

Nine-month report 2016/2017: Quality is profitable

Telephone conference March 7, 2017
Torbjörn Kronander, CEO and President
Mats Franzén, CFO

We contribute to a healthier and safer society

SECTRA
Knowledge and passion

Q3 Highlights

Torbjörn Kronander, CEO and President Sectra AB

Imaging IT Solutions

- Group-wide strategy – Customers and customer satisfaction assigned top priority in order to enable long-term growth.



“TACK” FOR KEEPING US #1

We say thank you, or “tack”, to our 1,700 customers and 598 employees for keeping Sectra PACS #1 in customer satisfaction — 4 years in a row!



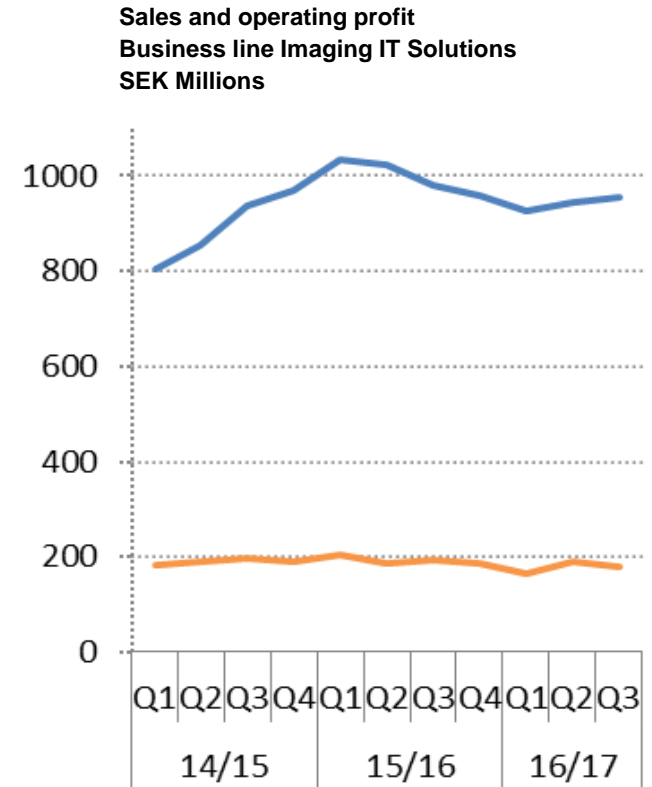
PACS & GLOBAL
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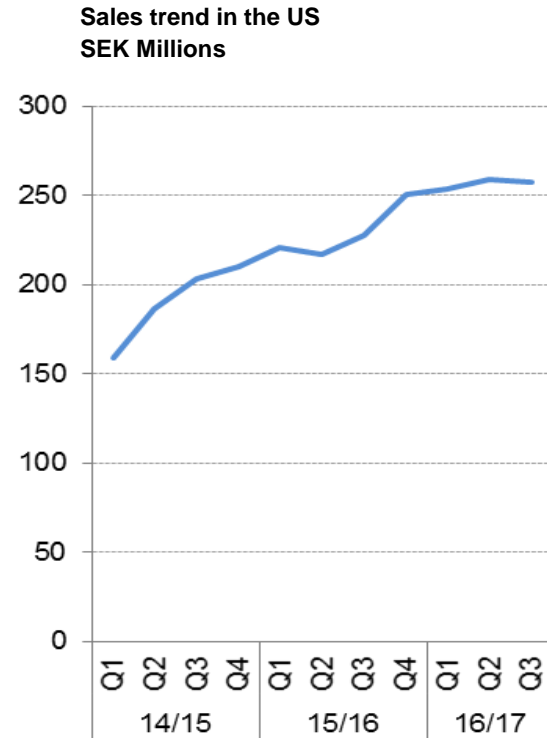
Imaging IT Solutions

- Sales growth in most geographic markets.
- As expected the boost 2014-2015 based on UK demand is over.
- Investments in growth areas and new geographic markets have a dampening effect on earnings trend.



Imaging IT Solutions

- Q3 order bookings in the US doubled compared to the same quarter last year.
- Long-term contracts signed with new and existing customers.
- New markets draw resources and money until profitable.

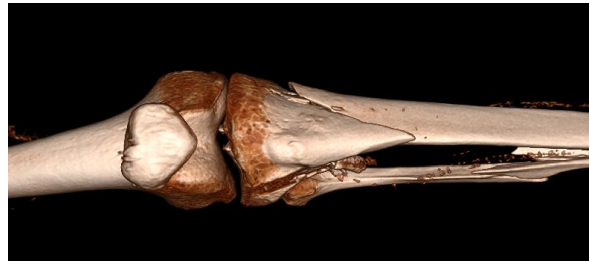


Future growth projects

Business Innovation



Medical education



Software systems for planning orthopedic surgery



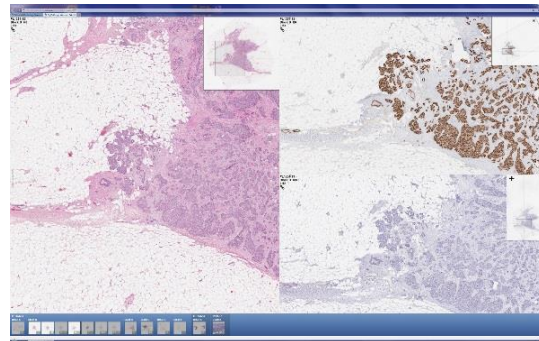
Research

Secure Communications



IT security for critical infrastructure

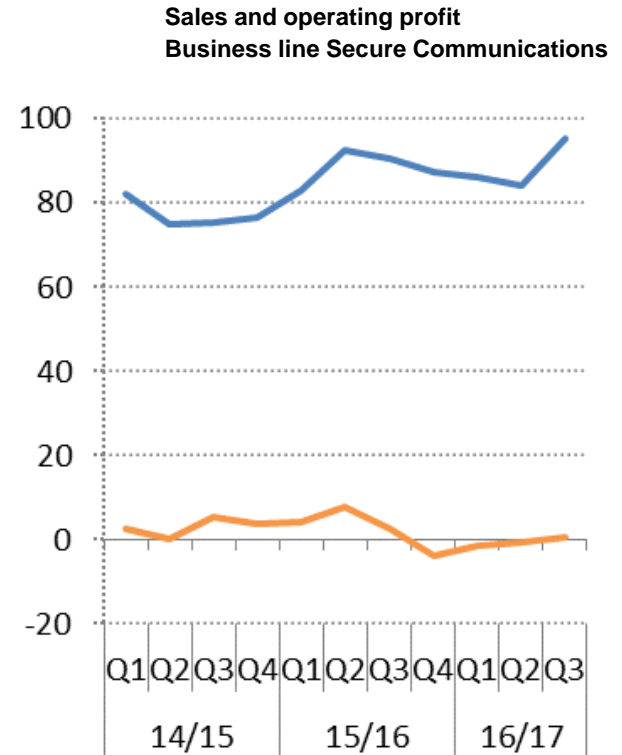
Imaging IT



Digital pathology

Secure Communications

- Increasing interest for the Sectra Tiger solutions.
- Critical infrastructure; substantial interest but by its nature a slow market.
- Investments in growth areas and new geographic markets have a dampening effect on earnings trend.



Long-term investments in Critical IT security

Growth strategy:

- Focus on the energy sector.
- First customers now fully operational.
- Expand into new geographic markets based on solid references in Scandinavia.

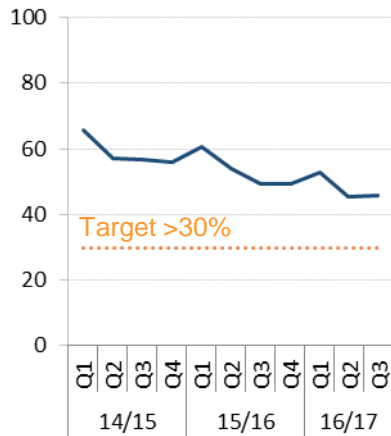


All financial targets for the Group fulfilled

Stability

Equity/Assets ratio
%

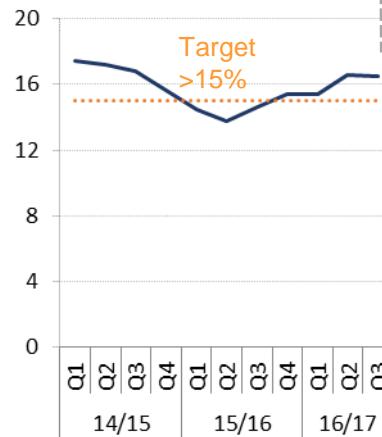
45.8



Profitability

Operating margin
%

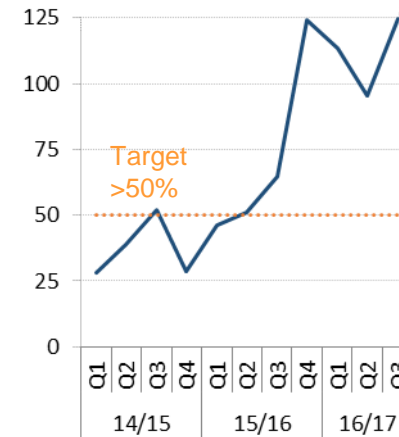
16.5



Growth

EBIT/share growth
over a 5-year period, %

124.6



Priority

Financial figures

Mats Franzén, CFO Sectra AB

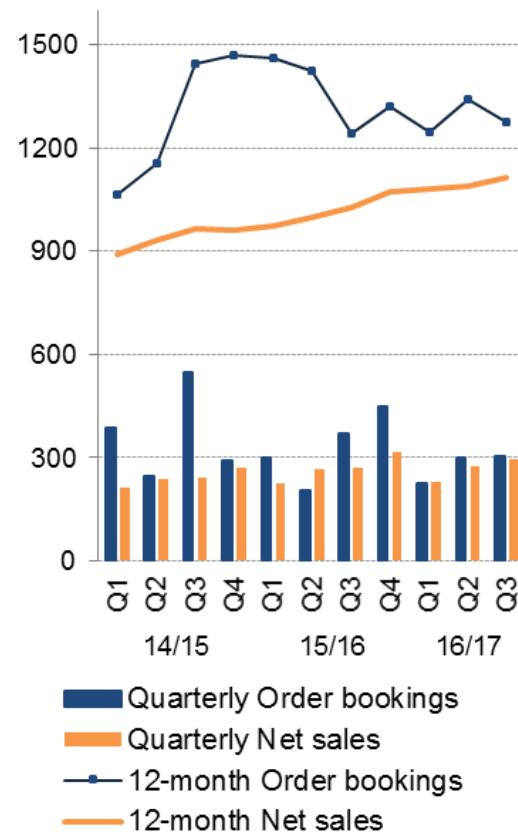
Order bookings and net sales

Changes compared with the nine-month period previous fiscal year:

- Order increase in US, NL and UK.
- Scandinavian order bookings below recorded levels for the comparable period.
- Currency fluctuations.
- Net sales increased 5.5%.
Adjusted for currency fluctuations it increased 6.2%.

Order bookings and net sales

SEK million



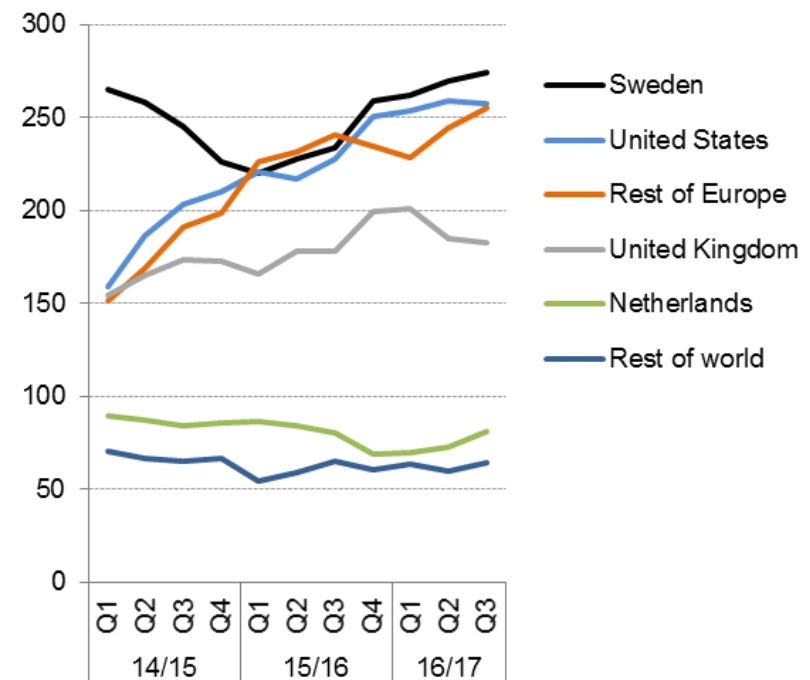
Sales growth by geographic market

Changes compared with the nine-month period previous fiscal year:

- Netherlands up 24.5%.
- Rest of Europe up 11.7%.
- Rest of World up 9.2%.
- Sweden up 8.4%.
- US up 3.9%.
- UK neg. 12.1%.

Sales by geographic market

SEK million 12 month rolling



Sales growth by business segment

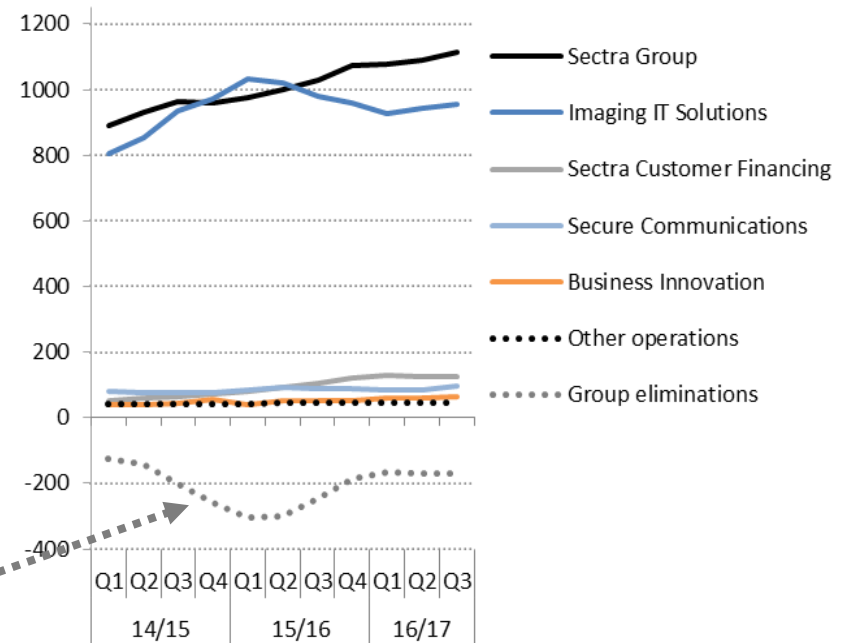
Changes compared with the nine-month period previous fiscal year:

- Business Innovation up 36.4%.
- Secure Communications up 12.5%.
- Customer Financing up 6.4%.
- Imaging IT Solutions neg. 0.4%.
- Other operations neg. 3.5%.
- Less eliminations.

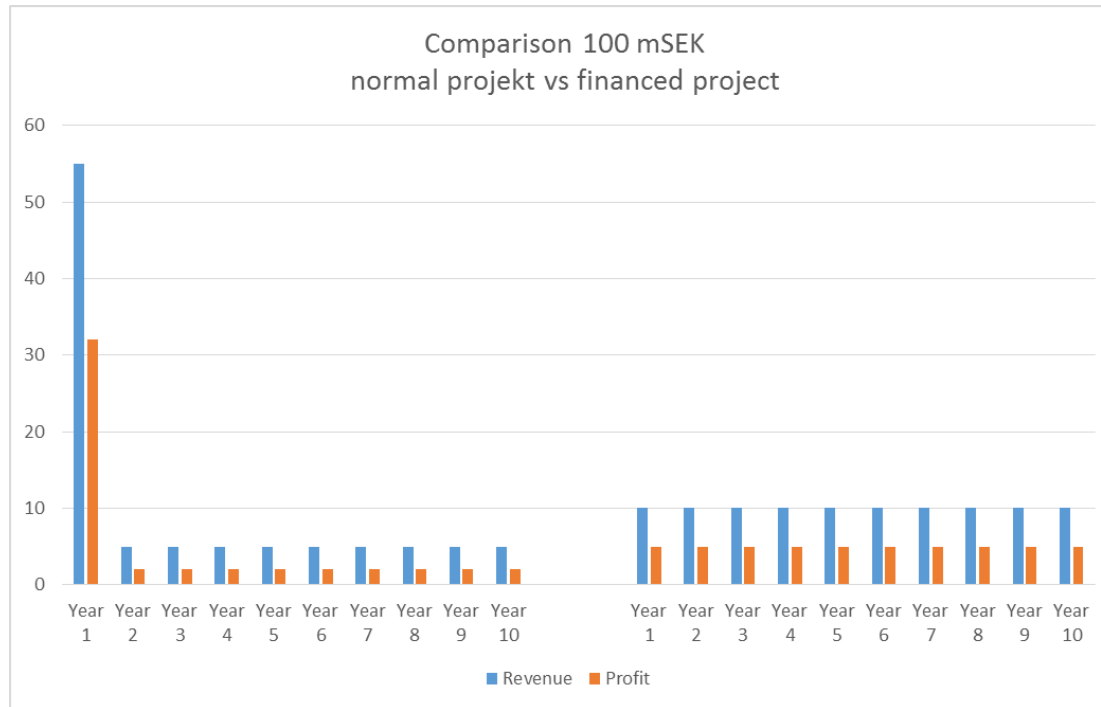
Eliminations mainly large Group-financed customer contracts.

Sales by business segment

SEK million 12 month rolling



Group-financed customer projects



Group-financed customer contracts:

- Revenue and profit eliminated on the group level during the installation.
- Delayed revenue and profit recognition for the Group.
- Long term revenue and profitability improved.

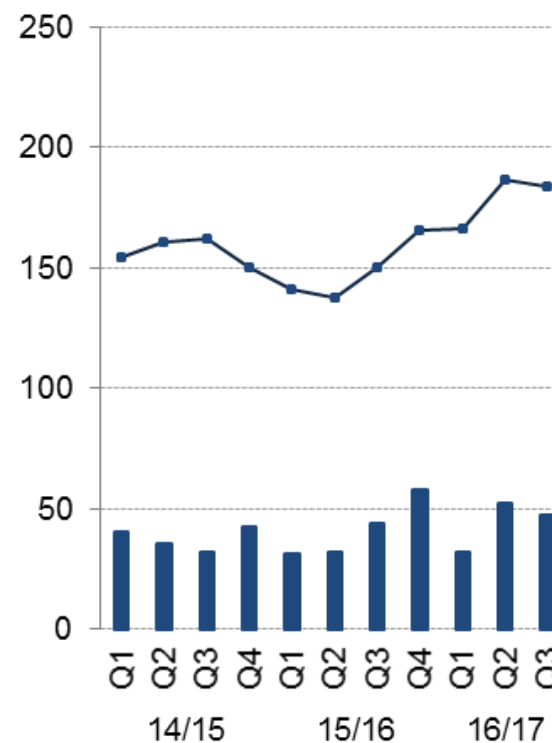
Operating profits

Changes compared with the nine-month period previous fiscal year:

- Operating profit +16.8%.
- Adjusted for currency fluctuations +15.0%.
- Operating margin 15.7%.

Operating earnings

SEK million 12 month rolling



Increasing cash flow

	Jan 31, 2017 Q 1-3	Jan 31, 2016 Q 1-3	Jan 31, 2017 12-month	Jan 31, 2016 12-month	2015/2016 Full year
Cash flow after changes in working capital	SEK 174.9 M	SEK 123.8 M	SEK 237.0 M	SEK 176.8 M	SEK 185.9 M
Cash flow/share after dilution	SEK 4.54	SEK 3.23	SEK 6.15	SEK 4.61	SEK 4.85

- A number of orders received previous year for medical IT solutions have reached operational phase.
- Long-term, the contracts will contribute to a solid future for the Sectra Group.

Highlights after Q3

Torbjörn Kronander, CEO and President Sectra AB

Secure Communications

Smartphone security

Sectra Tiger/R approved at the RESTRICTED level by:

- NATO (Q4)
- Dutch security authorities (Q3)

Secure mobile phone

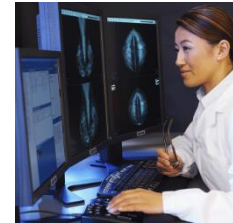
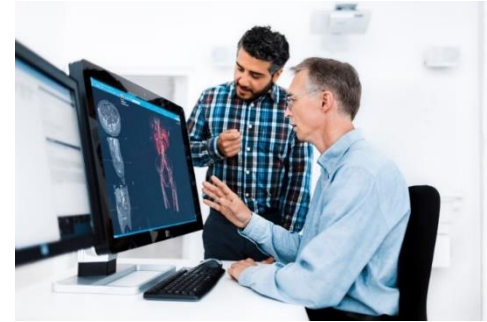
Sectra Tiger/S approved at the SECRET level by:

- NATO (Q4)
- EU (Q1)



Imaging IT Solutions

- Several orders from US customers.
- 1st order from the South African healthcare market through new distribution partnership with Tecmed Africa.



Imaging IT Solutions

- Order for unique nation-wide tele-pathology solution in the Netherlands.
- Order for digital pathology from hospitals in Sweden.
- New distribution partners for Sectras digital pathology solution in Russia and Poland.



Sectra's way forward

Torbjörn Kronander, CEO and President Sectra AB

Research and development

- Special focus on disease related to aging:
 - cancer (incl. pathology)
 - skeletal
 - (circulatory)
 - (neurodegenerative)
- Efforts in machine learning applications



Some
10-15%
of net sales
is invested in
R&D
each year

Focus forward

- Maintain high customer satisfaction ratings.
- Reach financial targets.
- Internal effectiveness.
Prioritize hosted solutions whenever possible.
- Prioritize large market share in a few geographies. Target is #1 or #2 in markets where we are present.
- Focused expansion, add new geographical markets carefully but decidedly.
- Focus on segments with large inherent growth.



Opportunities in major segments

Imaging IT Solutions

- Be good in general imaging diagnostics, but
- Excel in Cancer Diagnostics
- Expand business with existing customers.
- Cloud services/hosted solutions whenever possible.



Opportunities in major segments

Secure Communications

- Political uncertainty coupled with increasing awareness drives cybersecurity business throughout Europe.
- Use brand and knowledge to leverage in Critical Infrastructure.



Being a shareholder in Sectra

Torbjörn Kronander, CEO and President Sectra AB

Why Sectra?

- High customer satisfaction.
- Positioned in growing niche markets.
- A strong brand in markets where trust is critical.
- Management owns shares.
- Substantial and increasing recurring revenue.
- Profitable, strong cash flow and a solid balance sheet.
- Sustainable investments in R&D with exciting future opportunities.



Upcoming IR events

- **May 30, 2017 - Year-end report**
 - Public announcement 8:00 a.m.
 - Presentation of the report 10:00 a.m.
- **September 12, 2017 - Three-month report**
 - Public announcement 8:00 a.m.
 - Presentation of the report 12:00 noon.
- **September 13, 2017 - Annual General Meeting**
 - In Linköping, Sweden 3.30 pm.

Your feedback is important!

Please let us know what you

think at

sectra.com/irsurvey

Questions?

SECTRA

Knowledge and passion

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