

Share redemption programme

2018

Information for shareholders in Sectra AB (publ) ahead of the Annual General Meeting on 6 September 2018 regarding the Board's proposal for a share split and mandatory redemption procedure.

This basis for decision has been prepared in order to provide the shareholders with information ahead of the decision at the Annual General Meeting. This document is not a prospectus.

SECTRA

BACKGROUND AND REASONS

The Board considers that the company's and the Group's present balance sheet is strong enough to ensure the development of the business in the medium term. The Board proposes that the Annual General Meeting 2018, authorizes distribution of SEK 4.50 per share to shareholders through a share split of 2:1 in combination with a mandatory redemption procedure.

The proposal means that each share, both series A and series B shares, will be divided into two new shares. One of the new shares will be a so-called redemption share. The

redemption will happen automatically and no action is required from the shareholder. Altogether, the proposal means that approximately SEK 171,538,510.50 will be repaid to the shareholders.

Provided that the Annual General Meeting approves the proposal of the Board of Directors, shareholders of series B shares who wish to trade in redemption shares will be offered such an opportunity on Nasdaq Stockholm during the period 5–16 October 2018. Shareholders who wish to trade in redemption shares of series A should register such interest to the Board

of Directors in accordance with the post-sale purchase process. After 18 October 2018, all redemption shares automatically will be redeemed for SEK 4.50 per share. Payment of redemption settlement is expected to be made on 23 October 2018.

Linköping, Sweden, August 2018
Sectra AB (publ)
Board of Directors

THE BOARD OF DIRECTOR'S PROPOSAL AND MOTIVATED STATEMENTS

The Board of Directors' proposal to the Annual General Meeting is available at:

www.sectra.com/agm

These documents will be sent to shareholders who so request, and provide their postal address. Order by phone +46 13 23 52 00 or e-mail info.investor@sectra.se

SHAREHOLDER CONTACT

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ISIN-CODE, REDEMPTION SHARES

SECT IL A: SE0011452200

SECT IL B: SE0011452218

ISIN-CODE, ORDINARY SHARES BEFORE SPLIT

SECT AK A: SE0010133801

SECT AK B: SE0010133819

ISIN-CODE, ORDINARY SHARES AFTER SPLIT

SECT AK A: SE0011452226

SECT AK B: SE0011452234

PROCEDURE

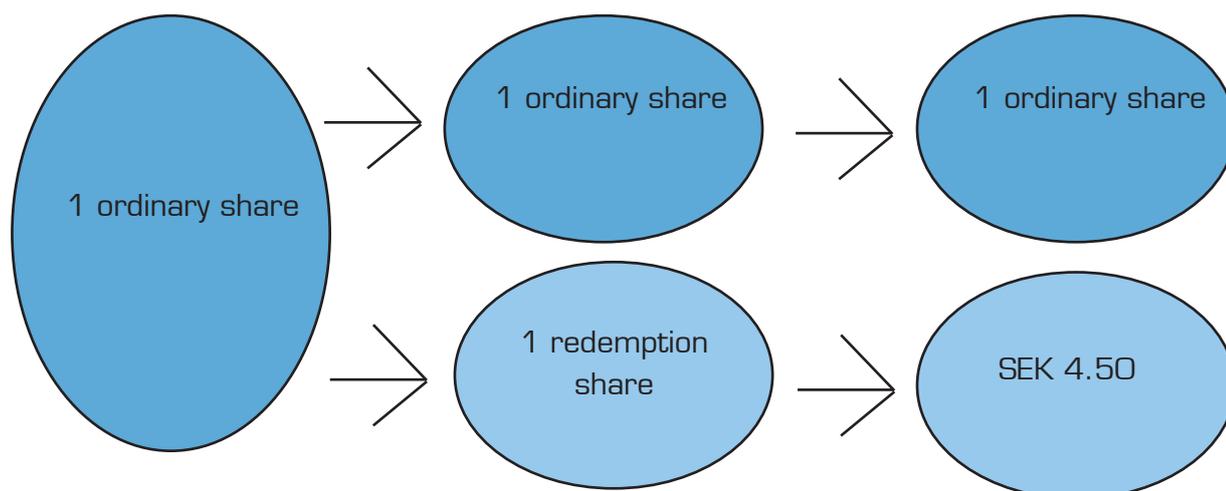
BEFORE SHARE SPLIT

SHARE SPLIT 4 October 2018

On the record day for the share split, one (1) existing share in Sectra will be divided into two (2) shares, of which one (1) will be a redemption share.

AFTER REDEMPTION SETTLEMENT 23 October 2018

Shareholders who own redemption shares in Sectra on the record day for the redemption of the redemption shares on 18 October 2018 will receive SEK 4.50 per redemption share. The redemption settlement will be effected automatically via Euroclear Sweden AB (Euroclear).



TIMETABLE FOR REDEMPTION 2018

6 September	Annual General Meeting
2 October	Last day of trading in Sectra shares before split, including the right to redemption shares
3 October	First day of trading in Sectra shares after the split, excluding the right to redemption shares
4 October	Record day for the share split. Every share will be divided into two shares, of which one will be a redemption share
5–16 October	Trading in redemption shares
18 October	Record day for redemption of redemption shares
23 October	Preliminary date for payment of redemption settlement via Euroclear

CONDITIONS FOR REDEMPTION SHARES

An existing share will be divided into two shares by a share split. One of these shares will be a so-called redemption share, and the remaining share will be an ordinary share. Each redemption share will be redeemed for a cash consideration of SEK 4.50 per redemption share.

Receipt of redemption shares

The final day for trading in the Sectra share, including the right to a redemption share, is 2 October 2018. The record day for the share split and the receipt of redemption shares is 4 October 2018. The receipt of redemption shares requires no action on the part of the shareholder.

Trading in redemption shares

Trading in redemption shares of series B, will take place on Nasdaq Stockholm during the period 5–16 October 2018.

Holders of Series A shares who wish to sell Series A redemption shares may register such interest not later than 5 October 2018 to the Chairman of the Board, in accordance with the post-sale purchase process, by contacting Helena Pettersson, secretary of the Sectra Board of Directors, e-mail

info.investor@sectra.se or phone +46 (0) 70 627 52 04.

Last day to buy or sell redemption shares is 16 October 2018.

Payment of redemption settlement

The record day for determining which holders of redemption shares will receive redemption settlement is 18 October 2018. Payment of the redemption settlement of SEK 4.50 per redemption share is expected to be made on 23 October 2018. Payment will be effected automatically via Euroclear (Swedish Central Securities Depository) to the yield account.

Share holding registered in the name of an authorized agent

Shareholders with a share holding in Sectra registered in the name of an authorized agent will not receive

any notification from Euroclear. Information about the redemption procedure will instead be provided by the authorized agent concerned.

Foreign shareholders

Shareholder who are not tax resident in Sweden who participate in the redemption procedure and have shares redeemed are normally obliged to pay Swedish withholding tax on the redemption amount, see page 8 under the section *TAX CONSIDERATIONS - Shareholders Residing Outside of Sweden*. Withholding tax will thus be withheld for foreign shareholders in connection with payment of the redemption amount. However, no Swedish withholding tax should be levied on the sales proceeds received if the redemption shares are disposed of in the market during the trading period.

FINANCIAL EFFECTS

The proposed price to be paid for each redemption share is SEK 4.50, which equals a redemption amount of SEK 171,538,510.50. This represents 35.4% of the company's shareholder equity and 28.3% of the Group's shareholder equity at the end of the financial year. The redemption process entails that distributable equity in Sectra, amounting to SEK 209,884,716 at the end of the financial year, decreases to SEK 38,346,205.

According to Sectra's financial target, the equity/assets ratio shall amount to not less than 30%. The equity/assets ratio on 30 April, 2018, was 49.1% and comparable equity/assets ratio after the redemption process will total 40.9%.

QUESTIONS AND ANSWERS

Why is Sectra proposing the redemption of shares?

Sectra's liquidity exceeds what the Sectra Board of Director's deems is required for Sectra to be able to continue to operate the business according to the strategy that has been established. Redemption of shares is a good way for Sectra to distribute the surplus to its shareholders.

Why is the capital not invested in the business instead of being distributed?

The Board of Directors believes that Sectra's continued expansion will be attained using existing liquidity and the cash flow generated in the operation. Sectra's financial position is and will remain favorable following a redemption process.

As a shareholder, do I need to do anything?

You have the option of not having to do anything actively. Sectra will automatically redeem your redemption shares, and you will receive SEK 4.50 per redemption share.

Why is the redemption procedure automatic?

An automatic and mandatory redemption procedure is simple and cost efficient, with no need for any action on the part of the shareholders. The same offer will be made to all Sectra's shareholders and the votes of the various shareholders will be retained.

When and how will I receive money for my redemption shares?

Payment of SEK 4.50 per redemption share is expected to be made via Euroclear to the yield account on 23 October 2018.

Which is the last day to buy Sectra shares that include redemption shares?

2 October 2018 is the last day you can buy Sectra shares that carry right to redemption shares.

When will the redemption shares be received?

Those who, on the record day of 4 October 2018, are shareholders in Sectra will, for each existing share, automatically become the holder of two shares, of which one will be a redemption share.

Will the redemption settlement be received automatically?

Those who, on the record day of 18 October 2018, are holders of redemption shares in Sectra will automatically receive a redemption settlement of SEK 4.50 per redemption share. Payment is estimated to be effected on 23 October 2018.

Can I trade my redemption shares of Series B?

The redemption shares can be traded on Nasdaq Stockholm during the period 5–16 October 2018.

How will the Sectra share price be affected?

It is not possible to predict in detail how the share price will be affected by the split into Sectra shares and redemption shares. Theoretically, the price of the Sectra share could decrease by the redemption payment of the redemption share, SEK 4.50. This change in share price should occur on 3 October 2018, the first day the Sectra share is traded without the right to a redemption share.

Further questions?

Please contact Helena Pettersson, Chief Investor Relations Officer Sectra AB.

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TAX CONSIDERATIONS

The following is a summary of certain Swedish tax consequences that may arise from the proposed share split and share redemption programme for shareholders in Sectra. The summary is based on Swedish tax legislation as at the date of this summary and is intended only as general information for shareholders who are resident in Sweden for tax purposes, unless otherwise indicated.

The summary does not deal comprehensively with all tax consequences that may occur in this context. For instance, it does not cover the specific rules on shares “held for business purposes”, “qualified shares” in closely held companies, nor cases where shares are held by a partnership or held as current assets in a business operation or are held in an Investment Savings Account (Sw. *Investeringssparkonto*). Special tax consequences that are not described below may also apply for certain categories of taxpayers, including investment companies and mutual funds. Each shareholder is recommended to consult a tax advisor for information with respect to the special tax consequences that may arise from the proposed share split and share redemption programme, including the applicability and effect of foreign tax legislation, provisions contained in tax treaties for the avoidance of double taxation or other rules which may be applicable.

Share Split and Receipt of Redemption Shares

Taxation is not triggered by a share split or the receipt of redemption shares. However, the redemption or other disposal of redemption shares could trigger capital gains taxation, see section *Redemption and Sale of Redemption Shares* below.

Redemption and Sale of Redemption Shares

INDIVIDUALS

Individuals are normally subject to capital gains tax when shares are sold or redeemed. The current tax rate for listed shares is 30% of the gain.

The capital gain is calculated to equal the difference between the proceeds received when the shares are sold or redeemed, after deduction for potential sale expenses, and the acquisition cost for tax purposes. The acquisition cost is normally determined according to the so-called average method. This means that the average costs of acquiring all

shares of the same type and class are added together and calculated collectively, with respect to changes to the holding. Alternatively, the so-called standard rule, according to which the acquisition cost is equal to 20% of the net proceeds received when the shares are sold or redeemed, may be applied to the disposal of listed shares and certain listed securities that are taxed in the same manner as shares.

Sectra will request that the Swedish Tax Agency issue recommendations regarding the allocation of the pre-split acquisition cost between the remaining shares and the redemption shares, respectively, see section *Acquisition Cost of the Redemption Shares – Example* below.

As a main rule, 70% of a capital loss is deductible against any other taxable income from capital. Capital losses on listed shares and listed securities taxed in the same manner as shares (except for listed shares in mutual funds containing only Swedish receivables), are, however, fully deductible

against taxable capital gains on such assets or on non-listed shares in Swedish limited liability companies and foreign legal entities.

Moreover, only five sixths of capital losses on non-listed shares in Swedish limited liability companies and foreign legal entities are deductible. If capital losses pertain to both listed and non-listed shares, the losses pertaining to the listed shares are deductible prior to the losses on the non-listed shares. 70% of any excess amount is deductible according to the main rule or five sixths of 70% is deductible if the capital loss relates to non-listed shares.

If a deficit arises in the income from capital category, a reduction of the tax on income from employment and from business operations, as well as the real estate tax and the municipal real estate fee, is allowed. The tax reduction amounts to 30% of any deficit not exceeding SEK 100,000 and 21% of any deficit in excess of SEK 100,000. Deficits may not be carried forward to a subsequent fiscal year.

LEGAL ENTITIES

Limited liability companies and other legal entities are normally taxed on all income as income from business acti-

vities at a flat rate of 22%. For the calculation of capital gains and losses, see section *Individuals* above. Special rules apply to certain legal entities.

A capital loss on shares incurred by a corporate shareholder may be offset only against taxable gains on shares or other securities that are taxed in the same manner as shares. Such capital losses may however, under certain circumstances, also be deducted against capital gains within the same group of companies on shares and securities taxed in the same manner as shares, provided the requirements for group contributions (tax consolidation) are met. Capital losses on shares and securities taxed in the same manner as shares which are not deducted within a certain year, may be carried forward and offset against capital gains on such assets in future years without any limitation in time.

Acquisition Cost of the Redemption Shares – Example

The pre-split acquisition cost is normally allocated between the redemption shares and the remaining shares based on their market value at the time of the share split. Recommendations as to the allocation are normally issued by the Swedish Tax Agency. Information about the recommen-

dations is expected to be available at Swedish Tax Agency's web page, www.skatteverket.se, and Sectras's web page, www.sectra.se/investor, in the autumn 2018. These principles are described by the following example. *Please note that the amounts below do only serve as an example.*

A shareholder owns 1 Sectra share with an acquisition cost of SEK 100 immediately prior to the share split. It is assumed that the lowest price paid on the last day of trade in the Sectra shares before the split and separation of the redemption shares is SEK 200, that the redemption shares are listed and that the lowest price paid on the first day of trade in the redemption shares is SEK 4.50. Further, it is assumed that the Swedish Tax Agency on this basis issues a recommendation that 2.25% (SEK 4.50/SEK 200) of the pre-split acquisition cost should be allocated to the redemption shares and the residual 97.75% should be allocated to the remaining shares. Accordingly, the acquisition cost allocated to each redemption share should be SEK 2.25 (2.25% out of SEK 100) and the acquisition cost allocated to each remaining share should be SEK 97.75 (97.75% out of SEK 100).

Should the redemption shares be disposed of (through sale or redemption) at a price of SEK 4.50, the capital gain would be SEK 4.50 – 2.25 = SEK 2.25.

The acquisition cost for any redemption shares that have not been acquired as a consequence of the share split is calculated using the average method. The calculation is based on the actual acquisition cost for such shares. When applying the average method, redemption shares and remaining shares are not considered to be of the same type and class.

The standard rule may be used when calculating the acquisition cost for redemption shares of Series B. This means that if the acquisition cost of the redemption share in the example above was less than SEK 0.90 (20% of SEK 4.50), the standard rule would be more favorable.

Shareholders Residing Outside of Sweden

WITHHOLDING TAX

For shareholders not resident in Sweden and not conducting business from a permanent establishment in Sweden, payments due to a reduction of the share capital by way of a redemption programme are treated as dividend distributions, which means

that a 30% Swedish withholding tax is levied on the redemption proceeds. The withholding tax rate is normally reduced under double taxation treaties between Sweden and other countries.

The withholding of the tax is normally effected by Euroclear or, if the shares are registered with a nominee, by the nominee. The withholding tax liability arises when the redemption proceeds are paid. Please note that there should be no withholding tax on the disposal of redemption shares by means of a sale to a third party.

A shareholder may reclaim the amount of withholding tax that is attributable to an amount equal to the acquisition cost of the redemption share. Alternatively, the amount of tax attributable to 20% of the redemption amount may be reclaimed, provided that the shares are listed. The acquisition cost should be calculated as explained in section *Acquisition Cost of the Redemption Shares – Example*. The refund application must be made in writing and submitted to the Swedish Tax Agency no later than by the end of the fifth calendar year following the redemption.

For shareholders that are legal entities resident within the EU, there is normally no Swedish withholding tax if the shareholder holds 10% or

more of the capital in the company whose shares are redeemed, provided that certain conditions are met.

INCOME TAX

Generally, individual shareholders not resident in Sweden will not be liable for Swedish tax on the sale of Swedish shares. According to a special tax rule, however, individuals who are resident outside of Sweden may under certain circumstances be liable for Swedish tax on the sale of shares if they have been residents in Sweden or permanently lived in Sweden during the calendar year of the sale, or at any time during the ten preceding calendar years. The application of this rule is, however, in many cases limited by double taxation treaties between Sweden and other countries.

Foreign legal entities are normally not liable for income tax on capital gains on Swedish shares unless the gains are connected to a so-called permanent establishment in Sweden.

FINANCIAL CALENDER

4 September 2018	Q1 Interim report
6 September 2018	Annual General Meeting
2–23 October 2018	Redemption program
7 December 2018	Q2 Interim report
6 March 2019	Q3 Interim report
28 May 2019	Year-end Report

SECTRA

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