

Interim report for the nine-month period May 2019 to January 2020:

Sectra is growing with satisfied customers—tops ranking for seventh consecutive year

Sectra is growing by making its customers successful. Order bookings have increased throughout the year and several new customers started using Sectra's medical imaging system during the third quarter. At the same time, existing customers are extending their use of Sectra products. This is reflected in Sectra's financial figures, with a historically strong third quarter that enabled the company to fulfill its three financial goals.

REPORT PRESENTATION

March 4, 2020 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.

Nine-month period, May–January 2020

- Order bookings increased 6.6% to SEK 1,095.5 million (1,027.9).
- Net sales rose 22.8% to SEK 1,153.5 million (939.4). Adjusted for currency fluctuations, sales increased 19.6%.
- Operating profit rose 31.3% to SEK 171.8 million (130.8), corresponding to an operating margin of 14.9% (13.9). Adjusted for currency fluctuations, operating profit increased 24.5%.
- Profit before tax amounted to SEK 176.3 million (137.9).
- This result includes nonrecurring items (refer to Secure Communications, page 10). These items had a positive net effect of SEK 1.4 million on operating profit.
- Cash flow after changes in working capital amounted to SEK 215.2 million (180.4).

Third quarter, November–January 2020

- Order bookings increased 10.3% to SEK 431.1 million (390.7). Of the order bookings during the quarter, 25% were recognized during the third quarter and 32% to 42% pertain to revenue within 12 months after the end of the quarter.
- Net sales increased 38.8% to SEK 457.4 million (329.5). Adjusted for currency fluctuations, sales increased 34.9%.
- Operating profit rose 98.6% to SEK 99.7 million (50.2), corresponding to an operating margin of 21.8% (15.2). Adjusted for currency fluctuations, operating profit increased 87.6%.
- Profit before tax amounted to SEK 100.7 million (51.4).
- This result includes nonrecurring items (refer to page 10). These items had a positive net effect of SEK 1.4 million on operating profit.
- Cash flow after changes in working capital amounted to SEK 134.1 million (80.0).

Performance measures

| SEK million | The quarter ¹ | | | The period ¹ | | | 12 months ¹ | | |
|--------------------------------------|--------------------------|-------|--------|-------------------------|---------|--------|------------------------|-----------|--------|
| | Q3 | Q3 | Change | Q1–3 | Q1–3 | Change | Rolling 12 months | Full-year | Change |
| | 19/20 | 18/19 | % | 19/20 | 18/19 | % | months | 18/19 | % |
| Order bookings | 431.1 | 390.7 | 10.3 | 1,095.5 | 1,027.9 | 6.6 | 2,200.4 | 2,132.8 | 3.2 |
| Net sales | 457.4 | 329.5 | 38.8 | 1,153.5 | 939.4 | 22.8 | 1,627.6 | 1,413.5 | 15.1 |
| Operating profit (EBIT) | 99.7 | 50.2 | 98.6 | 171.8 | 130.8 | 31.3 | 276.5 | 235.5 | 17.4 |
| Operating margin, % | 21.8 | 15.2 | n/a | 14.9 | 13.9 | n/a | 17.0 | 16.7 | n/a |
| Profit before tax (EBT) | 100.7 | 51.4 | 95.9 | 176.3 | 137.9 | 27.8 | 287.2 | 248.8 | 15.4 |
| Profit margin, % | 22.0 | 15.6 | n/a | 15.3 | 14.7 | n/a | 17.6 | 17.6 | n/a |
| Profit after tax | 79.2 | 40.3 | 96.5 | 138.1 | 108.6 | 27.2 | 228.5 | 199.0 | 14.8 |
| Earnings per share, SEK ² | 2.06 | 1.06 | 94.3 | 3.60 | 2.85 | 26.3 | 5.95 | 5.21 | 14.2 |
| Cash flow ³ | 134.1 | 80.0 | 67.6 | 215.2 | 180.4 | 19.3 | 287.3 | 252.5 | 13.8 |
| Cash flow per share ^{2,3} | 3.48 | 2.09 | 66.5 | 5.59 | 4.70 | 18.9 | 7.49 | 6.58 | 13.8 |
| Average no. of employees | 775 | 715 | 8.4 | 774 | 697 | 11.0 | 763 | 706 | 8.1 |

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

³ 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 March 4, 2020. Sectra AB (publ), <https://sectra.com>, Corporate Registration Number 556064-8304, email info@sectra.com

CEO'S COMMENTS

When our customers successfully improve their quality of care and become more efficient in their daily work, or increase their cybersecurity with the help of our solutions, then we succeed as well. With a long-term approach based on creating value for customers, patients and society as a whole, we were able to report our strongest third quarter performance to date.

Users who recommend Sectra to colleagues and friends are the ultimate proof of customer satisfaction. I am proud of our employees and their efforts, which have led to us being recognized for having the most satisfied customers among large US hospitals for the seventh year in a row. This year, we were also awarded the corresponding prize in Canada, where we started a subsidiary two years ago, as well as the award for smaller hospitals in the US. This gives us a platform for growth in the world's largest healthcare market. Based on meetings we had with customers and partners at the international radiology trade fair RSNA in Chicago in December, it is clear that over the past decade, Sectra has gone from being a relatively unknown supplier in the US to one of the most popular within our niche. We have reached this position thanks to our customer focus and our corporate culture—central components in Sectra's strategy and approach to creating long-term value.



We are growing with satisfied customers, the only sustainable way to attract new customers and retain existing ones. The Imaging IT Solutions operating area reported the greatest increase in sales, but Business Innovation and Secure Communications grew as well. At the same time, new customers entailed major costs during the installation phase, which had a negative impact on Sectra's finances in the first half of 2019/2020. Major installation projects lead to fluctuations between individual quarters, since a large portion of earnings are reported when installation goes live. Installations for several new healthcare customers during the third quarter resulted in increased revenue, pushing the earnings trend in the right direction. As a result, we met our three financial goals.

As announced in the second quarter, as of 2020/2021 we will mainly offer our medical imaging software systems under a subscription model rather than a licensing model, starting in the US. This will also be an option in other countries, and we already have individual customers who use this model, not least in Sweden. The transition is not expected to have any significant effect on earnings, although the new model will lead to delays in cash flow. Due to long lead times, we do not expect new customer contracts based on this model to have any noticeable effect until the end of the next fiscal year.

Value-creating sustainability work

Every week, we see evidence of the value we create for our customers and how it contributes to society. Evidence of our customers' success, and thus our own success. We help monitor and protect energy production and distribution from cybercrime that can lead to catastrophes. We protect highly confidential information for governments and authorities in several countries as well as for the EU and NATO. We are able to influence the healthcare outcome of a large number of patients thanks to our systems, which are used by healthcare providers around the world. We also simplify basic and further education for medical professionals. This is Sectra's way of contributing to a more sustainable society.

Outlook

Thanks to a combination of favorable 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 very strong brand in areas where trust is vital when choosing vendor. A high degree of customer satisfaction, favorable profitability and long-term customer contracts have laid a solid foundation for our future growth and healthy earnings. 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 increasingly become the primary targets of cybercrime.

Torbjörn Kronander, President and CEO, Sectra AB



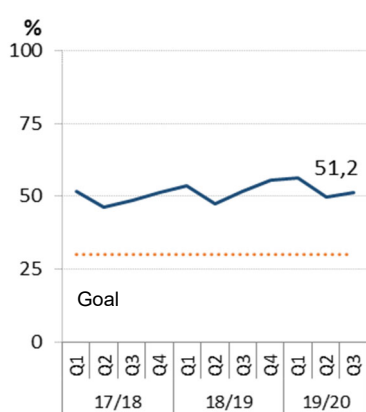
Diagrams

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.

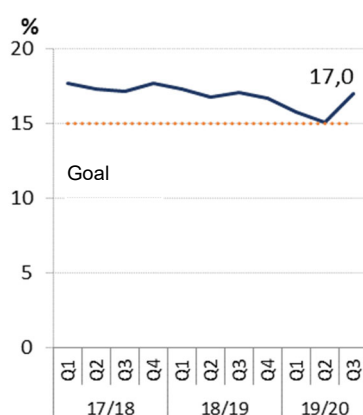
FINANCIAL GOALS

Sectra's three financial performance measures exceed 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. Goals in order of priority:

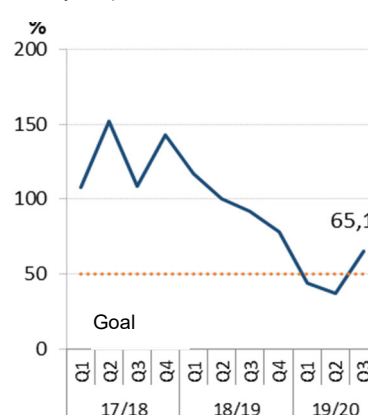
1. The equity/assets ratio is to be at least 30%



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

Third quarter

- For the seventh consecutive year, Sectra was awarded the prestigious "Best in KLAS" award for Sectra PACS, the company's IT solution for managing and archiving radiology images, which had the highest level of customer satisfaction in the US. For the first time, Sectra also won the award for the growing Canadian market.
- Sectra submitted an application to the US Food and Drug Administration (FDA) for approval of its digital pathology solution in combination with Leica Biosystems' already-approved scanner.
- The US hospital Hillcrest Medical Center in Oklahoma signed an agreement with Sectra to add Sectra's cardiology solution to its enterprise imaging solution.
- The Dutch hospital Zuyderland MC ordered Sectra's solution for digital pathology. The hospital has been a customer of Sectra's for some time and already uses Sectra's solution for handling radiology images.
- The UK SWASH consortium (Salisbury, Wight and South Hampshire Domain NHS Trust) extended its agreement with Sectra and is consolidating its four medical imaging systems into one.
- Geneva University Hospital, the largest of the five university hospitals in Switzerland, signed an agreement for Sectra's pathology solution for full-scale primary diagnostics.
- Sectra issued additional Class B shares following a redemption of convertibles by the company's convertible holders (refer to page 12).



US PACS (Large & Small)
Canada PACS

Read about the award and
Sectra's ranking:
sectra.com/KLAS

After the end of the reporting period

- Covid-19 is now spreading quickly throughout the world, and several countries have implemented countermeasures that are impacting the economy and society as a whole. There is currently a great deal of uncertainty as to the potential impact of the outbreak. This also makes it difficult to assess the financial implications for Sectra, particularly in the long term. Over the short term and up until today, the impact has been small since Sectra has only minor operations in the most seriously affected countries to date. The outbreak has currently had only a limited impact on Sectra's operations. Read more under "Risks" on page 13.

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, where underlying trends in society are making it necessary for these areas to grow.

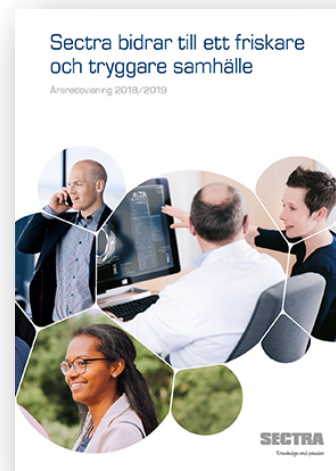
Sectra's customers operate in some of society's most critical functions. The company's job is to help its customers become more efficient and give them the tools to in turn make people's lives healthier, safer and more secure. As stated in Sectra's vision, this is how the company creates value for its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

IT solutions 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 light 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 and coordinate their resources as well as to improve efficiency in orthopaedic surgery through better planning. Sectra also helps to raise the quality of medical education by providing solutions for interacting with medical images and sharing educational materials. Sectra enables customers across the world to take care of more patients and save more lives at a long-term sustainable cost. 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.



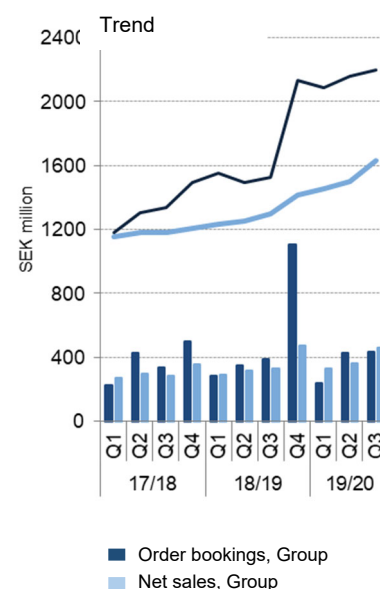
Read more in Sectra's
2018/2019 Annual Report:
investor.sectra.com/annual-reports

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

Order bookings and net sales

Order bookings for the third quarter rose 10.3% to SEK 431.1 million (390.7) and amounted to SEK 1,095.5 million (1,027.9) for the nine-month period. Imaging IT Solutions' operations in the Netherlands, the UK and the US accounted for the largest individual increases during the period, 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 third quarter increased 38.8% to SEK 457.4 million (329.5). The increase is primarily related to deployment of major customer projects in Imaging IT Solutions. Net sales for the nine-month period totaled SEK 1,153.5 million (939.4), up 22.8%. 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 19.6% year-on-year.

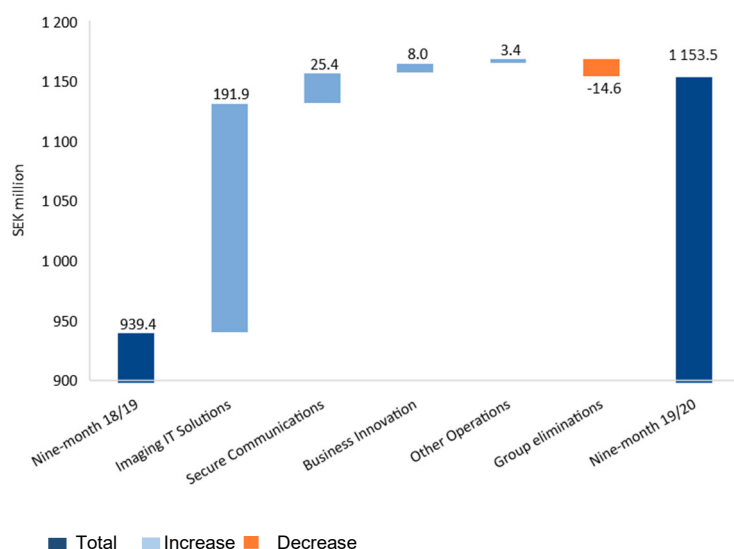


Sales per operating area and geographic market

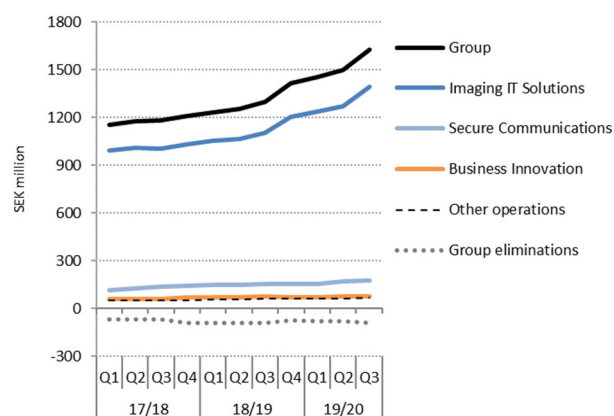
The strong order bookings over the last few years continue to generate revenue. All operating areas and geographic markets reported sales growth during the nine-month period. The largest geographic growth during the period pertains to the operations in the US, which were up 38.6% from the comparative period.

Sales trend per operating area

Compared with the corresponding period in the preceding fiscal year

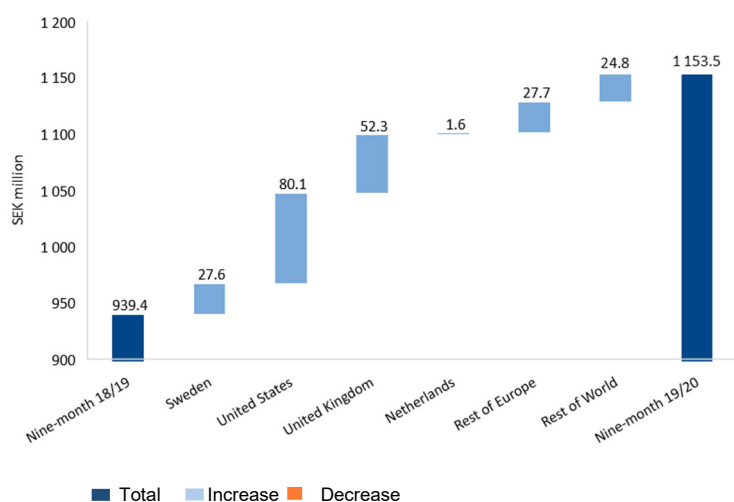


Trend

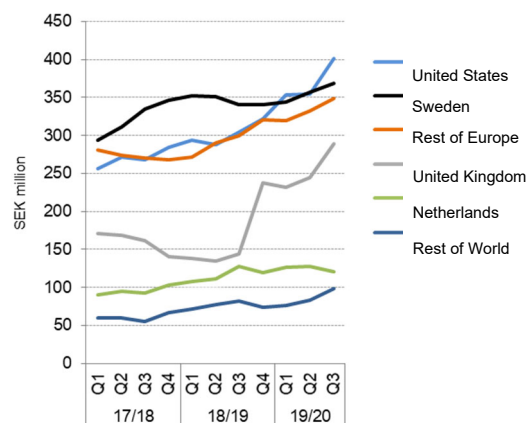


Sales trend per geographic market

Compared with the corresponding period in the preceding



Trend



Earnings

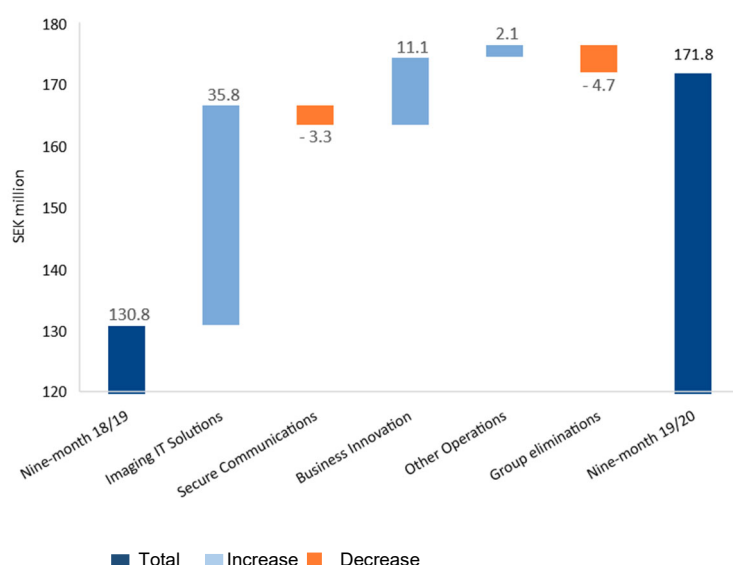
The Group's operating profit increased 31.3% to SEK 171.8 million (130.8), of which SEK 99.7 million (50.2) pertained to the third quarter. This corresponds to an operating margin of 14.9% (13.9) for the nine-month period and 21.8% (15.2) for the third quarter. Adjusted for currency fluctuations, operating profit increased 24.5% from the comparative period. The outcome for the period 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 entailed significant initial costs and a negative effect on cash flows, which primarily affected the outcome for the first half of 2019/2020. Now that customers have gone live with the solutions, revenue is increasing and the Group's earnings, margin and cash flow are being positively impacted.

The Group's net financial items amounted to SEK 4.5 million (7.1), of which SEK 1.0 million (1.2) pertained to the third quarter. Currency fluctuations (refer to page 17) had an impact of SEK 1.6 million (0.7) on the Group's financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact.

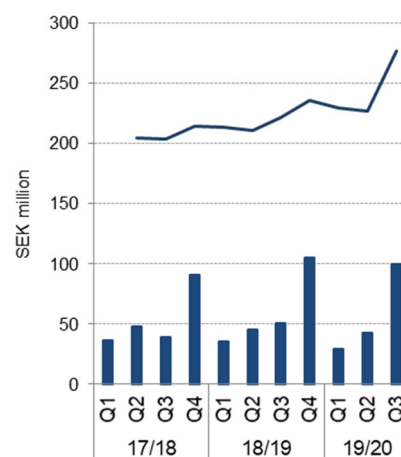
The above figures include nonrecurring items related to the Secure Communications business area's acquisition of the Finnish company EXP Analytics Oy in 2015 (refer to page 10). These items pertain to the reversal of a contingent consideration and impairment of goodwill, which had a positive net impact of SEK 1.4 million on profit before tax. Profit after net financial items amounted to SEK 176.3 million (137.9), of which SEK 100.7 million (51.4) pertained to the third quarter. This corresponds to a profit margin of 15.3% (14.7) for the nine-month period and 22.0% (15.6) for the third quarter. Earnings per share totaled SEK 3.60 (2.85) for the period, of which SEK 2.06 (1.06) pertained to the third quarter.

Operating profit trend per operating area

Compared with the corresponding period in the preceding fiscal year



Trend



Operating profit, Group

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 304.1 million (265.9). During the second quarter of the fiscal year, Sectra distributed SEK 172.6 million (171.5) to its shareholders through a share redemption program.

The Group's debt/equity ratio was 0.13 (0.05) 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 21). Interest-bearing liabilities amounted to SEK 91.6 million (31.5), of which SEK 85.1 million (0.0) pertained to lease liabilities according to IFRS 16 and SEK 6.5 million (31.5) pertained to convertible loans held by employees and Board members.

Cash flow from operations after changes in working capital amounted to SEK 215.2 million (180.4) for the period, of which SEK 134.1 million (80.0) was

attributable to the third quarter. Cash flow per share amounted to SEK 5.59 (4.70) for the period, of which SEK 3.48 (2.09) pertained to the third quarter.

Cash flow from investing activities amounted to a negative SEK 57.4 million (neg: 23.5) for the period, of which a negative SEK 16.9 million (neg: 9.0) was attributable to the third quarter. Refer to the information about investing activities below.

The Group's total cash flow for the period was a negative SEK 32.4 million (neg: 12.0). These figures include the share redemption program for shareholders. Excluding the share redemption program, total cash flow amounted to SEK 140.2 million (159.5).

Investments and depreciation/amortization

Group investments during the period amounted to SEK 57.4 million (23.5), of which SEK 16.9 million (9.0) was attributable to the third quarter. The period's investments pertain primarily to capitalized development costs, infrastructure for cloud solutions for medical imaging, purchased rights for software and the acquisition of assets in Columbitech AB (refer to page 10).

Depreciation/amortization for the period totaled SEK 53.2 million (34.3), of which SEK 18.9 million (12.0) pertained to the third quarter. Depreciation of right-of-use assets according to IFRS 16 for the period amounted to SEK 16.2 million (0.0), of which SEK 6.0 million (0.0) pertained to the third quarter. In addition, an impairment loss related to Sectra's acquisition of EXP Analytics Oy in 2015 amounted to SEK 7.4 million during the third quarter (refer to page 10).

Capitalized work for own use during the period amounted to SEK 29.6 million (21.6), of which capitalized development costs accounted for SEK 25.4 million (21.6). During the third quarter, capitalized work for own use amounted to SEK 14.3 million (10.7), of which capitalized development costs accounted for SEK 13.8 million (10.7). Of the total depreciation/amortization for the period, SEK 20.9 million (19.8) was attributable to capitalized development projects, of which SEK 7.5 million (7.3) pertained to the third quarter. At the end of the period, capitalized development costs totaled SEK 107.1 million (100.6).

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

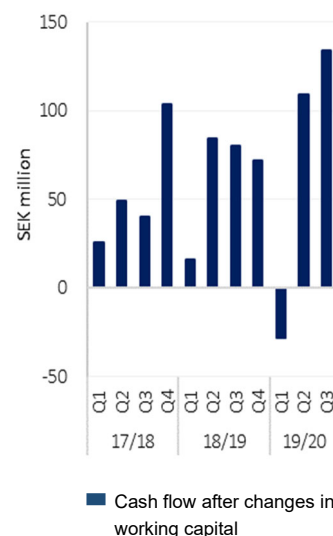
10–15%

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

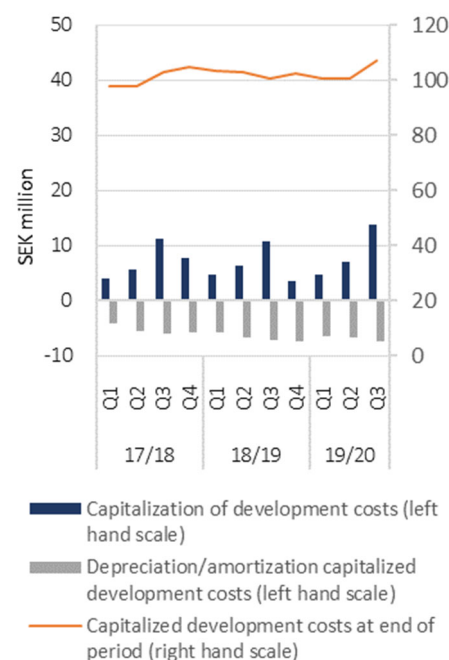
Seasonal variations

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.

Consolidated cash flow



Capitalized development costs



IMAGING IT SOLUTIONS

| | The quarter | | | The period | | | 12 months | | |
|-------------------------------|-------------|-------|--------|------------|-------|--------|-------------------|-----------|--------|
| | Q3 | Q3 | Change | Q1–3 | Q1–3 | Change | Rolling 12 months | Full-year | Change |
| | 19/20 | 18/19 | % | 19/20 | 18/19 | % | 12 months | 18/19 | % |
| Sales, SEK million | 396.1 | 272.4 | 45.4 | 982.3 | 790.4 | 24.3 | 1,396.1 | 1,204.2 | 15.9 |
| Operating profit, SEK million | 103.0 | 49.6 | 107.7 | 186.0 | 150.2 | 23.8 | 292.8 | 257.0 | 13.9 |
| Operating margin, % | 26.0 | 18.2 | n/a | 18.9 | 19.0 | n/a | 21.0 | 21.3 | n/a |

We are experiencing increased demand for Sectra's products, both in our large markets (the Netherlands, Scandinavia, the UK and the US) and in new markets (such as Canada and France). Our high customer satisfaction and the distinction of "Best in KLAS" were important factors in this trend. This increase in demand means that order bookings in Imaging IT Solutions exceeded SEK 2 billion on a rolling 12-month basis. During the third quarter, our major international markets remained the main contributors in terms of order bookings.

The business area deployed several installations for new customers during the third quarter, including the Kettering Health Network in the US and Radboud University Medical Center in the Netherlands. Deployment to new and existing customers during the third quarter helped the operating profit more than double compared with the year-earlier quarter. Employee and travel costs have increased as a result of several new installation projects. The operating margin improved during the quarter as a result of sales with a higher portion license-based deliveries and higher capitalization of development costs. Sales for the nine-month period increased 24.3% compared with the year-earlier period. The operations in the UK and the US reported the largest sales growth for the period.

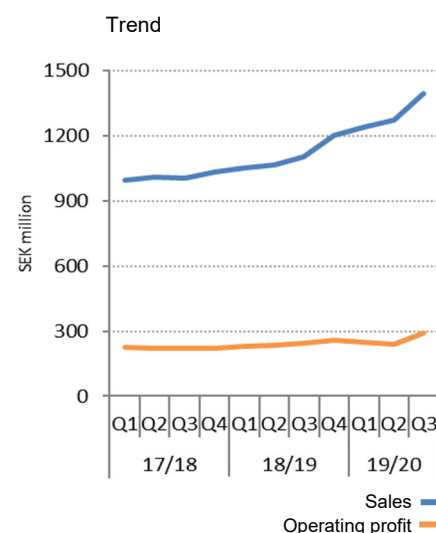
To take care of more customers, delivery capacity has been gradually strengthened, primarily in the US but also in growth markets such as Australia, Canada and France, where Sectra received important breakthrough orders in the preceding fiscal year. Additional major installation projects are ongoing and are expected to be deployed to customers during the fourth quarter of the 2019/2020 fiscal year and onwards. Deployment has a positive effect on revenue and earnings.

Long-term growth initiatives

A number of years ago, Sectra's customers were radiology clinics looking for IT systems for their imaging needs. Today, customers are increasingly moving from individual department systems to solutions that meet all their medical imaging needs. Sectra's scalable solutions manage all types of medical images, primarily the most image-intensive departments – radiology, mammography, pathology and cardiology – in a single system. The product portfolio also includes services and products for sharing and communicating images, dose registration for patients and follow-up and analysis of the customer's operations. This means that we can be a highly sought-after total supplier, which creates opportunities for complementary sales to existing customers. During the period we received several orders in which customers expanded their enterprise imaging system from Sectra to include solutions for digital pathology and cardiology.

In order to meet customer needs, the operating area is implementing long-term growth initiatives in new product areas, such as 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-based tools for improving diagnostics and workflow as well as 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, and in the third quarter, Sectra submitted an application to the US FDA for approval of its digital pathology solution in combination with Leica Biosystems' already-approved scanner.



"Sectra listens. They frequently touch base. Their product is probably the best we have seen. Our users are highly satisfied. And Sectra is very easy to work with."

Manager at a customer in the US, from the KLAS website, October 2019

BUSINESS INNOVATION

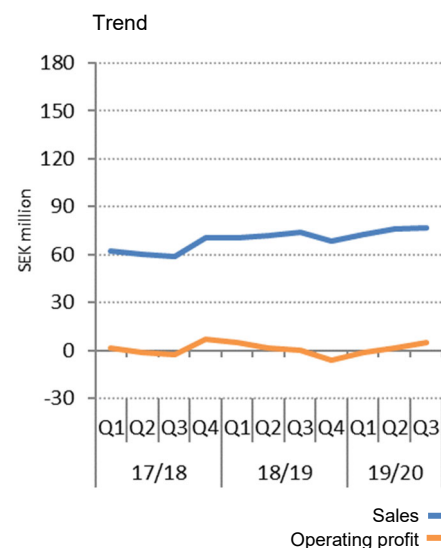
| | The quarter | | | The period | | | 12 months | | |
|------------------------------------|-------------|-------|--------|------------|-------|--------|-------------------|-----------|--------|
| | Q3 | Q3 | Change | Q1–3 | Q1–3 | Change | Rolling 12 months | Full-year | Change |
| | 19/20 | 18/19 | % | 19/20 | 18/19 | % | | 18/19 | % |
| Sales, SEK million | 20.3 | 19.5 | 4.1 | 55.6 | 47.6 | 16.8 | 76.8 | 68.8 | 11.6 |
| Operating profit/loss, SEK million | 4.7 | 1.0 | 370.0 | 4.2 | -6.9 | 160.9 | 5.1 | -6.0 | 185.0 |
| Operating margin, % | 23.2 | 5.1 | n/a | 7.6 | neg | n/a | 6.6 | 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 Group 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 nine-month period, both business units improved their results compared with the corresponding period in the preceding year.



Johan Carlegrim was appointed as the new head of the Medical Education business unit during the third quarter. Johan has worked at Sectra since 2012, most recently as product manager for Sectra's solutions for medical image sharing and collaboration.

SECURE COMMUNICATIONS

| | The quarter | | | The period | | | 12 months | | |
|------------------------------------|-------------|-------|--------|------------|-------|--------|-------------------|-----------|--------|
| | Q3 | Q3 | Change | Q1–3 | Q1–3 | Change | Rolling 12 months | Full-year | Change |
| | 19/20 | 18/19 | % | 19/20 | 18/19 | % | | 18/19 | % |
| Sales, SEK million | 49.8 | 41.4 | 20.3 | 136.3 | 110.9 | 22.9 | 177.8 | 152.4 | 16.7 |
| Operating profit/loss, SEK million | -1.3 | 2.5 | -152.0 | -0.6 | 2.7 | -122.2 | 3.7 | 7.0 | -47.1 |
| Operating margin, % | neg | 6.0 | n/a | neg | 2.4 | n/a | 2.1 | 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 project-based development is partially paid for by customers and will eventually lead to product delivery, which entails an increased operating margin compared with development projects.

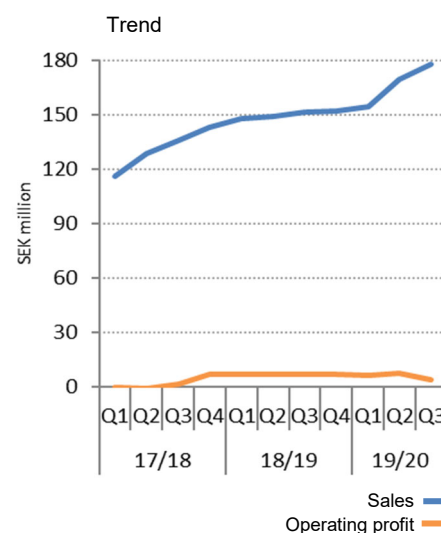
Operating profit was charged with long-term growth initiatives. Historically, the business model has largely been built on delivering products and projects, but now the focus is on expanding the share of operational and support services. The ambition for the operating area is to continue to grow with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

The reported figures include the reversal of a contingent consideration amounting to SEK 8.8 million and impairment of goodwill totaling a negative SEK 7.4 million. Excluding these items, the operating loss was SEK 2.7 million (profit: 2.5) for the third quarter and SEK 2.0 million (profit: 2.7) for the nine-month period. The items are related to the acquisition of the Finnish company EXP Analytics Oy in 2015 and are based on the judgment that the operation's sales and earnings growth will grow more slowly than originally expected.

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 improves its 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 23.

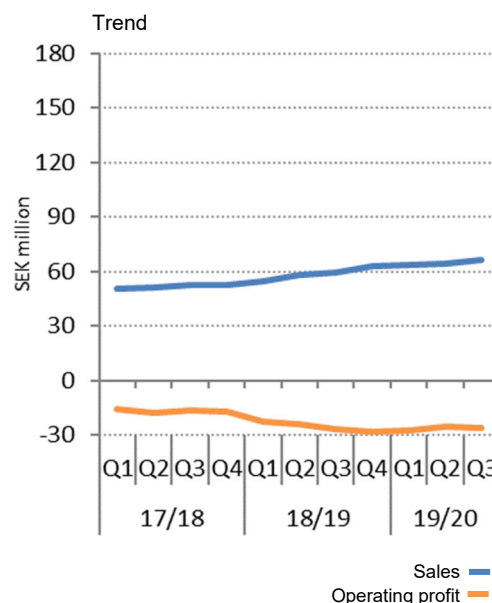


Sectra held a Capital Markets Day at the end of September, with a focus on the company's role and growth potential within the cybersecurity area. View recorded presentations here: investor.sectra.com/cmd26sep

OTHER OPERATIONS

| | The quarter | | | The period | | | 12 months | | |
|------------------------------------|-------------|-------|--------|------------|-------|--------|-------------------|-----------|--------|
| | Q3 | Q3 | Change | Q1–3 | Q1–3 | Change | Rolling 12 months | Full-year | Change |
| | 19/20 | 18/19 | % | 19/20 | 18/19 | % | | 18/19 | % |
| Sales, SEK million | 17.7 | 15.5 | 14.1 | 50.0 | 46.6 | 7.3 | 66.1 | 62.7 | 5.4 |
| Operating profit/loss, SEK million | -6.2 | -5.6 | -10.7 | -18.9 | -21.0 | 10.0 | -26.3 | -28.4 | 7.4 |
| 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 20.

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/.

Share-related incentive programs and recalculation of conversion prices

The number of shares in Sectra increased by 153,149 Class B shares during the third quarter. The change pertains to a new share issue due to the redemption of convertibles from Sectra's 2015/2019 and 2016/2019 programs. On the balance-sheet date, Sectra's share capital totaled SEK 38,506,020, distributed between 38,506,020 shares. Of these shares, 2,620,692 are Class A shares and 35,885,328 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 27,233, corresponding to 0.0% of the share capital and 0.0% of the voting rights in the company.

Due to the share redemption program for 2019, the Board decided during the period 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/

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, or by mail: Sectra AB, Attn. Nomination Committee, Teknikringen 20, SE-583 30 Linköping, Sweden.

Shareholders are entitled to have a matter addressed by the AGM. The notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the AGM. To ensure that the company has time to include matters in the notice, requests for matters to be addressed by the AGM must be received by the company not later than seven weeks prior to the AGM. Requests to have matters addressed by the AGM are to be submitted to the Board in writing via email: info.investor@sectra.se, or by mail: Sectra AB, Attn. Board of Directors, 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.

Covid-19

During the third quarter of the fiscal year, there were reports of an outbreak of a new coronavirus in China. Since the balance-sheet date, the outbreak has spread to more 60 countries. Several countries have imposed travel restrictions and other measures that are impacting the economy and society as a whole. There is currently a great deal of uncertainty as to the potential impact of the outbreak. This also makes it difficult to assess the financial implications for Sectra, particularly in the long term.

The Medical Education business unit is the unit within Sectra that has the most direct contact with China via distributors and where we anticipate the outbreak could have an effect on sales and distribution of products. However, this unit is relatively small and its sales in China account for only a portion of the business unit's revenue. The markets in Asia account for only a small percentage of the Group's sales.

While the outbreak is currently deemed to have had only a limited impact on Sectra's operations, there is a risk that the outbreak could delay decisions with regard to ongoing procurements or planned installations. However, assuming no major outbreak of Covid-19 takes place in areas that affect our customers or planned installation projects, Sectra's assessment is that the outbreak will have a limited impact on the Group's operations over the short term. Well over half of Sectra's invoicing comprises recurring revenue, and we see no reason to believe that this portion of the Group's revenue would be affected even if the situation were to worsen.

Brexit

In Europe, Brexit received considerable attention during the period. Based on the information we have today, our assessment is still that the forthcoming Brexit will not have any significant effect on Sectra's operations, assuming that a trade agreement between the EU and the UK is signed during the calendar year. We have taken measures in anticipation of a possible Brexit and prepared relevant agreements that will enable us to continue to share personal data with our UK subsidiary. 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.

FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, telephone +46 13 23 52 27 or email info.investor@sectra.se.

Presentation of the interim report

A teleconference/audiocast 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: March 4, 2020 at 10:00 a.m. (CET)

Follow live online or listen to the recording afterwards: investor.sectra.com/q3report1920

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

SE +46850558356

UK +443333009267

US +18335268395

Financial calendar and AGM

Year-end report 2019/2020

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

Three-month interim report

September 4, 2020 at 08:15 a.m. (CET)

2020 AGM

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

Six-month interim report

November 27, 2020 at 08:15 a.m. (CET)

Nine-month report

March 12, 2021, at 08:15 a.m.

Year-end report 2020/2021

June 2, 2021 at 08:15 a.m. (CET)

For other IR events, visit: 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 2019 to January 2020 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, March 4, 2020

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

AUDITOR'S REVIEW REPORT

Introduction

We have reviewed the condensed interim financial information for Sectra AB (publ) 556064-8304 at January 31, 2020 and for the nine-month period ended on that date. The Board of Directors and the President are responsible for the preparation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the interim financial information based on our review.

Focus and scope of the review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed on the basis of a review does not provide the same level of assurance as an opinion expressed on the basis of an audit.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not, in all material aspects, been compiled for the Group in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act and for the Parent Company, in accordance with the Swedish Annual Accounts Act.

Stockholm, March 4, 2020

Grant Thornton Sweden AB
Mia Rutenius, Authorized Public Accountant

GROUP FINANCIAL SUMMARY¹

Consolidated income statements

| SEK thousand | 3 months Nov 2019– Jan 2020 | 3 months Nov 2018– Jan 2019 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | 12 months Feb 2019– Jan 2020 | Full-year May–Apr 2018/2019 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Net sales | 457,411 | 329,537 | 1,153,520 | 939,448 | 1,627,594 | 1,413,522 |
| Capitalized work for own use | 14,336 | 10,655 | 29,622 | 21,620 | 45,271 | 37,269 |
| Reversal of contingent consideration | 8,836 | 0 | 8,836 | 0 | 8,836 | 0 |
| Other operating income | 715 | 1,105 | 1,734 | 3,156 | 1,985 | 3,407 |
| Goods for resale | -82,551 | -45,624 | -185,777 | -135,712 | -304,522 | -254,457 |
| Personnel costs | -204,767 | -173,465 | -583,061 | -497,566 | -762,302 | -676,807 |
| Other external costs | -67,941 | -60,003 | -192,510 | -165,808 | -267,286 | -240,584 |
| Depreciation/amortization and impairment | -26,305 | -11,979 | -60,589 | -34,308 | -73,090 | -46,809 |
| Operating profit | 99,734 | 50,226 | 171,775 | 130,830 | 276,486 | 235,541 |
| Net financial items | 993 | 1,206 | 4,520 | 7,083 | 10,688 | 13,251 |
| Profit after net financial items | 100,727 | 51,432 | 176,295 | 137,913 | 287,174 | 248,792 |
| Taxes | -21,547 | -11,101 | -38,154 | -29,326 | -58,641 | -49,813 |
| Profit for the period | 79,180 | 40,331 | 138,142 | 108,587 | 228,534 | 198,979 |
| Profit for the period attributable to: | | | | | | |
| Parent Company owners | 79,180 | 40,331 | 138,142 | 108,587 | 228,534 | 198,979 |
| Non-controlling interest | 0 | 0 | 0 | 0 | 0 | 0 |
| Earnings per share | | | | | | |
| Before dilution, SEK | 2.06 | 1.06 | 3.60 | 2.85 | 5.95 | 5.21 |
| After dilution, SEK | 2.05 | 1.05 | 3.59 | 2.82 | 5.93 | 5.17 |
| No. of shares | | | | | | |
| Before dilution | 38,506,020 | 38,352,871 | 38,506,020 | 38,352,871 | 38,506,020 | 38,352,871 |
| After dilution ² | 38,533,253 | 38,530,851 | 38,533,253 | 38,530,851 | 38,533,253 | 38,530,851 |
| Average, before dilution | 38,454,970 | 38,197,403 | 38,386,904 | 38,145,580 | 38,378,396 | 38,197,403 |
| Average, after dilution | 38,532,452 | 38,530,889 | 38,531,385 | 38,520,663 | 38,531,251 | 38,523,210 |

^{1.} Comparative periods have been restated; refer to the accounting policies in Note 1 on page 20.

^{2.} Dilution of the number of shares is based on the convertible programs issued in 2016/2017 (19,325) and 2017/2018 (7,908). On full exercise of convertibles, the number of shares will increase by 27,233.

Consolidated statement of comprehensive income

| SEK thousand | 3 months Nov 2019– Jan 2020 | 3 months Nov 2018– Jan 2019 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | 12 months Feb 2019– Jan 2020 | Full-year May–Apr 2018/2019 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Profit for the period | 79,180 | 40,331 | 138,142 | 108,587 | 228,534 | 198,979 |
| Change in translation differences for the period from translating foreign subsidiaries | 2,634 | 1,941 | 5,792 | -3,022 | 19,331 | 10,517 |
| Total other comprehensive income for the period | 2,634 | 1,941 | 5,792 | -3,022 | 19,331 | 10,517 |
| Total comprehensive income for the period | 81,814 | 42,272 | 143,934 | 105,565 | 247,865 | 209,496 |

Consolidated balance sheets

| SEK thousand | Jan 31, 2020 | Jan 31, 2019 | Apr 30, 2019 |
|--------------------------------------|------------------|------------------|------------------|
| Assets | | | |
| Intangible assets | 192,319 | 179,372 | 182,651 |
| Tangible assets | 61,233 | 39,892 | 40,148 |
| Right-of-use assets | 88,699 | 0 | 0 |
| Financial assets | 177,778 | 138,576 | 170,274 |
| Deferred tax assets | 4,888 | 4,867 | 5,996 |
| Total fixed assets | 524,917 | 362,707 | 399,069 |
| Other current assets | 585,126 | 573,803 | 583,814 |
| Cash and cash equivalents | 304,085 | 265,921 | 331,935 |
| Total current assets | 889,211 | 839,724 | 915,749 |
| Total assets | 1,414,128 | 1,202,431 | 1,314,818 |
| Equity and liabilities | | | |
| Equity (incl. profit for the period) | 724,267 | 623,063 | 727,909 |
| Provisions | 20,054 | 22,191 | 23,327 |
| Deferred tax liabilities | 5,037 | 7,195 | 7,395 |
| Long-term liabilities | 62,541 | 0 | 0 |
| Other long-term liabilities | 2,951 | 6,451 | 6,451 |
| Current liabilities | 22,580 | 0 | 0 |
| Other current liabilities | 576,698 | 543,531 | 549,736 |
| Total equity and liabilities | 1,414,128 | 1,202,431 | 1,314,818 |

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 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | Full-year May–Apr 2018/2019 |
|---|-----------------------------------|-----------------------------------|-----------------------------------|
| Equity at start of period | 727,909 | 660,954 | 660,954 |
| Adjustment IFRS 15 | 0 | 0 | 916 |
| Adjusted equity at start of period | 727,909 | 660,954 | 661,870 |
| Comprehensive income for the period | 143,934 | 105,565 | 209,496 |
| Dividend/redemption of shares | -172,588 | -171,538 | -171,539 |
| Settlement of share-related payments | 25,013 | 28,082 | 28,082 |
| Equity at end of period | 724,267 | 623,063 | 727,909 |

Consolidated cash-flow statements

| SEK thousand | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | Full-year May–Apr 2018/2019 ¹ |
|--|-----------------------------------|-----------------------------------|--|
| Operating activities | | | |
| Operating profit | 171,775 | 130,830 | 235,541 |
| Adjustment for non-cash items | 63,414 | 28,672 | 41,716 |
| Interest and dividends received | 5,098 | 8,049 | 14,497 |
| Interest paid | -2,157 | -966 | -1,246 |
| Income tax paid | -66,556 | -60,110 | -81,209 |
| Cash flow from operations before changes in working capital | 171,574 | 106,475 | 209,299 |
| Changes in working capital | | | |
| Change in inventories | -2,361 | -7,883 | -10,358 |
| Change in receivables | 32,234 | 81,150 | 37,117 |
| Change in current liabilities | 13,780 | 695 | 16,484 |
| Cash flow from operations | 215,227 | 180,437 | 252,542 |
| Investing activities | | | |
| Acquisitions of intangible assets | -32,722 | -15,393 | -25,176 |
| Acquisitions of tangible assets | -23,855 | -8,073 | -9,699 |
| Acquisition of financial assets | -812 | 0 | 0 |
| Cash flow from investing activities | -57,389 | -23,466 | -34,875 |
| Financing activities | | | |
| Raising of convertibles | 0 | 2,951 | 2,951 |
| Repayment of lease liabilities | -14,671 | 0 | 0 |
| Payment of contingent consideration | -2,937 | -346 | -346 |
| Redemption of shares | -172,588 | -171,538 | -171,538 |
| Cash flow from financing activities | -190,196 | -168,933 | -168,933 |
| Cash flow for the year | -32,358 | -11,962 | 48,734 |
| Cash and cash equivalents, opening balance | 331,935 | 282,341 | 282,341 |
| Exchange-rate difference in cash and cash equivalents | 4,508 | -4,458 | 860 |
| Cash and cash equivalents, closing balance | 304,085 | 265,921 | 331,935 |
| Unutilized credit facilities | 15,000 | 15,000 | 15,000 |

¹ 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

| | 9 months Jan 31, 2020 | 9 months Jan 31, 2019 | 12 months Jan 31, 2020 | Full-year Apr 30, 2019 |
|--|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Order bookings, SEK million | 1,095.5 | 1,027.9 | 2,200.4 | 2,132.8 |
| Operating margin, % | 14.9 | 13.9 | 17.0 | 16.7 |
| Profit margin, % | 15.3 | 14.7 | 17.6 | 17.6 |
| Average no. of employees | 774 | 697 | 763 | 706 |
| Cash flow per share, SEK | 5.59 | 4.70 | 7.49 | 6.58 |
| Cash flow per share after full dilution, SEK | 5.59 | 4.68 | 7.46 | 6.55 |
| Value added, SEK million | 754.8 | 628.4 | 1,038.8 | 912.3 |
| P/E ratio, multiple | n/a | n/a | 66.5 | 61.8 |
| Share price at end of period, SEK | 396.0 | 220.1 | 396.0 | 322.0 |
| Return on equity, % | 19.0 | 16.9 | 35.5 | 29.8 |
| Return on capital employed, % | 22.7 | 21.6 | 41.0 | 35.9 |
| Return on total capital, % | 13.1 | 11.1 | 22.5 | 19.6 |
| Equity/assets ratio, % | 51.2 | 51.8 | 51.2 | 55.4 |
| Liquidity, multiple | 1.6 | 1.6 | 1.6 | 1.7 |
| Equity per share, SEK | 18.81 | 16.25 | 18.81 | 18.98 |
| Equity per share after full dilution, SEK | 18.80 | 16.17 | 18.80 | 18.89 |

Exchange rates

| Currency | Average rates in SEK | | | Closing rates in SEK | | |
|----------------------|----------------------|-----------------|-------------|----------------------|-----------------|-------------|
| | Q3 2019/2020 | Q3 2018/2019 | Change % | Jan 31, 2020 | Jan 31, 2019 | Change % |
| US dollar, 1 USD | 9.52 | 8.91 | 6.8 | 9.61 | 8.96 | 7.3 |
| Euro, 1 EUR | 10.58 | 10.32 | 2.5 | 10.60 | 10.31 | 2.8 |
| British pound, 1 GBP | 12.06 | 11.58 | 4.1 | 12.62 | 11.78 | 7.1 |

Quarterly consolidated income statement and alternative performance measures

| SEK million | 2019/2020 | | | 2018/2019 | | | | 2017/2018 | | | |
|--|--------------|-------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 457.4 | 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 | 14.3 | 8.9 | 6.4 | 15.6 | 10.7 | 6.3 | 4.6 | 7.7 | 11.1 | 5.6 | 3.9 |
| Reversal of contingent consideration | 8.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other operating income | 0.7 | 0.2 | 0.8 | 0.3 | 1.1 | 1.5 | 0.5 | 0.9 | 1.4 | 0.5 | 0.9 |
| Operating expenses | -355.2 | -312.4 | -293.7 | -372.8 | -279.1 | -267.4 | -252.6 | -264.5 | -248.1 | -246.5 | -227.9 |
| Depreciation/amortization and impairment | -26.3 | -17.4 | -16.9 | -12.5 | -12.0 | -11.6 | -10.7 | -10.5 | -10.7 | -10.1 | -8.6 |
| Operating profit | 99.7 | 42.7 | 29.4 | 104.7 | 50.2 | 45.0 | 35.6 | 90.7 | 39.2 | 48.0 | 36.4 |
| Net financial items | 1.0 | 2.3 | 1.3 | 6.2 | 1.2 | 7.7 | -1.8 | 31.6 | -4.7 | 3.8 | -13.8 |
| Profit after net financial items | 100.7 | 44.9 | 30.6 | 110.9 | 51.4 | 52.7 | 33.7 | 122.3 | 34.5 | 51.8 | 22.6 |
| Tax on earnings for the period | -21.5 | -10.0 | -6.6 | -20.5 | -11.1 | -11.1 | -7.1 | -24.1 | -7.6 | -9.8 | -4.9 |
| Profit for the period | 79.2 | 34.9 | 24.1 | 90.4 | 40.3 | 41.7 | 26.6 | 98.2 | 26.9 | 42.0 | 17.7 |
| Order bookings, SEK million | 431.1 | 425.7 | 238.7 | 1,104.9 | 390.7 | 350.7 | 286.5 | 500.3 | 337.9 | 426.8 | 227.6 |
| Operating margin, % | 21.8 | 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 | 3.48 | 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 | 3.48 | 2.83 | -0.73 | 2.69 | 1.81 | 2.04 | 0.41 | 2.98 | 0.73 | 1.01 | 0.67 |
| Earnings per share, SEK | 2.06 | 0.91 | 0.63 | 2.36 | 1.06 | 1.09 | 0.70 | 2.58 | 0.70 | 1.11 | 0.47 |
| Return on equity, % | 10.9 | 5.2 | 3.3 | 14.1 | 6.8 | 7.5 | 4.3 | 16.2 | 4.9 | 8.0 | 3.0 |
| Return on capital employed, % | 12.9 | 6.2 | 3.9 | 15.6 | 7.8 | 8.3 | 4.9 | 18.2 | 5.7 | 8.7 | 3.5 |
| Equity/assets ratio, % | 51.2 | 49.7 | 56.2 | 55.4 | 51.8 | 47.4 | 53.7 | 51.4 | 48.6 | 46.1 | 51.8 |
| Equity per share, SEK | 18.81 | 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 | 396.0 | 321.5 | 325.0 | 322.0 | 220.05 | 238.6 | 240.0 | 194.2 | 189.4 | 164.0 | 152.5 |

Five-year summary¹

| | 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 21. The year 2014/2015 has not been corrected as this was not practically feasible.

OPERATING SEGMENTS

Sales by business segment

| SEK million | 3 months Nov 2019– Jan 2020 | 3 months Nov 2018– Jan 2019 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | Rolling 12 months | Full-year May–Apr 2018/2019 |
|-----------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|
| Imaging IT Solutions | 396.1 | 272.4 | 982.3 | 790.4 | 1,396.1 | 1,204.2 |
| Secure Communications | 49.8 | 41.4 | 136.3 | 110.9 | 177.8 | 152.4 |
| Business Innovation | 20.3 | 19.5 | 55.6 | 47.6 | 76.8 | 68.8 |
| Other Operations | 17.7 | 15.5 | 50.0 | 46.6 | 66.1 | 62.7 |
| Group eliminations | -26.5 | -19.3 | -70.7 | -56.2 | -89.2 | -74.6 |
| Total | 457.4 | 329.5 | 1,153.5 | 939.4 | 1,627.6 | 1,413.5 |

Operating profit/loss by business segment

| SEK million | 3 months Nov 2019– Jan 2020 | 3 months Nov 2018– Jan 2019 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | Rolling 12 months | Full-year May–Apr 2018/2019 |
|-----------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|
| Imaging IT Solutions | 103.0 | 49.6 | 186.0 | 150.2 | 292.8 | 257.0 |
| Secure Communications | -1.3 | 2.5 | -0.6 | 2.7 | 3.7 | 7.0 |
| Business Innovation | 4.7 | 1.0 | 4.2 | -6.9 | 5.1 | -6.0 |
| Other Operations | -6.2 | -5.6 | -18.9 | -21.0 | -26.3 | -28.4 |
| Group eliminations | -0.5 | 2.7 | 1.1 | 5.8 | 1.2 | 5.9 |
| Total | 99.7 | 50.2 | 171.8 | 130.8 | 276.5 | 235.5 |

Sales by geographic market

| SEK million | 3 months Nov 2019– Jan 2020 | 3 months Nov 2018– Jan 2019 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | Rolling 12 months | Full-year May–Apr 2018/2019 |
|----------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|----------------------|-----------------------------------|
| Sweden | 94.3 | 83.1 | 273.3 | 245.7 | 368.2 | 340.6 |
| United States | 121.1 | 73.6 | 287.7 | 207.6 | 401.8 | 321.7 |
| United Kingdom | 79.4 | 35.0 | 165.8 | 113.5 | 289.4 | 237.1 |
| Netherlands | 33.5 | 40.1 | 94.2 | 92.6 | 121.1 | 119.5 |
| Rest of Europe | 94.5 | 78.7 | 253.5 | 225.8 | 348.7 | 321.0 |
| Rest of World | 34.6 | 19.0 | 79.0 | 54.2 | 98.4 | 73.6 |
| Total | 457.4 | 329.5 | 1,153.5 | 939.4 | 1,627.6 | 1,413.5 |

PARENT COMPANY

Parent Company income statements

| SEK thousand | 3 months Nov 2019– Jan 2020 | 3 months Nov 2018– Jan 2019 | 9 months May 2019– Jan 2020 | 9 months May 2018– Jan 2019 | 12 months Nov 2018– Oct 2019 | Full-year May–Apr 2018/2019 |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| Net sales | 37,925 | 34,544 | 104,695 | 92,070 | 143,225 | 130,600 |
| Capitalized work for own use | 3,375 | 0 | 3,548 | 241 | 7,675 | 4,368 |
| Other operating income | 435 | 909 | 919 | 2,204 | 1,165 | 2,450 |
| Goods for resale | -4,867 | -4,062 | -10,989 | -12,032 | -16,054 | -17,097 |
| Personnel costs | -17,813 | -16,008 | -50,609 | -50,590 | -66,107 | -66,088 |
| Other external costs | -15,190 | -16,483 | -46,850 | -48,296 | -69,172 | -70,618 |
| Depreciation/amortization | -3,172 | -2,367 | -8,851 | -6,907 | -11,273 | -9,329 |
| Operating profit/loss | 693 | -3,467 | -8,137 | -23,310 | -10,541 | -25,714 |
| Net financial items | 4,981 | 4,165 | 13,596 | 5,590 | 76,165 | 68,159 |
| Profit/loss after net financial items | 5,674 | 698 | 5,459 | -17,720 | 65,624 | 42,445 |
| Appropriations | 0 | 0 | 0 | 0 | 185,497 | 185,497 |
| Profit/loss before tax | 5,674 | 698 | 5,459 | -17,720 | 251,121 | 227,942 |
| Tax on earnings for the period | -1,213 | -149 | -1,165 | 3,792 | -44,003 | -39,046 |
| Profit/loss for the period | 4,461 | 549 | 4,294 | -13,928 | 207,118 | 188,896 |
| Comprehensive income for the period | 4,461 | 549 | 4,294 | -13,928 | 207,118 | 188,896 |

Parent Company balance sheets

| SEK thousand | Jan 31, 2020 | Jan 31, 2019 | Apr 30, 2019 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Assets | | | |
| Intangible assets | 17,197 | 12,814 | 16,166 |
| Tangible assets | 23,604 | 17,722 | 17,858 |
| Financial assets | 272,303 | 257,154 | 267,447 |
| Total fixed assets | 313,104 | 287,690 | 301,471 |
| Other current assets | 186,802 | 323,385 | 395,814 |
| Cash and cash equivalents | 183,838 | 161,283 | 225,324 |
| Total current assets | 370,640 | 484,668 | 621,138 |
| Total assets | 683,744 | 772,358 | 922,609 |
| Equity and liabilities | | | |
| Equity (incl. profit for the period) | 386,833 | 327,291 | 530,115 |
| Long-term liabilities | 2,951 | 6,451 | 6,451 |
| Current liabilities | 293,960 | 438,616 | 386,043 |
| Total equity and liabilities | 683,744 | 772,358 | 922,609 |

Pledged assets and contingent liabilities

| SEK thousand | Jan 31, 2020 | Jan 31, 2019 | Apr 30, 2019 |
|---|-----------------|-----------------|-----------------|
| Chattel mortgages | 11,000 | 11,000 | 11,000 |
| Total pledged assets | 11,000 | 11,000 | 11,000 |
| Guarantees on behalf of Group companies | 96,848 | 103,235 | 102,869 |
| Total contingent liabilities | 96,848 | 103,235 | 102,869 |

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 |
|--------------------------------------|--------------------------------|-------------------------------------|--|
| Assets | | | |
| 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 |
| Total fixed assets | 399,069 | 93,518 | 492,587 |
| Other current assets | 583,814 | -3,927 | 579,887 |
| Cash and cash equivalents | 331,935 | | 331,935 |
| Total current assets | 915,749 | -3,927 | 911,822 |
| Total assets | 1,314,818 | 89,591 | 1,404,409 |
| Equity and liabilities | | | |
| 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 |
| Total equity and liabilities | 1,314,818 | 89,591 | 1,404,409 |

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 |
| Reported lease liabilities in the opening balance sheet at May 1, 2019 | 89,591 |

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 nine-month period, the company's sales amounted to SEK 1.2 million and an operating loss of SEK 1.6 million was posted. Since the acquisition date, the company's sales have amounted to SEK 1.2 million and the operating loss to SEK 1.6 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 |
| Total acquired net assets | -0.0 | 3.1 |
| Fair value of consideration transferred | | 3.1 |
| Goodwill | | - |
| <hr/> | | |
| Net outflow of cash and cash equivalents due to the acquisition ¹ | | |
| 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 |
| Total | | 3.1 |

¹ 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

| | |
|---|---|
| Equity per share | Adjusted equity divided by the number of shares at the end of the period. |
| Equity per share after full dilution | Adjusted equity divided by the number of shares after full dilution. |
| Value added | Operating profit plus labor costs. |
| Adjusted equity | Recognized equity plus 78% of untaxed reserves. |
| Cash flow per share | Cash flow from operations after changes in working capital divided by the number of shares at the end of the period. |
| Cash flow per share after full dilution | Cash flow from operations after changes in working capital divided by the number of shares after full dilution. |
| Liquidity | Current assets divided by current liabilities. |
| Average no. of employees | Average number of full-time employees during the period. |
| Order bookings | Value of new orders received or changes to earlier orders during the reporting period. |
| P/E ratio | Share price at the end of the period in relation to the 12-month period's earnings per share. |
| Return on equity | Profit after tax as a percentage of average adjusted equity. |
| Return on capital employed (ROCE) | Profit before tax plus financial expenses as a percentage of average capital employed. |
| Return on total capital | Earnings after net financial items plus financial expenses as a percentage of average total assets. |
| Operating profit | Profit before net financial items and income tax. |
| Operating margin | Operating profit after depreciation/amortization as a percentage of net sales. |
| Debt/equity ratio | Interest-bearing liabilities divided by equity. |
| Equity/assets ratio | Adjusted equity as a percentage of total assets. |
| Capital employed | Total assets reduced by non-interest-bearing liabilities. |
| Growth in operating profit per share over a five-year period | 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. |
| Earnings per share | Profit/loss after tax divided by the average number of shares. This performance measure is defined in accordance with IFRS. |
| Earnings per share before dilution | Profit/loss after tax divided by the average number of shares at the end of the period. |
| Earnings per share after dilution | Profit/loss after tax divided by the average number of shares at the end of the period after dilution. |
| Profit margin | 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 is approaching 2,000 installations of medical IT systems worldwide, 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.