

Interim report for the May–October 2020 period:

## Increase in profit and order bookings, but deliveries impacted by pandemic restrictions

Demand for Sectra's services and products remained high during the second quarter and order bookings for the first half of the year increased over the year-earlier period. Sales growth and lower operating expenses enabled increased profits despite delivery opportunities in parts of our operations being limited by restrictions in society as a consequence of the pandemic. The reintroduction of tighter restrictions in many countries could lead to greater fluctuations between quarters and increase the risk of delays in deliveries. However, Sectra is relatively well equipped to manage the pandemic based on a strong financial position, positive cash flows and a significant share of recurring revenue.

### REPORT PRESENTATION

November 27, 2020, 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.

#### Period: May–October 2020

- Order bookings rose 105.4% to SEK 1,364.4 million (664.4).
- Net sales increased 2.3% to SEK 712.1 million (696.1). Based on unadjusted exchange rates, the increase was 6.1%.
- Operating profit rose 62.5% to SEK 117.0 million (72.0), corresponding to an operating margin of 16.4% (10.3). Based on unadjusted exchange rates, operating profit increased 75.9%.
- Profit before tax amounted to SEK 113.9 million (75.6).
- The figures include nonrecurring items (refer to Secure Communications, page 10). These items had a net effect of SEK -0.5 million on operating profit.
- Cash flow after changes in working capital increased to SEK 121.8 million (81.2).

#### Second quarter, August–October 2020

- Order bookings increased 76.7% to SEK 752.1 million (425.7). Of the order bookings during the quarter, 13% were recognized as revenue during the quarter and a further estimated 22% to 32% pertains to revenue within 12 months after the end of the quarter.
- Net sales increased 13.7% to SEK 413.2 million (363.3). Based on unadjusted exchange rates, the increase was 18.8%.
- Operating profit rose 109.8% to SEK 89.6 million (42.7), corresponding to an operating margin of 21.7% (11.8). Based on unadjusted exchange rates, operating profit increased 127.3%.
- Profit before tax amounted to SEK 92.5 million (44.9).
- Cash flow after changes in working capital amounted to SEK 36.3 million (109.2). During the quarter, Sectra distributed SEK 173.3 million (172.6) to its shareholders through a share redemption program.

### Key figures

SEK million	The quarter			The period			12 months		
	Q2	Q2	Change	Q1–2	Q1–2	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%		19/20	%
Order bookings	752.1	425.7	76.7	1,364.4	664.4	105.4	2,516.0	1,816.0	38.5
Net sales	413.2	363.3	13.7	712.1	696.1	2.3	1,677.1	1,661.1	1.0
Operating profit (EBIT)	89.6	42.7	109.8	117.0	72.0	62.5	340.3	295.3	15.2
Operating margin, %	21.7	11.8	n/a	16.4	10.3	n/a	20.3	17.8	n/a
Profit before tax (EBT)	92.5	44.9	106.0	113.9	75.6	50.7	341.3	303.0	12.6
Profit margin, %	22.4	12.4	n/a	16.0	10.9	n/a	20.4	18.2	n/a
Profit after tax	72.7	34.9	108.3	89.6	59.0	51.9	268.0	237.4	12.9
Earnings per share, SEK <sup>1</sup>	1.89	0.91	107.7	2.33	1.54	51.3	6.96	6.18	12.6
Cash flow	36.3	109.2	-66.8	121.8	81.2	50.0	336.9	296.3	13.7
Cash flow per share <sup>1,2</sup>	0.94	2.85	-67.0	3.16	2.12	49.1	8.75	7.69	13.8
Average no. of employees	818	781	4.7	811	774	4.8	799	780	2.4

<sup>1</sup> Prior to dilution. <sup>2</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 in the press release, at 08:15 a.m. (CET) on November 27, 2020.*

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## CEO'S COMMENTS

Possibilities for working remotely with the same functionality and security as the workplace, as well as comprehensive consolidation in healthcare to promote higher productivity, are some of the factors that drive the markets for medical IT and cybersecurity. With increased order bookings and profits in the first half of the year, we have shown that our focus on customer satisfaction is paying off. This is how we grow and achieve our goals.

The situation for many of our customers is far from ideal, owing to the ongoing pandemic, and we are doing what we can to help. Based on their feedback, we have done well at maintaining a high level of customer satisfaction. This feels fantastic and encourages us to continue to do our utmost to meet our customers' needs so that they can provide their patients with the best care possible and protect critical infrastructure and communication, where society is at its most vulnerable.

### Large variations between quarters

In the year-earlier period, we reported record-high order bookings. This trend has continued, and now we are doing it again. After having recovered from a weak start to the fiscal year, we are reporting positive financial performance for the second quarter. This despite the impact of the pandemic, above all in our Business Innovation and Secure Communications operating areas. At the same time, more extensive lockdowns are once again taking place in society, and it appears that a second wave of the pandemic will continue for several months to come. This severely limits the opportunities for visiting customers in the field, and will have an effect on delivery plans for certain projects in the immediate future. The impact on long-term sales activities such as trade fairs and physical meetings with customers will lead to reduced costs over the short term, but could have effects on order bookings over the long term. This applies not only to us, but to other players in our industries as well.

### Comprehensive contracts with scalable solutions for all diagnostic medical imaging

The market for medical imaging IT is a field that is undergoing changes. Increased productivity, access to new technology and scalability are more important than ever in the situation that healthcare now finds itself. Healthcare is facing large increases in volume owing to the number of examinations that need to be conducted and reviewed once the elective healthcare sector picks up again after the COVID-19 pandemic. Mergers or acquisitions of healthcare providers also lead to the need for efficient scaling of systems in pace with increases in volumes. Like the rest of society, we are witnessing an increasing trend toward cloud-based solutions, which will fundamentally change our industry in the field of medicine. This change has taken longer compared with other fields, owing to customer concerns over data security, data ownership, and increased costs. Over the last few years, however, we have seen region-wide solutions becoming more frequent, and growing numbers of customers choosing to switch to cloud services. Procurements have increased in both scope and complexity, and over the last few years we have been awarded several of the largest and most comprehensive projects—Greater Manchester in the UK, for example, with whom we signed an agreement in the second quarter.

Our new Sectra One sales model, with use-based invoicing, has been positively received in the market, especially due to the fact that COVID-19 has created liquidity problems for some of our healthcare providers. An increasing number of customers, especially in the US, will be asking for Sectra One instead of license-based purchases. During the transition stage, this new sales model will negatively impact earnings in part, but primarily cash flow. Recurring revenue, earnings and cash flow will all increase over the longer term while the variation between quarters will decrease.

We are meeting demand with solutions that help our customers put together coherent strategies for all their needs concerning medical image processing—a strategic decision we made more than ten years ago. We have gradually added medical specializations and competences such as cardiology, dermatology and digital pathology. Today, we have one of the market's most complete enterprise imaging solutions for diagnostic image management. Our focus is on areas linked to illnesses among the elderly and cancer diagnostics, where the need for efficiency is especially great. In some cases, we are also working on partnerships to meet our customers' demands for functionality.

### Outlook

Our corporate culture is strong and we have fantastic employees. With satisfied customers, a strong balance sheet, positive cash funds and significant increasing recurring revenue, we are relatively well equipped to manage the high level of uncertainty in the world. Initiatives in innovation and further product development are continuing at full speed, unaffected by the pandemic. Our possibilities for growth are favorable in all operating areas for the foreseeable future. Continued growth in the US market, and new product segments such as digital pathology, are a few of the short-term possibilities. We also have new geographic markets and several exciting projects in the pipeline in our operating areas that could be significant over the long term.

At the same time, uncertainty will be greater than normal over the short and medium term owing to the pandemic, pertaining primarily to the risk for delays in delivery. This could result in significant variations between quarters in the immediate future as regards order bookings, earnings and cash flow. And even if COVID-19 results in a temporarily suppressed demand in some markets and areas, people will still fall ill and society needs cybersecurity. With long-term initiatives, investments in existing customer offerings and innovation, we create value for our customers. That way, we help make society healthier and safer. Customer value is the foundation of our success, and also determines how we successfully create shareholder value and returns for our owners.

Torbjörn Kronander, President and CEO, Sectra AB





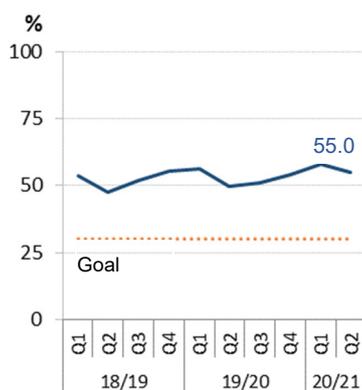
## Diagram in the financial report

Amounts are restated in SEK million unless otherwise indicated. Bars show the outcome per quarter and lines show the outcome for the rolling 12-month period.

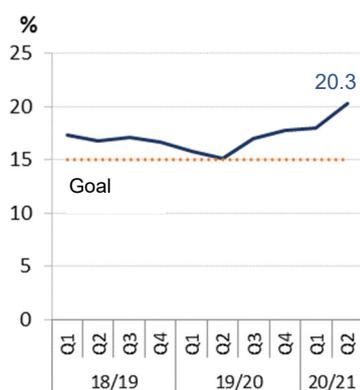
## FINANCIAL GOALS

The rolling 12-month performance exceeded the levels for the Group-wide financial goals. Stability and profitability are considered hygiene factors. Once these goals have been met, the focus shifts to our growth goal, where we reinvest Sectra's profit in areas that have the potential to increase customer value and thereby contribute to stable and long-term returns for our shareholders. Goals in order of priority:

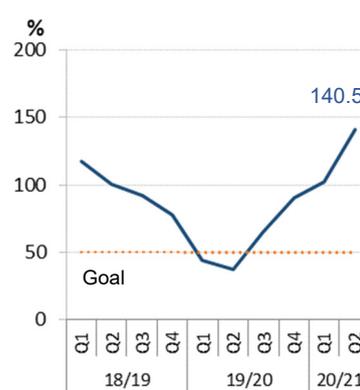
### 1. Equity/assets ratio $\geq 30\%$



### 2. Operating margin $\geq 15\%$



### 3. Growth for operating profit/share over a five-year period, $\geq 50\%$



## EVENTS

### Second quarter

- Two US healthcare providers with top rankings from US News & World Report ordered Sectra's image management system for radiology and multimedia archive (VNA).
- MetroHealth in the US ordered an expansion of its IT solution from Sectra to include digital pathology.
- Amsterdam UMC, one of the largest healthcare providers in the Netherlands, signed a seven-year agreement with Sectra for consolidation of medical imaging IT for radiology and nuclear medicine.
- Eight healthcare providers in Greater Manchester (UK) ordered Sectra's system for medical imaging IT as a cloud service. The solution will manage up to four million examinations per year, and is thus one of the largest projects of its type in Europe.
- The UK health consortium SWASH ordered a region-wide archive for images and multimedia as a cloud service from Sectra. This is the second contract Sectra has signed with SWASH over the past year.
- Leeds Teaching Hospitals have installed Sectra's software for medical imaging as the first of six UK healthcare providers in the regional Northern Pathology Imaging Co-operative (NPIC) project. NPIC is one of the most sophisticated and connected pathology initiatives in the world. Sectra's solution supports the project, which digitizes and applies artificial intelligence in pathology operations.
- The Royal College of Pathologists of Australia (RCPA) has reached a milestone in its examination process, as resident physicians have begun using Sectra's digital pathology solution when taking their exams.
- Sectra took an important step toward better cancer care, supporting all scanners for large-scale digital pathology.
- The Universidad Nacional Autónoma de México ordered Sectra's online platform for medical education and can thus provide interactive instruction with actual clinical cases both on campus and remotely.
- A Swedish region ordered a security assessment from Sectra to improve operational reliability in the operation's hospitals.
- The security agency in the Netherlands approved Sectra's mobile VPN for use up to and including the RESTRICTED level. With this product, civil authorities, government officials and critical infrastructure operators can provide users with remote access to internal networks without risking information leaks.
- The Annual General Meeting elected Fredrik Robertsson as a new Board member and Ernst & Young as the new auditor.

### After the end of the reporting period

- The Norwegian healthcare region Helse Vest, which has previously been using Sectra's solution for managing medical images, ordered an expansion of its system to include digital pathology.

## SECTRA'S MARKETS

We play a key role in meeting the needs of medical imaging IT and cybersecurity—two changing and growing markets with additional scope for expansion, where the underlying societal trends mean these areas must grow. Our customers operate in some of society's most critical functions. Our job is to help our customers become more efficient and give them the tools needed to 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 support 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 and coordinate their resources as well as to improve efficiency in orthopaedic surgery through better planning. We also help to raise the quality of medical education by providing solutions for interacting with medical images and sharing educational materials. We enable 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 our 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 critical social functions and critical infrastructure. The players in these areas rely on products and services that increase cybersecurity, a niche market where we have extensive experience of protecting society's most critical communications and are 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. We help 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. We are, however, seeing increasing synergies between our operating areas since healthcare is increasingly subject to cybercrime, resulting in, for example, the authorities in the US issuing a particular warning to hospitals.

### **Effects of COVID-19**

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

At the same time, our customers are prioritizing what is absolutely necessary for the moment. In certain cases this has led to postponement of planned projects or to purchasing departments putting ongoing procurements on hold. Though this entails delays, we also have projects that have progressed more rapidly than planned. In addition, the sharp downturn in elective healthcare in certain cases has led to a drastic loss of revenue for customers, primarily in privately run hospitals. This ultimately affects their ability to pay and several healthcare providers have imposed temporary freezes on investments, which is why our new pay-per-use financing models have met with high interest. The effects are currently smaller in publicly financed markets, but lower tax income can have consequences in a few years.

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

Overall, however, the pandemic has promoted greater uncertainty than normal, which means that predicting what effects COVID-19 will have on Sectra's financial performance going forward will be unusually difficult. Sectra has neither needed nor received any support related to COVID-19 such as reduced rent or business transition support. No need for impairment is deemed to exist owing to the pandemic.

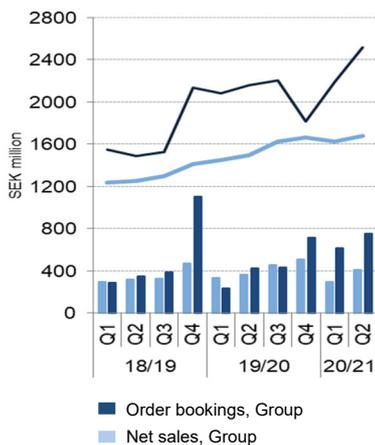
## COMMENTS ON THE GROUP'S FINANCIAL OUTCOME

### Order bookings and net sales

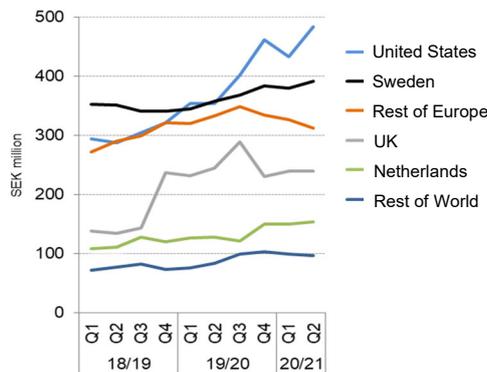
Order bookings for the second quarter rose 76.7% to SEK 752.1 million (425.7) and amounted to SEK 1,364.4 million (664.4) for the six-month period. Our Imaging IT Solutions and Secure Communications operating areas contributed to the growth. Geographically, it is primarily operations in Sweden, the UK, and the US that stood for the increase compared with the year-earlier period, in the form of new sales as well as supplementary sales and extending support and upgrade agreements. The ratio of order bookings to net sales for the latest rolling 12-month period totaled 1.50, up from 1.09 at the end of the 2019/2020 fiscal year. A large portion of the order bookings pertain to multiyear customer contracts. Major long-term agreements contribute to increased stability, but also lead to significant variations in order bookings between individual quarters.

Net sales for the second quarter increased 13.7% to SEK 413.2 million (363.3). Net sales for the six-month period totaled SEK 712.1 million (696.1), up 2.3%. Imaging IT Solutions and Secure Communications reported growth. In Business Innovation, which is the area where we have seen the greatest effects from the pandemic, sales decreased compared to the year-earlier period. Currency fluctuations (refer to page 17) had a negative impact of SEK 26.4 million on net sales during the period, and sales growth in unadjusted exchange rates was 6.1%. More than 70% of our net sales are carried out in foreign currency, primarily EUR, GBP and USD, which entails a relatively large sensitivity to exchange rates.

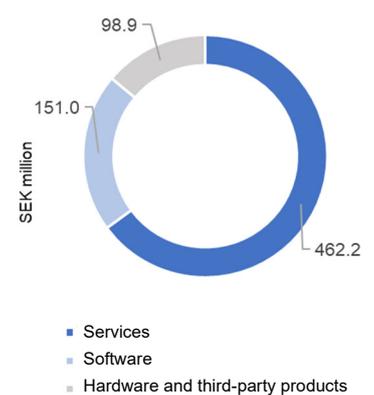
Order booking and sales trend



Sales by geographic market trend



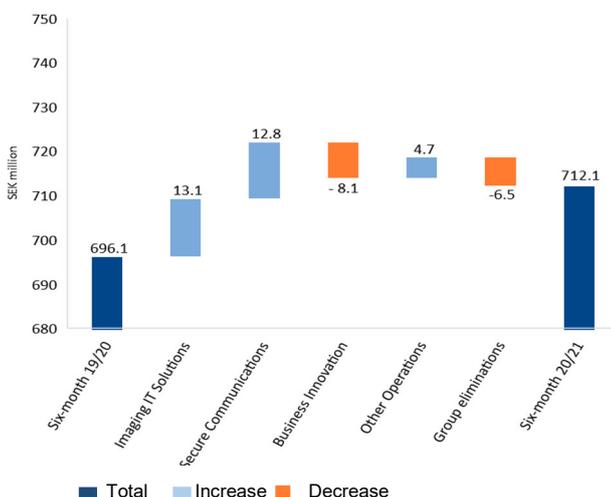
Sales by product group 6-month period



Geographically, it is primarily our major markets that are growing. Markets with a high share of new sales have been affected by the pandemic to a greater extent than deliveries to existing customers, which entails larger variation between quarters in countries such as the US and the rest of Europe. Sales in markets where we have a high share of recurring revenue, for example, the Netherlands, the UK and Sweden, are not affected to the same extent.

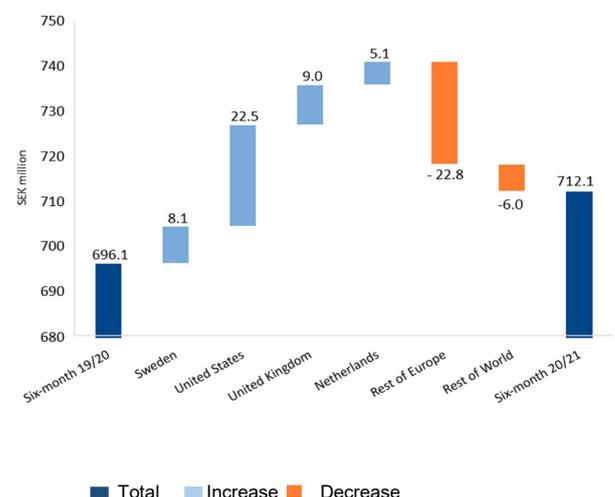
Sales trend per operating area

Compared with the corresponding period in the preceding fiscal year



Sales trend per geographic market

Compared with the corresponding period in the preceding fiscal year



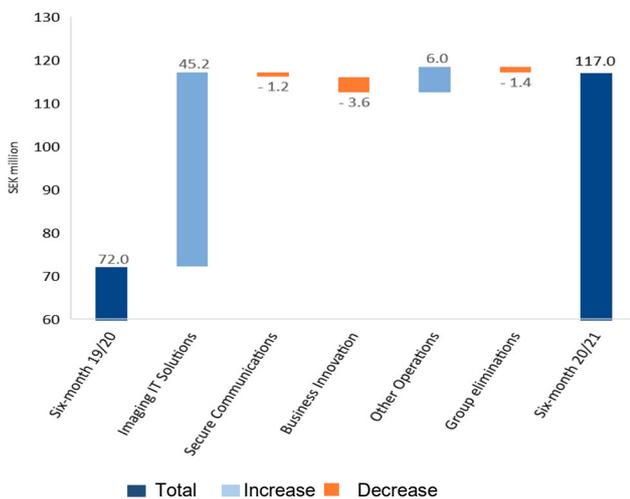
## Earnings

The Group's operating profit increased 62.5% to SEK 117.0 million (72.0), of which SEK 89.6 million (42.7) pertained to the second quarter. This corresponds to an operating margin of 16.4% (10.3) for the six-month period and 21.7% (11.8) for the second quarter. Based on unadjusted exchange rates, operating profit increased 75.9% compared with the year-earlier period. Earnings were strengthened by increased sales being achieved at somewhat better gross margins, but primarily owing to operating costs essentially being unchanged in relation to the comparative quarter. The earnings effect of increased personnel costs was offset by lower costs for travel and trade fairs owing to pandemic restrictions. Recovery during the second quarter was driven by Imaging IT Solutions.

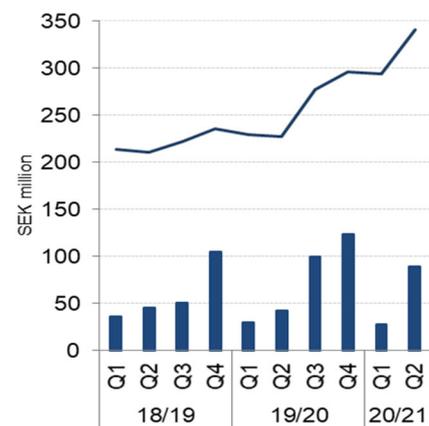
The Group's net financial items totaled negative SEK 3.1 million (pos: 3.5), of which the second quarter accounted for SEK 2.9 million (2.3). Currency fluctuations for the six-month period in cash and cash equivalents had a negative impact of SEK 5.4 million (pos: 1.6) on financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact. Profit after net financial items amounted to SEK 113.9 million (75.6), of which SEK 92.5 million (44.9) pertained to the second quarter. This outcome corresponds to a profit margin of 16.0% (10.9) for the six-month period and 22.4% (12.4) for the second quarter. The primary reason for the strengthened profit margin is that operating costs for the first half of the year were lower owing to COVID-19 restrictions. Earnings per share totaled SEK 2.33 (1.54) for the period, of which SEK 1.89 (0.91) pertained to the second quarter.

### Operating profit trend per operating area

Compared with the corresponding period in the preceding fiscal year



### Group operating profit, trend



## Financial position and cash flow

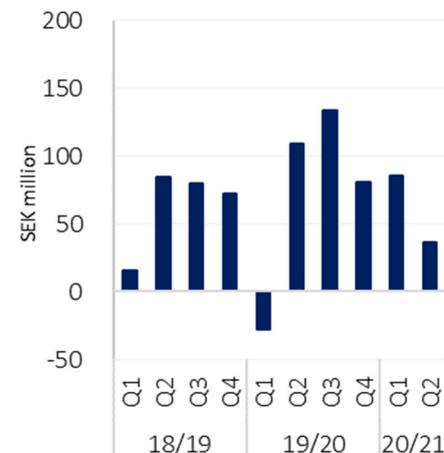
During the second quarter, Sectra distributed SEK 173.3 million (172.6) to its shareholders through a share redemption program. The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 248.6 million (189.4) after adjustment for exchange-rate differences.

The Group's debt/equity ratio was 0.12 (0.18) as of the balance-sheet date. Interest-bearing liabilities amounted to SEK 85.4 million (111.1), of which SEK 79.0 million (79.6) 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 increased to SEK 121.8 million (81.2) for the period, of which SEK 36.3 million (109.2) was attributable to the second quarter. The decrease for the quarter was due to increased capital tied up in accounts receivable as a result of higher sales in the second quarter. Cash flow per share amounted to SEK 3.16 (2.12) for the period, of which SEK 0.94 (2.85) pertained to the second quarter.

Cash flow from investing activities amounted to a negative SEK 29.0 million (neg: 40.6) for the period, of which a negative SEK 15.9 million (neg: 13.5) was attributable to the second quarter. Refer to the information about investing activities on page 7.

### Cash flow after changes in working capital, Group



The Group's total cash flow for the period was a negative SEK 95.3 million (neg: 144.0). These figures include the share redemption program for shareholders. Excluding the share redemption program, total cash flow amounted to SEK 78.0 million (28.6).

## Investments, depreciation/amortization and impairment

Investments for the period amounted to SEK 29.0 million (40.6), of which SEK 15.9 million (13.5) was attributable to the second quarter. Investments for the period pertained primarily to capitalized development costs and infrastructure for cloud solutions for medical imaging. The results for the comparative period include purchasing rights for software and the acquisition of assets in Columbitech AB.

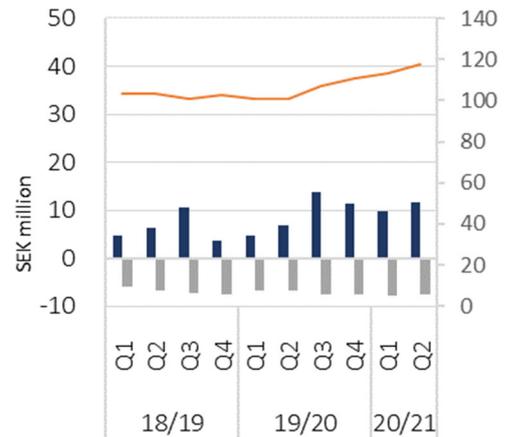
Capitalized work for own use increased 40.5% during the period to SEK 21.5 million (15.3), of which SEK 11.6 million (8.9) pertained to the second quarter. These figures include capitalized development costs of SEK 21.5 million (11.6) for the period, of which SEK 11.6 million (6.9) pertained to the second quarter. Increased activity in ongoing development projects was reported mainly in Imaging IT Solutions. Of the total depreciation/amortization for the period, SEK 15.1 million (13.4) pertained to capitalized development projects, of which SEK 7.4 million (6.8) pertained to the second quarter. At the end of the period, capitalized development costs totaled SEK 117.4 million (100.8).

Total depreciation, amortization and impairments for the period were SEK 38.6 million (34.3), of which the second quarter accounted for SEK 19.3 million (17.4). Depreciation of right-of-use assets according to IFRS 16 for the period amounted to SEK 12.3 million (10.5), of which SEK 6.4 million (5.4) pertained to the second quarter. In addition, depreciation/amortization related to Sectra's acquisition of Columbitech in 2019 amounted to SEK 2.2 million during the second quarter (refer to page 10).

## Seasonal variations

Sectra has seasonal variations, stemming from many customers wanting to go live before the relatively calm summer period. These seasonal variations entail that most of the company's invoicing and earnings have traditionally been generated at the end of the fiscal year. For the historical seasonal pattern, refer to the additional information in [Sectra's 2019/2020 Annual Report](#). Over the long term, our new subscription model for software licenses will enable more balance between quarters, but it is believed this will not have a major effect over the next few years. The variation in order volumes in individual quarters can also be substantial when customers sign major multiyear agreements with the company, for example, for medical IT projects or encryption systems.

Capitalized development costs



- Capitalization of development costs (left hand scale)
- Depreciation/amortization capitalized development costs (left hand scale)
- Capitalized development costs at end of period (right hand scale)

## Top Innovator award 2020

With an innovation score of 90.03%, Sectra was named by ALPORA as a leader in innovation, characterized by a particularly high level of innovation efficiency. ALPORA, a Swiss investment analytics firm, assesses innovation efficiency for all listed companies in Western Europe with a value of more than EUR 300 million. Only 7% of those companies have achieved innovation results greater than 75%.



## IMAGING IT SOLUTIONS

	The quarter			The period			12 months		
	Q2	Q2	Change	Q1–2	Q1–2	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	12 months	19/20	%
Sales, SEK million	338.6	297.7	13.7	599.2	586.1	2.2	1,441.3	1,428.2	0.9
Operating profit, SEK million	92.4	41.6	122.2	128.1	82.9	54.5	362.7	317.6	14.2
Operating margin, %	27.3	14.0	n/a	21.4	14.1	n/a	25.2	22.2	n/a

Imaging IT Solutions reported increased order bookings compared with the year-earlier period, driven primarily by new customer sales and comprehensive contracts for region-wide solutions. One of the largest projects is Greater Manchester in the UK. Eight healthcare providers are part of this consortium, which provides healthcare to a population of 3.2 million people. This type of comprehensive agreement for solutions that facilitate regional collaboration concerning healthcare services has become increasingly common over the past several years. More and more customers are also transitioning to the purchase of medical imaging IT as cloud services. This also applies to Greater Manchester, but with an internal cloud that is provided and operated by Sectra. During the second quarter, we also received orders from two US healthcare providers with top rankings from US News & World Report, and received our first order in the US with the new [Sectra One](#) subscription model. It was mainly Sectra's largest markets that contributed to the increased order bookings, but we were also successful in smaller markets. This applies, for example, to countries such as Switzerland, Germany and Belgium. The latter is a market where we made a breakthrough during the period, signing agreements with new customers.

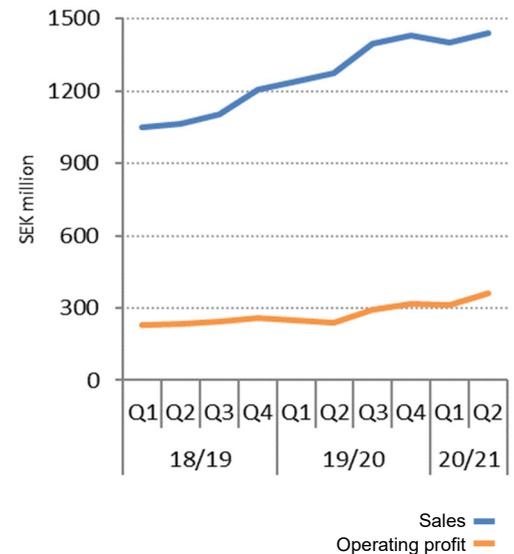
During the quarter, sales in the operating area and operating profit recovered from the preceding quarter. The strong trend in operating profit is attributable primarily to large variations in customer project deployments between quarters as well as lower operating costs driven by limitations in travel and trade fair activities.

Several customers, including Vanderbilt University, Marshfield Clinic and Grady Memorial Hospital in the US, put Sectra's systems into operation in the second quarter. In addition, Region Halland in Sweden has put our system into operation, and additional installations have been carried out at NSW Health in Australia. NSW Health is one of Sectra's largest projects: a 13-year customer contract that was signed in 2019, where five hospitals in two out of a total of eleven healthcare organizations are now operational. Sales and expenses related to NSW Health are allocated across the entire contract period, with a ramping up of volumes to full production when the solution will be brought into operation in stages at the remaining healthcare organizations.

Additional major installation projects are ongoing and are expected to be deployed to customers during the second half of the year as planned. Owing to the more stringent restrictions that have been reintroduced in many countries, there is an increased risk of delays in planned deliveries. The pandemic means that we and our customers have needed to find partially new ways to operate. Many installations were performed remotely during the period, but this cannot be done for all projects.

Increased productivity, access to new technology and scalability are more important than ever in the situation that healthcare now finds itself. We meet our customers' needs with a coherent strategy for medical images, what we call "enterprise imaging". We assist healthcare providers in consolidating all diagnostic images—radiology, mammography, cardiology, digital pathology, ophthalmology, nuclear medicine and orthopaedics—into the same platform. Through our investments in innovation and product development, our customers also have the possibility of using modern technology such as AI.

Trend



Milestone for **Sectra One**—the first US order for the subscription service, which was launched in May 2020. The service assists healthcare providers in achieving a coherent strategy for needs concerning all management of medical images through the ability to expand their IT solution from ology to ology and hospital by hospital.



## BUSINESS INNOVATION



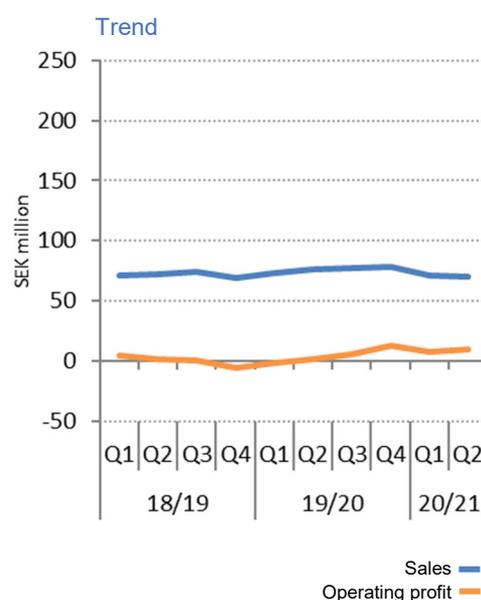
	The quarter			The period			12 months		
	Q2	Q2	Change	Q1-2	Q1-2	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	19/20	19/20	%
Sales, SEK million	18.3	19.8	-7.6	27.2	35.3	-22.9	69.9	78.1	-10.5
Operating profit, SEK million	1.0	-1.0	200.0	-4.1	-0.5	-720.0	9.3	12.9	-27.9
Operating margin, %	5.5	neg	n/a	neg	neg	n/a	13.3	16.5	n/a

Business Innovation is an 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. We also report the expenses for our 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.

The results in Business Innovation's two relatively small business units vary significantly between quarters and periods. We are currently undergoing a product generation shift in both Orthopaedics and Medical Education. However, the business units have new products that have attracted considerable market attention. Nevertheless, sales were palpably affected by the consequences of the pandemic, which among other things has led to a sharp downturn in elective healthcare. For some customers, particularly private operators within orthopaedics, this has entailed reduced volumes and, consequently, significant loss of revenue. Neither was an upswing in sales of solutions and services that enable remote medical education able to compensate for the dampened sales caused by the pandemic in markets such as Asia and South America. The transition to pay-per-use will initially impact both these areas negatively, but we will also see the share of recurring sales increase and thus the long-term outlook will be better.



## SECURE COMMUNICATIONS

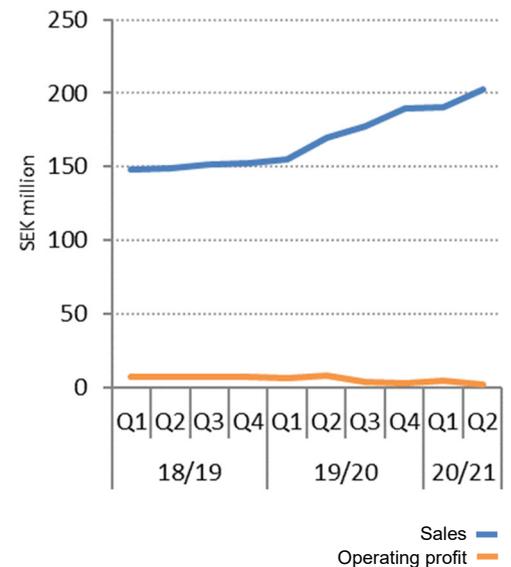
	The quarter			The period			12 months		
	Q2	Q2	Change	Q1-2	Q1-2	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	2021	19/20	%
Sales, SEK million	62.5	50.8	23.0	99.3	86.5	14.8	202.1	189.3	6.8
Operating profit, SEK million	-0.8	1.7	-141.2	-0.5	0.7	-171.4	1.7	2.9	-41.4
Operating margin, %	neg	3.4	n/a	neg	0.8	n/a	0.8	1.5	n/a

Secure Communications reported increased order bookings compared with the year-earlier period. The increase is primarily due to orders for project-based development from one of our main customers. Demand for the operating area's services and products remains strong. During the pandemic, it has become abundantly clear that society's critical organizations need tools and infrastructure to work remotely in a safe and efficient manner so that they can perform their everyday work tasks even in a crisis. Sectra's mobile VPN can fulfill an important function here, and the product was approved by security authorities in the Netherlands for RESTRICTED-level operations. Increased threats of ransomware attacks targeted at critical social functions such as energy companies and healthcare contribute to the demand for our consulting services. For example, in the second quarter we were commissioned to assist a Swedish regional organization with a security assessment of the operation's hospitals.

The operating area continues to grow, primarily as a result of 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 has an increased operating margin compared with the development project. In the latest quarter, however, the pandemic restrictions limited the possibilities of completing product deliveries in certain countries, which means we had costs during the period that were not offset by revenue. Operating profit was also charged with long-term growth initiatives. During the period, we continued to invest in projects including our offerings for critical infrastructure and information security in conjunction with mobile working for government agencies and private business. Growth for the critical infrastructure area is progressing slower than planned, due to the pandemic and customers' priorities, among other factors. Customers' underlying needs for surveillance and monitoring in OT systems have not decreased, nor have we lost any major procurements in the product segment.

The reported outcome includes a reversal of a contingent consideration amounting to SEK 1.7 million and impairment of customer relations totaling SEK 2.2 million. Excluding these items, operating profit for the period was SEK 0.0 million (0.7). These items pertain to the acquisition in 2019 of assets in the Swedish IT company Columbitech AB. The impairment was based on the assessment that the market will develop more slowly than Sectra's original expectations.

Trend



VPN is a critical component of a **secure mobile workplace**. With Sectra's mobile VPN, individuals who process confidential information can also work from home or in other locations without risking information leaks.

## OTHER OPERATIONS

	The quarter			The period			12 months		
	Q2	Q2	Change	Q1-2	Q1-2	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%		19/20	%
Sales, SEK million	18.2	16.8	8.3	37.0	32.3	14.6	73.3	68.6	6.9
Operating profit, SEK million	-2.9	-5.7	49.1	-6.6	-12.6	47.6	-20.4	-26.4	22.7
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, people and brand, and investor relations activities as well as the Group's financing activities.

## PARENT COMPANY

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

## THE SHARE

### 2020 share redemption program and Swedish tax return help

During October 2020, 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.
- 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 2020 redemption program, 99.2% of the acquisition fees for an original Class A or Class B share in Sectra AB should be attributed to remaining shares and 0.8% to redemption shares of the respective class. For more information, visit:

[investor.sectra.com/event/share-redemption-program-2020/](https://investor.sectra.com/event/share-redemption-program-2020/)

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

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.

Due to the share redemption program for 2020, 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/).

As of the publication date of this report, on full exercise of outstanding convertibles, the number of Class B shares will increase by 27,444, corresponding to 0.0% of the share capital and 0.0% of the voting rights in the company. The next period for conversion of convertibles is 10–16 December 2020, more information here: <https://investor.sectra.com/conversion2020>

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

The 2020 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 payment through offsetting of debt 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 this authorization.

## RISKS AND UNCERTAINTIES

Through its operations, Sectra is exposed to such business risks as dependence on major customers and partners, the effect of currency fluctuations 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 2019/2020 fiscal year in the administration report on page 65 and in Note 30 on page 95. No significant events have occurred that would alter the conditions reported.

### COVID-19

For COVID-19-related risks and uncertainty factors, refer to page 4 of this interim report as well as Sectra's 2019/2020 Annual and Sustainability Report.

### Brexit

The United Kingdom left the EU on January 31, 2020. During a transitional period ending December 31, 2020, however, companies and EU citizens will have the same rights and obligations as if the UK were still a member of the EU. Negotiations on a free-trade agreement between the EU and the UK are under way, and based on the knowledge we currently have, our assessment remains that Brexit will not significantly impact Sectra's operations.

The uncertainty that primarily concerns Sectra is linked to the General Data Protection Regulation (GDPR) and the possibilities of sharing personal data with third countries, primarily owing to the Schrems II ruling by the EU Court of Justice. We took measures in anticipation of 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. With regard to Schrems II, we are investigating whether further action is required in addition to those actions already taken.

## 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

Time: November 27, 2020, 10:00 a.m. CET

Torbjörn Kronander, President and CEO of Sectra AB, and Mats Franzén, CFO of Sectra AB, will present the financial report and answer questions. The presentation will be held in English.

To participate, follow along on the website or call one of the following numbers 10 to 15 minutes before the scheduled start time:

SE +46850558365

UK +443333009261

US +18446251570

Follow live or listen to the recording afterward at [investor.sectra.com/q2report2021](http://investor.sectra.com/q2report2021).

### Financial calendar

Nine-month report March 12, 2021, at 8:15 a.m. (CET)

Year-end report 2020/2021 June 2, 2021 at 8:15 a.m. (CEST)

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 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, November 27, 2020

Torbjörn Kronander  
President, CEO and Board member

Jan-Olof Brüer  
Chairman

Christer Nilsson  
Board member

Birgitta Hagenfeldt  
Board member

Jonas Yngvesson  
Board member

Anders Persson  
Board member

Tomas Puusepp  
Board member

Fredrik Robertsson  
Board member

Filip Klintenstedt  
Board member  
employee representative

Bengt Hellman  
Board member  
employee representative

### Review

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

## GROUP FINANCIAL SUMMARY

### Consolidated income statements

SEK thousand	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
<b>Net sales</b>	<b>413,173</b>	<b>363,267</b>	<b>712,066</b>	<b>696,109</b>	<b>1,677,095</b>	<b>1,661,138</b>
Capitalized work for own use	11,607	8,917	21,516	15,286	47,987	41,757
Reversal of contingent consideration	1,070	0	1,700	0	10,573	8,873
Other operating income	490	217	506	1,019	3,200	3,714
Goods for resale	-57,641	-55,544	-95,126	-103,226	-240,205	-248,305
Personnel costs	-211,122	-195,930	-392,459	-378,294	-829,341	-815,176
Other external costs	-46,389	-60,904	-90,384	-124,568	-242,793	-276,978
Depreciation/amortization and impairment	-21,541	-17,358	-40,787	-34,284	-86,177	-79,675
<b>Operating profit</b>	<b>89,647</b>	<b>42,665</b>	<b>117,032</b>	<b>72,042</b>	<b>340,339</b>	<b>295,348</b>
Net financial items	2,863	2,277	-3,084	3,527	1,078	7,689
<b>Profit after net financial items</b>	<b>92,510</b>	<b>44,942</b>	<b>113,948</b>	<b>75,569</b>	<b>341,416</b>	<b>303,037</b>
Taxes	-19,794	-10,034	-24,388	-16,607	-73,464	-65,683
<b>Profit for the period</b>	<b>72,716</b>	<b>34,908</b>	<b>89,560</b>	<b>58,962</b>	<b>267,952</b>	<b>237,354</b>
<b>Profit for the period attributable to:</b>						
Parent Company owners	72,716	34,908	89,560	58,962	267,952	237,354
Non-controlling interest	0	0	0	0	0	0
<b>Earnings per share</b>						
Before dilution, SEK	1.89	0.91	2.33	1.54	6.96	6.18
After dilution, SEK	1.89	0.91	2.32	1.53	6.95	6.16
<b>No. of shares</b>						
Before dilution	38,506,020	38,352,871	38,506,020	38,352,871	38,506,020	38,506,020
After dilution <sup>1</sup>	38,533,253	38,530,851	38,533,253	38,530,851	38,533,253	38,533,253
Average, before dilution	38,506,020	38,352,871	38,506,020	38,352,871	38,493,258	38,416,683
Average, after dilution	38,533,253	38,530,851	38,533,253	38,530,851	38,533,053	38,531,852

1) 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, disregarding the restatement after the balance-sheet date; refer to page 11.

### Consolidated statement of comprehensive income

SEK thousand	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
<b>Profit for the period</b>	<b>72,716</b>	<b>34,908</b>	<b>89,560</b>	<b>58,962</b>	<b>267,952</b>	<b>237,354</b>
Change in translation differences for the period from translating foreign subsidiaries	4,075	13,847	-23,418	3,157	-27,050	-475
<b>Total other comprehensive income for the period</b>	<b>4,075</b>	<b>13,847</b>	<b>-23,418</b>	<b>3,157</b>	<b>-27,050</b>	<b>-475</b>
<b>Total comprehensive income for the period</b>	<b>76,791</b>	<b>48,755</b>	<b>66,142</b>	<b>62,119</b>	<b>240,902</b>	<b>236,879</b>

## Consolidated balance sheets

SEK thousand	Oct 31, 2020	Oct 31, 2019	Apr 30, 2020
<b>Assets</b>			
Intangible assets	190,786	193,959	193,368
Tangible assets	63,715	48,860	66,297
Right-of-use assets	82,478	82,980	84,275
Financial assets	143,288	151,081	161,452
Deferred tax assets	3,699	5,536	4,226
<b>Total fixed assets</b>	<b>483,967</b>	<b>482,416</b>	<b>509,618</b>
Other current assets	559,561	569,659	656,929
Cash and cash equivalents	248,554	189,440	345,300
<b>Total current assets</b>	<b>808,115</b>	<b>759,099</b>	<b>1,002,229</b>
<b>Total assets</b>	<b>1,292,082</b>	<b>1,241,515</b>	<b>1,511,847</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	710,078	617,440	817,213
Provisions	12,825	29,024	17,469
Deferred tax liabilities	3,360	5,339	4,799
Long-term liabilities	55,635	59,434	58,561
Other long-term liabilities	2,951	6,451	2,951
Current liabilities	23,344	20,146	22,402
Other current liabilities	483,889	503,681	588,452
<b>Total equity and liabilities</b>	<b>1,292,082</b>	<b>1,241,515</b>	<b>1,511,847</b>

No material changes have occurred in pledged assets and contingent liabilities since the 2019/2020 Annual Report.

## Consolidated statement of changes in equity

SEK thousand	6 months May–Oct 2020	6 months May–Oct 2019	Full-year May–Apr 2019/2020
Equity at start of period	817,213	727,909	727,909
Comprehensive income for the period	66,142	62,119	236,879
Dividend/redemption of shares	-173,277	-172,588	-172,588
Settlement of share-related payments	0	0	25,013
<b>Equity at end of period</b>	<b>710,078</b>	<b>617,440</b>	<b>817,213</b>

## Consolidated cash-flow statements

SEK thousand	6 months May–Oct 2020	6 months May–Oct 2019	Full-year May–Apr 2019/2020
<b>Operating activities</b>			
Operating profit	117,032	72,042	295,348
Adjustment for non-cash items	44,176	33,466	102,686
Interest and dividends received	3,286	3,538	6,785
Interest paid	-946	-1,579	-2,748
Income tax paid	-32,256	-45,649	-74,797
<b>Cash flow from operations before changes in working capital</b>	<b>131,292</b>	<b>61,818</b>	<b>327,274</b>
<b>Changes in working capital</b>			
Change in inventories	8,973	-956	8,546
Change in receivables	102,066	71,831	-83,365
Change in current liabilities	-120,511	-51,540	43,817
<b>Cash flow from operations</b>	<b>121,820</b>	<b>81,153</b>	<b>296,272</b>
<b>Investing activities</b>			
Acquisitions of intangible assets	-21,513	-17,895	-44,775
Acquisitions of tangible assets	-8,303	-21,938	-32,967
Acquisition of financial assets	0	-812	-812
Divestment of financial assets	835	0	18
<b>Cash flow from investing activities</b>	<b>-28,981</b>	<b>-40,645</b>	<b>-78,536</b>
<b>Financing activities</b>			
Raising of convertibles	0	0	0
Repayment of lease liabilities	-12,994	-10,020	-21,018
Payment of contingent consideration	-1,903	-1,899	-2,937
Redemption of shares	-173,277	-172,588	-172,588
<b>Cash flow from financing activities</b>	<b>-188,174</b>	<b>-184,507</b>	<b>-196,543</b>
<b>Cash flow for the year</b>	<b>-95,335</b>	<b>-143,999</b>	<b>21,193</b>
Cash and cash equivalents, opening balance	345,300	331,935	331,935
Exchange-rate difference in cash and cash equivalents	-1,411	1,505	-7,828
Cash and cash equivalents, closing balance	248,554	189,441	345,300
Unutilized credit facilities	15,000	15,000	15,000

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

	6 months Oct 31, 2020	6 months Oct 31, 2019	12 months Oct 31, 2020	Full-year Apr 30, 2020
Order bookings, SEK million	1,364.4	664.4	2,516.0	1,816.0
Operating margin, %	16.4	10.3	20.3	17.8
Profit margin, %	16.0	10.9	20.4	18.2
Average no. of employees	811	774	799	780
Cash flow per share, SEK	3.16	2.12	8.75	7.69
Cash flow per share after full dilution, SEK	3.16	2.11	8.74	7.69
Value added, SEK million	509.5	450.3	1,169.7	1,110.5
P/E ratio, multiple	n/a	n/a	78.0	68.0
Share price at end of period, SEK	543.0	321.5	543.0	420.0
Return on equity, %	11.7	8.8	35.1	30.7
Return on capital employed, %	13.5	10.4	40.4	36.8
Return on total capital, %	8.2	6.0	24.5	21.6
Equity/assets ratio, %	55.0	49.7	55.0	54.1
Liquidity ratio, multiple	1.7	1.5	1.7	1.7
Equity per share, SEK	18.44	16.10	18.44	21.22
Equity per share after full dilution, SEK	18.43	16.02	18.43	21.21

## Exchange rates

Currency	Average rates in SEK			Closing rates in SEK		
	Q2 2020/2021	Q2 2019/2020	Change %	Oct 31, 2020	Oct 31, 2019	Change %
US dollar, 1 USD	8.95	9.55	-6.3	8.86	9.58	-7.5
Euro, 1 EUR	10.36	10.63	-2.5	10.34	10.69	-3.3
British pound, 1 GBP	11.44	11.91	-3.9	11.45	12.40	-7.7

## Quarterly consolidated income statement and alternative performance measures<sup>1</sup>

SEK million	2020/2021		2019/2020				2018/2019			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	413.2	298.9	507.6	457.4	363.3	332.8	474.1	329.5	316.2	293.7
Capitalized work for own use	11.6	9.9	12.1	14.3	8.9	6.4	15.6	10.7	6.3	4.6
Reversal of contingent consideration	1.1	0.6	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.5	0.0	2.0	0.7	0.2	0.8	0.3	1.1	1.5	0.5
Operating expenses <sup>2</sup>	-315.2	-262.8	-379.0	-355.2	-312.4	-293.7	-372.8	-279.1	-267.4	-252.6
Depreciation/amortization and impairment <sup>2</sup>	-21.5	-19.2	-19.1	-26.3	-17.4	-16.9	-12.5	-12.0	-11.6	-10.7
<b>Operating profit</b>	<b>89.6</b>	<b>27.4</b>	<b>123.6</b>	<b>99.7</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>
Net financial items	2.9	-5.9	3.2	1.0	2.3	1.3	6.2	1.2	7.7	-1.8
<b>Profit after net financial items</b>	<b>92.5</b>	<b>21.4</b>	<b>126.7</b>	<b>100.7</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>
Tax on earnings for the period	-19.8	-4.6	-27.5	-21.5	-10.0	-6.6	-20.5	-11.1	-11.1	-7.1
<b>Profit for the period</b>	<b>72.7</b>	<b>16.8</b>	<b>99.2</b>	<b>79.2</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>
Order bookings, SEK million	752.1	612.3	716.2	435.4	425.7	238.7	1,104.9	390.7	350.7	286.5
Operating margin, %	21.7	9.2	24.3	21.8	11.8	8.8	22.1	15.2	14.2	12.1
Cash flow per share, SEK	0.94	2.22	2.10	3.48	2.85	-0.73	1.88	2.08	2.21	0.41
Cash flow per share after full dilution, SEK	0.94	2.22	2.10	3.48	2.83	-0.73	1.87	2.08	2.19	0.41
Earnings per share, SEK	1.89	0.44	2.58	2.06	0.91	0.63	2.36	1.06	1.09	0.70
Return on equity, %	9.5	2.1	12.8	10.9	5.2	3.3	14.1	6.8	7.5	4.3
Return on capital employed, %	10.9	2.4	15.3	12.9	6.2	3.9	15.6	7.8	8.3	4.9
Equity/assets ratio, %	55.0	58.1	54.1	51.2	49.7	56.2	55.4	51.8	47.4	53.7
Equity per share, SEK	18.44	20.95	21.22	18.81	16.10	19.33	18.98	16.25	14.50	17.76
Share price at end of period, SEK	543.00	601.00	420.00	396.00	321.50	325.00	322.00	220.05	238.60	240.00

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

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
Order bookings, SEK million	1,816.0	2,132.8	1,492.5	1,177.7	1,322.0
Net sales, SEK million	1,661.1	1,413.5	1,209.2	1,125.1	1,080.9
Operating profit, SEK million	295.3	235.5	214.3	195.0	158.0
Profit after net financial items, SEK million	303.0	248.8	231.2	201.1	154.0
Profit for the period after tax, SEK million	237.4	199.0	184.7	153.8	124.8
Operating margin, %	17.8	16.7	17.7	17.3	14.6
Profit margin, %	18.2	17.6	19.1	17.9	14.2
Earnings per share before dilution, SEK	6.18	5.21	4.86	4.07	3.33
Earnings per share after dilution, SEK	6.16	5.17	4.80	4.00	3.26
Dividend/redemption program per share, SEK	4.50	4.50	4.50	4.50	4.50
Share price at end of year, SEK	420.00	322.00	194.20	162.50	110.75
P/E ratio, multiple	68.0	61.8	40.0	39.9	33.3
Return on equity, %	30.7	29.8	30.4	26.5	20.5
Return on capital employed, %	36.8	35.9	34.5	30.9	23.0
Return on total capital, %	21.6	19.6	19.0	17.5	13.7
Equity per share before dilution, SEK	21.22	18.98	17.34	16.21	16.16
Equity per share after dilution, SEK	21.21	18.89	17.16	15.95	15.80
Equity/assets ratio, %	54.1	55.4	51.4	50.5	51.4

1) Comparative years have been restated. Refer to the accounting policies in Note 1 on page 20.

2) In the fourth quarter of 2019/2020, an item of SEK 7.4 million was reported in depreciation/amortization instead of in operating expenses. The amounts have been corrected in the above table. The quarter's operating profit and all items for the 2019/2020 fiscal year were reported accurately.

## OPERATING SEGMENTS

### Sales by business segment

SEK million	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
Imaging IT Solutions	338.6	297.7	599.2	586.1	1,441.3	1,428.2
Secure Communications	62.5	50.8	99.3	86.5	202.2	189.3
Business Innovation	18.3	19.8	27.2	35.3	69.9	78.1
Other Operations	18.2	16.8	37.0	32.3	73.3	68.6
Group eliminations	-24.4	-21.8	-50.6	-44.1	-109.6	-103.1
<b>Total</b>	<b>413.2</b>	<b>363.3</b>	<b>712.1</b>	<b>696.1</b>	<b>1,677.1</b>	<b>1,661.1</b>

### Operating profit/loss by business segment

SEK million	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
Imaging IT Solutions	92.4	41.6	128.1	82.9	362.7	317.6
Secure Communications	-0.8	1.7	-0.5	0.7	1.7	2.9
Business Innovation	1.0	-1.0	-4.1	-0.5	9.3	12.9
Other Operations	-2.9	-5.7	-6.6	-12.6	-20.4	-26.4
Group eliminations	-0.1	6.1	0.1	1.5	-13.0	-11.7
<b>Total</b>	<b>89.6</b>	<b>42.7</b>	<b>117.0</b>	<b>72.0</b>	<b>340.3</b>	<b>295.3</b>

### Sales by geographic market

SEK million	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
Sweden	108.4	97.1	187.3	179.1	391.3	383.2
United States	125.1	74.0	189.1	166.6	483.9	461.4
United Kingdom	52.1	51.2	95.4	86.4	239.8	230.7
Netherlands	34.3	30.4	65.8	60.7	154.2	149.1
Rest of Europe	71.4	86.4	136.1	158.9	311.5	334.4
Rest of World	21.9	24.2	38.4	44.4	96.4	102.3
<b>Total</b>	<b>413.2</b>	<b>363.3</b>	<b>712.1</b>	<b>696.1</b>	<b>1,677.1</b>	<b>1,661.1</b>

### Sales by product group

SEK million	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
Hardware and third-party products	69.3	65.3	98.9	97.8	253.0	251.9
Software	104.8	78.0	151.0	162.7	443.7	455.4
Services	239.1	220.0	462.2	435.6	980.4	953.8
<b>Total</b>	<b>413.2</b>	<b>363.3</b>	<b>712.1</b>	<b>696.1</b>	<b>1,677.1</b>	<b>1,661.1</b>

## PARENT COMPANY

### Parent Company income statements

SEK thousand	3 months Aug–Oct 2020	3 months Aug–Oct 2019	6 months May–Oct 2020	6 months May–Oct 2019	12 months Nov 2019– Oct 2020	Full-year May–Apr 2019/2020
<b>Net sales</b>	<b>36,509</b>	<b>35,775</b>	<b>63,977</b>	<b>66,770</b>	<b>142,818</b>	<b>145,610</b>
Capitalized work for own use	308	0	1,014	173	5,714	4,873
Other operating income	6	132	21	484	418	880
Goods for resale	-2,587	-2,923	-5,043	-6,122	-13,761	-14,840
Personnel costs	-17,878	-17,831	-34,917	-32,796	-69,618	-67,497
Other external costs	-12,845	-16,472	-40,186	-31,660	-77,880	-69,353
Depreciation/amortization	-3,340	-2,914	-7,078	-5,679	-13,661	-12,262
<b>Operating profit/loss</b>	<b>173</b>	<b>-4,233</b>	<b>-22,211</b>	<b>-8,830</b>	<b>-25,970</b>	<b>-12,589</b>
Net financial items	5,560	13,142	-10,841	8,615	8,281	27,736
<b>Profit/loss after net financial items</b>	<b>5,732</b>	<b>8,909</b>	<b>-33,052</b>	<b>-215</b>	<b>-17,690</b>	<b>15,147</b>
Appropriations	0	0	0	0	267,250	267,250
<b>Profit/loss before tax</b>	<b>5,732</b>	<b>8,909</b>	<b>-33,052</b>	<b>-215</b>	<b>249,560</b>	<b>282,397</b>
Tax on earnings for the period	-1,226	-1,905	7,074	48	-50,309	-57,640
<b>Profit/loss for the period</b>	<b>4,507</b>	<b>7,004</b>	<b>-25,977</b>	<b>-167</b>	<b>199,251</b>	<b>224,757</b>
<b>Comprehensive income for the period</b>	<b>4,507</b>	<b>7,004</b>	<b>-25,977</b>	<b>-167</b>	<b>199,251</b>	<b>224,757</b>

### Parent Company balance sheets

SEK thousand	Oct 31, 2020	Oct 31, 2019	Apr 30, 2020
<b>Assets</b>			
Intangible assets	15,966	14,790	17,383
Tangible assets	21,649	24,835	23,506
Financial assets	256,670	270,379	266,587
<b>Total fixed assets</b>	<b>294,285</b>	<b>310,004</b>	<b>307,476</b>
Other current assets	255,744	182,019	465,924
Cash and cash equivalents	170,792	93,743	246,077
<b>Total current assets</b>	<b>426,536</b>	<b>275,762</b>	<b>712,001</b>
<b>Total assets</b>	<b>720,821</b>	<b>585,766</b>	<b>1,019,477</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	408,042	357,360	607,297
Long-term liabilities	2,951	6,501	2,951
Current liabilities	309,828	221,905	409,229
<b>Total equity and liabilities</b>	<b>720,821</b>	<b>585,766</b>	<b>1,019,477</b>

### Pledged assets and contingent liabilities

SEK thousand	Oct 31, 2020	Oct 31, 2019	Apr 30, 2020
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	85,200	98,452	92,599
<b>Total contingent liabilities</b>	<b>85,200</b>	<b>98,452</b>	<b>92,599</b>

## 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 21 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 2019/2020 Annual Report](#).

### **Restatement of comparative periods 2017/2018 and earlier periods**

Comparative periods were 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. For more information, please refer to Note 5 on page 76 of [Sectra's 2018/2019 Annual Report](#).

## 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.

### Elective healthcare

Healthcare planned in advance, which in contrast to acute care can be postponed for a period of time without serious medical consequences.

### 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.

### The cloud/cloud solution

From the term cloud computing. Cloud computing, meaning that computer power is stored on 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.

### Ophthalmology

A health science discipline and medical specialty that deals with the eye and its diseases.

### 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)

Also normally called a hospital-wide archive. 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 2,000 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 operating 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

- 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.

#### Corporate culture and employees

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

#### Innovation

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

#### 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 more information, visit  
<https://investor.sectra.com>



### Seven good reasons to invest in Sectra

#### International niche markets with strong growth potential

IT for healthcare, cybersecurity and critical infrastructure are rapidly evolving markets. This creates major growth opportunities for companies such as Sectra.

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

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

#### Strong, customer-focused corporate culture

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

#### 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.

#### Innovation

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

#### Sustainable business model

Contributing to a better world is the foundation of Sectra's operations and business model. Helping our customers improve the efficiency and quality of patient care and increase cybersecurity in critical social functions is our most significant contribution to a sustainable society.

#### Long-standing owners and dedicated management

Principal owners who have been part of the company since the 1980s have firm dedication to the long-term development of the company, and all members of management are shareholders.