

Sectra contributes to a healthier and safer society



SECTRA

Knowledge and passion

Our customers make society work

Sectra offers solutions for medical IT and cybersecurity. We help hospitals all over the world improve their efficiency so that they can provide better healthcare to patients. We help critical social functions safeguard their ability to supply electricity, water and heating. We help government officials, blue-light emergency services, diplomats and defense forces communicate without the risk of eavesdropping or access violations. This is how we create conditions for a healthier and safer society.



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This is Sectra's Annual Report and Sustainability Report for 2020/2021. The audited Annual Report is presented on pages 64–109. The Sustainability Report [●] includes the Parent Company's and the Group's statutory sustainability report pursuant to Chapter 6, Section 11 of the Swedish Annual Accounts Act. The Corporate Governance Report has been reviewed by the auditors and is presented on pages 54–63.

Sectra—a Swedish company with global trust

The desire to change society for the better has driven Sectra 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 this customer-oriented corporate culture, we have primarily grown organically since our start in 1978.

What we do

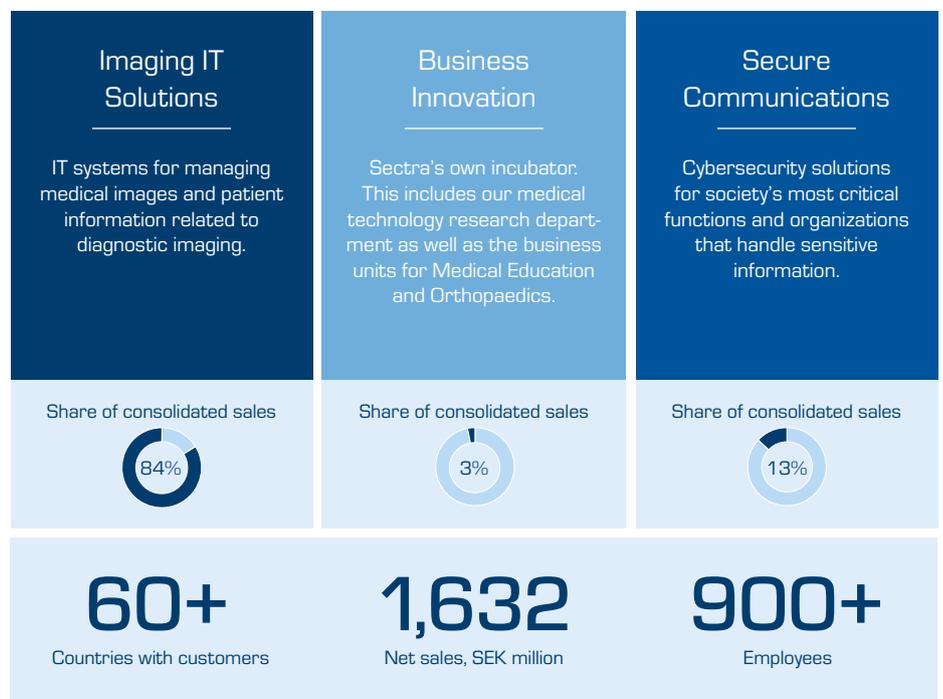
Sectra offers products and services in the medical IT and cybersecurity sectors. We are seeing growing synergies between these areas since healthcare is increasingly becoming a target for organized cybercrime.

Why we exist

The overall aim 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:

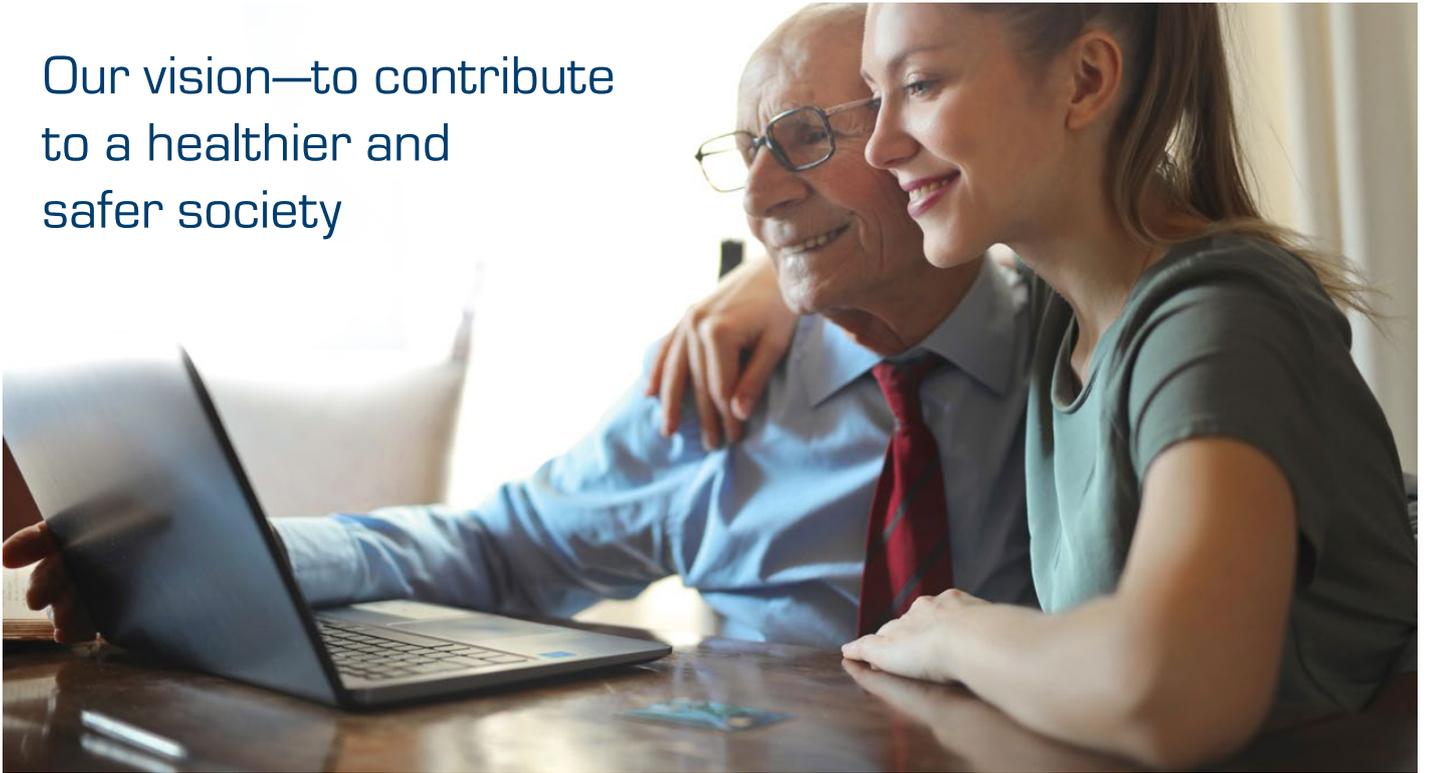
- The aging population of the industrialized world entails a major challenge for healthcare. At the same time, the proportion of the population that is of working age is decreasing. For fewer people to be able to take care of more patients, particularly more elderly patients with growing needs, healthcare must become more efficient.
- A greater degree of digitization throughout society—including in defense forces, critical social functions and healthcare—contributes to efficiency enhancements and simplifies companies' and people's everyday lives. However, it also leads to society becoming more vulnerable to human error, information leaks, unauthorized data access and cyberattacks.

Our operating areas



Why invest in Sectra

Our vision—to contribute to a healthier and safer society



Seven good reasons to invest in Sectra

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.

Stability, profitability and long-term growth

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

Strong, customer-focused corporate culture

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

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.

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.

Sustainable business model

Contributing to a better world 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.

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 management are shareholders in Sectra.

Examples of the value we create for customers, patients and society



Photo: University Hospital of Umeå

Collaboration saves lives

Giving patients the best possible care requires a great deal of sharing and cooperation with respect to medical images. Every week, more than 35 million images are shared between healthcare providers through our image sharing services. One example of how customers cooperate 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.

Digitization for equitable remote care and diagnoses

We help pathologists transition to review tissue samples digitally, which makes it easier to share resources and skills as well as to use innovative technology for image analysis. For patients, digitization leads to a lower risk of receiving the wrong treatment, shorter wait times and more equitable care.

Digitization has also proven to be extremely valuable during the COVID-19 pandemic. The Radboud University Medical Center in the Netherlands was in the process of evaluating Sectra's digital pathology solution when the pandemic hit, and the country started to shut down to limit the spread of the virus. The hospital decided to accelerate the digitization process and pathologists could continue their important work from home by reviewing digital pathology images.



Photo: Radboud University Medical Center



A complete patient overview leads to better quality of care

We help healthcare providers manage all types of medical images through the same solution and provide healthcare teams 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 can make faster and more accurate diagnoses, which ultimately leads to better patient care.

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



Reducing the risk of disruptions and interruptions in critical social functions

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

Remote working without increased risk exposure

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

Examples of the value we created in 2020/2021

> 200 million

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

196 SEK million

Purchase of goods for resale from suppliers

12.4 %

Percentage of sales re-invested in R&D for increased customer value

915 employees

Total number of employees in 14 countries

848 SEK million

Salaries and other remuneration to employees



Avoiding unnecessary suffering for patients

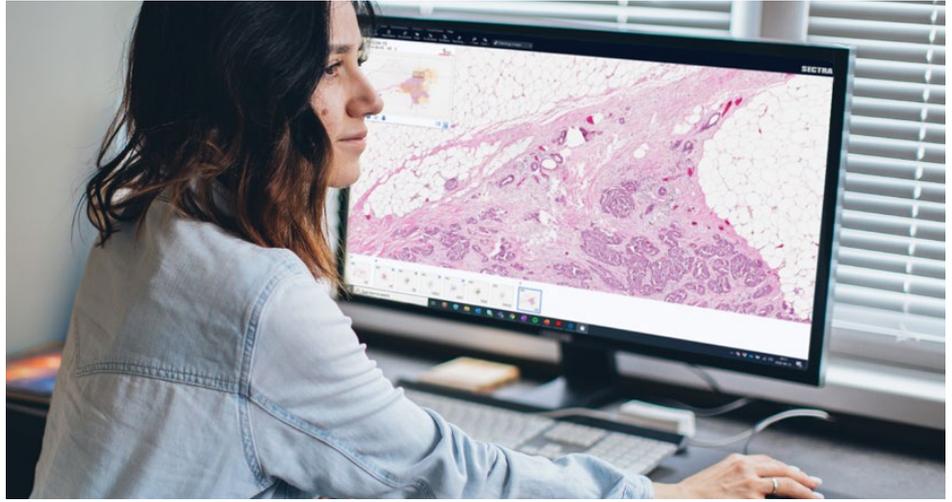
Approximately 10–15% of all hip or knee surgeries performed in Sweden are revision surgery.¹ With the analysis service Sectra IMA we help orthopaedic surgeons decide whether patients experiencing pain after a joint replacement surgery need a revision surgery owing to an implant that has come loose. Avoiding unnecessary revision surgery can result in major cost-savings since revision surgery is a costly procedure. Perhaps even more importantly, avoiding such surgery can reduce suffering since this type of procedure entails a risk for patients.

The year in brief

Imaging IT Solutions

- Sectra earned five awards for having the best customer satisfaction in the categories of medical imaging IT (PACS) and digital pathology.
- Strong order bookings—historically high level.
- The new Sectra One subscription model was well received.
- Several existing customers are expanding their use of Sectra's systems to include digital pathology.
- Sectra secures a number of comprehensive contracts for regional solutions involving medical imaging management, collaboration and consolidation.
- The customer base is growing in the US, with new, top-ranked healthcare providers choosing Sectra.

To learn more, refer to pages 30–36.



Business Innovation

- One of the world's largest universities ordered Sectra's online platform for interactive education, with actual clinical cases available both on campus and remotely.
- Sales in the Orthopaedics business unit were noticeably affected by the temporary downturn in planned care resulting from the COVID-19 pandemic.
- Progress in research projects within AI and clinical validation of medical IT solutions.

To learn more, refer to pages 37–40.



Secure Communications

- Increased order bookings through orders for cybersecurity projects and project-based development in Sweden and abroad.
- Sectra's VPN for secure mobile workplaces was approved by the security authorities in the Netherlands for the protection of classified information.
- The EU approved Sectra's eavesdropping-proof mobile phone Sectra Tiger/S for voice communication and transferring classified information.
- New framework agreement with EU institutions.
- Launch of a new service to help civil authorities and large corporations with secure digital communication and remote collaboration.

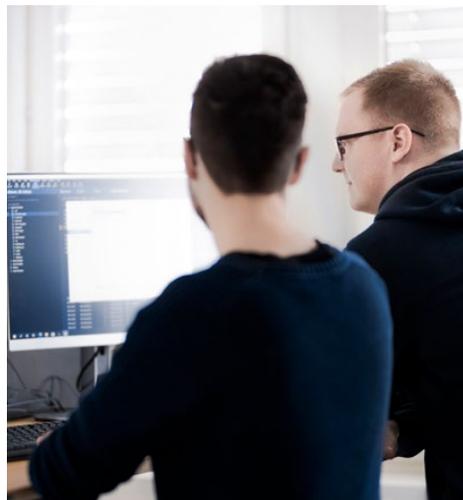
To learn more, refer to pages 44–47.

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Business model, goals and strategies

- The Group's order bookings increased by 46.0% to SEK 2,651.6 million. We grow by making our customers successful.
- Equal-opportunity workplace with satisfied employees and customers.
- Sustainable corporate culture with focus on customer value and innovation—this benefits our shareholders over time.
- Sectra receives Top Innovator Award.
- All of the financial goals have been achieved.

To learn more, refer to pages 13–25.



The COVID-19 pandemic

- Our top priority is to help our customers maintain a functioning healthcare system, cybersecurity and infrastructure during these difficult circumstances.
- Our customers are prioritizing the most essential operations at the moment, meaning that some planned deliveries have been delayed and that ongoing procurements have been temporarily paused. At the same time, some customer activities have gone faster than planned.
- Demand for medical imaging IT and cybersecurity are being driven by an increased need to work remotely with the same demands on functionality and security as at the workplace.
- New ways of working and methods for remote installation and delivery are being developed in collaboration with customers, which is improving efficiency.
- Digital work methods and processes, a strong financial position and a significant share of recurring revenue contribute to a stable performance for Sectra, even under challenging circumstances such as a pandemic.

Financial performance measures

1,632.4

Net sales
SEK million

350.1

Operating profit
SEK million

2,651.6

Order bookings
SEK million

9.66

Cash flow per share
SEK

7.15

Earnings per share
SEK

4.50

Share redemption
program per share SEK

For additional performance measures, refer to the **five-year summary** on page 51, and for the **proposed share redemption program**, refer to page 79.



CEO letter

"It is impossible to discuss where we stand as a company this year without mentioning the pandemic. We have all felt its impact on our lives. Our customers and employees have been forced to adapt in order to maintain society's critical functions. We have helped our customers provide patients with the best possible care and protect critical infrastructure and communication. Healthcare personnel, who continue to help an enormous number of patients in need of care, are everyone's heroes."

Torbjörn Kronander, President and CEO

Living and acting according to the golden rule

Sectra does what it can to help. We help our customers treat patients, cure diseases and safeguard society from cybercrime. Our results reflect our success in these areas. We have welcomed new customers and expanded existing partnerships, even though our possibilities to visit our customers were drastically limited. New ways of working have been introduced and new functionalities for managing the challenges faced by our customers during the pandemic have been delivered. We completed some projects remotely, others with masks on and under unusual conditions. We educated, supported and maintained relationships with our customers. We continued to do our jobs, even though employees from time to time needed to homeschool their children or attend important meetings from home.

The past year was a difficult year for many of our employees. They may have lost a loved one, worked in isolation, or been challenged to accomplish tasks in an entirely new way. But the results we achieved together were motivating, and our efforts were incredibly important for many people. I hope that you, the reader, share my appreciation for these often enormous contributions from our employees around the world.

During difficult circumstances, we are guided by our corporate culture, our core values and our vision, which are described on pages 14–23. This is an important reason why things have continued to go well for us during the COVID-19 pandemic.

Satisfied customers are the best way to attract new customers

Sectra aims to contribute to a better society, and we exist because our customers think the value we provide is worth more than what they pay us. Satisfied customers are the ultimate confirmation that our employees and solutions deliver significant customer value that in turn creates value for our employees and shareholders. The foundation for our success in this regard lies in our Sectra culture and our core value of “Gör nå’t bra” (Act and act smart!). How we listen

to and work with customers to understand and deliver solutions to current and future problems, thereby ensuring that our customers always feel that Sectra is by their side through thick and thin and that we walk the extra mile when needed.

With record-breaking order bookings for the past fiscal year, we have shown that our focus on customer satisfaction is paying off. The fact that we have the most satisfied customers in the category of diagnostic imaging systems for radiology in Canada, Europe, and the US is probably the single most important explanation for our business success, particularly in the large hospital segment in the US, where we were ranked #1 in customer satisfaction for the eighth consecutive year. We also topped the new category of digital pathology, a product area with a fast-growing market where we are helping pathology departments to digitize. We were approached by several new customers for help in this area in 2020/2021, which you can read more about under the Imaging IT Solutions operating area. Digital pathology plays a central role when it comes to medical imaging in areas such as cancer diagnostics and is becoming even more important as healthcare becomes increasingly patient-specific.

The golden rule

We have many strategies to reach our goals but they can essentially be summarized as treating our customers how we would like to be treated in their situation. 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.

I like quotes and have collected quite a few. One of them is “No man is an island.” We need to work as a team, and in this regard, I would like to emphasize another of our core values: “Tolerance and respect for each other as individuals and friends.” High-

performing teams need an environment where everyone feels comfortable asking questions, challenging how things are done and sharing better suggestions and ideas without the fear of social retribution from either the team or their manager. An environment where people feel heard and where everyone can focus on the task at hand, rather than on strategies to promote themselves or avoid being questioned. This kind of trust and individual security comes from showing tolerance and respect for each other.

Our priority has always been our customers, and thus indirectly patients and members of society. Customer satisfaction, in turn, cannot be achieved without motivated and happy employees. If you connect this to long-term strategies in growing markets, where we can grow along with the market, our shareholders will be also satisfied. Shareholder value comes from customer value, which, in turn, is created by motivated employees.

We help solve major societal challenges

Sustainability issues are attracting greater focus in society as a whole. Sectra’s operations focus on solving difficult societal challenges and thus have an indirect link to sustainability. We help customers detect cyber threats that can lead to catastrophes in energy production, and we protect highly confidential information on behalf of governments and public authorities. We improve the education of medical professionals. We impact the care of a large number of patients through our systems, which are used all around the world, including at numerous hospitals known for their high quality and ability to provide excellent patient care.

The pandemic has further highlighted the need for our offerings and our customers’ need for assistance in maintaining stable operations, even under challenging circumstances. The work we do also has positive effects on the climate since our solutions often contribute to reduced transport. For example,



Satisfied customers are the ultimate confirmation that our employees and solutions deliver significant customer value that in turn creates value for our employees and shareholders.

Torbjörn Kronander

our solutions enable microscopic images to be shared digitally rather than shipping physical tissue samples between pathologists for consultations or second opinions.

Medical IT and cybersecurity are growing markets

Although the pandemic could result in a temporary decline in demand in certain markets and areas, people will still fall ill. And society's need for cybersecurity is still growing.

Increased productivity, access to new technology and scalability are more important than ever in the situation in which healthcare providers now find themselves. Healthcare is facing large increases in volume owing to the number of examinations that need to be conducted and reviewed once elective healthcare procedures pick up again after the pandemic. Extensive healthcare consolidation is also happening in many countries and mergers or acquisitions of healthcare providers are leading to a growing need for efficient scaling of systems in pace with increases in volumes.

Altered ways of working during the pandemic have accelerated digitization in society's critical organizations, and it is essential that society's infrastructure, authorities, defense departments and healthcare are protected from cybercrime. Unfortunately, it is common for criminals to exploit a crisis, including the COVID-19 pandemic, which has further increased this need.

Adjustments for growth and rapid transition to cloud services

As in other areas of society, we are seeing a trend of customers choosing solutions where they pay per use or per time period instead of purchasing a license. This transition

has taken time, due in part to the healthy conservative nature of customers in our segments. However, acceptance has increased and we expect a much speedier transition in the next few years. In the future, we believe that a majority of our revenue will come from services. These systems will also often be delivered from "the cloud." We are currently adapting our organization and product development to meet the demand for cloud services and to scale our operations efficiently as we grow.

The shift toward service deliveries is currently under way as we transition to new payment models based on per-use invoicing. One example of such a model is Sectra One within Imaging IT Solutions, which was very well received in the US during the fiscal year. The pandemic has accelerated acceptance of this new subscription model.

Financial goals exceeded

We have exceeded the Group's three financial goals (refer to page 24). Our operating margin was well over the target of 15%, which is mainly due to the effect of temporarily lower costs for travel and trade fair events due to pandemic restrictions. We expect these effects to gradually decline as society returns to more normal conditions. However, developments after the COVID-19 pandemic are difficult to predict. Even if customers have increasingly accepted new ways of working remotely, we do not consider this year's level to be sustainable, so the long-term target margin remains unchanged.

The future

We have faced major challenges in our operations and have implemented growth initiatives that could eventually become

significant. Our initiatives in innovation and further product development are continuing at full speed, only marginally affected by the pandemic. We are proud over what we have achieved and our ability to reach our goals. At the same time, we remain humble. We cannot forget what brought us here:

- Satisfied customers because we act according to the golden rule.
- A strong corporate culture.
- Recruiting, developing and retaining the best employees.
- Choosing growing markets because that is where it's easier to grow.
- Delivering solutions that help solve major problems in society.
- Encouraging joy, innovation, flexibility and the ability to adapt.

Darwin is thought to have said once that it is not the strongest that survive, but the most adaptable. We all need to adapt when our environment changes; we need to develop and change. But adaptations are incredibly difficult to implement through rules and processes. They need to happen at a cultural level—and that is where we excel. Time and time again, we have shown that we are fast when we need to be, with our strong drive to help our customers and solve their problems in new and innovative ways.

Overall, I look forward to a bright future for our customers and therefore ourselves and our shareholders!

Linköping, June 2021

Torbjörn Kronander
President and CEO of Sectra AB



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

Vision

To contribute to a healthier and safer society.

Mission statements and operating areas

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.

Imaging IT Solutions

Business Innovation

Secure Communications

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.

Goals

Our ambition is for the benefit we create in a society with Sectra's offering to broadly exceed the price our customers pay. At the same time, the remuneration we receive must be sufficient for us to achieve our financial goals and thereby enable long-term growth. To accomplish this, we must have satisfied customers, motivated and innovative employees, and efficient processes.

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

- customers
- innovation and new business
- employees, culture and processes

In addition, there are also business-specific goals 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

- 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.

Corporate culture and employees

- A corporate culture that motivates and inspires the company's employees to solve customer problems, help their fellow human beings and meet—and in many cases exceed—customer expectations.

Read more on page 18.

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 will primarily be achieved through organic growth, in certain cases supplemented by acquisitions that strengthen the Group's organic growth.
- Expansion into new geographic markets following thorough analysis and at a controlled pace as Sectra achieves a strong position in existing markets.

Read more on page 23.

Examples of the value we create for our stakeholders

Customers

- More efficient diagnosis and selection of treatment for patients.
- 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.

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.
- Research results that could contribute to a healthier and safer society.

Employees

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

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.

Distribution partners and suppliers

- Promote better, more effective patient care or increased cybersecurity by partnering with Sectra.
- Expanded business opportunities.
- Revenue and job opportunities.

Shareholders

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

Sectra's management system includes a process for identifying stakeholders that are expected to set some form of requirement for the company. Read more in the [Sustainability Report](#) on page 70.

How the value we create contributes 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.

Strong customer value 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:

- Leading through a customer-oriented corporate culture.
- Measuring and monitoring customer satisfaction.
- Involving customers in product and business development.
- Building each employee's understanding of our customers.



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

Sectra's solutions are recognized for their stability and usability. But according to our customers, what truly sets Sectra apart from its competitors is the 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 reflected in 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 delivered by excellent staff. We are convinced that if we prioritize customer satisfaction, we will also have satisfied employees. With satisfied customers

and employees, the company 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. We measure and follow up customer satisfaction in all parts of the company.

In close partnership with demanding customers

Some of the most important parts of Sectra's values and how we act are built on the knowledge of our users' day-to-day activities and our constant endeavor to stand by 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 as well as create opportunities for the customer. It also helps to empower them to turn down offers from potential clients whose challenges we are not equipped to address.

Sectra's customer-focused corporate culture



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



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.

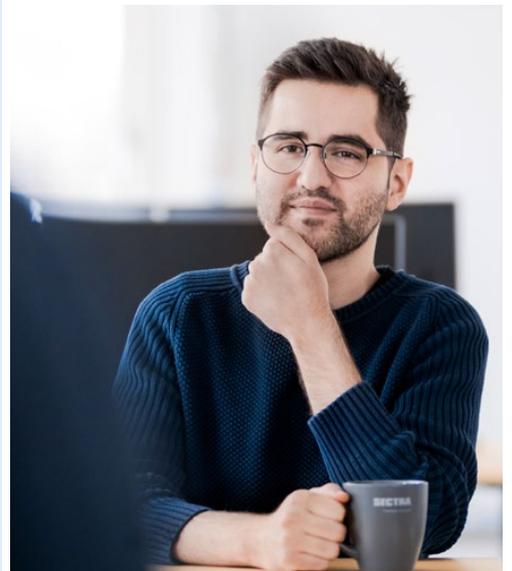


Collaborating with demanding customers and competent end-users to create solid solutions.



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

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

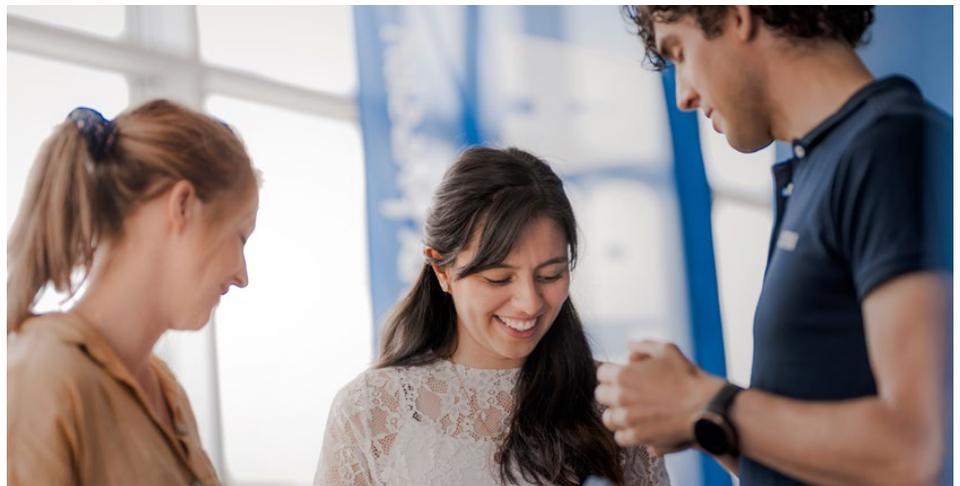


Corporate culture for dedicated employees

At present, Sectra has over 900 employees in 14 countries. Both in-house and third-party surveys show that Sectra is a workplace where employees are satisfied, are doing important things and have the opportunity to develop as individuals. This environment is something we nurture every day, enabling our employees to continue creating 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.
- Create conditions for employees to continuously develop.



“Hire for attitude and ability. Train for skill.”

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 2020/2021, Sectra increased its staff by 56 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. Due to pandemic restrictions,

in-person trade fairs, company visits and activities with young talent were cancelled in 2020/2021. Instead, we built contacts through virtual events and remote conversations. Also, we still accepted students for degree projects and summer jobs.

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 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. Although these activities could not be carried out during the fiscal year due to pandemic restrictions, they will not be replaced by digital meetings. Building relationships across organizational boundaries allows for partnerships outside the organizational structure and helps to ensure that information from those working closest to the customer reaches management. This is essential for both individual motivation and the company's development.

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, how old 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 24).



“

There is nothing more important I can devote myself to than ensuring we have the right crew on board. With the right personnel, things will go well even if we managers are not perfect. Which we aren't. With the wrong people, things will go poorly even if we have the best managers on the planet.

Torbjörn Kronander, President and CEO

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 not only for employee job satisfaction, but for our customers as well. 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 as well as efficient onboarding in conjunction with a change of roles 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, companies 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 expert 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 73.

Sectra welcomes future employees

At Sectra, our success largely rests on our motivated employees with a strong drive to help our customers. The satisfaction and well-being of our employees is also essential for our long-term success. Actively supporting the possibility of combining parenthood and work is an important area for Sectra.



Alma Marmolin
May 17, 2020
Anders Marmolin
Business Manager
Sweden



Anna Bell
July 1, 2020
Jonathan Bell
Infrastructure Consultant
UK



Arman Rahmani
August 30, 2020
Hamid Rahmani
System Engineer
Norway



Daniel Visciola Ojeda
February 28, 2021
Matteo Visciola
Service Engineer
UK



Eira Rundqvist
 June 23, 2020
 David Rundqvist
 Software Developer
 Sweden



Everett James Tufano
 February 5, 2021
 Margaret Carles-Tufano
 Clinical Application Specialist
 USA



Fisher Nash Eaves
 March 16, 2021
 Jessica Eaves
 Solutions Specialist Manager
 USA



Freja Schagerlind
 February 10, 2021
 Marjan Skrjanc
 Vice President National Security
 /International Markets
 Sweden



Hannes Nilsson
 December 23, 2020
 Fredrik Nilsson
 Maintenance Engineer
 Sweden



Holly Åhman
 February 23, 2021
 David Åhman
 Group Business Controller
 Sweden



Josephine Mia Creugers
 January 7, 2021
 Jeanette Creugers, Project
 Engineer, and Jeremy Creugers,
 Support Engineer
 The Netherlands



Lo Vulfs
 June 7, 2020
 Tom Vulfs
 Senior Software Engineer
 Sweden



Lucie Emma Cohen
 November 16, 2020
 Emilie Cohen
 Project Manager
 Australia



Mila Julia Lindström
 April 5, 2021
 Anosjik Lindström
 Support Engineer
 Sweden



Oskar Francisco Klomfass
 October 30, 2020
 Tim Klomfass
 IT Service Delivery Manager
 Germany



Signe Gistvik
 February 18, 2021
 Helena Gistvik, Application
 Specialist and,
 Fredrik Gustavsson, CTO
 Sweden

Innovation is necessary for sustainable growth

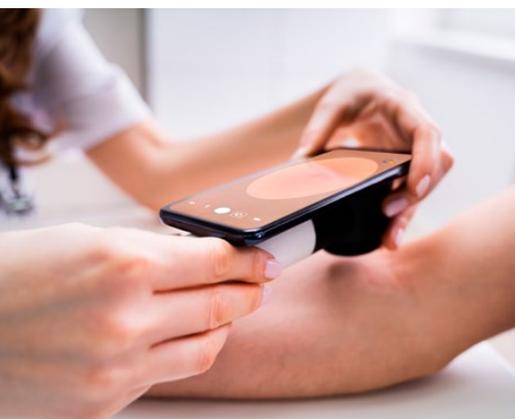
We want our customers to know that Sectra is a future-proof choice that can help them meet the challenges of today as well as tomorrow. That is why we continuously invest in new and ongoing development of products and services. This development takes place in close cooperation with our customers, and many of our research projects are conducted together with universities, hospitals and strategic partners around the world.

Prioritized activities:

- 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 genomics.
- Internally measuring and following up on innovation.

Top Innovator Award

In 2020, we were 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%.



Examples of R&D projects and product launches in 2020/2021

- Launch of a cloud-based marketplace and platform where Sectra's customers can integrate selected external AI applications. This gives our customers faster and easier access to AI-based tools.
- Development of new functionality that allows healthcare personnel to photograph, for example, skin deviations with a smartphone or tablet and then save and access these images in Sectra's image management system.
- Sectra is helping to build a large-scale database of pathology images in the new EU project BIGPICTURE within the Innovative Medicines Initiative program. The project will accelerate the development of diagnostic methods based on AI and streamline collaborative efforts between healthcare and research.
- Participation in a number of clinical studies to further validate the Sectra CT-based Micromotion Analysis (CTMA) measurement method. This method facilitates time and cost-efficient clinical validation of long term survival rates for orthopaedic implants, which is of the utmost importance for patient security.
- Development of Sectra's mobile VPN for use up to and including the RESTRICTED security level. This allows civil authorities, government officials and critical infrastructure operators to provide users with remote access to internal networks without risking information leaks.



Group R&D expenditures

10–15%

of consolidated sales are invested in R&D every year.

22

patent families in the Group

Examples of research partners

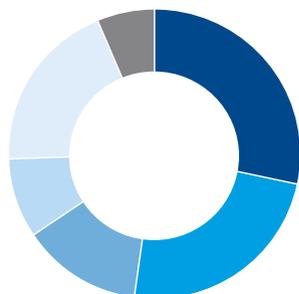
- The Center for Medical Image Science and Visualization at Linköping University (SE)
- Hospital for Special Surgery (US)
- Karolinska Institute (SE)
- Radboud University Medical Center (NL)
- Utrecht University (NL)
- University of Leeds (UK)
- University Hospitals, Cleveland (US)
- The Center for Artificial Intelligence in Medicine & Imaging – Stanford University (US)

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.



Sales per geographic market 2020/2021



US: SEK 465.5 M
Sweden: SEK 391,2 M
UK: SEK 216.2 M
Netherlands: SEK 143.1 M
Rest of Europe: SEK 316.0 M
Rest of World: SEK 100.4 M

Prioritized activities:

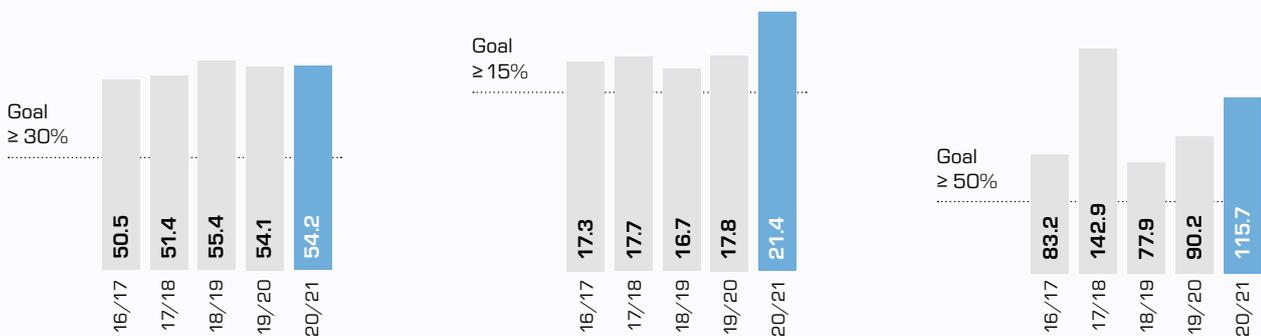
- Continue to grow and become the leader in the segments and regions where the company conducts its own sales. Special efforts are ongoing in the US, where Sectra has a rapidly growing market share.
- Implement controlled growth initiatives, carried out by the Group itself and through partners, in a small number of carefully selected markets. Special efforts are ongoing in France and Canada, for example, which 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.

Group-wide goals based on our customers

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

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%.

The equity/assets ratio exceeds the strategic goal. Increased comprehensive income contributed to a higher equity/assets ratio for 2020/2021.

Why this goal was established: A strong financial position provides security for customers and enables investments in products, services and areas that create additional value.

2. Profitability

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

Profitability exceeds the strategic goal by a comfortable margin. A higher gross margin and temporarily lower costs for travel and trade fair events as a result of pandemic restrictions contributed to an increased operating margin for 2020/2021. These effects are expected to gradually decline as society returns to more normal conditions.

Why this goal was established: 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.

3. Growth

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

Growth in profit exceeds the strategic goal. The growth in profit per share is a result of growing sales and Sectra's long-term efforts to boost cost efficiency while increasing the proportion of higher-margin products, such as software licenses and service sales.

Why this goal was established: 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.

Operational targets



Customers

The value we create for customers lays the foundation for long-term, sustainable success. The goal is to have a high level of customer satisfaction in the markets and customer segments where we operate as well as to significantly improve our customers' operations with our solutions.

Our progress toward achieving our customer satisfaction goals is measured on an ongoing basis through internal evaluations based on the 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 and who 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 for growing 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 we live up to this target is monitored through our annual employee survey.



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.

Selection of key performance indicators 2020/2021.



Imaging IT
Solutions

Business
Innovation

Medical IT

To maintain a high quality of care despite today's population trend, the healthcare sector is being forced to accomplish more with the same or fewer resources. Healthcare for an aging population entails enormous challenges. Medical diagnostic imaging, planning and follow-up of surgery as well as training are crucial elements in meeting them.

Trends and needs driving the healthcare market

Social 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 are allowing people to live longer lives. At the same time, the number of children born in the world is decreasing.²

Medical advances

Improved diagnostics and treatment methods allow more patients to survive their illnesses. This means that more patients require follow-up examinations, which is contributing to an increased need for diagnostic imaging.

Aging population

The Western world's aging population means more patients are suffering from one or several chronic illnesses. Elderly people primarily suffer from diseases such as cancer, cardiovascular diseases, neurological diseases and diseases of the musculoskeletal system. Thus, increased efficiency in diagnosing and monitoring the progression of these diseases is a high priority.

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, unauthorized data access and cyberattacks.

Industry and technology trends

Population health

Using clinical patient data and medical images in combination with patients' socioeconomic factors such as demography, lifestyle and living situation, healthcare providers can achieve better care results while lowering costs. Data and images can be used, for example, to predict the length of hospital visits or to prevent illnesses.

Technical development in imaging modalities

Refinements in technology are enabling more information to be gathered from radiology images. These technical developments are making it possible to use diagnostic imaging at an earlier stage of care and allowing more quantitative assessments during diagnosis and follow-up. High-resolution images also dramatically increase the amount of data generated.

Personalized care

Patient treatment and medication are increasingly being based on genetics, previous medical history and the care outcomes of other patients with the same disease. Planning and follow-up are largely image-based.

Patient involvement

Digital solutions and new methods give patients a greater influence over their own health and care. Individual patients will be provided with new tools that enable them to play an active role in managing their own health or that of a close relative.

Shift to cloud-based services

The healthcare sector's IT investments in cloud services are increasing rapidly. Pricing of cloud services is often built on subscription-based payment models.

Customer challenges and needs

Resource consolidation and collaboration

To accomplish more with the same or fewer resources, cooperation between departments as well as players in the healthcare sector is increasing. In order to boost cost efficiency and competitiveness, growing numbers of mergers and acquisitions of healthcare providers are being carried out.

Supporting faster diagnostics

Increased pressure on the healthcare sector is making it necessary to streamline diagnostics using new technology and functionality. AI, structured reporting and automated work tasks can simplify and streamline diagnostic work for healthcare personnel.

Patient integrity and cybersecurity

Improved access to relevant patient information—without compromising patient integrity—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.

Educating more people more efficiently

In most countries in the world, there is a growing shortage of qualified healthcare personnel, particularly specialists. More people need to be trained. Creating more modern and efficient basic and further 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 purchase image processing as a service. In certain markets, this is cloud-based in order to leverage operational and collaborative advantages. 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.

Remote work and patient care

Increased specialization, collaboration on resources and the fact that patients are moving between healthcare providers to a greater extent are increasing the demand for working as well as providing care remotely, while retaining access to the same diagnostic tools found in hospitals.

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



Planning orthopaedic surgery



Efficient remote use of clinicians



Dialogue regarding patients between departments



Dialogue directly 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. We can thus meet customers' growing needs within areas such as:

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

Market size and growth rate

When more healthcare is provided with fewer resources, the need for more efficient IT systems and collaboration between providers increases. To respond to these challenges, we provide IT solutions with a high level of availability and security that can facilitate diagnosis, planning and patient monitoring as well as medical education. This allows customers to increase their productivity, reduce their lead times and cut costs along the entire care chain.

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. Planned surgeries were among the first medical procedures to be canceled or postponed. In certain cases, the downturn in planned procedures has led to a drastic loss of revenue for healthcare providers, primarily in privately run hospitals. The effects were less severe in publicly financed markets, but lower tax income may have consequences in the future.

Customers are prioritizing what is absolutely necessary for the moment, which has led to a temporary decline in demand in certain areas for example orthopaedics. However, catching up with postponed care will require increased efficiency and, in the long run, the need for our offering 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.

Medical image management

As a result of increased collaboration and consolidation, a growing number of healthcare providers are choosing to replace their radiology IT systems with consolidated solutions for image management across entire enterprises or regions, known as enterprise imaging. The market has gained momentum in developed countries where PACS for radiology and cardiology, vendor-neutral archive solutions and electronic medical record systems have achieved a high penetration level.

Growth is high in new segments, such as clinical decision support based on AI,

advanced tools for analysis and diagnosis, and medical technology products that help physicians to adapt treatment and medication to the individual patient (companion diagnostics). This also applies to digital pathology, where the market is growing rapidly. Swedish healthcare is a pioneer in this area 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.

Orthopaedics

Hundreds of millions of people suffer from osteoarthritis, a disease that often leads to hip, knee and shoulder joint replacement surgery. According to the UN World Health Organization (WHO), the disease is one of the main global healthcare challenges, alongside cancer and stroke. The number of patients affected by the disease has doubled over only a few generations.³ In total, more than three million joint

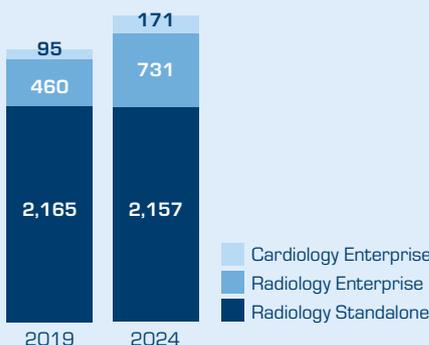
replacement surgeries are carried out annually⁴ worldwide, and this number is expected to rise sharply due to the aging population. In addition, more than eight million surgeries⁵ due to fractures caused by accidents, falls and activity-related injuries are performed globally every year. This creates a significant need for IT systems and services that can streamline logistics and facilitate the planning and follow-up of orthopaedic procedures.

Medical education

A growing and aging population, combined with more treatment options, increases the need to train additional doctors and nurses. This is fueling demand for modern educational systems and tools and training materials in a wide range of subjects to streamline and improve medical education. The collected knowledge we have about the human body, illnesses, diagnostics and treatments is also increasing at an exponential rate, which has created an acute need for new tools for training the physicians and healthcare personnel of tomorrow.

The global market for IT systems for radiology and cardiology⁶, USD million

The average annual growth rate for the enterprise imaging segment is estimated at 10.5% for radiology and 14.5% for cardiology.⁶



The global market for orthopaedic IT systems, USD million

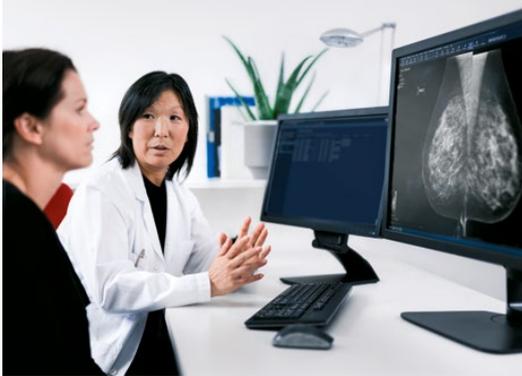
The average annual growth rate year 2020-2025 is close to 8 percent.⁶



> 2,500

Educational institutions^{7,8} and hospitals worldwide who offer basic and specialist medical training.

Operating area Imaging IT Solutions



656 employees

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.
- IT systems for operational follow-up and radiation dose monitoring.
- Platform and marketplace for safer and easier introduction of AI-based tools that improve diagnostics and workflows for users.
- Flexible delivery models that allow customers to choose, for example, between purchasing systems as traditional system installations, cloud services or services where Sectra is responsible for the operation of the system.
- Maintenance in the form of support, system monitoring and upgrades.
- Consulting services related to integration, system design, data migration and business development.
- Training for users.

Customers

Our customers comprise public and private healthcare providers that offer medical imaging services. They normally include 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

Imaging IT Solutions has in-house sales organizations in 18 countries as well as partners in some 30 countries in Africa, Europe, the Middle East, North America, Oceania and South-East Asia. The largest markets are the Netherlands, Scandinavia, the UK and the US.

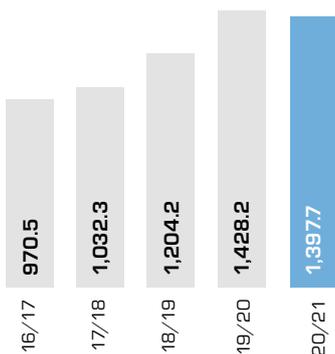
Competitors

Our competitors are Agfa, Change Healthcare, Fujifilm, GE Healthcare, INFINITT Healthcare, Intelrad, Philips/Carestream Health, Vital Images and local players such as Mach7 Technologies, Visage Imaging and Visus. They also encompass major IT companies specializing in archiving, such as Hyland Software.

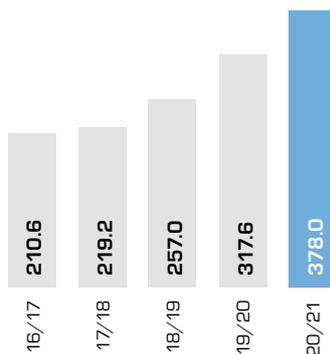
Financial performance

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

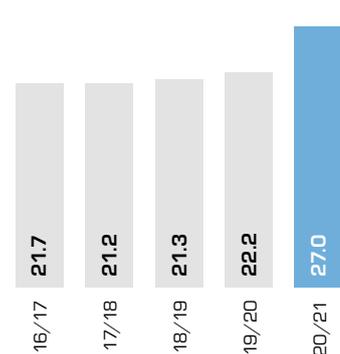
SALES, SEK MILLION



OPERATING PROFIT, SEK MILLION



OPERATING MARGIN, %



Where we are headed

The operating area's long-term ambition is to be a leading provider of complete solutions for managing and communicating all types of medical images for diagnostic purposes, with a particular focus on cancer diagnostics. The operations mainly focus on large diagnostic imaging units, for example, radiology, mammography, pathology and cardiology. Improving the efficiency of diagnostics and monitoring in cancer care is a common thread that runs through our offering.

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. We have surpassed 2,000 installations of Sectra's IT systems, and our customers include some of the largest healthcare providers in the world. The fastest growth is seen in the US, where more healthcare providers have shown a steadily increasing level of trust in us during recent years. Lengthy, comprehensive customer contracts promote long-term stability and a high proportion of recurring revenue. In order to meet customer needs, the operating area is implementing long-term growth initiatives in new product areas, such as digital pathology and cardiology, and expanding into additional geographic markets through the establishment of its own operations and through new distributors.

Focus on customer satisfaction results in more leading positions

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 eight consecutive years according to the healthcare data and insights company KLAS Research. KLAS is considered the industry standard for this type of customer satisfaction surveys, and we listen carefully to them in order to understand how our service, products and offering can be improved to meet customer needs. 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.

Sectra currently commands a market-leading position in the Netherlands, Norway, Portugal and Sweden, and a prominent position in the UK. We have also strengthened our position in Australia through an ongoing implementation with the country's largest public health system, NSW Health. 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—albeit quickly growing—market share. Over the last few years, we have also started in-house sales organizations in France and Canada. These establishments are significant from a long-term growth perspective, and they are trending positively with more initial orders from customers.

Sectra is also the market leader in other countries in the niche of breast imaging. We are also helping more customers go digital in their pathology departments. Our pathology solution for primary diagnostics is currently used at more than 30 laboratories around the world and, to date, has been used to diagnose more than 500,000 cases and contributed to the diagnostics process, for example, during consultations. With Sweden as a strong domestic market, we are ready to help healthcare providers in other countries that are now starting to digitalize their primary diagnostics, such as the UK, the US and other markets where we are active.

From IT systems for radiology to enterprise imaging

A number of years ago, the operating area's customers were radiology clinics looking for IT support for their image management. Today, customers are increasingly moving from using individual department systems



to solutions that meet all healthcare imaging needs. Solutions that consolidate all image management are often called enterprise imaging solutions. Sectra's scalable solutions manage all types of medical images, but with a focus on collecting the most image-intensive departments—radiology, mammography, pathology, orthopaedics and cardiology—in a single system. The product portfolio 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, that is often requested by customers, which creates opportunities for complementary sales to existing customers. As more customers have taken the opportunity to expand their systems to include other areas beyond radiology, we have strengthened our position as an enterprise imaging IT provider and we are also able to expand our business in already well-established markets.

Focus on cancer diagnostics

Medical image management in cancer diagnostics is a key part of our strategy for

the future. 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. Sectra's IT solutions facilitate integrated diagnostics by allowing images and information from various diagnostic specialties to be archived and viewed in a single system. This enables collaboration between, for example, radiologists and pathologists, who play a key role in efficient cancer care. With a growing number of customers having already digitized their pathology departments, Sectra has built a strong brand and a solid position ahead of the market's predicted rapid growth. To learn more about how Sectra contributes to better cancer diagnostics, refer to page 35.

Since the spring of 2020, Sectra has received 510(k) approval from the US Food & Drug Administration (FDA). This means that healthcare providers in the US can now use Sectra's digital pathology solution for primary diagnostics and remote viewing in combination with FDA-approved products from Leica Biosystems. As a result, we are

well positioned within digital pathology in the US. In conjunction with the COVID-19 pandemic, the FDA published a policy in April 2020 that temporarily permits additional system configurations for remote viewing. This allows Sectra's module for digital pathology, for example, to be used with approved scanners in addition to Leica's.

More AI development projects

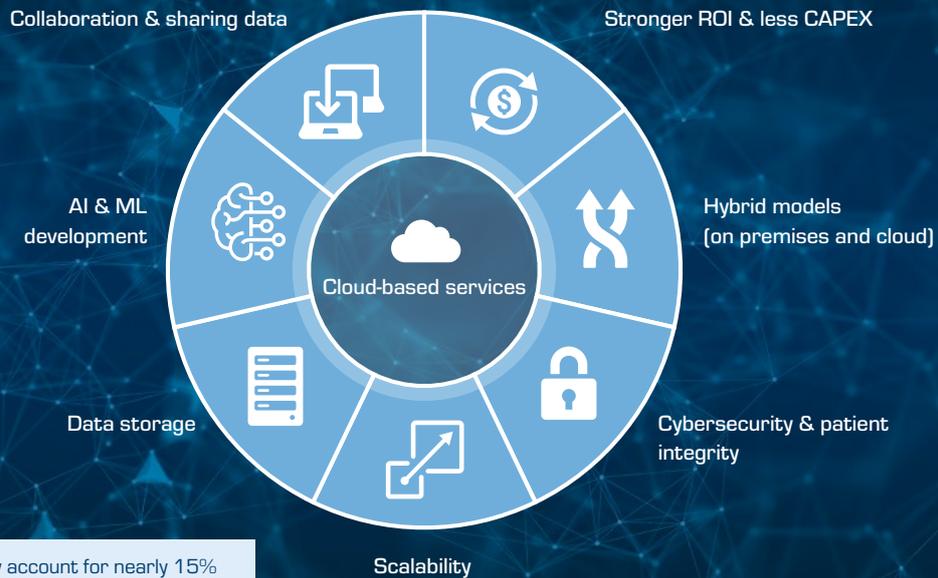
AI is an underlying theme in several ongoing projects within our own product development as well as in partnerships. This work is currently concentrated on solutions that can be used in everyday diagnostics, reducing repetitive and time-consuming tasks while improving and streamlining workflows. To offer our customers faster and easier access to AI-based tools, we launched Sectra Amplifier Marketplace in autumn 2020. In this cloud-based marketplace, Sectra's customers can integrate selected external AI applications in one place. Sectra is also conducting several research projects within AI (see page 40).



Marie Ekström Trägårdh

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

Customer needs driving the transition to cloud-based services



Cloud-based solutions currently account for nearly 15% of the radiology IT systems market. This is expected to double by 2024.⁹

Cloud-based services on the rise

More and more customers are demanding cloud services over local installations. For the last few years, Sectra has been preparing for a transition to service deliveries, which entails an entirely new delivery organization. Sectra's service offering is on the cutting edge, and several customers in Europe are already using our cloud services. Deliveries are on the increase, primarily in Scandinavia, the UK and the US. In Sweden, essentially all new procurements require cloud-based service delivery. This delivery model offers cost and security benefits and enables customers to devote greater focus to their core business—delivering quick and efficient care. While cloud 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.

New subscription model under way

As part of the transition to cloud services, we are changing to a subscription-based payment model. In the US, we now offer our medical imaging IT systems primarily under a subscription model rather than a licensing model. In other countries, this is available as an option. The shift to subscription services means that more customers can easily make use of a greater portion of the functionality offered by Sectra's solutions and expand their operations in a more cost-efficient manner. Along with the pandemic, increased demand for flexible payment methods has led to greater interest in our new subscription model Sectra One.

The subscription model means that instead of paying a higher license fee at the start of the contract and a lower rolling service fee, customers pay a more evenly distributed subscription fee every year based on functionality and utilization rate.

Cybersecurity increasingly important in healthcare

Hospitals are attractive targets for organized cyberattacks, and this represents a serious threat to patient safety, people's lives and patient integrity as well as the efficiency of healthcare. No individual IT system is secure where cyberattacks are concerned, so hospitals require holistic thinking when it comes to prevention. Sectra's combined know-how and experience in cybersecurity are becoming more frequently regarded as a competitive advantage, since customers are looking for a partner in the area and are placing greater requirements on medical IT systems in procurements.



Sectra was chosen as a supplier for one of the largest medical imaging partnerships in Europe

Raj Jain is chief executive of the Northern Care Alliance NHS Group and responsible for the project that is managed by the Greater Manchester Provider Federation Board:

"Our vision wasn't for a PACS system—this is a means to an end. The real vision is about how we want to take forward patient care. Our new approach will enable clinical communities and multi-disciplinary teams to come together around the patient in a way we presently can't do. The PACS platform is an essential component to taking forward a new model of care in Greater Manchester, allowing digital images to form part of the core patient record and to create a holistic persona for the patient that our clinicians can use much more effectively than we have ever done before."

The year in brief

Despite the prevailing circumstances of an ongoing pandemic, Imaging IT Solutions is growing by adding new customers and through expanded contracts with existing customers. We have increased our market efforts and gradually strengthened our delivery capacity in selected regions, primarily in the US but also in growth markets such as Australia, Canada and France. We have also strengthened our expertise within new areas of technology that can contribute to further advantages for our customers, such as AI and cloud-based solutions.

New recognition for the industry's most satisfied customers

For the eighth 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: Canada, Europe and the US. Sectra also received the same distinction this year in the entirely new category of digital pathology. 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. These recognitions are considered to be an important door opener in the US market, mainly to large and prominent healthcare providers.

» medical.sectra.com/klas

Sectra growing quickly in the US

New contracts were signed with several major reputable healthcare providers such as Dayton Children's Hospital, Emory Healthcare, MetroHealth System and CHRISTUS Health. Several comprehensive medical diagnostic imaging systems were also delivered to providers such as Grady Health System, Vanderbilt Health and Sanford Health. We also deployed a solution for BJC Healthcare, one of the largest non-profit hospital organization in the US, with 14 hospitals. Due to the pandemic, many installations were performed remotely.

The Hospital for Special Surgery will be one of the first healthcare providers in the US to use the same primary diagnostics IT system for radiology and digital pathology after the expansion of their existing Sectra pathology solution. During the year, a digital pathology solution was also delivered for all of the clinics belonging to the prestigious healthcare provider Mayo Clinic.

Stronger position in key markets

We are continuing to grow in markets where Sectra enjoys a prominent position. In Norway, the Helse Sør-Øst region signed a contract with Sectra to replace an existing solution and the Helse Vest region extended its contract with digital pathology.

The first hospitals in Australia's largest public health system and most densely populated region, New South Wales, are

deploying a shared radiology solution from Sectra that will be implemented at 11 organizations, including nine local healthcare districts.

An agreement was signed with the UK Greater Manchester health consortium to implement one of the largest region-wide medical imaging partnerships in Europe. The network includes eight regions that provide healthcare for a total of 3.2 million inhabitants.

Success in digital pathology

We are consolidating our position in digital pathology in the Netherlands, Scandinavia and the UK—the leading markets in the transition to digital technology. We are also laying the foundation for a strong position in the US market, where interest has grown. Several prestigious hospitals 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.

More reliable diagnoses and shorter time until the start of 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 response 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 to tissue samples reduces response times and increases quality

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.

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

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 diagnostics.

Faster access to images leads to a better patient overview and higher quality of care

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 2012–2030.¹⁰

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.



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 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.

Prioritized activities	Can yield a positive effect on earnings:
Maintain high customer satisfaction by continuously measuring and monitoring customer opinions and needs.	Short to long term
Adapt all levels of the organization for the transition to cloud-based service deliveries and subscription models.	Short to long term
Develop partnerships with existing customers through which Sectra's existing products and services can contribute to further efficiency enhancements.	Short term
Grow within radiology, cardiology, pathology and other areas of medical image management 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.	Short term
Continue the transition to the new subscription-based payment model to provide customers increased access to new functionality and facilitate their expansion.	Short to long term
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 and installation, and through the long-term relationship.	Medium to long term
Continued product development and strengthening of the product portfolio. Special focus on 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.	Medium to long term

Short term = 1–2 years Medium term = 3–5 years Long term = more than 5 years

For information on risks, refer to the [Sustainability Report](#) page 70 and [Risks, risk management and sensitivity analysis](#), Note 30 on page 105.

Operating area Business Innovation



37 employees

Operations

Business Innovation currently includes the Orthopaedics and Medical Education business units as well as Sectra's research department. Business Innovation also manages and develops Sectra's patent portfolio.

Customers

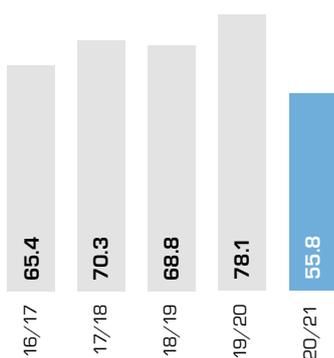
The Orthopaedics business unit is aimed at private and public orthopaedic clinics as well as manufacturers of prosthetics and implants. The operations in Medical Education focus on educational institutions and hospitals offering basic and specialist medical or veterinary studies, either privately or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

Sales channels

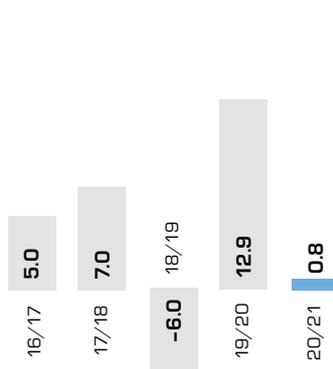
Sales take place through an in-house sales organization and distribution partners in Orthopaedics as well as through an international network of distribution partners in Medical Education. The business units' solutions are also sold as part of Sectra Imaging IT Solutions' customer offerings.

Financial performance

SALES, SEK MILLION



OPERATING PROFIT, SEK MILLION



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

The Group incubator

Business Innovation is the Group's primary incubator for future operating areas. This is where we evaluate and capitalize on opportunities to commercialize new technologies and product segments that are not currently part of the Group's core areas. The unit also includes new products and services that are not a natural match with the existing operating areas—for example, if the products in question are intended for users in other customer segments. The long-term ambitions are to:

- Contribute to better care for patients by solving difficult and important problems encountered by Sectra's customers.
- Validate clinical benefits or pursue projects that could lead to new and innovative solutions that add value for customers in Sectra's niche areas, thereby offering significant international business potential.
- Build and manage a strong patent portfolio in Sectra's key areas.
- Develop business models for new products and services.

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 the long term, the business units within Business Innovation are to be managed in one of the following ways:

- Integrate 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, which was divested in 2011. Sectra also sold a number 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.

In Business Innovation, there are currently only medical technology projects, but this may be expanded to include projects in other areas in the future. In certain cases, the projects are already profitable business units with existing customers that need to grow further, however, before becoming an independent operating area.

The year in brief

Europe's largest network for diagnostic imaging began using Sectra's orthopaedic tools

Pennine Acute Hospitals in the UK implemented Sectra Imaging IT Solutions' platform for medical imaging IT, in which the customer chose to include 2D and 3D preoperative planning tools and functions in musculoskeletal (MSK) radiology. Pennine Acute Hospitals was the first of a total of eight healthcare providers in the Greater Manchester health consortium to implement the solution, and the installation is viewed as a milestone for the project.

Remote medical education opportunities gave Sectra orders from one of the world's leading universities

Thousands of students at the National Autonomous University of Mexico (UNAM) have been given the opportunity to interact with real-life clinical cases remotely using Sectra's cloud-based training portal. UNAM is top-rated in the QS World University Rankings in Latin America and is among the 30 largest universities in the world with approximately 360,000 students, 13,000 of whom are medical students.

Starting point for BIGPICTURE—long-term EU project paving the way for a new era in pathology

The goal of the project is to establish the largest ever database of pathology images. Sectra's initiatives include a close collaboration with Region Östergötland and the Center for Medical Image Science and Visualization (CMIV) at Linköping University, official partners of the project together with Sectra.



Johan Carlegrim
General Manager
Medical Education
business unit



Gustaf Schwang
General Manager
Orthopaedics
business unit



Claes Lundström
Research Director
Medical Systems

Orthopaedics

Safer surgery using digital planning

The number of joint replacement surgeries is increasing sharply due to an aging population. This is a major global healthcare challenge; refer to the section “Market size and growth rate” on page 29. To meet the growing need for better, more efficient care, Sectra offers IT systems for image-based planning and follow-up of orthopaedic surgery—for example, hip, knee, spine and trauma surgery.

Sectra is currently the market leader in preoperative planning in Scandinavia and commands a strong market position in several other countries, including the Netherlands and the UK. During the year, new customers were added in Germany, Switzerland and 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, the work on initiating new studies has continued. During the year, four new studies were published, and an additional 16 were initiated.

Increased precision reducing costs and suffering

Using 2D and 3D medical images, measurement tools, click guides and a library of more than 90,000 implant templates, orthopaedic surgeons can 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, this reduces the risk of postoperative infections and other complications. Our offering also includes tools for radiologists who specialize in the musculoskeletal system. The ability for orthopaedic surgeons and radiologists to work together in the same system can lead to major time savings.



Service for avoiding unnecessary and risk-filled 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. The service also enables earlier diagnosis and allows the right patients to be given surgery earlier, often leading to a better outcome. To date, the service has been introduced for hip and spine patients in Sweden and the Netherlands. In Sweden, over 350 clinical examinations have been conducted. During the year, we worked to expand the areas in which the service can be used, including support for analyzing knee implants. Knee surgery comprises a significant and rapidly growing aspect of annual revision surgery. This is therefore an important focal area for reducing the 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 reduce the amount of time spent in the operating room through the development and sale of software and cloud-based services for planning and follow-up. This will be achieved by:

- Growing primarily in Europe and North America and in countries 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 on new markets, for example in the US.



Medical education

Cloud-based education portal for reality-based learning

There is great need for training more doctors and nurses, which puts demands on modern training systems. By interacting with medical images from actual patient cases, students and resident physicians gain a better understanding of anatomy, bodily functions and variations, and better knowledge about different cases. We offer the Sectra Education Portal, a cloud-based education portal that provides users with access to a large digital library of quality-assured medical cases and images. There is also the possibility of using own cases and sharing them with other portal users. We also offer training terminals—Sectra’s visualization table¹¹, for example—that are adapted to training in the classroom or lecture hall. During the last few years, we have moved from only supplying visualization devices for a one-time fee to primarily selling cloud services with a subscription model and a major focus on content.

Sectra’s medical education solutions are currently available for healthcare personnel, medical training programs and veterinarians at roughly 400 educational institutions and hospitals in some 50 countries. Sales mainly take place through an international network of distribution partners.

The way forward

For more students to be able to make use of reality-based learning and thus increase the clinical focus on medical education, the business unit’s focus is on:

- Growing in key markets in which we are already established, such as Europe and the Americas.
- Continuing to increase the utilization rate among existing customers, thereby boosting recurring sales.
- Further developing the education portal and expanding the digital library to include new medical cases and images.

Research

The research department conducts and participates in projects to produce clinical evidence for existing technology as well as to create new products—all in an effort to boost the company’s long-term business value. Eight researchers work in the department, three 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.

The need for remote classroom systems has increased substantially due to the COVID-19 pandemic, resulting in a five-fold increase in the use of Sectra Education Portal during the year.

Major focus on AI in ongoing research projects

AI is an underlying theme in much of the research department’s work. Sectra is contributing research in diagnostic imaging so that AI can move from the laboratory to providing real value in clinical practice. Our researchers are working on solutions that combine AI and visualization, focusing on how physicians control and adjust computer results. 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). During the year, our researchers contributed to important advances in simplifying the process of training AI using enormous data volumes, something that is particularly useful in pathology. On the same theme, a long-term EU project named BIGPICTURE was started under the Innovative Medicines Initiative during the year, with the aim of developing the largest ever database of pathology images. 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.

Trends and needs driving the security market

Social trends

Digitization and increased mobility

Digitization and more mobile work has several advantages, but these trends also entail new types of threats and risks that need to be managed to maintain a high level of information security.

Cyber threats on the rise

Criminals and foreign powers represent an increasing threat to the continued operation of society's critical functions and infrastructure—the number of cyberattacks is increasing drastically.¹² The purpose can be to cause operational sabotage, to blackmail or to access sensitive or classified information to discredit authorities or secure the interests of their own country. Financial blackmail in the form of ransomware has also increased¹³, especially within healthcare, which is particularly sensitive to these attacks.

Influence operations

According to the Swedish Security Service Yearbook 2020¹³, every day there are attempts to steal data essential for Sweden's safety or to unlawfully sway decisions through influence campaigns as well as other activities that threaten public safety. The threat scenario is the same in other countries. This further increases the need for extensive security work and solutions for secure information management.

Industry and technology trends

Stricter demands on secure information management

Authorities and companies need to adapt their operations to new information management legislation and regulations, both national and international. They must also adapt to cybersecurity strategies within areas that are vulnerable to influence operations, such as critical infrastructure.

Paradigm shift in the crypto industry

New types of advanced supercomputers known as quantum computers are being developed that may pose a threat to many of today's most important encryption methods.

More complex systems

The need to automate work tasks and thereby increase productivity have resulted in increased interconnectivity between IT systems. In some cases, this can weaken necessary security updates. New technology like 5G and AI make things even more complex and therefore more vulnerable.

Customer challenges and needs

Crypto products that protect sensitive information and support collaboration

Information and cybersecurity is one of today's most important national security issues. Society's most sensitive information and systems need to be protected from unauthorized access but still allow for collaboration. This is resulting in a need for crypto products that support secure information sharing between partners and that are able to protect against potential threats from quantum computers.

Access to approved security products

The equipment used for handling and communicating classified information must, according to national legislation, be reviewed and approved by an independent security authority.

Information security in mobile communications

In order to maintain society's most important functions, authorities and large corporations need to work and collaborate remotely to a greater degree—but without compromising security. To accomplish this, they need solutions and services that meet national regulations and security requirements for file transfers, connections to internal networks, video conferencing and chat functions.

High level of security in critical IT and OT systems

Complex systems that are out of date represent a major risk for all types of operations. Within critical infrastructure specifically, the costs for cybersecurity incidents are very high, as it also has an impact on a societal level. Companies and authorities therefore need to strengthen their ability to detect, and ideally prevent, cyberattacks and incidents.

Market potential

Sectra has extensive experience of protecting society's most critical communications through products, services and expertise in encryption and secure mobile communications.

Effects of the COVID-19 pandemic

As critical social organizations, due to the pandemic, have transitioned to working from home, there is further demand for secure and easy-to-use solutions for remote work. Unfortunately, it is common for criminals to exploit insufficient security in networks and connected systems during a crisis, and this has also been the case during the COVID-19 pandemic. Digitization within various operations has thus accelerated and tools and infrastructure have been introduced for making remote working as efficient and secure as at the office.

Crypto products for defense organizations and authorities

Most of the revenue from the operating area Secure Communications currently comes from security-approved communication solutions and customer-specific development projects. Due to export restrictions in the crypto industry, these types of sales are directed exclusively at customers in the European market.

Customers are restrictive with information about crypto equipment and planned investments. As a result, no relevant external market research is available. We estimate that the number of potential users of the company's products for secure telephony at the SECRET security level is approximately 100,000 individuals in Europe. The corresponding figure for the slightly less demanding RESTRICTED security level is estimated to be ten times higher.

As a result of an increase in security awareness and more stringent regulation in the form of directives and legislation, demand for secure solutions is also growing outside the traditional crypto segments. Authorities and companies that provide critical functions for society need to protect information, even when there is no formal



legal requirement to do so. Examples of such areas include healthcare, blue-light emergency services and the energy sector.

Security for critical IT and OT systems in the energy sector

Cyberattacks perpetrated by state-owned and -supported assailants continue to increase in both scope and level of sophistication.¹³ This increases the need of Sectra's services for critical infrastructure. Our focus is initially on the Nordic security market for IT and critical OT systems in the energy sector, where annual sales are estimated at nearly SEK 2 billion (EUR 200 million). 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.

Operations in the critical infrastructure product area are not subject to the same approval processes and export restrictions as crypto products. Sales of services in this area are thus not limited to Europe.

IT developments in society, political instability in the world and the growth of cybercrime are creating a greater need for Sectra's expertise and product offerings.

Operating area Secure Communications



94 employees

Product offering and customers

National security

- Crypto products and services for secure data transfer. These solutions have been reviewed and approved for the exchange of classified information by national security authorities.
- Authorities, defense organizations and EU and NATO organizations that handle classified information.

Secure remote information access

- VPN-based products and services for secure information access on smartphones and tablets.
- Healthcare and civil authorities such as blue-light services and emergency response authorities as well as industrial companies that handle sensitive information.

Security in critical infrastructure

- Security analysis services and data traffic monitoring in critical networks and operating systems to reduce the risk of interruptions or disruptions.
- Operations within critical social functions, for example energy and water supply as well as the processing industry.

Sales channels and geographic presence

Primarily 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.

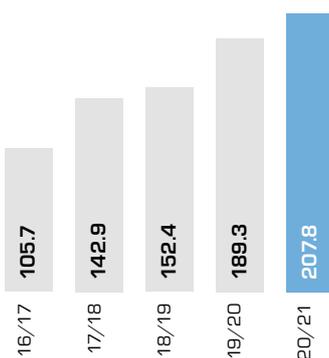
Competitors

Our main competitors in the area of secure mobile communications and crypto development are companies such as Advenica, Bittium, Secunet, Secusmart, Thales and Tutus. Examples of our competitors in IT and OT security for critical infrastructure include Mnemonic, Nixu and Saab Combitech.

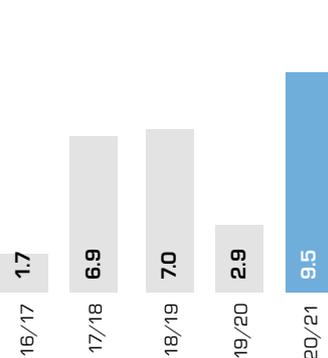
Financial performance

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

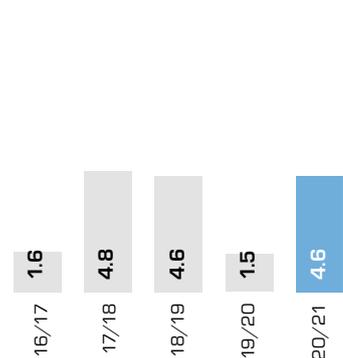
SALES, SEK MILLION



OPERATING PROFIT, SEK MILLION



OPERATING MARGIN, %



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 energy companies. 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 has more than 40 years of experience in developing secure communication systems. Our solutions are used by customers in most European countries, and by the EU and NATO for encryption of both voice and data transfer and to protect information essential to the security of a country.

National security is our largest customer segment. This customer segment is growing and remains 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. Products in this area are often developed through project-based development, which can be fully or partially financed by the customer. Among other regions, our products are currently approved for classified information in the EU, NATO, the Netherlands and Sweden.

The operations also include two growth segments where we have received a positive response and initiated business, but are still in the investment and establishment phase:

- Cybersecurity for critical infrastructure.
- Secure remote information access for users who handle sensitive information.

In the critical infrastructure segment, there is a growing need to prevent cyber-crime and 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. The new Protective Security Act that entered force in 2019 in Sweden has led to increased demand and greater awareness of cybersecurity risks among energy companies. Over the long term, this legislation is expected to promote growth in the market. 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 delaying purchasing decisions and deliveries.

Within the area of secure remote information access, we serve authorities and private businesses. For example, we help the police and other civil authorities with access to sensitive information in their field work—or at their home office—without threatening the integrity or confidentiality of the information. Sectra's solutions for smartphones

and tablets as well as for blue-light emergency service intercom systems are based on our proprietary encryption technology and VPN for mobile applications with strict security and accessibility requirements. The technical platform is continuously developed and the product portfolio has been supplemented with third-party solutions to meet customer needs for efficient and secure information sharing.

Transition to service deliveries—part of our growth strategy

There is an ongoing shift within Secure Communications from developing network security and secure mobile communication solutions on assignment from customers to becoming a cybersecurity partner in several customer segments. The company's growth strategy also has a clearer focus on customer segments and increased customer value through service deliveries. Historically, the business model has largely been built on delivering products and projects, but there is a shift under way to expanding the share of service deliveries in all customer segments.



The year in brief

Helping our customers maintain a high level of security during the circumstances of the COVID-19 pandemic was our highest priority. We also focused on developing our offering in all of our customer segments. We did this, for example, by making our VPN offering available for iOS and obtaining security approval for our newly developed products.

Increased order bookings

Orders from the Swedish defense forces as well as international customers for approved crypto products and project-based development led to increased order bookings.

New framework agreement with EU institutions

The European External Action Service, the Council of the European Union and the European Commission signed a ten-year framework agreement with Sectra. The agreement pertains to encryption systems for classified information that provide protection against threats from quantum computers, and we carried out several deliveries

of devices used for secure information sharing between EU institutions.

Mobile VPN approved in the Netherlands

The Dutch security authority NLNCSA approved Sectra's mobile VPN for use up to the RESTRICTED security level, meaning information that would entail a national security threat if it fell into the wrong hands. The crypto product allows officials at civil authorities as well as other companies to process sensitive security information in order to work remotely and to connect to internal networks with the same high level of security as at the office.

Swedish healthcare region commissions Sectra for security analysis

Sectra assessed the control systems, including processes and procedures, used by the region's hospitals to ensure that relevant security mechanisms are in place. Based on the results of the analysis, the region can take the steps necessary to improve operational security and its ability to provide healthcare without interruptions.

Civil authorities and large corporations offered a new digital communication service

A new service was launched in partnership with the Swiss security company Wire. The service can be used together with other Sectra products to achieve a very high level of security in mobile communication. The service supports all major operating systems, with all of the functions required for efficient digital communication and collaboration, including voice, chat, file transfer and video conferencing. The servers for the service are located in the same country as the customer and therefore comply with national security requirements and rules regarding data processing and storage. The service will initially only be available for Swedish customers, but it has the potential to expand to more markets. It can be combined with our other crypto products to create a more complete security solution.



Simo Pykälistö

President of Secure Communications and
Executive Vice President Sectra AB

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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.

A 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.

Prioritized activities	Can yield a positive effect on earnings:
Maintain high level of customer satisfaction by providing good service and working closely with customers during the development of new offerings.	Medium to long term
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.	Short to medium term
Ongoing development of the customer offering for secure remote work via VPN, smartphones/tablets and third-party applications with extra protection against access violations.	Short to medium term
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.	Short to medium term
Grow the customer base in the area of critical infrastructure. Primarily by focusing on the energy sector, healthcare and particularly vulnerable areas of the processing industry in our domestic markets, the Nordic region and the Netherlands.	Short to medium term
Increased cooperation with authorities and other companies as well as carrying out complementary acquisitions to meet our customers' security-related needs.	Medium to long term

Short term = 1–2 years Medium term = 3–5 years Long term = more than 5 years

For information on operating risks, refer to the [Sustainability Report](#) on page 70 and [Risks, risk management and sensitivity analysis](#), Note 30 on page 105.

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.

2000s

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.

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 attracted boosted growth in the US market. As of today, we have won the prize eight years in a row, and also have a top ranking in Europe and Canada.



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.

2019

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

2020s

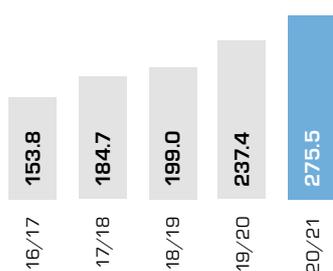
2020

With an innovation score of 90.03%, Sectra is named by the Swiss investment analysis company ALPORA as a leader in innovation, characterized by a particularly high level of innovation efficiency.

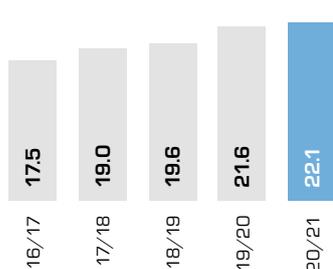
» Would you like to know more about our history? Visit investor.sectra.com/history

Increased stability and profitability based on a long-term, innovative and efficient approach

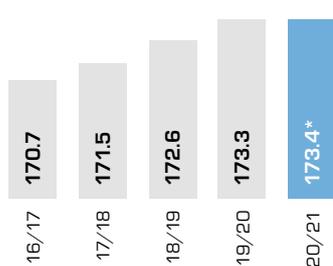
NET PROFIT FOR THE YEAR, SEK MILLION



NET PROFIT FOR THE YEAR, SEK MILLION



REDEMPTION/DIVIDEND TO SHAREHOLDERS, SEK MILLION



* Board's proposal to the 2021 AGM

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.

2016/2017

Stable performance by the Group despite unexpected currency effects

Sales growth in a number of markets. The outcome in the UK was adversely impacted by currency effects in GBP following the Brexit vote. The future focus on new geographic markets, such as France, and new product areas, such as digital pathology and critical infrastructure, had a negative effect on the earnings trend, but offer major growth potential. All financial goals were exceeded, with positive trends with respect to net sales, operating profit and cash flow.

» 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 34 on page 107.

	2020/2021	2019/2020	2018/2019	2017/2018	2016/2017
Sales, earnings and order bookings					
Net sales	1,632,427	1,661,138	1,413,522	1,209,181	1,125,109
Annual growth, %	-1.7	17.5	16.9	7.5	4.1
Depreciation/amortization	-78,919	-72,231	-46,809	-39,928	-33,830
Impairment	-4,194	-7,443	0	0	-12,313
Operating profit (EBIT)	350,076	295,348	235,541	214,349	194,986
Growth in operating profit per share over five years, %	115.7	90.2	77.9	142.9	83.2
Profit before tax (EBT)	348,245	303,037	248,792	231,155	201,146
Net profit for the year	275,512	237,354	198,979	184,706	153,782
Order bookings	2,651,650	1,815,956	2,132,839	1,492,529	1,177,658
Profitability					
Gross margin, %	26.5	22.6	20.0	21.0	21.4
Operating margin, %	21.4	17.8	16.7	17.7	17.3
Profit margin, %	21.3	18.2	17.6	19.1	17.9
Return on total capital, %	22.1	21.6	19.6	19.0	17.5
Return on capital employed, %	37.4	36.8	35.9	34.5	30.9
Return on equity, %	32.2	30.7	29.8	30.4	26.5
Value added, SEK million	1,204.6	1,110.5	912.3	798.5	737.5
Funding and capital employed					
Capital employed, SEK million	969.1	904.6	759.4	717.6	691.6
of which, goodwill	46.3	49.2	56.8	55.3	52.5
of which, other intangible and tangible assets	289.6	294.7	166.0	176.0	168.9
Liquidity ratio, multiple	1.7	1.7	1.7	1.6	1.7
Equity/assets ratio, %	54.2	54.1	55.4	51.4	50.5
Debt/equity ratio	0.08	0.11	0.04	0.09	0.13
Investments, SEK million	67.7	78.5	34.9	23.0	17.5
Cash flow					
Cash flow from operating activities before changes in working capital	382,143	327,274	209,299	225,355	197,774
Operating cash flow	372,187	296,272	252,542	207,531	192,069
Cash flow from investing activities	-66,820	-78,536	-34,875	-22,993	-17,492
Cash flow from financing activities	-198,688	-196,543	-168,933	-172,604	-146,084
Cash flow for the year	106,679	21,193	48,734	11,934	28,493
Employees					
No. of employees, average	828	780	706	645	616
No. of employees at the end of the period ¹	876	820	746	674	638
Sales per employee, SEK million	1.9	2.0	1.9	1.8	1.8
Value added per employee, SEK million	1.5	1.4	1.2	1.2	1.2
The share					
Dividend/redemption per share ² , SEK	4.50	4.50	4.50	4.50	4.50
Dividend yield, %	0.7	1.1	1.4	2.3	2.8
Earnings per share, SEK	7.15	6.18	5.21	4.86	4.07
Earnings per share after dilution ³ , SEK	7.15	6.16	5.17	4.80	4.00
Cash flow per share, SEK	9.66	7.69	6.58	5.44	5.07
Cash flow per share after dilution ³ , SEK	9.66	7.69	6.55	5.39	4.99
Equity per share, SEK	23.25	21.22	18.98	17.34	16.21
Equity per share after dilution ³ , SEK	23.24	21.21	18.89	17.16	15.95
No. of shares on balance-sheet date ⁴	38,525,494	38,506,020	38,352,871	38,119,669	37,890,085
Average no. of shares	38,514,134	38,416,683	38,197,403	38,012,454	37,772,864
Share price at balance-sheet date, SEK	605.0	420.0	322.0	194.2	162.5
P/E ratio, multiple	84.6	68.0	61.8	40.0	39.9

¹ Refers to the number of employees excluding temporary employees.

² 2020/2021 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 92.

⁴ Adjusted for stock splits and bonus issues.

Share value growth

The share price was SEK 605 on April 30, 2021, corresponding to a growth in value of 44.0% over the fiscal year. Following the price trend over the past few years, Sectra's market capitalization exceeded EUR 1 billion and the Sectra share was moved up to the Large cap segment on Nasdaq Stockholm in January 2021.

The Sectra family is not only growing with new customers, we are also gaining more shareholders. There were 12,393 shareholders on the balance-sheet date, an increase of 30.9% over the fiscal year. 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.

Proposed 5:1 share split and share redemption program/dividend 2021

It is proposed that the 2021 Annual General Meeting (AGM) resolve on a share split whereby each share, regardless of class, be divided into five shares of the same class. The Board of Directors also proposes that the AGM resolve to transfer SEK 4.50 per share, SEK 173.4 million in total, to the shareholders via the same type of redemption process that has been used for the past ten years. No ordinary dividend is proposed. This proposal corresponds to a dividend yield of 0.7% based on the year-end share price. Combined with the price trend, this represents a total value growth of 45.1% for the Sectra share during the fiscal year.

The equity/assets ratio was 54.2% on April 30, 2021. 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. More information and a schedule will be available for investors on Sectra's website not later than August 24, three weeks prior to the AGM on September 14, 2021.

Share redemption program/dividend 2020

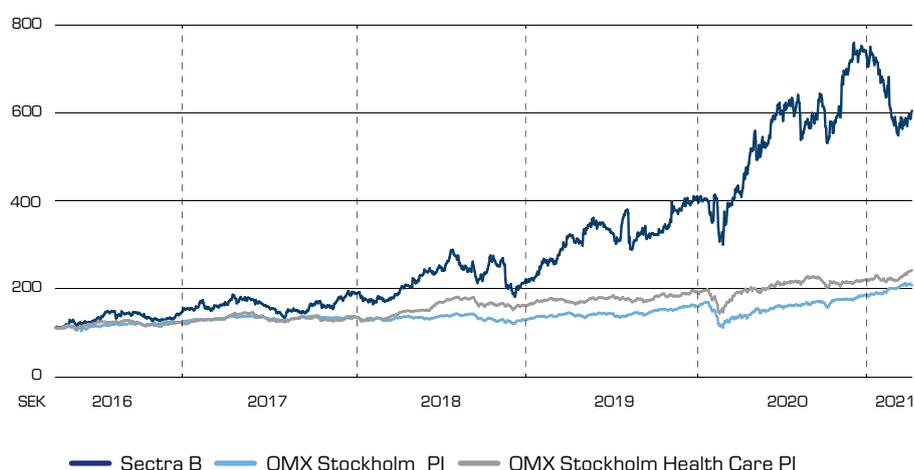
The 2020 AGM resolved to transfer SEK 4.50 per share, a total of SEK 173.3 million, to the shareholders through a share redemption program. Redemption was implemented in October 2020 through a 2:1 share split, combined with a mandatory redemption process and a stock dividend to restore the share capital. No ordinary dividend was paid.

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 2016–April 2021

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

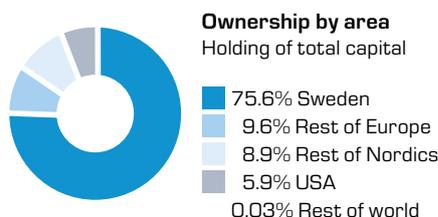
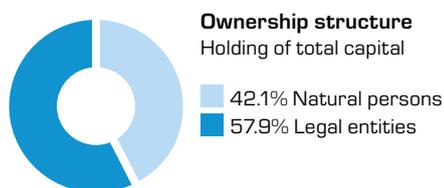


Share data	April 30, 2021	April 30, 2020
Market capitalization total no. of shares, SEK million	23,308	16,173
No. of shareholders	12,393	9,465
No. of shares	38,525,494	38,506,020
Closing price, SEK	605.00	420.00
52-week high, SEK	771.00	449.00
52-week low, SEK	404.00	281.00
52-week price trend, %	44.0	30.4
Stockholm Stock Exchange Total Index OMXSPI, 52-week trend, %	49.1	-3.3
Annual turnover rate	0.26	0.27
Annual average volume per day	37,241	39,225
Marketplace	Nasdaq Stockholm	
Ticker	SECT B	
ISIN code Class B share	SE0014609061	
Listing	March 3, 1999	
Segment	Large cap since January 2021	
Sector	Health Care	

Share capital development and number of shares

Date	Transaction	Change in share capital, SEK	Total share capital, SEK	Total no. of shares
Apr 30, 2020	Opening balance		38,506,020	35,506,020
Oct 6, 2020	Share redemption program—2:1 split	0	38,506,020	77,012,040
Oct 20, 2020	Share redemption program—share redemption	-19,253,010	19,253,010	38,506,020
Oct 20, 2020	Share redemption program—stock dividend	19,253,010	38,506,020	38,506,020
Dec 29, 2020	New share issue—redemption of convertibles	19,474	38,525,494	38,525,494
Apr 30, 2021	Closing balance		38,525,494	38,525,494

The total number of shares outstanding on the balance-sheet date was 2,620,692 Class A shares and 35,904,802 Class B shares. 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 62,111,722. For the share capital's development since the listing in 1999, visit investor.sectra.com/share-capital



Largest owners

The number of shares comprises direct shareholdings and holdings through related parties at April 30, 2021. For current holdings, see investor.sectra.com/shareholders

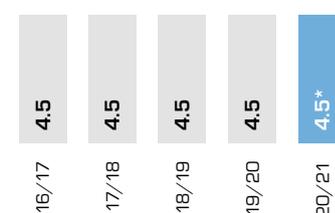
Shareholder	Class A shares	Class B shares	Capital	Votes
Torbjörn Kronander	465,620	2,638,711	8.1%	11.7%
Jan-Olof Brüer	465,622	2,614,831	8.0%	11.7%
Shannon AB*	623,686	458,364	2.8%	10.8%
SEB Investment Management	0	4,542,760	11.8%	7.3%
Frithjof Qvigstad	262,866	1,902,519	5.6%	7.3%
Nordea Investment Funds	0	4,525,969	11.7%	7.3%
Viiveke Fåk**	221,700	1,088,150	3.4%	5.3%
Robert Forchheimer**	202,203	1,178,104	3.6%	5.2%
Ingemar Ingemarsson**	221,347	34,683	0.7%	3.6%
Fjärde AP-fonden	0	1,882,592	4.9%	3.0%
Thomas Ericson	136,329	161,407	0.8%	2.5%
AMF Försäkring och Fonder	0	1,368,950	3.6%	2.2%
Swedbank Robur Fonder	0	1,150,792	3.0%	1.9%
JP Morgan Chase Bank NA	0	1,080,836	2.8%	1.7%
State Street Bank and Trust Co	0	646,647	1.7%	1.0%
15 largest shareholders	2,599,373	25,275,315	72.4%	82.5%
All other owners	21,319	10,629,487	27.6%	17.5%
Total	2,620,692	35,904,802	100%	100%

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

** Sectra's founders.

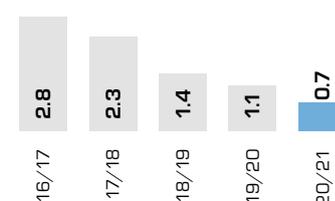
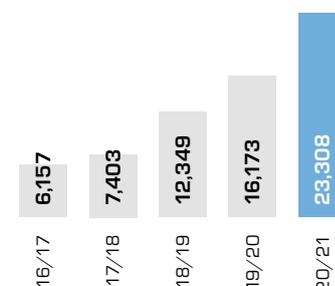
Source: Euroclear Sweden

DIVIDEND/REDEMPTION PER SHARE, SEK



* Board's proposal to the 2021 AGM (pertains to the amount before the completion of the proposed 5:1 share split)

DIVIDEND YIELD, %

MARKET CAPITALIZATION TOTAL
NO. OF SHARES, SEK MILLION

Analysts

The following analysts monitor Sectra and regularly publish analyses:

Carnegie
Kristofer Liljeberg

Danske Bank
Karl Norén

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]. For 2021, the AGM is scheduled for September 14.

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.

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"). 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.

Sectra's work methods and disclosure of information in 2020/2021 deviated from Rule 2.3 of the Code regarding the members of the Nomination Committee and an explanation for these deviations is presented under the heading Nomination Committee below. No

breaches of applicable listing regulations or good practice on the stock market regarding Sectra have been reported by Nasdaq Stockholm's disciplinary committee or the Swedish Securities Council disciplinary committee during the fiscal year.

Articles of Association

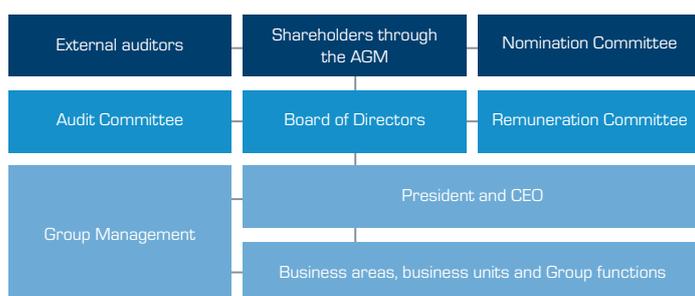
Sectra's Articles of Association are available on the Group's website at investor.sectra.com/articles-of-association. According to the Articles of Association, members of the Board of Directors are elected annually by the AGM. The Articles of Association do not contain any restrictions regarding the 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 38,525,494, distributed among 38,525,494 shares. Of these shares, 2,620,692 were Class A shares and 35,904,802 were Class B shares. All shares carry equal rights to the company's assets and earnings. 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 and the nomination proceedings for the election of the Board and auditor (see below).

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 of the AGM 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 at investor.sectra.com/general-meetings.

2020 AGM

The 2020 AGM was held on September 8 in Linköping, Sweden. Shareholders representing 87.6% of the voting rights and 75.6% of the shares outstanding were represented at the Meeting. The majority of shareholders exercised the option to participate by voting in advance. The Meeting was attended by all regular members of Sectra's Board of Directors, Sectra's President and CEO, CFO and the company's departing and incoming auditor. The Nomination Committee was represented by Jan-Olof Brüer.

The AGM adopted the submitted income statement and balance sheet and the consolidated income statement and balance sheet. The proposed appropriation of profits was approved. The members of the Board and the President were discharged from liability. The AGM also passed a resolution regarding Board fees and fees to the Audit Committee and the establishment of the Nomination Committee and the directives governing its work. The Board's proposed guidelines for remuneration to senior executives were approved.

The AGM re-elected Board members Anders Persson, Birgitta Hagenfeldt, Christer Nilsson, Jan-Olof Brüer, Jonas Yngvesson, Tomas Puusepp and Torbjörn Kronander. Fredrik Robertsson was elected as a new Board member and Jan-Olof Brüer was re-elected as Chairman. The Board also includes two employee representatives, with two deputies appointed by the local branch of the Swedish Association of Graduate Engineers at Sectra. See pages 60–61 for information about members of the Board.

The AGM also passed the following resolutions:

- To transfer SEK 4.50 per share, totaling SEK 173.3 million, to the shareholders through a 2:1 share split combined with a mandatory redemption process and bonus issue through a share redemption program. The redemption process was conducted in October 2020.
- To elect the public accounting firm Ernst & Young AB as the company's auditors with Andreas Troberg as Auditor in Charge and that auditors' fees be paid in accordance with approved invoices.
- To authorize the Board of Directors, during the period until the next AGM, to decide on new share issues of not more than 3,700,000 Class B shares. The purpose of the authorization is to facilitate the use of new share issues for financing market investments and acquisitions of companies or operations, to cover the costs arising as a result of the company's incentive programs and to constantly adapt the company's capital structure. On the

balance-sheet date, the Board of Directors had not utilized this authorization.

- To authorize the Board to resolve on repurchasing up to 10% of Sectra's own shares during the period until the next AGM. On the balance-sheet date, the Board of Directors had not utilized this authorization.
- To make amendments to the Articles of Association arising from changes in legislation.

Fees for 2020/2021

In accordance with the resolution of the AGM, an unchanged fee of SEK 450,000 was paid to the Chairman of the Board and a fee of SEK 225,000 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

Resolutions adopted by the AGM regarding election and remuneration matters are prepared by the company's Nomination Committee, whose members are appointed in accordance with decisions by the AGM. The 2020 AGM resolved to appoint a Nomination Committee comprising four members, of whom one was to be the Chairman of the Board and the remaining three were to be representatives of the company's major shareholders. In accordance with these principles, the Chairman of the Board contacted the largest shareholders in autumn 2020 to form a Nomination Committee tasked with preparing proposals ahead of the 2020 AGM. 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.

Before agreeing to the assignment, the members of the Nomination Committee assessed whether it would create a conflict of interest and notified the company that no conflict of interest existed. The members of the Nomination Committee were announced in a press release published on December 22, 2020 and on April 16, 2021 it was announced that SEB Investment Management would change its representative in the Nomination Committee. After the change, Sectra's Nomination Committee consists of 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.
- Elisabet Jamal Bergström 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.

President Torbjörn Kronander is a member of the Nomination Committee, which is a deviation from Rule 2.3 of the Code. The reason for the deviation is that Torbjörn Kronander, President of Sectra AB, is a major shareholders of Sectra AB and would otherwise find it difficult to combine the role as major shareholders with an active ownership role.

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.

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. 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.

Ahead of the 2021 AGM, shareholders have had the opportunity to submit proposals to the Nomination Committee, for example, via email investor@sectra.com. The Nomination Committee's proposals and explanatory statement is published not later than in conjunction with the notice of the AGM.

The 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 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 two deputies.

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. Sectra's Board has established an Audit Committee and a Remuneration Committee; refer to the table for information about the members of each committee.

For information regarding the current Board members' backgrounds, other assignments and holdings of shares and other securities in Sectra, refer to page 60–61.

Activities of the Board of Directors

In 2020/2021, the Board held 11 minuted meetings, one of which was the statutory meeting of the current Board on September 8, 2020. 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	11/11		No	No
Anders Persson	2004	11/11	Member of the Audit Committee	Yes	Yes
Christer Nilsson	2008	11/11	Chairman of the Audit Committee, Member of the Remuneration Committee	Yes	Yes
Jan-Olof Brüer, Chairman of the Board	2013	11/11	Chairman of the Remuneration Committee	Yes	No
Tomas Puusepp	2017	11/11		Yes	Yes
Birgitta Hagenfeldt	2018	11/11	Member of the Audit Committee	Yes	Yes
Jonas Yngvesson	2019	11/11		Yes	Yes
Fredrik Robertsson, appointed September 2020	2020	8/8		Yes	Yes
Employee representatives					
Bengt Hellman	2015	10/11		No	Yes
Filip Klintonstedt, appointed September 2020 and previous deputy	2019	7/11		No	Yes
Deborah Capello, stepped down September 2020	2014	4/4		No	Yes
Deputy employee representatives					
Andreas Örnéus	2018	1/11		No	Yes
Maja Modigh, appointed September 2020	2020	1/8		No	Yes

¹ Pertains to committee members as of the balance-sheet date on April 30, 2021.

Regular meetings 2020/2021	Themes and issues in focus
June	Year-end report, proposed appropriation of profits, Sustainability Report, Annual Report, Corporate Governance Report, employee survey, evaluation of remuneration of senior executives, proposals to the AGM, focus on the Orthopaedics business unit
September	Three-month interim report, contracts and insurance, US status, statutory meeting regarding the Board's formal work plan, the directive for the President, instructions for reporting
October	Strategy meeting focused on future business models and cloud-based services, results of the Board evaluation
November	Six-month interim report, risk analysis and Risk Management Policy, budget guidelines, focus on the Medical Education business unit, remuneration to the President
February	First draft of budget, unbundling of Business Innovation business units, focus on Secure Communications
March	Nine-month interim report, employees and salary survey, Financial Policy, evaluation of accounting function, goodwill and impairment testing
April	Budget and business plans, US status, competition analysis for Imaging IT Solutions

During the fiscal year, the Board devoted particular attention to the company's structure and focus areas, long-term financial and operational goals, material risks and risk management, competition analysis, major investments, share-based incentive programs, evaluation of acquisitions and other structural matters. The Board previously established ethical guidelines for Sectra's conduct in society, and sustainability topics are addressed every year at Board meetings. For information about key sustainability topics, refer to pages 70–78 of the Sustainability Report. 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 2020 evaluation.

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 four minuted 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 three members of the Committee attended all meetings and 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 management and the guidelines for remuneration of senior executives and remuneration reports that the AGM is legally obliged to establish. The Committee held five meetings during the fiscal year.

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 68 of the [Administration report](#)) and the salary policy established by the President. In June 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 will be available on the website not later than three weeks prior to the 2021 AGM.

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 Section 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 the President's background, education and holding of shares and other securities in Sectra, refer to page 60. 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 2020 AGM appointed 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 had auditing assignments at Sectra since the 2020 AGM. The previous external auditor was Grant Thornton, with Auditor in Charge Mia Rutenius.

The company's auditor participated in several of the Audit Committee's meetings and in the Board meeting at which the year-end report was presented, and communicated his observations and suggestions to the Board. In conjunction with the Board 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 2021. 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 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 93.

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 reexamines the need for a special auditing function on an annual basis.

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 76 and [Note 30](#) on page 105.

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 2020/2021 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

Birgitta Hagenfeldt
Board member

Anders Persson
Board member

Tomas Puusepp
Board member

Fredrik Robertsson
Board member

Jonas Yngvesson
Board member

Bengt Hellman
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, 2020 – April 30, 2021 on pages 54–59 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

Board of Directors



Jan-Olof Brüer

Chairman of the Board
Remuneration Committee Chairman

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

Sectra holdings: 777,465 Class A shares and 2,844,013 Class B shares

Board fees 2020/2021: SEK 450,000

Board member's independence: Independent in relation to the company and management. 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 armored troops and Honorary Doctor of Medicine from Linköping 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 Gärd och Förvaltning and others



Torbjörn Kronander

Board member
President and CEO Sectra AB

Born 1957/Elected 1988/Employed 1985

Sectra holdings: 777,463 Class A shares and 2,867,893 Class B shares

Board fees 2020/2021: 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 9.5% of capital
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—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 the Center for Medical Image Science and Visualization (CMIV), Ancylus OÜ, Shannon AB 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: 43,150 Class B shares
Board fees 2020/2021: SEK 275,000

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 Linköping 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: 8,832 Class B shares

Board fees 2020/2021: SEK 325,000

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

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: 2,000 Class B shares

Board fees 2020/2021: SEK 275,000

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 Försäkringsaktiebolaget Avanza Pension, RAM Rational Asset Management AB, RAM ONE AB, Pricerunner Group AB and Checkin.com Group AB



Tomas Puusepp

Board member

Born 1955/Elected 2017

Sectra holdings: Convertibles corresponding to 1,021 Class B shares

Board fees 2020/2021: SEK 225,000

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: Previously President and CEO and several senior positions at Elekta. Various positions at the Research Institute of Physics at Stockholm University, Scanditronix and Ericsson Board assignments for Elekta and others

Other posts: Board member of Permobil Holding AB, Implantica AG publ, Instoria Sweden AB och Instoria Invest AB



Fredrik Robertsson
Board member

Born 1967/Elected 2020

Sectra holdings: 0

Board fees 2020/2021: SEK 225,000

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: 20,597 Class B shares

Board fees 2020/2021: SEK 225,000

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



Bengt Hellman
Board member
Employee representative

Born 1980/Elected 2015/Employed 2014

Sectra holdings: 0

Education/Title: Master of Science in Information Technology

Position: Software developer, Imaging IT Solutions operating area



Andreas Örnéus
Deputy Board member
Employee representative

Born 1981/Elected 2018/Employed 2007

Sectra holdings: 0

Education/Title: Bachelor of Information Technology

Position: Reporting Solution Specialist, Imaging IT Solutions operating area



Filip Klintenstedt
Board member
Employee representative

Born 1981/Elected 2019/Employed 2008

Sectra holdings: 1,250 Class B shares

Education/Title: Master of Science in Information Technology

Position: Product manager, Imaging IT Solutions operating area



Maja Modigh
Deputy Board member
Employee representative

Born 1990/Elected 2020/Employed 2019

Sectra holdings: 0

Education/Title: Master of Science in engineering biotechnology

Position: Regional Manager and Enterprise Imaging Specialist, Imaging IT Solutions operating area

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2021. 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

Sectra holdings: One of the company's largest owners with 777,463 Class A shares and 2,867,893 Class B shares

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

Previous professional experience/assignments: 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 the CMIV research center, Ancylus ÖU, 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: 50,197 Class B shares and convertibles corresponding to 1,021 Class B shares

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

Previous professional experience/assignments: President of Sectra Skandinavien 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



Simo Pykälistö

President of Secure Communications operating area and Executive Vice President of Sectra AB

Born 1972/ Employed 2003

Sectra holdings: 33,600 Class B shares

Education/Title: Master of Science in Business and Economics

Previous professional experience/assignments: CFO of Sectra AB, CFO of Pronyx AB, Finance Director at CDT Nordic, Group Controller at M2 Engineering AB, Finance Manager at Kesko Svenska AB, Economist at OKO Bank

Other posts: Board member of Sunda Hus AB and Insurance Underwriting Agency ÖU, and others



Mats Franzén

Chief Financial Officer

Born 1969/ Employed 2016

Sectra holdings: 12,700 Class B shares

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

Previous professional experience/assignments: CFO of HTC Group AB, CEO of HTC Cleaning Technology AB Group, Finance Director of Toyota Industries Europe AB, Senior Group Accountant at BT Industries AB, Authorized Public Accountant and Head of PwC's Linköping office

Other posts: Board member of Terrasancta AB



Johan Carlegrim

General Manager Medical Education business unit

Born 1988/ Employed 2012

Sectra holdings: 2,000 Class B shares

Education/Title: Master of Science in Information Technology

Previous professional experience/assignments: Senior Product Manager in Sectra's medical operations



Gustaf Schwang

General Manager Orthopaedics business unit

Born 1976/ Employed 2017

Sectra holdings: 200 Class B shares

Education/Title: Master of Science in Information Technology

Previous professional experience/assignments: Director Special Accounts at Elekta AB and other senior positions at Elekta, Board member of Swecare Foundation, General Manager at Seaway Group, R&D Director at Nautor's Swan and others



Per Andersnäs

Chief Information Officer

Born 1962/Employed 1997

Sectra holdings: 525 Class B shares

Education/Title: Master of Science in Information Technology

Previous professional experience/assignments:

Product Development, Director Imaging IT Solutions operating area and others, senior positions in Sectra's medical operation



Lisa Everhill

Chief People and Brand Officer

Born 1979/Employed 2006

Sectra holdings: 2,774 Class B shares and convertibles corresponding to 204 Class B shares

Education/Title: Master of Science in Business Administration

Previous professional experience/assignments:

Market Communication and Investor Relations Manager and other senior positions in Sectra's medical operation



Claes Lundström

Chief Research Officer

Born 1973/Employed 1997

Sectra holdings: 6,563 Class B shares and convertibles corresponding to 613 Class B shares

Education/Title: PhD (Technology)

Previous professional experience/assignments:

Product Development Project Manager and others, senior positions in Sectra's medical operation

Other posts: Consulting Professor, Center for Medical Image Science and Visualization (CMIV)



Staffan Bergström

Senior Executive Vice President, Imaging IT Solutions operating area

Born 1962/Employed 1988

Sectra holdings: 152,195 Class B shares

Education/Title: Licentiate of Science

(Technology), Master of Business Administration

Previous professional experience/assignments:

Other senior positions in Sectra's medical operation

Other posts: Board member of Mirantum AB

The number of shares comprises direct shareholdings, holdings through related parties and legal entities on the balance-sheet date of April 30, 2021. Torbjörn Kronander's holdings include 50% of a holding through a legal entity owned jointly with Board member Jan-Olof Brüer.

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

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, 2020 to April 30, 2021. 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. The statutory sustainability report is included in the Sustainability Report.

Statement

The information in this Annual Report is such that Sectra is obliged to make public in accordance with the Securities Market Act. Sectra published the year-end report for the 2020/2021 fiscal year on June 2, 2021 at 08:15 a.m. through a press release, and the report was published on Sectra's website. The Annual Report was announced via a press release and published on the website on July 1, 2021.

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 report is presented on pages 54–63 of this Annual Report.

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 refers to Sectra's joint functions of administration, Group finances, IT, regulatory affairs, recruitment, people and brand, investor relations activities and the Group's financing activities.

Our 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](#)).

New subsidiaries

The Medical Education and Orthopaedics business units within Business Innovation are included in the Parent Company's reporting until April 30, 2021. After this date, both units will be run as separate subsidiaries.

Acquisitions in the previous fiscal year

The assets of the Swedish IT security company Columbitech AB, including the shares in its US subsidiary Columbitech Inc., were acquired during the 2019/2020 fiscal year. For more information, refer to [Note 14](#).

Significant events

2020/2021 fiscal year

- The Group's net sales declined 1.7% to SEK 1,632.4 million (1,661.1). Based on unadjusted exchange rates, net sales increased 3.4%. Although currency effects and the COVID-19 pandemic have temporarily dampened sales in some markets, demand for Sectra's offering is growing. The Group's order bookings increased 46.0% to a record-breaking SEK 2,651.6 million.

- The Group's operating profit increased 18.6% to SEK 350.1 million (295.3). Based on unadjusted exchange rates, the increase was 32.2%. 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 24.
- Through a share redemption program totaling SEK 173.3 million, SEK 4.50 per share was distributed to shareholders in October 2020.

After the balance-sheet date

- The Board of Directors and the President propose that the 2021 AGM resolve on a share split whereby each share, regardless of class, be divided into five shares of the same class.
- It was also proposed that the AGM resolve that SEK 4.50 per share be transferred to the shareholders through a share redemption program (or SEK 0.90 per share after the completion of the 5:1 share split proposed by the Board for resolution by the AGM; refer to page 79). No ordinary dividend is proposed.

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. We are 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.

Our possibilities for growth are strong in all operating areas for the foreseeable future, even though COVID-19 might result in temporarily dampened demand in certain markets. Read more about risks and uncertainties on page 76. With our work and investments in the field, and innovation that has the potential to increase customer value, we are creating value for our customers and are thus helping to make society healthier and safer. This customer value is the foundation of Sectra's success, and also determines how we successfully create shareholder value and returns for our owners.

Effects of the COVID-19 pandemic

The pandemic has affected Sectra's markets. To reduce the spread, many customers have shifted work to employees' home offices. This applies to customers active in the area of healthcare as well as government agencies and defense organizations. Home workspaces place increased demand on data security and require supplementing existing installations with new functions specifically aimed at online collaboration. For Sectra, this has led to a temporary upswing in demand for some of our solutions. This includes mobile crypto solutions as well as IT systems that permit radiologists and pathologists to review and collaborate around cases remotely, and also for solutions that enable education for medical students to continue remotely when universities close.

At the same time, our customers are prioritizing what is absolutely necessary for the moment. In certain cases, this results in the postponement of planned projects or to purchasing departments putting ongoing procurements on hold. Though this entails delays, we also have projects that have progressed more rapidly than planned. In addition, the sharp downturn in elective healthcare in certain cases has led to a drastic loss of revenue for customers, primarily in privately run hospitals. This ultimately affects their ability to pay and

several healthcare providers have imposed temporary freezes on investments. This has led to increased interest in Sectra One, our new pay-per-use subscription model. The effects of the pandemic are currently smaller in publicly financed markets, but lower tax income may have consequences in a few years.

Despite the great tragedy society is experiencing owing to the pandemic, the long-term changes mean increased need for enhancing efficiency and business development. Both we and our customers are acquiring know-how for new ways of working remotely, and we are seeing new product opportunities. This could lead to changed and more efficient approaches after the COVID-19 pandemic as well.

Overall, the pandemic has promoted greater uncertainty than normal, which means that predicting what effects it will have on Sectra's financial performance going forward will be unusually difficult. Regional and national restrictions continue to apply to various extents. Places with stringent restrictions face an increased risk of delivery delays, which could lead to significant variations in financial outcomes between quarters.

The Sectra Group is relatively well equipped to manage the uncertainty based on a strong financial position, positive cash flows and a significant share of recurring revenue. We have neither needed nor received any support in the form of reduced rent, furlough assistance or business transition support. No need for impairment is deemed to exist owing to the pandemic.

Financial overview, Group

Performance measures

	2020/2021	2019/2020	Change %
Order bookings, SEK million	2,651.6	1,816.0	46.0%
Net sales, SEK million	1,632.4	1,661.1	-1.7%
Operating profit, SEK million	350.1	295.3	18.6%
Net financial items, SEK million	-1.8	7.7	n/a
Profit before tax, SEK million	348.2	303.0	14.9%
Profit after tax, SEK million	275.5	237.4	16.0%
Operating margin, %	21.4	17.8	n/a
Profit margin, %	21.3	18.2	n/a
Earnings per share before dilution, SEK	7.15	6.18	15.7%
Cash flow per share, SEK ¹	9.66	7.69	25.6%

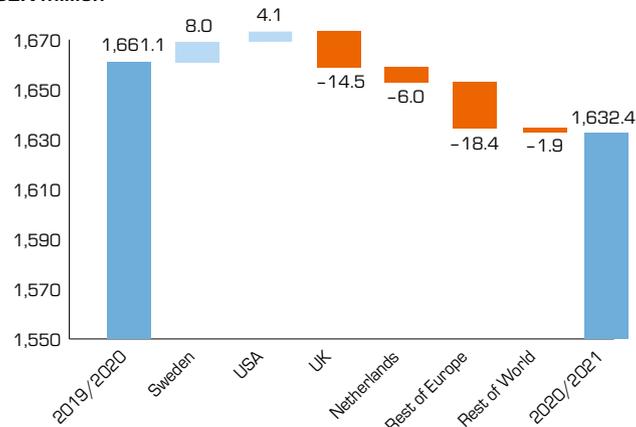
¹ Cash flow from operations after changes in working capital.

Comments on order bookings, sales and earnings

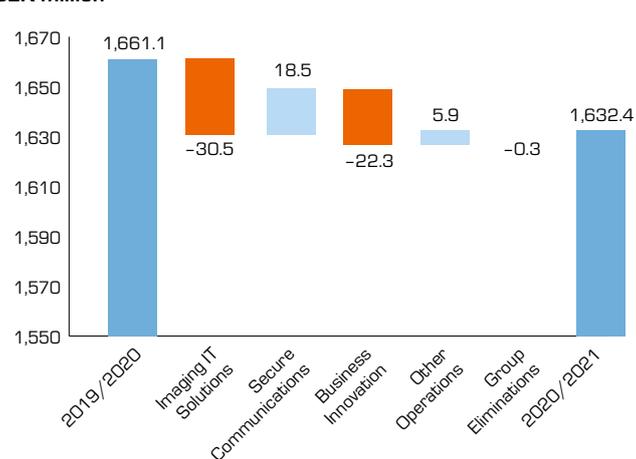
Order bookings rose 46.0% to SEK 2,651.6 million. This outcome includes several major long-term agreements, which contribute to long-term stability, but also lead to significant variations in order bookings and financial outcome between different periods. Imaging IT Solutions and Secure Communications contributed to the growth. Geographically, the operations in Norway, the UK and the US accounted for the largest individual increases compared with the preceding fiscal year. The ratio of order bookings to net sales for the latest rolling 12-month period increased to 1.62, up from 1.09 at the end of 2019/2020.

The Group's net sales declined 1.7% to SEK 1,632.4 million compared with the previous fiscal year. Major currency fluctuations

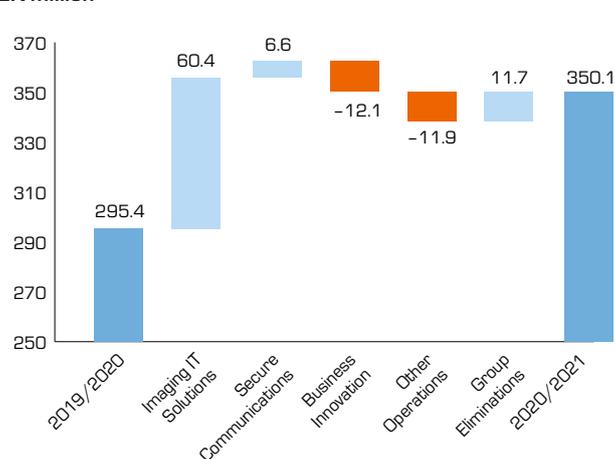
Sales trend per geographic market SEK million



Sales trend per operating segment SEK million



Earnings trend per operating area SEK million



(refer to [Note 30](#)) and limited possibilities to deploy customer projects in certain regions due to pandemic restrictions had an impact on the outcome. Based on unadjusted exchange rates, net sales increased 3.4% (14.7). 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. Currency fluctuations had the largest negative effect on Imaging IT Solutions, whose outcome based on unadjusted exchange rates increased compared with the preceding fiscal year. Secure Communications continued to report sales growth, while Business Innovation was impacted by the pandemic to a greater degree. Markets with a high share of new sales have been affected by the pandemic restrictions to a greater extent, which entails larger variations between quarters in countries such as the Netherlands, the rest of Europe and the US. Markets where Sectra has a high share of recurring revenue, such as Sweden, have not been affected to the same degree. In the UK, service sales increased but lower revenue from the product group hardware and third-party products had the opposite effect on the outcome.

The Group's operating profit rose 18.6% to SEK 350.1 million. Based on unadjusted exchange rates, operating profit increased 32.2% (19.2) compared with the comparative year. The operating margin amounted to 21.4%, which exceeded Sectra's financial goal of 15%. Earnings were strengthened by sales with somewhat higher gross margins, but primarily by the fact that operating expenses were lower than in the comparative year. The earnings effect of increased personnel costs was offset by temporarily lower costs for travel and trade fairs due to pandemic restrictions.

The Group's net financial items amounted to an expense of SEK 1.8 million (income: 7.7). This change is mainly a result of major currency fluctuations, with the SEK strengthening against the USD and GBP. Currency fluctuations had a negative impact of SEK 7.1 million (pos: 3.7) on financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact. Profit after net financial items increased 14.9% to SEK 348.2 million. This corresponds to a profit margin of 21.3% (18.2). The main reason for the improved profit margin is that the negative impact of currency fluctuations was offset by lower operating expenses due to COVID-19 restrictions. Profit after tax increased 16.0% to SEK 275.5 million, corresponding to earnings per share of SEK 7.15 (6.18).

Financial position and cash flow

The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 454.9 million (345.3). The Group's debt/

equity ratio was 0.08 (0.11). A convertible loan totaling SEK 3.5 million was converted to shares during the fiscal year (refer to [Note 3](#)). Interest-bearing liabilities on the balance-sheet date amounted to SEK 73.5 million (87.4), of which SEK 70.5 million (80.9) pertained to lease liabilities according to IFRS 16 and SEK 2.9 million (6.5) pertained to convertible loans held by employees and Board members.

The Group's cash flow from operations increased to 372.2 million (296.3) for the fiscal year. The change was mainly due to increased operating profit and a decrease in tied-up capital. Cash flow per share amounted to SEK 9.66 (7.69).

The Group's total cash flow was SEK 106.7 million (21.2). This result includes a distribution of SEK 173.3 million (172.6) to the shareholders through the share redemption program. Excluding the share redemption program, total cash flow amounted to SEK 280.0 million (193.8).

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

Group investments amounted to SEK 67.7 million (78.5). Investments for the fiscal year pertained primarily to development costs for medical imaging IT, which have been capitalized. The results for the comparative year include purchasing rights for software and the acquisition of assets in Columbitech AB.

Capitalized work for own use increased 13.4% to SEK 47.4 million (41.8), of which SEK 47.4 million (36.9) pertained to capitalized development costs. Increased activity in ongoing development projects was reported mainly in Imaging IT Solutions. Amortization of capitalized development projects amounted to SEK 31.9 million (28.4). At the end of the fiscal year, capitalized development costs totaled SEK 137.7 million (111.0).

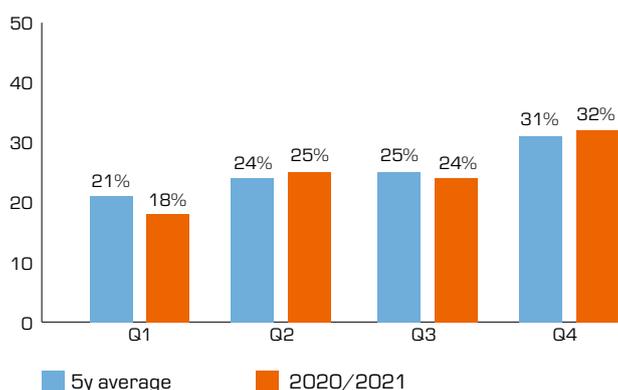
Total depreciation, amortization and impairment amounted to SEK 83.1 million (79.7), of which SEK 24.6 million (22.0) pertained to depreciation of right-of-use assets according to IFRS 16. Impairment amounted to SEK 4.2 million during the fiscal year, of which SEK 2.2 million pertained to the acquisition of Columbitech in 2019 and SEK 2.0 million to the acquisition of RxEye in 2016.

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 201.8 million (205.5).

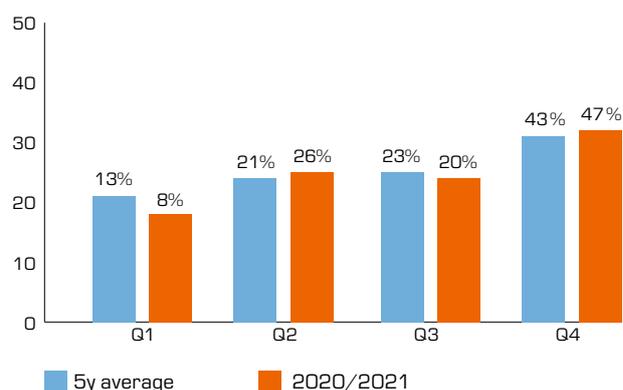
Seasonal variations

Sectra has seasonal variations, stemming from many customers wanting to go live before the relatively calm summer period. These seasonal variations entail that most of the company's invoicing and

Share of net sales per quarter, seasonal pattern



Share of operating profit per quarter, seasonal pattern



earnings have traditionally been generated at the end of the fiscal year. Over the long term, the new Sectra One subscription model for software licenses will enable more balance between quarters, but it is believed this will not have a major effect over the next few years. The variation in order volumes in individual quarters can also be substantial when customers sign major multiyear agreements with the company, for example, for medical IT projects or encryption systems.

Financial overview, operating areas and Parent Company

Imaging IT Solutions

For 2020/2021, Imaging IT Solutions reported historically high order bookings, primarily driven by new customer sales of region-wide solutions for major healthcare providers that provide care for millions of patients. The operating area's strong order bookings led to intense pressure when it came to installing and deploying customer projects. Deliveries have largely gone according to plan, but our installation capacity and timing in some countries were affected by pandemic restrictions. Together with currency fluctuations, this dampened sales. Net sales for the fiscal year totaled SEK 1,397.7 million (1,428.2), corresponding to a decrease of 2.1%. Operating profit rose 19.0% to SEK 378.0 million (317.6), corresponding to an operating margin of 27.0% (22.2). The positive operating margin was mainly attributable to temporarily lower operating expenses driven by limitations on travel and trade fair activities due to pandemic restrictions as well as a higher gross margin as a result of lower costs related to purchases of third-party products.

Read more about the operating area on page 30.

Business Innovation

In 2020/2021, sales for Business Innovations amounted to SEK 55.8 million (78.1), down 28.6% from the comparative year. Operating profit amounted to SEK 0.8 million (12.9). The outcome was palpably affected by the consequences of the pandemic, which among other things has led to a sharp downturn in planned healthcare. For some customers, particularly private operators within orthopaedics, this has entailed reduced volumes and, consequently, a significant loss of revenue. Nor was an upswing in sales of solutions and services that enable remote medical education sufficient to offset the decline in sales, for example in Asia and South America, caused by the pandemic. At the same time, a transition to pay-per-use is under way, which will initially have a negative impact on sales in both business units. New payment models with per-use invoicing will result in higher recurring sales and thus an improved outlook going forward.

Read more about the operating area on page 37.

Secure Communications

Demand for Secure Communications' services and products remains strong and order bookings have almost doubled compared to the preceding fiscal year. The increase pertains mainly to orders of products and services from customers in the Netherlands, Sweden and the rest of Europe. Sales for 2020/2021 increased 9.8% to SEK 207.8 million (189.3), even though the pandemic entailed difficulties in completing physical deliveries. All customer segments are growing. However, the majority of the increase derived from sales from approved crypto products that protect information essential to the security of critical social functions. Operating profit amounted to SEK 9.5 million (2.9), up 227.6%. The operating margin increased to 4.6% (1.5). This positive operating profit trend is primarily due to increased sales and a higher share of product and service deliveries, which have a higher operating margin than project-based development projects.

Read more about the operating area on page 44.

Other Operations and Parent Company

Sales from Other Operations are mainly intra-Group in nature and amounted to SEK 74.5 million (68.6). An operating loss of SEK 38.3 million (loss: 26.4) 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

On the balance-sheet date, Sectra's share capital totaled SEK 38,525,494, distributed among 38,525,494 shares. Of these shares, 2,620,692 were Class A and 35,904,802 were Class B shares. These figures include a new share issue due to the conversion of convertibles (2016/2020 program) during the fiscal year corresponding to 19,474 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.

As of the publication date of this report, on full exercise of outstanding convertibles, the number of Class B shares will increase by 7,968, corresponding to less than 0.1% of the share capital and 0.1% of the voting rights in the company. See [Note 3](#) for more information. These figures include the effects of recalculations of the conversion price for outstanding convertible programs due to Sectra's share redemption program.

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.

Major shareholders

On the balance-sheet date, Sectra had 12,393 (9,465) shareholders. Of these, the following shareholders had direct and indirect holdings comprising more than 10% of the number of votes for the total number of shares in the company 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 17.1% of the voting rights.

Authorization

The 2020 AGM authorized the Board of Directors, during the period until the next Annual General Meeting, to decide on a new share issue of not more than 3,700,000 shares. The purpose of the authorization was to facilitate the use of new share issues for financing market investments and acquisitions of companies or operations, to cover the costs arising as a result of the company's incentive programs and to constantly adapt the company's capital structure. The AGM also authorized the Board to resolve to buy back, or divest, Sectra's own shares. A condition for this authorization is that the holding of treasury shares at no time exceeds 10% of all shares in the company. On the balance-sheet date, the Board had not utilized either of these authorizations.

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. Compared with the guidelines adopted by the 2019 AGM, these guidelines were developed and updated to meet the new requirements following from Chapter 8, Sections 51–53 of the Swedish Companies Act. 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 Sectra's latest Annual Report 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) 6 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 6 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.

Sustainability report

Sectra's operations are based on solving major societal challenges. We provide high-quality solutions to our customers to allow them to provide 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 our sustainability work is our vision and our corporate culture, where corporate responsibility permeates everything that we do.

Through our business models and 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. These sections are supplemented below by detailed descriptions of governance, processes, risks and risk management as well as result indicators for our work on various sustainability issues. We provide 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. In addition, there is a sustainability index inspired by the Global Reporting Initiative (GRI) Index on page 113.

Statutory sustainability report

The Sustainability Report includes the statutory information on sustainability. The Sustainability Report has been prepared in accordance with the provisions in Chapters 6–7 of the Swedish Annual Accounts Act and is available on pages 13–25 and 70–78. The Report encompasses the Parent Company Sectra AB (Corporate Registration Number 556064-8304) and all entities included in Sectra's consolidated financial statements for the 2020/2021 fiscal year. Refer to [Note 13](#) on page 99. The auditor's statement on the Sustainability Report is included in the auditor's report on pages 110–112.

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.

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 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 has a management system, The Sectra Way, which encompasses policies, processes and procedures necessary for managing the companies in the Group. For the purpose of governing sustainability efforts, we have prepared various policies and processes in the management system. Goals and result indicators have been determined for key sustainability areas identified through the risk analyses included in our processes:

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

In 2020/2021, we further developed our management by objectives and introduced Objectives and Key Results (OKR)—a method for managing the change goals of our operations. This method 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.

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. 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



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Transparency Partner

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 54–63.

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 confidential 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

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 quality, 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).

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 European directive for CE marking, the Medical Devices Regulation (EU 2017/745), and 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.

In accordance with standards and other regulations, Sectra follows procedures designed to continuously improve 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 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.

CUSTOMER SATISFACTION

Governance

The procedure for measuring and monitoring customer satisfaction

Responsible:

Brand Manager, Operations managers and country operation 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



Results of policies and procedures

Customer feedback on Sectra reflects high-quality deliveries and high customer satisfaction

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 annual reviews by external certifying auditors

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



Results of policies and procedures

High level of quality and product safety

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
- having effective recovery procedures.

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. 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 annually. 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

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



Results of policies and procedures

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

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.

Social conditions and employees

Sectra offers a workplace with an attractive work environment and competitive terms. We support all of our employees' professional development and ensure their health, safety and well-being as well as dedication. Having satisfied and dedicated employees is closely connected with customer satisfaction, 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 included in HR management procedures as well budget and forecast processes, which are part of the management system's planning process. During recruitment, there is a process to help managers make decisions and evaluate candidates based on abilities and attitude, rather than on what they already know. 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 Master Thesis projects and summer jobs as well as company evenings. We measure our attractiveness through our employee Net Promoter Score (eNPS) among existing 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. We have processes and 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 help to ensure that employees have the correct skills for their role and their duties. There are several 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 healthcare personnel, for example through guest lectures at universities.

In 2020/2021, initiatives were made to globalize and improve training for new employees in select roles close to customers. This is to ensure that new employees quickly meet regulatory requirements and customer expectations. We also improved our leadership support by developing a training program for managers who will be supervising other managers for the first time. The program will start in the next fiscal year.

Work environment

The Group takes a proactive approach to occupational health and safety issues. We are keen to ensure that employees do not experience high levels of long-term stress that could be detrimental to their health and well-being. This is achieved through flexible working conditions and by allowing employees to influence their work situation to the greatest extent possible. Examples of work environment goals:

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

Key figures, employees

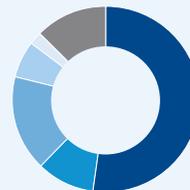
20%

Percentage of women in Group Management

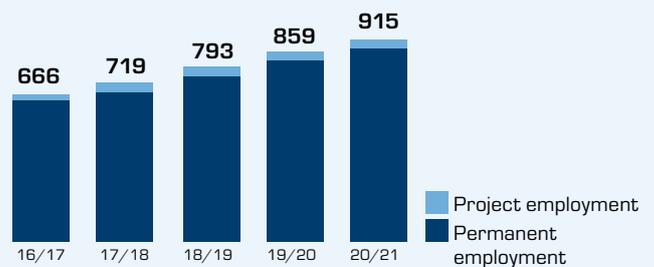
30%

Percentage of female employees

Distribution of employees by country



Number of employed as of the balance-sheet date



Sectra’s personnel have extensive expertise and a solid educational background. 87% of its employees have a university degree and many have completed postgraduate studies.

Read more in [Note 3](#).

- 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 conduct systematic health and safety risk assessments that encompasses both the physical and social work environments. This includes identifying risks and deciding on measures to take. Work environment matters and incident reporting are followed up based on the rules in each country.

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.

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)

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

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

Result indicator

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



Results of policies and procedures

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

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 established a Code of Conduct that 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. 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 partner or the agreement itself could be taken over by Sectra, making it clear to the counterparty in question that Sectra treats such breaches with the utmost seriousness. There is a follow-up every year, which can lead to a more detailed review as needed. Reviewing external partners is part of the annual management review, and is regulated in Sectra's management system. In addition, regulatory audits are conducted regularly via a selection in accordance with procedures in the management system.

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. Given that our operations are conducted by employees primarily located in Europe and North America, and that we have a limited number of suppliers and partners, our assessment is that the risk of human rights violations is low.

Working to promote human rights in all parts of Sectra's operations is of the utmost importance to us, 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, workers under the age of 18 being exposed to dangerous conditions or other failures to comply with human rights. We are also aware of new EU legislation that entered into force in 2021, which entails that companies need to conduct due diligence to identify, prevent, mitigate and report how the impact of human rights is managed according to the UN’s Guiding Principles on Business and Human Rights.

Taxes

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 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. Neither company management nor the Board received any indication of instances of corruption during the fiscal year.

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 in 2020/2021, according to the 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
- Whistleblower policy
- 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



Results of policies and procedures
 Responsible, ethical business conduct

Environmental impact

Sectra’s environmental work is characterized by consistent environmental consideration and continuous improvement processes in respect of climate impact and resource use. None of the Group’s operations are deemed to have a significant negative impact on the environment. Its activities are largely comparable with working in a traditional office environment. This means that our external environmental impact is very limited, which is why we do not report any key performance indicators in this area. We have, however, established an environmental policy (see investor.sectra.com/sustainability) and an environmental plan for the operations. 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.

Internal environmental impact

The company endeavors to ensure that its workplaces and premises are environmentally friendly and can save energy and resources by using technical equipment that is modern, green and energy efficient. 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.

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, the Group’s external suppliers are large, global companies with processes and policies in place for key sustainability issues.

From an environmental perspective, the digital radiology systems that Sectra develops, for example, are highly advantageous. By enabling remote viewing, these systems help to reduce the number of patient trips and 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 business operations are identified and estimated, our environmental policy for managing our environmental impact and compliance with obligations and requirements, 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. Currently, there is only incomplete data for the Swedish operations. In 2020, CO₂ emissions from business travel using company cars increased year-on-year. This was due to greater use of cars for travelling safely for business, and thereby avoiding the spread of COVID-19. At the same time, travel by air and other modes of transport declined, which probably reduced total emissions. However, this cannot be reported since we do not measure such emissions.

CO ₂ emissions, metric ton	2020	2019
Business travel, scope 1 ^a	23	13
Energy consumption, scope 2 ^b	122	122
Total	146	135

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

^{b)} Scope 2 encompasses electricity as well as district heating and cooling for offices and corporate apartments in Sweden. The electricity comes from 100% renewable sources.

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

Business and financial risks are analyzed continuously and measures to reduce the Group's risk exposure are taken as needed. The Board and company management conduct an annual review of risks and risk management. The risks judged to have a risk index of moderate or high are described below. A green asterisk [●] 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. A blue asterisk [●] indicates financial risks. Read more about how the company assesses these risks in [Note 30](#) on page 105 under Risks and risk management.

RISKS WITH MODERATE OR HIGH RISK INDEX SCORE	MEASURES TO LIMIT RISK
(Risk index score = assessed probability multiplied by assessed financial impact)	
<p>Deviations from the Code of Conduct Risk level: Moderate</p> <p>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.</p>	<p>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 partners and specific audit procedures for selected subsidiaries each year.</p>
<p>Dependence on specific individuals Risk level: Moderate</p> <p>There are a number of key roles at Sectra that are difficult to replace and whose loss would lead to relatively significant difficulties both in terms of contacts with customers and with respect to knowledge about systems, processes or products.</p>	<p>Continuous development of documentation, role descriptions, instructions and similar as well as succession planning and back-ups in specific parts of the organization.</p>
<p>Not attracting and/or retaining the right people Risk level: Moderate</p> <p>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.</p>	<p>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 72 and the employee strategy on page 18.</p>

RISKS WITH MODERATE OR HIGH RISK INDEX SCORE	MEASURES TO LIMIT RISK
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(Risk index score = assessed probability multiplied by assessed financial impact)

Leaks of confidential information and cybersecurity threats

Risk level: Moderate

Employees of the company are exposed to, or have access to, confidential information. As a result of IT advances and a growing number of cybersecurity breaches in society, there is now a greater risk that important confidential information belonging to Sectra and its customers could be exposed. Leaks of confidential information could impact customer confidence in the company, have a serious effect on the company's sales and result in fines or compensation claims.

Confidentiality agreements are signed with all employees and consultants. Employees and consultants working in the Secure Communications business area also undergo security checks and are provided with mandatory training for handling confidential defense information.

Internal security directives and relevant ISO certifications are implemented. Internal training, security tests and monitoring are conducted regularly. For more information, refer to "Information security and data protection" on page 72.

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 mobile telephony.



Legal risk connected to protection of data and personal privacy

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. At the same time, hostile actors and their methods have become more advanced and Sectra's operating areas are more vulnerable. This has resulted in increased legal risks connected to unauthorized access to Sectra's data and that of our customers, damage to the brand due to incorrect use of personal data and higher costs for compliance with regulations and protection of data.

Risk analyses are carried out for data processing regarding all cloud 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 data protection" on page 72.



Patient security and integrity

Risk level: Moderate

The medical IT systems developed and sold by Sectra may impact patient security and health. Along with an increase in the number of cybersecurity incidents around the world, new and stricter requirements from local authorities and the EU have contributed to higher risk. An incident relating to patient security or the loss of patient information may result in consequences for patients, a loss of customers, reduced sales and fines or compensation claims.

The company's products are developed, manufactured, marketed, sold and maintained in accordance with quality-control procedures and processes. For more information, refer to the heading Quality and product safety on page 71. After its products are delivered to customers, Sectra follows quality-control procedures designed to improve the safety and clinical effectiveness of its products. Incidents involving products are investigated systematically in order to identify the underlying causes. Based on these investigations, corrective or preventive measures are taken for the products in question and, in certain cases, reports are submitted to the relevant authorities. Sectra's products are evaluated by such organizations as the FDA in the US, which reduces the company's patient security risk. Internal and external audits are also performed on a regular basis.



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 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 clear.

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. 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.



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 2020/2021, currency fluctuations had a negative impact on the Group's operating profit. See the description of the financial outcome in the administration report.



THE COVID-19 PANDEMIC

Risks and uncertainties

- Our customers' decisions in ongoing procurements or planned installation projects will be delayed owing to other necessary priorities.
- The effects of the pandemic will lead to serious socioeconomic consequences globally, as a result of which customers will impose temporary halts to investments.
- Employees (or their families) will fall ill with COVID-19
- Limitations in the form of closed borders as well as restrictions on travel and public gatherings will remain for a long time to come.
- Disruptions to supply chains or deficiencies in third-party products.
- Potential increases in currency volatility.

Potential consequences for Sectra that could impact future financial outcomes

- Delays in installation projects.
- Temporary pauses in procurements.
- Temporarily decreased demand for Sectra's products.

Examples of measures Sectra has taken

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

The COVID-19 pandemic

Uncertainty concerning the short-term financial development of the operations is greater than normal due to the COVID-19 pandemic, and it is not possible to gain an overview of the long-term consequences the pandemic might have. Regional and national restrictions continue to apply to various extents. Places with stringent restrictions face an increased risk of delivery delays, which could lead to significant variations in financial outcomes between quarters. However, Sectra is relatively well equipped to manage the uncertainty based on a strong financial position, positive cash flows and a significant share of recurring revenue. Read more under "Effects of the COVID-19 pandemic" on page 64.

Brexit

The UK left the EU in 2020 and our assessment remains that Brexit will not significantly impact Sectra's operations. As of January 1, 2021, the relationship between the EU and the UK is governed by the new EU-UK Trade and Co-operation Agreement. The uncertainty that primarily concerns Sectra is linked to GDPR and the possibilities of sharing personal data with third countries, primarily owing to the Schrems II ruling by the EU Court of Justice. We have planned and implemented measures to ensure we can maintain support for the products developed in the UK and sold internationally, even in the event that the EU decides that the UK's data protection laws are not sufficient to continue sharing data in the same way as between the EU member states.

Approval of reports

Pursuant to a Board decision on June 30, 2021, the consolidated financial statements have been approved for publication and will be presented to the AGM for adoption on September 14, 2021.

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

Share premium reserve	131,908,281
Retained earnings	23,430,023
Net profit for the year	195,864,715
	351,203,019

Proposed appropriation of profits

The Board and President propose that the profits be appropriated so that SEK 351,203,019 is carried forward. In addition, it is proposed that the AGM resolves that SEK 4.50 per share be transferred to the shareholders (or SEK 0.90 per share after the completion of the 5:1 share split proposed by the Board for resolution by the AGM) through a 2:1 share split, combined with a mandatory redemption process and a bonus issue to restore the share capital. This entails a transfer of SEK 173,364,723 to the company's shareholders. The corresponding distribution to the shareholders in the preceding year was SEK 4.50 per share. No ordinary dividend is proposed.

The proposal is in line with Sectra's dividend policy. 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 brought by the COVID-19 pandemic; refer to Risks and risk management on page 76. With a strong financial position, positive cash flow and significant recurring revenue, Sectra is well equipped to manage the uncertainty resulting from the pandemic.

At the end of the fiscal year, the Group's equity/assets ratio was 54.2%. The dividend policy and Sectra's financial goals state that the equity/assets ratio is to exceed 30%, and it will continue to do so, by a healthy margin, following a resolution in favor of the Board's proposed redemption process. Additional information regarding the proposed share split and mandatory redemption process will be published in the notice of the AGM and the full proposal to the AGM.

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.

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

Bengt Hellman
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	2020/2021	2019/2020
Operating income			
Net sales	2	1,632,427	1,661,138
Capitalized work for own use		47,382	41,757
Reversal of contingent consideration		2,871	8,873
Other operating income		1,161	3,714
Total income		1,683,841	1,715,482
Operating expenses			
Goods for resale		-196,167	-248,305
Personnel costs	3	-854,518	-815,176
Other external costs	4, 5	-199,967	-276,979
Impairment of intangible assets and goodwill	10	-4,194	-7,443
Depreciation of tangible assets	11	-17,464	-16,191
Amortization of intangible assets and goodwill	10	-36,867	-34,051
Depreciation of right-of-use assets	12	-24,588	-21,989
Total operating expenses		-1,333,765	-1,420,134
Operating profit		350,076	295,348
Financial items			
Interest income and similar profit/loss items	6	7,094	10,437
Interest expenses and similar profit/loss items	7	-8,925	-2,748
Total financial items		-1,831	7,689
Profit after financial items		348,245	303,037
Taxes	9	-72,732	-65,683
Net profit for the year		275,512	237,354
Attributable to:			
Parent Company owners		275,512	237,354
Earnings per share, SEK			
Before dilution		7.15	6.18
After dilution		7.15	6.16
No. of shares on balance-sheet date			
Before dilution		38,525,494	38,506,020
After dilution	3	38,533,462	38,533,253
Average no. of shares before dilution		38,514,134	38,416,683
Average no. of shares after dilution	3	38,533,340	38,531,852

Consolidated statement of comprehensive income

SEK thousand	Note	2020/2021	2019/2020
Net profit for the year		275,512	237,354
Items that may be reclassified to profit and loss			
Change in translation differences from translating foreign subsidiaries		-27,326	-475
Other comprehensive income for the year		-27,326	-475
Total comprehensive income for the year		248,186	236,879
Attributable to:			
Parent Company owners		248,186	236,879

Consolidated balance sheets

SEK thousand	Note	Apr 30, 2021	Apr 30, 2020
ASSETS			
Fixed assets			
Intangible assets and goodwill	10	206,999	193,368
Tangible assets	11	55,660	66,297
Right-of-use assets	12	73,277	84,275
Other shares and participations	29	18	19
Long-term accounts receivable	29	140,598	161,433
Deferred tax assets	9	3,372	4,226
Total fixed assets		479,924	509,618
Current assets			
Inventories	17	24,828	32,560
Accounts receivable	18, 29, 30	236,331	276,094
Current tax assets		9,828	8,141
Other receivables		9,766	8,604
Prepaid expenses and accrued income	19	71,676	98,858
Contract assets/recognized non-invoiced income	2, 19	364,745	232,672
Cash and bank balances	20, 29	454,854	345,300
Total current assets		1,172,028	1,002,229
Total assets		1,651,952	1,511,847
EQUITY AND LIABILITIES			
Equity			
Share capital	21	38,526	38,506
Other contributed capital		358,526	355,045
Reserves		68,249	95,575
Retained earnings, including net profit for the year		430,322	328,087
Equity attributable to Parent Company owners		895,623	817,213
Long-term liabilities			
Long-term provisions	22	0	3,691
Deferred tax liabilities	9, 22	3,723	4,799
Long-term lease liabilities	12, 23, 29	47,655	58,561
Long-term convertible loans	23, 29	389	2,951
Other long-term liabilities	23, 29	1,514	0
Total long-term liabilities		53,281	70,002
Current liabilities			
Accounts payable	29	42,528	36,787
Current tax liabilities		11,936	12,113
Current provisions	22, 29	6,361	13,778
Current lease liabilities	12, 23, 29	22,847	22,402
Other current liabilities	24, 29	48,251	50,548
Accrued expenses and deferred income	25	338,205	318,739
Contract liabilities/invoiced non-recognized income	2, 25	232,920	170,265
Total current liabilities		703,048	624,632
Total equity and liabilities		1,651,952	1,511,847

Pledged assets and contingent liabilities, see Note 26.

Consolidated cash-flow statements

SEK thousand	Note	2020/2021	2019/2020
OPERATING ACTIVITIES			
Operating profit		350,076	295,348
Adjustment for non-cash items	27	99,293	102,686
Interest and dividends received	6	7,094	6,785
Interest paid	7	-1,844	-2,748
Income tax paid		-72,476	-74,797
Cash flow from operations before changes in working capital		382,143	327,274
Changes in working capital			
Change in inventories		7,603	8,546
Change in receivables		-91,890	-83,365
Change in current liabilities		74,331	43,817
Cash flow from operations		372,187	296,272
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	-47,304	-44,775
Acquisitions of tangible assets	11	-20,351	-32,967
Acquisitions of subsidiaries	14	0	-812
Divestment of financial assets		835	18
Cash flow from investing activities		-66,820	-78,536
FINANCING ACTIVITIES			
Repayment of lease liabilities	12	-22,490	-21,018
Repayment of long-term liabilities		-998	0
Payment of contingent consideration		-1,923	-2,937
Redemption of shares		-173,277	-172,588
Cash flow from financing activities		-198,688	-196,543
Cash flow for the year		106,679	21,193
Cash and cash equivalents, opening balance		345,300	331,935
Exchange-rate difference in cash and cash equivalents		2,875	-7,828
Cash and cash equivalents, closing balance	20	454,854	345,300

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, 2019	38,353	330,185	28,752	67,298	263,321	727,909
Net profit for the year					237,354	237,354
Other comprehensive income for the year			-475			-475
Total comprehensive income for the year	0	0	-475	0	237,354	236,879
Conversion to shares	153	24,860				25,013
Redemption of shares					-172,588	-172,588
Total transactions with Parent Company owners	153	24,860	0	0	-172,588	-147,575
Closing balance April 30, 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

Share capital is described in more detail in Note 21.

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	2020/2021	2019/2020
Operating income			
Net sales	2	129,864	145,610
Capitalized work for own use		4,955	4,873
Other operating income		72	880
Total income		134,891	151,363
Operating expenses			
Goods for resale		-9,066	-14,840
Personnel costs	3	-72,805	-67,497
Other external costs	4, 5	-91,348	-69,353
Amortization of intangible assets	10	-4,785	-3,656
Depreciation of tangible assets	11	-9,097	-8,606
Total operating expenses		-187,101	-163,952
Operating loss		-52,210	-12,589
Profit from financial items			
Interest income and similar profit/loss items	6	19,042	28,529
Interest expenses and similar profit/loss items	7	-16,760	-792
Profit after financial items		-49,928	15,148
Appropriations	8	296,400	267,250
Profit before tax		246,472	282,398
Tax on net profit for the year	9	-50,608	-57,640
Net profit for the year		195,864	224,758
Comprehensive income for the period		195,864	224,758

Parent Company balance sheets

SEK thousand	Note	Apr 30, 2021	Apr 30, 2020
ASSETS			
Fixed assets			
Intangible assets	10	17,553	17,383
Tangible assets	11	22,411	23,506
Participations in Group companies	13	35,697	35,597
Participations in associated companies	15	564	564
Receivables from Group companies	16	214,312	230,114
Deferred tax assets	9	175	312
Total fixed assets		290,712	307,476
Current assets			
Receivables from Group companies		476,034	442,816
Accounts receivable	18	5,126	11,133
Other receivables		3,230	2,167
Prepaid expenses and accrued income	19	10,718	9,808
Cash and bank balances	20	347,961	246,077
Total current assets		843,069	712,001
Total assets		1,133,781	1,019,477
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	21	38,526	38,506
Statutory reserve		226,456	226,456
Fund for development costs		17,200	16,067
Total restricted equity		282,182	281,029
<i>Unrestricted equity</i>			
Share premium reserve		131,908	128,428
Retained earnings		23,430	-26,918
Net profit for the year		195,864	224,758
Total unrestricted equity		351,202	326,268
Total equity		633,383	607,297
Long-term liabilities			
Long-term convertible loans	23	389	2,951
Total long-term liabilities		389	2,951
Current liabilities			
Accounts payable		6,165	6,744
Liabilities to Group companies		435,647	361,866
Current tax liabilities		0	3,780
Provisions	22	3,619	4,500
Other current liabilities	24	5,776	5,198
Accrued expenses and deferred income	25	48,802	27,141
Total current liabilities		500,009	409,229
Total equity and liabilities		1,133,781	1,019,477

Parent Company cash-flow statements

SEK thousand	Note	2020/2021	2019/2020
OPERATING ACTIVITIES			
Operating loss		-52,210	-12,589
Adjustment for non-cash items	27	16,411	15,300
Interest and dividends received	6	19,041	25,437
Interest paid	7	-26	-792
Income tax paid		-57,010	-65,938
Cash flow from operations before changes in working capital		-73,795	-38,582
Changes in working capital			
Change in receivables		-7,620	-68,665
Change in current liabilities		72,977	51,034
Cash flow from operations		-8,438	-56,213
INVESTING ACTIVITIES			
Acquisitions of intangible assets	10	-4,955	-4,873
Acquisitions of tangible assets	11	-8,002	-14,254
Formation of subsidiaries		-100	0
Payment of loans to subsidiaries	16	-15,638	-1,546
Repayment of loans from subsidiaries	16	15,894	2,977
Cash flow from investing activities		-12,801	-17,696
FINANCING ACTIVITIES			
Group contributions received/paid	8	296,400	267,250
Redemption of shares		-173,277	-172,588
Cash flow from financing activities		123,123	94,662
Cash flow for the year		101,884	20,753
Cash and cash equivalents, opening balance		246,077	225,324
Exchange-rate difference in cash and cash equivalents		0	0
Cash and cash equivalents, closing balance	20	347,961	246,077

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, 2019	38,353	226,456	13,166	103,568	148,573	530,114
Change in fund for development costs			2,901		-2,901	0
Net profit for the year					224,758	224,758
Total comprehensive income for the year	0	0	0	0	224,758	224,758
Conversion to shares	153			24,860		25,013
Redemption of shares					-172,588	-172,588
Total transactions with Parent Company owners	153	0	0	24,860	-172,588	-147,575
Closing balance April 30, 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

¹ On the balance-sheet date, Sectra's share capital totaled SEK 38,525,494, distributed among 38,525,494 shares. Of these shares, 2,620,692 are Class A shares and 35,904,802 are Class B shares.

Share capital is described in more detail in Note 21.

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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 that become applicable from 2020/2021

New and amended IFRS that entered into force in 2020/2021 did not have any significant effects on the financial statements.

The accounting policies and calculation methods are otherwise unchanged compared with those applied in the 2019/2020 fiscal year.

New and amended accounting policies that become applicable from 2021/2022 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 89 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.

Acquisitions

When acquisitions are made, the acquired companies are absorbed into the Group as of their acquisition date. The cost of the subsidiary's shares is determined by means of an acquisition analysis conducted at the time of the acquisition. The compensation transferred by the Group to obtain a controlling influence over subsidiaries is calculated as the total fair value of the net assets on the date of acquisition, which comprises the fair value of an asset or liability that has arisen from an agreement on contingent consideration. The acquired net assets also comprise intangible assets in the acquired company that have not previously been recognized.

The difference between the acquisition cost for the subsidiary's shares and the estimated fair value of the acquired net assets at the time of the acquisition is recognized as Group goodwill. Acquisition costs are recognized as they arise.

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 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 or if 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 considered a separate performance obligation and are recognized as revenue at a point in time when the pre-study is completed. Installation services and components are delivered as a combined solution and are therefore deemed to jointly comprise a performance obligation that is recognized as revenue 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](#).

Intangible assets

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. Yields are individually measured when the need is indicated, and annually for incomplete development projects and goodwill in order to identify any impairment requirements. 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, although the maximum amortization period is five years. 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. Refer to "Acquisitions" for information about how goodwill is determined the first time it is recognized. 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

Leasing

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 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.

When IFRS 16 was introduced in the 2019/2020 fiscal year, Sectra chose to apply the modified retrospective approach, meaning that upon transition to IFRS 16 the liability for remaining payments of the leased asset was calculated with a corresponding asset in the form of a right-of-use asset, resulting in no impact on opening equity. Comparative figures have not been restated. The Group's weighted average incremental borrowing rate used when discounting lease liabilities upon transition on May 1, 2019 was 2.2%.

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 receivable 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 other comprehensive income.

Long-term accounts receivable

The expected term of long-term accounts receivable 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 receivable

The expected term of accounts receivable is brief, and recognition is accordingly at the undiscounted amount expected to flow in under the amortized cost method. Any impairment of accounts receivable impacts operating profit.

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 bad debt provision is made when an expected credit loss exists under the original terms of the receivable. The IFRS 9 impairment model uses more 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, including previous events, current conditions, and reasonable and supportable forecasts that impact the expected possibility of obtaining future cash flows from the asset. The Group applies a simplified approach when recognizing accounts receivable and other receivables and contract assets, and recognizes expected credit losses for their remaining term to maturity. This is where the expected weaknesses in contractual cash flows exist, considering the risk of default at any time during the expected life of the financial instrument. 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 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.

Contingent consideration

Contingent consideration is recognized in accordance with IFRS 3 at fair value via 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 29](#).

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. Cash and cash equivalents comprise bank deposits.

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.

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 8.1% and 10.1% (6.7–8.7). An after-tax discount rate of between 8.1% and 10.1%

(6.7–8.7) 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.

Contingent considerations. There is a certain level of uncertainty in the assumptions regarding future sales and earnings attributable to contingent consideration liabilities.

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.

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.

Note 2 Operating segments and earnings

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 operating area'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; project-based development, and offers 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.

Secetra's business units in Business Innovation develop and sell IT systems for planning and monitoring orthopaedic surgery, products for medical education and research projects. Secetra carries out research projects and manages and develops its patent portfolio in this segment.

Other Operations pertain to Secetra'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	
	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20
Net sales	1,397,727	1,428,215	207,791	189,327	55,793	78,120	74,502	68,609
Of which, external	1,391,670	1,418,665	206,308	187,838	33,373	53,547	1,077	1,088
Depreciation/ amortization	40,674	37,482	12,338	11,033	4,475	3,346	21,432	20,370
Impairment	1,974	0	2,220	7,443	0	0	0	0
Operating profit/loss	377,965	317,578	9,471	2,949	759	12,868	-38,262	-26,429
Assets	1,720,339	1,562,898	153,328	178,935	34,292	36,193	1,144,921	1,046,645
Liabilities	1,458,995	1,334,091	130,762	165,040	21,958	28,426	515,322	432,328
Investments ³	49,293	49,280	5,405	16,902	4,955	4,873	8,002	14,254

	Eliminations ¹		Total Group ²	
	20/21	19/20	20/21	19/20
Net sales	-103,386	-103,133	1,632,427	1,661,138
Of which, external	0	0	1,632,427	1,661,138
Depreciation/ amortization	0	0	78,919	72,231
Impairment	0	0	4,194	7,443
Operating profit/loss	143	-11,618	350,076	295,348
Assets	-1,400,928	-1,312,824	1,651,952	1,511,847
Liabilities	-1,370,707	-1,265,251	756,330	694,634
Investments ³	0	0	67,655	85,309

Geographic areas

	Sweden		UK		Netherlands		Rest of Europe	
	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20
Net sales	391,231	383,218	216,184	230,724	143,050	149,118	316,055	334,333
Assets	744,447	675,434	295,519	286,894	123,661	124,682	191,867	204,838
Investments ³	59,653	74,323	6,347	3,509	773	724	598	1,953

	US		Rest of World		Total Group ²	
	20/21	19/20	20/21	19/20	20/21	19/20
Net sales	465,496	461,423	100,411	102,322	1,632,427	1,661,138
Assets	218,947	185,658	77,511	34,341	1,651,952	1,511,847
Investments ³	68	3,949	216	851	67,655	85,309

¹ 90.8% (72.1) of the Parent Company's total sales are attributable to other companies in the Group. Purchases from Group companies amounted to 29.5% (28.9).

² Secetra 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 335.9 million, SEK 224.2 million is attributable to Sweden, SEK 64.5 million to the UK and SEK 47.2 million to other countries.

³ Refers to investments in tangible and intangible assets. See Notes 10 and 11.

cont. Note 2 Operating segments and earnings**External sales by product group and segment**

	Hardware and other third-party products		Software		Services		Total Group	
	20/21	19/20	20/21	19/20	20/21	19/20	20/21	19/20
Imaging IT Solutions	108,992	142,752	374,267	406,771	908,411	869,142	1,391,670	1,418,665
Secure Communications	77,955	83,174	27,065	22,781	101,288	81,883	206,308	187,838
Business Innovation	24,282	25,963	8,253	25,867	838	1,717	33,373	53,547
Other Operations	0	0	0	0	1,077	1,088	1,077	1,088
Total Group	211,229	251,889	409,585	455,419	1,011,614	953,830	1,632,427	1,661,138

Contract balances

	20/21	19/20
Accounts receivable	236,331	276,094
Long-term accounts receivable	140,598	161,433
Contract assets ⁴	364,745	232,672
Contract liabilities ⁵	232,920	170,265
	20/21	19/20
Invoicing during the fiscal year related to the opening balance for contract assets for the period	169,961	176,830
Revenue recognition during the fiscal year related to the opening balance for contract liabilities for the period	154,714	136,813

⁴ 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, 73% of the opening balance was invoiced.

⁵ 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, 91% of the opening balance was recognized as revenue.

Note 3 Employees and personnel costs**Average number of employees and percentage of women**

	20/21		19/20	
	Total	of whom, women	Total	of whom, women
Parent Company				
Sweden	73	30	72	30
Group				
Australia	16	6	11	4
Canada	8	4	7	2
Denmark	14	5	13	4
Finland	2	1	4	2
France	6	3	5	2
Germany	26	5	25	4
Netherlands	53	14	50	13
New Zealand	2	0	2	0
Norway	23	9	22	8
Portugal	28	6	25	6
Spain	4	1	4	1
Sweden	435	119	414	113
UK	83	25	79	26
US	128	46	119	42
Group total	828	244	780	227

On the balance-sheet date, the proportion of female Board members amounted to 8% (10) including employee representatives on the Boards of Directors of all Group companies and to 10% (22) on the Parent Company's Board of Directors. The proportion of women in the Group's management groups, including company presidents, amounted to 28% (27) and the proportion of women in Group Management to 20% (20).

Salaries and other remuneration

	Group		Parent Company	
	20/21	19/20	20/21	19/20
Board and President	34,163	37,070	6,954	5,586
Other employees	628,006	561,778	43,251	38,960
Total	662,169	598,848	50,205	44,546

Social security expenses

	Group		Parent Company	
	20/21	19/20	20/21	19/20
Board and President				
Social security contributions	7,306	7,423	2,306	1,891
Pension costs	2,892	3,339	498	559
Total Board and President	10,198	10,762	2,804	2,450
Other employees				
Social security contributions	142,135	133,132	12,803	12,409
Pension costs	36,325	34,197	3,757	3,624
Total other employees	178,460	167,329	16,560	16,033

Note 3 Employees and personnel costs**Remuneration of the Board, President and other senior executives 2020/2021**

	Board fee	Basic salary	Variable remuneration	Other remuneration	Pension premiums	Total
Jan-Olof Brüer, Chairman of the Board	450	0	0	0	0	450
Anders Persson	275	0	0	0	0	275
Christer Nilsson	325	0	0	0	0	325
Tomas Puusepp	225	0	0	0	0	225
Birgitta Hagenfeldt	275	0	0	0	0	275
Jonas Yngvesson	225	0	0	0	0	225
Fredrik Robertsson ¹	150	0	0	0	0	150
Total remuneration of the Board	1,925	0	0	0	0	1,925
President Torbjörn Kronander	0	3,811	1,218	0	498	5,527
Other senior executives (nine individuals)	0	11,276	2,842	0	1,726	15,844
Total remuneration of the President and other senior executives	0	15,087	4,060	0	2,224	21,371
Total	1,925	15,087	4,060	0	2,224	23,296

¹ Elected at 2020 AGM.

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. In 2020/2021, a fee of SEK 225,000 was paid to each of the Board members, and SEK 450,000 was paid to 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 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 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.

Convertible programs

Convertible programs enable employees and external Board members to acquire shares in the company.

Issued incentive programs

Convertible programs	2018/2022	2018/2023
Number of underlying Class B shares	6,948	1,020
Conversion price, SEK	368.80	380.70
Exercise period	Jan 10–14, 2022	Jan 9–13, 2023
Time to expiration	Nov 1, 2018–Jan 31, 2022	Nov 1, 2018–Jan 31, 2023
Interest rate during time to expiration	0.00%	0.00%
Dilution upon full conversion, capital	0.0%	0.0%

Number of convertibles	May 1, 2020	Concluded programs	New programs	Increase due to recalculated price	Apr 30, 2021
Convertibles	27,233	-19,474	0	209	7,968
Total	27,233	-19,474	0	209	7,968

Recalculation occurred as a result of the share redemption program.

Note 4 Fees to auditors

	Group		Parent Company	
	20/21	19/20	20/21	19/20
EY ¹				
Audit fees	2,665	2,389	1,400	1,909
Audit activities in addition to audit assignment	25	455	25	304
Tax advisory services	265	316	265	117
Other services	0	81	0	54
Audit fees to other auditors				
Audit fees	107	512	0	0
Other services	284	0	169	0
Total	3,346	3,753	1,859	2,384

¹ Amount for comparative year pertains to Grant Thornton.

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	
	20/21	19/20
Lease expenses recognized for the year	13,834	13,535
Nominal value of agreed future lease payments:		
Due for payment within 1 year	14,805	13,512
Due for payment after 1 year but within 5 years	36,676	43,116
Due for payment after more than 5 years	115	0
Total	51,596	56,628

¹ The Parent Company's leases pertain chiefly to office space.

Note 6 Interest income and similar profit/loss items

	Group		Parent Group	
	20/21	19/20	20/21	19/20
Other interest income	7,094	6,785	6	303
Interest income from Group companies	0	0	8,405	10,912
Dividends	0	0	10,631	14,223
Exchange difference, net	0	3,652	0	3,091
Total	7,094	10,437	19,042	28,529

Note 7 Interest expenses and similar profit/loss items

	Group		Parent Group	
	20/21	19/20	20/21	19/20
Interest expenses	1,844	2,748	26	699
Interest expenses from Group companies	0	0	0	93
Exchange difference, net	7,081	0	16,734	0
Total	8,925	2,748	16,760	792

Note 8 Appropriations

	Parent Group	
	20/21	19/20
Group contributions	296,400	267,250
Total	296,400	267,250

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 Group	
	20/21	19/20	20/21	19/20
Tax expenses				
Current tax	-70,693	-65,155	-50,471	-56,955
Deferred tax	-2,039	-528	-137	-685
Total tax expenses	-72,732	-65,683	-50,608	-57,640

Relationship between the Group's tax expense and recognized tax per applicable tax rate

Profit before tax	348,245	303,037	246,471	282,397
Tax per applicable tax rate for the Parent Company, 21.4%	-74,524	-64,850	-52,745	-60,433
Adjustment of tax for previous years	890	-665	0	0
Tax effect of non-deductible expenses	-2,044	-1,375	-54	-240
Tax effect of non-taxable income	3,287	3,128	2,191	3,033
Tax effect of other tax rates in foreign subsidiaries	-341	-1,921	0	0
Tax on net profit for the year	-72,732	-65,683	-50,608	-57,640

Deferred tax liabilities

Deferred tax liabilities on current assets	1,557	1,218	0	0
Deferred tax liabilities on surplus values	2,166	3,582	0	0
Total deferred tax liabilities	3,723	4,799	0	0

Deferred tax assets

Deferred tax assets on current assets	3,372	4,159	175	312
Deferred tax assets on provisions	0	68	0	0
Total deferred tax assets	3,372	4,226	175	312

Note 10 Intangible assets and goodwill

	Group						Parent Group
	Capitalized development ^{1,6}	Goodwill ²	Patents and licenses ³	Customer relationships ⁴	Trademarks ⁵	Total	Capitalized development ¹
Opening cost	262,540	78,489	2,500	57,787	7,858	409,174	23,700
Translation difference	0	-185	0	1,328	323	1,466	0
Investments for the year	36,904	0	12,852	2,586	0	52,342	4,873
Accumulated cost at April 30, 2020	299,444	78,304	15,352	61,701	8,181	462,982	28,573
Opening amortization and impairment	-159,979	-21,701	-2,275	-35,517	-7,052	-226,523	-7,534
Translation difference	0	37	0	-1,326	-308	-1,597	0
Amortization for the year	-28,447	0	-377	-4,851	-376	-34,051	-3,656
Impairment for the year	0	-7,443	0	0	0	-7,443	0
Accumulated amortization and impairment at April 30, 2020	-188,426	-29,107	-2,652	-41,694	-7,736	-269,614	-11,190
Closing recognized residual value at April 30, 2020	111,018	49,197	12,700	20,007	445	193,368	17,383
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 at 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 at April 30, 2021	-220,298	-28,719	-2,905	-45,037	-7,967	-304,925	-15,975
Closing recognized residual value at April 30, 2021	137,685	46,280	12,420	10,564	49	206,999	17,553

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 41,889 thousand (44,566) was attributable to the Imaging IT Solutions segment and SEK 4,391 thousand (4,631) to the Secure Communications segment.

³ Remaining values in patents and licenses pertain to SEK 11,374 thousand (11,525) in the Imaging IT Solutions segment and SEK 1,046 thousand (1,175) in Secure Communications.

⁴ Customer relations belong to the Imaging IT Solutions and Secure Communications segments. Of total customer relations, SEK 10,564 thousand (17,658) was attributable to the Imaging IT Solutions segment and SEK 0 thousand (2,349) 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, 16.0% (13.2) pertains to ongoing development projects and 84.0% (86.8) 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.

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 8.1% (6.7) after tax, each cash-flow 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.

cont. Not 10 Intangible assets and goodwill

Goodwill

A discount rate of between 8.1% and 10.1% (6.7–8.7) 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 8.1% and 10.1% (6.7–8.7) 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 0.4% (-0.1)
Market risk premium:	7.7% (6.8)
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 8.1% and 10.1% after tax, which corresponds to between 10.3% and 12.8% 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 23%. 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 50%.

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 24%.

Parent Company

At April 30, 2021, the Parent Company held intangible assets related to capitalized development projects in Business Innovation amounting to SEK 17.6 million (17.4).

Note 11 Tangible assets

	Group				Total
	Land and buildings	Office furniture	Equipment and office machines	Equipment at customer premises	
Opening cost	6,485	22,844	57,405	105,737	192,471
Translation difference	-33	44	136	-1,968	-1,821
Investments for the year	0	5,737	12,156	15,074	32,967
Reclassification	0	9,840	0	0	9,840
Sales/ disposals for the year	-122	-529	-1,656	-251	-2,558
Accumulated cost at April 30, 2020	6,330	37,936	68,041	118,592	230,899
Opening depreciation and impairment	-854	-15,739	-46,865	-88,865	-152,323
Translation difference	6	35	-115	2,207	2,133
Depreciation for the year	-106	-1,465	-4,973	-9,647	-16,191
Sales/ disposals for the year	122	306	1,100	251	1,779
Accumulated depreciation and impairment at April 30, 2020	-832	-16,863	-50,853	-96,054	-164,602
Closing recognized residual value at April 30, 2020	5,498	21,073	17,188	22,538	66,297
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 at 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 at April 30, 2021	-892	-12,001	-51,026	-73,689	-137,608
Closing recognized residual value at April 30, 2021	5,133	4,836	23,888	21,803	55,660

cont. Note 11 Tangible assets

	Parent Group			
	Office furniture	Equipment and office machines	Equipment at customer premises	Total
Opening cost	5,217	14,171	26,272	45,660
Investments for the year	112	473	13,670	14,254
Accumulated cost at April 30, 2020	5,329	14,644	39,942	59,915
Opening depreciation and impairment	-4,359	-10,488	-12,956	-27,803
Depreciation for the year	-118	-1,197	-7,292	-8,606
Accumulated depreciation and impairment at April 30, 2020	-4,477	-11,685	-20,248	-36,409
Closing recognized residual value at April 30, 2020	852	2,959	19,694	23,506
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 at 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 at April 30, 2021	-4,600	-12,884	-22,875	-40,358
Closing recognized residual value at April 30, 2021	766	2,337	19,308	22,411

Note 12 Right-of-use assets and lease liabilities

	Premises	Vehicles	Other	Total
Adjusted opening balance due to IFRS 16	88,074	4,506	243	92,824
New contracts	8,255	5,983	51	14,289
Concluded contracts	-1,226	-21	0	-1,248
Translation difference	-453	27	-12	-438
Accumulated cost at April 30, 2020	94,650	10,495	282	105,427
Depreciation for the year	-19,147	-2,770	-72	-21,989
Depreciation concluded contracts	745	11	0	755
Translation difference	64	15	2	81
Accumulated depreciation at April 30, 2020	-18,338	-2,744	-70	-21,153
Closing recognized residual value at April 30, 2020	76,312	7,751	211	84,275
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 at April 30, 2021	101,273	14,783	358	116,415
Opening depreciation	-18,338	-2,744	-70	-21,153
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	85
Accumulated depreciation at April 30, 2021	-37,823	-5,244	-70	-43,138
Closing recognized residual value at April 30, 2021	63,450	9,539	289	73,277

Lease expenses	20/21	19/20
Variable lease payments	2,237	3,604
Expenses pertaining to low-value leases	3,160	2,855
Depreciation	24,588	21,989
Interest, premises	1,565	1,699
Interest, vehicles	145	74
Interest, other assets	8	4
Total	31,703	30,225

Revenue from onward leasing	20/21	19/20
Premises	696	1,042
Total	696	1,042

Cash outflow from leases	20/21	19/20
Repayment of lease liabilities	22,490	21,018
Interest expenses pertaining to lease liabilities	1,718	1,777
Variable lease payments	2,237	3,604
Expenses for low-value leases and short-term leases	3,160	2,855
Total	29,605	29,254

Lease liabilities	210430	200430
Long-term lease liabilities	47,655	58,561
Current lease liabilities	22,847	22,402
Total	70,502	80,963

Maturity analysis—undiscounted cash flow	210430	200430
Year 1	22,845	22,866
Year 2	21,118	20,752
Year 3	17,627	19,076
Year 4	11,393	14,952
Year 5 or later	359	7,533
Total	73,343	85,179

Note 13 Participations in Group companies

	Corp. Reg. No.	Reg. office	No. of participations	Share of capital, %	210430 Carrying amount	200430 Carrying amount
Parent Group:						
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	et
Sectra Orthopaedics AB	559314-3414	Linköping, SE	500	100%	50	et
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 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					35,697	35,597
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%	61,836	61,836
Burnbank Dataconnect Ltd	02860002	Ipswich, UK	1,450	100%	0	0
Burnbank Healthsystems Ltd	06502661	Ipswich, UK	2	100%	0	0
Total					75,908	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 Acquisition

The Group did not carry out any new acquisitions during the 2020/2021 fiscal year.

In the preceding fiscal year, the Group acquired the assets of the Swedish IT security company Columbitech AB, including all shares in its US subsidiary Columbitech Inc. The total consideration transferred on the date of acquisition amounted to SEK 3.1 million, of which SEK 0.9 million comprised a cash consideration, SEK 1.7 million a contingent consideration recognized as a provision in the Group, and SEK 0.5 million a contingent consideration recognized as a current liability in the Group. The fair value of the additional purchase

consideration was calculated based on the likelihood that the sales and earnings objectives set for 2024 would be achieved. The acquisition was fully financed with Sectra's existing funds. The value of customer relations was calculated based on the discounted non-restricted cash flows that the acquired customer contracts are deemed to give rise to. Payment of the contingent consideration was based on the sales and earnings trend for Columbitech Inc.'s operations. The range for the contingent consideration was between SEK 0.0 million and SEK 2.2 million. For an acquisition analysis, refer to Sectra's 2019/2020 Annual Report.

Note 15 Participations in associated companies

					Parent Group	
					210430	200430
Opening cost					564	564
Total					564	564

	Corp. Reg. No.	Reg. office	No. of participations	Share of capital	210430 Carrying amount	200430 Carrying amount
Sectra Saudi Arabia Ltd	10213371171087	Riyadh, SA	500	50%	564	564
Total					564	564

The company is jointly owned by Sectra AB and Sectra Imaging IT Solutions AB, which own 50% each.

Note 16 Long-term receivables from Group companies

			Parent Group	
			210430	200430
Opening cost			230,114	230,290
New receivables			15,638	1,546
Amortized receivables			-15,894	-2,977
Exchange-rate difference			-15,546	1,255
Total			214,312	230,114

Note 17 Inventories

	Group		Parent Group	
	210430	200430	210430	200430
Component stocks	14,770	26,652	0	0
Finished products	10,058	5,908	0	0
Total	24,828	32,560	0	0

In 2020/2021, an inventory impairment of SEK 1,055 thousand (2,492) 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 18 Accounts receivable**Current accounts receivable per currency**

	Group		Parent Group	
	210430	200430	210430	200430
SEK	1,261	18,032	385	761
USD	56,937	70,771	3,541	5,489
EUR	118,284	119,182	385	4,612
GBP	41,779	44,069	-26	286
Other currencies	18,070	24,040	841	-15
Total	236,331	276,094	5,126	11,133

Long-term accounts receivable of SEK 140,598 thousand (161,433) pertain only to GBP.

Change for the year in the reserve for expected credit losses

	Group		Parent Group	
	210430	200430	210430	200430
Opening balance	13,136	24,723	1,158	4,656
Realized losses	-18	-64	-18	-64
Reversal of unutilized amounts	-3,319	-20,635	-300	-5,255
Reserve for expected credit losses	1,423	9,080	62	1,864
Exchange-rate effect	-833	32	-52	-43
Total	10,389	13,136	850	1,158

See Note 30 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 was deemed to exist on the balance-sheet date since the customers have been assessed with very high credit ratings.

Note 19 Prepaid expenses and accrued income

	Group		Parent Group	
	210430	200430	210430	200430
Prepaid rent	13	119	2,380	2,349
Accrued interest income	2	2	2	2
Prepaid support agreements	26,693	36,936	5,595	4,649
Other items	44,968	61,801	2,741	2,808
Recognized non-invoiced income ¹	364,745	232,672	0	0
Total	436,421	331,530	10,718	9,808

¹ Refer to Note 2.

Note 20 Cash and bank balances

	Group		Parent Group ¹	
	210430	200430	210430	200430
Cash and bank balances	454,854	345,300	347,961	246,077
Total	454,854	345,300	347,961	246,077

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 Group	
	210430	200430	210430	200430
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 21 Share capital and number of shares

	Quotient value per share, SEK	No. of shares						Share capital, SEK thousand
		Outstanding			Total issued			
		Class A	Class B	Total	Class A	Class B	Total	
Opening balance May 1, 2019	1.00	2,620,692	35,732,179	38,352,871	2,620,692	35,732,179	38,352,871	38,353
Conversion to shares	1.00	0	153,149	153,149	0	153,149	153,149	153
Closing balance April 30, 2020	1.00	2,620,692	35,885,328	38,506,020	2,620,692	35,885,328	38,506,020	38,506
Conversion to shares	1.00	0	19,474	19,474	0	19,474	19,474	20
Closing balance April 30, 2021	1.00	2,620,692	35,904,802	38,525,494	2,620,692	35,904,802	38,525,494	38,526

Note 22 Provisions

	Group				Parent Group
	Taxes	Guarantee commitments and other provisions	Contingent consideration ¹	Total	Guarantee commitments
Carrying amount May 1, 2019	7,395	7,755	15,573	30,723	4,705
Provisions made in the period	1,005	10,994	1,700	13,699	2,902
Reversal of provisions	0	0	-10,519	-10,519	0
Translation difference	0	0	-65	-65	0
IFRS 16	-193	0	0	-193	0
Amount appropriated	-3,408	-6,070	-1,899	-11,377	-3,107
Carrying amount Apr 30, 2020	4,799	12,679	4,790	22,268	4,500
Of which, total long-term portion of provisions	4,799	2,622	1,069	8,490	0
Of which, total short-term portion of provisions	0	10,057	3,721	13,778	4,500

	Group				Parent Group
	Taxes	Guarantee commitments and other provisions	Contingent consideration ¹	Total	Guarantee commitments
Carrying amount May 1, 2020	4,799	12,679	4,790	22,268	4,500
Provisions made in the period	1,265	2,923	0	4,188	1,240
Reversal of provisions	0	0	-2,871	-2,871	0
Reclassification of additional purchase consideration	0	-3,687	0	-3,687	0
Translation difference	0	-15	4	-11	0
IFRS 16	-289	0	0	-289	0
Amount appropriated	-2,052	-5,539	-1,923	-9,514	-2,121
Carrying amount April 30, 2021	3,723	6,361	0	10,084	3,619
Of which, total long-term portion of provisions	3,723	0	0	3,723	0
Of which, total short-term portion of provisions	0	6,361	0	6,361	3,619

The carrying amount at the end of the period is expected to be settled within one to five years for taxes, and within one to four years for guarantee commitments and other provisions.

¹ For more information, refer to Note 30.

Note 23 Long-term liabilities

	Group		Parent Group	
	210430	200430	210430	200430
Convertible debentures 18/22	0	2,562	0	2,562
Convertible debentures 18/23	389	389	389	389
Liability, additional purchase consideration	1,514	0	0	0
Total	1,903	2,951	389	2,951
	210430	200430	210430	200430
Opening liabilities	2,951	6,451	2,951	6,451
Reclassification from provisions	1,624	0	0	0
Reclassification to current liabilities	-2,562	-3,500	-2,562	-3,500
Translation difference	-110	0	0	0
Closing liabilities	1,903	2,951	389	2,951

The assessment of whether the interest rate for convertibles is market-based is based on Sectra's current costs for borrowing. Refer to Note 30 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 Group	
	210430	200430	210430	200430
Long-term convertible loans	389	2,951	389	2,951
Current convertible loans	2,562	3,500	2,562	3,500
Total convertible loans	2,951	6,451	2,951	6,451
Long-term lease liabilities	47,655	58,561	0	0
Current lease liabilities	22,847	22,402	0	0
Total lease liabilities	70,502	80,963	0	0
Long-term additional purchase consideration	1,514	0	0	0
Current additional purchase consideration	1,009	0	0	0
Total additional purchase consideration	2,523	0	0	0
Contingent consideration	0	4,790	0	0
Total liabilities	75,976	92,204	2,951	6,451

cont. Note 23 Long-term liabilities

	Convertible loans	Lease liability	Contingent consideration	Liability additional purchase consideration
190501	31,480	89,591	15,573	0
<i>Cash items</i>				
Repayments	-16	0	-1,899	0
Lease payments	0	-21,018	0	0
<i>Non-cash items</i>				
New leases	0	13,676	0	0
New liabilities	0	0	1,700	0
Impairment of earn-out	0	0	-10,519	0
Conversion to shares	-25,013	0	0	0
Currency adjustment	0	-1,286	-65	0
200430	6,451	80,963	4,790	0
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

Note 24 Other current liabilities

	Group		Parent Group	
	210430	200430	210430	200430
Convertible debentures 16/20 reclassification from long-term liabilities	0	3,500	0	3,500
Convertible debentures 18/21 reclassification from long-term liabilities	2,562	0	2,562	0
Value-added tax	26,805	27,586	1,277	424
Employee withholding taxes	13,079	12,055	1,931	1,118
Other liabilities	5,805	7,407	6	156
Total	48,251	50,548	5,776	5,198

Conditions

For information about the terms for the convertible debentures, see Note 3 Salaries and other remuneration.

Note 25 Accrued expenses and deferred income

	Group		Parent Group	
	210430	200430	210430	200430
Accrued social security contributions	45,426	43,831	7,440	6,537
Accrued vacation pay	67,557	58,882	10,923	9,044
Accrued accounts payable	44,847	47,310	2,223	1,611
Invoiced non-recognized income ¹	232,920	170,265	5,365	4,148
Other items	180,375	168,716	22,851	5,801
Total	571,125	489,004	48,802	27,141

¹ Refer to Note 2

Note 26 Pledged assets and contingent liabilities

For bank overdraft facilities	Group		Parent Group	
	210430	200430	210430	200430
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			80,617	92,599
Total contingent liabilities			80,617	92,599

Note 27 Cash flow**Adjustment for non-cash items**

	Group		Parent Group	
	20/21	19/20	20/21	19/20
Depreciation/ amortization and impairment	78,920	72,231	13,882	12,262
Unrealized exchange-rate differences	2,898	4,970	-16,667	3,244
Reversal of provision/ provision	12,000	25,485	19,196	-206
Gain/loss on the sale of fixed assets	5,475	0	0	0
Total	99,293	102,686	16,411	15,300

Note 28 Related parties

The Group's related parties comprise Group Management and the Board of Directors as well as other key persons in senior positions. The Group has no transactions with related parties, apart from the sales between Group companies stated in [Note 2](#).

Note 29 Measurement of financial assets and liabilities

Group 210430	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 200430	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	161,433	0	161,433	161,433
Accounts receivable	276,094	0	276,094	276,094
Cash and bank balances	345,300	0	345,300	345,300
Total financial assets	782,846	0	782,846	782,846
Long-term liabilities	0	2,951	2,951	2,951
Provisions	0	12,679	12,679	12,679
Contingent consideration	0	4,790	4,790	4,790
Lease liabilities	0	80,963	80,963	80,963
Other current liabilities	0	3,500	3,500	3,500
Accounts payable	0	36,786	36,786	36,786
Total financial liabilities	0	141,669	141,669	141,669

cont. Note 29 Measurement of financial assets and liabilities

The earnings effect of impairment losses and reversals of previous impairment on bad debt losses was SEK 137 thousand, net. (5,418). 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 following methods were used to determine fair value:

- Securities holdings that are available for sale belong to Level 2, meaning that the calculation of fair value is based on market quotations or the calculation of future cash flows for which variables are obtained from market quotations whenever possible. The holding that can be sold amounts to SEK 18 thousand (19).
- The contingent considerations recognized in provisions amounted to SEK 0 thousand (4,790) as of April 30, 2021. The contingent considerations

belong to Level 3, which means that the calculations of fair value are based on unobservable inputs. The calculations were based on the likelihood that set goals would be achieved. As of April 30, 2021, the value of the long-term component of contingent considerations amounted to SEK 0 thousand (1,069) and the value of the current component amounted to SEK 0 thousand (3,721). The value of the contingent consideration attributable to the acquisition of it-mark ApS was based on the degree to which the earnings objective set for April 30, 2020 was achieved. The fair value as of April 30, 2021 was established at DKK 0.0 million (1.3), based on the company's earnings outcome. The value of the contingent consideration attributable to the acquisition of RxEye AB was based on the sales performance of the company's products and certain markets up to December 31, 2020. The range for the contingent consideration was between SEK 0.0 million and SEK 110.0 million. The assessed fair value as of April 30, 2021 was SEK 0.0 million (1.3). The value of the contingent consideration attributable to Columbitech Inc was based on the sales and earnings trend for the company until December 31, 2024. The range for the contingent consideration was between SEK 0.0 million and SEK 2.2 million, which was based on market conditions for the company. The fair value as of April 30, 2021 was assessed to be SEK 0.0 million (2.2), based on updated expectations with respect to anticipated market trends. The remaining values for Columbitech Inc and RxEye AB were impaired during the 2020/2021 fiscal year.

Note 30 Risks, risk management and sensitivity analysis

Risks related to operations

Sectra's risks related to operations are limited. As a general rule, customers' operations are financed directly or indirectly with public funds and solvency is excellent, although payment practices vary between different countries. 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 16.9% (16.3) 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 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. 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 loss of SEK 2,875 thousand (loss: 884) and net financial items include an exchange loss of SEK 7,081 thousand (gain: 3,652).

The Group's policy at present is not to hedge transaction exposure, since the potential gains to be derived from building up procedures to efficiently manage hedge contracts are not considered significant. Sectra monitors payment flows in foreign currencies on an ongoing basis, and hedging of transaction exposure may be implemented if the expected predictability from exchange rate hedge contracts are deemed to increase significantly.

Group revenue and expenses in various currencies

SEK million

Currency	Revenue	Expenses	Net exposure
SEK	383.4	-589.2	-205.8
USD	472.9	-271.0	201.9
EUR	216.2	-131.5	84.7
GBP	342.2	-224.0	118.2
Other currencies	217.7	-114.0	103.7
Total	1,632.4	-1,329.7	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. 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.

cont. Note 30 Risks, risk management and sensitivity analysis**Age analysis of the Group's current accounts receivable**

SEK million	210430	200430
Accounts receivable not due for payment	166.1	171.2
Accounts receivable overdue by 0–60 days	51.5	70.4
Accounts receivable overdue by more than 60 days	9.8	26.2
Accounts receivable overdue by more than 120 days	19.3	21.4
Reserve for expected credit losses	-10.4	-13.1
Total	236.3	276.1

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. The Parent Company monitors the Group's liquidity continually by compiling liquidity forecasts as a basis for investments or short and long-term borrowing.

On the balance-sheet date, the Group's unutilized credit facilities amounted to SEK 15,000 thousand (15,000).

Convertible loans 2018/2022, SEK 2,562 thousand and 2018/2023, SEK 389 thousand, are payable in January 2022 and 2023, respectively. Convertible loans 2018/2022 and 2018/2023 carry 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 2020/2021 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%	+/- SEK 14.4 million (+/- 14.1)
Cost of materials	+/- 1%	+/- SEK 2.0 million (+/- 2.5)
Personnel costs	+/- 1%	+/- SEK 8.5 million (+/- 8.2)
Interest rate levels	+/- 1%	+/- SEK 4.0 million (+/- 3.4)
Exchange-rate changes:		
SEK/USD rate	+/- 1%	+/- SEK 2.2 million (+/- 2.3)
SEK/EUR rate	+/- 1%	+/- SEK 2.1 million (+/- 2.6)
SEK/GBP rate	+/- 1%	+/- SEK 2.1 million (+/- 2.3)

In the event that the SEK weakens by 1% against the USD, GBP or EUR, profit after net financial items would improve by SEK 6.4 million.

Note 31 Asset management

The Group's financial goals have been determined by the Board. The goal is to have a favorable and flexible capital structure so that it can be changed if the conditions for operations or for different borrowing alternatives change and maintain financial stability. The Group's equity/assets ratio goal is 30%. In the 2020/2021 fiscal year, the Group's equity/assets ratio was 54.2% (54.1).

The Group's capital is defined as total equity less any positive unrealized changes in value and amounted to SEK 895,623 thousand (817,213) at April 30, 2021. 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 2020/2021 fiscal year, the Group's debt/equity ratio was 0.08% (0.11).

Note 32 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	131,908
Retained earnings	23,430
Net profit for the year	195,864
Total	351,202

The Board and President propose that the profits be appropriated so that SEK 351,202 thousand is carried forward. In addition, it is proposed that the AGM resolves that SEK 4.50 per share be transferred to the shareholders (or SEK 0.90 per share after the AGM resolves on the proposed 5:1 split) through a 2:1 share split, combined with a mandatory redemption process and a bonus issue to restore the share capital. This entails a transfer of SEK 173,365 thousand to the company's shareholders. No ordinary dividend is proposed.

Note 33 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 34 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	210430	200430
Total assets	1,651,952	1,511,847
Non-interest-bearing liabilities	682,877	607,220
Capital employed	969,075	904,627

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 after dilution

	20/21	19/20
Cash flow from operations, SEK thousand	372,187	296,272
Number of shares after dilution at the end of the period	38,533,462	38,533,253
Cash flow per share after dilution, SEK	9.66	7.69

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.

Cash flow per share before dilution

	20/21	19/20
Cash flow from operations, SEK thousand	372,187	296,272
Number of shares before dilution at the end of the period	38,525,494	38,506,020
Cash flow per share before dilution, SEK	9.66	7.69

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.

Debt/equity ratio

SEK thousand	210430	200430
Interest-bearing liabilities	73,453	87,414
Equity	895,623	817,213
Debt/equity ratio	0.08	0.11

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	210430	200430
Dividend	4.50	4.50
Share price on balance-sheet date	605.00	420.00
Dividend yield, %	0.7%	1.1%

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 after dilution

	20/21	19/20
Profit after tax, SEK thousand	275,512	237,354
Average number of shares at the end of the period after dilution	38,533,340	38,531,852
Earnings per share after dilution, SEK	7.15	6.16

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.

Earnings per share before dilution

	20/21	19/20
Profit after tax, SEK thousand	275,512	237,354
Average number of shares at the end of the period before dilution	38,514,134	38,416,683
Earnings per share before dilution, SEK	7.15	6.18

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.

Equity/assets ratio

SEK thousand	210430	200430
Adjusted equity	895,623	817,213
Total assets	1,651,952	1,511,847
Equity/assets ratio, %	54.2	54.1

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 after dilution

	210430	200430
Adjusted equity, SEK thousand	895,623	817,213
Number of shares after dilution at the end of the period	38,533,462	38,533,253
Equity per share after dilution, SEK	23.24	21.21

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.

Equity per share before dilution

	210430	200430
Adjusted equity, SEK thousand	895,623	817,213
Number of shares before dilution at the end of the period	38,525,494	38,506,020
Equity per share before dilution, SEK	23.25	21.22

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.

Gross margin

SEK thousand	20/21	19/20
Operating profit	350,076	295,348
Depreciation/amortization and impairment	83,113	79,675
Net sales	1,632,427	1,661,138
Gross margin, %	26.5%	22.6%

Purpose	Calculation
Provides an indication of the financial results without the effect of non-cash items.	Operating profit before depreciation as a percentage of net sales.

Growth in operating profit per share over a five-year period

SEK thousand	20/21	19/20
Operating profit per share	9.09	7.67
Operating profit per share, five years earlier	4.21	4.03
Growth in operating profit per share over a five-year period, %	115.7	90.2

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.

Investments

SEK thousand	20/21	19/20
Intangible investments	47,304	52,342
Tangible investments	20,351	32,967
Investments	67,655	85,309

Purpose	Calculation
Shows the company's investments.	Acquisition of intangible and tangible assets during the period.

Liquidity

SEK thousand	210430	200430
Current assets	1,172,028	1,002,229
Overdraft facility granted	15,000	15,000
Current liabilities	703,048	610,854
Liquidity	1.7	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	20/21	19/20
Operating profit	350,076	295,348
Net sales	1,632,427	1,661,138
Operating margin, %	21.4	17.8

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

	20/21	19/20
Operating profit, SEK thousand	350,076	295,348
Number of shares before dilution	38,525,494	38,506,020
Operating profit per share, SEK	9.09	7.67

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

	210430	200430
Share price at end of period, SEK	605	420
Earnings per share before dilution for the rolling 12-month period	7.15	6.18
P/E ratio, multiple	84.6	68.0

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	20/21	19/20
Profit after financial items	348,245	303,037
Net sales	1,632,427	1,661,138
Profit margin, %	21.3	18.2

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	20/21	19/20
Order bookings	2,651,650	1,815,956
Net sales	1,632,427	1,661,138
Ratio of order bookings to net sales	1.62	1.09

Purpose	Calculation
Provides an indication of demand for the company's products and services.	Order bookings divided by net sales.

Research and development expenses

SEK thousand	20/21	19/20
Research and development (R&D) costs	201,824	205,541
Net sales	1,632,427	1,661,138
Percentage of sales re-invested in R&D	12.4%	12.4%

Purpose	Calculation
Demonstrates the proportion of sales re-invested in R&D.	R&D costs divided by net sales.

Return on capital employed (ROCE)

SEK thousand	20/21	19/20
Profit after financial items	348,245	303,037
Financial expenses	-1,844	-2,748
Average capital employed	936,851	832,008
Return on capital employed, %	37.4	36.8

Purpose	Calculation
Shows the return on capital attributable to the Parent Company owners.	Profit for the period divided by average adjusted equity.

Return on equity

SEK thousand	20/21	19/20
Profit for the period	275,512	237,354
Equity at start of period	817,213	727,909
Equity at end of period	895,623	817,213
Average adjusted equity	856,418	772,561
Return on equity, %	32.2	30.7

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 total capital

SEK thousand	20/21	19/20
Profit after financial items	348,245	303,037
Financial expenses	-1,844	-2,748
Average total assets	1,581,900	1,413,332
Return on total capital, %	22.1	21.6

Purpose	Calculation
Shows the return on total assets.	Profit after financial items plus financial expenses divided by average total assets.

Value added

SEK thousand	20/21	19/20
Operating profit	350,076	295,348
Personnel costs	854,518	815,176
Value added	1,204,594	1,110,524

Purpose	Calculation
Shows the value of the company's production.	Operating profit plus personnel costs.

Value added per employee

	20/21	19/20
Operating profit, SEK thousand	350,076	295,348
Personnel costs, SEK thousand	854,518	815,176
Average number of employees at the end of the period	828	780
Value added per employee, SEK million	1.5	1.4

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—sales

	20/21	19/20
Nominal change, %	-1.7	17.5
Exchange-rate effect, %	5.1	-2.8
Change in unadjusted exchange rates, %	3.4	14.7

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—operating profit/loss

	20/21	19/20
Nominal change, %	18.5	25.4
Exchange-rate effect, %	13.7	-6.2
Change in unadjusted exchange rates, %	32.2	19.2

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.

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, 2020 – April 30, 2021, except for the statutory sustainability report on pages 70–76. The annual accounts and consolidated accounts of the company are included on pages 64–109 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, 2021 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, 2021 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 70–76.

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.

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.

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 and 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.

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, 2020 – April 30, 2021 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 SectraAB (publ) for financial year May 1, 2020 – April 30, 2021 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 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 8, 2020 and has been the company's auditor since September 8, 2020.

Stockholm July 1st, 2021

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 for the 2020/2021 fiscal year includes pages 13–25 and 70–78. 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 2020/2021 Annual Report and Sustainability Report. For questions regarding the Sustainability Report, please contact info.investor@sectra.com.

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102-10	Significant changes to the organization and its supply chain 64
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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 68–69, 92
102-36	Process for determining remuneration 68–69, 92
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
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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.

Hybrid threat, hybrid warfare

A type of threat or warfare blending conventional military warfare, irregular warfare and civil warfare, launched against a common target at various stages of a conflict. This can take the form of attempts to disrupt or wipe out critical social functions and influence decision-makers and populations.

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.

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).

Operational technology (OT)

Hardware and/or software that controls and monitors devices, for example valves and pumps, that are part of a physical process. The terms industrial control systems (ICS) and supervisory control and data acquisition (SCADA) systems are also commonly used to denote operational technology systems.

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.

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.

Picture archiving and communication system (PACS)

A system for managing medical images, such as digital radiology images.

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.

Radiology information system (RIS)

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

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.

List of references

- ¹ The Swedish Hip Arthroplasty Register; 2018 Annual Report
- ² Report from UN, 2017. World Population Prospects: the 2017 Revision, <https://esa.un.org/unpd/wpp/>
- ³ 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>
- ⁴ The Orthopaedic Industry Annual Report for year ending December 31, 2012
- ⁵ The Orthopaedic Industry Annual Report 2013 by ORTHOWORLD, Inc.
- ⁶ Imaging IT – Core Report 2020, Signify Research, March 2021
- ⁷ Overview of the world's medical schools: an update. (2014) <https://doi.org/10.1111/medu.12499>
- ⁸ World Directory of Medical Schools, <https://www.wdms.org>
- ⁹ Imaging IT – Core Report 2020, Signify Research, March 2021
- ¹⁰ Ferlay J, Soerjomataram I, Ervik M, Dikshit R, Eser S, Mathers C, Rebelo M, Parkin DM, Forman D, Bray F. GLOBOCAN 2012 v1.0, Cancer Incidence and Mortality Worldwide: IARC CancerBase No.
- ¹¹ 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
- ¹² The Global Risks Report 2021, 16th Edition, http://www3.weforum.org/docs/WEF_The_Global_Risks_Report_2021.pdf
- ¹³ Swedish Security Service 2020, <https://www.sakerhetspolisen.se/download/18.4f5ee9b31787cb4eddc6/1617105074749/arsbok-2020.pdf>

2021 AGM

The AGM is scheduled for September 14, 2021 in Linköping, Sweden.

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 24, 2021 (three weeks prior to the AGM) at investor.sectra.com/agm2021 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 2020/2021

September 3, 2021	Three-month report
December 10, 2021	Six-month report
March 9, 2022	Nine-month report
June 3, 2022	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 June 30, 2021 announcing that the report is available. Contact us for a printed copy.

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Contact information, Sectra Group Headquarters

Sectra AB

Teknikringen 20
SE-583 30 Linköping, Sweden
Email: info@sectra.com
Tel: +46 (0)13 23 52 00
sectra.com

For further contact information for Sectra's global offices, visit sectra.com/contact

Contact for shareholders and investors

Sectra's website for investors:
investor.sectra.com



Shareholder contact

Helena Pettersson
Chief Investor Relations Officer
Email: info.investor@sectra.com
Tel: +46 (0)13 23 52 04

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» investor.sectra.com/irsurvey

We help hospitals all over the world improve their efficiency so that they can provide better healthcare to patients.
We help government authorities and critical social functions in the EU and NATO with cybersecurity.



SECTRA

Knowledge and passion