

Six-month interim report 2018/2019:

Stronger cash flow and increased order bookings in the US

Presentation December 7, 2018

Torbjörn Kronander, CEO and President Sectra AB

Mats Franzén, CFO Sectra AB

Summary of the quarter

- Imaging IT lead the way but all areas showed growth.
- Special focus and happy customers in the US resulted in good order intake.

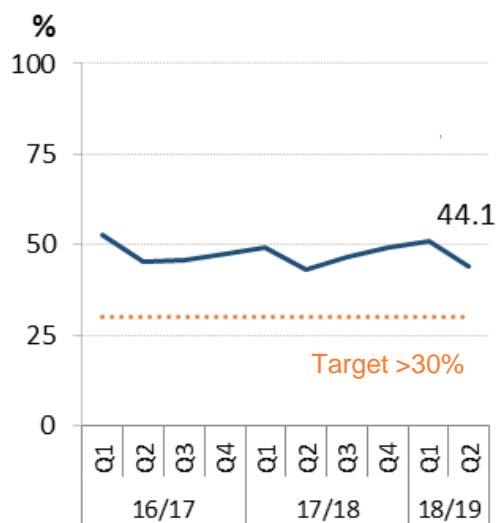
Highlights from Q2

Torbjörn Kronander, CEO and President

All financial targets for the Group fulfilled

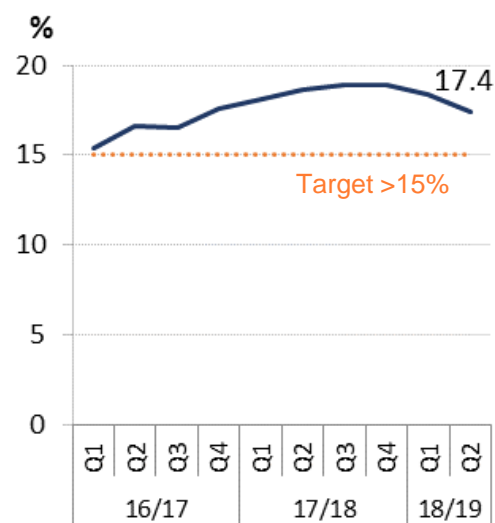
1. Stability

Equity/Assets ratio,



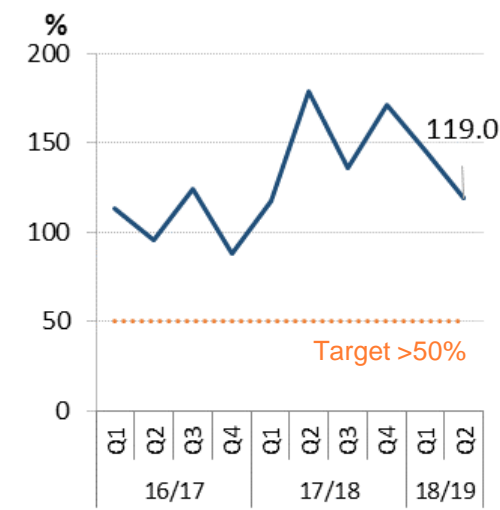
2. Profitability

Operating margin



3. Growth

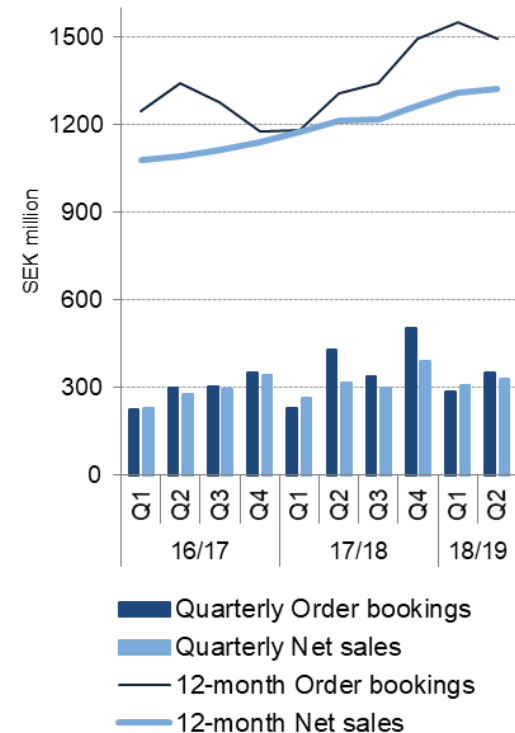
EBIT/share growth over a 5-year period



Priority

Order bookings for the Group

- US order intake doubled.
- Second strongest Q2 ever, but challenging comparison y/y.
- Substantial variation between quarters as orders sometimes are very large.



Imaging IT Solutions

- Announcement of agreement with the world-renowned US university hospital **Stanford Health Care** and Lucile Packard Children's Hospital.



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Several orders received from large US healthcare providers:

- » Kettering Health Network
- » Regional Health
- » Deaconess Health System



Secure Communications

- NATO order for the Sectra Tiger/S encrypted mobile phone .



Imaging IT Solutions

- Sectra's medical IT operations received "Cyber Essentials" national cybersecurity certification in the UK.



Increasing synergies
between Imaging IT and
Secure Communications

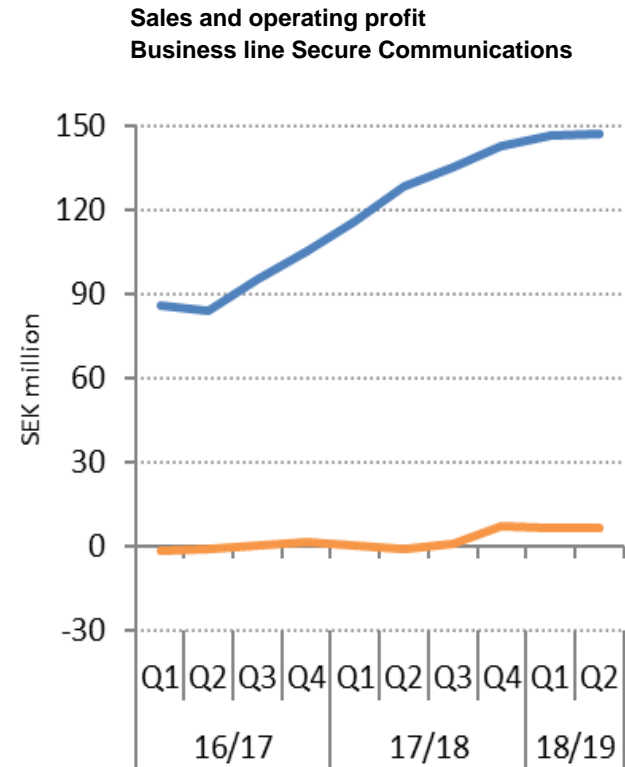


Secure Communications

SECTRA

Trend

- Good growth.
- Growth initiatives:
 - Critical infrastructure product area
 - Mobile secure ecosystems
 - New geographic areas
- The costs for the initiatives are charged to earnings but is ultimately expected to generate a positive return.



Critical infrastructure @ Sectra

- Substantial interest, but by its nature a slow market.
- Several customers now fully operational.
- New legislation may drive demand.

Growth strategy:

- Focus on the energy sector.
- Expand into new geographic markets based on solid references in Scandinavia.



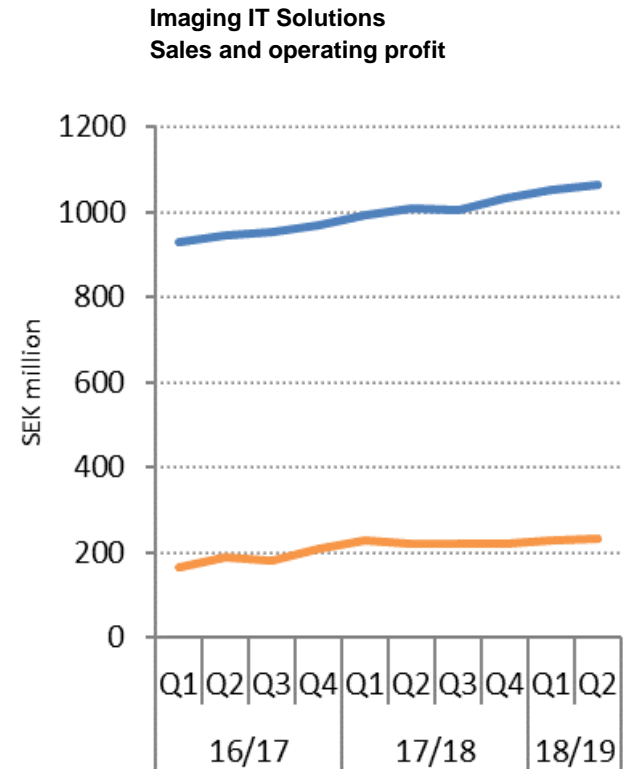


Imaging IT Solutions

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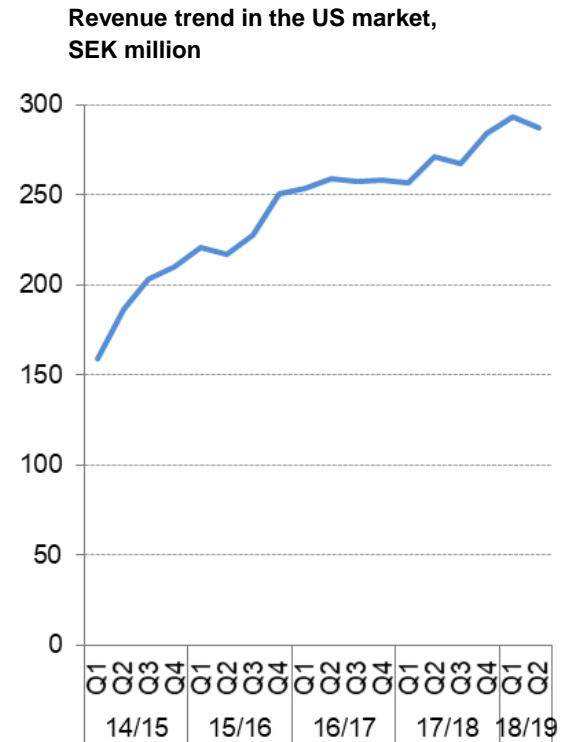
Trend

- Continued trust & extended agreements with existing customers.
- Example of growth initiatives:
 - Special focus US
 - Digital pathology
 - Cardiology
 - Direct sales in new markets
 - Entering a new country is costly and takes time.
 - New distribution partners



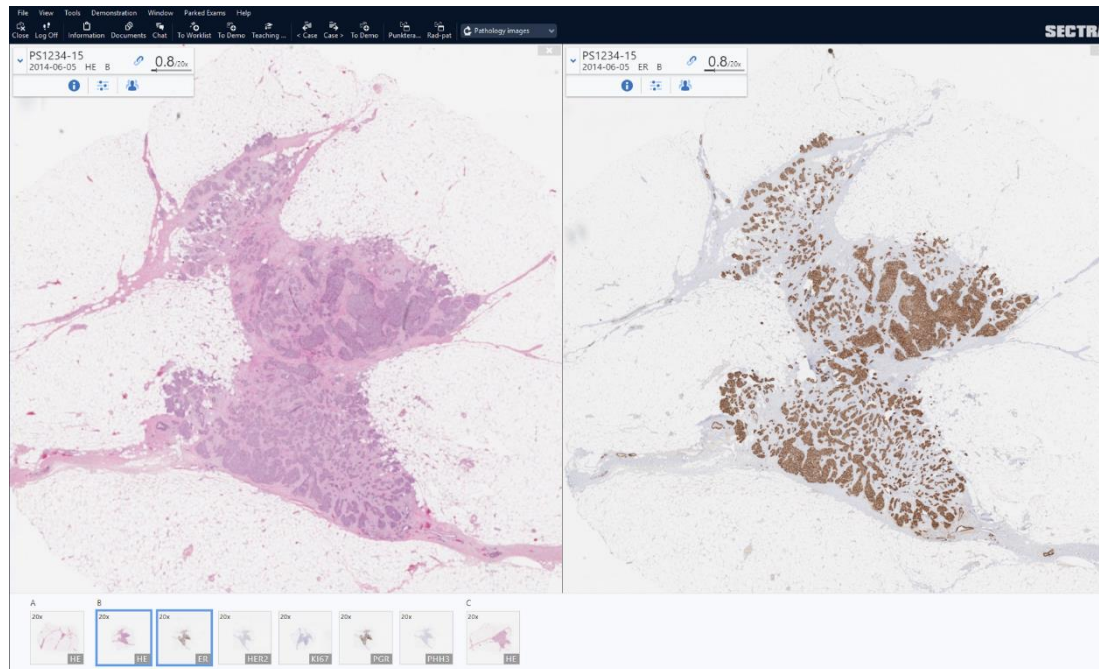
Imaging IT Solutions in the US

- Special focus area
- Opportunity:
 - The world's largest market
 - Highest customer satisfaction
 - Small (growing) market share
- Recent orders from well respected customers strengthen Sectra's market position.



Digital pathology @ Sectra

Digital pathology: The next wave in digitization of hospitals.



Digital pathology @ Sectra

Status

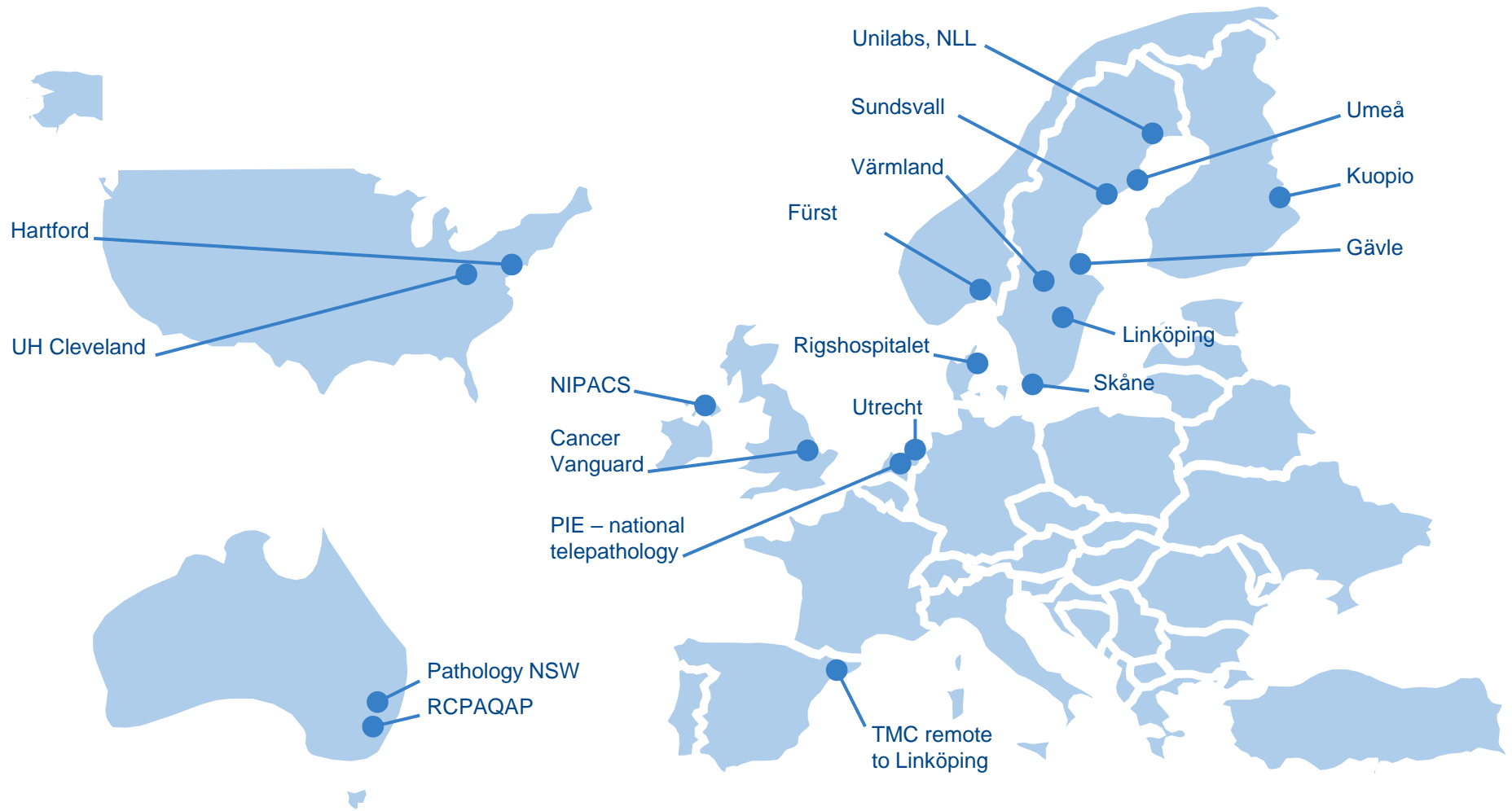
- Rapid growth.
- Large synergies with Radiology
- Sweden is world leading in digital pathology penetration.
- Sectra has dominant market share in Sweden.
- Nationwide telepathology solution in the Netherlands.

Growth strategy

- One system for Pathology, Radiology and Cardiology Imaging.
- Integrated diagnostics.
- FDA submission as soon as possible (must wait for approved scanner)

References

Digital Pathology @ Sectra





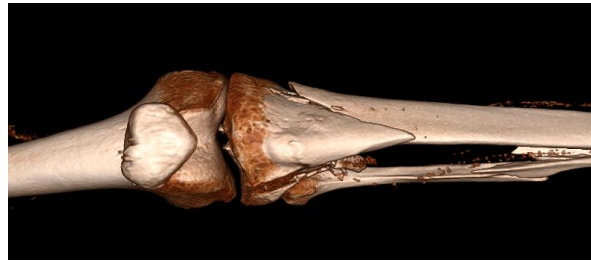
Business Innovation

Future growth projects

Business Innovation



Medical education



Software tools for
orthopedic surgery



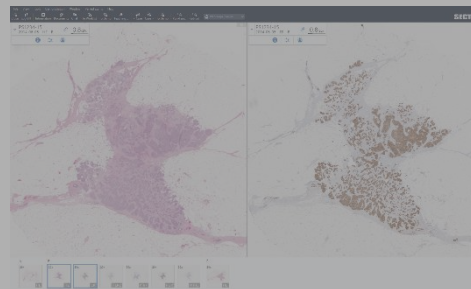
Research

Secure Communications



IT security for
critical infrastructure

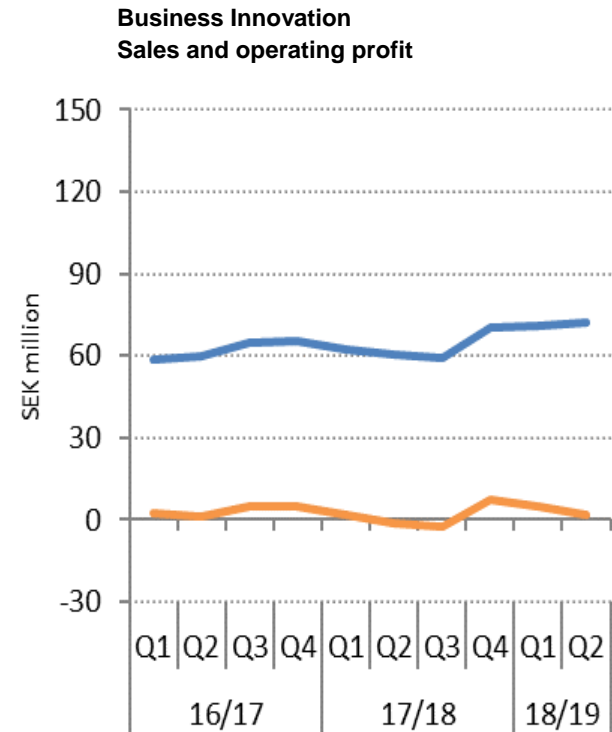
Imaging IT



Digital pathology

Trend

- **New areas within orthopaedics:**
 - Visualization and planning for 3D trauma surgery (Pre OP)
 - IMA: Sectra Implant Movement Analysis (Post OP)
 - CTMA: Computer Tomography Micro motion Analysis (For clinical research & studies)
- **Medical Education transition:**
 - From device delivery to a service including cloud-based content subscriptions
- **Research**
 - Large focus on AI for medical applications



AI/Machine learning

- Increase the efficiency of physicians' daily work, not replacing them.
- An “app-store” of AI applications in Sectra's solution for managing medical images.
- AI will permeate most business units in the future.



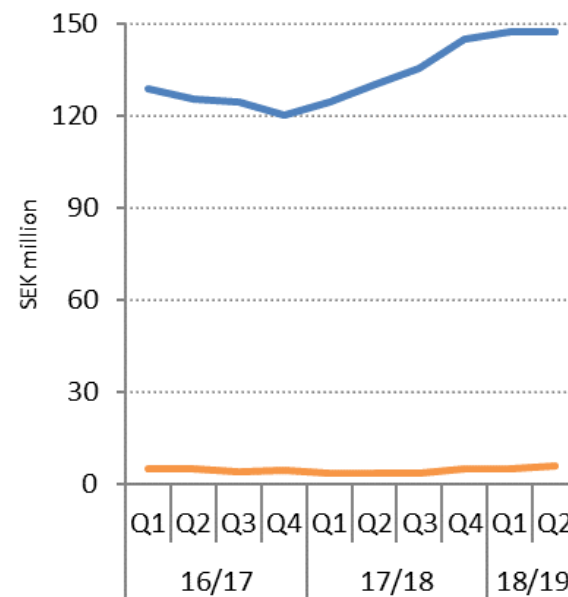


Customer Financing

Trend

- Main income from multiyear contracts in the UK.
- Significant exposure to the GBP.

Sectra Customer Financing
Sales and operating profit

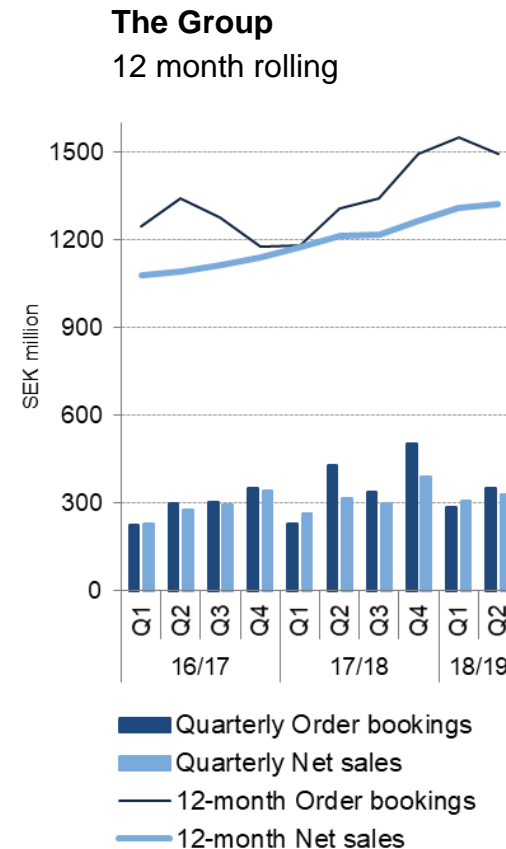


Financial figures

Mats Franzén, CFO

Order bookings and net sales trend

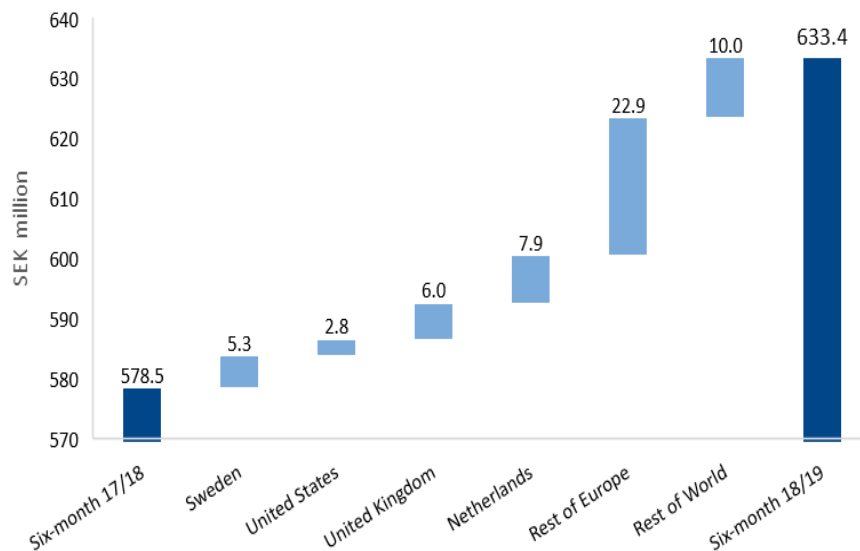
- Order intake y/y period down 2,6%
- Net sales increased 9.5%
 - Adjusted for currency fluctuations up 4.6%
- Weaker SEK



Changes compared with the corresponding period previous fiscal year.

Sales trend by geographic market

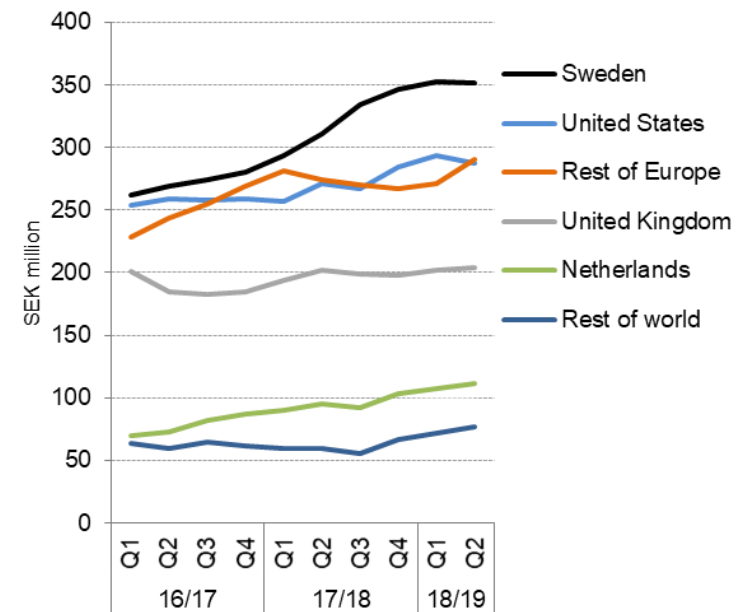
By geographic market



Changes compared with the corresponding period previous fiscal year.

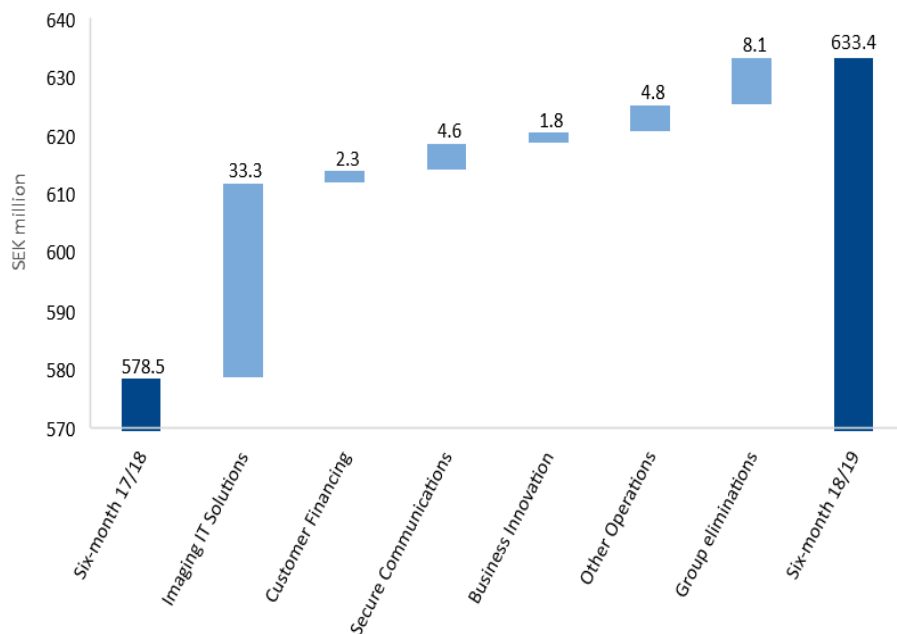
Trend

12 month rolling



Sales trend by business segment

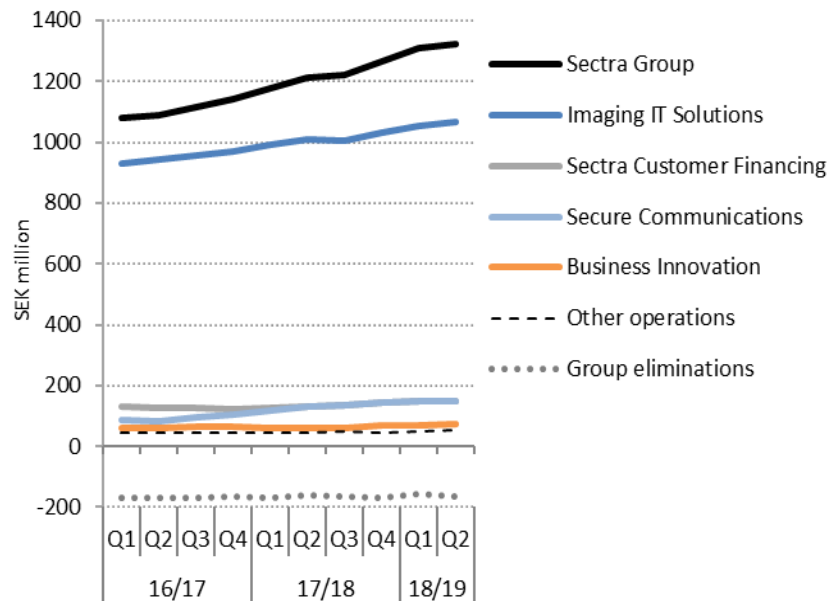
By business segment



Changes compared with the corresponding period previous fiscal year.

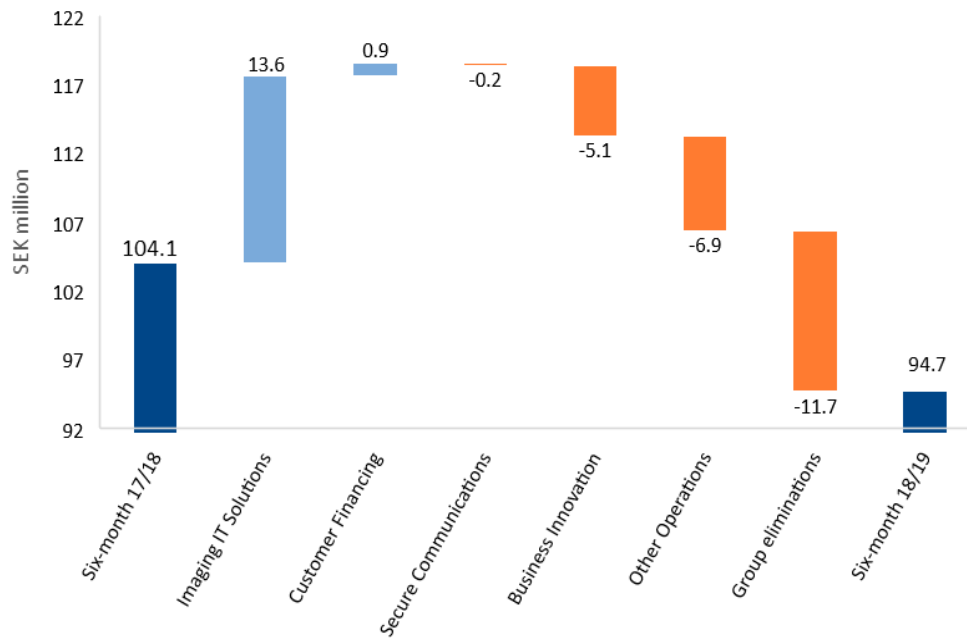
Trend

12 month rolling

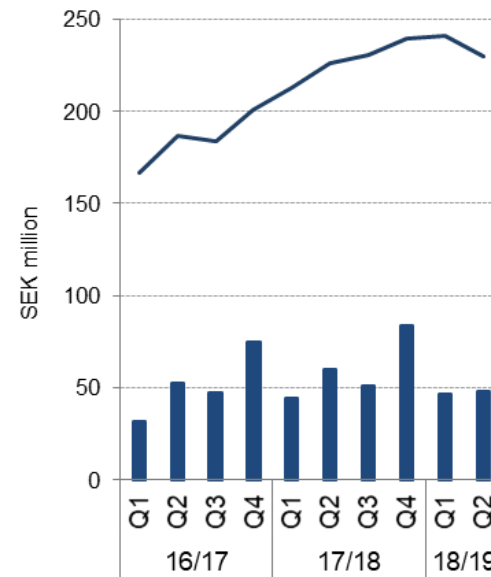


Operating earnings trend

By segment



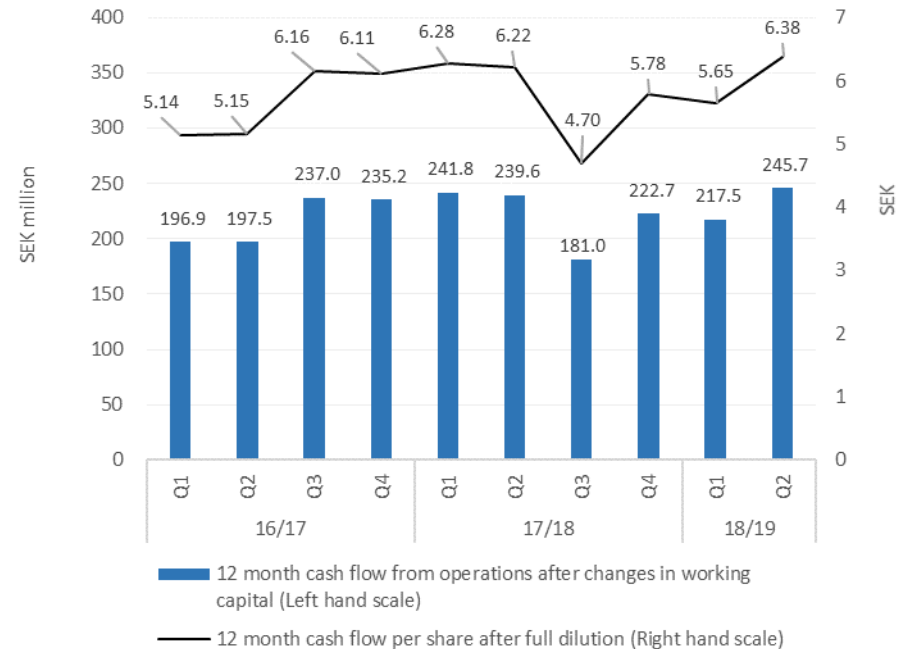
Trend for the Group
12 month rolling



Changes compared with the corresponding period previous fiscal year.

Cash flow

- Several comprehensive, long-term contracts signed 17/18
 - will tie up considerable capital during the installation phase.
- Long-term, the contracts will contribute to a solid future.

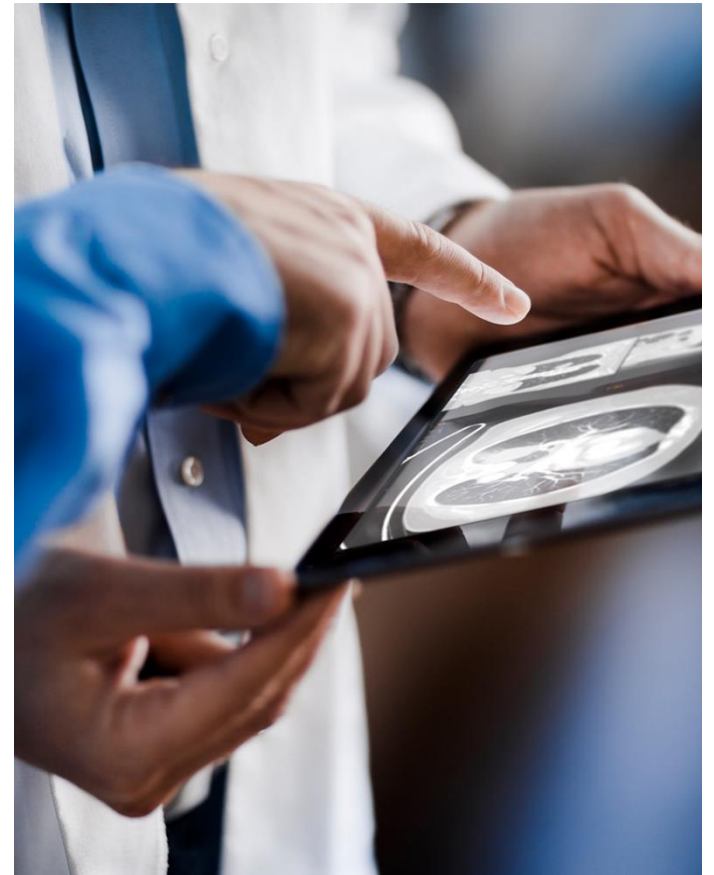


Highlights after the period

Torbjörn Kronander, CEO and President

Imaging IT Solutions

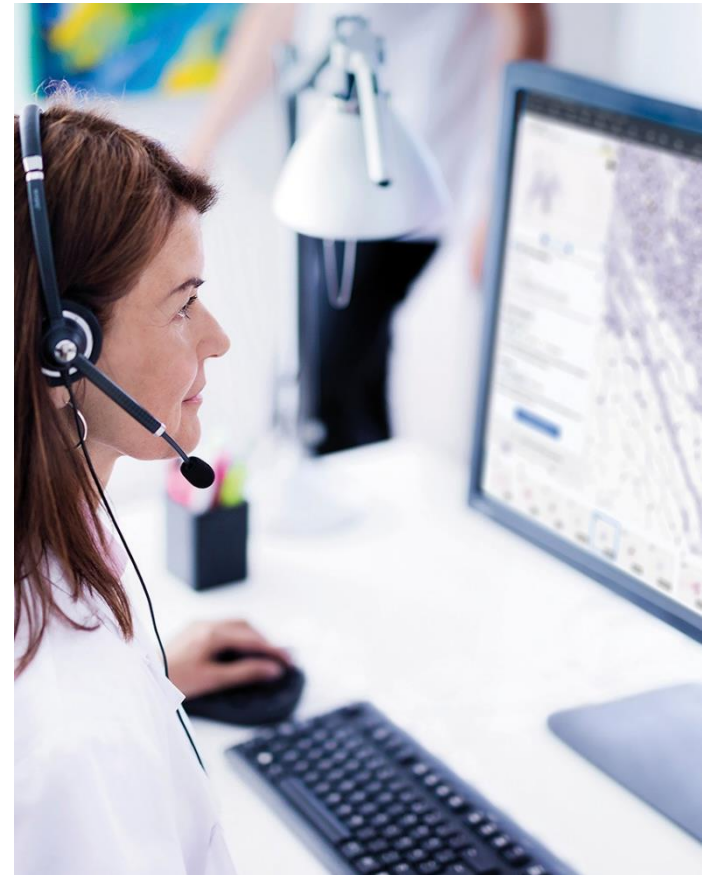
- Northern Pathology Imaging Co-Operative — British research project in the field of cancer diagnosis — to use Sectra's vendor neutral AI platform.



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Imaging IT Solutions

- South Korean distribution agreement for **digital pathology** signed with HuminTec.



Local and global presence

- Direct sales in 19 countries
 - France (medical) and Finland (security) established 2015/2016,
 - Canada (medical) 2016/2017
- Partner sales in select markets and business units
- Customers in > 60 countries
- Sectra's largest markets are:
 - Scandinavia
 - USA
 - UK
 - the Netherlands



Reflections from radiology congress

- RSNA 2018 kept us busier than ever before.



Sectra's way forward

Torbjörn Kronander, CEO and President



Everything is the
same...

Customer satisfaction drives all business

RATED #1 IN
CUSTOMER
SATISFACTION
5 years and counting



PACS



PACS & GLOBAL
(NON-US) PACS



PACS & GLOBAL
(NON-US) PACS



PACS & GLOBAL
(NON-US) PACS



PACS & GLOBAL
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Profit in business comes from repeat customers,
customers that boast about your project or service,
and that bring friends with them.

(W. Edwards Deming)

izquotes.com

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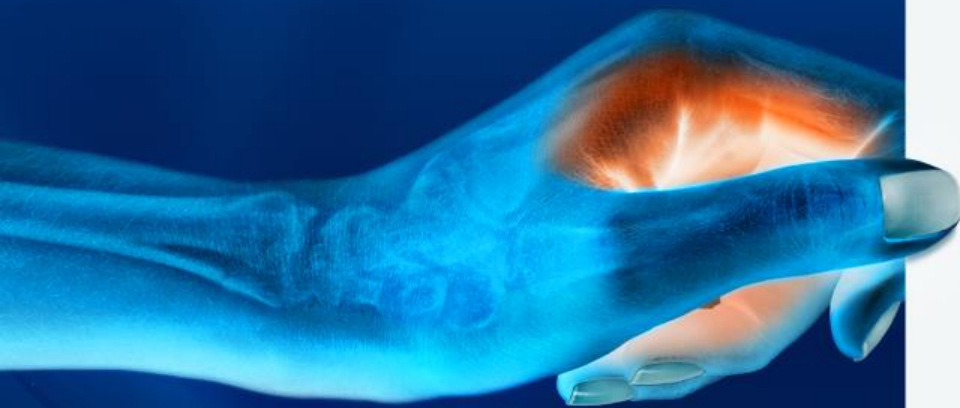
Knowledge and passion

Philosophy - Shareholders

If you have

- Happy customers
- Happy employees
- Perseverance and reasonable cost control
- A good vision going forward
- Then shareholders WILL be happy



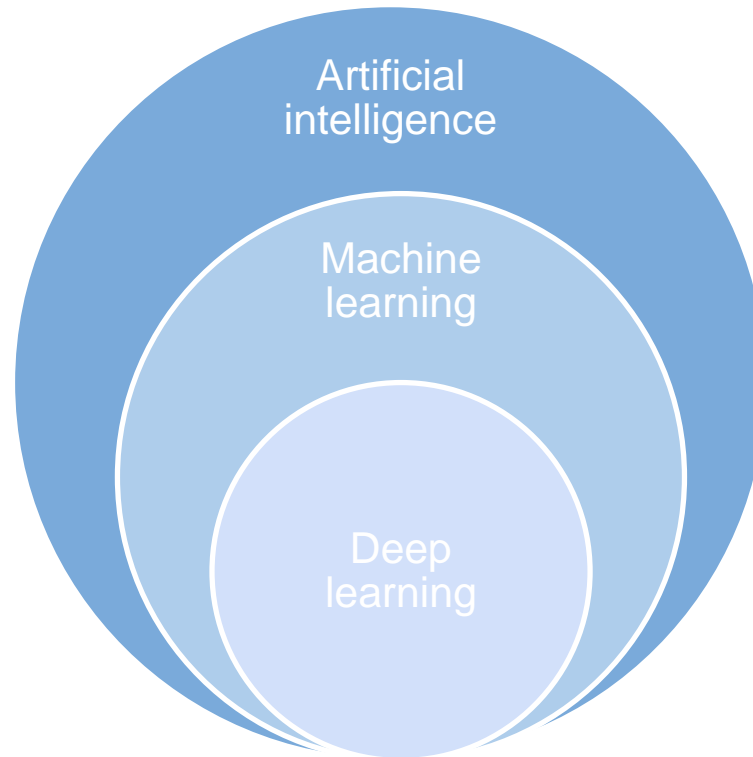


...and everything
is different

Quantum computers

- Will turn the security world upside down
- All of Internet security and all certificate-security is at risk
- Nobody know if, or when, they will be for real
- Perhaps they already exist?

AI landscape



Healthcare and Cybersecurity are in rapid change



"Where there is change, There is margin"

Being a shareholder in Sectra

Why Sectra?

- High customer satisfaction
- A strong brand in markets where trust is critical
- Profitable, strong cash flow, and a solid balance sheet
- Substantial and increasing recurring revenue
- Positioned in niche markets with substantial underlying growth
- Management owns shares
- Sustainable investments in R&D with exciting future opportunities



Upcoming financial report, CMD & AGM

- January 17, 2019: Capital Markets Day
- March 6, 2019: Nine-month interim report
- May 28, 2019 : Year-end report
- September 5, 2019: Annual General Meeting

Your feedback is important!

Please let us know what you think at

www.sectra.com/irsurvey

Questions?

If you follow online, please email your questions.
Use the email button.

SECTRA

Knowledge and passion

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