

Interim report for the May–July 2019 period:

Successful initiatives in the US, now Sectra's largest market

All operating areas reported growth for the first quarter. The fastest growth was reported by the operations in the US, where more customers chose Sectra's scalable enterprise imaging solution to create a unified strategy for medical diagnostic imaging and improved patient care.

THE QUARTER IN BRIEF

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

REPORT PRESENTATION

Time

September 3, 2019 at 10:00 a.m.
(CET)

Teleconference

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More information on page 12.

First quarter, May–July 2019

- Order bookings amounted to SEK 238.7 million (286.5). Of the order bookings during the quarter, 28% were recognized as revenue during the quarter and 26% to 36% pertain to revenue within 12 months after the end of the quarter.
- Net sales rose 13.3% to SEK 332.8 million (293.7). Adjusted for currency fluctuations, sales increased 10.6%.
- Operating profit totaled SEK 29.4 million (35.6), corresponding to an operating margin of 8.8% (12.1). Adjusted for currency fluctuations, operating profit decreased 23.3%.
- Profit before tax amounted to SEK 30.6 million (33.7).
- Cash flow after changes in working capital amounted to a negative SEK 28.0 million (15.9).

Performance measures¹

| SEK million | The quarter | | | 12 months | | |
|--------------------------------------|-----------------|------------------------------|-------------|----------------------|-------------------------------------|-------------|
| | Q1 2019/2020 | Q1 ¹ 2018/2019 | Change % | Rolling 12 months | Full-year ¹ 2018/2019 | Change % |
| Order bookings | 238.7 | 286.5 | -16.7 | 2,085.0 | 2,132.8 | -2.2 |
| Net sales | 332.8 | 293.7 | 13.3 | 1,452.6 | 1,413.5 | 2.8 |
| Operating profit (EBIT) | 29.4 | 35.6 | -17.4 | 229.3 | 235.5 | -2.6 |
| Operating margin, % | 8.8 | 12.1 | n/a | 15.8 | 16.7 | n/a |
| Profit before tax (EBT) | 30.6 | 33.7 | -9.2 | 245.7 | 248.8 | -1.2 |
| Profit margin, % | 9.2 | 11.5 | n/a | 16.9 | 17.6 | n/a |
| Profit after tax | 24.1 | 26.6 | -9.4 | 196.4 | 199.0 | -1.3 |
| Earnings per share, SEK ² | 0.63 | 0.70 | -10.0 | 5.14 | 5.21 | -1.3 |
| Cash flow ² | -28.0 | 15.9 | neg | 206.8 | 252.5 | -18.1 |
| Cash flow per share ³ | -0.73 | 0.42 | neg | 5.41 | 6.58 | -17.8 |
| Average no. of employees | 766 | 680 | 12.6 | 727 | 706 | 3.0 |

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 September 3, 2019.

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

CEO'S COMMENTS

After a year of record-high order bookings, we are reporting a more cautious beginning to 2019/2020. All operating areas are growing, we are making major investments for the future and we are following our plans. The orders from last year are now moving into the product delivery and customer deployment stage, which affected profit and cash flow for the period. This is particularly true as we needed to increase our costs (primarily on the personnel side) to manage these major deployments, yet the orders will not generate revenue until a later stage. Comprehensive and long-term customer contracts provide long-term stability, but they also lead to negative cash flows and major costs during the installation phase. The increased costs for deployment also meant that we, for the first time in a long time, did not achieve one of our financial goals during the quarter. Five-year growth in EBIT per share ended the quarter at 44% (the goal is 50%). When the installation phase is over, the costs will be replaced by revenue and positive cash flows for a long time to come.

Within the Imaging IT Solutions operating area, the US is currently one of our fastest-growing markets. During the quarter, we received orders from new customers, including the Vanderbilt Medical Center, one of the most famous hospitals in the US. We also completed the installation at Stanford Health Care, a prestigious order that we received one year ago. Sectra's high levels of customer satisfaction and long-term work are strengthening our position, and the US has now outgrown Sweden as the Group's largest market in terms of sales.

The need for more efficient care and administrative tasks in order to provide decent healthcare for the elderly is greater than ever and will continue to grow. We help customers to make more, faster and better diagnoses, thereby making healthcare more efficient. Customer IT solutions are growing in scale and complexity as a result of the advantages offered by sharing resources and consolidating IT systems. Sectra's offering is well positioned in this regard—scalable solutions that manage all types of medical images with a focus on the most image-intense departments, such as radiology, pathology and cardiology, as well as specialized solutions for planning and follow-up in orthopaedics. To meet demand, increase our delivery capacity and strengthen our expertise within new areas of technology that can contribute to further advantages for our customers, such as AI and cloud solutions, we have gradually expanded our personnel.

As for our security operations, we acquired the assets of the Swedish IT security company Columbitech AB and shares in its US subsidiary during the quarter. The acquisition is in line with our strategy to expand primarily through organic growth, supplemented by acquisitions that strengthen this organic growth. The acquisition will establish Secure Communications in the US, while also strengthening our expertise and complementing the operating area's cyber-security products. Columbitech also provides us with a highly advanced VPN that is particularly good in mobile environments, thereby strengthening our investment in highly secure mobile workplaces. Sectra now owns one of the world's most secure VPNs for mobile solutions, which is used by government authorities around the world. In the long term, the acquisition may also lead to increased synergies between security operations within Sectra Communications and Sectra's medical operation in the US, since Secure Communications now has its own staff to complement our current operations there.

Outlook

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





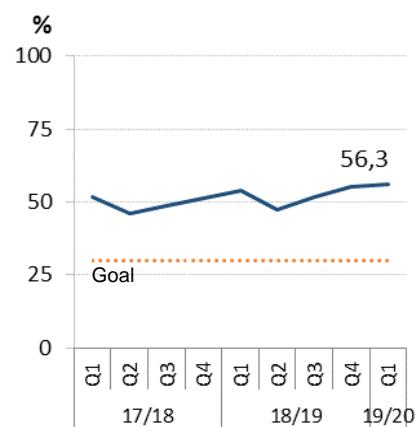
Diagrams

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

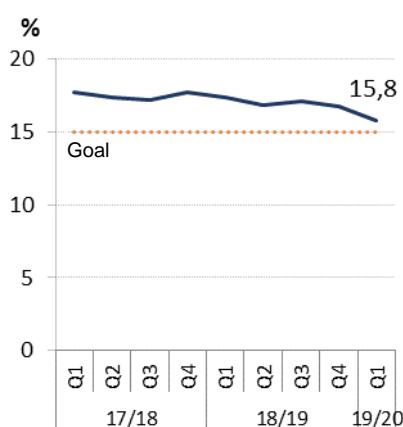
FINANCIAL GOALS

The basic key figures for financial stability and the operating margin exceeded the Group's goals. Stability and profitability are considered hygiene factors. Once these are fulfilled, the focus shifts to the company's growth goal, and Sectra reinvests its profit in areas that have the potential to increase customer value and thereby contribute to stable and long-term returns for its shareholders. The growth goal is calculated based on operating profit, which, during the quarter, was charged with many of the costs for major deployments that will yield positive contributions in the future, which prevented the growth goal from being achieved. Goals in order of priority:

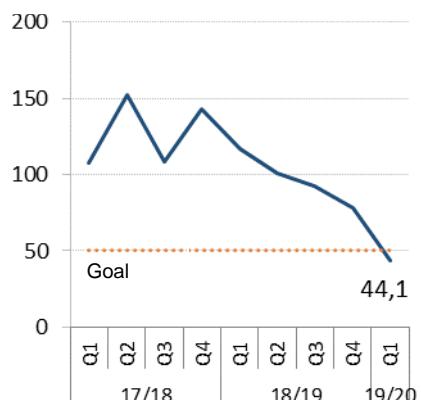
1. The equity/assets ratio is to be



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

First quarter

- Vanderbilt Health, a leading US medical academic center in Nashville, Tennessee, chose Sectra's total solution for medical imaging. The multiyear agreement includes Sectra's solutions for enterprise imaging, a multimedia archive (VNA), cardiology and orthopaedics.
- Sectra published information about a five-year agreement that was signed with North Tees and Hartlepool NHS Foundation Trust in the UK in the fourth quarter of 2018/2019. The agreement includes a regional solution for digital pathology in ten healthcare regions within Northern Cancer Alliance.
- Sectra acquired the assets of the Swedish IT security company Columbitech AB, including the shares in its US subsidiary.

After the end of the reporting period

No significant events have occurred after the end of the quarter.

SECTRA'S MARKETS

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

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

Imaging IT for more efficient care and medical education

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

Cybersecurity for a more stable and safer society

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

COMMENTS ON THE GROUP'S FINANCIAL OUTCOME FOR THE QUARTER

Order bookings and net sales

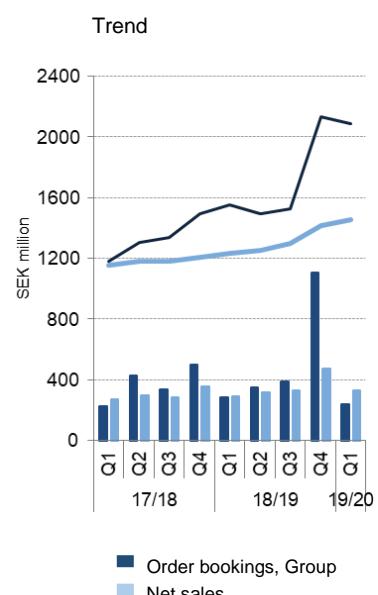
Order bookings amounted to SEK 238.7 million (286.5). Major long-term agreements contribute to increased stability, but also give rise to significant variations in order bookings between individual quarters. The change from the comparative quarter is primarily linked to lower order bookings in Sweden. Imaging IT Solutions' operations in the US reported the highest order bookings during the quarter and the Business Innovation operating area doubled its order bookings.

Net sales amounted to SEK 332.8 million, up 13.3% compared with the year-earlier quarter. 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 10.6% year-on-year.

Sectra contributes to a healthier and safer society
Annual Report 2018/2019



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

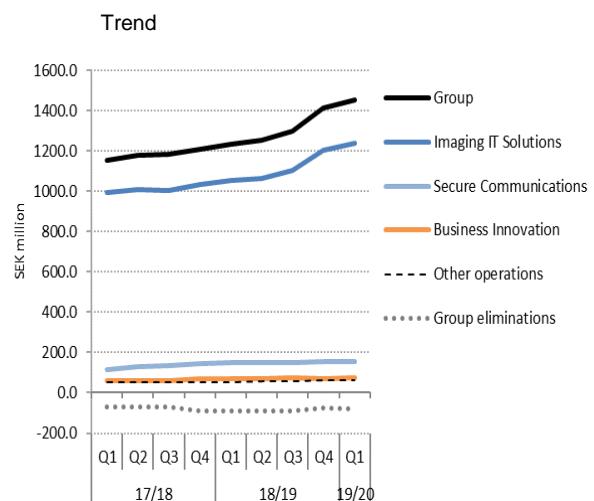
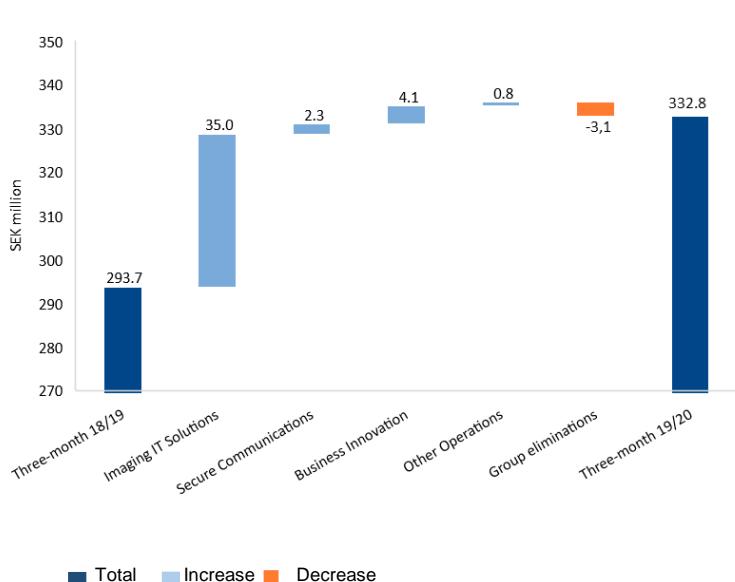


Sales per operating area and geographic market

All operating areas reported sales growth. The US was responsible for the largest geographic growth, up 53.6% from the comparative quarter. This means that, for the first time, the US surpassed Sweden as Sectra's largest market in terms of the rolling 12-month results.

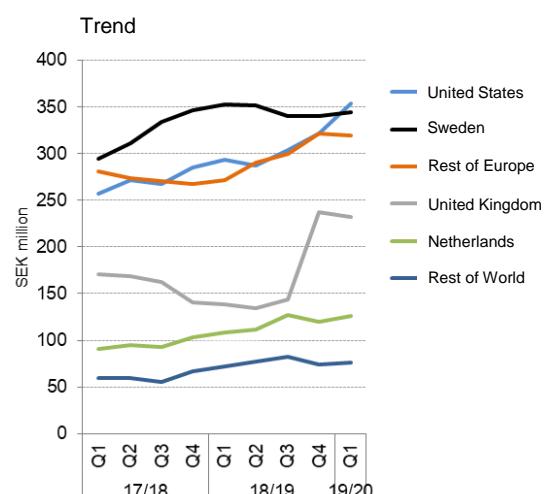
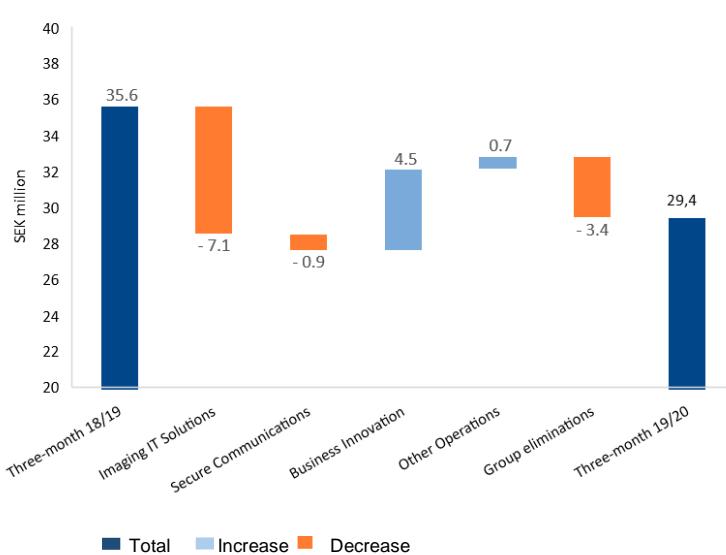
Sales trend per operating area

Compared with the corresponding quarter in the preceding fiscal year



Sales trend per geographic market

Compared with the corresponding quarter in the preceding fiscal year



Earnings

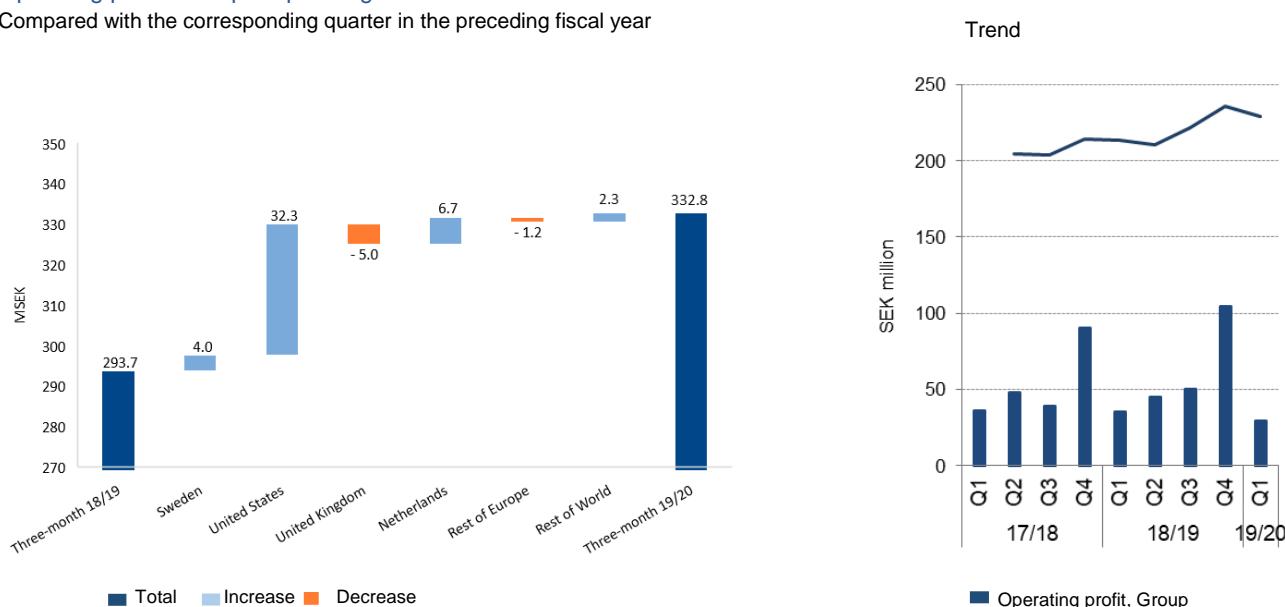
The Group's operating profit for the quarter totaled SEK 29.4 million (35.6), corresponding to an operating margin of 8.8% (12.1). Adjusted for currency fluctuations, operating profit decreased 23.3% from the comparative quarter. The Group's outcome was burdened by increased operating expenses, mainly due to higher personnel and consulting costs for deploying commissioned customer projects.

The Group's net financial items amounted to SEK 1.3 million (neg: 1.8). Currency fluctuations (refer to page 17) had an impact of SEK 0.1 million (neg: 3.8) on the Group's financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact.

Profit after net financial items was SEK 30.6 million (33.7), corresponding to a profit margin of 9.2% (11.5). Earnings per share totaled SEK 0.63 (0.70).

Operating profit trend per operating area

Compared with the corresponding quarter in the preceding fiscal year



Financial position and cash flow

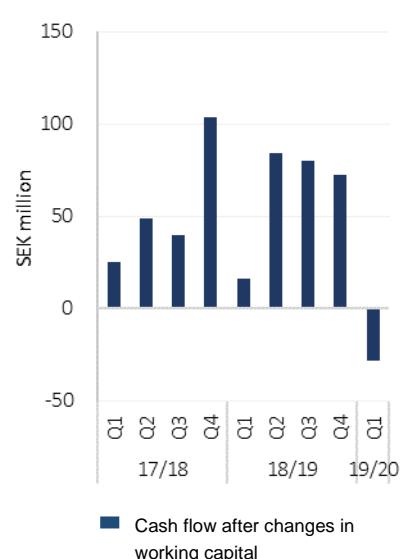
After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 271.2 million (292.0).

The Group's debt/equity ratio was 0.16 (0.08) as of the balance-sheet date. The change pertains to the transition to the new accounting policies according to IFRS 16 (refer to Note 1 on page 20). Interest-bearing liabilities amounted to SEK 116.2 million (56.6), of which SEK 84.7 million (0.0) pertained to lease liabilities according to IFRS 16 and SEK 31.5 million (56.6) pertained to convertible loans held by employees and Board members.

Cash flow from operations after changes in working capital amounted to a negative SEK 28.0 million (pos: 15.9) for the quarter. The outcome was affected primarily by the payment of a final tax and current liabilities. Cash flow per share was a negative SEK 0.73 (pos: 0.42).

Cash flow from investing activities amounted to a negative SEK 27.2 million (neg: 6.7) for the quarter. The increase is primarily due to investments in infrastructure for cloud solutions for medical imaging, purchasing rights for software within Imaging IT Solutions and the acquisition of assets in Columbitech AB (refer to page 10).

The Group's total cash flow was a negative SEK 61.5 million (pos: 8.8).



Investments and depreciation/amortization

Group investments during the quarter amounted to SEK 27.2 million (6.7). The period's investments pertain primarily to infrastructure for cloud solutions for medical imaging, purchasing rights for software, capitalized development costs and the acquisition of assets in Columbitech AB. Depreciation/amortization for the period amounted to SEK 16.9 million (10.7), of which SEK 5.1 million (0.0) pertained to depreciation of right-of-use assets according to IFRS 16.

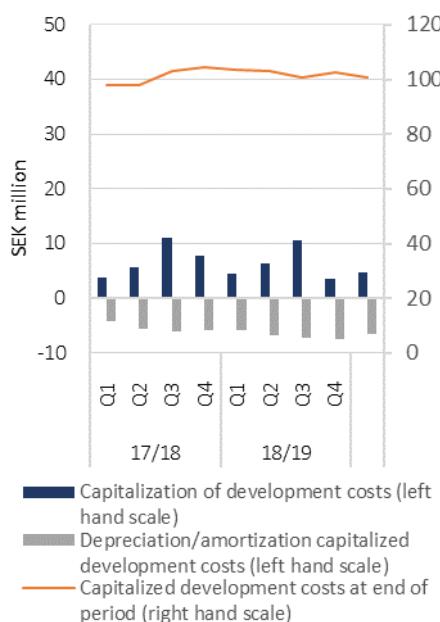
Capitalization of development costs during the quarter amounted to SEK 4.7 million (4.6). Amortization of capitalized development projects during the quarter totaled SEK 6.6 million (5.8). At the end of the period, capitalized development costs amounted to SEK 100.7 million (103.5).



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.

Capitalized development costs



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.

IMAGING IT SOLUTIONS

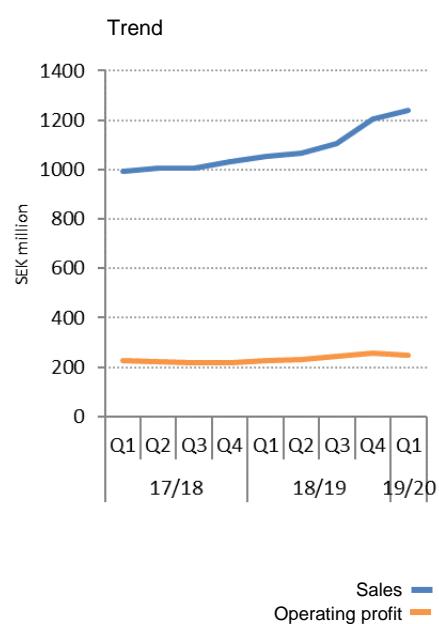
| SEK million | The period | | | 12 months | | |
|---------------------|------------|-----------|--------|-----------|-----------|--------|
| | Q1 | Q1 | Change | Rolling | Full-year | Change |
| | 2019/2020 | 2018/2019 | % | 12 months | 2018/2019 | % |
| Sales | 288.4 | 253.4 | 13.8 | 1,239.2 | 1,204.2 | 2.9 |
| Operating profit | 41.3 | 48.4 | -14.7 | 249.9 | 257.0 | -2.8 |
| Operating margin, % | 14.3 | 19.1 | n/a | 20.2 | 21.3 | n/a |

Imaging IT Solutions is growing by adding new customers and through renewed and expanded contracts with existing customers. The operations in the US accounted for the largest sales increase compared with the corresponding quarter in the preceding year. Operating profit was affected by increased operating expenses, primarily personnel costs to handle the increased number of deployments. To take care of more customers, delivery capacity has been gradually strengthened, primarily in the US but also in growth markets such as Australia, Canada and France, where Sectra received important breakthrough orders in the preceding fiscal year. Several of the customer contracts signed during the last year will, according to plan, be deployed during the second half of the current year, at which point revenue will be recognized and the cash flow from these orders will become positive.

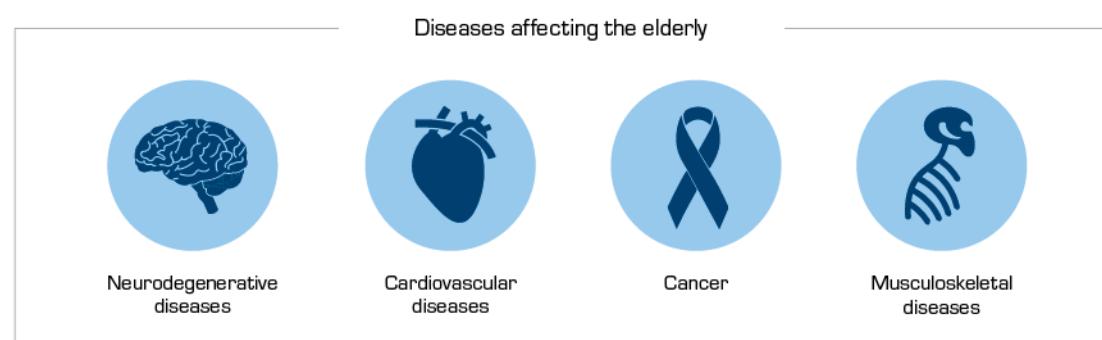
Long-term growth initiatives

A number of years ago, Sectra's customers were radiology clinics looking for IT support for their imaging systems. Today, customers are increasingly moving from individual department systems to solutions that meet all healthcare imaging needs. These broader solutions also create opportunities for complementary sales to existing and new customers.

In order to meet customer needs, the operating area is implementing long-term growth initiatives in new product areas, such as digital pathology and cardiology, and expanding into additional geographic markets through the establishment of its own operations and through new distributors. In the US, where the operating area is experiencing a highly positive trend, Sectra has secured orders through important procurements and received high rankings in surveys of the alternatives that customers would be likely to choose in the future. The initiatives also include new technological areas such as AI and cloud solutions. During the quarter, we invested in infrastructure to meet the increased demand for cloud solutions, primarily in Sweden but also among customers in other markets.



Sales —
Operating profit —



Sectra has chosen to specialize in medical diagnostic imaging, with a focus on diseases affecting the elderly—such as cancer, where Sectra's solutions for digital pathology and integrated diagnostics help customers improve the quality of care, share resources and shorten waiting times for patients.

BUSINESS INNOVATION

| SEK million | The period | | | 12 months | | |
|-----------------------|-----------------|-----------------|-------------|----------------------|------------------------|-------------|
| | Q1 2019/2020 | Q1 2018/2019 | Change % | Rolling 12 months | Full-year 2018/2019 | Change % |
| Sales | 15.6 | 11.5 | 35.7 | 72.9 | 68.8 | 6.0 |
| Operating profit/loss | 0.5 | -4.0 | 112.5 | -1.5 | -6.0 | 75.0 |
| Operating margin, % | 3.2 | neg | n/a | neg | neg | n/a |

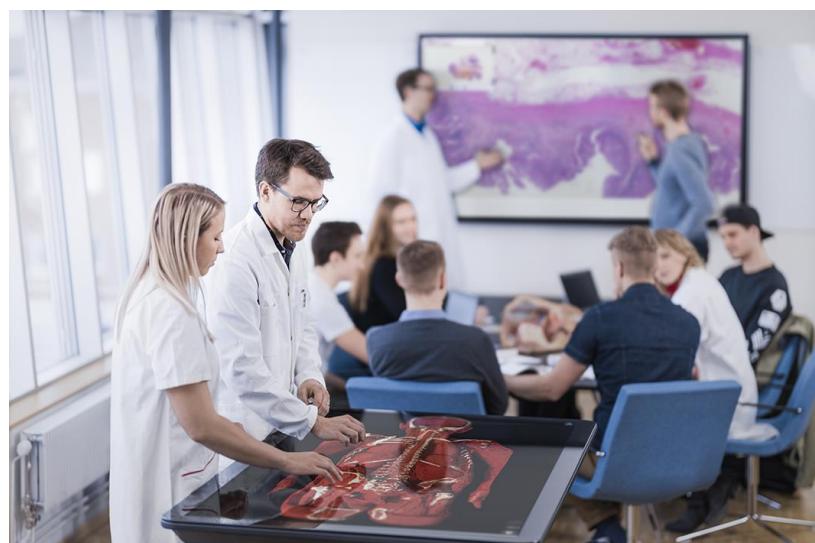
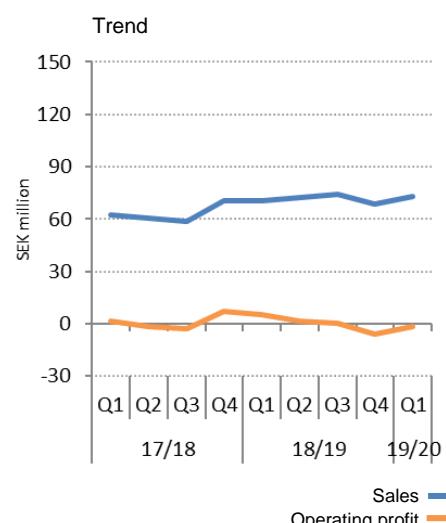
Business Innovation is Sectra's incubator for early-stage business units, projects and ideas that are not yet large enough to become independent operating areas and/or are not a natural match with the existing areas. Sectra also reports the expenses for its long-term research activities in this area,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

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

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

Both business units improved their results compared with the corresponding quarter in the preceding fiscal year. Sectra is undergoing a product generation shift in both Orthopaedics and Medical Education, and the performance of Business Innovation's two relatively small units varies significantly between quarters and periods.

Both business units have new products that have attracted considerable market attention. Products are increasingly being delivered as a service. This means that an order initially generates lower sales, but the total sales from the service are spread over a longer period of time, which provides greater stability for the future.



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

SECURE COMMUNICATIONS

| SEK million | The period | | | 12 months | | |
|-----------------------|-----------------|-----------------|-------------|----------------------|------------------------|-------------|
| | Q1 2019/2020 | Q1 2018/2019 | Change % | Rolling 12 months | Full-year 2018/2019 | Change % |
| Sales | 35.7 | 33.4 | 6.9 | 154.7 | 152.4 | 1.5 |
| Operating profit/loss | -1.0 | -0.1 | -900.0 | 6.1 | 7.0 | -12.9 |
| Operating margin, % | neg | neg | n/a | 3.9 | 4.6 | n/a |

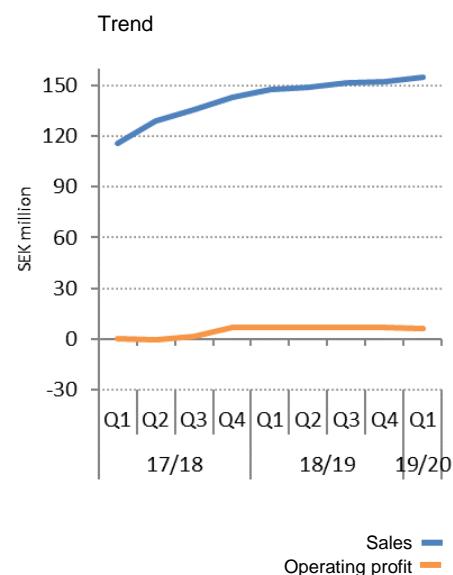
Secure Communications is growing, primarily through increased sales from project-based development activities and approved crypto products that protect information essential to the security of critical social functions.

Operating profit was burdened by intensified growth initiatives in the critical infrastructure product segment and costs to further strengthen the offering in the secure communications segment and to expand into additional customer segments and geographic markets.

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—a technology used to create a secure connection or “tunnel” between two points along an unsecured data network. The acquisition strengthens Sectra’s total offering and ability to support security-conscious organizations’ strategies for secure mobile work via smartphones and tablets, regardless of which technological platform the mobile device is based on. The acquisition also means that the operating area now has a presence and customers in the US market.

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

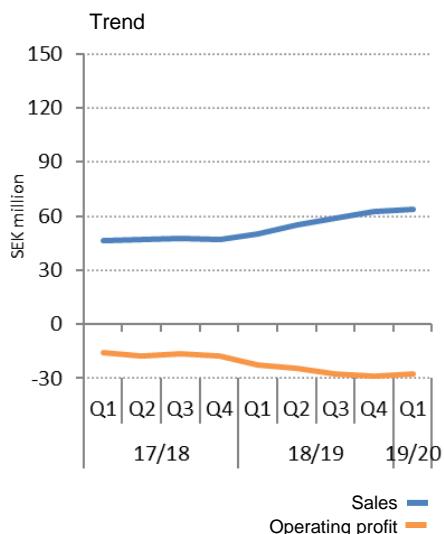


Sectra is focusing on expanding its secure mobile communications offering to include secure mobile workplaces and new customer segments for government authorities and private enterprises.

OTHER OPERATIONS

| SEK million | The period | | | 12 months | | |
|---------------------|-----------------|-----------------|-------------|----------------------|------------------------|-------------|
| | Q1 2019/2020 | Q1 2018/2019 | Change % | Rolling 12 months | Full-year 2018/2019 | Change % |
| Sales | 15.5 | 14.7 | 5.4 | 63.5 | 62.7 | 1.3 |
| Operating loss | -6.9 | -7.6 | 9.2 | -27.7 | -28.4 | 2.5 |
| Operating margin, % | neg | neg | n/a | neg | neg | n/a |

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



PARENT COMPANY

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

2019 AGM AND PROPOSED SHARE REDEMPTION PROGRAM

The AGM is scheduled for 3:30 p.m. on September 5, 2019, at Collegium, Teknikringen 7 in Linköping, Sweden. To view the notice, proposals and the Nomination Committee's statement, visit investor.sectra.com/agm2019.

Proposed share redemption program/dividend for 2019

For the 2018/2019 fiscal year, the Board and the President propose that the AGM resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with an automatic redemption process. The corresponding distribution to the shareholders in the preceding year was SEK 4.50 per share. No ordinary dividend is proposed. For additional information, refer to the brochure regarding the share redemption program at investor.sectra.com/agm2019.

Timetable for share redemption program

| | |
|----------|---------------------------------------------------------------------------------------------------------------|
| Sep 5 | Resolution by the AGM |
| Oct 1 | Final day of trading in the Sectra share before the split, including right to redemption shares |
| Oct 2 | First day of trading in the Sectra share after the split, excluding the right redemption shares |
| Oct 3 | Record date for the share split. Each share to be divided into two shares, one of which is a redemption share |
| Oct 4–15 | Trading in redemption shares |
| Oct 17 | Record date to revoke redemption shares |
| Oct 20 | Preliminary date for payment of redemption settlement from Euroclear |

THE SHARE

Share-related incentive programs

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

Authorizations of new share issue and repurchase of own shares

The 2018 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.

RISKS AND UNCERTAINTIES

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

FOR FURTHER INFORMATION

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

Presentation of the interim report

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

The presentation will be held in English.

Time: September 3, 2019 at 10:00 a.m. (CET)

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

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A recorded version will be available on this website after the presentation.

Upcoming reports, AGM and Capital Markets Day

| | |
|---------------------------|--------------------------------------|
| 2019 AGM | September 5, 2019 at 3:30 p.m. (CET) |
| Capital Markets Day | September 26, 2019 |
| Six-month interim report | November 29, 2019 at 8:15 a.m. (CET) |
| Nine-month interim report | March 4, 2020 at 8:15 a.m. (CET) |
| Year-end report 2019/2020 | June 3, 2020 at 8:15 a.m. (CET) |

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 to July 2019 provides a true and fair view of the Parent Company's and Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Linköping, September 3, 2019

Torbjörn Kronander
President, CEO and Board member

Jan-Olof Brüer
Chairman

Christer Nilsson
Board member

Ulrika Hagdahl
Board member

Anders Persson
Board member

Birgitta Hagenfeldt
Board member

Tomas Puusepp
Board member

Deborah Capello
Board member and
employee representative

Bengt Hellman
Board member and
employee representative

Review

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

GROUP FINANCIAL SUMMARY¹

Consolidated income statements

| SEK thousand | 3 months May–Jul 2019 | 3 months May–Jul 2018 | 12 months Aug 2018– July 2019 | Full-year May–Apr 2018/2019 |
|-----------------------------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------------|
| Net sales | 332,842 | 293,720 | 1,452,644 | 1,413,522 |
| Capitalized work for own use | 6,370 | 4,626 | 39,013 | 37,269 |
| Other operating income | 802 | 536 | 3,673 | 3,407 |
| Goods for resale | -47,682 | -46,316 | -255,823 | -254,457 |
| Personnel costs | -182,364 | -152,663 | -706,508 | -676,807 |
| Other external costs | -63,665 | -53,604 | -250,645 | -240,584 |
| Depreciation/amortization and impairment | -16,926 | -10,725 | -53,010 | -46,809 |
| Operating profit | 29,377 | 35,574 | 229,344 | 235,541 |
| Net financial items | 1,250 | -1,841 | 16,342 | 13,251 |
| Profit after net financial items | 30,627 | 33,733 | 245,686 | 248,792 |
| Taxes | -6,573 | -7,146 | -49,240 | -49,813 |
| Profit for the period | 24,054 | 26,587 | 196,446 | 198,979 |
| Profit for the period attributable to: | | | | |
| Parent Company owners | 24,054 | 26,587 | 196,446 | 198,979 |
| Non-controlling interest | 0 | 0 | 0 | 0 |
| Earnings per share | | | | |
| Before dilution, SEK | 0.63 | 0.70 | 5.14 | 5.21 |
| After dilution, SEK | 0.62 | 0.69 | 5.10 | 5.17 |
| No. of shares | | | | |
| Before dilution | 38,352,871 | 38,119,669 | 38,352,871 | 38,352,871 |
| After dilution ² | 38,530,851 | 38,515,550 | 38,530,851 | 38,530,851 |
| Average, before dilution | 38,352,871 | 38,119,669 | 38,255,704 | 38,197,403 |
| Average, after dilution | 38,530,851 | 38,515,550 | 38,527,035 | 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 2015/2016 (26,963), 2016/2017 (143,217) and 2017/2018 (7,800). On full exercise of convertibles, the number of shares will increase by 177,980.

Consolidated statement of comprehensive income

| SEK thousand | 3 months May–Jul 2019 | 3 months May–Jul 2018 | 12 months Aug 2018– July 2019 | Full-year May–Apr 2018/2019 |
|----------------------------------------------------------------------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------------|
| Profit for the period | 24,054 | 26,587 | 196,446 | 198,979 |
| Change in translation differences for the period from translating foreign subsidiaries | -10,690 | -10,344 | 10,171 | 10,517 |
| Total other comprehensive income for the period | -10,690 | -10,344 | 10,171 | 10,517 |
| Total comprehensive income for the period | 13,364 | 16,243 | 206,617 | 209,496 |

Consolidated balance sheets

| SEK thousand | Jul 31, 2019 | Jul 31, 2018 | Apr 30, 2019 |
|--------------------------------------|------------------|------------------|------------------|
| Assets | | | |
| Intangible assets | 190,967 | 182,735 | 182,651 |
| Tangible assets | 46,910 | 40,373 | 40,148 |
| Right-of-use assets | 88,486 | 0 | 0 |
| Financial assets | 159,662 | 154,914 | 170,274 |
| Deferred tax assets | 6,828 | 4,963 | 5,996 |
| Total fixed assets | 492,853 | 382,985 | 399,069 |
| Other current assets | 554,005 | 585,684 | 583,814 |
| Cash and cash equivalents | 271,191 | 291,974 | 331,935 |
| Total current assets | 825,196 | 877,658 | 915,749 |
| Total assets | 1,318,049 | 1,260,643 | 1,314,818 |
| Equity and liabilities | | | |
| Equity (incl. profit for the period) | 741,273 | 677,197 | 727,909 |
| Provisions | 27,965 | 21,552 | 23,327 |
| Deferred tax liabilities | 5,495 | 5,491 | 7,395 |
| Long-term lease liabilities | 64,116 | 0 | 0 |
| Other long-term liabilities | 6,451 | 28,528 | 6,451 |
| Current lease liabilities | 20,601 | 0 | 0 |
| Other current liabilities | 452,148 | 527,875 | 549,736 |
| Total equity and liabilities | 1,318,049 | 1,260,643 | 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 | 3 months May–Jul 2019 | 3 months May–Jul 2018 | 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 | | | |
| Dividend/redemption of shares | 13,364 | 16,243 | 209,496 |
| Settlement of share-related payments | 0 | 0 | -171,539 |
| Equity at end of period | 741,273 | 677,197 | 727,909 |

Consolidated cash-flow statements

| SEK thousand | 3 months May–Jul 2019 | 3 months May–Jul 2018 | Full-year May–Apr 2018/2019 ¹ |
|--------------------------------------------------------------------|-----------------------------|-----------------------------|------------------------------------------------|
| Operating activities | | | |
| Operating profit | 29,377 | 35,574 | 235,541 |
| Adjustment for non-cash items | 27,189 | 10,770 | 41,716 |
| Interest and dividends received | 1,944 | 2,432 | 14,497 |
| Interest paid | -694 | -4,273 | -1,246 |
| Income tax paid | -45,804 | -23,332 | -81,209 |
| Cash flow from operations before changes in working capital | 12,012 | 21,171 | 209,299 |
| Changes in working capital | | | |
| Change in inventories | -2,058 | -5,833 | -10,358 |
| Change in receivables | 55,035 | 21,450 | 37,117 |
| Change in current liabilities | -93,001 | -20,899 | 16,484 |
| Cash flow from operations | -28,012 | 15,889 | 252,542 |
| Investing activities | | | |
| Acquisitions of intangible assets | -26,379 | -6,703 | -25,176 |
| Acquisitions of tangible assets | 0 | 0 | -9,699 |
| Acquisition of financial assets | -812 | 0 | 0 |
| Cash flow from investing activities | -27,191 | -6,703 | -34,875 |
| Financing activities | | | |
| Raising of convertibles | 0 | 0 | 2,951 |
| Repayment of lease liabilities | -4,884 | 0 | 0 |
| Payment of contingent consideration | -1,385 | -346 | -346 |
| Redemption of shares | 0 | 0 | -171,538 |
| Cash flow from financing activities | -6,269 | -346 | -168,933 |
| Cash flow for the year | | | |
| Cash and cash equivalents, opening balance | 331,935 | 282,341 | 282,341 |
| Exchange-rate difference in cash and cash equivalents | 728 | 793 | 860 |
| Cash and cash equivalents, closing balance | 271,191 | 291,974 | 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

| | 3 months Jul 31, 2019 | 3 months Jul 31, 2018 | 12 months Jul 31, 2019 | Full-year Apr 30, 2019 |
|----------------------------------------------|-----------------------------|-----------------------------|------------------------------|------------------------------|
| Order bookings, SEK million | 238.7 | 286.5 | 2,085.0 | 2,132.8 |
| Operating margin, % | 8.8 | 12.1 | 15.8 | 16.7 |
| Profit margin, % | 9.2 | 11.5 | 16.9 | 17.6 |
| Average no. of employees | 766 | 680 | 727 | 706 |
| Cash flow per share, SEK | -0.73 | 0.42 | 5.41 | 6.58 |
| Cash flow per share after full dilution, SEK | -0.73 | 0.41 | 5.37 | 6.55 |
| Value added, SEK million | 211.7 | 188.2 | 935.9 | 912.3 |
| P/E ratio, multiple | n/a | n/a | 63.3 | 61.8 |
| Share price at end of period, SEK | 325.0 | 240.0 | 325.0 | 322.0 |
| Return on equity, % | 3.3 | 4.3 | 29.2 | 29.8 |
| Return on capital employed, % | 3.9 | 4.9 | 32.5 | 35.9 |
| Return on total capital, % | 2.4 | 2.7 | 18.8 | 19.6 |
| Equity/assets ratio, % | 56.2 | 53.7 | 56.2 | 55.4 |
| Liquidity, multiple | 1.9 | 1.7 | 1.9 | 1.7 |
| Equity per share, SEK | 19.33 | 17.76 | 19.33 | 18.98 |
| Equity per share after full dilution, SEK | 19.24 | 17.58 | 19.24 | 18.89 |

Exchange rates

| Currency | Average rates in SEK | | | Closing rates in SEK | | |
|----------------------|----------------------|-----------------|-------------|----------------------|-----------------|-------------|
| | Q1 2019/2020 | Q1 2018/2019 | Change % | Jul 31, 2019 | Jul 31, 2018 | Change % |
| US dollar, 1 USD | 9.41 | 8.82 | 6.7 | 9.51 | 8.70 | 9.3 |
| Euro, 1 EUR | 10.56 | 10.26 | 2.9 | 10.61 | 10.21 | 3.9 |
| British pound, 1 GBP | 11.74 | 11.58 | 1.4 | 11.57 | 11.43 | 1.2 |

Quarterly consolidated income statement and alternative performance measures

| SEK million | 2019/2020 | | 2018/2019 | | | 2017/2018 | | | |
|----------------------------------------------|-------------|--------------|-------------|-------------|-------------|--------------|-------------|-------------|-------------|
| | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 | Q1 |
| Net sales | 332.8 | 474.1 | 329.5 | 316.2 | 293.7 | 357.1 | 285.5 | 298.5 | 268.1 |
| Capitalized work for own use | 6.4 | 15.6 | 10.7 | 6.3 | 4.6 | 7.7 | 11.1 | 5.6 | 3.9 |
| Other operating income | 0.8 | 0.3 | 1.1 | 1.5 | 0.5 | 0.9 | 1.4 | 0.5 | 0.9 |
| Operating expenses | -293.7 | -372.8 | -279.1 | -267.4 | -252.6 | -264.5 | -248.1 | -246.5 | -227.9 |
| Depreciation/amortization and impairment | -16.9 | -12.5 | -12.0 | -11.6 | -10.7 | -10.5 | -10.7 | -10.1 | -8.6 |
| Operating profit | 29.4 | 104.7 | 50.2 | 45.0 | 35.6 | 90.7 | 39.2 | 48.0 | 36.4 |
| Net financial items | 1.3 | 6.2 | 1.2 | 7.7 | -1.8 | 31.6 | -4.7 | 3.8 | -13.8 |
| Profit after net financial items | 30.6 | 110.9 | 51.4 | 52.7 | 33.7 | 122.3 | 34.5 | 51.8 | 22.6 |
| Tax on earnings for the period | -6.6 | -20.5 | -11.1 | -11.1 | -7.1 | -24.1 | -7.6 | -9.8 | -4.9 |
| Profit for the period | 24.1 | 90.4 | 40.3 | 41.7 | 26.6 | 98.2 | 26.9 | 42.0 | 17.7 |
| Order bookings, SEK million | 238.7 | 1,104.9 | 390.7 | 350.7 | 286.5 | 500.3 | 337.9 | 426.8 | 227.6 |
| Operating margin, % | 8.8 | 22.1 | 15.2 | 14.2 | 12.1 | 25.4 | 13.7 | 16.1 | 13.6 |
| Cash flow per share, SEK | -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 | -0.73 | 2.69 | 1.81 | 2.04 | 0.41 | 2.98 | 0.73 | 1.01 | 0.67 |
| Earnings per share, SEK | 0.63 | 2.36 | 1.06 | 1.09 | 0.70 | 2.58 | 0.70 | 1.11 | 0.47 |
| Return on equity, % | 3.3 | 14.1 | 6.8 | 7.5 | 4.3 | 16.2 | 4.9 | 8.0 | 3.0 |
| Return on capital employed, % | 3.9 | 15.6 | 7.8 | 8.3 | 4.9 | 18.2 | 5.7 | 8.7 | 3.5 |
| Equity/assets ratio, % | 56.2 | 55.4 | 51.8 | 47.4 | 53.7 | 51.4 | 48.6 | 46.1 | 51.8 |
| Equity per share, SEK | 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 | 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 20. The year 2014/2015 has not been corrected as this was not practically feasible.

OPERATING SEGMENTS

Sales by business segment

| SEK million | Q1 May–Jul 2019 | Q1 May–Jul 2018 | Rolling 12 months | Full-year May–Apr 2018/2019 |
|-----------------------|-----------------------|-----------------------|----------------------|-----------------------------------|
| Imaging IT Solutions | 288.4 | 253.4 | 1,239.2 | 1,204.2 |
| Secure Communications | 35.7 | 33.4 | 154.7 | 152.4 |
| Business Innovation | 15.6 | 11.5 | 72.9 | 68.8 |
| Other Operations | 15.5 | 14.7 | 63.5 | 62.7 |
| Group eliminations | -22.4 | -19.3 | -77.7 | -74.6 |
| Total | 332.8 | 293.7 | 1,452.6 | 1,413.5 |

Operating profit/loss by business segment

| SEK million | Q1 May–Jul 2019 | Q1 May–Jul 2018 | Rolling 12 months | Full-year May–Apr 2017/2018 |
|-----------------------|-----------------------|-----------------------|----------------------|-----------------------------------|
| Imaging IT Solutions | 41.3 | 48.4 | 249.9 | 257.0 |
| Secure Communications | -1.0 | -0.1 | 6.1 | 7.0 |
| Business Innovation | 0.5 | -4.0 | -1.5 | -6.0 |
| Other Operations | -6.9 | -7.6 | -27.7 | -28.4 |
| Group eliminations | -4.5 | -1.1 | 2.5 | 5.9 |
| Total | 29.4 | 35.6 | 229.3 | 235.5 |

Sales by geographic market

| SEK million | Q1 May–Jul 2019 | Q1 May–Jul 2018 | Rolling 12 months | Full-year May–Apr 2017/2018 |
|----------------|-----------------------|-----------------------|----------------------|-----------------------------------|
| Sweden | 82.0 | 78.0 | 344.6 | 340.6 |
| United States | 92.6 | 60.3 | 354.0 | 321.7 |
| United Kingdom | 35.2 | 40.2 | 232.1 | 237.1 |
| Netherlands | 30.3 | 23.6 | 126.2 | 119.5 |
| Rest of Europe | 72.5 | 73.7 | 319.8 | 321.0 |
| Rest of World | 20.2 | 17.9 | 75.9 | 73.6 |
| Total | 332.8 | 293.7 | 1,452.6 | 1,413.5 |

PARENT COMPANY

Parent Company income statements

| SEK thousand | 3 months May–Jul 2019 | 3 months May–Jul 2018 | 12 months Aug 2018– July 2019 | Full-year May–Apr 2018/2019 |
|----------------------------------------------|-----------------------------|-----------------------------|-------------------------------------|-----------------------------------|
| Net sales | 30,995 | 25,031 | 136,564 | 130,600 |
| Capitalized work for own use | 173 | 241 | 4,300 | 4,368 |
| Other operating income | 352 | 950 | 1,852 | 2,450 |
| Goods for resale | -3,200 | -3,351 | -16,946 | -17,097 |
| Personnel costs | -14,965 | -14,979 | -66,074 | -66,088 |
| Other external costs | -12,346 | -15,864 | -67,100 | -70,618 |
| Depreciation/amortization | -5,473 | -2,251 | -12,551 | -9,329 |
| Operating loss | -4,464 | -10,223 | -19,955 | -25,714 |
| Net financial items | -4,788 | -5,144 | 68,516 | 68,159 |
| Profit/loss after net financial items | -9,252 | -15,367 | 48,561 | 42,445 |
| Appropriations | 0 | 0 | 185,497 | 185,497 |
| Profit/loss before tax | -9,252 | -15,367 | 234,058 | 227,942 |
| Tax on earnings for the period | 1,980 | 3,381 | -40,447 | -39,046 |
| Profit/loss for the period | -7,272 | -11,986 | 193,610 | 188,896 |
| Comprehensive income for the period | -7,272 | -11,986 | 193,610 | 188,896 |

Parent Company balance sheets

| SEK thousand | Jul 31, 2019 | Jul 31, 2018 | Apr 30, 2019 |
|--------------------------------------|-----------------|-----------------|-----------------|
| Assets | | | |
| Intangible assets | 15,565 | 14,362 | 16,166 |
| Tangible assets | 79,446 | 18,355 | 17,858 |
| Financial assets | 260,075 | 251,970 | 267,447 |
| Total fixed assets | 355,086 | 284,687 | 301,471 |
| Other current assets | 376,005 | 317,121 | 395,814 |
| Cash and cash equivalents | 169,801 | 205,445 | 225,324 |
| Total current assets | 545,806 | 522,566 | 621,138 |
| Total assets | 900,892 | 807,253 | 922,609 |
| Equity and liabilities | | | |
| Equity (incl. profit for the period) | 522,842 | 472,689 | 530,115 |
| Long-term liabilities | 46,946 | 28,528 | 6,451 |
| Current liabilities | 331,104 | 306,036 | 386,043 |
| Total equity and liabilities | 900,892 | 807,253 | 922,609 |

Pledged assets and contingent liabilities

| SEK thousand | Jul 31, 2019 | Jul 31, 2018 | 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 | 97,486 | 120,918 | 102,869 |
| Total contingent liabilities | 97,486 | 120,918 | 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—a technology used to create a secure connection or “tunnel” between two points along an unsecured data network. 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 three-month period, the company reported sales of SEK 0.1 million and an operating loss of SEK 0.3 million. Since the acquisition date, the company’s sales have amounted to SEK 0.1 million and the operating loss to SEK 0.3 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 | | - |
| 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.

ABOUT SECTRA

Vision

To contribute to a healthier and safer society.

Mission statements

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

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

Operating areas/business models

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

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

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

Group-wide strategies for value creation and sustainable business development

Customer value and employees

- Customers and customer satisfaction are always assigned top priority to enable long-term growth.
- Close relationships with demanding customers to ensure that Sectra's solutions meet market demands for quality, functionality, and usability.
- A corporate culture that motivates and inspires the company's employees to solve customer problems, help their fellow human beings and meet—and in many cases exceed—customer expectations.

Innovation

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

Geographic expansion

- International expansion mainly in areas and regions where Sectra holds an established position. This will primarily be achieved through organic growth, in certain cases supplemented by acquisitions that strengthen the Group's organic growth.
- Expansion into new geographic markets following thorough analysis and at a controlled pace as Sectra achieves a strong position in existing markets.

For further information, visit

<https://investor.sectra.com>



Good reasons to invest in Sectra

1. Niche markets with strong growth potential

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

2. Stability, profitability and long-term growth

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

3. Strong brand with multinational reach

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

4. Strong, customer-focused corporate culture

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

5. Long-standing owners and dedicated management

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

6. Innovation

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