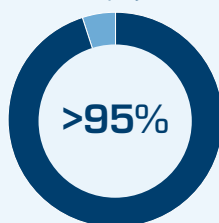
- Sweden: 51.2%
- UK: 10.0%
- North America: 16.5%
- Netherlands: 6.3%
- Australia/New Zealand: 2.8%
- Rest of Europe: 13.2%

Number of employees on balance-sheet date



● Temporary workers ¹ ● Permanent employment

Share of employees with permanent employment



Gender balance, %

| | April 30, 2022 | | April 30, 2021 | |
|---------------------------------------|----------------|-------|----------------|-------|
| | Men | Women | Men | Women |
| All employees | 68 | 32 | 70 | 30 |
| Line managers | 69 | 31 | n/a | n/a |
| Management groups, incl. presidents | 66 | 34 | 72 | 28 |
| Group Management | 67 | 33 | 80 | 20 |
| Board, incl. employee representatives | 83 | 17 | 83 | 17 |

Read more in Note 3.



Sectra's personnel have extensive expertise and a solid educational background. 89% of its employees have a university degree and many have completed postgraduate studies.

¹ Temporary workers are used in a very limited capacity for certain tasks, such as summer jobs, thesis projects and specific roles for young people who want to work for a while before continuing to higher education. In accordance with local legislation, these positions become permanent if they last for a long enough time (24 months in Sweden, for example). Hired consultants represent only a marginal portion of our resources. They are only used during peak seasons and when there is a temporary need for expertise. However, these positions are still required to have reasonable terms of employment.

- All employees shall experience a good quality of life in their work with respect to physical, psychological and social conditions.
- The company shall take rapid and conscientious action to ensure its employees can return to work after long-term illness, work-related injury or other problems.
- Employees shall not be under the influence of alcohol or drugs during working hours and help shall be offered to employees who need it for alcohol- or drug-related reasons.

We value a high level of well-being among our employees and take care to ensure that they have a sound work environment without stress levels that are detrimental to their health and well-being. This is achieved through initiatives like flexible working conditions and allowing employees to influence their work situation to the greatest extent possible, including choosing where they work. The majority of our employees have non-regulated working hours, meaning that they can schedule their own hours within the limits determined by management and the need for internal and external collaboration. Managers also meet regularly to discuss work situations and employee well-being to detect signals of physical and mental stress early on. This was extremely important during the last few years, with increased remote working due to COVID-19.

Discussions about health and work environment, including a health questionnaire, are held at least once per year. These conversations are followed up as necessary with health examinations and other measures. Questions about work environment are also included in the annual employee survey. Appropriate steps are then taken based on the answers to these questions. The company follows standard practice for parental leave and the right to part-time hours for employees with children.

The work environment agenda is based on Sectra's work environment and fire protection policy as well as established processes for identifying risks and deciding on measures to take. The management system was updated in 2021/2022 with a new process for managing illness and rehabilitation for returning to work. Activities and procedures are documented in order to provide better support to managers and employees with physical and psychosocial issues, such as stress and mental illness.

Work environment matters and incident reporting are followed up based on the rules in each country. There were three (one) incidents reported in 2021/2022 and zero (zero) accidents on the way two or from workplaces in Sweden. None of the incidents led to lost workdays. Incidents and accidents are investigated and reported according to current regulations. Preventative measures are taken to avoid accidents in the future.

Sectra's workplaces in Sweden have a safety representative and a work environment representative. They work together with the company healthcare service in a safety committee to ensure that the company follows laws and regulations for physical and psychosocial work environments. Our ambition is to identify problems with physical and mental health as early as possible to provide the necessary support, preferably before sick leave is necessary. After a long absence due to illness, managers work with employees and the company healthcare service to make the rehabilitation process as beneficial and as effective as possible. An individual rehabilitation plan is created to make it possible for employees to return to work safely.

SOCIAL CONDITIONS AND EMPLOYEES

Policies/Governance

Corporate culture
Work environment policy
Policy and procedure for systematic health and safety work, and fire prevention efforts
Alcohol and drug policy
Policy for gender equality and diversity
Policy for salaries and bonus payments
Budget and forecast processes for planning resource needs
Recruitment process
Procedures for HR management
System support for recruitment, development and training (talent management)
Whistleblower policy

Responsible:

President/CEO, operations managers, regional managers

Monitoring/Review procedure

Internal and external training
Leadership program
Annual employee survey
Performance appraisals with every employee, at least once per year
The safety committee and local safety representative
Management review at Group level, annual evaluation and decisions on measures
Internal controls and external certifying auditors annually review our compliance with our own processes and procedures, and call our attention to any shortcomings that need to be addressed
Employee union representatives on the Board

Examples of result indicators

Corporate culture index: ≥ 3.5 on a five-point scale
Employees' "gut feeling" when coming to work: ≥ 3.5 on a five-point scale
Equal treatment: ≥ 3.5 on a five-point scale
Leadership index: ≥ 3.5 on a five-point scale
eNPS ≥ 20
Result of annual health questionnaire and health examinations
Reporting safety incidents at the workplace



Result

Dedicated employees who are satisfied, improving as individuals and doing their best to meet or exceed customer expectations.

Healthier employees and minimal absence due to illness.

The Group's Board includes two employee representatives (with deputies) appointed by local AF branches. These representatives provide employees with insight into the company and the opportunity to affect decisions and issues pertaining to social situations and employees as well as other sustainability areas.

Equal treatment and diversity

Sectra's workplace shall be distinguished by equal opportunities and equal treatment, with everyone assuming responsibility for the treatment of their fellow human beings. This is reflected in our corporate culture where "showing tolerance and respect for each other as individuals and friends" is one of the core values that permeate our training of new employees and managers as well as performance appraisals. In line with our policy in the area, we work continuously to promote equal treatment and there is zero tolerance regarding all forms of bullying and harassment.

Sectra's organization has global operations, where language skills and the ability to operate in different cultures are important success factors. We are seeking to achieve a better gender balance, but are limited by the low availability of female engineers in our technology-intensive niche areas. Appointments to all positions are based on the individual's competence and individual traits. We monitor our success in relation to our goals based on our employees' perception of Sectra as a workplace with equal opportunities, where bullying and harassment should not exist.

Corporate responsibility and the Code of Conduct

Working together with Sectra is to be viewed as a stamp of quality for customers as well as employees and partners. Our corporate culture, in combination with our Code of Conduct, is a crucial factor in ensuring that the company's business is fair, honest and complies with applicable laws. Together with quality and control processes, this helps to guide the decisions and actions of managers, partners and employees during the course of their daily work.

Code of Conduct

Sectra conducts global businesses, with its principal exposure to countries in Europe and North America. Our work on increasing our market shares and winning the loyalty of new customers cannot jeopardize our ethical behavior and responsibility. The company's model for working with customers, distributors, sub-suppliers and strategic partners is based on responsibility, transparency and knowledge sharing. We endeavor to build long-lasting relationships since these give us the time to develop both an understanding of each other's values as well as mutual respect. These close, long-term partnerships play a very important role in Sectra's success.

Sectra's Board has adopted a Code of Conduct; refer to investor.sectra.com/sustainability. The Code addresses various areas, such as compliance with laws, product safety, developing and manufacturing products, documentation and reporting, use and protection of the company's assets, work environment, confidential information, anti-corruption, respect for human rights, conflicts of interest, marketing and sales, use of social media and competition. The Code describes the values and fundamental principles that apply to Board members, managers and employees as well as external parties such as sub-suppliers, consultants, distributors and partners. When it comes to external parties, this is regulated through the terms of agreement or (in the case of large companies over which we have only a minor influence) in the choice of partner. Compliance with the Code of Conduct is included in all distribution agreements, for example, and Sectra is entitled to terminate its business relationships at short notice if the Code is not followed. Should this happen, however, ongoing service agreements could be transferred

to a new distributor or the agreement itself could be taken over by Sectra. There is a follow-up every year, which can lead to a more detailed review as needed. The results of monitoring conducted by external partners form part of the annual management review, and are regulated in Sectra's management system. In addition, regulatory audits are conducted regularly via a selection in accordance with procedures in the management system.

Respect for human rights

Sectra's operations, to a large extent, are about people. Respecting human rights is important for our success and for our ability to live up to our stakeholders' expectations for sustainable business practices. We work to promote human rights in all parts of Sectra's operations, which is addressed in the Code of Conduct. Sectra respects human rights, as expressed in the International Bill of Human Rights, in every country where we operate. The company also respects the principles of fundamental rights in the ILO Declaration on Fundamental Principles and Rights at Work. This means, for example, that Sectra does not accept discrimination, lack of freedom of association, child labor, forced labor, employees under the age of 18 being exposed to dangerous conditions or other failures to comply with human rights. We are also aware of the new EU legislation entailing that companies need to conduct due diligence to identify how the potential impact of human rights violations is managed and reported according to the UN's Guiding Principles on Business and Human Rights.

Sectra's impact in the area of human rights is evaluated and addressed in the annual risk assessment. Given that our operations are conducted by employees primarily located in Sweden and other countries with strong labor rights legislation, and that we have a limited number of suppliers and partners, our assessment is that the risk of human rights violations is low. The risk analysis carried out during the fiscal year did not identify any specific risks of human rights violations at the workplace. Nor did the analysis identify any risk that Sectra's operations could violate human rights.

Taxes

The Board has established a financial policy that forbids tax evasion through transfer pricing. Sectra pays tax in each country where it operates in accordance with prevailing law and the OECD's Transfer Pricing Guidelines, which helps to boost development in the local community in each country.

Social action

Sectra is involved in various social action projects. These projects are connected to our products and solutions, training and expertise, or highlight our role as an employer, and strengthen our brand over the long term. They can be projects that help improve health and safety in society or that create added value for our employees and other stakeholders.

Anti-corruption

Sectra's Code of Conduct stipulates that the company does not accept any form of corruption, including bribes, conflicts of interest, embezzlement, kickbacks, blackmail or nepotism/favoritism. We work proactively to ensure that neither the company nor its partners or suppliers are involved in any form of corrupt activities. For a description of material risks connected to corruption and how these are combated, refer the description under [Corruption and deviations from the Code of Conduct](#) on page 80. Neither company management nor the Board received any indication of instances of corruption during 2021/2022 or previous fiscal years.

Whistleblower policy

Employees must feel confident that they can report irregularities and serious incidents that impact the company without fear of adverse consequences. Sectra has therefore established a whistleblower policy that includes all Group employees. No cases were reported to management under the whistleblower function in 2021/2022 or previous fiscal years. Reports can be submitted, for example, via Sectra's whistleblower function.

The policy describes how employees and managers can report inappropriate behavior or other deviations. All reports made in accordance with this whistleblower policy are given serious consideration and handled professionally, quickly and in confidence. Incoming cases are handled by the line managers, operating area managers, quality managers or the President. First there is a preliminary investigation to determine whether there is cause for further investigation. If a report is considered correct in accordance with the guidelines stipulated in the policy, the whistleblower receives a written response from the company about the complaint. Depending on how serious the case is, Sectra may then transfer the matter to the Board or an appropriate external authority, or file a police report. If the report includes very sensitive or confidential information, the employee may choose to remain anonymous. To the greatest extent possible, and as long as it is not necessary for further investigation or required by law, the employee's identity will not be revealed and all evidence that can be traced back to the employee will be kept secret. Nor does Sectra tolerate harassment or disciplinary measures by the company for someone who has reported irregularities in good faith.

CORPORATE RESPONSIBILITY AND THE CODE OF CONDUCT

Policy/Governance

Corporate culture

Code of Conduct (refer to the description on page 76), which addresses areas like respect for human rights and anti-corruption

Whistleblower policy

Financial policy

Insider policy and processes as well as internal training in managing insider information

Quality and control procedures

Responsible:

President/CEO, operations managers, regional managers, partner operations managers

Review procedure

Annual follow-ups are part of management's review

External auditors carry out specific recurring audit procedures in subsidiaries worldwide

Internal controls and external consultants annually review our compliance with standards as well as our own policies, processes and procedures, and call our attention to any shortcomings that need to be addressed

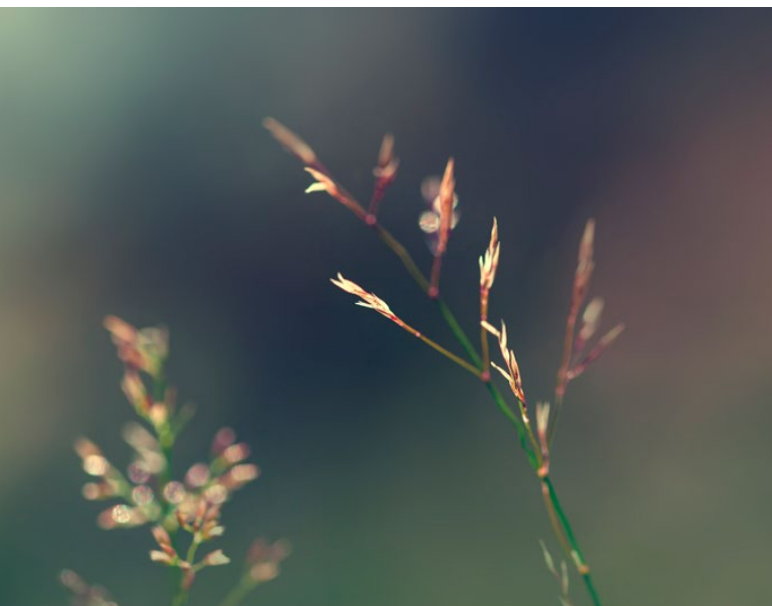
Result indicator

Sectra's operations, and partner operations related to Sectra, must be free of corruption



Result

Responsible, ethical business conduct



Environmental and climate impact

Sectra's activities are largely comparable with working in a traditional office environment, meaning that our external environmental and climate impact is limited. Individual company-specific risks related to climate change have been identified. These risks have a low risk index. Accordingly, reporting on targets and result indicators in the area is sparse.

However, the fact that the operations have a limited impact does not mean that we can stop addressing these issues. Together with other parts of society, we must continue taking action and assuming responsibility for how our activities and objectives impact the environment in order to contribute to the UN Sustainable Development Goals (SDGs) and the realization of Agenda 2030. Sectra's work must therefore be characterized by consistent environmental consideration and continuous improvements in respect of climate impact and resource use. Sectra has adopted an environmental policy (refer to investor.sectra.com/sustainability) with guidelines stipulating that environmental and climate considerations are to be taken into account when decisions are made. A review of the policy and the company's environmental plan is under way, and relevant result indicators are being developed in order to follow up Sectra's progress in this area of sustainability.

In Sweden and the Netherlands, we have begun measuring the climate impact of our operations. The operations in the Netherlands, which already hold ISO 14001 certification, have defined climate goals that are to be followed up by management. By measuring and analyzing data, we can make better-informed decisions about activities and measures that contribute to reducing Sectra's environmental and climate impact.

Internal environmental and climate impact

The company endeavors to ensure that its workplaces and premises are environmentally friendly. By using technical equipment that is modern, green and energy efficient, for example, we can save energy and resources. Environmentally friendly alternatives are used where possible and when economically justified to minimize climate impact from travel and transportation. Telephone and videoconferencing are widely used.

LIMITED ENVIRONMENTAL AND CLIMATE IMPACT

Policy/Governance

Environmental plan

Environmental policy

Responsible:

President/CEO, operations managers and regional managers

Review procedure

Annual follow-ups are part of management's review

Result indicators

Work is under way to establish indicators to be followed up



Result

Continuous improvement processes to reduce climate impact and resource use

External environmental impact and climate reporting

Sectra primarily sells proprietary software and services and, to a lesser extent, physical products, including those from external suppliers. Proprietary physical products are produced by sub-suppliers in Europe. With respect to the resale of hardware and services, the Group's external suppliers are large, global companies with processes and policies in place for key sustainability issues. In product development, manufacturing and purchasing, Sectra takes responsibility for combating and reducing our own and our customers' environmental and climate impact by:

- using modern, energy-efficient information technology to the greatest extent possible
- choosing materials for our physical products that have the smallest possible environmental impact and that are affordable without compromising on product quality
- prioritizing the purchase of products and services with reduced environmental impact compared to the alternatives
- recycling used material when possible.

From an environmental perspective, the IT solutions for medical diagnostic imaging that Sectra develops, for example, are highly advantageous. By enabling remote viewing, these systems help to reduce the number of patient trips and physical meetings as well as the transportation of medical images and pathology tests.

Sectra's environmental management is based on ISO 14001. The management system includes an environmental plan. The plan describes how the potential environmental impact of our operations is identified and estimated, our environmental policy for managing our environmental impact and compliance with obligations and requirements. The plan also describes the Group's environmental goals and the measures taken to achieve these goals. The environmental plan is followed up annually in management's review. The CEO is responsible for the environmental aspects of Sectra's operations. Department heads, operating area and business unit managers and country organizations carry out the environmental plan in their operations.

Sectra has begun an initiative to survey the climate impact caused by its operations. At present, data is available for the operations in

the Netherlands and Belgium, while only incomplete data for the Swedish operations. Energy from operations is used in the form of heating, cooling, warm water and electricity. We strive for the energy we use to be environmentally friendly. The energy used in our office premises comes from 100% fossil-free sources and 99,6% comes from renewable sources.

| CO ₂ emissions, metric ton | 2021 | 2020 | 2019 |
|--|------------|------------|------------|
| Business travel, scope 1 ^a | 43 | 23 | 13 |
| Energy consumption, scope 2 ^b | 163 | 122 | 122 |
| Total | 206 | 146 | 135 |

^{a)} Scope 1 encompasses business travel with service vehicles as well as company cars for employees in Belgium, the Netherlands and Sweden.

^{b)} Scope 2 encompasses district heating and cooling for offices in Belgium, the Netherlands and Sweden and corporate apartments in Sweden.

Recycling

Reducing the amount of waste and recycling as much as possible is part of our strategic and day-to-day environmental work. Sectra is listed in REPA, the Swedish register for producer responsibility, for recycling of packaging and with the Swedish Environmental Protection Agency for recycling of electronics and handling of electronic waste. The company's operations are not subject to notification or permit requirements under the Swedish Environmental Code.

Reporting according to the EU taxonomy

The EU Taxonomy Regulation applies to Sectra since it is a listed company. In the reporting for 2021/2022, this means that Sectra is to declare the proportion of economic activities that is taxonomy-eligible or ineligible. Sectra has implemented the requirements of the Taxonomy Regulation, which means that it carried out an analysis during the fiscal year to determine which activities are taxonomy-eligible. Based on this analysis, our assessment is that the Group's operations—research, development and sales of medical IT systems and services for diagnostic imaging as well as security products to protect information—do not include economic activities that are currently taxonomy-eligible. Accordingly, Sectra's activities are not subject to the Taxonomy Regulation. The applicable amount of turnover is therefore 0%. Since Sectra has not identified any of the economic activities in the Group as taxonomy-eligible, it is not possible to associate capital expenditure (CAPEX) or operating expenditure (OPEX) with such activities. Since the EU taxonomy is new, we will follow developments, interpretations and general practice related to the legislation and, when necessary, alter our assessments and information.

ABOUT THE EU TAXONOMY FOR SUSTAINABLE ACTIVITIES

In 2021, the EU introduced a new regulation, the EU taxonomy, in order to direct investments towards projects and activities that are in line with the EU's sustainability goals for 2030. The regulation introduces a classification system for identifying and reporting environmentally sustainable activities, which is a central measure in the EU's action plan on financing sustainable growth.

The new regulation describes which industries are required to report, which activities are within the framework of the taxonomy and the technical screening criteria that need to be met to be taxonomy-aligned. For a particular activity to be considered taxonomy-aligned, it needs to contribute substantially to one or more of the six predefined environmental objectives and do no significant harm to the other objectives. The company must also have established minimum protection in relation to human rights, personnel and anti-corruption.

The environmental objectives are:

1. Climate change mitigation
2. Climate change adaptation
3. The sustainable use and protection of water and marine resources
4. The transition to a circular economy
5. Pollution prevention and control
6. The protection and restoration of biodiversity and ecosystems

The EU taxonomy is still under development. In the first stage, reporting will be presented for the first two objectives above.

| Key figures EU taxonomy | Total (SEK million) | Taxonomy- eligible proportion | Taxonomy- ineligible proportion |
|----------------------------|------------------------|-------------------------------------|---------------------------------------|
| Turnover* | 1,949.1 | 0% | 100% |
| Operating expenditure | 283.1 | 0% | 100% |
| Capital expenditure | 89.9 | 0% | 100% |

* Total turnover defined as net sales according to the consolidated income statement.

Sectra's risk universe:

| | | | | | |
|-----------------------------|--|-------------|--------------------------------------|---|--------------------------|
| Accounting | Competition | Employees | Governance, risk and control | Physical safety, personal safety and continuity | |
| Acquisitions | Customers | Financing | Intellectual property rights | Products and services | Purchasing and logistics |
| Communication and marketing | Cybersecurity and information security | Geopolitics | Laws, regulations and sustainability | Project completion | Technology |

Risks and risk management

Given the fact that customer confidence is a critical success factor, we prioritize stable, long-term growth over rapid, high-risk expansion. Because Sectra is active in several industries and a large number of markets, the Group's overall exposure to political and market risks, for example, is limited.

To prevent risks, the company has established a number of policy documents that explain our values, how our managers and employees are expected to conduct themselves, and risk management in various areas. For example, the document covers:

- Policy and process for risk management
- Policy and process for managing information security risks
- Policy and process for managing medical technology risks
- Financial policy
- Code of Conduct and plans for gender equality, environment and work environment; see the respective sections above

During the fiscal year, the process for analyzing risks was reviewed and refined. The risk universe (refer to the image above) that we use to identify risks was expanded to include more areas. This also led to a new categorization of risks as well as to efforts to identify and analyze new risks.

Operational and financial risks as well as risks related to prevailing economic conditions are continuously analyzed. Measures are taken as needed to reduce the Group's risk exposure. Assessments of all significant risks involved in reaching strategic goals are documented in a risk register. Identified risks are assessed based on factors such as their potential impact on operations (whether they are primarily financial, legal or reputational), the threat they pose and the likelihood that vulnerabilities will be exploited after measures are taken. Measures are followed up regularly. The Board and company management also conduct an annual review of risks and risk management.

The risks judged to have a risk index of moderate or high are described below. The risk index is calculated as assessed impact (if a risk should arise) multiplied by assessed likelihood (that the risk might arise). The likelihood is assessed, when possible, as threat multiplied by vulnerability.

Risk index trend: up stable down

- Indicates sustainability risks. The risks that Sectra has identified in the areas of environment, social conditions and personnel as well as human rights that are deemed to be low are not reported.
- Indicates financial risks. Read more about how the company assesses these risks in [Note 29](#) on page 111 under Risks and risk management.

Risks with high or moderate risk index score

Measures to limit risk

RISK AREA: LAWS, REGULATIONS AND SUSTAINABILITY

Corruption and deviations from the Code of Conduct

Risk level: Moderate



The focus on business ethics has increased, both within the company and in the global business environment. This is particularly true when it comes to corruption and bribery, which have received a great deal of attention in the media due to a number of international scandals. Sectra's risk exposure in this area has increased as a result of the growing number of international distribution partners, which are more difficult to monitor using internal procedures.

The Code of Conduct contains a strict anti-corruption policy, which is intended to limit the risk of individual instances of bribery. For more information, refer to the heading Corporate responsibility and the Code of Conduct. The Code of Conduct is included in all distribution agreements and Sectra is entitled to terminate its business relationships at short notice if the code is not followed. Other measures include ongoing assessments of subsidiaries and distributors and recurring specific audit procedures for selected subsidiaries.

Legal risk connected to data protection legislation

Risk level: Moderate



We operate in industries and countries where regulations concerning the protection of data and personal privacy have become more stringent in the last few years, for example through Schrems II, a judgment issued in the EU that makes it difficult to use US-based cloud service suppliers for storing or processing personally identifiable information within the EU. The introduction of more stringent regulation entails a risk that the company might be found in breach of privacy laws.

Risk analyses are carried out for data processing regarding all cloud-based services and, when necessary, additional protective measures are taken for personal data, such as encryption or pseudonymization. Basic training in data protection and processing of personal data is obligatory for all employees. Read more under [Information security and protection](#) on page 73.

Risks with high or moderate risk index score

Measures to limit risk

RISK AREA: CYBERSECURITY AND INFORMATION SECURITY

Cyberattacks, access violations or loss of data in IT systems and cloud-based services

Risk level: Moderate



The following risks have been identified in this area:

- Access violations and/or loss of data in Sectra's internal systems or in systems and cloud-based services delivered to customers.
- Ransomware blocks data recovery, which leads to operational interruptions or disruptions in operations for customers or for Sectra.
- Sectra's IT solutions used for cyberattacks against customers.
- Sub-suppliers' IT solutions used for cyberattacks (supply chain attacks) against Sectra or its customers.

The threat level for ransomware and data theft is increasing globally, and cybercrime is a serious threat to Sectra as well as to other companies. Healthcare is one of the most vulnerable targets, having seen increased focus from attackers. If any of the above risks should occur, it could result in damage for patients and customers as well as for Sectra's reputation, which could lead to extensive financial consequences for the company.

Sectra works continuously to strengthen cybersecurity and information security. Internal security regulations and relevant certifications are implemented. Obligatory training for employees helps increase security awareness and expertise.

Specific tools are used to detect and protect the company and customers against cybercrime. Systems are monitored continuously, and security tests and security scans are carried out regularly.

In addition to improving the security of internal systems and networks as well as detecting and addressing any access violations, during the fiscal year we focused particularly on protection against access violations in the development chain. These initiatives include requirements for third-party products and sub-suppliers, targeted vulnerability analyses and follow-up measures for this type of threat.

Refer to the additional information under the heading [Information security](#) on page 73.

RISK AREA: EMPLOYEES

Not attracting and/or retaining the right

Risk level: Moderate



Sectra's main asset is its employees. To maintain a sound balance between young employees and more experienced ones, it is important to attract and retain the right people in different parts of the organization. Since there is high demand for qualified resources in the market, the risk of not attracting and retaining the right people has increased in the last few years.

Sectra works actively to be an attractive long-term employer. Our primary competitive strength is the company's recognized, strong corporate culture and the fact that we offer work that provides meaningful support for critical social functions. We can attract new employees, and retain existing ones, by offering competitive terms and regularly following up with our employees and being attentive to their perception of the company. Read more under [Social conditions and employees](#) on page 74 and [the employee strategy](#) on page 18.

RISK AREA: PHYSICAL SAFETY, PERSONAL SAFETY AND CONTINUITY

Product liability and property risks

Risk level: Moderate



Through its operations, Sectra assumes product liability, which means that personal injury or damage to property caused by the company's systems at the premises of a customer or third party could lead to compensation claims. Increased sales of cloud-based services are leading to greater risk exposure and a need for new types of insurance, such as cyber insurance. The terms and conditions for the cover offered by these types of insurance is, however, not always clear.

The probability of risk pursuant to product responsibility is deemed to be low, as Sectra has historically never had any claims for damages. However, the overall risk is increasing due to a rise in cyber threats in society. Any claims that may arise due to cyber threats may have a substantial financial impact on the operations. Accordingly, the assessed risk level is deemed to be moderate.

We work continuously to improve security in our products, systems and cloud-based services.

Insurance needs are evaluated on an annual basis. Insurance policies have been taken out for the property and liability risks to which the Group is exposed.

RISK AREA: FINANCING

Outstanding accounts receivable

Risk level: Moderate



The Group's customers primarily include government authorities, public healthcare providers and other reputable customers with high credit ratings, although payment practices vary between countries. Sectra is exposed to greater credit risks in countries where many of its customers are privately owned, such as the US. An increase in the number of partners outside Europe is contributing to a higher risk of potential credit problems.

Procedures are in place to ensure thorough credit ratings of customers and partners. To minimize credit risks in fixed-price projects, Sectra makes extensive use of advance partial payments and bank guarantees.

Currency exchange risks

Risk level: Moderate



The Group's exposure to currency exchange risks mainly arises through transactions in foreign currencies in the form of customer and supplier payments and, to a lesser extent, in connection with the translation of foreign subsidiaries' income statements and balance sheets. The Group's largest exposures are in USD, EUR and GBP.

Risks and payment flows in foreign currencies are continuously monitored. Subsidiary financing is carried out in the local currency. The Group does not currently hedge its transaction exposure since the costs involved in effectively managing hedging contracts are deemed to be higher than any potential gains. In 2021/2022, currency fluctuations had a positive impact on the Group's operating profit. See the description of the financial outcome in the administration report.

Specific uncertainties

Uncertainty concerning the short-term financial development of the operations is greater than normal due to COVID-19 and the security situation in Europe. It is also not possible to predict the long-term consequences of these factors. However, Sectra is well equipped to manage the uncertainty based on a strong financial position, positive cash flows and a significant share of recurring revenue.

The impact of the security situation in Europe and the invasion of Ukraine

Sectra has only a small number of indirect customer or sub-supplier relationships in Ukraine, Russia and Belarus and no direct relationships. The invasion of Ukraine and the sanctions imposed have been deemed to have a minimal direct impact on the Group's operations. However, indirect consequences of what is happening could eventually impact Sectra as well as other companies in the form of higher prices for energy and transportation or component shortages.

Impact of COVID-19

Regional and national restrictions continue to apply in certain countries and to various extents. The risk of delivery delays remains, which could lead to significant variations in financial outcomes between quarters. Read more under [Effects of the COVID-19 pandemic](#) on page 29.

Risks and uncertainties

- Our customers' decisions in ongoing procurements or planned installation projects will be delayed owing to other necessary priorities or increased uncertainty about the future.
- Disruptions to supply chains or deficiencies in third-party products.
- Limits due to closed borders and restrictions.
- Employees or their families will fall ill with COVID-19.
- Increased inflation and potential increases in currency volatility.

Potential consequences for Sectra that could impact future financial outcomes

- Delays in installation projects and product deliveries.
- Temporary pauses in procurements.
- Demand for some of Sectra's customer offerings can temporarily decrease or increase.

Examples of measures Sectra has taken

- Added value for our customers based on their immediate needs. For example, support in setting up field hospitals for treating COVID-19 patients, remote viewing systems for doctors and remote classroom systems as well as services and products for secure remote communication.
- Virtual user group meetings, online meetings and training sessions.
- Remote working as necessary where work tasks so permit.
- Support, service and global installation teams that work remotely.
- Review of supply chains and measures to ensure deliveries of third-party products.
- Imposed strict safety and hygiene measures based on WHO and national recommendations to protect our employees and our customers.
- Recurring communication on measures and the immediate situation in internal and external channels.

Board of Directors' affirmation

We believe that the consolidated financial statements and Annual Report were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and generally accepted accounting principles and present a true and fair view of the Group's and the Parent Company's financial position and earnings.

The Administration Report for the Group and the Parent Company presents a fair review of the Group's and the Parent Company's operations, financial position and earnings and describes the material risks and uncertainties facing the Parent Company and the companies included in the Group.

The Annual Report also includes the Group's and the Parent Company's statutory Sustainability Report in accordance with Chapter 6, Section 10 of the Annual Accounts Act (refer to page 70).

Linköping, the date stated by our electronic signature

Torbjörn Kronander
President and CEO
Board member

Jan-Olof Brüer
Chairman of the Board

Birgitta Hagenfeldt
Board member

Christer Nilsson
Board member

Anders Persson
Board member

Tomas Puusepp
Board member

Fredrik Robertsson
Board member

Jonas Yngvesson
Board member

Andreas Örneus
Board member
Employee representative

Filip Klintenstedt
Board member
Employee representative

Our auditor's report was submitted on the date stated
by our electronic signature
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Consolidated income statements

| SEK thousand | Note | 2021/2022 | 2020/2021 |
|---|------|-------------------|-------------------|
| Operating income | | | |
| Net sales | 2 | 1,949,140 | 1,632,427 |
| Capitalized work for own use | | 44,272 | 47,382 |
| Reversal of contingent consideration | | 0 | 2,871 |
| Other operating income | | 1,296 | 1,161 |
| Total income | | 1,994,708 | 1,683,841 |
| Operating expenses | | | |
| Goods for resale | | -286,043 | -196,167 |
| Personnel costs | 3 | -945,176 | -854,518 |
| Other external costs | 4, 5 | -298,887 | -199,967 |
| Impairment of intangible assets and goodwill | 10 | 0 | -4,194 |
| Depreciation of tangible assets | 11 | -19,187 | -17,464 |
| Amortization of intangible assets and goodwill | 10 | -36,850 | -36,867 |
| Depreciation of right-of-use assets | 12 | -25,179 | -24,588 |
| Total operating expenses | | -1,611,322 | -1,333,765 |
| Operating profit | | 383,386 | 350,076 |
| Financial items | | | |
| Interest income and similar profit/loss items | 6 | 12,674 | 7,094 |
| Interest expenses and similar profit/loss items | 7 | -1,555 | -8,925 |
| Total financial items | | 11,119 | -1,831 |
| Profit after financial items | | 394,505 | 348,245 |
| Taxes | 9 | -79,712 | -72,732 |
| Net profit for the year | | 314,793 | 275,512 |
| Attributable to: | | | |
| Parent Company owners | | 314,793 | 275,512 |
| Earnings per share, SEK | | | |
| Before dilution | | 1.63 | 1.43 |
| After dilution | | 1.63 | 1.43 |
| No. of shares on balance-sheet date | | | |
| Before dilution | | 192,662,325 | 192,627,470 |
| After dilution | 3 | 192,667,455 | 192,667,310 |
| Average no. of shares before dilution | | 192,639,088 | 192,570,670 |
| Average no. of shares after dilution | 3 | 192,667,355 | 192,666,700 |

Consolidated statement of comprehensive income

| SEK thousand | Note | 2021/2022 | 2020/2021 |
|---|------|----------------|----------------|
| Net profit for the year | | 314 793 | 275 512 |
| Items that may be reclassified to profit and loss | | | |
| Change in translation differences from translating foreign subsidiaries | | 37,575 | -27,326 |
| Other comprehensive income for the year | | 37,575 | -27,326 |
| Total comprehensive income for the year | | 352,368 | 248,186 |
| Attributable to: | | | |
| Parent Company owners | | 352,368 | 248,186 |

Consolidated balance sheets

| SEK thousand | Note | Apr 30, 2022 | Apr 30, 2021 |
|--|------------|------------------|------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets and goodwill | 10 | 218,244 | 206,999 |
| Tangible assets | 11 | 61,913 | 55,660 |
| Right-of-use assets | 12 | 64,969 | 73,277 |
| Other shares and participations | 28 | 19 | 18 |
| Long-term accounts receivable | 2, 28 | 172,620 | 140,598 |
| Deferred tax assets | 9 | 4,554 | 3,372 |
| Total fixed assets | | 522,319 | 479,924 |
| Current assets | | | |
| Inventories | 16 | 23,681 | 24,828 |
| Accounts receivable | 17, 28, 29 | 339,650 | 236,331 |
| Current tax assets | | 9,173 | 9,828 |
| Other receivables | | 8,864 | 9,766 |
| Prepaid expenses and accrued income | 18 | 68,641 | 56,801 |
| Contract assets/recognized non-invoiced income | 2, 18 | 410,808 | 379,620 |
| Cash and bank balances | 19, 28 | 808,775 | 454,854 |
| Total current assets | | 1,669,592 | 1,172,028 |
| Total assets | | 2,191,911 | 1,651,952 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 20 | 38,733 | 38,526 |
| Other contributed capital | | 361,081 | 358,526 |
| Reserves | | 105,824 | 68,249 |
| Retained earnings, including net profit for the year | | 575,099 | 430,322 |
| Equity attributable to Parent Company owners | | 1,080,737 | 895,623 |
| Long-term liabilities | | | |
| Long-term provisions | 21 | 3,308 | 0 |
| Deferred tax liabilities | 9, 21 | 4,773 | 3,723 |
| Non-current lease liabilities | 12, 22, 28 | 37,892 | 47,655 |
| Long-term convertible loans | 22, 28 | 0 | 389 |
| Other long-term liabilities | 22, 28 | 513 | 1,514 |
| Total long-term liabilities | | 46,486 | 53,281 |
| Current liabilities | | | |
| Accounts payable | 28 | 70,503 | 42,528 |
| Current tax liabilities | | 22,099 | 11,936 |
| Current provisions | 21, 28 | 2,954 | 6,361 |
| Current lease liabilities | 12, 22, 28 | 24,342 | 22,847 |
| Other current liabilities | 23, 28 | 103,597 | 48,251 |
| Accrued expenses and deferred income | 24 | 372,406 | 333,100 |
| Contract liabilities/invoiced non-recognized income | 2, 24 | 468,787 | 238,025 |
| Total current liabilities | | 1,064,688 | 703,048 |
| Total equity and liabilities | | 2,191,911 | 1,651,952 |

Pledged assets and contingent liabilities, see Note 25.

Consolidated cash-flow statements

| SEK thousand | Note | 2021/2022 | 2020/2021 |
|--|------|-----------------|-----------------|
| OPERATING ACTIVITIES | | | |
| Operating profit | | 383,386 | 350,076 |
| Adjustment for non-cash items | 26 | 74,469 | 99,293 |
| Interest and dividends received | 6 | 6,967 | 7,094 |
| Interest paid | 7 | -1,555 | -1,844 |
| Income tax paid | | -73,473 | -72,476 |
| Cash flow from operations before changes in working capital | | 389,794 | 382,143 |
| Changes in working capital | | | |
| Change in inventories | | 1,257 | 7,603 |
| Change in receivables | | -119,590 | -91,890 |
| Change in current liabilities | | 345,461 | 74,331 |
| Cash flow from operations | | 616,922 | 372,187 |
| INVESTING ACTIVITIES | | | |
| Acquisitions of intangible assets | 10 | -44,272 | -47,304 |
| Acquisitions of tangible assets | 11 | -30,103 | -20,351 |
| Divestment of financial assets | | 0 | 835 |
| Divestment of tangible assets | | 6,029 | 0 |
| Cash flow from investing activities | | -68,346 | -66,820 |
| FINANCING ACTIVITIES | | | |
| Repayment of lease liabilities | 12 | -24,366 | -22,490 |
| Repayment of long-term liabilities | | -1,017 | -998 |
| Payment of contingent consideration | | 0 | -1,923 |
| Redemption of shares | | -173,365 | -173,277 |
| Cash flow from financing activities | | -198,748 | -198,688 |
| Cash flow for the year | | 349,828 | 106,679 |
| Cash and cash equivalents, opening balance | | 454,854 | 345,300 |
| Exchange-rate difference in cash and cash equivalents | | 4,093 | 2,875 |
| Cash and cash equivalents, closing balance | 19 | 808,775 | 454,854 |

Consolidated statement of changes in equity

| SEK thousand | Reserves | | | | Retained earnings, including net profit for the year | Total equity |
|--|---------------|------------------------------|------------------------|-------------------|--|------------------|
| | Share capital | Other contributed capital | Translation reserve | Other reserves | | |
| Opening balance May 1, 2020 | 38,506 | 355,045 | 28,277 | 67,298 | 328,087 | 817,213 |
| Net profit for the year | | | | | 275,512 | 275,512 |
| Other comprehensive income for the year | | | -27,326 | | | -27,326 |
| Total comprehensive income for the year | 0 | 0 | -27,326 | 0 | 275,512 | 248,186 |
| Conversion to shares | 20 | 3,481 | | | | 3,501 |
| Redemption of shares | | | | | -173,277 | -173,277 |
| Total transactions with Parent Company owners | 20 | 3,481 | 0 | 0 | -173,277 | -169,776 |
| Closing balance April 30, 2021 | 38,526 | 358,526 | 951 | 67,298 | 430,322 | 895,623 |
| Net profit for the year | | | | | 314,793 | 314,793 |
| Other comprehensive income for the year | | | 37,575 | | | 37,575 |
| Total comprehensive income for the year | 0 | 0 | 37,575 | 0 | 314,793 | 352,368 |
| New share issue | 200 | | | | -200 | 0 |
| Share-based incentive programs | | | | | 3,549 | 3,549 |
| Conversion to shares | 7 | 2,555 | | | | 2,562 |
| Redemption of shares | | | | | -173,365 | -173,365 |
| Total transactions with Parent Company owners | 207 | 2,555 | 0 | 0 | -170,016 | -167,254 |
| Closing balance April 30, 2022 | 38,733 | 361,081 | 38,526 | 67,298 | 575,099 | 1,080,737 |

Share capital is described in more detail in Note 20.

Other contributed capital comprises premiums paid in conjunction with share issues. The translation reserve includes exchange-rate differences arising in the translation of foreign subsidiaries' financial statements. Other reserves include the statutory reserve and fund for development costs.

There are no non-controlling interests in the Sectra Group.

Parent Company income statements

| SEK thousand | Note | 2021/2022 | 2020/2021 |
|---|------|-----------------|-----------------|
| Operating income | | | |
| Net sales | 2 | 131,079 | 129,864 |
| Capitalized work for own use | | 917 | 4,955 |
| Other operating income | | 37 | 72 |
| Total income | | 132,033 | 134,891 |
| Operating expenses | | | |
| Goods for resale | | -9,598 | -9,066 |
| Personnel costs | 3 | -56,908 | -72,805 |
| Other external costs | 4, 5 | -102,657 | -91,348 |
| Amortization of intangible assets | 10 | -702 | -4,785 |
| Depreciation of tangible assets | 11 | -1,314 | -9,097 |
| Total operating expenses | | -171,179 | -187,101 |
| Operating loss | | -39,146 | -52,210 |
| Loss from financial items | | | |
| Interest income and similar profit/ loss items | 6 | 51,525 | 19,042 |
| Interest expenses and similar profit/ loss items | 7 | -3 | -16,760 |
| Loss after financial items | | 12,376 | -49,928 |
| Appropriations | 8 | 254,250 | 296,400 |
| Profit before tax | | 266,626 | 246,472 |
| Tax on net profit for the year | 9 | -50,030 | -50,608 |
| Net profit for the year | | 216,596 | 195,864 |

Parent Company statement of comprehensive income

| SEK thousand | Note | 2021/2022 | 2020/2021 |
|--|------|----------------|----------------|
| Net profit for the year | | 216,596 | 195,864 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 216,596 | 195,864 |

Parent Company balance sheets

| SEK thousand | Note | Apr 30, 2022 | Apr 30, 2021 |
|--|------|------------------|------------------|
| ASSETS | | | |
| Fixed assets | | | |
| Intangible assets | 10 | 201 | 17,553 |
| Tangible assets | 11 | 3,926 | 22,411 |
| Participations in Group companies | 13 | 36,715 | 35,697 |
| Participations in associated companies | 14 | 564 | 564 |
| Receivables from Group companies | 15 | 105,998 | 214,312 |
| Deferred tax assets | 9 | 174 | 175 |
| Total fixed assets | | 147,578 | 290,712 |
| Current assets | | | |
| Receivables from Group companies | | 504,090 | 476,034 |
| Accounts receivable | 17 | 808 | 5,126 |
| Other receivables | | 7,286 | 3,230 |
| Prepaid expenses and accrued income | 18 | 17,194 | 10,718 |
| Cash and bank balances | 19 | 683,803 | 347,961 |
| Total current assets | | 1,213,181 | 843,069 |
| Total assets | | 1,360,759 | 1,133,781 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| <i>Restricted equity</i> | | | |
| Share capital | 20 | 38,733 | 38,526 |
| Statutory reserve | | 226,456 | 226,456 |
| Fund for development costs | | 201 | 17,200 |
| Total restricted equity | | 265,390 | 282,182 |
| <i>Unrestricted equity</i> | | | |
| Share premium reserve | | 134,463 | 131,908 |
| Retained earnings | | 63,236 | 23,430 |
| Net profit for the year | | 216,596 | 195,864 |
| Total unrestricted equity | | 414,295 | 351,202 |
| Total equity | | 679,685 | 633,383 |
| Long-term liabilities | | | |
| Long-term convertible loans | 22 | 0 | 389 |
| Total long-term liabilities | | 0 | 389 |
| Current liabilities | | | |
| Accounts payable | | 5,732 | 6,165 |
| Liabilities to Group companies | | 656,837 | 435,647 |
| Provisions | 21 | 0 | 3,619 |
| Other current liabilities | 23 | 1,841 | 5,776 |
| Accrued expenses and deferred income | 24 | 16,664 | 48,802 |
| Total current liabilities | | 681,074 | 500,009 |
| Total equity and liabilities | | 1,360,759 | 1,133,781 |

Parent Company cash-flow statements

| SEK thousand | Note | 2021/2022 | 2020/2021 |
|--|------|----------------|----------------|
| OPERATING ACTIVITIES | | | |
| Operating loss | | -39,146 | -52,210 |
| Adjustment for non-cash items | 26 | 17,158 | 16,411 |
| Interest and dividends received | 6 | 32,979 | 19,041 |
| Interest paid | 7 | -3 | -26 |
| Income tax paid | | -53,083 | -57,010 |
| Cash flow from operations before changes in working capital | | -42,095 | -73,795 |
| Changes in working capital | | | |
| Change in receivables | | -35,627 | -7,620 |
| Change in current liabilities | | 171,957 | 72,977 |
| Cash flow from operations | | 94,235 | -8,438 |
| INVESTING ACTIVITIES | | | |
| Acquisitions of intangible assets | 10 | -917 | -4,955 |
| Acquisitions of tangible assets | 11 | -4,028 | -8,002 |
| Divestment of intangible assets | 10 | 17,567 | 0 |
| Divestment of tangible assets | 11 | 21,198 | 0 |
| Formation of subsidiaries | | -1,018 | -100 |
| Payment of loans to subsidiaries | 15 | -18,388 | -15,638 |
| Repayment of loans from subsidiaries | 15 | 146,308 | 15,894 |
| Cash flow from investing activities | | 160,722 | -12,801 |
| FINANCING ACTIVITIES | | | |
| Group contributions received/paid | 8 | 254,250 | 296,400 |
| Redemption of shares | | -173,365 | -173,277 |
| Cash flow from financing activities | | 80,885 | 123,123 |
| Cash flow for the year | | 335,842 | 101,884 |
| Cash and cash equivalents, opening balance | | 347,961 | 246,077 |
| Exchange-rate difference in cash and cash equivalents | | 0 | 0 |
| Cash and cash equivalents, closing balance | 19 | 683,803 | 347,961 |

Statement of changes in Parent Company's equity

| SEK thousand | Share capital ¹ | Statutory reserve | Fund for development costs | Share premium reserve | Retained earnings, including net profit for the year | Total equity |
|--|----------------------------|-------------------|----------------------------|-----------------------|--|-----------------|
| Opening balance May 1, 2020 | 38,506 | 226,456 | 16,067 | 128,428 | 197,842 | 607,297 |
| Change in fund for development costs | | | 1,133 | | -1,133 | 0 |
| Net profit for the year | | | | | 195,864 | 195,864 |
| Total comprehensive income for the year | 0 | 0 | 0 | 0 | 195,864 | 195,864 |
| Conversion to shares | 20 | | | 3,481 | | 3,501 |
| Redemption of shares | | | | | -173,277 | -173,277 |
| Total transactions with Parent Company owners | 20 | 0 | 0 | 3,481 | -173,277 | -169,776 |
| Closing balance April 30, 2021 | 38,526 | 226,456 | 17,200 | 131,908 | 219,294 | 633,383 |
| Change in fund for development costs | | | -16,999 | | 16,999 | 0 |
| Net profit for the year | | | | | 216,596 | 216,596 |
| Total comprehensive income for the year | 0 | 0 | 0 | 0 | 216,596 | 216,596 |
| New share issue | 200 | | | | -200 | 0 |
| Share-based incentive programs | | | | | 508 | 508 |
| Conversion to shares | 7 | | | 2,555 | | 2,562 |
| Redemption of shares | | | | | -173,365 | -173,365 |
| Total transactions with Parent Company owners | 207 | 0 | 0 | 2,555 | -173,057 | -170,295 |
| Closing balance April 30, 2022 | 38,733 | 226,456 | 201 | 134,463 | 279,832 | 679,685 |

¹ On the balance-sheet date, Sectra's share capital totaled SEK 38,732,765, distributed among 193,662,325 shares. Of these shares, 13,104,460 are Class A shares and 180,558,865 are Class B shares. Of the Class B shares, 1,000,000 are treasury shares.

Share capital is described in more detail in [Note 20](#).

Notes

Content

| | | |
|---------|--|-----|
| Note 1 | Accounting policies | 90 |
| Note 2 | Operating segments and sales | 94 |
| Note 3 | Employees and personnel costs | 96 |
| Note 4 | Fees to auditors | 99 |
| Note 5 | Operating lease expenses | 99 |
| Note 6 | Interest income and similar profit/loss items | 99 |
| Note 7 | Interest expenses and similar profit/loss items | 99 |
| Note 8 | Appropriations | 99 |
| Note 9 | Tax on net profit for the year | 99 |
| Note 10 | Intangible assets and goodwill | 100 |
| Note 11 | Tangible assets | 102 |
| Note 12 | Right-of-use assets and lease liabilities | 104 |
| Note 13 | Participations in Group companies | 105 |
| Note 14 | Participations in associated companies | 105 |
| Note 15 | Long-term receivables from Group companies | 106 |
| Note 16 | Inventories | 106 |
| Note 17 | Accounts receivable | 106 |
| Note 18 | Prepaid expenses and accrued income | 106 |
| Note 19 | Cash and bank balances | 106 |
| Note 20 | Share capital and number of shares | 107 |
| Note 21 | Provisions | 107 |
| Note 22 | Long-term liabilities | 108 |
| Note 23 | Other current liabilities | 109 |
| Note 24 | Accrued expenses and deferred income | 109 |
| Note 25 | Pledged assets and contingent liabilities | 109 |
| Note 26 | Cash flow | 109 |
| Note 27 | Related parties | 109 |
| Note 28 | Measurement of financial assets and liabilities | 110 |
| Note 29 | Risks, risk management and sensitivity analysis | 111 |
| Note 30 | Asset management | 112 |
| Note 31 | Proposed appropriation of profits | 112 |
| Note 32 | Events after the balance-sheet date | 112 |
| Note 33 | Financial definitions and alternative performance measures | 112 |

Note 1 Accounting policies

Introduction

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), as adopted by the EU. In addition, the Swedish Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplemental Accounting Rules for Groups were applied.

The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. This means that the EU-approved IFRS rules and statements are applied as far as possible within the framework of the Annual Accounts Act and Swedish taxation practices. The rules for measurement and clarification follow IFRS and are the same as those applied within the Group, except that the arrangement follows the Annual Accounts Act and may thus deviate from IFRS in certain cases. Untaxed reserves and appropriations are also recognized in the Parent Company in accordance with Swedish law. Participations in subsidiaries are recognized in accordance with the cost method. Expenditures that are directly attributable to business combinations are included in the cost. In accordance with RFR 2, exchange-rate differences arising on monetary items comprising part of a net investment in a foreign operation are to be recognized in profit and loss and not in other comprehensive income. The rule of the Swedish Annual Accounts Act on the capitalization of development costs came into effect in 2016. The rule entails that when development costs are capitalized, the corresponding amount must be transferred from unrestricted equity to restricted equity under the "Fund for development costs," and is to be recognized separately in the balance sheet. IFRS 16 Leases has not had any impact on the Parent Company's financial statements since leases are recognized in accordance with the exemption in RFR 2. The costs for leases are recognized on a straight-line basis over the term of the lease. No rights of use and lease liabilities are recognized in the Parent Company's balance sheet.

All amounts are in SEK thousands, unless otherwise stated.

New and amended accounting policies applicable from 2021/2022

New and amended IFRS that entered force in 2021/2022 had no significant effects on the financial statements.

The accounting policies and calculation methods are otherwise unchanged compared with those applied in the 2020/2021 fiscal year.

New and amended accounting policies applicable from 2022/2023 or later

New and amended IFRS with future application are not deemed to have any significant effects on the financial statements.

Basis of preparation for the reports

Assets, provisions and liabilities are measured at cost or nominal value unless otherwise stated in the notes that follow. The preparation of financial statements in accordance with IFRS requires that the Group uses accounting assumptions and estimates for the future; refer to page 93 for information on estimates and judgments.

Consolidated financial statements

The consolidated financial statements have been prepared using the acquisition method, and cover those companies in which the Parent Company, directly or through subsidiaries, exerts a controlling influence. A controlling influence means that the Parent Company directly or through subsidiaries has an influence over the company, is entitled to variable returns and is also able to exercise its influence over the company to affect these returns.

The Group's internal receivables and liabilities, revenues and expenses, and unrealized gains or losses arising from transactions between Group companies, have been eliminated in their entirety during preparation of the consolidated financial statements.

Translation of foreign subsidiaries

Functional currency

The consolidated financial statements are presented in SEK, which is the Parent Company's functional and reporting currency. Items in the financial statements for companies in the Group are valued in the currency that is used where the company has its main operations, that is, in its functional currency.

Transactions and balance-sheet items

Transactions in functional currencies are recognized initially in the functional currency at the currency rate on the transaction date. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the balance-sheet date (year-end rate). Exchange-rate differences arising on the payment of transactions in foreign currencies are recognized in other external costs. Exchange-rate differences arising on the translation of monetary assets and liabilities at the year-end rate are recognized in other external cost or net financial items.

Financial statements of foreign operations

The assets and liabilities of foreign Group companies are translated at the year-end rate. The income statements are translated at the average rate during the reporting period. The exchange-rate differences that occur are recognized in other comprehensive income.

Segment reporting

The identification of operating segments is based on the areas of operation monitored by the Board of Directors and Executive Management in the internal reporting, and on whether an individual segment's sales exceed 10% of the Group's total sales. The CEO is the chief operating decision-maker.

The Group's operations are divided into the following segments: Imaging IT Solutions, Secure Communications, Business Innovation and Other Operations. Other Operations pertain to Sectra's joint functions for administration, recruitment, Group finances, people and brand, IT, regulatory affairs and investor relations activities as well as the Group's financing activities.

All transactions between segments are conducted on business terms, and are based on prices charged to non-related customers in conjunction with independent sales of identical goods or services.

Revenue

Revenue is recognized in accordance with IFRS 15 Revenue from Contracts with Customers. In assessing whether revenue is to be recognized, the Group follows a five-step procedure.

The Group often conducts sales transactions that encompass several of the Group's products and services (e.g. delivery of software licenses, and service and upgrade contracts).

In all cases, the total transaction price of a contract is allocated to the specific performance obligations based on its relative standalone selling price. When determining the transaction price, the effects of variable consideration and the existence of a significant financing component are taken into account where applicable. Variable remuneration is based, where applicable, on an hourly rate or per task, for example per examination. When payment is received more than one year after the performance obligation is completed, a financing component is calculated and recognized as financial revenue over the duration of the performance obligation. Revenue is recognized either over time or at a point in time, when the Group meets the

performance obligations by transferring the promised goods or services to the customer. In cases where revenue is recognized over time, the input method is primarily used. Revenue is thus recognized on the basis of the inputs required to complete the performance obligation. Key inputs include labor hours expended and costs incurred in relation to the total labor hours expected and total costs for completing the performance obligation.

The payment terms vary between contracts. The Group does not have any standardized terms and conditions for payment, since they vary from customer to customer. Contracts normally cover additional orders. Extensions or revisions that are not covered by existing contracts are preceded by new negotiations and signing new contract documents, including a complete assessment according to the five-step model in IFRS 15.

The Group recognizes a contract liability (invoiced non-recognized income) when payment has been received for an unfulfilled performance obligation. Refer to [Note 2](#). Similarly, if the Group satisfies a performance obligation before consideration has been received, the Group recognizes a contract asset (recognized non-invoiced income). Refer to [Note 2](#).

Imaging IT Solutions

The segment's 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 performance obligation and is to be recognized in revenue over time during the installation phase. Support and maintenance services as well as updates are considered a performance obligation according to the contracts and are recognized as revenue over a period of time corresponding to the contract period.

Secure Communications

The segment's customer contracts include various combinations of pre-studies, component deliveries, installation services, support and maintenance services and upgrades, and product deliveries. Pre-studies are recognized as revenue as the work is executed. Hardware is considered a single performance obligation and is recognized as revenue at a given point in time when delivery is made to the customer. Installation services are considered a single performance obligation that is recognized as revenue over time during the installation phase. Support and maintenance services are considered a distinct performance obligation according to the contracts and are recognized as revenue over a period of time corresponding to the contract period.

Business Innovation

The segment's customer contracts include various combinations of licenses, hardware, upgrades and expanded warranty offerings. Licenses and hardware are considered a single performance obligation and revenue is recognized at a given point in time when delivery is made to the customer. Upgrades are considered a distinct performance obligation and are recognized as revenue over a period of time corresponding to the contract period. Expanded warranties are considered to comprise a separate performance obligation, with revenue recognized over a period of time corresponding to the expanded warranty period.

Pensions and post-retirement benefits to employees

The Sectra Group has defined-contribution pensions only, which means that the Group makes payments to various pension institutions on an ongoing basis. These payments are expensed continuously and constitute the Group's pension costs for the year, which are recognized under "personnel costs." Sectra has no other pension obligations

and is not responsible for any value changes in the paid-in premiums. This means that Sectra does not bear the risk when pensions are paid, and no pension obligations are recognized as liabilities in the balance sheet. For other remuneration of employees, see [Note 3](#).

Share-based remuneration of employees

In 2021/2022, two performance-based share programs (long-term incentive programs) were introduced for all employees: one for North America (LTIP 2021 NA) and one for the rest of the world (LTIP 2021 SROW). The programs are recognized in accordance with IFRS 2 Share-based Payment and settled with equity instruments. The fair value of the Sectra share on the allotment date, taking into account the vesting conditions, is recognized in profit and loss as personnel costs including social security expenses. Examples of vesting conditions include rankings in external customer satisfaction measurements (KLAS) and earnings objectives. A corresponding increase in equity is recognised in accordance with IFRS 2 since share-based plans have no direct impact on cash flow. The expected number of allotted shares on each balance-sheet date in the vesting period and the effect of any change in previous estimates are recognized in profit and loss with a corresponding adjustment of equity. For more information, refer to [Note 3](#).

Intangible assets and goodwill

Intangible assets are recognized at cost less amortization and impairment losses for all intangible assets excluding goodwill. Goodwill is recognized at cost less impairment losses. For the purpose of identifying any impairment requirements, yields are individually measured when the need is indicated, and annually for incomplete development projects and goodwill. If the carrying amount exceeds the recoverable amount, the differences are charged against profit for the period on an ongoing basis as they arise. For an asset that does not generate cash flows, the recoverable amount is calculated for the cash-generating unit to which the asset belongs. The recoverable amount is the higher of the asset's net selling price and value in use. Value in use is calculated as the present value of future cash flows for specific assets.

The amortization period for intangible assets exceeds five years if the asset is expected to generate financial benefits, based on individual assessment, over a period exceeding five years. Impairment is reversed if the asset's recoverable amount exceeds its carrying amount. Impairment losses on goodwill are never reversed.

Capitalized development costs

Sectra develops proprietary software and equipment in the fields of medical imaging and secure communications. All research costs are expensed directly, and customer-related development costs are included in project costs, which are expensed at the time of revenue recognition. Internal development costs for standard products are capitalized and recognized as intangible assets to the extent that they are expected to generate financial benefits in the future. Additional requirements for capitalization are that project costs can be reliably estimated, that it is technically possible to complete the project, and that the Group has the necessary resources to complete development. Capitalized project costs include all expenses directly attributable to materials, services and remuneration of employees. Capitalized development costs are subject to straight-line amortization over the period of use per individual asset. Amortization of capitalized development costs commences when the asset is completed and sales have commenced.

Goodwill

Goodwill represents future economic benefits arising from a business acquisition that are not specifically identified and recognized separately. Goodwill is recognized at cost less accumulated impairment losses. Refer to [Note 10](#) for a description of impairment testing.

Patents and licenses

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

Trademarks and customer relationships

Trademarks and customer relationships pertain to acquisition-related assets. These rights are initially measured at fair value and subject to straight-line amortization over the assets' ten-year estimated period of use. Acquired customer contracts are long-term, valid for up to ten years. The probability of renewal of contracts after expiry is very high, even for shorter contract periods, which is why the period of use has been deemed to be ten years. Acquired trademarks have been built up over a long period of time in the acquired companies and are closely linked to customer values, which justifies a period of use of ten years.

Tangible assets

Depreciation is based on the original cost and estimated useful lifetimes.

| | |
|--------------------------------|--|
| Buildings | 40 years |
| Office furniture | 10 years |
| Equipment and office machines | 5 years |
| Equipment at customer premises | 3–10 years, depending on the useful life in each agreement |

Leases

A lease is defined as an agreement or part thereof that transfers the right of use for an asset (the underlying asset) for a given amount of time in exchange for remuneration. The Group's leased assets comprise primarily of premises and vehicles. Sectra recognizes a right-of-use asset and the associated lease liability upon entering into an agreement. Leases with a term of 12 months or less or where the underlying asset has a low value are not included in the right-of-use asset or liability in the balance sheet. These agreements are expensed on a straight-line basis over the term of the contract. The liability is initially measured at the present value of remaining lease payments over the term of the contract. Discounts are at the Group's incremental borrowing rate. The right-of-use asset is initially measured at the value of the liability plus any direct expenditures, as well as lease payments made on or before the start date of the contract. The right-of-use asset is depreciated on a straight-line basis over the term of the lease.

Inventories

Inventories are recognized at the lower of cost or net selling price according to the first-in, first-out method (FIFO). Estimated obsolescence has thus been taken into account. Costs for internally manufactured semi-finished and finished goods consist of direct production costs plus a reasonable surcharge for indirect production costs.

Taxes

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

Financial instruments

Financial instruments include both assets and liabilities. Long-term receivables, securities holdings and other receivables, accounts receivable and cash and cash equivalents are recognized as assets. Financial liabilities include convertible debentures, accounts payable, liabilities for additional purchase considerations and other lease liabilities.

Financial assets

Except for those accounts receivables that do not contain a significant financing component and are measured at their transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value.

After the initial measurement at fair value, financial assets are measured based on the Group's business model for managing the asset and the type of cash flow the asset gives rise to. Financial assets are classified in the categories of amortized cost, fair value via profit and loss, or fair value via other comprehensive income. In the periods included in the financial statement, the Group has no financial assets categorized as measured at fair value via profit and loss or other comprehensive income.

Long-term accounts receivables

The expected term of long-term accounts receivables exceeds 12 months, and recognition is accordingly at the discounted amount expected to flow in under the amortized cost method. Any impairment of long-term accounts receivable impacts other external costs.

Accounts receivables

The expected term of accounts receivables is brief, and recognition is accordingly at the undiscounted amount expected to flow in under the amortized cost method. Any impairment of accounts receivables impacts other external costs.

Cash and cash equivalents

Cash and cash equivalents consist of funds deposited in banks and similar institutions.

Impairment of financial assets

Financial assets are recognized in the balance sheet when the company becomes party to the agreement and are derecognized when the agreement expires, or the company loses control over the assets. A loss allowance is recognized when an expected credit loss exists under the original terms of the receivable. The IFRS 9 impairment model uses forward-looking information to account for expected credit losses. Credit loss recognition is not dependent on the Group first identifying a credit loss event. Instead, the Group accounts for more extensive information in the assessment of credit risk and measurement of expected credit losses. When determining the expected credit losses, the Group uses its historical experience, external indicators and forward-looking information for the calculation.

Financial liabilities

Financial liabilities are classified in the categories of amortized cost, fair value via profit and loss, or fair value via other comprehensive income. In the periods included in the financial statement, the Group has no financial liabilities categorized as measured at fair value via profit and loss or other comprehensive income. Financial liabilities are initially measured at fair value adjusted for transaction costs. They are subsequently measured at amortized cost using the effective interest method, except for financial liabilities measured at fair value through profit and loss.

Accounts payable

Accounts payable are measured at amortized cost. The expected term of accounts payable is brief, and the liabilities are accordingly recognized at the undiscounted nominal amount.

Impairment of financial liabilities

Financial liabilities are recognized in the balance sheet when the invoice is received or when the company in another manner becomes party to the contractual obligations. A financial liability is derecognized from the balance sheet when the obligation specified is discharged and all liability expires. Interest expenses are recognized directly in profit and loss. Convertible loans are recognized as combined financial instruments divided into a liability and an equity portion in so far as the interest paid on the convertible is not adjusted to market terms. If so, the liability portion is recognized at fair value, discounting future cash flows at the market interest rate. The equity portion is calculated as the difference between the nominal value and the fair value of the loan. The interest paid on convertible loans on the balance-sheet date is considered market-based, which is why the convertible loan is recognized in its entirety as a liability.

Provisions

A provision is recognized in the balance sheet when the Group has an existing legal or informal obligation due to a past event and an outflow of economic resources may be required to settle the obligation and a reliable estimate of the amount can be made.

Fair value

The method for calculating the fair value of financial assets and liabilities is based on three measurement levels. At measurement Level 1, fair value is calculated based on quoted market prices and instruments traded in an active market. At measurement Level 2, quoted market prices are not available, but variables for the calculation of fair value are obtained from market quotations. At measurement Level 3, fair value is calculated based on data that is not available in the market. The Group's financial assets and liabilities mainly belong to measurement Level 2 and 3. Refer to [Note 28](#).

Cash-flow statement

The cash-flow statement has been prepared using the indirect method. Cash flows in foreign currencies are restated at the average exchange rate. Acquisitions and/or divestments of subsidiaries are included, net after cash and cash equivalents acquired or divested, in cash flow from investing activities.

Important estimates and judgments and uncertainty in estimates

At year-end, certain judgments are made in regard to the application of accounting policies that affect the carrying amounts recognized on the balance-sheet date. These estimates for reporting purposes may deviate from the actual outcome. The following estimates may involve a risk of changes in the carrying amounts.

Revenue recognition is based on contracts with customers of varying degrees of complexity. Contracts with several different types of revenue streams such as licenses, hardware, upgrades or support are considered more complex. Critical assessments are made of how much revenue will be recognized and at what point in time. Company management assesses how revenues will be allocated to each identified performance obligation. Different policies for recognizing revenue can thereby be applied to different performance obligations,

depending on the assessments made. Applied policies include full revenue recognition at the beginning of the contract, linear revenue recognition over the term of the contract or revenue recognition based on the delivery rate of services over the term of the contract. Allocation of the contract's total value to each performance obligation is based on each obligation's independent sales price, whether actual or estimated.

Impairment requirements relating to intangible assets including goodwill are assessed on an ongoing basis, based on the calculated recoverable amount per cash-generating unit. The recoverable amount is based on the unit's value in use, which consists of estimated future cash flows during its useful life. Estimates are based on budgeted long-term targets and anticipated growth. Group synergy effects were taken into consideration when calculating cash flow associated with goodwill. The present value of the forecast future cash flows for all development projects has been calculated using an after-tax discount rate of between 8.4% and 10.4% (8.1–10.1). An after-tax discount rate of between 8.4% and 10.4% (8.1–10.1) has been used when calculating cash flows associated with goodwill. The growth rate assessment has been set in line with market trends and growth goals in the operating areas. Assumptions regarding future cash flows may be uncertain.

The useful life of intangible assets is based on the estimated life of the asset. Amortization of intangible assets is based on estimated useful life per asset, which can have major significance for the Group's earnings and financial position.

Obligations in contracts arise upon the delivery of a system and during the duration of the contract. These obligations normally involve a guarantee period of 12 months and other obligations during the duration of the contract. Assessment of future guarantee costs is based on individual projects and prior experience. Deviations between the actual guarantee cost and the provisions occur for individual projects, but at Group level these deviations are limited.

Provisions for expected credit losses is an assessment that means the outcome could be higher or lower than expected.

Note 2 Operating segments and sales

Information regarding the company's operating segments and geographic areas is used to evaluate sales and earnings in the Group and to allocate the Group's resources among various segments. The identified operating segments are: Imaging IT Solutions, Secure Communications, Business Innovation and Other Operations. The basis for the geographic distribution is the customer's billing address.

Imaging IT Solutions develops and sells medical IT systems and services that help customers care for more patients, while retaining or improving the level of quality. The segment's offering encompasses IT systems for managing, archiving and presenting all types of medical images and patient information as well as IT systems for operational follow-up and radiation dose monitoring. The segment also offers maintenance in the form of support, system monitoring, consulting services related to integration, system design, data migration and business development. The largest product area in the segment is IT solutions for managing and archiving radiology images and patient information.

Secure Communications develops and sells products and services for secure voice and data communications and the protection of society's most sensitive IT infrastructure. The segment offers products for secure voice and data communications, and project-based development as well as security and threat analyses, and system monitoring services for control systems in society's critical operations. Development and production take place in Sweden. Sales are primarily conducted in EU countries from the business area's offices in Sweden, the Netherlands and Finland.

Sectra's business units in Business Innovation develop and sell IT systems for planning and monitoring orthopaedic surgery as well as products for medical education. Sectra carries out research projects and manages and develops its patent portfolio in this segment.

Other Operations pertain to Sectra's joint functions for administration, recruitment, Group finances, people and brand, IT, regulatory affairs and investor relations activities as well as the Group's financing activities.

Operating segments

| | Imaging IT Solutions | | Secure Communications | | Business Innovation | | Other Operations | |
|-------------------------------|----------------------|-----------|-----------------------|---------|---------------------|--------|------------------|-----------|
| | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 |
| Net sales | 1,727,162 | 1,397,727 | 184,891 | 207,791 | 66,449 | 55,793 | 98,956 | 74,502 |
| Of which, external | 1,728,838 | 1,391,670 | 182,907 | 206,308 | 36,823 | 33,373 | 572 | 1,077 |
| Depreciation/ amortization | 49,421 | 40,674 | 13,679 | 12,338 | 4,066 | 4,475 | 14,050 | 21,432 |
| Impairment | 0 | 1,974 | 0 | 2,220 | 0 | 0 | 0 | 0 |
| Operating profit/loss | 416,005 | 377,965 | -3,006 | 9,471 | 6,074 | 759 | -35,666 | -38,262 |
| Assets | 2,002,893 | 1,720,339 | 151,495 | 153,328 | 75,377 | 34,292 | 1,392,655 | 1,144,921 |
| Liabilities | 1,618,407 | 1,458,995 | 121,597 | 130,762 | 59,159 | 21,958 | 710,649 | 515,322 |
| Investments ³ | 53,243 | 49,293 | 9,845 | 5,405 | 6,342 | 4,955 | 4,945 | 8,002 |

| | Eliminations ¹ | | Total Group ² | |
|-------------------------------|---------------------------|------------|--------------------------|-----------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Net sales | -128,318 | -103,386 | 1,949,140 | 1,632,427 |
| Of which, external | 0 | 0 | 1,949,140 | 1,632,427 |
| Depreciation/ amortization | 0 | 0 | 81,216 | 78,919 |
| Impairment | 0 | 0 | 0 | 4,194 |
| Operating profit/loss | -21 | 143 | 383,386 | 350,076 |
| Assets | -1,430,509 | -1,400,928 | 2,191,911 | 1,651,952 |
| Liabilities | -1,398,638 | -1,370,707 | 1,111,174 | 756,330 |
| Investments ³ | 0 | 0 | 74,375 | 67,655 |

¹ 93.8% (90.8) of the Parent Company's total sales are attributable to other companies in the Group. Purchases from Group companies amounted to 25.3% (29.5).

² Sectra has no customers that individually contribute more than 10% of total net sales. Of the Group's total intangible and tangible assets, amounting to SEK 345.1 million, SEK 234.1 million is attributable to Sweden, SEK 69.8 million to the UK and SEK 41.2 million to other countries.

³ Refers to investments in tangible and intangible assets for the year. See Notes 10 and 11.

cont. Note 2 Operating segments and sales

Geographic areas

| | Sweden | | UK | | Netherlands | | Rest of Europe | |
|--------------------------|-----------|---------|---------|---------|-------------|---------|----------------|---------|
| | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 |
| Net sales | 378,789 | 391,231 | 370,692 | 216,184 | 150,322 | 143,050 | 401,884 | 316,055 |
| Imaging IT Solutions | 279,385 | 263,276 | 370,102 | 215,990 | 90,916 | 94,633 | 367,409 | 277,233 |
| Secure Communications | 94,560 | 124,345 | 0 | 0 | 59,189 | 48,190 | 28,431 | 32,194 |
| Business Innovation | 4,844 | 3,610 | 590 | 194 | 217 | 227 | 5,472 | 5,551 |
| Other Operations | 0 | 0 | 0 | 0 | 0 | 0 | 572 | 1,077 |
| Assets | 1,104,361 | 744,447 | 312,565 | 295,519 | 152,265 | 123,661 | 252,318 | 191,867 |
| Investments ³ | 62,594 | 59,653 | 8,056 | 6,347 | 890 | 773 | 1,560 | 598 |

| | US | | Rest of World | | Total Group ² | |
|--------------------------|---------|---------|---------------|---------|--------------------------|-----------|
| | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 |
| Net sales | 547,140 | 465,496 | 100,313 | 100,411 | 1,949,140 | 1,632,427 |
| Imaging IT Solutions | 537,244 | 456,076 | 83,782 | 84,461 | 1,728,838 | 1,391,670 |
| Secure Communications | 727 | 1,579 | 0 | 0 | 182,907 | 206,308 |
| Business Innovation | 9,169 | 7,841 | 16,531 | 15,950 | 36,823 | 33,373 |
| Other Operations | 0 | 0 | 0 | 0 | 572 | 1,077 |
| Assets | 269,428 | 218,947 | 100,974 | 77,511 | 2,191,911 | 1,651,952 |
| Investments ³ | 1,107 | 68 | 168 | 216 | 74,375 | 67,655 |

External sales by product group and segment

| | Hardware and other third-party products | | Software | | Services | | Total Group | |
|-----------------------|---|----------------|----------------|----------------|------------------|------------------|------------------|------------------|
| | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 |
| Imaging IT Solutions | 236,095 | 108,992 | 396,132 | 374,267 | 1,096,611 | 908,411 | 1,728,838 | 1,391,670 |
| Secure Communications | 48,594 | 77,955 | 26,492 | 27,065 | 107,821 | 101,288 | 182,907 | 206,308 |
| Business Innovation | 23,756 | 24,282 | 10,127 | 8,253 | 2,940 | 838 | 36,823 | 33,373 |
| Other Operations | 0 | 0 | 0 | 0 | 572 | 1,077 | 572 | 1,077 |
| Total Group | 308,445 | 211,229 | 432,751 | 409,585 | 1,207,944 | 1,011,614 | 1,949,140 | 1,632,427 |

Share of recurring revenue per segment

| | Imaging IT Solutions | | Secure Communications | | Business Innovation | | Other Operations | |
|-------------------------------|----------------------|------------------|-----------------------|----------------|---------------------|---------------|------------------|--------------|
| | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 | 21/22 | 20/21 |
| Non-recurring revenue | 734,399 | 501,594 | 106,817 | 137,313 | 26,525 | 25,768 | 0 | 0 |
| Recurring revenue | 994,439 | 890,076 | 76,090 | 68,995 | 10,298 | 7,605 | 572 | 1,077 |
| Total external revenue | 1,728,838 | 1,391,670 | 182,907 | 206,308 | 36,823 | 33,373 | 572 | 1,077 |
| Share of recurring revenue, % | 57.5% | 64.0% | 41.6% | 33.4% | 28.0% | 22.8% | 100.0% | 100.0% |

| Total Group | | |
|-------------------------------|------------------|------------------|
| | 21/22 | 20/21 |
| Non-recurring revenue | 867,741 | 664,674 |
| Recurring revenue | 1,081,399 | 967,753 |
| Total external revenue | 1,949,140 | 1,632,427 |
| Share of recurring revenue, % | 55.5% | 59.3% |

Cont. Note 2 Operating segments and sales**Contract balance**

| | 21/22 | 20/21 |
|---|---------|---------|
| Accounts receivable ⁴ | 339,650 | 236,331 |
| Long-term accounts receivable ⁴ | 172,620 | 140,598 |
| Contract assets ^{4,5} | 410,808 | 379,620 |
| Contract liabilities ⁶ | 468,787 | 238,025 |
| | 21/22 | 20/21 |
| Invoicing during the fiscal year related to the opening balance for contract assets for the period | 178,567 | 169,961 |
| Revenue recognition during the fiscal year related to the opening balance for contract liabilities for the period | 222,741 | 154,714 |

⁴ Refer to Note 17.

⁵ Recognized non-invoiced income constitutes contract assets according to IFRS 15. This item comprises non-invoiced income attributable to performance obligations that have been satisfied according to customer contracts, but that is dependent on terms other than the remaining calendar time before payment of the consideration falls due. During the fiscal year, 49% of the opening balance was invoiced. For a distribution of contract assets per currency, refer to Note 17.

⁶ Advances received for installation services not yet performed as well as prepaid service and support revenue constitute customer payments received before the goods or services have been transferred (contract liabilities) and for which revenue is expected to be recognized during the coming fiscal years. Installation services revenue is recognized during the installation phase, while service and support revenue is recognized during the contract period. During the fiscal year, 94% of the opening balance was recognized as revenue.

Note 3 Employees and personnel costs**Average number of employees and percentage of women**

| | 21/22 | | 20/21 | |
|-----------------------|------------|----------------|------------|----------------|
| | Total | of whom, women | Total | of whom, women |
| Parent Company | | | | |
| Sweden | 50 | 22 | 73 | 30 |
| Group | | | | |
| Australia | 23 | 7 | 16 | 6 |
| Denmark | 15 | 5 | 14 | 5 |
| Finland | 2 | 1 | 2 | 1 |
| France | 10 | 4 | 6 | 3 |
| Canada | 16 | 7 | 8 | 4 |
| Netherlands | 57 | 16 | 53 | 14 |
| Norway | 28 | 10 | 23 | 9 |
| New Zealand | 2 | 0 | 2 | 0 |
| Portugal | 30 | 8 | 28 | 6 |
| Spain | 4 | 1 | 4 | 1 |
| UK | 91 | 26 | 83 | 25 |
| Sweden | 465 | 134 | 435 | 119 |
| Germany | 31 | 8 | 26 | 5 |
| US | 134 | 48 | 128 | 46 |
| Group total | 908 | 275 | 828 | 244 |

On the balance-sheet date, the proportion of female Board members amounted to 11% (8) including employee representatives on all Boards of Directors of the Group's companies and to 10% (10) on the Parent Company's Board of Directors. The proportion of women in all management groups of the Group's companies, including company presidents, amounted to 34% (28) and the proportion of women in Group Management to 33% (20).

Salaries and other remuneration

| | Group | | Parent Company | |
|---------------------|----------------|----------------|----------------|---------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Board and President | 39,708 | 34,163 | 7,907 | 6,954 |
| Other employees | 692,078 | 628,006 | 29,135 | 43,251 |
| Total | 731,786 | 662,169 | 37,042 | 50,205 |

Social security expenses

| | Group | | Parent Company | |
|----------------------------------|----------------|----------------|----------------|---------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Board and President | | | | |
| Social security contributions | 9,350 | 7,306 | 2,709 | 2,306 |
| Pension costs | 3,987 | 2,892 | 924 | 498 |
| Total Board and President | 13,337 | 10,198 | 3,633 | 2,804 |
| Other employees | | | | |
| Social security contributions | 152,918 | 142,135 | 8,492 | 12,803 |
| Pension costs | 38,886 | 36,325 | 2,396 | 3,757 |
| Total other employees | 191,804 | 178,460 | 10,888 | 16,560 |

cont. Note 3 Employees and personnel costs

Remuneration of the Board, President and other senior executives 2021/2022

| | Board fee | Basic salary | Variable remuneration | Other remuneration | Pension premiums | Total |
|--|--------------|---------------|-----------------------|--------------------|------------------|---------------|
| Jan-Olof Bråder, Chairman of the Board | 506 | 0 | 0 | 0 | 0 | 506 |
| Anders Persson | 303 | 0 | 0 | 0 | 0 | 303 |
| Christer Nilsson | 353 | 0 | 0 | 0 | 0 | 353 |
| Tomas Puusepp | 253 | 0 | 0 | 0 | 0 | 253 |
| Birgitta Hagenfeldt | 303 | 0 | 0 | 0 | 0 | 303 |
| Jonas Yngvesson | 253 | 0 | 0 | 0 | 0 | 253 |
| Fredrik Robertsson | 253 | 0 | 0 | 0 | 0 | 253 |
| Total remuneration of the Board | 2,224 | 0 | 0 | 0 | 0 | 2,224 |
| President Torbjörn Kronander | 0 | 3,861 | 1,820 | 0 | 924 | 6,605 |
| Other senior executives (five to nine individuals) ¹ | 0 | 9,831 | 2,309 | 0 | 1,865 | 14,005 |
| Total remuneration of the President and other senior executives | 0 | 13,692 | 4,129 | 0 | 2,789 | 20,610 |
| Total | 2,224 | 13,692 | 4,129 | 0 | 2,789 | 22,834 |

¹ Group Management comprised nine individuals from May to September, and five individuals as of October.

Preparation and decision-making process

The Board fee was decided at the Annual General Meeting in accordance with the proposal of the Nomination Committee. Guidelines for remuneration of the President and other senior executives are determined at the Annual General Meeting. Remuneration to the President/CEO was prepared by the Remuneration Committee and decided by the Board of Directors. The President/CEO prepared and decided on the remuneration of other senior executives.

Remuneration of the Board

Fees are paid to the Board Chairman and other external members in accordance with the decision of the Annual General Meeting. Internal Board members are not paid a fee. Decided fees for external Board members amount to SEK 270,000 (225,000) each, and SEK 540,000 (450,000) for the Chairman of the Board. For Audit Committee work, SEK 50,000 was paid to external Board members and SEK 100,000 to the Chairman of the Audit Committee. No separate fees were paid for Remuneration Committee work. Other remuneration pertains to consultant services for assignments in which a Board member has specialist expertise.

Remuneration of the President and other senior executives

The terms and conditions of remuneration must emphasize remuneration after performance, and varies in relation to the individual's performance and the Group's earnings.

Total remuneration is on market terms and can consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. "Other senior executives" refers to the five to nine individuals who, together with the President/CEO, comprised Group Management during the fiscal year.

Terms of notice and severance pay

The period of notice must be linked to the age of the executive, in accordance with the following policies.

Upon termination by the company or the executive, the period of notice must be at most (i) six months, if at the time of termination the executive is age 40 or younger; (ii) 12 months, if at the time of termination the executive is age 41 – 50; (iii) 18 months, if at the time of termination the executive is age 51 – 60; and (iv) 24 months, if at the time of termination the executive is age 61 or older. From the date the executive turns 67, however, the period of notice must be at most six months.

Pension

For the President and other senior executives, retirement and survivor benefits including health insurance must be provided and are to be defined-contribution. Variable cash remuneration must not be pensionable. Pension premiums must total a maximum of 30% of the basic salary.

Long-term incentive programs

The Group has two types of incentive programs, convertible programs and performance-based incentive programs (LTIP). Convertible programs enable employees and external Board members to acquire shares in the company.

Performance-based incentive programs are targeted at all employees, and the outcome depends on a number of terms and conditions, such as continued employment during the vesting period and earnings objectives.

cont. Note 3 Employees and personnel costs**Issued incentive programs**

| Convertible programs | 2018/2023 |
|---|----------------------------|
| Number of underlying Class B shares | 1,020 |
| Conversion price, SEK | 380.70 |
| Exercise period | Jan 9 – 13, 2023 |
| Time to expiration | Nov 1, 2018 – Jan 31, 2023 |
| Interest rate during time to expiration | 0.00% |
| Dilution upon full conversion, capital | 0.0% |

| Number of convertibles | May 1, 2021 | Increase due to share split | Increase due to recalculated price | Concluded programs | Apr 30, 2022 |
|-------------------------------|--------------------|------------------------------------|---|---------------------------|---------------------|
| Convertibles | 7,968 | 31,860 | 157 | -34,855 | 5,130 |
| Total | 7,968 | 31,860 | 157 | -34,855 | 5,130 |

Recalculation occurred as a result of the share redemption program.

| Performance-based incentive program LTIP 2021 | 2022/2026 |
|--|------------------|
| No. of shares originally allotted | 358,057 |
| Share price on allotment, SEK | 200.20 |
| Theoretical value on allotment, SEK | 53,560,685 |
| Allotment date | Dec 31, 2021 |
| End date | Dec 31, 2026 |
| Allotted during the year | 358,057 |
| Forfeited/expired during the year | -4,400 |
| Exercised during the year | - |
| Total | 353,657 |

The aim of the two performance-based incentive programs—one for North America and one for the rest of the world—is to retain and recruit competent employees, which is expected to contribute to the Group's continued favorable performance. The programs are to promote well-founded decision-making and desirable results in a manner that corresponds with the company's vision and values. The intention is to increase the participants' sense of investment in the company, which is expected to be good for the company in the long term. The programs are to encourage increased ownership in the company, with allotment taking place on the condition that certain performance criteria are met.

Increased partial ownership among the company's employees is expected to result in a stronger sense of loyalty to the company.

Participation in the programs is voluntary and available to all employees, provided that they are or are considered to be permanent employees on at least a 50% basis as of the date of the AGM's resolution to implement the programs. Of the total 358,057 shares allotted, 58,000 shares pertain to the President and senior executives.

The theoretical value on allotment is calculated based on the number of shares allotted multiplied by the share price on the allotment date, with the share price on the allotment date reduced by the present value of the anticipated dividends not credited to the holder during the term of the program, and in one of the programs also the present value of the pledging of shares during the term of the program since this requires that own shares have been invested in addition to the fulfillment of performance criteria.

Two performance criteria are to be met per year during the five-year term of the program, with 10% per criteria and year. For more details about the terms and structure of the programs, refer to [Note 1](#) and Item 18 of the minutes from the 2021 AGM.

Costs during the fiscal year amounted to SEK 4,107 thousand, which is recognized in personnel costs. In the balance sheet, SEK 3,549 thousand has been recognized in equity and the remaining SEK 558 thousand in accrued social security contributions (refer to [Note 24](#)).

Note 4 Fees to auditors

| | Group | | Parent Company | |
|--|--------------|--------------|----------------|--------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| EY | | | | |
| Audit fees | 2,855 | 2,665 | 1,453 | 1,400 |
| Audit activities in addition to audit assignment | 180 | 25 | 180 | 25 |
| Tax advisory services | 86 | 265 | 0 | 265 |
| Other services | 126 | 0 | 126 | 0 |
| Audit fees to other auditors | | | | |
| Audit fees | 105 | 107 | 0 | 0 |
| Other services | 0 | 284 | 0 | 169 |
| Total | 3,352 | 3,346 | 1,759 | 1,859 |

Audit assignments involve an examination of the Annual Report and consolidated financial statements, accounting records and the administration of the Board of Directors and the President and other tasks performed by the company's auditor, including audit consultancy. The fee for audit assignments includes the statutory audit performed in each country. Audit activities in addition to the audit assignment pertains to quality-assurance services.

Note 5 Operating lease expenses¹

| | Parent Company | |
|---|----------------|---------------|
| | 21/22 | 20/21 |
| Lease expenses paid for the year | 14,431 | 13,834 |
| Nominal value of agreed future lease payments: | | |
| Due for payment within 1 year | 16,404 | 14,805 |
| Due for payment after 1 year but within 5 years | 38,665 | 36,676 |
| Due for payment after more than 5 years | 0 | 115 |
| Total | 55,069 | 51,596 |

¹ The Parent Company's leases pertain chiefly to office space.

Note 6 Interest income and similar profit/loss items

| | Group | | Parent Company | |
|--------------------------------------|---------------|--------------|----------------|---------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Other interest income | 6,966 | 7,094 | 5 | 6 |
| Interest income from Group companies | 0 | 0 | 8,774 | 8,405 |
| Dividends | 0 | 0 | 24,200 | 10,631 |
| Exchange difference, net | 5,708 | 0 | 18,546 | 0 |
| Total | 12,674 | 7,094 | 51,525 | 19,042 |

Note 7 Interest expenses and similar profit/loss items

| | Group | | Parent Company | |
|--------------------------|--------------|--------------|----------------|---------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Interest expenses | 1,555 | 1,844 | 3 | 26 |
| Exchange difference, net | 0 | 7,081 | 0 | 16,734 |
| Total | 1,555 | 8,925 | 3 | 16,760 |

Note 8 Appropriations

| | Parent Company | |
|---------------------|----------------|----------------|
| | 21/22 | 20/21 |
| Group contributions | 254,250 | 296,400 |
| Total | 254,250 | 296,400 |

Group contributions paid and received in the Parent Company are recognized as appropriations in profit and loss in accordance with the alternative rule for Group contributions in RFR 2 / IAS 27.

Note 9 Tax on net profit for the year

| | Group | | Parent Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Current tax | -83,701 | -70,693 | -50,028 | -50,471 |
| Deferred tax | 3,989 | -2,039 | -2 | -137 |
| Total tax expenses | -79,712 | -72,732 | -50,030 | -50,608 |

Relationship between the Group's tax expense and recognized tax per applicable tax rate

| | | | | |
|---|----------------|----------------|----------------|----------------|
| Profit before tax | 394,505 | 348,245 | 266,626 | 246,471 |
| Tax per applicable tax rate for the Parent Company, 20.6% (21.4) | -81,268 | -74,524 | -54,925 | -52,745 |
| Adjustment of tax for previous years | 1,468 | 890 | 0 | 0 |
| Tax effect of non-deductible expenses | -979 | -2,044 | -94 | -54 |
| Tax effect of non-taxable income | 2,180 | 3,287 | 4,993 | 2,191 |
| Tax effect of changed tax rates or regulations | -705 | 0 | 0 | 0 |
| Tax effect of other tax rates in foreign subsidiaries | -680 | -341 | 0 | 0 |
| Tax effect of loss carryforwards where deferred tax has not been recognized | -11 | 0 | 0 | 0 |
| Other items | 283 | 0 | -4 | 0 |
| Tax on net profit for the year | -79,712 | -72,732 | -50,030 | -50,608 |

Deferred tax assets

| | | | | |
|--|--------------|--------------|----------|----------|
| Deferred tax liabilities on fixed assets | 3,497 | 1,557 | 0 | 0 |
| Deferred tax liabilities on surplus values | 1,276 | 2,166 | 0 | 0 |
| Total deferred tax liabilities | 4,773 | 3,723 | 0 | 0 |

Deferred tax assets

| | | | | |
|--|--------------|--------------|------------|------------|
| Deferred tax assets on fixed assets | 165 | 595 | 0 | 0 |
| Deferred tax assets on current assets | 816 | 1,954 | 174 | 175 |
| Deferred tax assets on current liabilities | 3,550 | 630 | 0 | 0 |
| Deferred tax assets on provisions | 23 | 193 | 0 | 0 |
| Total deferred tax assets | 4,554 | 3,372 | 174 | 175 |

Note 10 Intangible assets and goodwill

| | Group | | | | | | Parent Company |
|---|--|-----------------------|-----------------------------------|-------------------------------------|-------------------------|-----------------|--------------------------------------|
| | Capitalized development ^{1,6} | Goodwill ² | Patents and licenses ³ | Customer relationships ⁴ | Trademarks ⁵ | Total | Capitalized development ¹ |
| Opening cost | 299,444 | 78,304 | 15,352 | 61,701 | 8,181 | 462,982 | 28,573 |
| Translation difference | 0 | -3,305 | -27 | -1,906 | -165 | -5,403 | 0 |
| Investments for the year | 47,304 | 0 | 0 | 0 | 0 | 47,304 | 4,955 |
| Impairment for the year | 0 | 0 | 0 | -4,194 | 0 | -4,194 | 0 |
| Reclassification for the year | 11,235 | 0 | 0 | 0 | 0 | 11,235 | 0 |
| Accumulated cost as of April 30, 2021 | 357,983 | 74,999 | 15,325 | 55,601 | 8,016 | 511,924 | 33,528 |
| Opening amortization and impairment | -188,426 | -29,107 | -2,652 | -41,694 | -7,736 | -269,614 | -11,190 |
| Translation difference | 0 | 388 | 2 | 1,042 | 124 | 1,556 | 0 |
| Amortization for the year | -31,872 | 0 | -255 | -4,385 | -355 | -36,867 | -4,785 |
| Accumulated amortization and impairment as of April 30, 2021 | -220,298 | -28,719 | -2,905 | -45,037 | -7,967 | -304,925 | -15,975 |
| Closing recognized residual value as of April 30, 2021 | 137,685 | 46,280 | 12,420 | 10,564 | 49 | 206,999 | 17,553 |
| Opening cost | 357,983 | 74,999 | 15,325 | 55,601 | 8,016 | 511,924 | 33,528 |
| Translation difference | 0 | 2,900 | 8 | 1,121 | 164 | 4,193 | 0 |
| Investments for the year | 44,272 | 0 | 0 | 0 | 0 | 44,272 | 917 |
| Sales/disposals for the year | 0 | 0 | 0 | 0 | 0 | 0 | -32,772 |
| Accumulated cost as of April 30, 2022 | 402,255 | 77,899 | 15,333 | 56,722 | 8,180 | 560,389 | 1,673 |
| Opening amortization and impairment | -220,298 | -28,719 | -2,905 | -45,037 | -7,967 | -304,925 | -15,975 |
| Translation difference | 0 | 735 | -4 | -1,260 | 159 | -370 | 0 |
| Amortization for the year | -32,189 | 0 | -256 | -4,033 | -372 | -36,850 | -702 |
| Sales/disposals for the year | 0 | 0 | 0 | 0 | 0 | 0 | 15,204 |
| Accumulated amortization and impairment as of April 30, 2022 | -252,487 | -27,984 | -3,165 | -50,330 | -8,180 | -342,145 | -1,473 |
| Closing recognized residual value as of April 30, 2022 | 149,768 | 49,915 | 12,168 | 6,392 | 0 | 218,244 | 201 |

¹ Capitalized development pertains to internally generated intangible assets comprising proprietary software and equipment for medical imaging and secure communications. The remaining amortization period on larger projects is one to five years. The largest remaining project concerns the development of IT systems in Imaging IT Solutions.

² Goodwill is attributable to the acquisition of Burnbank Systems Ltd, EXP Analytics Oy and RxEye AB. Goodwill attributable to the acquisition of RxEye AB was impaired in its entirety during the 2016/2017 fiscal year. Of total goodwill, SEK 45,456 thousand (41,889) was attributable to the Imaging IT Solutions segment and SEK 4,459 thousand (4,391) to the Secure Communications segment.

³ Remaining values in patents and licenses pertain to SEK 11,251 thousand (11,374) in the Imaging IT Solutions segment and SEK 917 thousand (1,046) in Secure Communications.

⁴ Customer relations belong to the Imaging IT Solutions and Secure Communications segments. Of total customer relations, SEK 6,392 thousand (10,564) is attributable to the Imaging IT Solutions segment and SEK 0 thousand (0) to the Secure Communications segment. In Imaging IT Solutions, they pertain to assets acquired from Sectra Sverige AB, Sectra imaXperts BV, Burnbank Systems Ltd, it-mark ApS and RxEye AB. In Secure Communications, they pertained to assets acquired from Columbitech Inc.

⁵ Trademarks pertain only to the Imaging IT Solutions segment and are attributable to acquired assets in Sectra Sverige AB and Burnbank Systems Ltd.

⁶ Of the accumulated cost, 16.7% (16.0) pertains to ongoing development projects and 83.3% (84.0) to completed projects.

Impairment of intangible assets

An impairment test is performed on intangible assets if there is an indication that an asset may be impaired, and on ongoing development projects and goodwill at least once annually. Impairment testing is based on future value-in-use calculations. The value of the Group's intangible assets is based on the value in use of the cash-generating development projects and acquired companies. The value in use is based on the cash flows that the assets are expected to generate. The recoverable amount comprises value in use, meaning the present value of the future cash flows that the intangible assets are expected to generate. All assumptions described below have been approved by the Board.

Calculation of recoverable amount*Goodwill*

Future cash flows for goodwill are based on expected synergy effects in terms of the growth potential for sales for Imaging IT Solutions with respect to Burnbank Systems Ltd's products as well as growth potential for Secure Communications in the Finnish and Estonian markets. The cash-generating unit for goodwill pertaining to Burnbank Systems Ltd is deemed to be the Imaging IT Solutions business area in its entirety. Sales of Burnbank Systems Ltd's products are deemed to be an integral part of the total business in Imaging IT Solutions. Goodwill attributable to the acquisition of EXP Analytics Oy is based on future cash flows in the form of growth potential in the Finnish and Estonian market. The cash-generating unit for goodwill pertaining to EXP Analytics Oy is the Sectra Communications Oy subgroup.

cont. Note 10 Intangible assets and goodwill

Other intangible assets

The future cash flows used when calculating each unit's value in use are based on a detailed review of each development project.

Discounting factor

Along with a joint discount rate of 8.4% (8.1) after tax, each cash-generating unit is charged an additional individual risk premium of 1.0 percentage point in the event that the technical conditions pertaining to the unit are considered, in all material respects, to be new and an additional individual risk premium of 1.0 percentage point in cases where the market conditions are considered, in all material respects, to be new. Overall, the assessment is that the components included in the risk premium are unchanged compared with the preceding year.

Goodwill

A discount rate of between 8.4% and 10.4% (8.1 – 10.1) after tax was used when calculating cash flows associated with goodwill.

Other intangible assets

The present value of forecast future cash flows for development projects has been calculated using a discount rate of between 8.4% and 10.4% (8.1 – 10.1) after tax.

Forecast period and growth rate

The forecast period when calculating value in use for intangible assets, except for goodwill, is determined by the asset's useful life of five years. The growth rate is based on the market growth in Sectra's individual product areas. The forecast period in connection with the calculation of goodwill has been set at five years. The growth rate assessment is based on market trends and growth goals in the business areas. The variation in assumed growth during the forecast period and thereafter between the respective acquired companies and the various development projects is significant, which means that average values can vary considerably between years. In cases where intangible assets are assumed to have a perpetual economic life, perpetuity growth has been set at 0% (0) under the prevailing external economic conditions, and for other assets, individual assessments have been carried out to determine the percentage by which the cash flow from each asset is assumed to be decreased.

Other assumptions regarding required yield

| | |
|--------------------------------|---|
| Risk-free interest: | Ten-year treasury bill on the balance-sheet date 1.7% (0.4) |
| Market risk premium: | 6.4% (7.7) |
| Company-specific risk premium: | 0.0–2.0% (0.0–2.0) |
| Beta value: | The beta value is calculated at 1.0 (1.0) |
| Interest expenses: | Sectra's assessed cost for borrowing |
| Tax rate: | Tax rate in Sweden |

The return requirement is between 8.4% and 10.4% after tax, which corresponds to between 10.6% and 13.1% before tax.

Impairment tests and sensitivity analyses for the year

Goodwill

Impairment tests of goodwill in all cash-generating units for the year show that at the balance-sheet date there is no need for further impairment. Should there be any future changes in individual variables, the value in use may fall below the carrying amount which could lead to impairment. A sensitivity analysis in which the discount rate increases by 2 percentage points and annual perpetuity growth decreases by 2 percentage points results in the value that exceeds the carrying amount being reduced by an average of 22%. If growth during the forecast period also decreases by 2 percentage points, the value that exceeds the carrying amount is reduced by a total average of 52%.

Other intangible assets

Impairment tests for the year per development project and other intangible assets were performed with such a margin that Executive Management deems that any reasonable and possible changes in individual variables will not cause the value in use to fall below the carrying amount. A sensitivity analysis in which the discount rate increases by 2 percentage points and annual perpetuity growth decreases by 2 percentage points results in the value that exceeds the carrying amount being reduced by an average of 17%. If growth during the forecast period also decreases by 2 percentage points, the value that exceeds the carrying amount is reduced by a total average of 29%.

Parent Company

At April 30, 2022, the Parent Company held intangible assets related to capitalized development projects in Business Innovation amounting to SEK 0.0 million (17.6). As of April 30, 2022, the intangible assets relating to capitalized development projects in Business Innovation are included in the legal units Sectra Medical Education AB and Sectra Orthopaedics AB.

Note 11 Tangible assets

| | Group | | | | |
|---|-----------------------|---------------------|----------------------------------|-----------------------------------|-----------------|
| | Land and buildings | Office furniture | Equipment and office machines | Equipment at customer premises | Total |
| Opening cost | 6,330 | 37,936 | 68,041 | 118,592 | 230,899 |
| Translation difference | -305 | -1,122 | -2,156 | -3,933 | -7,516 |
| Investments for the year | 0 | 1,156 | 9,815 | 9,380 | 20,351 |
| Reclassification | 0 | -14,658 | 8,572 | -5,148 | -11,234 |
| Sales/ disposals for the year | 0 | -6,475 | -9,358 | -23,399 | -39,232 |
| Accumulated cost as of April 30, 2021 | 6,025 | 16,837 | 74,914 | 95,492 | 193,268 |
| Opening depreciation and impairment | -832 | -16,863 | -50,853 | -96,054 | -164,602 |
| Translation difference | 40 | 704 | 1,718 | 3,767 | 6,229 |
| Depreciation for the year | -100 | -1,324 | -6,091 | -9,949 | -17,464 |
| Reclassification | 0 | 0 | -5,148 | 5,148 | 0 |
| Sales/ disposals for the year | 0 | 5,482 | 9,348 | 23,399 | 38,229 |
| Accumulated depreciation and impairment as of April 30, 2021 | -892 | -12,001 | -51,026 | -73,689 | -137,608 |
| Closing recognized residual value as of April 30, 2021 | 5,133 | 4,836 | 23,888 | 21,803 | 55,660 |
| Opening cost | 6,025 | 16,837 | 74,914 | 95,492 | 193,268 |
| Translation difference | 303 | 890 | 1,623 | 5,115 | 7,931 |
| Investments for the year | 0 | 2,467 | 23,238 | 4,398 | 30,103 |
| Reclassification | 0 | 0 | 44,185 | -44,185 | 0 |
| Sales/ disposals for the year | -6,328 | -565 | -7,482 | -15,988 | -30,363 |
| Accumulated cost as of April 30, 2022 | 0 | 19,629 | 136,478 | 44,832 | 200,939 |
| Opening depreciation and impairment | -892 | -12,001 | -51,026 | -73,689 | -137,608 |
| Translation difference | -43 | -540 | -1,805 | -5,126 | -7,514 |
| Depreciation for the year | -37 | -1,286 | -16,395 | -1,469 | -19,187 |
| Reclassification | 0 | 0 | -22,877 | 22,877 | 0 |
| Sales/ disposals for the year | 972 | 565 | 7,759 | 15,988 | 25,284 |
| Accumulated depreciation and impairment as of April 30, 2022 | 0 | -13,262 | -84,344 | -41,419 | -139,026 |
| Closing recognized residual value as of April 30, 2022 | 0 | 6,367 | 52,133 | 3,413 | 61,913 |

cont. Note 11 Tangible assets

| | Parent Company | | | |
|---|---------------------|----------------------------------|-----------------------------------|----------------|
| | Office furniture | Equipment and office machines | Equipment at customer premises | Total |
| Opening cost | 5,329 | 14,644 | 39,942 | 59,915 |
| Investments for the year | 37 | 577 | 7,388 | 8,002 |
| Sales/disposals for the year | 0 | 0 | -5,148 | -5,148 |
| Accumulated cost as of April 30, 2021 | 5,366 | 15,221 | 42,182 | 62,769 |
| Opening depreciation and impairment | -4,477 | -11,685 | -20,248 | -36,409 |
| Depreciation for the year | -123 | -1,199 | -7,775 | -9,097 |
| Sales/disposals for the year | 0 | 0 | 5,148 | 5,148 |
| Accumulated depreciation and impairment as of April 30, 2021 | -4,600 | -12,884 | -22,875 | -40,358 |
| Closing recognized residual value as of April 30, 2021 | 766 | 2,337 | 19,308 | 22,411 |
| Opening cost | 5,366 | 15,221 | 42,182 | 62,769 |
| Investments for the year | 622 | 1,403 | 2,003 | 4,028 |
| Sales/disposals for the year | 0 | -121 | -44,185 | -44,306 |
| Accumulated cost as of April 30, 2022 | 5,988 | 16,503 | 0 | 22,491 |
| Opening depreciation and impairment | -4,600 | -12,884 | -22,875 | -40,358 |
| Depreciation for the year | -153 | -1,161 | 0 | -1,314 |
| Sales/disposals for the year | 0 | 233 | 22,875 | 23,108 |
| Accumulated depreciation and impairment as of April 30, 2022 | -4,753 | -13,812 | 0 | -18,564 |
| Closing recognized residual value as of April 30, 2022 | 1,235 | 2,691 | 0 | 3,926 |

Note 12 Right-of-use assets and lease liabilities

| | Premises | Vehicles | Other | Total |
|---|----------------|---------------|-------------|----------------|
| Opening cost | 94,650 | 10,495 | 282 | 105,427 |
| New contracts | 7,954 | 5,976 | 227 | 14,157 |
| Indexation | 1,349 | 0 | 0 | 1,349 |
| Concluded contracts | -996 | -1,444 | -148 | -2,588 |
| Translation difference | -1,684 | -244 | -2 | -1,930 |
| Accumulated cost as of April 30, 2021 | 101,273 | 14,783 | 358 | 116,415 |
| Opening depreciation | -18,338 | -2,744 | -70 | -21,152 |
| Depreciation for the year | -20,721 | -3,784 | -83 | -24,588 |
| Depreciation concluded contracts | 996 | 1,444 | 79 | 2,519 |
| Translation difference | 240 | -160 | 4 | 84 |
| Accumulated depreciation as of April 30, 2021 | -37,823 | -5,244 | -70 | -43,138 |
| Closing recognized residual value as of April 30, 2021 | 63,450 | 9,539 | 289 | 73,277 |
| Opening cost | 101,273 | 14,783 | 358 | 116,415 |
| New contracts | 12,953 | 2,598 | 0 | 15,551 |
| Indexation | 182 | 0 | 0 | 182 |
| Concluded contracts | -603 | -1,702 | 0 | -2,305 |
| Translation difference | 2,176 | 232 | 15 | 2,423 |
| Accumulated cost as of April 30, 2022 | 115,981 | 15,911 | 373 | 132,266 |
| Opening depreciation | -37,823 | -5,244 | -70 | -43,138 |
| Depreciation for the year | -21,050 | -4,022 | -107 | -25,179 |
| Depreciation concluded contracts | 603 | 1,620 | 0 | 2,223 |
| Translation difference | -955 | -242 | -6 | -1,203 |
| Accumulated depreciation as of April 30, 2022 | -59,225 | -7,888 | -183 | -67,297 |
| Closing recognized residual value as of April 30, 2022 | 56,756 | 8,023 | 190 | 64,969 |

| Lease expenses | 21/22 | 20/21 |
|---|---------------|---------------|
| Variable lease payments | 2,395 | 2,237 |
| Expenses pertaining to low-value leases | 3,502 | 3,160 |
| Depreciation | 25,179 | 24,588 |
| Interest, premises | 1,347 | 1,565 |
| Interest, vehicles | 127 | 145 |
| Interest, other assets | 5 | 8 |
| Total | 32,555 | 31,703 |
| Revenue from onward leasing | 21/22 | 20/21 |
| Premises | 572 | 696 |
| Total | 572 | 696 |
| Cash outflow from leases | 21/22 | 20/21 |
| Repayment of lease liabilities | 24,366 | 22,490 |
| Interest expenses pertaining to lease liabilities | 1,479 | 1,718 |
| Variable lease payments | 2,395 | 2,237 |
| Expenses for low-value leases and short-term leases | 3,502 | 3,160 |
| Total | 31,742 | 29,605 |
| Lease liabilities | 220430 | 210430 |
| Non-current lease liabilities | 37,892 | 47,655 |
| Current lease liabilities | 24,342 | 22,847 |
| Total | 62,234 | 70,502 |
| Maturity analysis – undiscounted cash flow | 220430 | 210430 |
| Year 1 | 26,134 | 22,845 |
| Year 2 | 21,309 | 21,118 |
| Year 3 | 12,019 | 17,627 |
| Year 4 | 2,442 | 11,393 |
| Year 5 or later | 3,733 | 359 |
| Total | 65,637 | 73,343 |

Note 13 Participations in Group companies

| | Corp. Reg. No. | Reg. office | No. of participations | Share of capital | 220430 Carrying amount | 210430 Carrying amount |
|-----------------------------------|-----------------|---------------------|-----------------------|------------------|------------------------|------------------------|
| Parent Company: | | | | | | |
| Sectra Imaging IT Solutions AB | 556250-8241 | Linköping, SE | 300,000 | 100% | 2,883 | 2,883 |
| Sectra Communications AB | 556291-3300 | Linköping, SE | 3,000,000 | 100% | 3,000 | 3,000 |
| Sectra Secure Transmission AB | 556247-1283 | Linköping, SE | 100,000 | 100% | 95 | 95 |
| Sectra Medical Education AB | 559314-3471 | Linköping, SE | 500 | 100% | 50 | 50 |
| Sectra Orthopaedics AB | 559314-3414 | Linköping, SE | 500 | 100% | 50 | 50 |
| Ebberöd Capital Inc. | 20-8912327 | Shelton, US | 1,000 | 100% | 0 | 0 |
| Ebberöd Capital Ltd | 6707408 | London Stansted, UK | 1,000 | 100% | 0 | 0 |
| Sectra Sverige AB | 556483-9479 | Linköping, SE | 40,350 | 100% | 21,016 | 21,016 |
| Sectra Norge AS | 975 353 265 | Oslo, NO | 5,000 | 100% | 283 | 283 |
| Sectra Inc. | 06-1473851 | Shelton, US | 500 | 100% | 384 | 384 |
| Sectra Medical Systems GmbH | HR B 8546 | Cologne, DE | 500 | 100% | 219 | 219 |
| Sectra Medical Imaging Schweiz AG | CHE-225.049.408 | Zürich, CH | 100 | 100% | 1,018 | et |
| Sectra Danmark A/S | 10073251 | Odense, DK | 5,000 | 100% | 639 | 639 |
| Sectra Ltd | 4571654 | London Stansted, UK | 1 | 100% | 0 | 0 |
| Sectra Pty Ltd | 105 376 190 | Sydney, AU | 1 | 100% | 1 | 1 |
| Sectra New Zealand Ltd | 1539744 | Auckland, NZ | 1 | 100% | 0 | 0 |
| Sectra Medical Systems SL | B84352749 | Madrid, ES | 500 | 100% | 2,290 | 2,290 |
| Art Ces Lda | PT513270396 | Porto, PT | 5,000 | 100% | 48 | 48 |
| Sectra imaXperts BV | 39069257 | Almere, NL | 500 | 100% | 4,664 | 4,664 |
| Sectra France SAS | 811070317 | Paris, FR | 1,000 | 100% | 9 | 9 |
| Sectra Canada Inc. | BC1112137 | Vancouver, CA | 100 | 100% | 65 | 65 |
| Total | | | | | 36,715 | 35,697 |

Sectra Imaging IT Solutions AB:

| | | | | | | |
|----------------------|-------------|---------------|-----------|------|---------------|---------------|
| Paxlink AB | 556572-3292 | Linköping, SE | 1,000 | 100% | 811 | 811 |
| RxEye AB | 556807-9924 | Stockholm, SE | 1,090,856 | 100% | 13,261 | 13,261 |
| Burnbank Systems Ltd | 05968184 | Ipswich, UK | 1,000 | 100% | 8,450 | 61,836 |
| Total | | | | | 22,522 | 75,908 |

Sectra Communications AB:

| | | | | | | |
|----------------------------|-------------|---------------|-----------|------|--------------|--------------|
| Sectra Secure Solutions AB | 556570-9325 | Linköping, SE | 3,000,000 | 100% | 6,981 | 6,981 |
| Sectra Communications Ltd | 4884887 | London, UK | 1 | 100% | 0 | 0 |
| Sectra Communications BV | 27264295 | The Hague, NL | 1,800 | 100% | 164 | 164 |
| Sectra Communications Oy | 2679724-9 | Helsinki, FI | 2,500 | 100% | 23 | 23 |
| Columbitech Inc. | 04-3719150 | Delaware, US | 100 | 100% | 0 | 0 |
| Total | | | | | 7,168 | 7,168 |

Note 14 Participations in associated companies

| | Parent Company | |
|--------------|----------------|------------|
| | 220430 | 210430 |
| Opening cost | 564 | 564 |
| Total | 564 | 564 |

| | Corp. Reg. No. | Reg. office | No. of participations | Share of capital | 220430 Carrying amount | 210430 Carrying amount |
|-------------------------|----------------|-------------|-----------------------|------------------|------------------------|------------------------|
| Sectra Saudi Arabia Ltd | 10213371171087 | Riyadh, SA | 500 | 50% | 564 | 564 |
| Total | | | | | 564 | 564 |

From a Group perspective this is a subsidiary and is jointly owned by Sectra AB and Sectra Imaging IT Solutions AB, which own 50% each.

Note 15 Long-term receivables from Group companies

| | Parent Company | |
|--------------------------|----------------|----------------|
| | 220430 | 210430 |
| Opening cost | 214,312 | 230,114 |
| New receivables | 18,389 | 15,638 |
| Amortized receivables | -146,309 | -15,894 |
| Exchange-rate difference | 19,606 | -15,546 |
| Total | 105,998 | 214,312 |

Note 16 Inventories

| | Group | | Parent Company | |
|-------------------|---------------|---------------|----------------|----------|
| | 220430 | 210430 | 220430 | 210430 |
| Component stocks | 15,176 | 14,770 | 0 | 0 |
| Finished products | 8,505 | 10,058 | 0 | 0 |
| Total | 23,681 | 24,828 | 0 | 0 |

In 2021/2022, an inventory impairment of SEK 2,286 thousand (1,055) was recognized in profit and loss.

Equipment and components mainly used for development are reclassified as equipment or expensed through profit or loss, depending on the estimated useful life of the inventory item. Of the total inventory value, 0 is measured at fair value after selling expenses. Accordingly, the entire inventory is measured at cost since this value is lower than fair value after selling expenses.

Note 17 Accounts receivable**Current accounts receivable per currency**

| | Group | | Parent Company | |
|------------------|----------------|----------------|----------------|--------------|
| | 220430 | 210430 | 220430 | 210430 |
| SEK | 24,093 | 1,261 | 207 | 385 |
| USD | 94,039 | 56,937 | 1,127 | 3,541 |
| EUR | 144,043 | 118,284 | -420 | 385 |
| GBP | 44,448 | 41,779 | -29 | -26 |
| Other currencies | 33,027 | 18,070 | -77 | 841 |
| Total | 339,650 | 236,331 | 808 | 5,126 |

Long-term accounts receivable recognized in the Group of SEK 172,620 thousand (140,598) pertain only to GBP (refer to Note 2).

Change for the year in the reserve for expected credit losses

| | Group | | Parent Company | |
|------------------------------------|--------------|---------------|----------------|------------|
| | 220430 | 210430 | 220430 | 210430 |
| Opening balance | 10,389 | 13,136 | 850 | 1,158 |
| Realized losses | -8,029 | -18 | 0 | -18 |
| Reversal of unutilized amounts | -395 | -3,319 | -1 | -300 |
| Reserve for expected credit losses | 1,590 | 1,423 | 0 | 62 |
| Exchange-rate effect | 195 | -833 | -7 | -52 |
| Total | 3,750 | 10,389 | 842 | 850 |

See Note 29 for an age analysis.

The reserve for expected credit losses pertains only to current accounts receivable. No provision requirement for long-term accounts receivable or contract assets (refer to Note 2) was deemed to exist on the balance-sheet date since they have not been invoiced yet. Moreover, customers' ability to pay when it comes to long-term receivables and contract assets is deemed to be very good, and the agreements are often unique in terms of their character and content, and it is not deemed possible to classify them according to separate credit risk rating groups with sufficient forecastability (refer to Note 29). Although the maturity of the loans is considered to have a low general predictive value for future losses, an individual monthly assessment is conducted for each customer divided by maturity category in each subsidiary. If any deviations from previous patterns are noted, a central follow-up is carried out.

cont. Note 17 Accounts receivable

Through this age-based division and two-step process, objective and probability-weighted amounts are deemed to be achieved using reasonable and verifiable data, which is available on the balance-sheet date without unnecessary costs or efforts, for past events, current circumstances and forecasts of future economic conditions. Provisions for and reversals of bad debt losses are recognized in other external costs in profit or loss.

Note 18 Prepaid expenses and accrued income

| | Group | | Parent Company | |
|---|----------------|----------------|----------------|---------------|
| | 220430 | 210430 | 220430 | 210430 |
| Prepaid rent | 21 | 13 | 2,899 | 2,380 |
| Accrued interest income | 2 | 2 | 2 | 2 |
| Prepaid support agreements | 27,179 | 26,693 | 10,805 | 5,595 |
| Other items | 41,439 | 30,093 | 3,488 | 2,741 |
| Recognized non-invoiced income ¹ | 410,808 | 379,620 | 0 | 0 |
| Total | 479,449 | 436,421 | 17,194 | 10,718 |

Recognized non-invoiced income per currency

| | Group | | Parent Company | |
|------------------|----------------|----------------|----------------|----------|
| | 220430 | 210430 | 220430 | 210430 |
| SEK | 29,108 | 55,733 | 0 | 0 |
| USD | 169,271 | 143,562 | 0 | 0 |
| EUR | 117,936 | 88,032 | 0 | 0 |
| GBP | 23,021 | 40,918 | 0 | 0 |
| Other currencies | 71,472 | 51,375 | 0 | 0 |
| Total | 410,808 | 379,620 | 0 | 0 |

¹ Refer to Note 2.

Note 19 Cash and bank balances

| | Group | | Parent Company ¹ | |
|------------------------|----------------|----------------|-----------------------------|----------------|
| | 220430 | 210430 | 220430 | 210430 |
| Cash and bank balances | 808,775 | 454,854 | 683,803 | 347,961 |
| Total | 808,775 | 454,854 | 683,803 | 347,961 |

¹ Balances in the Group's cash-pool accounts are recognized in their entirety as cash and cash equivalents in the Parent Company and are included in the Parent Company's cash-flow statement. The subsidiaries' portion of the cash-pool accounts are recognized as short-term receivables from, or liabilities to, the Parent Company.

Bank overdraft facilities

| | Group | | Parent Company | |
|-------------------------------|----------|----------|----------------|----------|
| | 220430 | 210430 | 220430 | 210430 |
| Credit limit granted | 15,000 | 15,000 | 15,000 | 15,000 |
| Unutilized portion | -15,000 | -15,000 | -15,000 | -15,000 |
| Utilized credit amount | 0 | 0 | 0 | 0 |

Note 20 Share capital and number of shares

| | Quotient value per share, SEK | No. of shares | | | | | | | | | Share capital, SEK thou- sand |
|---|---|---------------|-------------|------------|-------------|--------------|-------------|------------|-------------|--------|--|
| | | Outstanding | | | | Total issued | | | | | |
| | | Class A | Class B | Class C | Total | Class A | Class B | Class C | Total | | |
| Opening balance May 1, 2020 | 1.00 | 2,620,692 | 35,885,328 | 0 | 38,506,020 | 2,620,692 | 35,885,328 | 0 | 38,506,020 | 38,506 | |
| Conversion to shares | 1.00 | 0 | 19,474 | 0 | 19,474 | 0 | 19,474 | 0 | 19,474 | 20 | |
| Closing balance April 30, 2021 | 1.00 | 2,620,692 | 35,904,802 | 0 | 38,525,494 | 2,620,692 | 35,904,802 | 0 | 38,525,494 | 38,526 | |
| 5:1 share split | 0.20 | 10,482,768 | 143,619,208 | 0 | 154,101,976 | 10,482,768 | 143,619,208 | 0 | 154,101,976 | 0 | |
| Conversion to shares | 0.20 | 0 | 34,855 | 0 | 34,855 | 0 | 34,855 | 0 | 34,855 | 7 | |
| New share issue | 0.20 | 0 | 0 | 1,000,000 | 1,000,000 | 0 | 0 | 1,000,000 | 1,000,000 | 200 | |
| Treasury shares ¹ | 0.20 | 0 | 0 | -1,000,000 | -1,000,000 | 0 | 0 | 0 | 0 | 0 | |
| Reclassifica- tion ¹ | 0.20 | 0 | 0 | 0 | 0 | 0 | 1,000,000 | -1,000,000 | 0 | 0 | |
| Closing balance April 30, 2022 | 0.20 | 13,103,460 | 179,558,865 | 0 | 192,662,325 | 13,103,460 | 180,558,865 | 0 | 193,662,325 | 38,733 | |

¹ The newly issued shares have been repurchased at a price corresponding to the quotient value, totaling SEK 200,000. The purpose of the repurchase is to ensure the future delivery of performance shares and to finance the costs of social security contributions related to the LTIP 2021 incentive program. The newly issued Class C shares were reclassified as Class B shares during the fiscal year.

Note 21 Provisions

| | | | | Parent Company |
|---|--|---------------------------------------|--------------|-----------------------|
| | Guarantee commitments and other provisions | Contingent consideration ¹ | Total | Guarantee commitments |
| Carrying amount May 1, 2020 | 12,679 | 4,790 | 17,469 | 4,500 |
| Provisions made in the period | 2,923 | 0 | 2,923 | 1,240 |
| Reversal of provisions | 0 | -2,871 | -2,871 | 0 |
| Reclassification of additional purchase consideration | -3,687 | 0 | -3,687 | 0 |
| Translation difference | -15 | 4 | -11 | 0 |
| Amount appropriated | -5,539 | -1,923 | -7,462 | -2,121 |
| Carrying amount April 30, 2021 | 6,361 | 0 | 6,361 | 3,619 |
| Of which, total long-term portion of provisions | 0 | 0 | 0 | 0 |
| Of which, total short-term portion of provisions | 6,361 | 0 | 6,361 | 3,619 |
| | | | | Parent Company |
| | Guarantee commitments and other provisions | Contingent consideration ¹ | Total | Guarantee commitments |
| Carrying amount May 1, 2021 | 6,361 | 0 | 6,361 | 3,619 |
| Provisions made in the period | 3,855 | 0 | 3,855 | 0 |
| Reversal of provisions | -3,954 | 0 | -3,954 | -3,619 |
| Carrying amount April 30, 2022 | 6,262 | 0 | 6,262 | 0 |
| Of which, total long-term portion of provisions | 3,308 | 0 | 3,308 | 0 |
| Of which, total short-term portion of provisions | 2,954 | 0 | 2,954 | 0 |

The carrying amount at the end of the period is expected to be settled within one to four years for guarantee commitments and other provisions.

¹ For more information, refer to Note 29.

Note 22 Long-term liabilities

| | Group | | Parent Company | |
|---|--------------|--------------|----------------|--------------|
| | 220430 | 210430 | 220430 | 210430 |
| Convertible debentures 18/23 | 0 | 389 | 0 | 389 |
| Other long-term liabilities | 513 | 1,514 | 0 | 0 |
| Total | 513 | 1,903 | 0 | 389 |
| | 220430 | 210430 | 220430 | 210430 |
| Opening liabilities | 1,903 | 2,951 | 389 | 2,951 |
| Reclassification from provisions | 0 | 1,624 | 0 | 0 |
| Reclassification to current liabilities | -389 | -2,562 | -389 | -2,562 |
| Repayment | -1,017 | 0 | 0 | 0 |
| Translation difference | 16 | -110 | 0 | 0 |
| Closing liabilities | 513 | 1,903 | 0 | 389 |

The assessment of whether the interest rate for convertibles is market-based is based on Sectra's assessed costs for borrowing. Refer to [Note 29](#) for information about maturities and interest terms, and [Note 3](#) for more information about the convertible programs.

Reconciliation of liabilities attributable to financing activities

| | Group | | Parent Company | |
|--|---------------|---------------|----------------|--------------|
| | 220430 | 210430 | 220430 | 210430 |
| Long-term convertible loans | 0 | 389 | 0 | 389 |
| Non-current convertible loans | 389 | 2,562 | 389 | 2,562 |
| Total convertible loans | 389 | 2,951 | 389 | 2,951 |
| Non-current lease liabilities | 37,892 | 47,655 | 0 | 0 |
| Current lease liabilities | 24,342 | 22,847 | 0 | 0 |
| Total lease liabilities | 62,234 | 70,502 | 0 | 0 |
| Long-term additional purchase consideration | 513 | 1,514 | 0 | 0 |
| Current additional purchase consideration | 1,025 | 1,009 | 0 | 0 |
| Total additional purchase consideration | 1,538 | 2,523 | 0 | 0 |
| Total liabilities | 64,161 | 75,976 | 389 | 2,951 |

| | Convertible loans | Lease liability | Contingent consideration | Liability additional purchase consideration |
|-----------------------|-------------------|-----------------|--------------------------|---|
| 200501 | 6,451 | 80,963 | 4,790 | 0 |
| <i>Cash items</i> | | | | |
| Repayments | 0 | 0 | -1,923 | -998 |
| Lease payments | 0 | -22,490 | 0 | 0 |
| <i>Non-cash items</i> | | | | |
| Reclassification | 0 | 0 | 0 | 3,687 |
| Impairment | 0 | 0 | -2,871 | 0 |
| New leases | 0 | 14,158 | 0 | 0 |
| Conversion to shares | -3,500 | 0 | 0 | 0 |
| Currency adjustment | 0 | -2,129 | 4 | -166 |
| 210430 | 2,951 | 70,502 | 0 | 2,523 |
| 210501 | 2,951 | 70,502 | 0 | 2,523 |
| <i>Cash items</i> | | | | |
| Repayments | 0 | 0 | 0 | -1,017 |
| Lease payments | 0 | -24,366 | 0 | 0 |
| <i>Non-cash items</i> | | | | |
| New leases | 0 | 15,551 | 0 | 0 |
| Conversion to shares | -2,562 | 0 | 0 | 0 |
| Currency adjustment | 0 | 547 | 0 | 32 |
| 220430 | 389 | 62,234 | 0 | 1,538 |

Note 23 Other current liabilities

| | Group | | Parent Company | |
|--|----------------|---------------|----------------|--------------|
| | 220430 | 210430 | 220430 | 210430 |
| Convertible debentures 18/21 reclassification from long-term liabilities | 0 | 2,562 | 0 | 2,562 |
| Convertible debentures 18/23 reclassification from long-term liabilities | 389 | 0 | 389 | 0 |
| Value-added tax | 81,080 | 26,805 | 586 | 1,277 |
| Employee withholding taxes | 18,045 | 13,079 | 865 | 1,931 |
| Other liabilities | 4,083 | 5,805 | 1 | 6 |
| Total | 103,597 | 48,251 | 1,841 | 5,776 |

Conditions

For information about the terms for the convertible debentures, see [Note 3](#) Salaries and other remuneration.

Note 24 Accrued expenses and deferred income

| | Group | | Parent Company | |
|---|----------------|----------------|----------------|---------------|
| | 220430 | 210430 | 220430 | 210430 |
| Accrued social security contributions | 46,528 | 45,426 | 4,647 | 7,440 |
| Accrued vacation pay | 73,400 | 67,557 | 8,152 | 10,923 |
| Accrued accounts payable | 47,861 | 44,847 | 2,099 | 2,223 |
| Invoiced non-recognized income ¹ | 468,787 | 238,025 | 0 | 5,365 |
| Other items | 204,617 | 175,270 | 1,766 | 22,851 |
| Total | 841,193 | 571,125 | 16,664 | 48,802 |

¹ Refer to Note 2.

Note 25 Pledged assets and contingent liabilities

| | Group | | Parent Company | |
|--------------------------------------|---------------|---------------|----------------|---------------|
| | 220430 | 210430 | 220430 | 210430 |
| For bank overdraft facilities | 220430 | 210430 | 220430 | 210430 |
| Chattel mortgages | 36,250 | 36,250 | 11,000 | 11,000 |
| Total pledged assets | 36,250 | 36,250 | 11,000 | 11,000 |
| Guarantees on behalf of subsidiaries | | | 80,033 | 80,617 |
| Total contingent liabilities | | | 80,033 | 80,617 |

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

| | Group | | Parent Company | |
|---|---------------|---------------|----------------|---------------|
| | 21/22 | 20/21 | 21/22 | 20/21 |
| Depreciation/ amortization and impairment | 81,216 | 78,920 | 2,074 | 13,882 |
| Unrealized exchange-rate differences | -10,183 | 2,898 | 18,703 | -16,667 |
| Reversal of provision/ provision | 3,963 | 12,000 | -3,619 | 19,196 |
| Gain/loss on the sale of fixed assets | -527 | 5,475 | 0 | 0 |
| Total | 74,469 | 99,293 | 17,158 | 16,411 |

Note 27 Related parties

The Group's related parties comprise subsidiaries, Group Management and the Board of Directors as well as other key persons in senior positions.

Other than sales between Group companies (refer to [Note 2](#)) and remuneration to senior executives (refer to [Note 3](#)), no significant transactions with related parties took place.

Note 28 Measurement of financial assets and liabilities

| Group Apr 30, 2021 | Financial assets measured at amortized cost | Financial liabilities measured at amortized cost | Total carrying amount | Fair value |
|------------------------------------|--|---|----------------------------------|-------------------|
| Investments held as fixed assets | 18 | 0 | 18 | 18 |
| Long-term accounts receivable | 140,598 | 0 | 140,598 | 140,598 |
| Accounts receivable | 236,331 | 0 | 236,331 | 236,331 |
| Cash and bank balances | 454,854 | 0 | 454,854 | 454,854 |
| Total financial assets | 831,801 | 0 | 831,801 | 831,801 |
| Long-term liabilities | 0 | 1,903 | 1,903 | 1,903 |
| Provisions | 0 | 6,361 | 6,361 | 6,361 |
| Lease liabilities | 0 | 70,502 | 70,502 | 70,502 |
| Other current liabilities | 0 | 2,562 | 2,562 | 2,562 |
| Accounts payable | 0 | 42,528 | 42,528 | 42,528 |
| Total financial liabilities | 0 | 123,856 | 123,856 | 123,856 |

| Group Apr 30, 2022 | Financial assets measured at amortized cost | Financial liabilities measured at amortized cost | Total carrying amount | Fair value |
|------------------------------------|--|---|----------------------------------|-------------------|
| Investments held as fixed assets | 19 | 0 | 19 | 19 |
| Long-term accounts receivable | 172,620 | 0 | 172,620 | 172,620 |
| Accounts receivable | 339,650 | 0 | 339,650 | 339,650 |
| Cash and bank balances | 808,775 | 0 | 808,775 | 808,775 |
| Total financial assets | 1,321,064 | 0 | 1,321,064 | 1,321,064 |
| Long-term liabilities | 0 | 513 | 513 | 513 |
| Provisions | 0 | 6,262 | 6,262 | 6,262 |
| Lease liabilities | 0 | 62,235 | 62,235 | 62,235 |
| Other current liabilities | 0 | 389 | 389 | 389 |
| Accounts payable | 0 | 70,503 | 70,503 | 70,503 |
| Total financial liabilities | 0 | 139,902 | 139,902 | 139,902 |

The earnings effect of impairment losses and reversals of previous impairment on bad debt losses was a negative SEK 1,307 thousand, net (137). No gains or losses were recognized in any of the other categories.

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

Long-term financial liabilities pertain to convertible debentures and the time to expiration is one to four years. Other financial liabilities have a time to expiration of less than one year.

Calculation of fair value

The fair value of financial assets has been determined in accordance with Level 3, with the exception of SEK 19 thousand (18) that was determined in accordance with Level 2.

Note 29 Risks, risk management and sensitivity analysis

Risks related to operations

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

Customers and partners

Sectra's five largest partners and customers jointly account for 13.2% (16.9) of consolidated sales. No individual customer accounts for more than 10% of consolidated sales. Although sales to each customer are often divided among a number of agreements, the proportion of long-term managed-services agreements has increased and, therefore, the loss of a major customer could have a significant effect on the Group's long-term earnings and financial position. Due to the continuous expansion of operations, the proportion of the Group's business volume represented by each individual partner and customer is gradually declining.

Product liability and property risks

Through its operations, Sectra assumes product liability, which means that personal injury or damage to property caused by the company's systems at the premises of a customer or third party could lead to a claim being made against Sectra. Insurance policies have been taken out for the property and liability risks to which the Group is exposed.

Intellectual property rights

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

Other business risks

The prices for medical systems in the world market are largely governed by major international companies. Accordingly, the USD and EUR exchange rates have an effect on the price structure and competitiveness. Other business risks, such as market risks, suppliers, technical development, dependence on individual persons, cybersecurity threats and ethical risks are analyzed continuously. Measures are taken as needed to reduce the Group's risk exposure.

For risks associated with the ongoing COVID-19 pandemic, refer to the Group's Sustainability Report. See page 70.

Financial risks

Sectra is exposed to financial risks pertaining to currency, interest, financing and liquidity risks. Rules and authority for management of financial transactions and risks are described in the Group's financial policy, which is determined by the Board. Responsibility for management of financial transactions and risks is centralized to the Parent Company's finance department. The aim is to support the Group's business activities by identifying and limiting the Group's financial risks, providing cost-efficient financing of Group companies and managing cash and cash equivalents on market terms.

Currency exchange risks

The Group's exposure to currency exchange risks arises through transactions in foreign currencies in the form of customer and supplier payments and in connection with the translation of foreign subsidiaries' income statements and balance sheets. In accordance with the Group's financial policy, subsidiary financing is to be carried out in the local currency and currency exposure pertains mainly to USD, GBP and EUR.

Operating profit for the year includes an exchange gain of SEK 23 thousand (loss: 2,875) and net financial items include an exchange gain of SEK 5,708 thousand (loss: 7,081).

The Group does not normally hedge currency flows since the potential gains to be derived over the long term are not significant. Sectra monitors payment flows in foreign currencies on an ongoing basis, and hedging of transaction exposure may be implemented if the expected predictability increases significantly.

Group revenue and expenses in various currencies

SEK million

| Currency | Revenue | | Expenses | | Net exposure | |
|------------------|----------------|------------------|-----------------|-------------------|--------------|----------------|
| SEK | 358.9 | (383.4) | -633.5 | (-589.2) | -274.6 | (-205.8) |
| USD | 554.4 | (472.9) | -333.1 | (-271.0) | 221.3 | (201.9) |
| EUR | 370.2 | (216.2) | -254.8 | (-131.5) | 115.4 | (84.7) |
| GBP | 384.8 | (342.2) | -224.1 | (-224.0) | 160.7 | (118.2) |
| Other currencies | 280.8 | (217.7) | -164.5 | (-114.0) | 116.3 | (103.7) |
| Total | 1,949.1 | (1,632.4) | -1,610.0 | (-1,329.7) | 339.1 | (302.7) |

Interest-rate risks

Changes in market interest rates could affect the Group's earnings. The Group's interest-bearing assets are mainly short-term in nature, and pertain to securities that can be liquidated at short notice in the event of major changes in the general interest rate situation. On the balance-sheet date, the Group's interest-bearing assets exceeded its interest-bearing liabilities, as a result of which a decline in interest rates had an adverse impact on the Group and an increase had a positive effect.

Credit risks

The Group's credit risks can be divided into risks related to the customer's ability to pay as agreed and counterparty risks in conjunction with financial transactions.

Customer credit risk means that the customer fails to fulfill its undertaking for payment of customer invoices. The Group has set guidelines to ensure that customers have high credit ratings. Long-term accounts receivable and contract assets are not yet invoiced and therefore have no maturity history. These customer contracts are often unique in terms of character and content, and it is not deemed possible to classify them according to separate credit risk rating groups with sufficient forecastability (refer to Note 17). Sectra's customers consist largely of government agencies and other highly reputable customers with high credit ratings, and whose credit risk is considered to be extremely low. To minimize customer credit risks in fixed-price projects, Sectra makes extensive use of advance partial payments.

Age analysis of the Group's current accounts receivable

| SEK million | 220430 | 210430 |
|---|--------------|--------------|
| Accounts receivable not due for payment | 240.2 | 166.1 |
| Accounts receivable overdue by 0–60 days | 60.5 | 51.5 |
| Accounts receivable overdue by more than 60 days | 14.4 | 9.8 |
| Accounts receivable overdue by more than 120 days | 28.4 | 19.3 |
| Reserve for expected credit losses | -3.8 | -10.4 |
| Total | 339.7 | 236.3 |

Counterparty risks arise in financial transactions and cash management in conjunction with the Group having claims on banks and other securities issuers. The maximum credit exposure and credit rating for approved counterparties is described in the Group's financial policy. To minimize credit risks, Sectra only uses counterparties with high credit ratings and invests in high-quality instruments.

Liquidity risks

To minimize liquidity risks, excess liquidity is placed only in bank deposits, or in securities that can be liquidated at short notice, and which have a smoothly functioning secondary market. Unutilized bank overdraft facilities are used in the event of temporarily elevated liquidity needs. Excess liquidity has not been invested and bank overdraft facilities have not been utilised during the fiscal year or comparative year. The Parent Company monitors the Group's liquidity continually by compiling liquidity forecasts as a basis for investments or short and long-term borrowing.

cont. Note 29 Risks, risk management and sensitivity analysis

On the balance-sheet date, the Group's unutilized credit facilities amounted to SEK 15,000 thousand (15,000).

Convertible loan 2018/2023, SEK 389 thousand, is payable in January 2023. The convertible loan carries 0% interest. Convertibles have terms of zero to four years. Refer to [Notes 3](#) and [23](#) for further information about convertibles issued.

Sensitivity analysis

The Group's earnings depend mainly on product sales and the cost of personnel and materials. The analysis below is based on the figures from the 2021/2022 fiscal year and how the variables named would have affected profit after net financial items if no measures such as hedging or adaptation of resources had been taken. Each variable is treated individually, provided the others remain unchanged. The analysis is not claimed to be precise, but is merely indicative.

| Variable | Change | Effect on profit after financial items |
|------------------------|--------|--|
| Net sales/gross profit | +/- 1% | +/- 16.6 MSEK (+/- 14.4) |
| Cost of materials | +/- 1% | +/- 2.9 MSEK (+/- 2.0) |
| Personnel costs | +/- 1% | +/- 9.5 MSEK (+/- 8.5) |
| Interest rate levels | +/- 1% | +/- 6.3 MSEK (+/- 4.0) |
| Exchange-rate changes: | | |
| SEK/USD rate | +/- 1% | +/- 2.8 MSEK (+/- 2.2) |
| SEK/EUR rate | +/- 1% | +/- 2.1 MSEK (+/- 2.1) |
| SEK/GBP rate | +/- 1% | +/- 1.1 MSEK (+/- 2.1) |

In the event that the SEK weakens by 1% against the USD, GBP or EUR, profit after net financial items would improve by SEK 6.0 million.

Note 30 Asset management

The Group's financial goals have been determined by the Board. The goal is to have a favorable and flexible capital structure so that it can be changed if the conditions for operations or for different borrowing alternatives change and maintain financial stability. The Group's equity/assets ratio goal is 30%. In the 2021/2022 fiscal year, the Group's equity/assets ratio was 49.3% (54.2).

The Group's capital is defined as total equity less any positive unrealized changes in value and amounted to SEK 1,080,737 thousand (895,623) at April 30, 2022. Sectra's operations have previously been characterized by major seasonal variations during the fiscal year, which is why the Board aims to maintain a healthy capital structure with a low debt/equity ratio. In the 2021/2022 fiscal year, the Group's debt/equity ratio was 0.06% (0.08).

Note 31 Proposed appropriation of profits

The following funds in the Parent Company are at the disposal of the Annual General Meeting (SEK thousand)

| | |
|-------------------------|----------------|
| Share premium reserve | 134,463 |
| Retained earnings | 63,236 |
| Net profit for the year | 216,596 |
| Total | 414,295 |

The Board and President propose that the profits be appropriated so that SEK 414,295 thousand is carried forward. In addition, it is proposed that the Annual General Meeting resolves that SEK 1.00 per share be 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. This entails a distribution of SEK 192,662 thousand to the company's shareholders. No ordinary dividend is proposed.

Note 32 Events after the balance-sheet date

No events resulting in adjustments or significant events not resulting in adjustments took place between April 30 and the approval date for the publication of the financial statements.

Note 33 Financial definitions and alternative performance measures

The Group applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures (see below). 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.

Average no. of employees

| Purpose | Calculation |
|--|--|
| Shows the number of full-time positions in a certain period. | Average number of full-time employees during the period. |

Capital employed

| SEK thousand | 220430 | 210430 |
|----------------------------------|------------------|----------------|
| Total assets | 2,191,911 | 1,651,952 |
| Non-interest-bearing liabilities | 1,048,551 | 682,877 |
| Capital employed | 1,143,360 | 969,075 |

Purpose

| Purpose | Calculation |
|--|---|
| Shows the portion of the company's assets that has been borrowed from, for example, the company's owners or external lenders, and shows the company's profitability in relation to externally financed capital and equity. | Total assets reduced by non-interest-bearing liabilities. |

Cash flow per share before dilution

| | 21/22 | 20/21 |
|---|-------------|-------------|
| Cash flow from operations, SEK thousand | 616,922 | 372,187 |
| Number of shares before dilution at the end of the period | 192,662,325 | 192,627,470 |
| Cash flow per share before dilution, SEK | 3.20 | 1.93 |

Purpose

| Purpose | Calculation |
|---|---|
| Shows the cash flow the company generated per share before capital investments and financing. | Cash flow from operations divided by the number of shares before dilution at the end of the period. |

Cash flow per share after dilution

| | 21/22 | 20/21 |
|--|-------------|-------------|
| Cash flow from operations, SEK thousand | 616,922 | 372,187 |
| Number of shares after dilution at the end of the period | 192,667,455 | 192,667,310 |
| Cash flow per share after dilution, SEK | 3.20 | 1.93 |

Purpose

| Purpose | Calculation |
|---|--|
| Shows the cash flow the company generated per share before capital investments and financing. | Cash flow from operations divided by the number of shares after dilution at the end of the period. |

cont. Note 33 Financial definitions and alternative performance measures

Debt/equity ratio

| SEK thousand | 220430 | 210430 |
|------------------------------|-------------|-------------|
| Interest-bearing liabilities | 62,624 | 73,453 |
| Equity | 1,080,737 | 895,623 |
| Debt/equity ratio | 0.06 | 0.08 |

| Purpose | Calculation |
|---|---|
| Shows to what extent the operations are financed by loans and describes the company's financial risk. | Interest-bearing liabilities divided by equity. |

Dividend yield

| SEK | 220430 | 210430 |
|-----------------------------------|------------|------------|
| Dividends | 1.00 | 0.90 |
| Share price on balance-sheet date | 124.80 | 121.00 |
| Dividend yield, % | 0.8 | 0.7 |

| Purpose | Calculation |
|--|--|
| Shows the percentage of the investment paid out in the form of a dividend. | Dividend as a percentage of the share price on the balance-sheet date. |

Earnings per share before dilution

| | 21/22 | 20/21 |
|---|-------------|-------------|
| Profit after tax, SEK thousand | 314,793 | 275,512 |
| Average number of shares at the end of the period before dilution | 192,639,088 | 192,570,671 |
| Earnings per share before dilution, SEK | 1.63 | 1.43 |

| Purpose | Calculation |
|---|--|
| Shows each share's participation in the company's earnings during the reporting period. | Profit/loss after tax divided by the average number of shares before dilution at the end of the period. This performance measure is defined in accordance with IFRS. |

Earnings per share after dilution

| | 21/22 | 20/21 |
|--|-------------|-------------|
| Profit after tax, SEK thousand | 314,793 | 275,512 |
| Average number of shares at the end of the period after dilution | 192,667,355 | 192,666,700 |
| Earnings per share after dilution, SEK | 1.63 | 1.43 |

| Purpose | Calculation |
|---|---|
| Shows each share's participation in the company's earnings during the reporting period, taking potential shares that may arise after conversion into account. | Profit/loss after tax divided by the average number of shares after dilution at the end of the period. This performance measure is defined in accordance with IFRS. |

Equity/assets ratio

| SEK thousand | 220430 | 210430 |
|-------------------------------|-------------|-------------|
| Adjusted equity | 1,080,737 | 895,623 |
| Total assets | 2,191,911 | 1,651,952 |
| Equity/assets ratio, % | 49.3 | 54.2 |

| Purpose | Calculation |
|---|--|
| Shows the portion of assets financed with equity. This measure is used for the purpose of management by objectives in the operations. | Adjusted equity divided by total assets on the balance-sheet date. |

Equity per share before dilution

| | 220430 | 210430 |
|---|-------------|-------------|
| Adjusted equity, SEK thousand | 1,080,737 | 895,623 |
| Number of shares before dilution at the end of the period | 192,662,325 | 192,627,470 |
| Equity per share before dilution, SEK | 5.61 | 4.65 |

| Purpose | Calculation |
|---|---|
| Measures the company's net value per share and shows if a company is increasing shareholder capital over time given currently available participations. | Adjusted equity divided by the number of shares before dilution at the end of the period. |

Equity per share after dilution

| | 220430 | 210430 |
|--|-------------|-------------|
| Adjusted equity, SEK thousand | 1,080,737 | 895,623 |
| Number of shares after dilution at the end of the period | 192,667,455 | 192,667,310 |
| Equity per share after dilution, SEK | 5.61 | 4.65 |

| Purpose | Calculation |
|---|--|
| Measures the company's net value per share and shows if a company is increasing shareholder capital over time given the maximum number of available participations. | Adjusted equity divided by the number of shares after dilution at the end of the period. |

Gross margin

| SEK thousand | 21/22 | 20/21 |
|--|-------------|-------------|
| Operating profit | 383,386 | 350,076 |
| Depreciation/amortization and impairment | 81,216 | 83,113 |
| Net sales | 1,949,140 | 1,632,427 |
| Gross margin, % | 23.8 | 26.5 |

| Purpose | Calculation |
|---|---|
| Provides an indication of the financial results without the effect of non-cash items. | Operating profit before depreciation, amortization and impairment as a percentage of net sales. |

Growth in operating profit per share over a five-year period

| SEK thousand | 21/22 | 20/21 |
|--|-------------|--------------|
| Operating profit per share | 1.990 | 1.818 |
| Operating profit per share, five years earlier | 1.030 | 0.842 |
| Growth in operating profit per share over a five-year period, % | 93.3 | 115.7 |

| Purpose | Calculation |
|---|---|
| Shows the growth of the operations over a five-year period. This measure is used for the purpose of management by objectives in the operations. | 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. |

cont. Note 33 Financial definitions and alternative performance measures**Investments**

| SEK thousand | 21/22 | 20/21 |
|------------------------|---------------|---------------|
| Intangible investments | 44,272 | 47,304 |
| Tangible investments | 30,103 | 20,351 |
| Investments | 74,375 | 67,655 |

| Purpose | Calculation |
|----------------------------------|--|
| Shows the company's investments. | Acquisition of intangible and tangible assets during the period. |

Liquidity

| SEK thousand | 220430 | 210430 |
|----------------------------|------------|------------|
| Current assets | 1,669,592 | 1,172,028 |
| Overdraft facility granted | 15,000 | 15,000 |
| Current liabilities | 1,064,688 | 703,048 |
| Liquidity | 1.6 | 1.7 |

| Purpose | Calculation |
|---|--|
| Shows the company's current ability to pay. | Current assets plus overdraft facility divided by current liabilities. |

Operating margin

| SEK thousand | 21/22 | 20/21 |
|----------------------------|-------------|-------------|
| Operating profit | 383,386 | 350,076 |
| Net sales | 1,949,140 | 1,632,427 |
| Operating margin, % | 19.7 | 21.4 |

| Purpose | Calculation |
|---|--|
| Measures operational profitability. This measure is used for the purpose of management by objectives in the operations. | Operating profit divided by net sales. |

Operating profit per share

| | 21/22 | 20/21 |
|--|-------------|-------------|
| Operating profit, SEK thousand | 383,386 | 350,076 |
| Number of shares before dilution | 192,662,325 | 192,627,470 |
| Operating profit per share, SEK | 1.99 | 1.82 |

| Purpose | Calculation |
|---|---|
| Shows earnings per share before interest and taxes. | Operating profit divided by the number of shares before dilution on the balance-sheet date. |

Order bookings

| Purpose | Calculation |
|--|--|
| Indicates future revenue in the company. | Value of orders received or changes to earlier orders during the reporting period. |

P/E ratio

| | 220430 | 210430 |
|--|-------------|-------------|
| Share price at end of period, SEK | 124.8 | 121.0 |
| Earnings per share before dilution for the rolling 12-month period | 1.63 | 1.43 |
| P/E ratio, multiple | 76.6 | 84.6 |

| Purpose | Calculation |
|--|---|
| Shows how highly the market values the company's profits and how long it will take for the shareholders to get a return on their investment. | Share price at the end of the period divided by earnings per share for the most recent rolling 12-month period before dilution. |

Profit margin

| SEK thousand | 21/22 | 20/21 |
|------------------------------|-------------|-------------|
| Profit after financial items | 394,505 | 348,245 |
| Net sales | 1,949,140 | 1,632,427 |
| Profit margin, % | 20.2 | 21.3 |

| Purpose | Calculation |
|---|--|
| Shows a comparison of profitability regardless of corporate tax rate. | Profit after financial items divided by net sales. |

Ratio of order bookings to net sales

| SEK thousand | 21/22 | 20/21 |
|---|-------------|-------------|
| Order bookings | 2,320,198 | 2,651,650 |
| Net sales | 1,949,140 | 1,632,427 |
| Ratio of order bookings to net sales | 1.19 | 1.62 |

| Purpose | Calculation |
|---|--------------------------------------|
| Provides an indication of demand for the company's products and services. | Order bookings divided by net sales. |

Research and development costs

| SEK thousand | 21/22 | 20/21 |
|--|-------------|-------------|
| Research and development (R&D) costs | 248,299 | 201,824 |
| Net sales | 1,949,140 | 1,632,427 |
| Percentage of sales re-invested in R&D, % | 12.7 | 12.4 |

| Purpose | Calculation |
|--|---------------------------------|
| Shows the portion of sales re-invested in R&D. | R&D costs divided by net sales. |

Return on total capital

| SEK thousand | 21/22 | 20/21 |
|-----------------------------------|-------------|-------------|
| Profit after financial items | 394,505 | 348,245 |
| Financial expenses | -1,555 | -1,844 |
| Average total assets | 1,921,932 | 1,581,900 |
| Return on total capital, % | 20.6 | 22.1 |

| Purpose | Calculation |
|-----------------------------------|---|
| Shows the return on total assets. | Profit after financial items plus financial expenses divided by average total assets. |

cont. Note 33 Financial definitions and alternative performance measures

Return on capital employed (ROCE)

| SEK thousand | 21/22 | 20/21 |
|--------------------------------------|-------------|-------------|
| Profit after financial items | 394,505 | 348,245 |
| Financial expenses | -1,555 | -1,844 |
| Average capital employed | 1,056,218 | 936,851 |
| Return on capital employed, % | 37.5 | 37.4 |

| Purpose | Calculation |
|--|---|
| Shows profitability based on how much capital is used in the operations. | Profit after financial items plus financial expenses divided by average capital employed. |

Return on equity

| SEK thousand | 21/22 | 20/21 |
|----------------------------|-------------|-------------|
| Profit for the period | 314,793 | 275,512 |
| Equity at start of period | 895,623 | 817,213 |
| Equity at end of period | 1,080,737 | 895,623 |
| Average adjusted equity | 988,180 | 856,418 |
| Return on equity, % | 31.9 | 32.2 |

| Purpose | Calculation |
|--|---|
| Shows the return on capital attributable to the Parent Company owners. | Profit for the period divided by average adjusted equity. |

Share of recurring revenue

| Purpose | Calculation |
|--|--|
| Show the portion of external revenue that is recurring. Recurring revenue refers to revenue from customers for the provision of a good or service during the term of a contract, wherein the customer cannot continue to benefit from the full functionality of the good or service without ongoing payments and the revenue stream is expected to recur for more than 12 months. Recurring revenue mainly refers to revenue from subscription, support and maintenance agreements. Revenue from system implementations, migration and one-time purchases of licenses are not recognized as recurring revenue. | Recurring revenue divided by total external sales. |

Value added

| SEK thousand | 21/22 | 20/21 |
|--------------------|------------------|------------------|
| Operating profit | 383,386 | 350,076 |
| Personnel costs | 945,176 | 854,518 |
| Value added | 1,328,562 | 1,204,594 |

| Purpose | Calculation |
|--|--|
| Shows the value of the company's production. | Operating profit plus personnel costs. |

Value added per employee

| | 21/22 | 20/21 |
|--|------------|------------|
| Operating profit, SEK thousand | 383,386 | 350,076 |
| Personnel costs, SEK thousand | 945,176 | 854,518 |
| Average number of employees at the end of the period | 908 | 828 |
| Value added per employee, SEK million | 1.5 | 1.5 |

| Purpose | Calculation |
|---|---|
| Shows the value of the company's production per employee. | Operating profit plus personnel costs divided by the average number of employees. |

Unadjusted exchange rates—operating profit

| SEK thousand | 21/22 | 20/21 |
|---|------------|-------------|
| Nominal change, % | 9.5 | 18.5 |
| Exchange-rate effect, % | -4.7 | 13.7 |
| Change in unadjusted exchange rates, % | 4.8 | 32.2 |

| Purpose | Calculation |
|--|--|
| Provides an indication of changes in financial measures for unadjusted exchange rates. | Amounts for the current year restated at last year's average exchange rates less last year's amounts at last year's average exchange rates, divided by last year's amounts at last year's rates. |

Unadjusted exchange rates—recurring revenue

| SEK thousand | 21/22 | 20/21 |
|---|------------|------------|
| Nominal change, % | 11.7 | n/a |
| Exchange-rate effect, % | -2.1 | n/a |
| Change in unadjusted exchange rates, % | 9.6 | n/a |

| Purpose | Calculation |
|--|--|
| Provides an indication of changes in financial measures for unadjusted exchange rates. | Amounts for the current year restated at last year's average exchange rates less last year's amounts at last year's average exchange rates, divided by last year's amounts at last year's rates. |

Unadjusted exchange rates—sales

| SEK thousand | 21/22 | 20/21 |
|---|-------------|------------|
| Nominal change, % | 19.4 | -1.7 |
| Exchange-rate effect, % | -2.5 | 5.1 |
| Change in unadjusted exchange rates, % | 16.9 | 3.4 |

| Purpose | Calculation |
|--|--|
| Provides an indication of changes in financial measures for unadjusted exchange rates. | Amounts for the current year restated at last year's average exchange rates less last year's amounts at last year's average exchange rates, divided by last year's amounts at last year's rates. |

Auditor's report

To the general meeting of the shareholders of Sectra AB (publ),
corporate identity number 556064-8304

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Sectra AB (publ) for the financial year May 1, 2021–April 30, 2022, except for the statutory sustainability report on pages 70–82. The annual accounts and consolidated accounts of the company are included on pages 64–115 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of April 30, 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of April 30, 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act. Our opinions do not cover statutory sustainability report on pages 70–82.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional

report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Revenue recognition

Description

The Company enters into contract arrangements with customers that contain multiple performance obligations, such as transfer of hardware, software, and/or services. For these arrangements, management judgment is applied to allocate revenue to each performance obligation as these obligations are fulfilled at different points in time and/or over time. The Company also has fixed-price projects where performance obligations are fulfilled over time and the completion ratio is primarily determined comparing the incurred cost to estimated total cost. Management judgment is involved in estimating the cost to complete including the assessment of the remaining contingencies for projects until final delivery and acceptance.

Due to the degree of management judgment in arrangements containing multiple performance obligations and fixed-price projects, these types of arrangements have been a key audit matter in our audit.

Accounting principles for revenue recognition are included in section Accounting principles, Note 1 as well as key assumptions and judgments used for customer arrangements. In Note 2 revenue for each segment is presented.

How our audit addressed this key audit matter

Our audit procedures in order to address this area, included, amongst others;

- Evaluated the Company's accounting principles for IFRS 15 Revenue from Contracts with Customers.
- Audited on sample basis the contract arrangements that contained multiple performance obligations, in order to test when the revenue was recognized for each performance obligation and if it was in accordance with IFRS 15.
- Examined revenue recognition timing for revenue recognized over time and tested that any deferred revenue was recognized as revenue in the correct period.
- Evaluated significant estimates and judgments made by management.
- Assessed whether the information disclosed in the financial statement is appropriate.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–63. The remuneration report for financial year May 1, 2021–April 30, 2022 is considered other information. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably

be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Sectra AB (publ) for financial year May 1, 2021–April 30, 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed

appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the ESEF report

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Sectra AB (publ) for the financial year May 1, 2021–April 30, 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[c999328280d00c4a-2c096ae2225ef31b9e6dc937b45a9a14c6a5005bfde88800] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Sectra AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report and the extend of Sectra AB's statutory sustainability report is described on page 70, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of Sectra AB (publ) by the general meeting of the shareholders on September 14, 2021 and has been the company's auditor since September 8, 2020.

Stockholm, the date stated by our electronic signature
Ernst & Young AB

Andreas Troberg
Authorized Public Accountant

Sustainability Report Index

Each year, Sectra communicates the company's sustainability work as part of the Annual Report. The Sustainability Report includes pages 4, 13–25, 70–82. The content of the report is presented in the index below, which is inspired by the Global Reporting Initiative (GRI). All page references below refer to Sectra's 2021/2022 Annual Report and Sustainability Report. For questions regarding the Sustainability Report, please contact info.investor@sectra.com

| GRI Standard | Page/comment |
|--|--|
| GENERAL DISCLOSURES – 102 | |
| Organizational profile | |
| 102-1 Name of the organization | 64 |
| 102-2 Activities, brands, products, and services | 14–15, 30–40, 43–47, 122 |
| 102-3 Location of headquarters | 124 |
| 102-4 Location of operations | 23, 105 |
| 102-5 Ownership and legal form | 52–53 |
| 102-6 Markets served | 23, 30, 37, 43, 95 |
| 102-7 Scale of the organization | 30, 37, 43, 64–67, 94–96 |
| 102-8 Information on employees and other workers | 75, 96–98 |
| 102-10 Significant changes to the organization and its supply chain | 64 |
| 102-11 Precautionary Principle or approach | 70 |
| 102-12 External initiatives | 70–79 |
| 102-13 Membership of associations | Sectra holds Board positions and participates in projects and committees with various organizations, including the Royal Swedish Academy of Engineering Sciences, Swedish Medtech and the Swedish Security and Defense Industry Association (SOFF) |
| Strategy and analysis | |
| 102-14 Statement from senior decision-maker | 10–12 |
| 102-15 Key impacts, risks, and opportunities | 14–15, 80–82, 111–112 |
| Ethics and integrity | |
| 102-16 Values, principles, standards, and norms of behavior | 72–73, 76–77, 78 |
| 102-17 Mechanisms for advice and concerns about ethics | 77 |
| Governance | |
| 102-18 Governance structure | 58 |
| 102-19 Delegating authority | 58 |
| 102-20 Executive-level responsibility for economic, environmental, and social topics | 70 |
| 102-22 Composition of the highest governance body and its committees | 54–55, 60 |
| 102-23 Chair of the highest governance body | 54 |
| 102-24 Nominating and selecting the highest governance body | 59 |
| 102-25 Conflicts of interest | 59–60 |
| 102-26 Role of highest governance body in setting purpose, values, and strategy | 58, 60 |
| 102-30 Effectiveness of risk management processes | 62 |
| 102-32 Highest governance body's role in sustainability reporting | Reviewed by the President and all relevant members of Group Management |
| 102-33 Communicating critical concerns | The President keeps the Chairman of the Board up to date on the company's performance and reports any critical matters to the Board without delay |
| 102-35 Remuneration policies | 67–69, 97 |
| 102-36 Process for determining remuneration | 67–69, 97 |

| GRI Standard | Page/comment |
|---|--|
| Stakeholder engagement | |
| 102-40 List of stakeholder groups | 15 |
| 102-41 Collective bargaining agreements | Sectra offers employment terms and benefits that exceed or are in line with the industry's collective bargaining agreements and has not signed any collective bargaining agreements itself |
| Reporting practice | |
| 102-45 Entities included in the consolidated financial statements | 64, 105 |
| 102-49 Changes in reporting | 90 |
| 102-50 Reporting period | 64, 116 |
| 102-51 Date of most recent report | July 6, 2022 |
| 102-52 Reporting cycle | 120 |
| 102-53 Contact point for questions regarding the report | 123 |
| 102-55 GRI content index | 120 |
| 102-56 External assurance | 119 |

List of references

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- ² Report from UN, 2017. World Population Prospects: the 2017 Revision, <https://esa.un.org/unpd/wpp/>
- ³ Imaging IT – Core Report 2020, Signify Research, March 2021
- ⁴ Orthopedic Software Market: <https://www.marketsandmarkets.com/Market-Reports/orthopedic-software-market-94720371.html>
- ⁵ Ian J. Wallace, Steven Worthington, David T. Felson, Robert D. Jurmain, Kimberly T. Wren, Heli Majanen, Robert J. Woods, Daniel E. Lieberman. Knee osteoarthritis has doubled in prevalence since the mid-20th century. Proceedings of the National Academy of Sciences, 2017. <http://www.pnas.org/content/114/35/9332>
- ⁶ Overview of the world's medical schools: an update. (2014) <https://doi.org/10.1111/medu.12499>
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- ⁹ The Orthopaedic Industry Annual Report for year ending December 31, 2012
- ¹⁰ The Orthopaedic Industry Annual Report 2013 by ORTHOWORLD, Inc.
- ¹¹ Sectra CTMA: <https://medical.sectra.com/product/sectra-ctma/>
- ¹² Sectra's visualization table is developed in collaboration with researchers at the Center for Medical Image Science and Visualization (CMIV), Interaktiva Institutet and Visualiseringscenter C
- ¹³ The Global Risks Report 2021, 16th Edition, http://www3.weforum.org/docs/WEF_Global_Risks_Report_2021.pdf
- ¹⁴ Annual overview 2021 MUST <https://www.forsvarsmakten.se/siteassets/4-om-myndigheten/dokumentfiler/rapporter/musts-arsoversikt-2021-.pdf>

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.

Cardiology

The field of medicine dealing with the functions and diseases of the heart.

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

Education portal

A cloud-based platform that provides users with access to a large digital library of quality-assured and anonymous medical cases and images as well as the opportunity for distance learning.

Elective healthcare

Healthcare planned in advance, which in contrast to acute care can be postponed for a period of time without serious medical consequences.

Integrated diagnostics

Diagnostic collaboration between different medical specialties, for example, between pathologists and radiologists for diagnosing, treating and monitoring cancer patients. Integrated diagnostics is facilitated by digital technology, computer algorithms, clinical workflows and extended reporting to the patient's physician.

Mammography

A radiology-based breast examination used to detect breast cancer at an early stage in asymptomatic women.

Medical diagnostic imaging

Using images (e.g. from radiology examinations or tissue samples) to assess a patient's medical condition. It could, for example, concern detecting an illness, assessing the course of an illness, or providing guidance for suitable treatment.

Medical IT

Information technology (e.g. software) used in healthcare.

Musculoskeletal diseases

A collective term for diseases affecting the body's musculoskeletal system, including the skeleton, muscles, joints and tendons.

Net Promoter Score (NPS)

A key figure for customer loyalty based on the question: "How likely is it that you would recommend this company to a friend or colleague?" The responses are on a scale from 0 to 10, where 0 means "not at all likely" and 10 means "highly likely." The NPS is the sum of the percentage of promoters (i.e. those who responded with 9 or 10) minus the percentage of detractors (i.e. all those who responded between 0 and 6).

Ophthalmology

A specialist medical area for the diagnosis and treatment of eye disorders.

Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system, meaning the skeleton, joints, tendons, other connective tissue and peripheral nerves.

Osteoarthritis

Arthritis or osteoarthritis is an inflammatory disease in the joints where the cartilage in one or several of the body's joints gradually breaks down.

PACS, Picture Archiving and Communication System

A system for managing medical images, such as digital radiology images.

Pathology, digital pathology

A specialized medical area that uses tissues and body fluids for diagnostic purposes. By digitizing the workflow, pathologists can review tissue samples digitally instead of with a microscope.

Precision medicine

Providing patient care that is highly adapted to individual conditions rather than "one size fits all." Advanced diagnostic analyses are a cornerstone of precision medicine.

Process industry

A type of automated manufacturing industry with several manufacturing processes, such as the paper industry, the petrochemical industry, and iron and steelworks.

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.

Sectra One

Subscription for Sectra's enterprise imaging solution. When Sectra One is sold as fully cloud-based services, it is referred to as Sectra One Cloud.

Trauma

Surgical procedure on a patient with, for example, a bone fracture or life-threatening injury. Any type of external injury to the body is classified as a trauma in the medical sense.

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.

Virtual private network (VPN)

A technology used to create a secure connection or "tunnel" between two points along an unsecured data network, such as the internet.

Visualization table

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

2022 AGM

The AGM is scheduled for September 8, 2022 in Linköping, Sweden. Further information, the meeting notice and meeting documentation will be available at sectra.com/agm2022

Notice

Official notice will be distributed not earlier than six weeks and not later than four weeks prior to the AGM in the form of a press release and publication on Sectra's website. The notice will be announced in the Swedish Official Gazette (Post- och Inrikes Tidningar) and an announcement that notice has been given will be published in Svenska Dagbladet.

Shareholders who wish to receive the notice by email and subscribe for information from the company need to fill in their contact information on the company's website investor.sectra.com/subscribe.

Documents

The complete proposals for resolution and other documents will be available not later than August 18, 2022 (three weeks prior to the AGM) at and from Sectra's office in Linköping. Shareholders who wish to receive these documents by mail should contact the company by telephone +46 (0)13 23 52 00 or by email info.investor@sectra.com.

Interim Reports 2022/2023

| | |
|--------------------------|--------------------|
| September 2, 2022 | Three-month report |
| December 16, 2022 | Six-month report |
| March 10, 2023 | Nine-month report |
| June 2, 2023 | Year-end report |

Distribution of the Annual Report

The Annual Report is published on Sectra's website. A message will be sent by mail to all shareholders registered with Euroclear Sweden AB on May 31, 2022 announcing that the report is available. Contact us for a printed copy.

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» investor.sectra.com/irsurvey



We help hospitals and those who are training future healthcare personnel to improve their efficiency so that patients can receive better care. We help authorities and critical social functions with cybersecurity.

SECTRA

