

Interim report for the May 2020–January 2021 period:

## Increased order bookings and the industry's most satisfied customers for the eighth consecutive year

Sectra has received a top ranking in customer satisfaction surveys in the category of diagnostic imaging systems for radiology in the US, Canada and Europe as well as in the category of digital pathology. As a result of having the market's most satisfied customers for many years, demand for the company's offerings is high and order bookings increased 79% compared with the year-earlier period. The third quarter of the preceding fiscal year was extremely strong and the results for this year did not quite reach the same level. The results were hampered by limited delivery opportunities in certain areas of the operations due to the COVID-19 pandemic, and by a stronger SEK. Based on unadjusted exchange rates, sales for the nine-month period were on par with the year-earlier period. With tight restrictions still in place in several countries, the heightened risk of delivery delays is expected to continue in the coming quarter. 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

March 12, 2021, 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 2020–January 2021

- Order bookings increased 79.1% to SEK 1,962.4 million (1,095.5).
- Net sales declined 4.1% to SEK 1,106.2 million (1,153.5). Based on unadjusted exchange rates, net sales increased 0.4%.
- Operating profit rose 8.4% to SEK 186.2 million (171.8), corresponding to an operating margin of 16.8% (14.9). Based on unadjusted exchange rates, operating profit increased 19.5%.
- Profit before tax amounted to SEK 181.8 million (176.3).
- The figures include items affecting comparability (refer to Secure Communications, page 10). These items had a net effect of negative SEK 0.5 million on operating profit.
- Cash flow after changes in working capital increased to SEK 258.5 million (215.2).

#### Third quarter: November 2020–January 2021

- Order bookings increased 38.7% to SEK 598.0 million (431.1). Of the order bookings during the quarter, 17% 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 declined 13.8% to SEK 394.2 million (457.4). Based on unadjusted exchange rates, the decrease was 8.3%.
- Operating profit declined 30.7% to SEK 69.1 million (99.7), corresponding to an operating margin of 17.5% (21.8). Based on unadjusted exchange rates, operating profit decreased 21.3%.
- Profit before tax amounted to SEK 67.8 million (100.7).
- Cash flow after changes in working capital amounted to SEK 136.7 million (134.1).

#### Key figures

SEK million	The quarter			The period			12 months		
	Q3	Q3	Change	Q1–3	Q1–3	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	12 months	19/20	%
Order bookings	598.0	431.1	38.7	1,962.4	1,095.5	79.1	2,682.9	1,816.0	47.7
Net sales	394.2	457.4	-13.8	1,106.2	1,153.5	-4.1	1,613.8	1,661.1	-2.8
Operating profit (EBIT)	69.1	99.7	-30.7	186.2	171.8	8.4	309.7	295.3	4.9
Operating margin, %	17.5	21.8	n/a	16.8	14.9	n/a	19.2	17.8	n/a
Profit before tax (EBT)	67.8	100.7	-32.7	181.8	176.3	3.1	308.5	303.0	1.8
Profit margin, %	17.2	22.0	n/a	16.4	15.3	n/a	19.1	18.2	n/a
Profit after tax	53.3	79.2	-32.7	142.9	138.1	3.5	242.2	237.4	2.0
Earnings per share, SEK <sup>1</sup>	1.38	2.06	-33.0	3.71	3.60	3.1	6.29	6.18	1.8
Cash flow <sup>2</sup>	136.7	134.1	1.9	258.5	215.2	20.1	339.6	296.3	14.6
Cash flow per share <sup>1,2</sup>	3.55	3.48	2.0	6.71	5.59	20.0	8.82	7.69	14.7
Average no. of employees	833	775	7.5	819	774	5.8	813	780	4.2

<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 8:15 a.m. CET on March 12, 2021.

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

## CEO'S COMMENTS

Satisfied customers are the ultimate proof that our employees and solutions deliver substantial value, which helps to improve the efficiency and quality of healthcare and increase cybersecurity in society. Customer value that in turn creates value for our employees and shareholders. Although the products we offer are highly appreciated, customer satisfaction largely comes down to our employees and how we work together within the company and in consultation with our customers. The foundation for our success in this regard lies in our corporate culture. How we listen to customers to ensure we understand and deliver solutions to their problems, and an entrepreneurial spirit that drives us to achieve innovations that increase customer value.

Our earnings and sales did not quite reach the levels reported in the comparative quarter. Given that the third quarter of 2019/2020 was a record-breaking quarter and that we are now burdened by a pandemic and a stronger SEK, we are nevertheless pleased with our results.

### Increased order bookings, but more difficult than usual to plan deliveries

Given the current global situation, our financial performance and cash flow were in line with our expectations. As previously stated, it is incredibly difficult to plan deliveries due to the stringent pandemic restrictions in place in many countries. Certain activities have gone better than planned, while others will require additional effort. Secure Communications was able to carry out a number of previously postponed deliveries during the quarter and is once again generating profit, although there is quite a way to go before our target will be reached. We are also continuing to experience negative effects as a result of delayed deliveries in all of our operating areas. Although the operating margin for the rolling 12-month period is well over our target of 15%, this increased margin is partly a result of lower costs during the pandemic. Our long-term target remains the same, but our development after COVID-19 is currently difficult to predict.

Order bookings are strong. Secure Communications and Imaging IT both reported increased order bookings for the nine-month period. Demand for medical imaging IT and cybersecurity are being driven by an increased need to work remotely with the same demands on functionality and security as at the workplace, cloud-based services and comprehensive consolidation in healthcare.

### Satisfied customers are the best way to attract new satisfied customers

The fact that we have the most satisfied customers in the category of diagnostic imaging systems for radiology in the US, Canada and Europe is probably the single most important explanation for our business success, particularly in the US. We also topped the new category of digital pathology, a product area with a fast-growing market where we are helping pathology departments to go digital. Our pathology solution for primary diagnostics is currently used by over 30 laboratories worldwide. To date, this solution has been used to diagnose more than 500,000 cases and contributed to the diagnostics process, for example, during consultations.

### Sustainability and quality

Society's focus on sustainability and climate issues has increased over the past year. Sectra's operations are entirely focused on helping to solve major, difficult societal challenges and thus have a direct link to sustainability. The work we do also has positive effects on the climate since our solutions often contribute to reduced travel on the part of our customers. We help to detect cyber threats that can lead to catastrophes in energy production, and we protect highly confidential information on behalf of governments and public authorities. We improve the education of medical professionals. We affect the care of a large number of patients through our systems, which are used all around the world, including at numerous hospitals known for their high quality and ability to provide excellent patient care. We are particularly proud that several of the healthcare providers listed among the top 20 in a ranking of the best hospitals in the world (published by Newsweek in January) are Sectra customers. This would not have been possible without a corporate culture and work environment that foster employee satisfaction and professional development.

Sectra's main contribution to a sustainable society is delivering high-quality solutions to its customers to allow them to provide patients with the best care possible and protect critical infrastructure and communication in today's digital society. The pandemic has further highlighted the need for our offerings, and we are doing what we can to help our customers maintain stable operations, even under challenging circumstances.

### 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. Our initiatives in innovation and further product development are continuing at full speed, unaffected by the pandemic. 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.

Even if the pandemic results in a temporary decline in demand in some markets and areas, people will still fall ill and society will still need 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.



"Together with our customers, we have made great strides during the pandemic and are now able to handle many more areas of our operations, such as major installations, remotely—though not all areas. This has contributed to greater cost efficiency in the form of reduced travel. We have no reason to believe people's acceptance of these new ways of working will disappear altogether after the pandemic is over, even if we return to how things were before in certain respects."

Torbjörn Kronander,  
President and CEO of Sectra AB



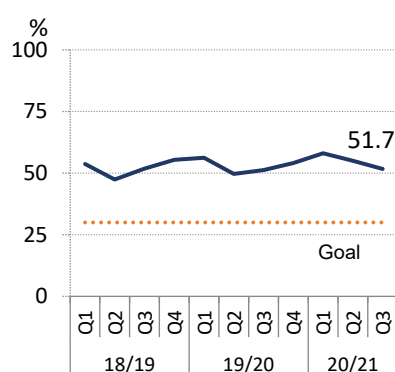
## Diagrams in the financial report

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.

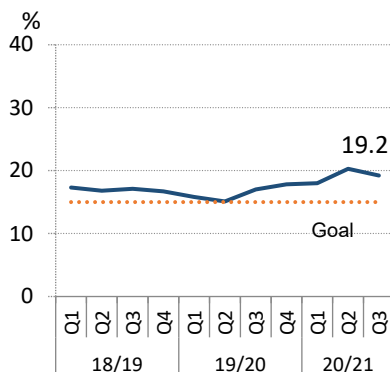
## FINANCIAL GOALS

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:

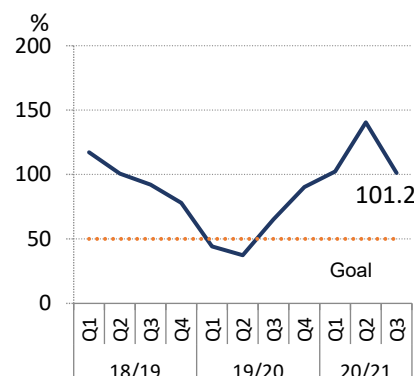
### 1. Equity/assets ratio $\geq 30\%$



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



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



## EVENTS

### Third quarter

- An enterprise imaging contract was signed with the Norwegian healthcare region Helse Sør-Øst RHF, comprising a radiology module and a region-wide multimedia solution (VNA). The Norwegian healthcare region Helse Vest RHF, which is already a customer of Sectra's, also ordered an expansion of its medical imaging system that includes digital pathology.
- Amsterdam UMC in the Netherlands ordered an expansion of its medical IT solution from Sectra that includes digital pathology.
- An order for digital pathology was received from Institut Bergonié in France, one of the first healthcare providers in the country to implement full-scale digital pathology.
- The first NHS trust in the UK Greater Manchester health consortium is implementing Sectra's medical imaging solution. The agreement with Greater Manchester, one of Europe's largest diagnostic imaging networks, was signed in the preceding quarter.
- Several healthcare providers are deploying Sectra's system for digital pathology. These new users include a region in southern Denmark.
- Sectra is participating in BIGPICTURE, a new long-term EU project under the Innovative Medicines Initiative. As part of a European consortium of leading European research centers, hospitals and major pharmaceutical companies, Sectra will help to accelerate AI innovation for diagnostics in digital pathology.
- Sectra and RSA Biomedical signed a distribution agreement for Sectra's CT-based measurement method for clinical validation of orthopaedic implant stability.
- A number of EU institutions procured additional units of the Sectra Tiger mobile encryption system. The orders were placed under a framework agreement announced in August 2020.
- A new issue of Class B shares was carried out in connection with the conversion of Sectra's convertible program; refer to page 11.
- A Nomination Committee was appointed ahead of the 2021 Annual General Meeting, which will be held on September 14 in Linköping, Sweden; refer to page 12.

### After the end of the reporting period

- Sectra earned five "Best in KLAS" awards for having the highest customer satisfaction in radiology and pathology.
- Sectra signed a five-year medical imaging contract with Emory Healthcare in the US, the largest healthcare system in the state of Georgia.
- The European Council approved the Sectra Tiger/S 7401 LTE eavesdrop-proof phone for communication up to the SECRET security level.

## 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 healthcare providers.

### **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 around 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 results in the 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 subscription model has been met with increased 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, 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 in the form of reduced rent, furlough assistance or business transition support. No need for impairment is deemed to exist owing to the pandemic.

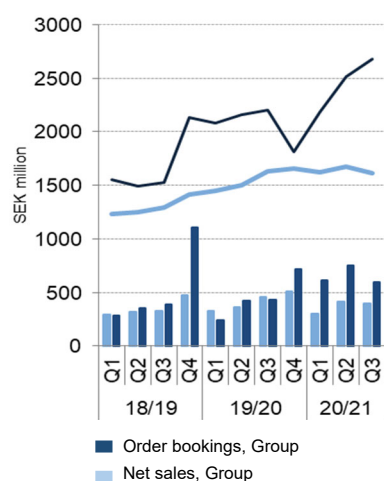
## COMMENTS ON THE GROUP'S FINANCIAL OUTCOME

### Order bookings and net sales

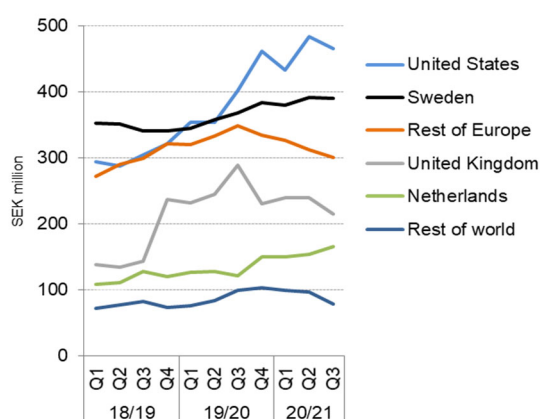
Order bookings for the nine-month period rose 79.1% to SEK 1,962.4 million (1,095.5), of which SEK 598.0 million (431.1) pertained to the third quarter. This outcome includes several major long-term agreements, which contribute to long-term stability, but also lead to significant variations in order bookings between individual quarters. Our Imaging IT Solutions and Secure Communications operating areas contributed to the growth in the period. Geographically, the operations in Norway, the UK, Sweden and the US accounted for the largest increases compared with the year-earlier period, in the form of new sales as well as supplementary sales and extended support and upgrade agreements. The ratio of order bookings to net sales for the latest rolling 12-month period increased to 1.66, up from 1.09 at the end of the 2019/2020 fiscal year.

Net sales for the nine-month period declined 4.1% to SEK 1,106.2 million (1,153.5), of which SEK 394.2 million (457.4) pertained to the third quarter. Major currency fluctuations in the most recent quarter (refer to page 18) had a negative impact of SEK 51.7 million on the outcome for the nine-month period. Based on unadjusted exchange rates, sales increased 0.4%. 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 currency fluctuations.

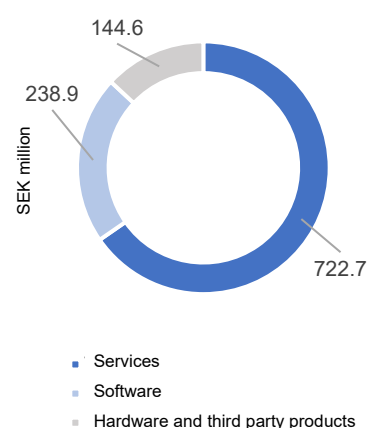
Order booking and sales trend



Sales by geographic market trend



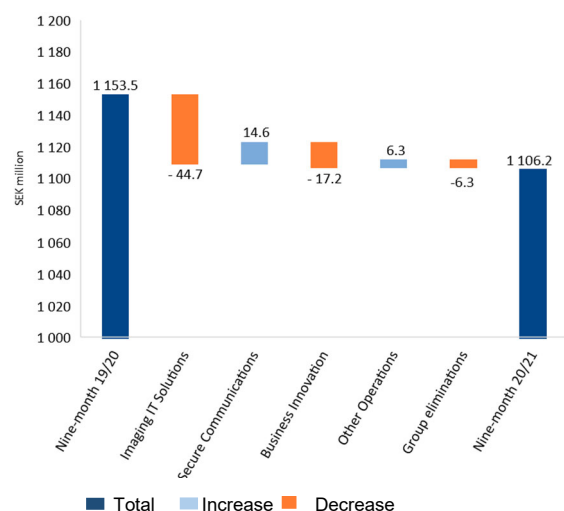
Sales by product group 9-month period



Secure Communications continued to report sales growth, while Business Innovation was impacted by the pandemic to a greater degree. Currency fluctuations had a negative effect on Imaging IT, while the outcome based on unadjusted exchange rates was on par with the nine-month period in the preceding year. Markets with a high share of new sales have been affected by the pandemic restrictions to a greater extent, which entails larger variations between quarters in countries such as the US and the rest of Europe. Markets where we have a high share of recurring revenue, such as Sweden, have not been affected to the same degree. In the UK, service sales increased on the comparative period, when lower revenue from the hardware and third-party products had the opposite effect on the outcome.

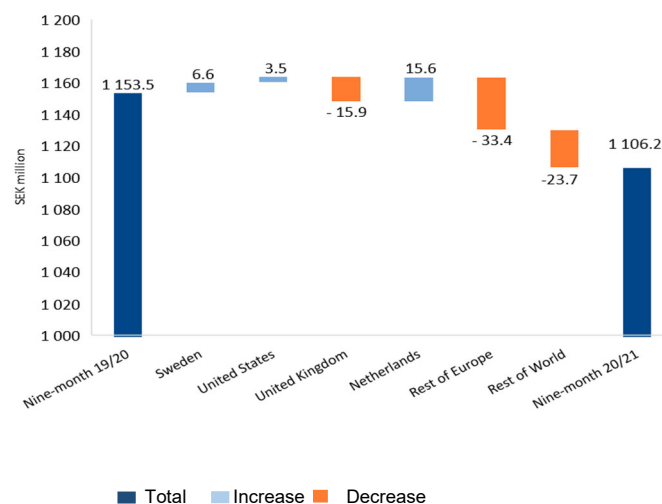
### Sales trend per operating area

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





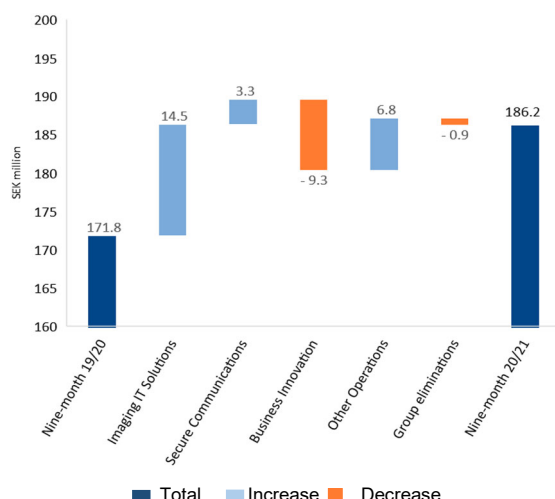
## Earnings

The Group's operating profit increased 8.4% to SEK 186.2 million (171.8), of which SEK 69.1 million (99.7) pertained to the third quarter. This corresponds to an operating margin of 16.8% (14.9) for the nine-month period and 17.5% (21.8) for the quarter. Based on unadjusted exchange rates, operating profit increased 19.5% compared with the year-earlier period. Earnings were strengthened by sales with somewhat higher gross margins, but primarily by the fact that operating expenses were lower than in the comparative quarter. The earnings effect of increased personnel costs was offset by lower costs for travel and trade fairs owing to pandemic restrictions.

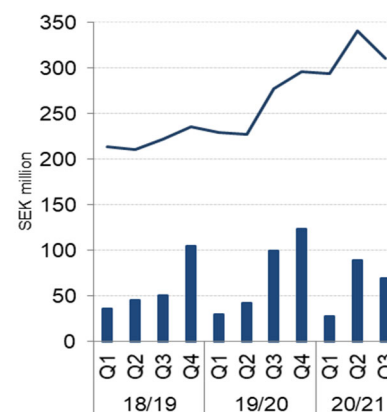
The Group's financial items amounted to a negative SEK 4.4 million (pos: 4.5), of which a negative SEK 1.3 million (pos: 1.0) pertained to the third quarter. These changes are mainly a result of major currency fluctuations in the third quarter, with the SEK strengthening against the USD and GBP. Currency fluctuations for the nine-month period in cash and cash equivalents had a negative impact of SEK 8.3 million (pos: 1.6) on financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact. Profit after financial items amounted to SEK 181.8 million (176.3), of which SEK 67.8 million (100.7) pertained to the third quarter. This corresponds to a profit margin of 16.4% (15.3) for the nine-month period and 17.2% (22.0) for the third quarter. The main reason for the improved profit margin in the nine-month period is that the negative impact of currency fluctuations was offset by lower operating expenses due to COVID-19 restrictions. Earnings per share totaled SEK 3.71 (3.60) for the period, of which SEK 1.38 (2.06) pertained to the third 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

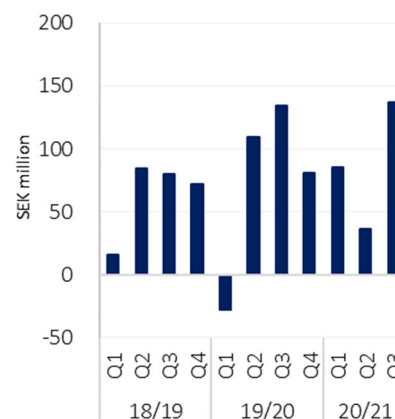
The Group's cash and cash equivalents at the end of the reporting period amounted to SEK 364.5 million (304.1) after adjustment for exchange-rate differences. The Group's debt/equity ratio was 0.10 (0.13) as of the balance-sheet date. Interest-bearing liabilities amounted to SEK 76.8 million (91.6), of which SEK 73.9 million (85.1) pertained to lease liabilities according to IFRS 16 and SEK 2.9 million (6.5) pertained to convertible loans held by employees and Board members.

Cash flow from operations increased to SEK 258.5 million (215.2) for the period, of which SEK 136.7 million (134.1) was attributable to the third quarter. The change in the nine-month period was mainly due to increased operating profit and a decrease in capital tied up in inventories. Cash flow per share amounted to SEK 6.71 (5.59) for the period, of which SEK 3.55 (3.48) pertained to the third quarter.

Cash flow from investing activities amounted to a negative SEK 46.6 million (neg: 57.4) for the period, of which a negative SEK 17.6 million (neg: 16.9) was attributable to the third quarter. Refer to the information about investing activities on page 7.

The Group's total cash flow for the period amounted to SEK 17.8 million (neg: 32.4). This result includes a disbursement of SEK 173.3 million (172.6) to the shareholders through the share redemption program during the second quarter. Excluding the share redemption program, total cash flow amounted to SEK 191.1 million (140.2).

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



## Investments, depreciation/amortization and impairment

Investments for the period amounted to SEK 47.5 million (57.4), of which SEK 17.6 million (16.9) was attributable to the third quarter. Investments for the period pertained primarily to capitalized development costs for medical imaging IT. The results for the comparative period include purchasing rights for software and the acquisition of assets in Columbitech AB.

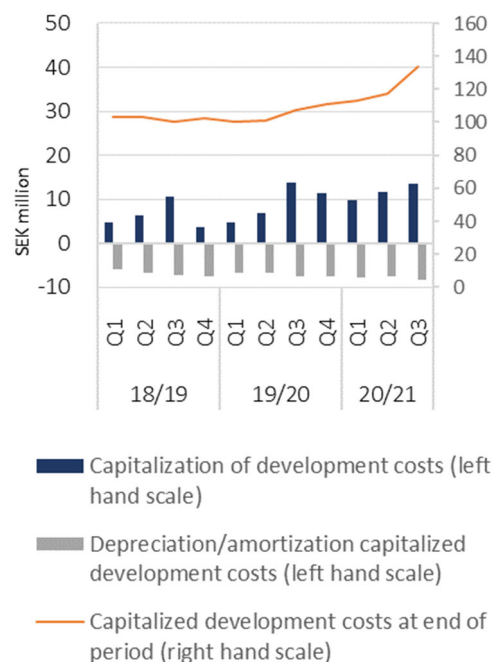
Capitalized work for own use increased 18.2% during the period to SEK 35.0 million (29.6), of which SEK 13.5 million (14.3) pertained to the third quarter. These figures include capitalized development costs of SEK 35.0 million (25.4) for the period, of which SEK 13.5 million (13.8) pertained to the third quarter. Increased activity in ongoing development projects was reported mainly in Imaging IT Solutions. Of the total depreciation and amortization for the period, SEK 23.5 million (20.9) was attributable to capitalized development projects, of which SEK 8.4 million (7.5) pertained to the third quarter. At the end of the period, capitalized development costs totaled SEK 133.7 million (107.1).

Total depreciation, amortization and impairments for the period amounted to SEK 60.9 million (60.6), of which the third quarter accounted for SEK 20.1 million (26.3). Depreciation of right-of-use assets according to IFRS 16 for the period amounted to SEK 18.4 million (16.2), of which SEK 6.1 million (6.0) pertained to the third 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 [investor.sectra.com/reports/annual-reports/](https://investor.sectra.com/reports/annual-reports/). Over the long term, the 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



Sectra has more than **2,000 installations** of medical IT systems worldwide, including several of the world's top-ranked hospitals. **High customer satisfaction** is an important factor underlying this growing customer base.

## IMAGING IT SOLUTIONS

	The quarter			The period			12 months		
	Q3	Q3	Change	Q1–3	Q1–3	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	12 months	19/20	%
Sales, SEK million	338.4	396.1	-14.6	937.6	982.3	-4.6	1,383.5	1,428.2	-3.1
Operating profit, SEK million	72.4	103.0	-29.7	200.5	186.0	7.8	332.1	317.6	4.6
Operating margin, %	21.4	26.0	n/a	21.4	18.9	n/a	24.0	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. It was mainly Sectra's largest markets that contributed to the increased order bookings, but we were also successful in smaller markets during the fiscal year. This applies, for example, to countries such as Belgium, Norway, Switzerland and Germany. During the third quarter, for example, a major agreement was signed with Norway's largest healthcare region, Helse Sør-Øst RHF, which provides health and medical care to approximately three million people. Solutions that facilitate regional collaboration in the area of healthcare services have become increasingly common in recent years, and we meet our customers' needs by providing a coherent strategy for managing all types of medical images—a strategy referred to as “enterprise imaging”. One area supported by this solution is digital pathology, a rapidly growing market in which we signed a number of agreements with both new and existing customers in the past quarter.

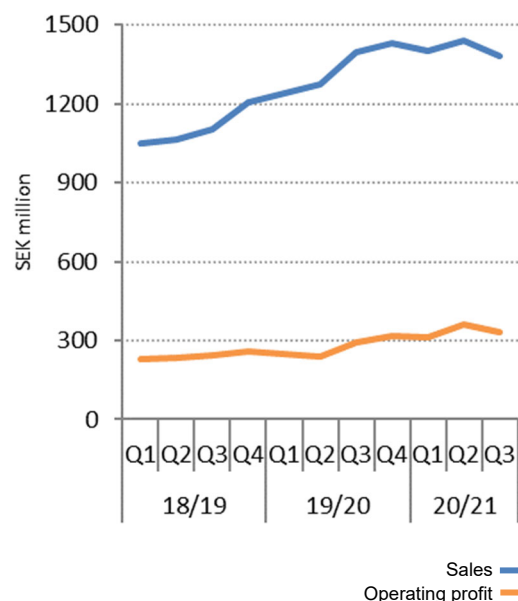
Sales and operating profit in the most recent quarter did not reach the record-breaking third-quarter results reported in the comparative quarter. Based on unadjusted exchange rates, sales for the nine-month period were on par with the year-earlier period. While demand for Sectra's products and services is favorable, our opportunities to initiate new customer projects and the timing of such projects were impacted by pandemic restrictions. The strong operating profit for the nine-month period was mainly attributable to lower operating expenses driven by limitations on travel and trade fair activities as well as a higher gross margin.

Several customers deployed Sectra's systems in the third quarter, including the Pennine Acute Hospitals NHS Trust, which became the first of a total of eight NHS trusts in the UK Greater Manchester health consortium to do so. In the US, Sanford Health deployed Sectra's cardiology solution. A number of healthcare providers also went live with Sectra's digital pathology system; refer to page 3. In addition, further installations took place at NSW Health in Australia. We are experiencing increased demand for medical imaging IT as a service and cloud-based solution. Both NSW Health and Greater Manchester, two of Sectra's largest ongoing customer projects, as well as the company's most recent installations in Sweden pertain to this type of solution. As a result of the pandemic, we and our customers have had to make certain changes to how we deploy solutions. Many installations were performed remotely during the period, although this cannot be done for all projects. Additional installation projects are ongoing and are expected to be deployed to customers during the final quarter of the fiscal year and onwards. However, the more stringent restrictions introduced in many countries have resulted in a higher-than-usual risk of delays in planned deliveries.

### Awards for the industry's most satisfied customers

Sectra has won the prestigious “Best in KLAS” customer satisfaction award for the eighth consecutive year. The Sectra PACS radiology solution was ranked number one by healthcare providers in three regions: the US (Large PACS and Small PACS), Canada and Europe. Sectra also swept the new award for digital pathology. The “Best in KLAS” awards are handed out by the US healthcare IT data and insights company KLAS, which conducts annual customer satisfaction survey for healthcare IT systems. Healthcare providers use these assessments as a basis for procurement decisions. Read more about Sectra's awards at [sectra.com/KLAS](https://www.sectra.com/KLAS).

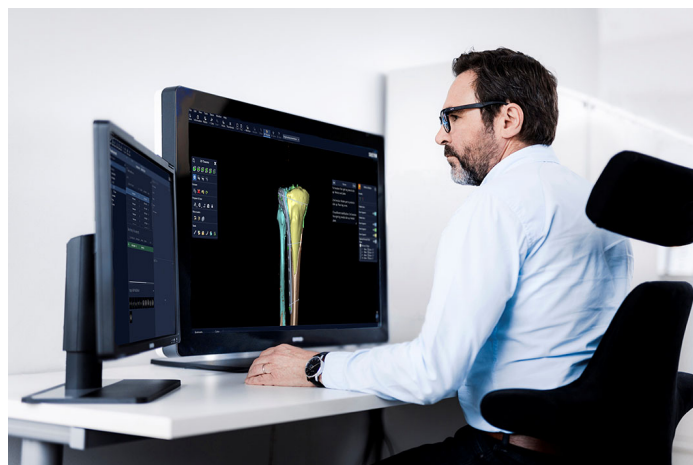
### Trend



“The support we've received and all of the employees we've been in contact with have been fantastic. We've had a good relationship with everyone we've worked with locally, both from the US office and from Sweden. Sectra has an outstanding culture. We've seen different teams jumping in to help out, and it seems like everyone works well together,” explained a manager at a US hospital to KLAS Research in December 2020.



## BUSINESS INNOVATION



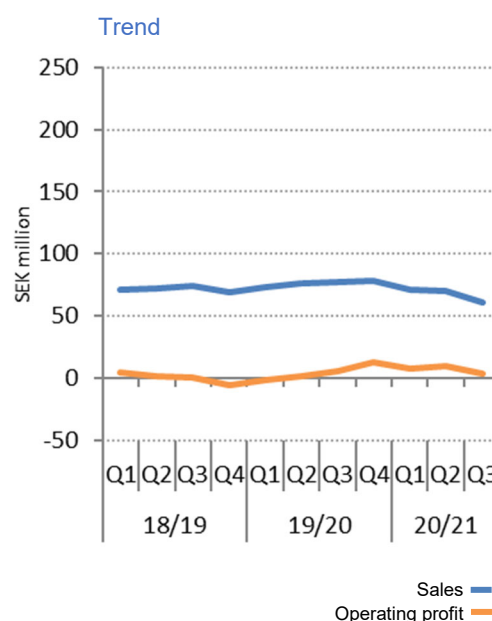
	The quarter			The period			12 months		
	Q3	Q3	Change	Q1-3	Q1-3	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	12 months	19/20	%
Sales, SEK million	11.2	20.3	-44.8	38.4	55.6	-30.9	60.9	78.1	-22.0
Operating profit, SEK million	-1.0	4.7	-121.3	-5.1	4.2	-221.4	3.6	12.9	-72.1
Operating margin, %	neg	23.2	n/a	neg	7.6	n/a	5.9	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, with new products that are attracting considerable interest from the market. Nevertheless, sales were palpably affected by the consequences of the pandemic, which among other things has led to a sharp downturn in elective (planned) healthcare. For some customers, particularly private operators within orthopaedics, this has entailed reduced volumes and, consequently, a significant loss of revenue. Nor was an upswing in sales of solutions and services that enable remote medical education sufficient to offset the decline in sales caused by the pandemic, for example in Asia and South America. At the same time, a transition to pay-per-use is under way, which will initially have a negative impact on sales in both business units. In the long term, this new business model will result in higher recurring sales and thus an improved outlook going forward.



Sectra is participating in a new European project called **BIGPICTURE**. The aim of the project is to establish a database of pathology images to accelerate the development of AI in the field of pathology.

>> [Read more](#)

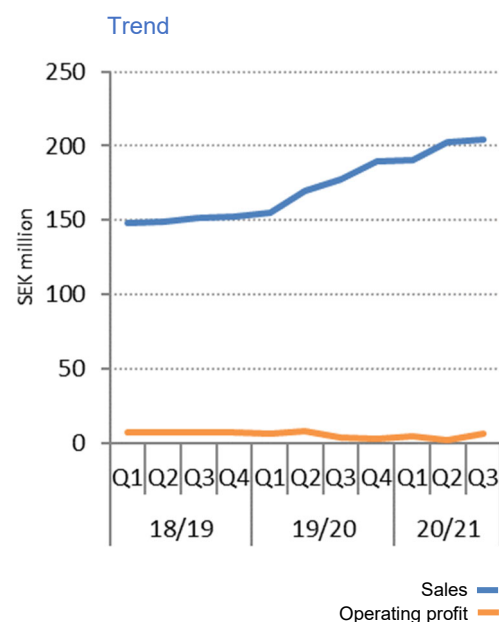
## SECURE COMMUNICATIONS

	The quarter			The period			12 months		
	Q3	Q3	Change	Q1–3	Q1–3	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%	20/21	19/20	%
Sales, SEK million	51.6	49.8	3.6	150.9	136.3	10.7	203.9	189.3	7.7
Operating profit, SEK million	3.1	-1.3	338.5	2.7	-0.6	550.0	6.2	2.9	113.8
Operating margin, %	6.0	neg	n/a	1.8	neg	n/a	3.0	1.5	n/a

Demand for Secure Communications' services and products remains strong. The operating area reported increased order bookings compared with the year-earlier period, primarily due to orders for projects and project-based development in Sweden and abroad. Sectra also received orders from several EU institutions for additional units of the Sectra Tiger mobile encryption system under the framework agreement signed at the start of the fiscal year. 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 serve an important function in this regard, and the product was approved by security authorities in the Netherlands for RESTRICTED-level operations during the fiscal year. Increased threats of ransomware attacks targeted at critical social functions such as energy companies and healthcare also contribute to the demand for Sectra's services.

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. During the third quarter, we carried out a number of product deliveries that could not previously be completed due to the pandemic. However, we are still experiencing revenue delays due to the pandemic restrictions in place in certain countries. Operating profit was mainly 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 a negative SEK 2.2 million. Excluding these items, operating profit for the period was SEK 3.2 million (-0.6). 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.



A senior representative of the European External Action Service:

"We have used the Sectra Tiger system for several years. It meets our strict demands for secure communication between Brussels and our EU delegations around the world. When the pandemic highlighted the need for more secure exchanges of information with other EU institutions, it was natural for the existing Sectra system to be used to meet these requirements."

## OTHER OPERATIONS

	The quarter			The period			12 months		
	Q3	Q3	Change	Q1–3	Q1–3	Change	Rolling 12 months	Full-year	Change
	20/21	19/20	%	20/21	19/20	%		19/20	%
Sales, SEK million	19.3	17.7	9.0	56.3	50.0	12.6	74.9	68.6	9.2
Operating profit, SEK million	-5.5	-6.2	11.3	-12.1	-18.9	36.0	-19.6	-26.4	25.8
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 20. 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, new share issue and recalculation of conversion prices**

On January 31, 2021, Sectra's share capital totaled SEK 38,525,494, distributed between 38,525,494 shares. Of these shares, 2,620,692 are Class A shares and 35,904,802 are Class B shares. This number includes a new issue of 19,474 Class B shares carried out in the third quarter due to the conversion of the 2016/2020 convertible program.

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 7,968, corresponding to less than 0.1% of the share capital and 0.1% of the voting rights in the company.

**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.

## 2021 AGM AND NOMINATION COMMITTEE

The composition of the Nomination Committee is in accordance with the instructions adopted at the [2020 AGM](#). If any of the largest shareholders in terms of voting rights has waived their right to appoint a member of the Nomination Committee, the next shareholder in order of size has been given the opportunity to appoint a member. The Nomination Committee comprises the following members:

- Torbjörn Kronander (for own and related parties' shareholdings)
- Jan Särilvik (representing Nordea Investment Funds)
- Martin Gärtner (representing SEB Investment Management)
- Jan-Olof Brüer (in his role as Chairman of the Board and for own and related parties' shareholdings)

Jan Särilvik, who represents the fourth-largest shareholder in terms of votes, has been appointed Chairman of the Nomination Committee. Torbjörn Kronander, the company's largest shareholder in terms of votes, decided to abstain from the chairmanship due to his role as President and CEO of Sectra AB.

The AGM is scheduled for September 14, 2021 in Linköping, Sweden. The Nomination Committee's proposals will be presented in the notice of the General Meeting of Shareholders and be available on the company's website not earlier than six weeks and not later than four weeks prior to the Meeting date.

The Nomination Committee will prepare and submit proposals regarding:

- election of the Chairman of the Board and other members of the Board of Directors
- allocation of Board fee payments to the Chairman and other members of the Board and potential remuneration for committee work
- election of and fees to the auditors and deputy auditors (where applicable)
- resolution on amendments to the Nomination Committee instructions, if the Nomination Committee deems such amendments to be necessary
- Chairman of the AGM

Shareholders who wish to submit proposals to the Nomination Committee may do so in writing by email: [info.investor@sectra.se](mailto:info.investor@sectra.se) or by mail: Sectra AB, Attn. Nomination Committee, Teknikringen 20, SE-583 30 Linköping, Sweden. In order for the Nomination Committee to address a proposal, the proposal must arrive in ample time prior to the notice of the AGM.

## 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 uncertainties, refer to page 4 of this interim report as well as page 67 of Sectra's 2019/2020 Annual and Sustainability Report.

### Brexit

Our assessment remains that Brexit will not significantly impact Sectra's operations. The UK left the EU on January 31, 2020. Transition rules were in effect until the end of the year, which entailed that the country remained part of the EU single market and customs union. As of January 1, 2021, the relationship between the EU and the UK is governed by the new EU-UK Trade and Co-operation Agreement. 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. However, the UK will be considered an EU state with respect to GDPR until June 30, 2021. We have planned and implemented measures to ensure we can maintain support for the products developed in the UK and sold internationally, even in the event that the EU decides that the UK's data protection laws are not sufficient to continue sharing data in the same way as between the EU member states.

## RELATED-PARTY TRANSACTIONS

No significant transactions with related parties took place in the reporting period.



## 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: March 12, 2021, 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 +46856642706

UK +443333009034

US +18446251570

Follow live or listen to the recording afterward: [investor.sectra.com/q3report2021](https://investor.sectra.com/q3report2021)

### Financial calendar and 2021 Annual General Meeting

Year-end report 2020/2021	June 2, 2021 at 8:15 a.m. (CEST)
Three-month interim report	September 3, 2021 at 8:15 a.m. (CEST)
Annual General Meeting	September 14, 2021 at 3:30 p.m. (CEST)
Six-month interim report	December 10, 2021 at 8:15 a.m. (CET)
Nine-month interim report	March 9, 2022 at 8:15 a.m. (CET)
Year-end report 2021/2022	June 3, 2022 at 8:15 a.m. (CEST)

For other IR events, visit: [investor.sectra.com/events-and-presentations/](https://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 2020 to January 2021 provides a true and fair view of the Parent Company's and Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Linköping, March 12, 2021

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

## AUDITOR'S REVIEW REPORT

### *Introduction*

We have reviewed the condensed interim report for Sectra AB (publ) as at January 31, 2021 and for the nine-month period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

### *Scope of review*

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### *Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Linköping, March 12, 2021

Ernst & Young AB

Andreas Troberg

Authorized Public Accountant

## GROUP

### Condensed consolidated income statements

SEK thousand	3 months Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
<b>Net sales</b>	<b>394,163</b>	<b>457,411</b>	<b>1,106,229</b>	<b>1,153,520</b>	<b>1,613,847</b>	<b>1,661,138</b>
Capitalized work for own use	13,542	14,336	35,059	29,622	47,194	41,757
Reversal of contingent consideration	0	8,836	1,700	8,836	1,737	8,873
Other operating income	580	715	1,086	1,734	3,066	3,714
<b>Total revenue</b>	<b>408,285</b>	<b>481,298</b>	<b>1,144,074</b>	<b>1,193,712</b>	<b>1,665,844</b>	<b>1,715,482</b>
Goods for resale	-52,361	-82,551	-147,487	-185,777	-210,015	-248,305
Personnel costs	-212,408	-204,767	-604,867	-583,061	-836,982	-815,176
Other external costs	-54,323	-67,941	-144,708	-192,510	-229,176	-276,978
Depreciation/amortization and impairment	-20,070	-26,305	-60,856	-60,589	-79,942	-79,675
<b>Total operating expenses</b>	<b>-339,162</b>	<b>-381,564</b>	<b>-957,918</b>	<b>-1,021,937</b>	<b>-1,356,115</b>	<b>-1,420,134</b>
<b>Operating profit</b>	<b>69,123</b>	<b>99,734</b>	<b>186,156</b>	<b>171,776</b>	<b>309,729</b>	<b>295,348</b>
Total financial items	-1,312	993	-4,396	4,520	-1,227	7,689
<b>Profit after financial items</b>	<b>67,811</b>	<b>100,727</b>	<b>181,760</b>	<b>176,295</b>	<b>308,502</b>	<b>303,037</b>
Taxes	-14,465	-21,547	-38,854	-38,154	-66,383	-65,683
<b>Profit for the period</b>	<b>53,346</b>	<b>79,180</b>	<b>142,906</b>	<b>138,142</b>	<b>242,119</b>	<b>237,354</b>
<b>Profit for the period attributable to:</b>						
Parent Company owners	53,346	79,180	142,906	138,142	242,119	237,354
<b>Earnings per share</b>						
Before dilution, SEK	1.38	2.06	3.71	3.60	6.29	6.18
After dilution, SEK	1.38	2.05	3.71	3.59	6.28	6.16
<b>No. of shares</b>						
Before dilution	38,525,494	38,506,020	38,525,494	38,506,020	38,525,494	38,506,020
After dilution <sup>1</sup>	38,533,462	38,533,253	38,533,462	38,533,253	38,533,462	38,533,253
Average, before dilution	38,519,003	38,454,970	38,510,348	38,386,904	38,509,266	38,416,683
Average, after dilution	38,533,392	38,532,452	38,533,299	38,531,385	38,533,288	38,531,852

- 1) Dilution of the number of shares is based on the convertible programs issued in 2017/2018 (7,908). On full exercise of convertibles, the number of shares will increase by 7,908, disregarding the restatement after the balance-sheet date; refer to page 11.

### Consolidated statement of comprehensive income

SEK thousand	3 months Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
<b>Profit for the period</b>	<b>53,346</b>	<b>79,180</b>	<b>142,906</b>	<b>138,142</b>	<b>242,119</b>	<b>237,354</b>
Translation differences	-5,441	2,634	-28,859	5,792	-35,126	-475
<b>Total other comprehensive income for the period</b>	<b>-5,441</b>	<b>2,634</b>	<b>-28,859</b>	<b>5,792</b>	<b>-35,126</b>	<b>-475</b>
<b>Total comprehensive income for the period</b>	<b>47,905</b>	<b>81,814</b>	<b>114,047</b>	<b>143,934</b>	<b>206,993</b>	<b>236,879</b>

## Condensed consolidated balance sheets

SEK thousand	Jan 31, 2021	Jan 31, 2020	Apr 30, 2020
<b>Assets</b>			
Intangible assets	205,055	192,319	193,368
Tangible assets	51,183	61,233	66,297
Right-of-use assets	77,133	88,699	84,275
Financial assets	132,898	177,778	161,452
Deferred tax assets	3,698	4,888	4,226
<b>Total fixed assets</b>	<b>469,967</b>	<b>524,917</b>	<b>509,618</b>
Other current assets	637,750	585,126	656,929
Cash and bank balances	364,492	304,085	345,300
<b>Total current assets</b>	<b>1,002,242</b>	<b>889,211</b>	<b>1,002,229</b>
<b>Total assets</b>	<b>1,472,209</b>	<b>1,414,128</b>	<b>1,511,847</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>761,483</b>	<b>724,267</b>	<b>817,213</b>
Provisions	10,115	20,054	17,469
Deferred tax liabilities	3,297	5,037	4,799
Long-term lease liabilities	51,140	62,541	58,561
Other long-term liabilities	389	2,951	2,951
<b>Total long-term liabilities</b>	<b>64,941</b>	<b>90,583</b>	<b>83,780</b>
Current lease liabilities	22,729	22,580	22,402
Other current liabilities	623,056	576,698	588,452
<b>Total current liabilities</b>	<b>645,785</b>	<b>599,278</b>	<b>610,854</b>
<b>Total equity and liabilities</b>	<b>1,472,209</b>	<b>1,414,128</b>	<b>1,511,847</b>

## Consolidated statement of changes in equity

SEK thousand	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	Full-year May–Apr 2019/2020
Equity at start of period	817,213	727,909	727,909
Comprehensive income for the period	114,047	143,934	236,879
Dividend/redemption of shares	-173,277	-172,588	-172,588
Settlement of share-related payments	3,500	25,013	25,013
<b>Equity at end of period</b>	<b>761,483</b>	<b>724,267</b>	<b>817,213</b>



## Consolidated cash-flow statements

SEK thousand	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	Full-year May–Apr 2019/2020
<b>Operating activities</b>			
Operating profit	186,156	171,775	295,348
Adjustment for non-cash items	61,374	63,414	102,686
Interest and dividends received	5,244	5,098	6,785
Interest paid	-1,383	-2,157	-2,748
Income tax paid	-50,122	-66,556	-74,797
<b>Cash flow from operations before changes in working capital</b>	<b>201,269</b>	<b>171,574</b>	<b>327,274</b>
<b>Changes in working capital</b>			
Change in inventories	10,559	-2,361	8,546
Change in receivables	31,277	32,234	-83,365
Change in current liabilities	15,416	13,780	43,817
<b>Cash flow from operations</b>	<b>258,521</b>	<b>215,227</b>	<b>296,272</b>
<b>Investing activities</b>			
Acquisitions of intangible assets	-34,980	-32,722	-44,775
Acquisitions of tangible assets	-12,471	-23,855	-32,967
Acquisition of financial assets	0	-812	-812
Divestment of financial assets	835	0	18
<b>Cash flow from investing activities</b>	<b>-46,616</b>	<b>-57,389</b>	<b>-78,536</b>
<b>Financing activities</b>			
Repayment of lease liabilities	-17,912	-14,671	-21,018
Payment of contingent consideration	-2,901	-2,937	-2,937
Redemption of shares	-173,277	-172,588	-172,588
<b>Cash flow from financing activities</b>	<b>-194,090</b>	<b>-190,196</b>	<b>-196,543</b>
<b>Cash flow for the year</b>	<b>17,815</b>	<b>-32,358</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	1,377	4,508	-7,828
Cash and cash equivalents, closing balance	364,492	304,085	345,300
Unutilized credit facilities	15,000	15,000	15,000

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

	9 months Jan 31, 2021	9 months Jan 31, 2020	12 months Jan 31, 2021	Full-year Apr 30, 2020
Order bookings, SEK million	1,962.4	1,095.5	2,682.9	1,816.0
Operating margin, %	16.8	14.9	19.2	17.8
Profit margin, %	16.4	15.3	19.1	18.2
Average no. of employees	819	774	813	780
Cash flow per share, SEK	6.71	5.59	8.82	7.69
Cash flow per share after full dilution, SEK	6.71	5.59	8.81	7.69
Value added, SEK million	791.0	754.8	1,146.7	1,110.5
P/E ratio, multiple	n/a	n/a	113.3	68.0
Share price at end of period, SEK	712.5	396.0	712.5	420.0
Return on equity, %	18.1	19.0	30.7	30.7
Return on capital employed, %	21.0	22.7	35.6	36.8
Return on total capital, %	12.3	13.1	20.8	21.6
Equity/assets ratio, %	51.7	51.2	51.7	54.1
Liquidity ratio, multiple	1.6	1.6	1.6	1.7
Equity per share, SEK	19.77	18.81	19.77	21.22
Equity per share after full dilution, SEK	19.76	18.80	19.76	21.21

## Exchange rates

Currency	Average rates in SEK			Closing rates in SEK		
	Q3 2020/2021	Q3 2019/2020	Change %	Jan 31, 2021	Jan 31, 2020	Change %
US dollar, 1 USD	8.73	9.52	-8.3	8.31	9.61	-13.5
Euro, 1 EUR	10.26	10.58	-3.0	10.07	10.60	-5.0
British pound, 1 GBP	11.36	12.06	-5.8	11.37	12.62	-9.9

## Condensed consolidated income statements and quarterly alternative performance measures<sup>1</sup>

SEK million	2020/2021			2019/2020				2018/2019			
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	394.2	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	13.5	11.6	9.9	12.1	14.3	8.9	6.4	15.6	10.7	6.3	4.6
Reversal of contingent consideration	0	1.1	0.6	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.6	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>	-319.1	-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>	-20.1	-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>69.1</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>
Total financial items	-1.3	2.9	-5.9	3.2	1.0	2.3	1.3	6.2	1.2	7.7	-1.8
<b>Profit after financial items</b>	<b>67.8</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	-14.5	-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>53.3</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	598.0	752.1	612.3	716.2	435.4	425.7	238.7	1,104.9	390.7	350.7	286.5
Operating margin, %	17.5	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	3.55	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	3.55	0.94	2.22	2.10	3.48	2.83	-0.73	1.87	2.08	2.19	0.41
Earnings per share, SEK	1.38	1.89	0.44	2.58	2.06	0.91	0.63	2.36	1.06	1.09	0.70
Return on equity, %	6.8	9.5	2.1	12.8	10.9	5.2	3.3	14.1	6.8	7.5	4.3
Return on capital employed, %	7.8	10.9	2.4	15.3	12.9	6.2	3.9	15.6	7.8	8.3	4.9
Equity/assets ratio, %	51.7	55.0	58.1	54.1	51.2	49.7	56.2	55.4	51.8	47.4	53.7
Equity per share, SEK	19.77	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	712.50	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 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 21.

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 Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
Imaging IT Solutions	338.4	396.1	937.6	982.3	1,383.5	1,428.2
Secure Communications	51.6	49.8	150.9	136.3	203.9	189.3
Business Innovation	11.2	20.3	38.4	55.6	60.9	78.1
Other Operations	19.3	17.7	56.3	50.0	74.9	68.6
Group eliminations	-26.3	-26.5	-77.0	-70.7	-109.4	-103.1
<b>Total</b>	<b>394.2</b>	<b>457.4</b>	<b>1,106.2</b>	<b>1,153.5</b>	<b>1,613.8</b>	<b>1,661.1</b>

### Operating profit/loss by business segment

SEK million	3 months Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
Imaging IT Solutions	72.4	103.0	200.5	186.0	332.1	317.6
Secure Communications	3.1	-1.3	2.7	-0.6	6.2	2.9
Business Innovation	-1.0	4.7	-5.1	4.2	3.6	12.9
Other Operations	-5.5	-6.2	-12.1	-18.9	-19.6	-26.4
Group eliminations	0.1	-0.5	0.2	1.1	-12.6	-11.7
<b>Total</b>	<b>69.1</b>	<b>99.7</b>	<b>186.2</b>	<b>171.8</b>	<b>309.7</b>	<b>295.3</b>

### Sales by geographic market

SEK million	3 months Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
Sweden	92.6	94.3	279.9	273.3	389.8	383.2
United States	102.1	121.1	291.2	287.7	464.9	461.4
United Kingdom	54.5	79.4	149.9	165.8	214.8	230.7
Netherlands	44.0	33.5	109.8	94.2	164.7	149.1
Rest of Europe	84.1	94.5	220.1	253.5	301.0	334.4
Rest of World	16.9	34.6	55.3	79.0	78.6	102.3
<b>Total</b>	<b>394.2</b>	<b>457.4</b>	<b>1,106.2</b>	<b>1,153.5</b>	<b>1,613.8</b>	<b>1,661.1</b>

### Sales by product group

SEK million	3 months Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
Hardware and third-party products	45.7	69.4	144.6	167.2	229.3	251.9
Software	87.9	129.8	238.9	292.5	401.8	455.4
Services	260.6	258.2	722.7	693.8	982.7	953.8
<b>Total</b>	<b>394.2</b>	<b>457.4</b>	<b>1,106.2</b>	<b>1,153.5</b>	<b>1,613.8</b>	<b>1,661.1</b>

## PARENT COMPANY

### Condensed Parent Company income statements

SEK thousand	3 months Nov 2020– Jan 2021	3 months Nov 2019– Jan 2020	9 months May 2020– Jan 2021	9 months May 2019– Jan 2020	12 months Feb 2020– Jan 2021	Full-year May–Apr 2019/2020
<b>Net sales</b>	<b>30,453</b>	<b>37,925</b>	<b>94,430</b>	<b>104,695</b>	<b>135,345</b>	<b>145,610</b>
Capitalized work for own use	1,986	3,375	3,000	3,548	4,325	4,873
Other operating income	33	435	54	919	15	880
<b>Total revenue</b>	<b>32,472</b>	<b>41,735</b>	<b>97,484</b>	<b>109,162</b>	<b>139,685</b>	<b>151,363</b>
Goods for resale	-2,129	-4,867	-7,172	-10,989	-11,023	-14,840
Personnel costs	-16,668	-17,813	-51,585	-50,609	-68,473	-67,497
Other external costs	-14,832	-15,190	-55,017	-46,850	-77,520	-69,353
Depreciation/amortization	-3,394	-3,172	-10,472	-8,851	-13,883	-12,262
Total operating expenses	-37,023	-41,042	-124,246	-117,299	-170,899	-163,952
<b>Operating profit/loss</b>	<b>-4,551</b>	<b>693</b>	<b>-26,762</b>	<b>-8,137</b>	<b>-31,214</b>	<b>-12,589</b>
Total financial items	8,245	4,981	-2,595	13,596	11,545	27,736
<b>Profit after financial items</b>	<b>3,694</b>	<b>5,674</b>	<b>-29,357</b>	<b>5,459</b>	<b>-19,669</b>	<b>15,147</b>
Appropriations	0	0	0	0	267,250	267,250
<b>Profit/loss before tax</b>	<b>3,694</b>	<b>5,674</b>	<b>-29,357</b>	<b>5,459</b>	<b>247,581</b>	<b>282,397</b>
Tax on earnings for the period	-790	-1,213	6,284	-1,165	-50,191	-57,640
<b>Profit/loss for the period</b>	<b>2,904</b>	<b>4,461</b>	<b>-23,073</b>	<b>4,294</b>	<b>197,390</b>	<b>224,757</b>
<b>Comprehensive income for the period</b>	<b>2,904</b>	<b>4,461</b>	<b>-23,073</b>	<b>4,294</b>	<b>197,390</b>	<b>224,757</b>

### Condensed Parent Company balance sheets

SEK thousand	Jan 31, 2021	Jan 31, 2020	Apr 30, 2020
<b>Assets</b>			
Intangible assets	16,784	17,197	17,383
Tangible assets	20,387	23,604	23,506
Financial assets	243,850	272,303	266,587
<b>Total fixed assets</b>	<b>281,021</b>	<b>313,104</b>	<b>307,476</b>
Other current assets	243,782	186,802	465,924
Cash and bank balances	258,469	183,838	246,077
<b>Total current assets</b>	<b>502,251</b>	<b>370,640</b>	<b>712,001</b>
<b>Total assets</b>	<b>783,272</b>	<b>683,744</b>	<b>1,019,477</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>414,447</b>	<b>386,833</b>	<b>607,297</b>
Long-term liabilities	389	2,951	2,951
<b>Total long-term liabilities</b>	<b>389</b>	<b>2,951</b>	<b>2,951</b>
Current liabilities	368,436	293,960	409,229
Total current liabilities	368,436	293,960	409,229
<b>Total equity and liabilities</b>	<b>783,272</b>	<b>683,744</b>	<b>1,019,477</b>

### Pledged assets and contingent liabilities

SEK thousand	Jan 31, 2021	Jan 31, 2020	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	82,600	96,848	92,599
<b>Total contingent liabilities</b>	<b>82,600</b>	<b>96,848</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 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 22 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](#).

## 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 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 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 for the period as a percentage of average adjusted equity.
<b>Return on capital employed (ROCE)</b>	Profit after financial items plus financial expenses as a percentage of average capital employed.
<b>Return on total capital</b>	Profit after financial items plus financial expenses as a percentage of average total assets.
<b>Operating profit</b>	Profit before financial items and income tax.
<b>Operating profit per share</b>	Operating profit divided by the number of shares before dilution on the balance-sheet date.
<b>Operating margin</b>	Operating profit 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 on the balance-sheet date.
<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>	Profit after 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, 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.