

Interim report for the May–October 2019 period:

## Sectra Imaging IT Solutions' order bookings exceed SEK 2 billion on a rolling 12-month basis

Demand for the company's products increased and record-high order bookings were reported for the most recent 12-month period. A significant number of the orders pertain to long-term projects with new customers. In line with what has been previously stated, these projects had a negative impact on cash flow and earnings during the first half of 2019/2020. The projects' earnings and cash flows will improve as the systems are gradually put into service during the coming six months and onwards.

### REPORT PRESENTATION

November 29, 2019

at 10:00 a.m. (CET)

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More information on page 13.

### THE PERIOD AND THE QUARTER IN BRIEF

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

#### Six-month period, May–October 2019

- Order bookings increased 4.3% to SEK 664.4 million (637.2).
- Net sales increased 14.1% to SEK 696.1 million (609.9). Adjusted for currency fluctuations, sales increased 11.3%.
- Operating profit totaled SEK 72.0 million (80.6), corresponding to an operating margin of 10.3% (13.2). Adjusted for currency fluctuations, operating profit decreased 14.9%.
- Profit before tax amounted to SEK 75.6 million (86.5).
- Cash flow after changes in working capital amounted to SEK 81.2 million (100.4).

#### Second quarter, August–October 2019

- Order bookings increased 21.4% to SEK 425.7 million (350.7). Of the order bookings during the quarter, 25% were recognized as revenue during the quarter and 24% to 34% pertain to revenue within 12 months after the end of the quarter.
- Net sales increased 14.9% to SEK 363.3 million (316.2). Adjusted for currency fluctuations, sales increased 12.0%.
- Operating profit totaled SEK 42.7 million (45.0), corresponding to an operating margin of 11.8% (14.2). Adjusted for currency fluctuations, operating profit decreased 8.2%.
- Profit before tax amounted to SEK 44.9 million (52.7).
- Cash flow after changes in working capital amounted to SEK 109.2 million (84.5). Sectra distributed SEK 172.6 million (171.5) to shareholders through a redemption program.

### Performance measures

SEK million	The quarter <sup>1</sup>			The period <sup>1</sup>			12 months <sup>1</sup>		
	Q2	Q2	Change	Q1–2	Q1–2	Change	Rolling 12 months	Full-year	Change
	19/20	18/19	%	19/20	18/19	%		18/19	%
Order bookings	425.7	350.7	21.4	664.4	637.2	4.3	2,160.0	2,132.8	1.3
Net sales	363.3	316.2	14.9	696.1	609.9	14.1	1,499.7	1,413.5	6.1
Operating profit (EBIT)	42.7	45.0	-5.1	72.0	80.6	-10.7	227.0	235.5	-3.6
Operating margin, %	11.8	14.2	n/a	10.3	13.2	n/a	15.1	16.7	n/a
Profit before tax (EBT)	44.9	52.7	-14.8	75.6	86.5	-12.6	237.9	248.8	-4.4
Profit margin, %	12.4	16.7	n/a	10.9	14.2	n/a	15.9	17.6	n/a
Profit after tax	34.9	41.7	-16.3	59.0	68.3	-13.6	189.7	199.0	-4.7
Earnings per share, SEK <sup>2</sup>	0.91	1.09	-16.5	1.54	1.79	-14.0	4.95	5.21	-5.0
Cash flow <sup>3</sup>	109.2	84.5	29.2	81.2	100.4	-19.1	233.3	252.5	-7.6
Cash flow per share <sup>2,3</sup>	2.85	2.22	28.4	2.12	2.63	-19.4	6.09	6.58	-7.5
Average no. of employees	781	696	12.2	774	688	12.5	748	706	5.9

<sup>1</sup> Comparative periods have been restated; refer to the accounting policies in Note 1 on page 20. <sup>2</sup> Prior to dilution.

<sup>3</sup> Cash flow from operations after changes in working capital.

This information constitutes information that Sectra AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and/or the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out below, at 8:15 a.m. (CET) on November 29, 2019. Sectra AB (publ), <https://sectra.com>, Corporate Registration Number 556064-8304, email [info@sectra.com](mailto:info@sectra.com).

## CEO'S COMMENTS

To summarize the first half of 2019/2020, more and more customers around the world are choosing Sectra's products and services. Our goal is to maintain this trust by helping customers give their patients better, more efficient care and increasing cybersecurity in critical social functions.

The increase in order bookings during the period is primarily connected to Imaging IT Solutions, which for the first time exceeded SEK 2 billion on a rolling 12-month basis. Sectra's medical imaging solutions are comprehensive, personnel-intensive installation projects, and the period involved a build-up of delivery capacity to manage the large number of order bookings over the last year. These projects initially entail major costs, and only a small portion can be recognized as revenue for work in progress during the installation phase. As they transition into the operational phase, however, they will generate multiyear revenue streams with healthy margins. As we have stated previously, the investment-heavy first half of the year was in line with our plans and the costs will gradually shift into revenue and positive cash flow during the second half of 2019/2020.



We are continuing to invest in future areas with significant growth potential. One of these areas is digital pathology, where we are growing within the European market, which has started to gain momentum. In the US, customers can currently only use our pathology solution for secondary review, since we still don't have FDA approval for primary review. For digital pathology, the FDA requires a complete chain consisting of scanner, IT system and monitor. To achieve this, we have initiated a collaboration with Leica Biosystems, a leading supplier of digital pathology scanners and other equipment, and in November Sectra submitted an application to the FDA based on Leica's scanner. This does not change our product strategy of offering an open platform where customers have the choice to integrate scanners from different vendors, but for primary review in the US our customers will be advised to use Leica's scanner until the FDA alters its requirements for complete solutions. It is difficult to say how long the application will take to process, but if nothing unforeseen occurs, we expect approval to come during the spring. Sectra is currently unique in offering a solution that handles all three major areas within diagnostic imaging – radiology, pathology and cardiology – in the same system. This means major gains in efficiency and quality for customers and will allow us to be well positioned within digital pathology in the US when we receive our FDA approval.

We are also seeing exciting growth potential in the cybersecurity area. All the important functions of a modern society today are controlled by IT systems. Society needs to protect itself, meaning increased awareness as well as legislation within the area. Within encryption, which is essential for information security, the development of quantum computers is one of the major challenges and is resulting in a need for new encryption algorithms. When we received approval for our eavesdrop-proof mobile phone Sectra Tiger/S, the Dutch national security agency also stated that the new approved version was considered secure if attacked by quantum computers in the future.

### Increased focus on new payment model, starting in the US

Like the rest of the software industry, we will increasingly move towards a software-as-a-service (SaaS) payment model where we charge for our software system based on use instead of licensing. We already use this payment model for individual customers and have decided that as of the next fiscal year, we will gradually transition to this model as our primary option, starting in the US. We will, however, continue to offer licensing. The primary option differs from the model we have previously used in the UK, where the entirety of the customer's expenditure was allocated to the contract period. In the new model, we will invoice services and other fixed costs upon delivery. However, we will not sell software licenses but instead charge for use. This will be provided as an option in Europe, but in the US it will be the primary option. The transition to the new model will, at first, primarily affect cash flow. We expect earnings to be less affected by the change since we will have fixed obligations from customers during an introductory period and can thus recognize revenue from projects upon deployment.

### Outlook

Thanks to a combination of significant growth opportunities in all of our operating areas, stable development, and positive underlying cash flows and profitability, I have every reason to remain optimistic about the future. Sectra has a strong brand in areas where trust is vital when it comes to choosing a vendor. A high degree of customer satisfaction, favorable profitability and long-term customer contracts have laid a solid foundation for our future growth. We also have a number of exciting projects in the pipeline and new geographic markets that could eventually become significant. Synergies are also increasing between our operating areas as hospitals and healthcare providers increasingly become the primary targets of cybercrime. Having expertise in IT security and medical IT under the same roof is a strength that sets Sectra apart from the competition and makes us unique.

Torbjörn Kronander, President and CEO, Sectra AB



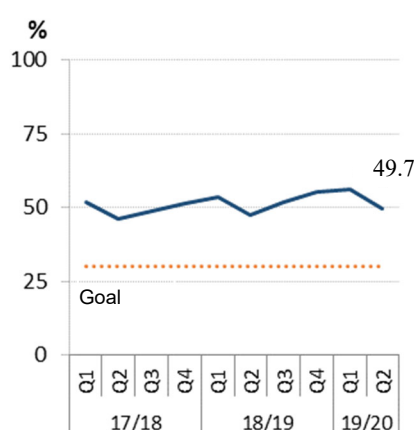
## Diagrams

Unless otherwise stated, bars show the outcome per quarter, lines show the outcome for the rolling 12-month period and amounts are restated in SEK million.

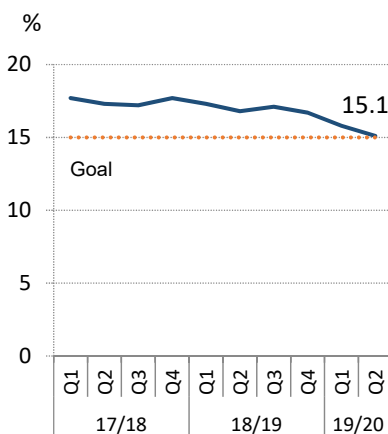
## FINANCIAL GOALS

The basic key figures for financial stability and the operating margin exceeded the Group's goals. Stability and profitability are considered hygiene factors. Once these are fulfilled, the focus shifts to the company's growth goal. Sectra reinvests its profit in areas that have the potential to increase customer value and thereby contribute to stable and long-term returns for its shareholders. The goal for growth was not reached during the period. The growth goal is calculated based on operating profit and was affected during the period by the costs of new customer installation projects, which will contribute to the goal over the long term once they are put into service. Goals in order of priority:

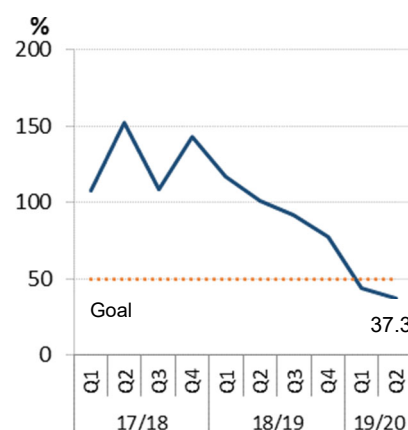
1. The equity/assets ratio is to be at least 30%



2. The operating margin is to be at least 15%



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



## EVENTS

### Second quarter

- Sectra received an order from Grady Memorial Hospital, the largest hospital in the state of Georgia and the fifth-largest public hospital in the US. In addition to Sectra PACS for diagnostic radiology, the contract includes Sectra Breast Imaging PACS for mammography workflow, orthopaedic pre-operative planning tools, business analytics and cross-platform worklists for sharing images with other health systems.
- The largest private group medical practice in the US state of Wisconsin, Marshfield Clinic Health System, ordered Sectra's medical imaging system. Using Sectra's solution, the customer will be able to consolidate radiology images from seven hospitals and some 50 outpatient clinics in a shared solution.
- The University Medical Center Groningen, one of the largest hospitals in the Netherlands, ordered Sectra's enterprise imaging solution. The contract includes radiology, nuclear medicine and cardiology and Sectra's vendor-neutral AI platform for image analysis applications.
- The hospital Ziekenhuis Gelderse Vallei in the Netherlands ordered Sectra's medical imaging system.
- Sectra received a radiology imaging order from Maastricht University Medical Center in the Netherlands.
- The Dutch national security agency, NLNCSA, approved the latest version of the eavesdrop-proof mobile phone Sectra Tiger/S for use up to and including the Geheim (SECRET) security level. The product is considered secure for future quantum computers.
- The Annual General Meeting elected Jonas Yngvesson as a new Board member.

### After the end of the reporting period

- Sectra submitted an application to the US Food and Drug Administration (FDA) for approval of its digital pathology solution in combination with Leica Biosystem's already-approved scanner.



Sectra was awarded third place in a ranking of Sweden's best employers in 2019. Universum's research is based on how employees rate their employer in terms of internal identity, satisfaction/ recommendation and loyalty. Read more: [career.sectra.com](https://career.sectra.com)

## SECTRA'S MARKETS

Sectra plays a key role in meeting the needs in the areas of medical imaging IT and cybersecurity, two changing, growing markets with additional scope for expansion. The combination of medical IT and information security operations in the same Group makes Sectra unique.

Sectra's customers operate in some of society's most critical functions. The company's job is to help its customers become more efficient and give them the tools to in turn make people's lives healthier, safer and more secure. By following Sectra's vision, this is how the company creates value for its customers, shareholders and society as a whole.

### Imaging IT for more efficient care and medical education

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

### Cybersecurity for a more stable and safer society

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



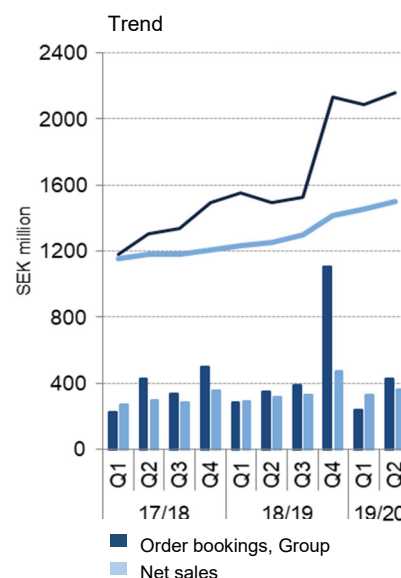
Read more in Sectra's  
2018/2019 Annual Report:  
[investor.sectra.com/annual-reports](https://investor.sectra.com/annual-reports)

## COMMENTS ON THE GROUP'S FINANCIAL OUTCOME FOR THE PERIOD AND THE QUARTER

### Order bookings and net sales

Order bookings for the second quarter rose 21.4% to SEK 425.7 million (350.7) and amounted to SEK 664.4 million (637.2) for the six-month period. Imaging IT Solutions' operations in the Netherlands and the US accounted for the largest individual increases during the first half of the year, while order bookings in Sweden, for example, were lower than in the comparative period. A large portion of the order bookings pertain to long-term contracts with new customers. Major long-term agreements contribute to increased stability, but also give rise to significant variations in order bookings between individual quarters.

Net sales for the second quarter increased 14.9% to SEK 363.3 million (316.2). Net sales for the six-month period totaled SEK 696.1 million (609.9), up 14.1%. More than 70% of Sectra's net sales are carried out in foreign currency, primarily EUR, USD and GBP, which entails a relatively large sensitivity to exchange rates. Adjusted for currency fluctuations (refer to page 17), sales increased 11.3% year-on-year.



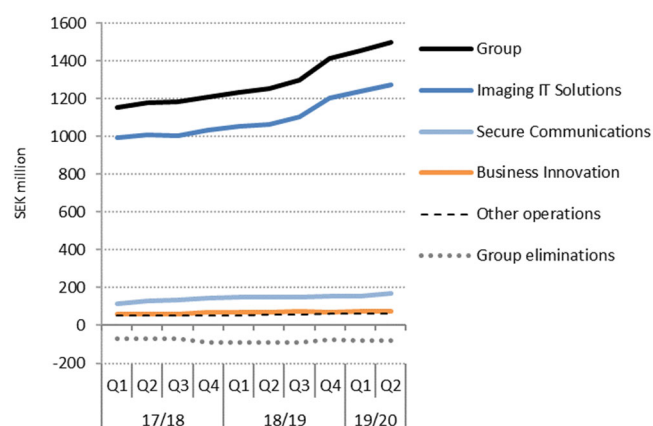
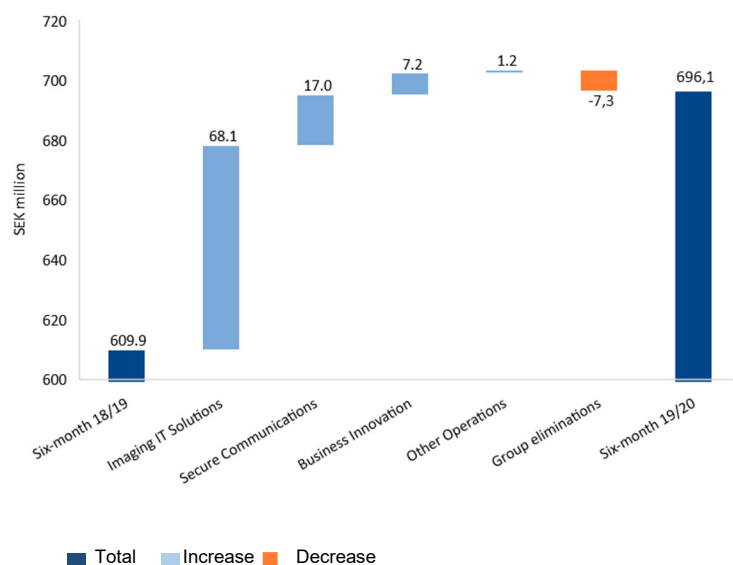
## Sales per operating area and geographic market

All operating areas and geographic markets reported sales growth. Operations in the US were responsible for the largest geographic growth during the six-month period, up 24.3% from the comparative period.

### Sales trend per operating area

Compared with the corresponding period in the preceding fiscal year

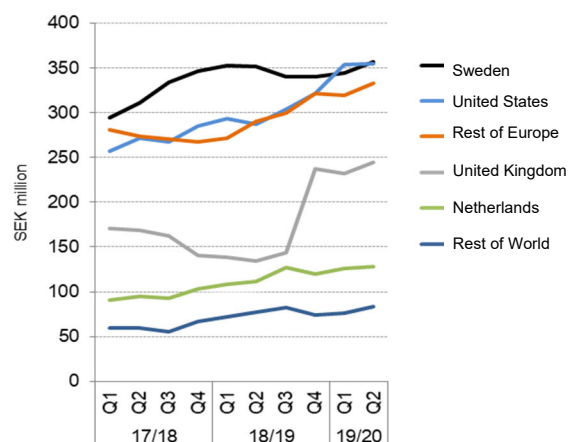
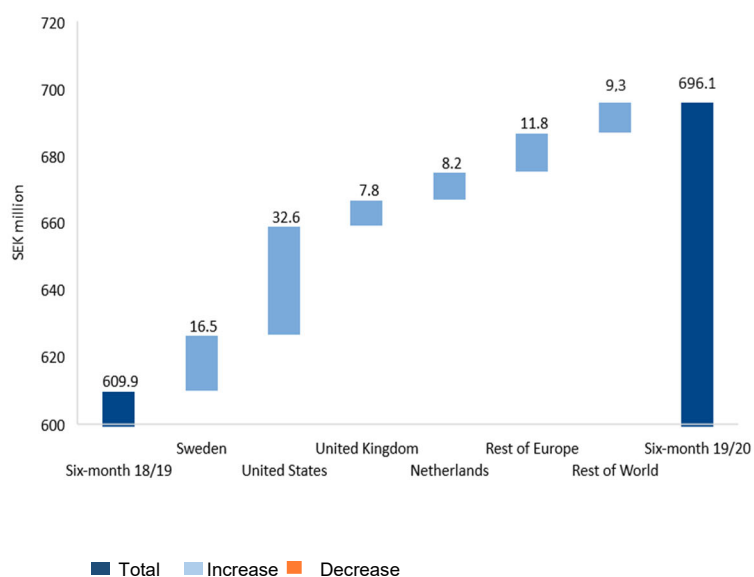
Trend



### Sales trend per geographic market

Compared with the corresponding period in the preceding

Trend





## Earnings

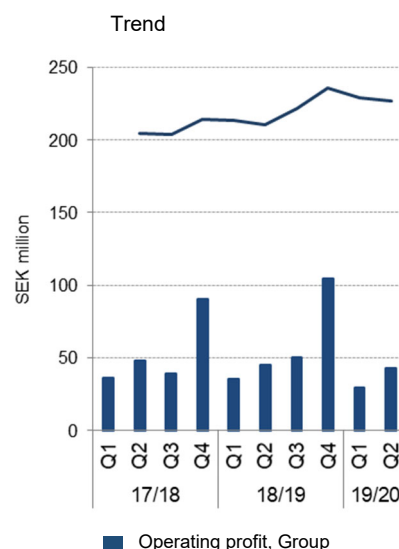
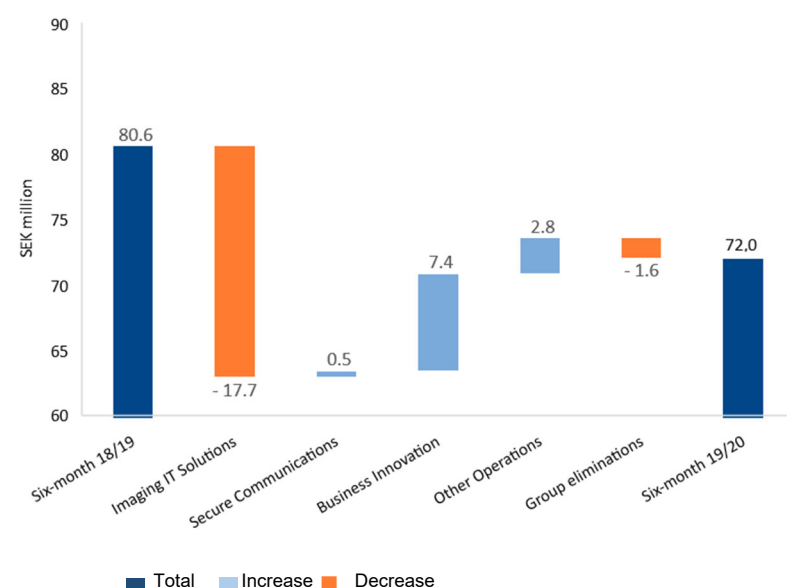
The Group's operating profit amounted to SEK 72.0 million (80.6), of which SEK 42.7 million (45.0) pertained to the second quarter. This corresponds to an operating margin of 10.3% (13.2) for the six-month period and 11.8% (14.2) for the second quarter. Adjusted for currency fluctuations, operating profit decreased 14.9% from the comparative period. The Group's outcome was burdened by increased operating expenses, mainly due to higher personnel and consulting costs. This increase is attributable to ongoing investments in future areas and an enhanced capacity for the installation and deployment of Sectra's medical imaging systems resulting from the growth in demand over the past year. Major system installations with new customers entail significant initial costs and a negative effect on cash flows. As customers put the systems into service, the Group's earnings and cash flow will improve.

The Group's net financial items totaled SEK 3.5 million (5.9), of which the second quarter accounted for SEK 2.3 million (7.7). Currency fluctuations (refer to page 17) had an impact of SEK 1.6 million (1.6) on the Group's financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact.

Profit after net financial items amounted to SEK 75.6 million (86.5), of which SEK 44.9 million (52.7) pertained to the second quarter. This outcome corresponds to a profit margin of 10.9% (14.2) for the six-month period and 12.4% (16.7) for the second quarter. Earnings per share totaled SEK 1.54 (1.79) for the period, of which SEK 0.91 (1.09) pertained to the second quarter.

### Operating profit trend per operating area

Compared with the corresponding period in the preceding fiscal year

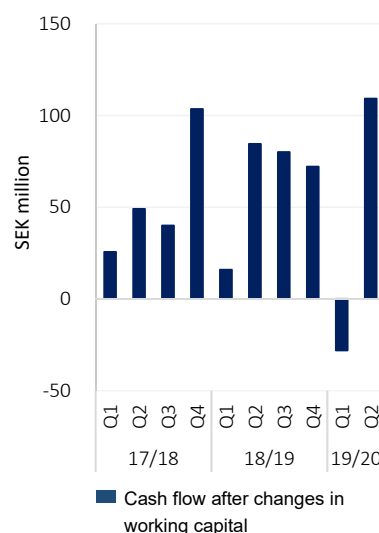


## Financial position and cash flow

After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 189.4 million (190.6). During the second quarter, Sectra distributed SEK 172.6 million (171.5) to its shareholders through a share redemption program.

The Group's debt/equity ratio was 0.18 (0.10) as of the balance-sheet date. The change pertains to the transition to the new accounting policies according to IFRS 16 (refer to Note 1 on page 20). Interest-bearing liabilities amounted to SEK 111.1 million (57.5), of which SEK 79.6 million (0.0) pertained to lease liabilities according to IFRS 16 and SEK 31.5 million (57.5) pertained to convertible loans held by employees and Board members.

Cash flow from operations after changes in working capital amounted to SEK 81.2 million (100.4) for the period, of which SEK 109.2 million (84.5) was attributable to the second quarter. Cash flow per share amounted to SEK 2.12 (2.63) for the period, of which SEK 2.85 (2.22) pertained to the second quarter.



Cash flow from investing activities amounted to a negative SEK 40.6 million (neg: 14.5) for the period, of which a negative SEK 13.5 million (neg: 7.8) was attributable to the second quarter. The increase is primarily due to investments in infrastructure for cloud solutions for medical imaging, purchasing rights for software within Imaging IT Solutions and the acquisition of assets in Columbitech AB (refer to page 22).

The Group's total cash flow for the period was a negative SEK 144.0 million (neg: 85.1). These figures include the share redemption program for shareholders. Excluding the share redemption program, total cash flow amounted to SEK 28.6 million (86.4).

## Investments and depreciation/amortization

Group investments during the period amounted to SEK 40.6 million (14.5), of which SEK 13.5 million (7.8) was attributable to the second quarter. The period's investments pertain primarily to infrastructure for cloud solutions for medical imaging, purchasing rights for software, capitalized development costs and the acquisition of assets in Columbitech AB. Depreciation/amortization for the period totaled SEK 34.3 million (22.3), of which the second quarter accounted for SEK 17.4 million (11.6). Depreciation of right-of-use assets according to IFRS 16 for the period amounted to SEK 10.5 million (0.0), of which SEK 5.4 million (0.0) pertained to the second quarter.

Capitalization of development costs during the period amounted to SEK 11.6 million (11.0), of which SEK 6.9 million (6.3) was attributable to the second quarter. Amortization of capitalized development projects during the period totaled SEK 13.4 million (12.5), of which SEK 6.8 million (6.7) pertained to the second quarter. At the end of the period, capitalized development costs amounted to SEK 100.8 million (103.1).

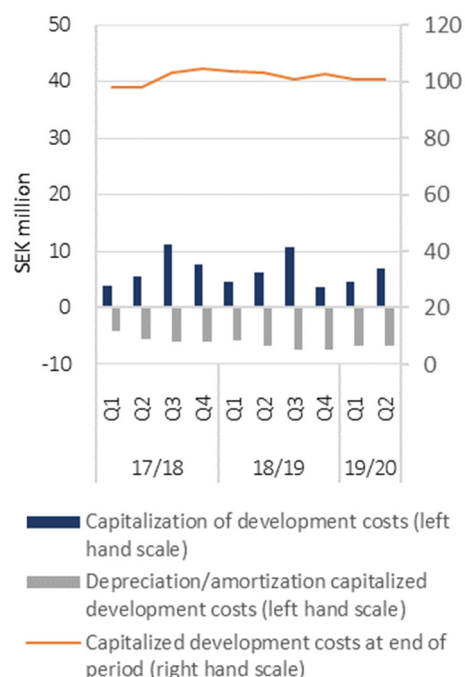


Sectra maintains a high pace of innovation and continuously invests in new and ongoing development. Development takes place in close dialogue with customers.

## 10–15%

of consolidated sales are invested in research and development every year.

Capitalized development costs



## Seasonal variations

Sectra's seasonal variations entail that most of the company's invoicing and earnings have traditionally been generated at the end of the fiscal year. 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.

## Brexit

In Europe, Brexit received considerable attention during the period. Based on the information we have today, our assessment is still that Brexit will not have any significant effect on Sectra's operations. We have taken measures in anticipation of Brexit and prepared relevant agreements that will enable us to continue to share personal data with our UK subsidiary even after such an event. This is important for maintaining support for the products developed in the UK and so that our personnel in the UK can retain access to information about personnel in Europe.

## IMAGING IT SOLUTIONS

	The quarter			The period			12 months		
	Q2	Q2	Change	Q1-2	Q1-2	Change	Rolling 12 months	Full-year	Change
	19/20	18/19	%	19/20	18/19	%	12 months	18/19	%
Sales, SEK million	297.7	264.7	12.5	586.1	518.0	13.1	1,272.3	1,204.2	5.7
Operating profit, SEK million	41.6	52.2	-20.3	82.9	100.6	-17.6	239.3	257.0	-6.9
Operating margin, %	14.0	19.7	n/a	14.1	19.4	n/a	18.8	21.3	n/a

We are experiencing increased demand for our products, both in our large markets (the Netherlands, Scandinavia, the UK and the US) and in new markets (such as Canada and France). This increase in demand means that, for the first time, order bookings in Imaging IT Solutions exceeded SEK 2 billion on a rolling 12-month basis. During the second quarter, it was primarily the Netherlands and the US that contributed to the growth in order bookings, but partner sales around the world also increased.

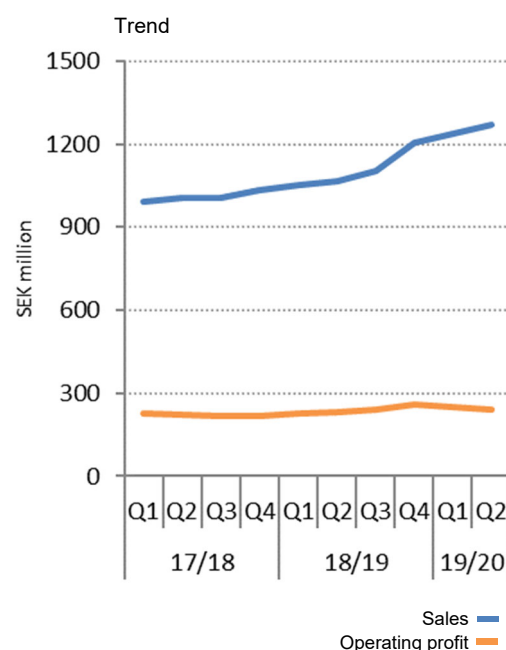
Imaging IT Solutions is growing by adding new customers and through renewed and expanded contracts with existing customers. The operations in the US accounted for the largest sales increase compared with the corresponding period in the preceding year. Operating profit was affected by increased operating expenses, primarily personnel costs to handle the increased demand. To take care of more customers, delivery capacity has been gradually strengthened, primarily in the US but also in growth markets such as Australia, Canada and France, where Sectra received important breakthrough orders in the preceding fiscal year. Several of the customer contracts signed during the last year will, according to plan, be deployed during the second half of the 2019/2020 financial year.

### Long-term growth initiatives

A number of years ago, Sectra's customers were radiology clinics looking for IT support for their imaging systems. Today, customers are increasingly moving from individual department systems to solutions that meet all healthcare imaging needs. Sectra's scalable solutions manage all types of medical images, with a focus on collecting the most image-intensive departments – radiology, pathology and cardiology – in a single system. This also creates opportunities for complementary sales to both existing and new customers.

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. The initiatives in Imaging IT Solutions also include new technological areas such as AI and cloud solutions. During the period, Sectra invested in infrastructure to meet the increased demand for cloud solutions, primarily in Sweden but also in other markets.

Sectra has secured orders through important procurements in the US and received high rankings in surveys of the alternatives that customers would be likely to choose in the future. This is also a market with significant growth potential for digital pathology.



Sectra has applied for FDA approval in the US for its digital pathology solution.





## BUSINESS INNOVATION

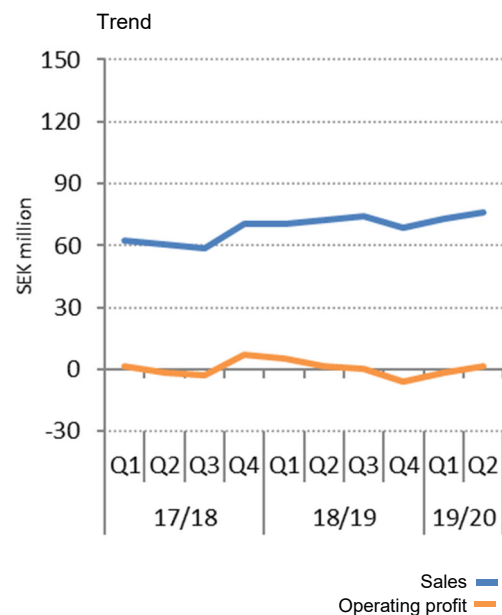
	The quarter			The period			12 months		
	Q2	Q2	Change	Q1–2	Q1–2	Change	Rolling 12 months	Full-year	Change
	19/20	18/19	%	19/20	18/19	%	18/19	18/19	%
Sales, SEK million	19.8	16.6	19.3	35.3	28.1	25.6	76.0	68.8	10.5
Operating profit/loss, SEK million	-1.0	-3.9	74.4	-0.5	-7.9	93.7	1.4	-6.0	123.3
Operating margin, %	neg	neg	n/a	neg	neg	n/a	1.8	neg	n/a

Business Innovation is Sectra's incubator for early-stage business units, projects and ideas that are not yet large enough to become independent operating areas and are not a natural match with the existing areas. Sectra also reports the expenses for its long-term research activities in this area, which currently largely focus on initiatives in the field of AI for medical applications. Within Business Innovation, the company evaluates and utilizes opportunities to:

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

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

Both business units have new products that have attracted considerable market attention. Sectra is currently undergoing a product generation shift in both Orthopaedics and Medical Education. The results in Business Innovation's two relatively small business units vary significantly between quarters and periods. During the first half of the year, the business units improved their results compared with the corresponding period in the preceding year.



While the business units in Business Innovation are relatively small, Sectra's success in digital pathology clearly shows how important this incubator is. For example, the operating area has several exciting products for customers in the areas of orthopaedics and medical education of the future.

## SECURE COMMUNICATIONS

	The quarter			The period			12 months		
	Q2	Q2	Change	Q1-2	Q1-2	Change	Rolling 12 months	Full-year	Change
	19/20	18/19	%	19/20	18/19	%		18/19	%
Sales, SEK million	50.8	36.1	40.7	86.5	69.5	24.5	169.4	152.4	11.2
Operating profit, SEK million	1.7	0.3	466.7	0.7	0.2	250.0	7.5	7.0	7.1
Operating margin, %	3.4	0.8	n/a	0.8	0.3	n/a	4.4	4.6	n/a

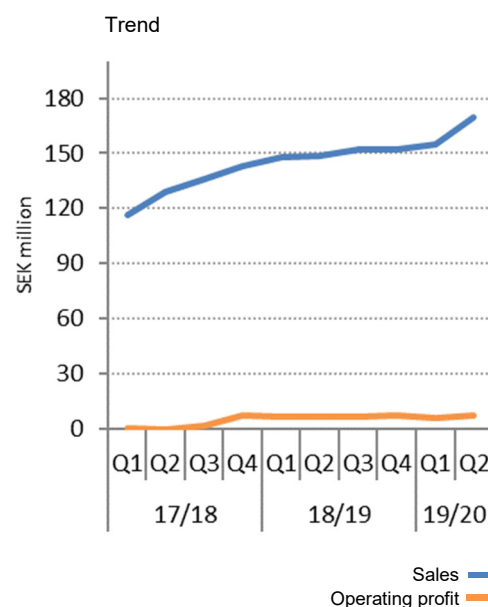
Secure Communications is growing, primarily through increased sales from project-based development activities and approved crypto products that protect information essential to the security of critical social functions. This development is partially paid for by customers and will eventually lead to product delivery, which entails an increased operating margin compared with development projects.

Historically, the business model has largely been built on delivering products and projects, but now the focus is on expanding the share of operational and support services. The ambition for the operating area is to continue to grow with profitability within all customer segments. The growth strategy has a clearer focus on customer segments and increasing service sales as well as expanding the customer offering through partnerships.

### Acquisitions

During the period, Sectra acquired the assets of the Swedish IT security company Columbitech AB, including the shares in its US subsidiary Columbitech Inc. The company specializes in software-based, primarily mobile, VPNs. The acquisition strengthens Sectra's total offering and ability to support security-conscious organizations' strategies for secure mobile work via smartphones and tablets, regardless of which technological platform the mobile device is based on. The acquisition also means that the operating area now has a presence and customers in the US market.

The acquired assets and operations in the US company became part of Secure Communications as of May 21, 2019. The acquisition does not have any material impact on the operating area's or the Group's sales and earnings. For more information, refer to Note 2 on page 22.



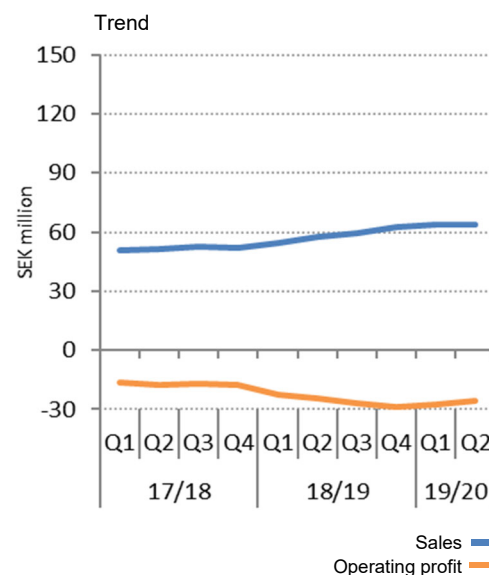
Sectra held a Capital Markets Day at the end of September, with a focus on the company's role and growth potential within the cybersecurity area. View recorded presentations here:

<https://investor.sectra.com/cmd26sep>

## OTHER OPERATIONS

	The quarter			The period			12 months		
	Q2	Q2	Change	Q1-2	Q1-2	Change	Rolling 12 months	Full-year	Change
	19/20	18/19	%	19/20	18/19	%	18/19	18/19	%
Sales, SEK million	16.8	16.4	2.4	32.3	31.1	3.9	63.9	62.7	1.9
Operating profit/loss, SEK million	-5.7	-7.8	26.9	-12.6	-15.4	18.2	-25.6	-28.4	9.9
Operating margin, %	neg	neg	n/a	neg	neg	n/a	neg	neg	n/a

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



## PARENT COMPANY

The Parent Company, Sectra AB, includes the Business Innovation operating segment as well as the head office's functions for Group finance, IT, regulatory affairs, marketing communications, and investor relations activities. The Parent Company's income statement and balance sheet are reported on page 19.

## THE SHARE

### 2019 share redemption program and Swedish tax return help

During October 2019, Sectra carried out a share redemption program, whereby SEK 4.50 per share was distributed to the shareholders through a 2:1 share split, combined with a mandatory redemption process and a bonus issue to restore the share capital. The corresponding distribution to the shareholders in the preceding year was SEK 4.50 per share.

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

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

According to the general advice issued by the Swedish Tax Agency regarding the 2019 redemption program, 98.6% of the acquisition fees for an original Class A or Class B share in Sectra AB should be attributed to remaining shares and 1.4% to redemption shares of the respective class. For more information, visit [investor.sectra.com/event/share-redemption-program-2019/](https://investor.sectra.com/event/share-redemption-program-2019/).

### Share-related incentive programs and recalculation of conversion prices

On the balance-sheet date, Sectra's share capital totaled SEK 38,352,871 distributed between 38,352,871 shares. Of these shares, 2,620,692 are Class A shares and 35,732,179 are Class B shares. As of the publication date of this report, on full exercise of outstanding convertibles, the number of Class B shares will increase by 177,980, corresponding to 0.5% of the share capital and 0.3% of the voting rights in the company.

Due to the share redemption program for 2019, the Board decided to recalculate the conversion prices for outstanding convertible programs. This recalculation means that the financial compensation to the holders of convertibles in relation to the shareholders is reasonable. For dilution effects and current conversion prices after the recalculation made after the balance-sheet date, refer to the information on [investor.sectra.com/the-share/share-related-incentive-programs/](https://investor.sectra.com/the-share/share-related-incentive-programs/).

## Authorizations of new share issue and repurchase of own shares

The 2019 AGM authorized the Board, for the period until the next AGM, to decide on the new issue of not more than 3,700,000 Class B shares for consideration in the form of cash payment, offsetting of debt or contribution in kind whereby offsetting of debt and contribution in kind may deviate from shareholders' preferential rights. If the authorization is fully exercised, the dilution effect will be approximately 10% of the share capital and approximately 6% of the voting rights.

The AGM also resolved to authorize the Board, on one or more occasions, during the period until the next AGM, to make decisions on the acquisition and transfer of Class B treasury shares. A condition for the authorization is that the company's holding of treasury shares at no time exceeds 10% of all shares in the company.

At the time of publication of this interim report, the Board had not utilized these authorizations.

## NOMINATION COMMITTEE AND 2020 AGM

The 2019 AGM resolved to appoint a Nomination Committee comprising four members, one of whom is the Chairman of the Board and three of whom represent the largest shareholders in the company based on the number of votes. The Nomination Committee was formed based on known shareholdings in the company on October 31, 2019. In accordance with the resolution of the AGM, the following Nomination Committee was appointed:

- Torbjörn Kronander (largest shareholder and CEO)
- Carl-Erik Ridderstråle (representing Jan-Olof Brüer, the second-largest shareholder)
- Jan Särilvik (representing Nordea Investment Funds, the fourth-largest shareholder)
- Jan-Olof Brüer (in his role as Chairman of the Board)

Carl-Erik Ridderstråle, who represents the company's second-largest shareholder in terms of votes, was appointed Chairman of the Nomination Committee. Torbjörn Kronander, the company's largest shareholder in terms of votes, has decided to abstain from the chairmanship due to his role as CEO of Sectra AB.

The AGM is scheduled for September 8, 2020 in Linköping, Sweden. The Nomination Committee's proposals will be presented in the notice of the AGM and be available on the company's website not earlier than six weeks and not later than four weeks prior to the meeting date.

The Nomination Committee will prepare and submit proposals regarding:

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

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

## RISKS AND UNCERTAINTIES

Through its operations, Sectra is exposed to such business risks as dependence on major customers and partners, the effect of exchange rates on pricing in the markets in which the Group is active, and property and liability risks. Sectra is also exposed to various types of financial risks such as currency, interest-rate, credit and liquidity risks. A detailed description of the risks and uncertainties as well as Sectra's strategies and tactics for minimizing risk exposure and limiting adverse effects are provided in the Administration Report in the Group's Annual Report for the 2018/2019 fiscal year and in Note 29 on page 88. No significant events have occurred that would alter the conditions reported.

## FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, telephone +46 13 23 52 27 or email [info.investor@sectra.se](mailto:info.investor@sectra.se).

### Presentation of the interim report

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

Time: November 29, 2019 at 10:00 a.m. (CET)

Follow live online: [investor.sectra.com/q2report2019](http://investor.sectra.com/q2report2019). A recorded version will also be available on this website after the presentation.

To participate by phone, call one of the following numbers 10 to 15 minutes before the scheduled start time:

SE +46850558356

UK +443333009261

US +18338230586

### Financial calendar and AGM

Nine-month interim report

March 4, 2020 at 8:15 a.m. (CET)

Year-end report 2019/2020

June 3, 2020 at 8:15 a.m. (CET)

2020 AGM

September 8, 2020 at 3:30 p.m. (CET)

For other IR events, visit: [investor.sectra.com/events-and-presentations/](http://investor.sectra.com/events-and-presentations/)

## ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the interim report for the period May to October 2019 provides a true and fair view of the Parent Company's and Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Linköping, November 29, 2019

Torbjörn Kronander  
President, CEO and Board member

Jan-Olof Brüer  
Chairman

Christer Nilsson  
Board member

Jonas Yngvesson  
Board member

Anders Persson  
Board member

Birgitta Hagenfeldt  
Board member

Tomas Puusepp  
Board member

Deborah Capello  
Board member and  
employee representative

Bengt Hellman  
Board member and  
employee representative

### Review

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



GROUP FINANCIAL SUMMARY<sup>1</sup>

## Consolidated income statements

SEK thousand	3 months Aug–Oct 2019	3 months Aug–Oct 2018	6 months May–Oct 2019	6 months May–Oct 2018	12 months Nov 2018– Oct 2019	Full-year May–Apr 2018/2019
<b>Net sales</b>	<b>363,267</b>	<b>316,191</b>	<b>696,109</b>	<b>609,911</b>	<b>1,499,720</b>	<b>1,413,522</b>
Capitalized work for own use	8,917	6,340	15,286	10,965	41,590	37,269
Other operating income	217	1,516	1,019	2,051	2,375	3,407
Goods for resale	-55,544	-43,773	-103,226	-90,088	-267,595	-254,457
Personnel costs	-195,930	-171,438	-378,294	-324,101	-731,000	-676,807
Other external costs	-60,904	-52,202	-124,568	-105,805	-259,347	-240,584
Depreciation/amortization and impairment	-17,358	-11,604	-34,284	-22,329	-58,764	-46,809
<b>Operating profit</b>	<b>42,665</b>	<b>45,030</b>	<b>72,042</b>	<b>80,604</b>	<b>226,979</b>	<b>235,541</b>
Net financial items	2,277	7,718	3,527	5,877	10,901	13,251
<b>Profit after net financial items</b>	<b>44,942</b>	<b>52,748</b>	<b>75,569</b>	<b>86,481</b>	<b>237,880</b>	<b>248,792</b>
Taxes	-10,034	-11,079	-16,607	-18,225	-48,195	-49,813
<b>Profit for the period</b>	<b>34,908</b>	<b>41,669</b>	<b>58,962</b>	<b>68,256</b>	<b>189,685</b>	<b>198,979</b>
<b>Profit for the period attributable to:</b>						
Parent Company owners	34,908	41,669	58,962	68,256	189,685	198,979
Non-controlling interest	0	0	0	0	0	0
<b>Earnings per share</b>						
Before dilution, SEK	0.91	1.09	1.54	1.79	4.95	5.21
After dilution, SEK	0.91	1.08	1.53	1.77	4.92	5.17
<b>No. of shares</b>						
Before dilution	38,352,871	38,119,669	38,352,871	38,119,669	38,352,871	38,352,871
After dilution <sup>2</sup>	38,530,851	38,515,550	38,530,851	38,515,550	38,530,851	38,530,851
Average, before dilution	38,352,871	38,119,669	38,352,871	38,119,669	38,314,004	38,197,403
Average, after dilution	38,530,851	38,515,550	38,530,851	38,515,550	38,530,861	38,523,210

<sup>1.</sup> Comparative periods have been restated; refer to the accounting policies in Note 1 on page 20.

<sup>2.</sup> Dilution of the number of shares is based on the convertible programs issued in 2015/2016 (26,963), 2016/2017 (143,217) and 2017/2018 (7,800). On full exercise of convertibles, the number of shares will increase by 177,980.

## Consolidated statement of comprehensive income

SEK thousand	3 months Aug–Oct 2019	3 months Aug–Oct 2018	6 months May–Oct 2019	6 months May–Oct 2018	12 months Nov 2018– Oct 2019	Full-year May–Apr 2018/2019
<b>Profit for the period</b>	<b>34,908</b>	<b>41,669</b>	<b>58,962</b>	<b>68,256</b>	<b>189,685</b>	<b>198,979</b>
Change in translation differences for the period from translating foreign subsidiaries	13,847	5,456	3,157	-4,888	18,562	10,517
<b>Total other comprehensive income for the period</b>	<b>13,847</b>	<b>5,456</b>	<b>3,157</b>	<b>-4,888</b>	<b>18,562</b>	<b>10,517</b>
<b>Total comprehensive income for the period</b>	<b>48,755</b>	<b>47,125</b>	<b>62,119</b>	<b>63,368</b>	<b>208,247</b>	<b>209,496</b>

## Consolidated balance sheets

SEK thousand	Oct 31, 2019	Oct 31, 2018	Apr 30, 2019
<b>Assets</b>			
Intangible assets	193,959	182,320	182,651
Tangible assets	48,860	38,720	40,148
Right-of-use assets	82,980	0	0
Financial assets	151,081	148,807	170,274
Deferred tax assets	5,536	5,053	5,996
<b>Total fixed assets</b>	<b>482,416</b>	<b>374,900</b>	<b>399,069</b>
Other current assets	569,659	601,560	583,814
Cash and cash equivalents	189,440	190,612	331,935
<b>Total current assets</b>	<b>759,099</b>	<b>792,172</b>	<b>915,749</b>
<b>Total assets</b>	<b>1,241,515</b>	<b>1,167,072</b>	<b>1,314,818</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	617,440	552,783	727,909
Provisions	29,024	21,886	23,327
Deferred tax liabilities	5,339	6,398	7,395
Long-term lease liabilities	59,434	0	0
Other long-term liabilities	6,451	29,388	6,451
Current lease liabilities	20,146	0	0
Other current liabilities	503,681	556,617	549,736
<b>Total equity and liabilities</b>	<b>1,241,515</b>	<b>1,167,072</b>	<b>1,314,818</b>

No material changes have occurred in pledged assets and contingent liabilities since the 2018/2019 Annual Report.

## Consolidated statement of changes in equity

SEK thousand	6 months May–Oct 2019	6 months May–Oct 2018	Full-year May–Apr 2018/2019
Equity at start of period	727,909	660,954	660,954
Adjustment IFRS 15	0	0	916
<b>Adjusted equity at start of period</b>	<b>727,909</b>	<b>660,954</b>	<b>661,870</b>
Comprehensive income for the period	62,119	63,368	209,496
Dividend/redemption of shares	-172,588	-171,539	-171,539
Settlement of share-related payments	0	0	28,082
<b>Equity at end of period</b>	<b>617,440</b>	<b>552,783</b>	<b>727,909</b>

## Consolidated cash-flow statements

SEK thousand	6 months May–Oct 2019	6 months May–Oct 2018	Full-year May–Apr 2018/2019 <sup>1</sup>
<b>Operating activities</b>			
Operating profit	72,042	80,604	235,541
Adjustment for non-cash items	33,466	29,720	41,716
Interest and dividends received	3,538	5,023	14,497
Interest paid	-1,579	-727	-1,246
Income tax paid	-45,649	-40,237	-81,209
<b>Cash flow from operations before changes in working capital</b>	<b>61,818</b>	<b>74,383</b>	<b>209,299</b>
<b>Changes in working capital</b>			
Change in inventories	-956	-9,384	-10,358
Change in receivables	71,831	29,737	37,117
Change in current liabilities	-51,540	5,681	16,484
<b>Cash flow from operations</b>	<b>81,153</b>	<b>100,417</b>	<b>252,542</b>
<b>Investing activities</b>			
Acquisitions of intangible assets	-17,895	-10,616	-25,176
Acquisitions of tangible assets	-21,938	-3,843	-9,699
Acquisition of financial assets	-812	0	0
<b>Cash flow from investing activities</b>	<b>-40,645</b>	<b>-14,459</b>	<b>-34,875</b>
<b>Financing activities</b>			
Raising of convertibles	0	860	2,951
Repayment of lease liabilities	-10,020	0	0
Payment of contingent consideration	-1,899	-346	-346
Redemption of shares	-172,588	-171,538	-171,538
<b>Cash flow from financing activities</b>	<b>-184,507</b>	<b>-171,024</b>	<b>-168,933</b>
<b>Cash flow for the year</b>	<b>-143,999</b>	<b>-85,066</b>	<b>48,734</b>
Cash and cash equivalents, opening balance	331,935	282,341	282,341
Exchange-rate difference in cash and cash equivalents	1,505	-6,663	860
Cash and cash equivalents, closing balance	189,441	190,612	331,935
Unutilized credit facilities	15,000	15,000	15,000

<sup>1</sup> Cash flow has been reclassified from investing activities to operations regarding long-term accounts receivable in Group-financed managed-services agreements and totaled SEK 1,846 thousand for the 2018/2019 fiscal year.

## Alternative performance measures for the period and full-year

	6 months Oct 31, 2019	6 months Oct 31, 2018	12 months Oct 31, 2019	Full-year Apr 30, 2019
Order bookings, SEK million	664.4	637.2	2,160.0	2,132.8
Operating margin, %	10.3	13.2	15.1	16.7
Profit margin, %	10.4	14.2	15.9	17.6
Average no. of employees	774	688	748	706
Cash flow per share, SEK	2.12	2.63	6.09	6.58
Cash flow per share after full dilution, SEK	2.11	2.61	6.05	6.55
Value added, SEK million	450.3	404.7	957.8	912.3
P/E ratio, multiple	n/a	n/a	64.9	61.8
Share price at end of period, SEK	321.5	238.6	321.5	322.0
Return on equity, %	8.8	11.8	34.2	29.8
Return on capital employed, %	10.4	14.0	37.6	35.9
Return on total capital, %	6.0	7.3	20.4	19.6
Equity/assets ratio, %	49.7	47.4	49.7	55.4
Liquidity, multiple	1.5	1.5	1.5	1.7
Equity per share, SEK	16.10	14.50	16.10	18.98
Equity per share after full dilution, SEK	16.02	14.35	16.02	18.89

## Exchange rates

Currency	Average rates in SEK			Closing rates in SEK		
	Q2 2019/2020	Q2 2018/2019	Change %	Oct 31, 2019	Oct 31, 2018	Change %
US dollar, 1 USD	9.55	8.88	7.6	9.58	9.11	5.2
Euro, 1 EUR	10.63	10.34	2.8	10.69	10.35	3.3
British pound, 1 GBP	11.91	11.61	2.6	12.40	11.61	6.8

## Quarterly consolidated income statement and alternative performance measures

SEK million	2019/2020		2018/2019				2017/2018			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	363.3	332.8	474.1	329.5	316.2	293.7	357.1	285.5	298.5	268.1
Capitalized work for own use	8.9	6.4	15.6	10.7	6.3	4.6	7.7	11.1	5.6	3.9
Other operating income	0.2	0.8	0.3	1.1	1.5	0.5	0.9	1.4	0.5	0.9
Operating expenses	-312.4	-293.7	-372.8	-279.1	-267.4	-252.6	-264.5	-248.1	-246.5	-227.9
Depreciation/amortization and impairment	-17.4	-16.9	-12.5	-12.0	-11.6	-10.7	-10.5	-10.7	-10.1	-8.6
<b>Operating profit</b>	<b>42.7</b>	<b>29.4</b>	<b>104.7</b>	<b>50.2</b>	<b>45.0</b>	<b>35.6</b>	<b>90.7</b>	<b>39.2</b>	<b>48.0</b>	<b>36.4</b>
Net financial items	2.3	1.3	6.2	1.2	7.7	-1.8	31.6	-4.7	3.8	-13.8
<b>Profit after net financial items</b>	<b>44.9</b>	<b>30.6</b>	<b>110.9</b>	<b>51.4</b>	<b>52.7</b>	<b>33.7</b>	<b>122.3</b>	<b>34.5</b>	<b>51.8</b>	<b>22.6</b>
Tax on earnings for the period	-10.0	-6.6	-20.5	-11.1	-11.1	-7.1	-24.1	-7.6	-9.8	-4.9
<b>Profit for the period</b>	<b>34.9</b>	<b>24.1</b>	<b>90.4</b>	<b>40.3</b>	<b>41.7</b>	<b>26.6</b>	<b>98.2</b>	<b>26.9</b>	<b>42.0</b>	<b>17.7</b>
Order bookings, SEK million	425.7	238.7	1,104.9	390.7	350.7	286.5	500.3	337.9	426.8	227.6
Operating margin, %	11.8	8.8	22.1	15.2	14.2	12.1	25.4	13.7	16.1	13.6
Cash flow per share, SEK	2.85	-0.73	2.71	1.82	2.06	0.42	3.01	0.74	1.02	0.68
Cash flow per share after full dilution, SEK	2.83	-0.73	2.69	1.81	2.04	0.41	2.98	0.73	1.01	0.67
Earnings per share, SEK	0.91	0.63	2.36	1.06	1.09	0.70	2.58	0.70	1.11	0.47
Return on equity, %	5.2	3.3	14.1	6.8	7.5	4.3	16.2	4.9	8.0	3.0
Return on capital employed, %	6.2	3.9	15.6	7.8	8.3	4.9	18.2	5.7	8.7	3.5
Equity/assets ratio, %	49.7	56.2	55.4	51.8	47.4	53.7	51.4	48.6	46.1	51.8
Equity per share, SEK	16.10	19.33	18.98	16.25	14.50	17.76	17.34	14.13	12.99	16.26
Share price at end of period, SEK	321.5	325.0	322.0	220.05	238.6	240.0	194.2	189.4	164.0	152.5

## Five-year summary<sup>1</sup>

	2018/2019	2017/2018	2016/2017	2015/2016	2014/2015
Order bookings, SEK million	2,132.8	1,492.5	1,177.7	1,322.0	1,471.5
Net sales, SEK million	1,413.5	1,209.2	1,125.1	1,080.9	961.4
Operating profit, SEK million	235.5	214.3	195.0	158.0	150.3
Profit after net financial items, SEK million	248.8	231.2	201.1	154.0	164.4
Profit for the period after tax, SEK million	199.0	184.7	153.8	124.8	126.1
Operating margin, %	16.7	17.7	17.3	14.6	15.6
Profit margin, %	17.6	19.1	17.9	14.2	17.1
Earnings per share before dilution, SEK	5.21	4.86	4.07	3.33	3.38
Earnings per share after dilution, SEK	5.17	4.80	4.00	3.26	3.31
Dividend/redemption program per share, SEK	4.50	4.50	4.50	4.50	4.50
Share price at end of year, SEK	322.0	194.20	162.50	110.75	119.50
P/E ratio, multiple	61.8	40.0	39.9	33.3	35.3
Return on equity, %	29.8	30.4	26.5	20.5	20.6
Return on capital employed, %	35.9	34.5	30.9	23.0	25.1
Return on total capital, %	19.6	19.0	17.5	13.7	15.8
Equity per share before dilution, SEK	18.98	17.34	16.21	16.16	16.44
Equity per share after dilution, SEK	18.89	17.16	15.95	15.80	16.01
Equity/assets ratio, %	55.4	51.4	50.5	51.4	56.1

1) Comparative years have been restated. Refer to the accounting policies in Note 1 on page 20. The year 2014/2015 has not been corrected as this was not practically feasible.

## OPERATING SEGMENTS

### Sales by business segment

SEK million	3 months Aug–Oct 2019	3 months Aug–Oct 2018	6 months May–Oct 2019	6 months May–Oct 2018	Rolling 12 months	Full-year May–Apr 2018/2019
Imaging IT Solutions	297.7	264.7	586.1	518.0	1,272.3	1,204.2
Secure Communications	50.8	36.1	86.5	69.5	169.4	152.4
Business Innovation	19.8	16.6	35.3	28.1	76.0	68.8
Other operations	16.8	16.4	32.3	31.1	63.9	62.7
Group eliminations	-21.8	-17.6	-44.1	-36.8	-81.9	-74.6
<b>Total</b>	<b>363.3</b>	<b>316.2</b>	<b>696.1</b>	<b>609.9</b>	<b>1,499.7</b>	<b>1,413.5</b>

### Operating profit/loss by business segment

SEK million	3 months Aug–Oct 2019	3 months Aug–Oct 2018	6 months May–Oct 2019	6 months May–Oct 2018	Rolling 12 months	Full-year May–Apr 2018/2019
Imaging IT Solutions	41.6	52.2	82.9	100.6	239.3	257.0
Secure Communications	1.7	0.3	0.7	0.2	7.5	7.0
Business Innovation	-1.0	-3.9	-0.5	-7.9	1.4	-6.0
Other operations	-5.7	-7.8	-12.6	-15.4	-25.6	-28.4
Group eliminations	6.1	4.2	1.5	3.1	4.4	5.9
<b>Total</b>	<b>42.7</b>	<b>45.0</b>	<b>72.0</b>	<b>80.6</b>	<b>227.0</b>	<b>235.5</b>

### Sales by geographic market

SEK million	3 months Aug–Oct 2019	3 months Aug–Oct 2018	6 months May–Oct 2019	6 months May–Oct 2018	Rolling 12 months	Full-year May–Apr 2018/2019
Sweden	97.1	84.6	179.1	162.6	357.1	340.6
United States	74.0	73.7	166.6	134.0	354.3	321.7
United Kingdom	51.2	38.3	86.4	78.6	244.9	237.1
Netherlands	30.4	28.9	60.7	52.5	127.7	119.5
Rest of Europe	86.4	73.4	158.9	147.1	332.8	321.0
Rest of World	24.2	17.3	44.4	35.1	82.9	73.6
<b>Total</b>	<b>363.3</b>	<b>316.2</b>	<b>696.1</b>	<b>609.9</b>	<b>1,499.7</b>	<b>1,413.5</b>



## PARENT COMPANY

### Parent Company income statements

SEK thousand	3 months Aug-Oct 2019	3 months Aug-Oct 2018	6 months May-Oct 2019	6 months May-Oct 2018	12 months Nov 2018– Oct 2019	Full-year May–Apr 2018/2019
<b>Net sales</b>	<b>35,775</b>	<b>32,495</b>	<b>66,770</b>	<b>57,526</b>	<b>139,844</b>	<b>130,600</b>
Capitalized work for own use	0	0	173	241	4,300	4,368
Other operating income	132	345	484	1,295	1,639	2,450
Goods for resale	-2,923	-4,620	-6,122	-7,970	-15,249	-17,097
Personnel costs	-17,831	-19,603	-32,796	-34,582	-64,302	-66,088
Other external costs <sup>1</sup>	-16,472	-15,949	-31,660	-31,813	-70,465	-70,618
Depreciation/amortization <sup>1</sup>	-2,914	-2,289	-5,679	-4,540	-10,468	-9,329
<b>Operating loss</b>	<b>-4,233</b>	<b>-9,621</b>	<b>-8,830</b>	<b>-19,843</b>	<b>-14,701</b>	<b>-25,714</b>
Net financial items <sup>1</sup>	13,142	6,569	8,615	1,425	75,349	68,159
<b>Profit/loss after net financial items</b>	<b>8,909</b>	<b>-3,052</b>	<b>-215</b>	<b>-18,418</b>	<b>60,648</b>	<b>42,445</b>
Appropriations	0	0	0	0	185,497	185,497
<b>Profit/loss before tax</b>	<b>8,909</b>	<b>-3,052</b>	<b>-215</b>	<b>-18,418</b>	<b>246,145</b>	<b>227,942</b>
Tax on earnings for the period <sup>1</sup>	-1,905	561	48	3,941	-42,939	-39,046
<b>Profit/loss for the period<sup>1</sup></b>	<b>7,004</b>	<b>-2,491</b>	<b>-167</b>	<b>-14,477</b>	<b>203,206</b>	<b>188,896</b>
<b>Comprehensive income for the period</b>	<b>7,004</b>	<b>-2,491</b>	<b>-167</b>	<b>-14,477</b>	<b>203,206</b>	<b>188,896</b>

### Parent Company balance sheets

SEK thousand	Oct 31, 2019	Oct 31, 2018	Apr 30, 2019
<b>Assets</b>			
Intangible assets	14,790	13,588	16,166
Tangible assets <sup>2</sup>	24,835	17,586	17,858
Financial assets	270,379	256,553	267,447
<b>Total fixed assets</b>	<b>310,004</b>	<b>287,727</b>	<b>301,471</b>
Other current assets <sup>2</sup>	182,019	305,373	395,814
Cash and cash equivalents	93,743	117,438	225,324
<b>Total current assets</b>	<b>275,762</b>	<b>422,811</b>	<b>621,138</b>
<b>Total assets</b>	<b>585,766</b>	<b>710,538</b>	<b>922,609</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period) <sup>2</sup>	357,360	298,659	530,115
Long-term liabilities <sup>2</sup>	6,501	29,388	6,451
Current liabilities <sup>2</sup>	221,905	382,491	386,043
<b>Total equity and liabilities</b>	<b>585,766</b>	<b>710,538</b>	<b>922,609</b>

### Pledged assets and contingent liabilities

SEK thousand	Oct 31, 2019	Oct 31, 2018	Apr 30, 2019
Chattel mortgages	11,000	11,000	11,000
<b>Total pledged assets</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>
Guarantees on behalf of Group companies	98,452	111,168	102,869
<b>Total contingent liabilities</b>	<b>98,452</b>	<b>111,168</b>	<b>102,869</b>

<sup>1</sup> Q1 2019/2020 is presented in the three-month interim report, including adjustments for IFRS 16. Other external costs amounted to 12,346 in the report but would have been 15,187. Depreciation/amortization amounted to 5,473 but would have been 2,765. Net financial items totaled an expense of 4,788 but would have been an expense of 4,527. Tax on earnings for the period totaled 1,980 but would have been 1,953. The loss for the period in the first quarter amounted to 7,272 but would have been 7,171.

<sup>2</sup> Q1 2019/2020 is presented in the three-month interim report, including adjustments for IFRS 16. Tangible assets totaled 79,446 but would have been 25,287. Other current assets totaled 376,005 but would have been 378,739. Equity totaled 522,842 but would have been 522,943. Long-term liabilities totaled 46,946 but would have been 6,478. Current liabilities totaled 331,104 but would have been 320,046.

## NOTE 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and the Swedish Securities Markets Act. The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and statements from the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU.

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

The accounting policies and calculation methods applied are consistent with those described in [Sectra's 2018/2019 Annual Report](#), with the exception of IFRS 16 Leases (see below).

### Restatement of comparative periods

Comparative periods have been restated in the 2018/2019 year-end report as a result of a change in the assessment of when the transfer of risk takes place for Group-financed managed-services agreements in the UK. The changes did not impact cash flow for the period and will not impact future cash flow. For more information, please refer to Note 5 on page 76 of [Sectra's Annual Report for 2018/2019](#).

### New standard as of May 1, 2019

*IFRS 16 Leases* replaces IAS 17 *Leases* and related interpretations, for fiscal years starting January 1, 2019 or later. IFRS 16 has been adopted by the EU. Sectra applies IFRS 16 as of May 1, 2019. The new standard entails that all contracts with a term of more than 12 months of a certain monetary materiality are to be recognized as assets and liabilities in the balance sheet, with depreciation, amortization and interest expenses recognized in profit and loss. Contracts that were previously recognized as operating leases are now capitalized in the balance sheet.

Sectra completed the process of identifying the company's leases and determining the effects during the fourth quarter of 2018/2019. The standard resulted in an increase of SEK 89.6 million in the opening total assets for 2019/2020 and a decrease of 3.4 percentage points in the equity/assets ratio in the opening total assets. Total cash flow was unaffected, although the transition entails an increase in cash flow from operations and a decrease in cash flow from financing activities, since the majority of lease payments are now recognized as repayment of lease liabilities and not in operations. Sectra's leases pertain primarily to offices and premises as well as vehicles.

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. Leases with a term of 12 months or less and leases where the underlying asset has a low value are not included in the liability and the right-of-use asset in the balance sheet.

The Group's weighted average incremental borrowing rate used when discounting lease liabilities upon transition on May 1, 2019 was 2.2%.

Refer to the next page for the effects of the transition to IFRS 16.

The effects of the transition to IFRS 16 are presented below.

SEK thousand	Opening balance May 1, 2019	Restated according to IFRS 16	Restated opening balance May 1, 2019
<b>Assets</b>			
Intangible assets	182,651		182,651
Tangible assets	40,148		40,148
Right-of-use assets	0	93,518	93,518
Financial assets	170,274		170,274
Deferred tax assets	5,996		5,996
<b>Total fixed assets</b>	<b>399,069</b>	<b>93,518</b>	<b>492,587</b>
Other current assets	583,814	-3,927	579,887
Cash and cash equivalents	331,935		331,935
<b>Total current assets</b>	<b>915,749</b>	<b>-3,927</b>	<b>911,822</b>
<b>Total assets</b>	<b>1,314,818</b>	<b>89,591</b>	<b>1,404,409</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	727,909		727,909
Provisions	23,327		23,327
Deferred tax liabilities	7,395		7,395
Long-term liabilities	0	68,816	68,816
Other long-term liabilities	6,451		6,451
Current liabilities	0	20,775	20,775
Other current liabilities	549,736		549,736
<b>Total equity and liabilities</b>	<b>1,314,818</b>	<b>89,591</b>	<b>1,404,409</b>

## Reconciliation of disclosures concerning operating leases (IAS 17) and reported lease liabilities (IFRS 16)

Obligations for operating leases at April 30, 2019	100,723
Finance lease liabilities at April 30, 2019	0
Low-value leases (not included as expensed)	-4,496
Effects of extension options	-1,448
Discount effect	-5,188
<b>Reported lease liabilities in the opening balance sheet at May 1, 2019</b>	<b>89,591</b>

## Note 2 Acquisitions

### Columbitech

On May 21, 2019, the Group acquired the assets of the Swedish IT security company Columbitech AB, including all shares in its US subsidiary Columbitech Inc. The company specializes in software-based, mobile VPNs. The acquisition strengthens Secure Communications' total offering and ability to support security-conscious organizations' strategies for secure mobile work via smartphones and tablets, regardless of which technological platform the mobile device is based on. The acquisition also means that the operating area now has a presence and customers in the US market.

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.

Payment of the contingent consideration is based on the sales and earnings trend for Columbitech Inc.'s operations. The range for the contingent consideration is between SEK 0.0 million and SEK 2.2 million.

The operations were consolidated into Secure Communications from the date of acquisition on May 21, 2019, at which time Sectra obtained a controlling influence over the acquired unit. During the six-month period, the company reported sales of SEK 0.9 million and an operating loss of SEK 0.2 million. Since the acquisition date, the company's sales have amounted to SEK 0.9 million and the operating loss to SEK 0.2 million.

### Acquired net assets at May 21, 2019:

#### Preliminary acquisition analysis

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relationships	-	2.6
Patents and licenses	-	1.3
Current receivables	0.3	0.3
Cash and cash equivalents	0.0	0.0
Deferred tax	-	-0.8
Current liabilities	-0.4	-0.4
<b>Total acquired net assets</b>	<b>-0.0</b>	<b>3.1</b>
Fair value of consideration transferred		3.1
<b>Goodwill</b>		-
<hr/>		
Net outflow of cash and cash equivalents due to the acquisition <sup>1</sup>		
Cash consideration transferred		0.9
Cash and cash equivalents not yet paid		2.2
Cash and cash equivalents in the acquired company on the date of acquisition		-0.0
<b>Total</b>		<b>3.1</b>

<sup>1</sup> Excluding acquisition-related expenses of SEK 0.3 million, which are recognized as external costs in the consolidated income statement for the 2019/2020 fiscal year.

## DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

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

## GLOSSARY

### Artificial intelligence (AI)

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

### Integrated diagnostics

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

### Cardiology/cardiovascular diseases

The field of medicine dealing with the functions and diseases of the heart.

### Critical infrastructure

Basic infrastructure that is essential for the functioning of society, such as roads, 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.

### Mammography

A radiology-based breast examination used to detect breast cancer at an early stage in asymptomatic women.

### The cloud/cloud solution

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

### Neurodegenerative diseases

Diseases that cause progressive degeneration and/or death of nerve cells. This causes problems with movement or mental function.

### Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system.

### Picture archiving and communication system (PACS)

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

### Pathology/histopathology/microscopy

A specialized medical area that uses tissues and body fluids for diagnostic purposes.

### Radiology

A health science discipline and medical specialty that uses technologies for imaging the human body, such as X-ray, magnetic resonance imaging (MRI) and ultrasound.

### Vendor-neutral archive (VNA)

IT solution for managing and archiving files such as medical images, audio files and film sequences in a shared multimedia archive.

### VPN

A technology used to create a secure connection or "tunnel" between two points along an unsecured data network.



## ABOUT SECTRA

### Vision

To contribute to a healthier and safer society.

### Mission statements

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

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

### Operating areas/business models

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

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

**Business Innovation** gathers smaller activities that could eventually lead to major growth in Sectra's main areas or related niches.

### Group-wide strategies for value creation and sustainable business development

#### Customer value and employees

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

#### Innovation

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

#### 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.

### For further information, visit:

<https://investor.sectra.com/>



### Good reasons to invest in Sectra

#### 1. Niche markets with strong growth potential

Healthcare, cybersecurity and critical infrastructure are rapidly changing markets, which creates major growth opportunities for companies such as Sectra.

#### 2. Stability, profitability and long-term growth

Sectra has a 40-year history of growth and profitability. More than 50% of the company's sales comprise recurring revenue from long-term customer contracts.

#### 3. Strong brand with multinational reach

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

#### 4. Strong, customer-focused corporate culture

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

#### 5. Long-standing owners and dedicated management

Principal owners dedicated to the long-term development of the company, and all members of management are shareholders.

#### 6. Innovation

Sectra maintains a high pace of innovation and continuously invests in new and ongoing development. We also have a self-financed portfolio of exciting projects with the potential to add significant value.