

Year-end report 2019/2020:

Sectra grows with increased profitability – operating profit for the year increased 25.4%

The 2019/2020 fiscal year was the best to date for Sectra in terms of earnings, and we exceeded our three financial goals. Our success and growth are built on high levels of customer satisfaction, long-standing customer relationships, high-quality products and skilled, dedicated employees. These conditions form a stable foundation for our future development and profitability. With a strong financial position, positive cash flow and significant recurring revenue, Sectra is well equipped to manage the great degree of uncertainty resulting from COVID-19. In light of this, it is proposed that the Annual General Meeting resolve that SEK 4.50 per share be distributed to the shareholders through a share redemption program.

REPORT PRESENTATION

June 3, 2020, at 10:00 am

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More information on page 15.

THE PERIOD AND THE QUARTER IN BRIEF

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

2019/2020 fiscal year

- Order bookings amounted to SEK 1,816.0 million (2,132.8). The comparative year included Sectra's largest order ever—a 13-year agreement with NSW Health in Australia worth SEK 560 million.
- Net sales rose 17.5% to SEK 1,661.1 million (1,413.5). Adjusted for currency fluctuations, sales increased 14.7%.
- Operating profit rose 25.4% to SEK 295.3 million (235.5), corresponding to an operating margin of 17.8% (16.7). Adjusted for currency fluctuations, operating profit increased 19.2%.
- Profit before tax amounted to SEK 303.0 million (248.8).
- This result includes nonrecurring items (refer to Secure Communications, page 10). These items had a positive net effect of SEK 1.4 million on operating profit.
- Cash flow after changes in working capital amounted to SEK 296.3 million (252.5).
- The Board and the President propose that the 2020 Annual General Meeting (AGM) resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process (refer to page 13). No ordinary dividend is proposed.

Fourth quarter, February–April 2020

- Order bookings amounted to SEK 716.2 million (1,104.9). The comparative quarter included the major order from NSW Health. Of the order bookings during the quarter, 36% were recognized during the fourth quarter and a further estimated 34% to 44% pertains to revenue within 12 months after the end of the quarter.
- Net sales increased 7.1% to SEK 507.6 million (474.1). Adjusted for currency fluctuations, sales increased 5.0%.
- Operating profit rose 18.1% to SEK 123.6 million (104.7), corresponding to an operating margin of 24.3% (22.1). Adjusted for currency fluctuations, operating profit increased 12.5%.
- Profit before tax amounted to SEK 126.7 million (110.9).
- Cash flow after changes in working capital amounted to SEK 81.0 million (72.1).
- The outbreak of COVID-19 has not had any significant effect on Sectra's financial outcome.

Key figures	The quarter ¹			Full-year ¹		
	Q4	Q4	Change	Q1–4	Q1–4	Change
SEK million	19/20	18/19	%	19/20	18/19	%
Order bookings	716.2	1,104.9	-35.2	1,816.0	2,132.8	-14.9
Net sales	507.6	474.1	7.1	1,661.1	1,413.5	17.5
Operating profit (EBIT)	123.6	104.7	18.1	295.3	235.5	25.4
Operating margin, %	24.3	22.1	n/a	17.8	16.7	n/a
Profit before tax (EBT)	126.7	110.9	14.2	303.0	248.8	21.8
Profit margin, %	25.0	23.4	n/a	18.2	17.6	n/a
Profit after tax	99.2	90.4	9.7	237.4	199.0	19.3
Earnings per share, SEK ²	2.58	2.36	9.3	6.18	5.21	18.6
Cash flow ³	81.0	72.1	12.3	296.3	252.5	17.3
Cash flow per share ^{2,3}	2.10	1.88	11.7	7.69	6.58	16.9
Average no. of employees	797	731	9.0	780	706	10.5

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

³ Cash flow from operations after changes in working capital.

CEO'S COMMENTS

When our customers in the healthcare sector become more efficient in their daily work and can thus provide care for more people, or when society's vulnerability decreases through the use of our data security solutions, then we have also succeeded. It is deeply satisfying that our long-term efforts in creating real value for customers, patients and society at large have enabled us to report the best earnings year in Sectra's history.

We are growing, with satisfied customers, and I am particularly proud of our employees and the tremendous work they are performing, which has led to the high levels of customer satisfaction we have today. Going to work is more pleasant—for both our employees and myself—when we have satisfied customers. Satisfied customers bring more business—business with profitability—which is confirmed by our financial outcome and our performance measures exceeding all our financial goals.

We are working according to plan and are reporting a strong conclusion to the fiscal year. All our operating areas are growing. Imaging IT Solutions accounted for the largest amount of profit growth having deployed numerous installations among both new and existing customers in recent quarters. The installations will generate multiyear revenue streams when they transition into the operational phase, which will promote stability and financial security—factors that cannot be undervalued in these times.

A number of our projects are extensive, which leads to broad fluctuations between quarters since a significant portion of earnings is recognized in conjunction with services going online and project deliveries. Accordingly, it is important to look more at trends than at the output for an individual quarter when assessing our development. In the coming fiscal year, we expect a weaker first quarter than normal and a sharp focus on deploying our services to customers during the second half of the year, particularly during the spring months. This is due in part to natural seasonal variations, when many customers want to go live before the relatively calm summer period, but also to delays in projects and orders because of COVID-19. Over the long term, our new subscription model for software licenses will enable more balance between quarters, but it is believed this will not have a major effect over the next few years.

The US is now Sectra's largest market

Gaining new customers costs more than nurturing and developing existing relationships. Our costs are therefore higher in markets where we are growing with new customers. For us, this concerns regions such as North America, where our specific initiatives have resulted in a robust expansion of our customer base in Imaging IT Solutions. It has also resulted over the past five years in us transitioning from being a relatively unknown supplier to being one of the most requested in our niche in the US. Even though to date we have a small market share in North America, it is growing rapidly, and the US overtook Sweden as Sectra's largest market during the year. After formal approval from the US Food and Drug Administration (FDA) in the fourth quarter, we can now also offer our digital pathology module to US customers.

How the pandemic affects us, and our customers

Sectra's customers play a key role in society, and this was also true for the pandemic that impacted the world during the quarter. Accordingly, our highest priority is ensuring that their operations continue to function despite a dramatic increase in workload in certain cases. To reduce the spread of COVID-19, many operations are being run from employees' home offices. For customers handling classified information, this places increased demand on data security from their home workspaces. In the field of medicine, home workspaces—in pathology and radiology, for example—require raising interest in digitalization or supplementing existing installations with new functions specifically aimed at online collaboration. For Sectra, this has led to an upswing in demand for mobile crypto solutions and for IT systems that permit radiologists and pathologists to review and collaborate on cases remotely, and also for solutions that enable education for medical students to continue remotely when universities close.

We experienced continued demand for our offerings during the fourth quarter. In certain cases, however, customer prioritization of the most necessary measures at the moment has led to postponement of planned projects or to purchasing departments putting ongoing procurements on hold. Though this entails delays in many projects, 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



“Delivering great value requires know-how, passion and teamwork.”

Torbjörn Kronander

customers, primarily in privately run hospitals, which is something that also impacts their long-term ability to invest. Certain healthcare providers have imposed temporary halts to investments. This promotes greater uncertainty than normal, and means that currently it is difficult to predict what effects COVID-19 will have on Sectra going forward.

Despite the great tragedy society is currently experiencing owing to COVID-19, the long-term changes mean possibilities for enhancing efficiency and business development. Both we and our customers are acquiring know-how for new ways of working remotely, and in our opinion much of this will lead to changed and more efficient approaches after COVID-19 as well. This is something that over the long term could create opportunities for an agile company like Sectra.

Outlook

Our future is an exciting one. Technological developments are providing us opportunities to add new value for our customers, and we operate in industries where the underlying societal trends themselves are driving growth. These are trends that mean society must both solve the problems of health care for a continually aging population, and must be protected against cybercriminality that threatens its foundations and human survival. What happens with crypto when quantum computers become a functional reality? Can we use AI to learn what we should do for a new patient from historical patient data, and what possibilities then open up? How can we provide tools to improve the results for orthopaedic surgery, one of the most common surgical procedures for older people that is rapidly growing? How can we help healthcare personnel manage patients, providing them with the best possible treatment in a world where the rate at which medical knowledge doubles is measured in months instead of human lifetimes? These are areas where Sectra can help. But entirely new areas will also emerge, as well as customer problems where we can solve and translate these needs into new products.

Our stable development and positive underlying cash flows and profitability give me every reason to remain optimistic. We have a number of exciting projects in the pipeline as well as completely new geographic markets that could eventually become significant. Our possibilities for growth are strong in all operating areas for the foreseeable future, even if COVID-19 will likely mean temporarily dampened demand in certain markets. With our work and investments in the field, and innovation that has the potential to increase customer value, we are creating value for our customers and are thus helping to make society healthier and safer. This customer value is the foundation of our success, and also determines how we successfully create shareholder value and returns for our owners.

Torbjörn Kronander, President and CEO, Sectra AB





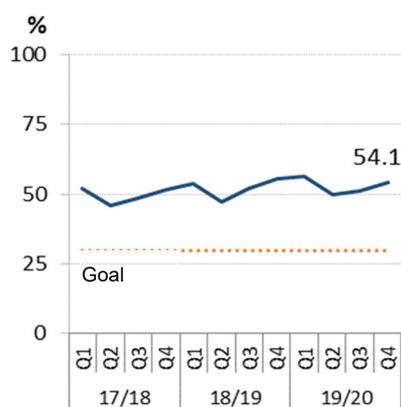
Diagrams

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

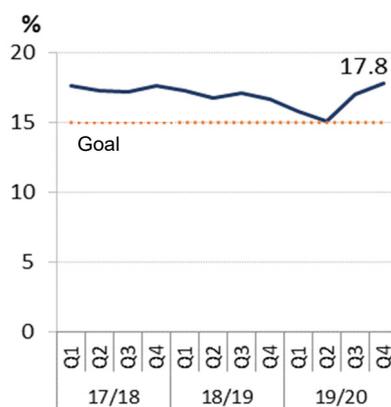
FINANCIAL GOALS

We have exceeded the levels for the three 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:

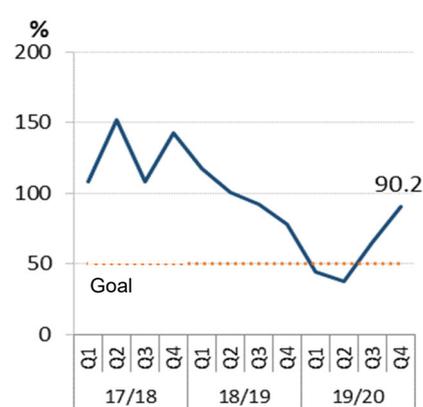
1. Equity/assets ratio $\geq 30\%$



2. Operating margin $\geq 15\%$



3. Operating profit per share is to grow $\geq 50\%$ over a five-year period



EVENTS

Fourth quarter

- Sectra's digital pathology model obtained approval from the FDA for primary diagnostics and remote viewing in the US.
- The Hospital for Special Surgery in the US, a leading university hospital in musculoskeletal radiology, put Sectra's IT support for digital pathology into operation, which was the first stage in a project for digitizing the operations' pathology images. The functions for digital pathology are an expansion of their existing IT solution from Sectra for managing medical images.
- Healthcare provider Mayfair Diagnostics in Canada ordered Sectra's IT solution for medical imaging IT. This order was the first under our new subscription model for software licenses.
- The MetroHealth System university hospital in Ohio and St. Elizabeth Healthcare, part of the renowned Mayo Clinical Care Network in the US, ordered Sectra's IT solution for medical imaging IT.
- Region Halland in Sweden signed an agreement with Sectra on comprehensive IT support for radiology, in which images and information will be available across the region. The agreement means that Sectra assumes full responsibility for the technology and operations in the customer's management of medical images.
- Sectra initiated a collaboration with University Medical Center Utrecht (UMCU) in the Netherlands for the purpose of making it easier and safer to introduce artificial intelligence (AI)-based tools into the healthcare sector.
- Sectra received orders for crypto solutions for mobile telephony, smartphones and the blue-light emergency services' communication network TETRA from several European government authorities.
- The spread of COVID-19 has turned into a serious pandemic. National borders have closed, and countries have implemented quarantine measures and other restrictions to limit the spread of infection. Many of Sectra's customers are affected, especially those in healthcare who need to prioritize caring for patients who have taken ill. Sectra is adapting its operations to these new conditions, and the majority of the company's work is being performed remotely. The situation has not had any significant impact on Sectra's financial outcome during the quarter, however. Read more under "Risks and uncertainties" on page 14.

After the end of the reporting period

- Sanford Health, one of the largest healthcare providers in the US, is expanding its Sectra solution for medical imaging IT with cardiology.

SECTRA'S MARKETS

We play a key role in meeting the needs of medical imaging IT and cybersecurity—two changing, growing markets with additional scope for expansion, where the underlying societal trends mean these areas must grow.

Sectra's 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.



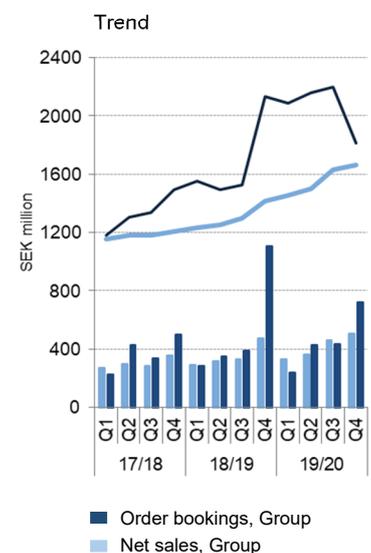
Our vision—contributing to a healthier and safer society

COMMENTS ON THE GROUP'S FINANCIAL OUTCOME DURING THE FISCAL YEAR AND THE QUARTER

Order bookings and net sales

Order bookings for the fiscal year totaled SEK 1,816.0 million (2,132.8), of which SEK 716.2 million (1,104.9) pertained to the fourth quarter. The ratio of order bookings to net sales totaled 1.09 at the end of the fiscal year. Major long-term agreements contribute to increased stability, but also give rise to significant variations in order bookings between individual quarters. The comparative quarter for 2018/2019 includes, for example, an extensive order from NSW Health in Australia with an order value of SEK 560 million. Imaging IT Solutions' operations in the Netherlands, the UK and the US accounted for the largest individual increases during the fiscal year. A large portion of the order bookings pertain to multiyear customer contracts.

Net sales for the fourth quarter increased 7.1% to SEK 507.6 million (474.1). The increase is primarily related to deployment of major customer projects in Imaging IT Solutions. Net sales for the fiscal year totaled SEK 1,661.1 million (1,413.5), corresponding to an increase of 17.5%. More than 70% of our net sales are carried out in foreign currency, primarily EUR, USD and GBP, which entails a relatively large sensitivity to exchange rates. Adjusted for currency fluctuations (refer to page 20), sales increased 14.7% year-on-year.

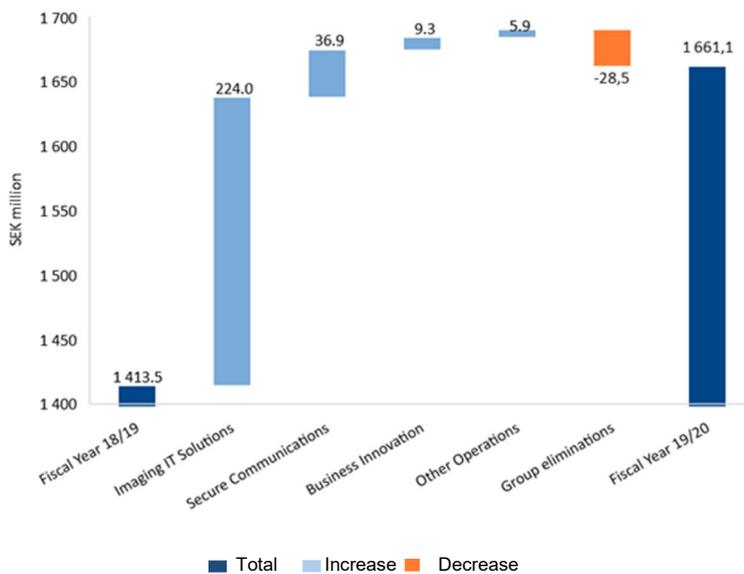


Sales per operating area and geographic market

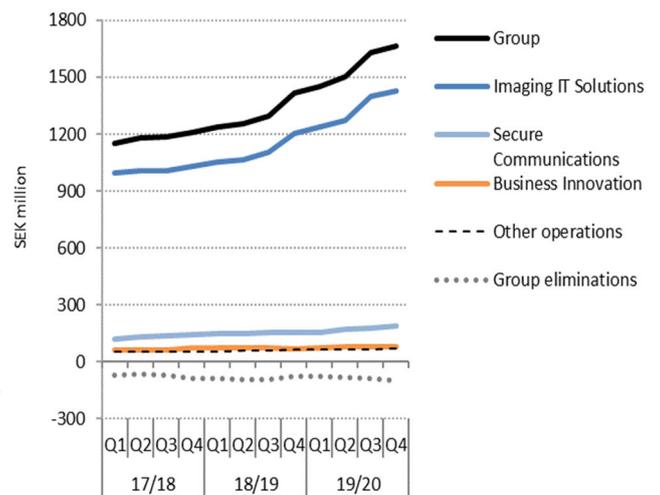
The strong order bookings over the last few years continue to generate revenue. All operating areas and geographic markets except the UK reported sales growth during the fiscal year. In the UK, revenue from sales of own products is increasing, though revenue from third-party products is lower than the comparative year. The operations in the US are responsible for the largest geographic growth during the period, with sales growth of 43.4% from the comparative year.

Sales trend per operating area

Compared with the corresponding period in the preceding fiscal year

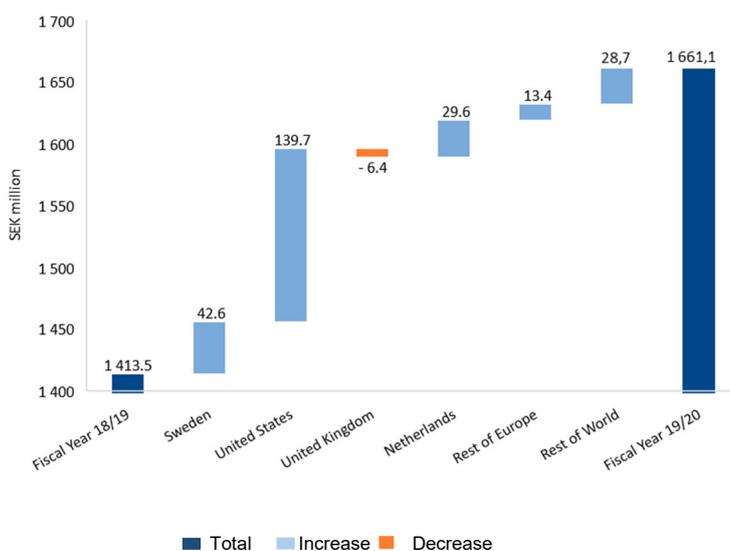


Trend

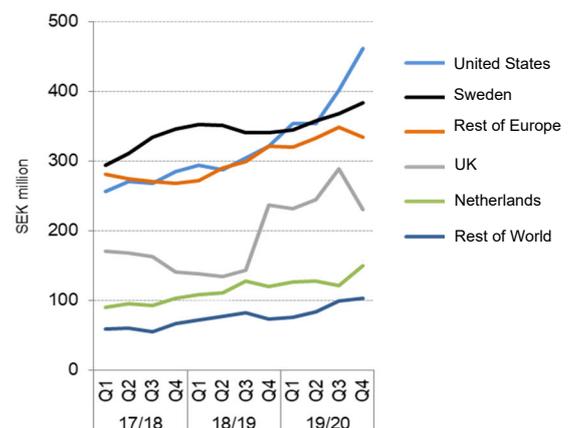


Sales trend per geographic market

Compared with the corresponding period in the preceding



Trend



Earnings

The Group's operating profit increased 25.4% to SEK 295.3 million (235.5), of which SEK 123.6 million (104.7) pertained to the fourth quarter. This corresponds to an operating margin of 17.8% (16.7) for the fiscal year and 24.3% (22.1) for the fourth quarter. Adjusted for currency fluctuations, operating profit increased 19.2% from the comparative year. The Group's operating costs before depreciation and amortization in 2019/2020 increased 24.6% to SEK 316.6 million (254.0), primarily as a result of higher personnel and consulting costs. This increase is primarily attributable to ongoing investments in future areas and an enhanced capacity for the installation and deployment of Sectra's medical imaging systems resulting from the growth in demand over the past year. Major system installations with new customers entailed significant initial costs and a negative effect on cash flow, which primarily affected the outcome for the first half of 2019/2020. Customers have now started to go live with the solutions, which has had a positive effect on revenue and on the Group's earnings, margin and cash flow.

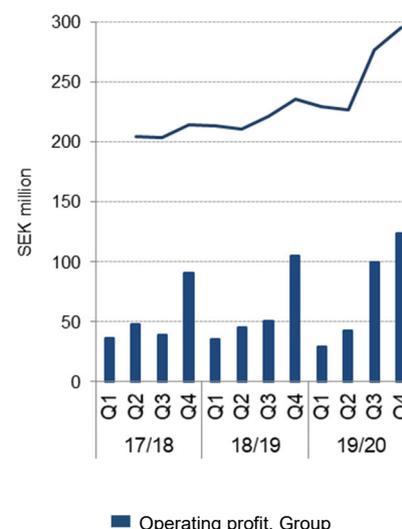
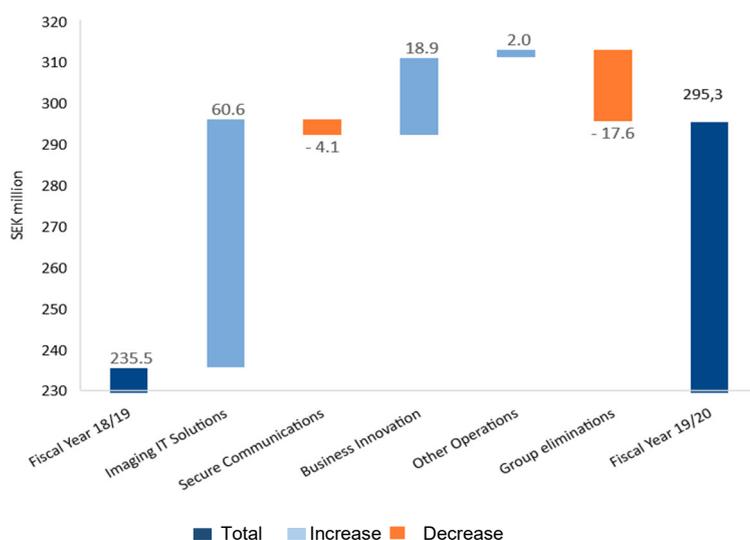
The Group's net financial items amounted to SEK 7.7 million (13.3), of which SEK 3.2 million (6.2) pertained to the fourth quarter. Currency fluctuations (refer to page 20) had an impact of SEK 3.7 million (4.9) on the Group's financial items. Sectra does not hedge its operations, and currency fluctuations therefore have an immediate impact.

The above figures include nonrecurring items related to the Secure Communications operating area's acquisition of the Finnish company EXP Analytics Oy in 2015 (refer to page 11). These items pertain to the reversal of a contingent consideration and impairment of goodwill, which had a positive net impact of SEK 1.4 million on profit before tax. Profit after net financial items amounted to SEK 303.0 million (248.8), of which SEK 126.7 million (110.9) pertained to the fourth quarter. This corresponds to a profit margin of 18.2% (17.6) for the fiscal year and 25.0% (23.4) for the fourth quarter. Earnings per share totaled SEK 6.18 (5.21) for the period, of which SEK 2.58 (2.36) pertained to the fourth quarter.

Operating profit trend per operating area

Compared with the corresponding period in the preceding fiscal year

Trend



Financial position and cash flow

After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 345.3 million (331.9).

The Group's debt/equity ratio was 0.11 (0.04) as of the balance-sheet date. The change pertains to the transition to the new accounting policies according to IFRS 16 (refer to Note 1 on page 21). Interest-bearing liabilities amounted to SEK 87.4 million (31.5), of which SEK 80.9 million (0.0) pertained to lease liabilities according to IFRS 16 and SEK 6.5 million (31.5) pertained to convertible loans held by employees and Board members.

Cash flow from operations after changes in working capital amounted to SEK 296.3 million (252.5) for the fiscal year, of which SEK 81.0 million (72.1) pertained to the fourth quarter. Cash flow per share amounted to SEK 7.69 (6.58) for the period, of which SEK 2.10 (1.88) pertained to the fourth quarter.

Cash flow from investing activities amounted to a negative SEK 78.5 million (neg: 34.9) for the fiscal year, of which a negative SEK 21.1 million (neg: 11.4) pertained to the fourth quarter. Refer to the information about investing activities below.

The Group's total cash flow for the fiscal year was SEK 21.2 million (48.7). This result includes a disbursement of SEK 172.6 million (171.5) to the shareholders in conjunction with share redemption programs during the second quarter of the fiscal year. Excluding the share redemption program, total cash flow amounted to SEK 193.8 million (220.2).

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

10–15%

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

Investments and depreciation/amortization

Group investments during the fiscal year amounted to SEK 78.5 million (34.9), of which SEK 21.1 million (11.4) pertained to the fourth quarter. The period's investments pertain primarily to capitalized development costs, infrastructure for cloud solutions for medical imaging, purchasing rights for software and the acquisition of assets in Columbitech AB (refer to page 11).

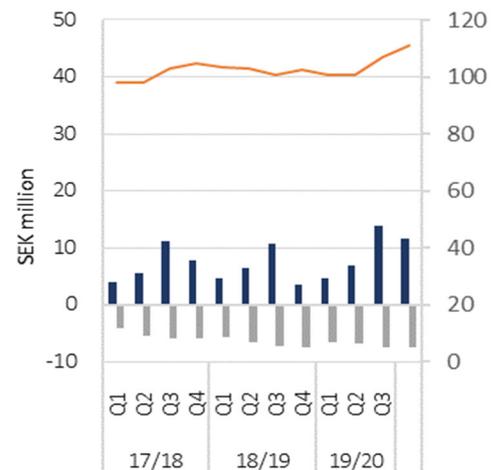
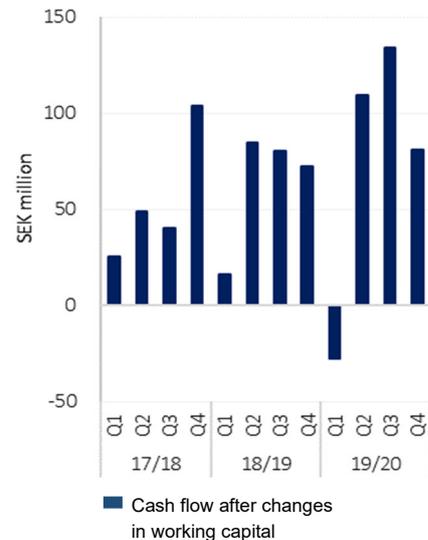
Depreciation/amortization for the fiscal year amounted to SEK 72.2 million (46.8), of which SEK 19.1 million (12.5) pertained to the fourth quarter. Depreciation of right-of-use assets according to IFRS 16 for the fiscal year amounted to SEK 22.0 million (0.0), of which SEK 5.8 million (0.0) pertained to the fourth quarter. In addition, depreciation/amortization related to Sectra's acquisition of EXP Analytics Oy in 2015 amounted to SEK 7.4 million during the third quarter (refer to page 11).

Capitalized work for own use during the fiscal year amounted to SEK 41.8 million (37.3), of which capitalized development costs accounted for SEK 36.9 million (25.2). During the fourth quarter, capitalized work for own use amounted to SEK 12.1 million (15.6), of which capitalized development costs accounted for SEK 11.5 million (3.6). Of the total depreciation/amortization for the fiscal year, SEK 28.4 million (27.3) was attributable to capitalized development projects, of which SEK 7.6 million (7.5) pertained to the fourth quarter. At the end of the period, capitalized development costs totaled SEK 111.0 million (102.6).

Seasonal variations

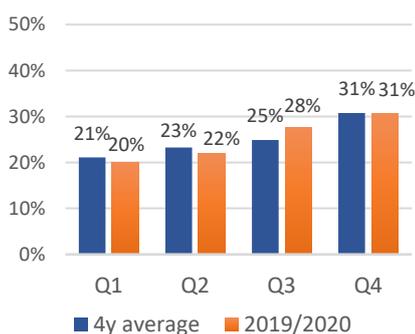
Sectra's seasonal variations entail that most of the company's invoicing and earnings have traditionally been generated at the end of the fiscal year. The variation in order volumes in individual quarters can also be substantial when customers sign major multiyear agreements with the company, for example, for medical IT projects or encryption systems.

Consolidated cash flow

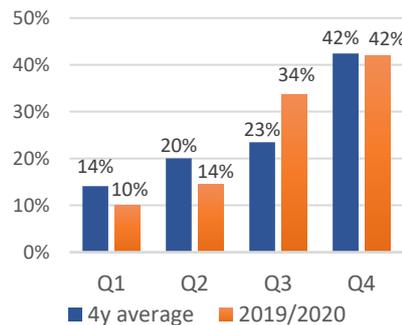


■ Capitalization of development costs (left hand scale)
 ■ Depreciation/amortization capitalized development costs (left hand scale)
 — Capitalized development costs at end of period (right hand scale)

Net sales per quarter



Operating profit per quarter



IMAGING IT SOLUTIONS

	The quarter			Full-year		
	Q4	Q4	Change	Q1-4	Q1-4	Change
	19/20	18/19	%	19/20	18/19	%
Sales, SEK million	445.9	413.8	7.8	1,428.2	1,204.2	18.6
Operating profit, SEK million	131.6	106.8	23.2	317.6	257.0	23.6
Operating margin, %	29.5	25.8	n/a	22.2	21.3	n/a

We experienced increased demand for Sectra's products during the fiscal year, both in our large markets (the Netherlands, the UK and the US) and in new markets, such as Canada, via new distribution partners. Our high customer satisfaction and the distinction of "Best in KLAS" were important factors in this trend. In the fourth quarter, it was primarily our large markets in the US and Sweden that contributed to order bookings. We also received the first order based on our new subscription model for software licenses during the quarter: our Canadian customer Mayfair Diagnostics, who chose to purchase our IT solution for medical imaging IT.

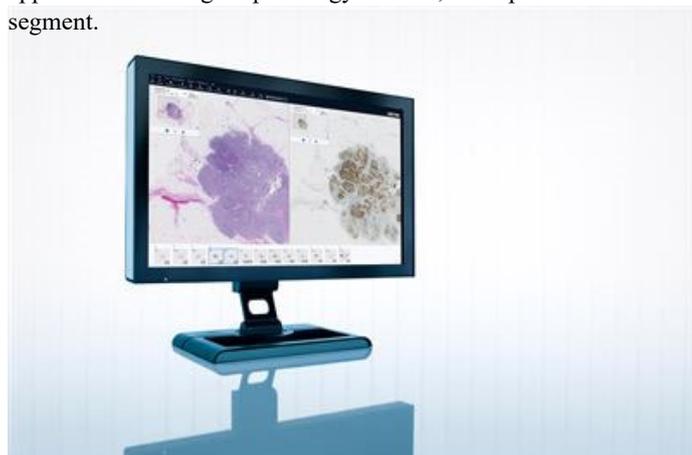
Imaging IT Solutions sales increased 18.6% compared with the preceding year. Operations in the US represent the single largest increase in sales: 43.4%, to SEK 461.4 million. Following that, our operations in Canada and the Netherlands showed the greatest increase in 2019/2020.

Deploying our services to new and existing customers enabled an increase in operating profit of 23.6% compared with the preceding year, and the margin was strengthened by a larger share of licensed content in deliveries and increased capitalization of development costs. We deployed a number of installations to many healthcare providers during the fourth quarter, including Charlotte Radiology (US), University Medical Center Groningen and Maastricht University Medical Center (NL) and University of Leeds (UK).

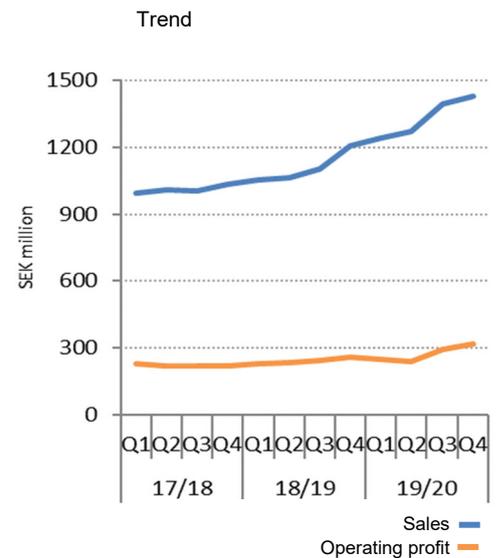
To take care of more customers, delivery capacity was gradually strengthened during the fiscal year, primarily in the US but also in growth markets such as Australia, Canada and France, where we received important breakthrough orders in 2018/2019. Additional major installation projects are ongoing and are expected to be deployed to customers during the coming fiscal year and onwards.

Sectra growing quickly in the US

After long-term growth initiatives, our operations in the US have overtaken Sweden and is now Sectra's largest market. The increased demand in the US market encompasses medical imaging IT (or "enterprise imaging") as well as cardiology and digital pathology. In the fourth quarter we also obtained FDA approval for our digital pathology module, an important advance in this product segment.



Following formal FDA approval, healthcare providers in the US can now use Sectra's digital pathology solution for primary diagnostics and remote viewing.



BUSINESS INNOVATION

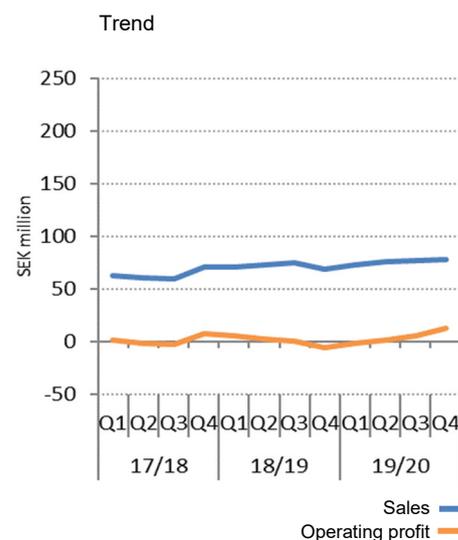
	The quarter			Full-year		
	Q4	Q4	Change	Q1-4	Q1-4	Change
	19/20	18/19	%	19/20	18/19	%
Sales, SEK million	22.5	21.2	6.1	78.1	68.8	13.5
Operating profit/loss, SEK million	8.7	0.8	987.5	12.9	-6.0	315.0
Operating margin, %	38.7	3.8	n/a	16.5	neg	n/a

Business Innovation is our incubator for early-stage business units, projects and ideas that are not yet large enough to become independent operating areas and are not deemed to 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. The business units have new products that have attracted considerable market attention and both operations have improved their outcome compared with preceding years. Business Innovation's sales increased 13.5% during 2019/2020, which is primarily attributable to products and services sold as part of the Imaging IT Solutions customer offering. The increase in sales has strengthened operating profit. Moreover, previously reserved expected credit losses could be redeemed in conjunction with payments received, which has a positive net effect on operating profit of SEK 3.2 million, of which SEK 2.3 million pertained to the quarter.



Sectra helps teachers and students to carry out their medical education remotely when higher education institutions are closed as a result of COVID-19.

"It is a relief for us to be able to use the Education Portal given the situation that we now find ourselves in with the spread of COVID-19. The cloud service provides us with the ability to access the clinical cases we use in our teaching, and students are able to continue their studies remotely now that all schools and universities are closed," says Dr. Rosemarie Heyn of the Sapienza University of Rome.

SECURE COMMUNICATIONS

	The quarter			Full-year		
	Q4	Q4	Change	Q1–4	Q1–4	Change
	19/20	18/19	%	19/20	18/19	%
Sales, SEK million	53.1	41.5	28.0	189.3	152.4	24.2
Operating profit/loss, SEK million	3.5	4.3	-18.6	2.9	7.0	-58.6
Operating margin, %	6.6	10.4	n/a	1.5	4.6	n/a

Secure Communications is growing, primarily through increased sales from project-based development activities and approved crypto products that protect information essential to the security of critical social functions. This project-based development is partially paid for by customers and will eventually lead to product delivery, which entails an increased operating margin compared with development projects.

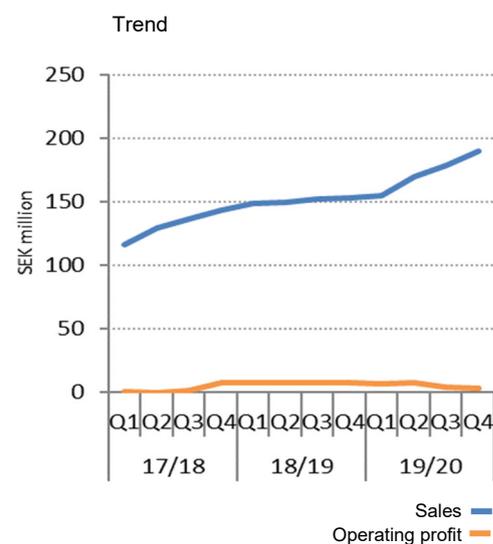
Historically, the business model in the operating area has largely been built on delivering products and projects, but now the focus is on expanding the share of operational and support services. Our ambition is to continue to grow profitably within all customer segments. The growth strategy has a clearer focus on customer segments and increasing service sales, while expanding the customer offering through partnerships. Operating profit was charged with our long-term growth initiatives. During the fiscal year, we invested in such measures as development that enables capacity increases in our offerings for critical infrastructure and information security in conjunction with mobile working for government agencies and private business. We have also begun preparations for internationalizing our products and services in this customer segment.

The figures for full-year 2019/2020 include the reversal of a contingent consideration amounting to SEK 8.8 million and impairment of goodwill totaling a negative SEK 7.4 million. Excluding these items, operating profit was SEK 1.5 million (7.0). The items are related to the acquisition of the Finnish company EXP Analytics Oy in 2015 and the impairment that took place during the third quarter, based on the judgment that the company's sales and earnings will grow more slowly than originally expected.

Acquisitions

During the fiscal year, we acquired the assets of the Swedish IT security company Columbitech AB, including the shares in its US subsidiary Columbitech Inc. The company specializes in software-based, primarily mobile, VPNs. The acquisition strengthens our total offering and improves our ability to support security-conscious organizations' strategies for secure mobile work via smartphones and tablets, regardless of which technological platform the mobile device is based on. The acquisition also means that the operating area now has a presence and customers in the US market.

The acquired assets and operations in the US company became part of Secure Communications as of May 21, 2019. The acquisition does not have any material impact on the operating area's or the Group's sales and earnings. For more information, refer to Note 2 on page 25.



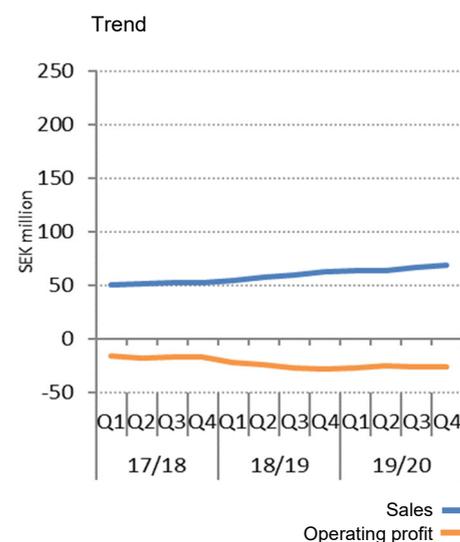
Sectra helps critical social functions to maintain their operations and share information with its security retained, even under exceptional circumstances such as the ones now prevailing in the world.



OTHER OPERATIONS

	The quarter			Full-year		
	Q4	Q3	Change	Q1-4	Q1-4	Change
	19/20	18/19	%	19/20	18/19	%
Sales, SEK million	18.6	16.2	14.8	68.6	62.7	9.4
Operating profit/loss, SEK million	-7.5	-7.5	0.0	-26.4	-28.4	7.0
Operating margin, %	neg	neg	n/a	neg	neg	n/a

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



PARENT COMPANY

The Parent Company, Sectra AB, includes the Business Innovation operating segment as well as the head office's functions for Group finances, IT, regulatory affairs, people and brand, and investor relations activities. The Parent Company's income statement and balance sheet are reported on page 22.

THE SHARE

2019 share redemption program and Swedish tax return help

During October 2019, Sectra carried out a share redemption program, whereby SEK 4.50 per share was distributed to the shareholders through a 2:1 share split, combined with a mandatory redemption process and a bonus issue to restore the share capital. The corresponding distribution to the shareholders in the preceding year was SEK 4.50 per share.

According to the general advice issued by the Swedish Tax Agency regarding the 2019 redemption program, 98.6% of the acquisition fees for an original Class A or Class B share in Sectra AB should be attributed to remaining shares and 1.4% to redemption shares of the respective class. For more information, visit investor.sectra.com/event/share-redemption-program-2019/.

Share-related incentive programs and recalculation of conversion prices

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

Due to the share redemption program for 2019, the Board decided during the fiscal year 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/share-related-incentive-programs

Authorizations of new share issue and repurchase of own shares

The 2019 AGM authorized the Board, for the period until the next AGM, to decide on the new issue of not more than 3,700,000 Class B shares for consideration in the form of cash payment, offsetting of debt or contribution in kind whereby offsetting of debt and contribution in kind may deviate from shareholders' preferential rights. If the authorization is fully exercised, the dilution effect will be approximately 10% of the share capital and approximately 6% of the voting rights.

The AGM also resolved to authorize the Board, on one or more occasions, during the period until the next AGM, to make decisions on the acquisition and transfer of Class B treasury shares. A condition for the authorization is that the company's holding of treasury shares at no time exceeds 10% of all shares in the company.

At the time of publication of this interim report, the Board had not utilized these authorizations.

2020 AGM AND PROPOSED SHARE REDEMPTION PROGRAM

Proposed share redemption program/dividend

For the 2019/2020 fiscal year, the Board and the President propose that the AGM resolve to distribute SEK 4.50 per share to the shareholders through a 2:1 share split in combination with a mandatory redemption process. No ordinary dividend is proposed. The corresponding distribution to the shareholders in the preceding year was SEK 4.50 per share. This proposal corresponds to a dividend yield of 1.1% based on the share price at the balance-sheet date. Combined with the price trend, this represents total value growth of 31.8% for the Sectra share during the fiscal year.

The proposal is in line with Sectra's dividend policy. The Board deems that the company's current balance sheet and cash flows are of adequate strength to secure the development of the business, while providing the shareholders with a high return. In its assessment, the Board took Sectra's levels of incoming orders, earnings and expected cash flow over the coming year into account, as well as the uncertainties brought by the COVID-19 pandemic; refer to Risks and risk management on page 14. With a strong financial position, positive cash flow and significant recurring revenue, Sectra is well equipped to manage the great degree of uncertainty resulting from the pandemic.

At the end of the fiscal year, the Group's equity/assets ratio was 54.1%. The dividend policy and Sectra's financial goals state that the equity/assets ratio is to exceed 30%, and it will continue to do so, by a healthy margin, following a resolution in favor of the Board's proposed redemption process. Additional information regarding the proposed share split and mandatory redemption process will be published in the notice of the AGM and the full proposal to the AGM.

AGM and Nomination Committee

The 2019 AGM resolved to appoint a Nomination Committee comprising four members, one of whom is the Chairman of the Board and three of whom represent the largest shareholders in the company based on the number of votes. The Nomination Committee was formed based on known shareholdings in the company on October 31, 2019. In accordance with the resolution of the AGM, the following Nomination Committee was appointed:

- Torbjörn Kronander (largest shareholder and CEO)
- Carl-Erik Ridderstråle (representing Jan-Olof Brüer, the second-largest shareholder)
- Jan Särilvik (representing Nordea Investment Funds, the fourth-largest shareholder)
- Jan-Olof Brüer (in his role as Chairman of the Board)

Carl-Erik Ridderstråle, who represents the company's second-largest shareholder in terms of votes, was appointed Chairman of the Nomination Committee. Torbjörn Kronander, the company's largest shareholder in terms of votes, has decided to abstain from the chairmanship due to his role as CEO of Sectra AB.

The AGM is scheduled for September 8, 2020 in Linköping, Sweden. The Nomination Committee's proposals will be presented in the notice of the AGM and be available on the company's website not earlier than six weeks and not later than four weeks prior to the Meeting date. The Nomination Committee will prepare and submit proposals regarding:

- election of and fees to the Chairman of the Board and other Board members, and fees for committee work
- election of and fees to the auditors and deputy auditors
- resolution on principles governing the composition of the Nomination Committee
- Chairman of the AGM

Shareholders who wish to submit proposals to the Nomination Committee may do so in writing by email: info.investor@sectra.se or by mail: Sectra AB, Attn. Nomination Committee, Teknikringen 20, SE-583 30 Linköping, Sweden.

Shareholders are entitled to have a matter addressed by the AGM. The notice of the AGM is to be issued not earlier than six weeks and not later than four weeks prior to the AGM. To ensure that the company has time to include matters in the notice, requests for matters to be addressed by the AGM must be received by the company not later than seven weeks prior to the AGM. Requests to have matters addressed by the AGM are to be submitted to the Board in writing via email: info.investor@sectra.se, or by mail: Sectra AB, Attn. Board of Directors, Teknikringen 20, SE-583 30 Linköping, Sweden.

Annual Report, Sustainability Report and Corporate Governance Report

Sectra's Annual Report, Sustainability Report and Corporate Governance Report will be announced through a press release in the week of June 29, 2020 and will be published on the company's website: investor.sectra.com

The printed version of Sectra's Annual Report and Sustainability Report can also be ordered via:

- online form investor.sectra.com/reports/annual-reports/#order
- email: info.investor@sectra.com
- telephone: +46 13 23 52 00

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 2018/2019 fiscal year and in Note 29 on page 88. With the exception of COVID-19 (see below), no significant events have occurred that would alter the conditions reported.

COVID-19

During the third quarter of Sectra's fiscal year 2019/2020, there were reports from China regarding the spread of a new coronavirus that developed into a serious global pandemic by the end of the fiscal year. Measures and restrictions to reduce the spread of infection vary among different countries, and at present it is impossible to survey the consequences of COVID-19, especially not over the long term. On the balance-sheet date, the consequences of the pandemic did not entail any significant effect on the Group's financial outcome for the fiscal year.

Sectra has an IT infrastructure that is well suited to working remotely, and since the outbreak we have continually developed and adapted our procedures and approaches to continue maintaining our service and installation commitments for our customers. More than half of Sectra's invoicing comprises regularly recurring revenue, and we see no reason to believe that this portion of the Group's revenue would be affected more than marginally even if the situation were to worsen. Our balance sheet is strong, with positive net cash funds and a high level of creditworthiness. As of April 30, 2020, cash and cash equivalents and unutilized credit facilities totaled SEK 360.3 million and interest-bearing liabilities in the form of convertible debt instruments totaled SEK 6.5 million. Sectra routinely monitors the cash flow from operations, investments and financing to ensure that the Group has sufficient funds available to meet future anticipated and potential demands.

The high degree of uncertainty in our business environment means that at this point in time it is more difficult than usual for management and the Board to assess future business consequences or financial effects for Sectra. We are not unaffected, but we are well equipped to handle the situation with a strong balance sheet, positive cash funds and significant recurring revenue.

Facts

- The effects of the COVID-19 pandemic are having a major global and societal impact.
- The situation entails serious challenges for our customers, who fulfill critical social functions that must be maintained despite the pandemic.
- Companies and individuals are affected by closed borders and schools, as well as restrictions concerning public gatherings and other measures to reduce the spread of infection.
- The pandemic is having major financial effects on society and certain industries. We see, for example, that some healthcare providers in the US are imposing temporary halts to investments as well as pay cuts.
- Trade shows and other events are being canceled or converted to digital events.
- Different countries have different rules, and at present it is impossible to survey the consequences of COVID-19, especially not over the long term.

Sectra's priorities

- Keep our solutions, services and support available to customers so they can ensure functional health and medical care as well as infrastructure.
- Safeguard the health of employees (and their families), customers and visitors to Sectra's offices.
- Act calmly, preserve stability and keep a high standard in contingency planning.
- Maintain cybersecurity internally and among our customers.
- Ensure that customers, employees and other stakeholders understand how we are handling the situation and what measures we are taking.
- Continually evaluate and develop our approach to working remotely, both internally and with customers.
- Continually monitor and review the situation in order to adapt operations and avoid disruptions.

Assumptions on risks and uncertainties

- Our customers' decisions in ongoing procurements or planned installation will be delayed owing to other necessary priorities.
- The effects of the pandemic will lead to serious socioeconomic consequences globally, as a result of which customers will impose temporary halts to investments.
- Employees (or their families) will fall ill with COVID-19.
- Limitations in the form of closed borders as well as restrictions on travel and public gatherings will remain for a long time to come.
- Disruptions to supply chains or deficiencies in third-party products.
- Potential increases in currency volatility.

Potential consequences for Sectra that could impact future financial outcomes

- Delays in installation projects.
- Temporary pauses in procurements.
- Temporarily decreased demand for Sectra's products.

Examples of measures Sectra has taken

- Imposed strict safety and hygiene measures based on WHO and national recommendations to protect ourselves and our customers. Many employees work from home, if their work tasks permit it.
- Support and service teams work remotely to reduce the risk of infection and to comply with restrictions from government authorities.
- Global installation teams that work remotely.
- Review of supply chains and measures to ensure deliveries of third-party products.
- Virtual user group meetings, online meetings and training sessions.
- Added value for our customers based on their immediate needs, for example, support in setting up field hospitals, remote viewing systems for doctors working from home, remote classroom systems, services and products for secure remote communication.
- Recurring communication on measures and the immediate situation in internal and external channels.

Brexit

In Europe, Brexit received a great deal of attention during the fiscal year. Based on the information we have today, our assessment is that Brexit will not have any significant effect on Sectra's operations, assuming that a trade agreement between the EU and the UK is signed during the calendar year. We took measures in anticipation of Brexit and prepared relevant agreements that will enable us to continue to share personal data with our UK subsidiary. This is important for maintaining support for the products developed in the UK and so that our personnel in the UK can retain access to information about personnel in Europe.

FOR FURTHER INFORMATION

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

Presentation of the interim report with in-depth information on the new subscription model

Time: June 3, 2020, at 10:00 am

Torbjörn Kronander, President and CEO of Sectra AB, and Mats Franzén, CFO of Sectra AB, will present the financial report and answer questions. Fredrik Gustavsson, CTO and Pre-Sales/Product Marketing Manager at Sectra Imaging IT Solutions AB, will present Sectra's new subscription model for software licenses. The presentation will be held in English.

As a consequence of the continued spread of COVID-19, the presentation will be held remotely. To participate, follow along on the website or call one of the following numbers 10 to 15 minutes before the scheduled start time:

SE +46850558366

UK +443333009035

US +18335268397

Follow live or listen to the recording afterward: investor.sectra.com/q4report1920

Financial calendar and AGM

Three-month interim report

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

2020 AGM

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

Six-month interim report

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

Nine-month report

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

Year-end report 2020/2021

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

For other IR events, visit: investor.sectra.com/events-and-presentations/

ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the interim report for the period May 2019 to April 2020 provides a true and fair view of the Parent Company's and Group's operations, financial position and earnings and describes the significant risks and uncertainties facing the Parent Company and other companies in the Group.

Linköping, June 3, 2020

Torbjörn Kronander
President, CEO and Board member

Jan-Olof Brüer
Chairman

Christer Nilsson
Board member

Jonas Yngvesson
Board member

Anders Persson
Board member

Birgitta Hagenfeldt
Board member

Tomas Puusepp
Board member

Deborah Capello
Board member and
employee representative

Bengt Hellman
Board member and
employee representative

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

GROUP FINANCIAL SUMMARY¹

Consolidated income statements

SEK thousand	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Net sales	507,618	474,074	1,661,138	1,413,522
Capitalized work for own use	12,135	15,649	41,757	37,269
Reversal of contingent consideration	37	0	8,873	0
Other operating income	1,979	251	3,714	3,407
Goods for resale	-62,528	-118,745	-248,305	-254,457
Personnel costs	-232,115	-179,241	-815,176	-676,807
Other external costs	-77,056	-74,776	-276,978	-240,584
Depreciation/amortization and impairment	-26,497	-12,501	-79,675	-46,809
Operating profit	123,573	104,711	295,348	235,541
Net financial items	3,168	6,168	7,689	13,251
Profit after net financial items	126,741	110,879	303,037	248,792
Taxes	-27,529	-20,487	-65,683	-49,813
Profit for the period	99,212	90,392	237,354	198,979
Profit for the period attributable to:				
Parent Company owners	99,212	90,392	237,354	198,979
Non-controlling interest	0	0	0	0
Earnings per share				
Before dilution, SEK	2.58	2.36	6.18	5.21
After dilution, SEK	2.57	2.35	6.16	5.17
No. of shares				
Before dilution	38,506,020	38,352,871	38,506,020	38,352,871
After dilution ²	38,533,253	38,530,851	38,533,253	38,530,851
Average, before dilution	38,506,020	38,352,871	38,416,683	38,197,403
Average, after dilution	38,533,253	38,530,851	38,531,852	38,523,210

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

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

Consolidated statement of comprehensive income

SEK thousand	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Profit for the period	99,212	90,392	237,354	198,979
Change in translation differences for the period from translating foreign subsidiaries	-6,267	14,455	-475	10,517
Total other comprehensive income for the period	-6,267	14,455	-475	10,517
Total comprehensive income for the period	92,945	104,847	236,879	209,496

Consolidated balance sheets

SEK thousand	Apr 30, 2020	Apr 30, 2019
Assets		
Intangible assets	193,368	182,651
Tangible assets	66,297	40,148
Right-of-use assets	84,275	0
Financial assets	161,452	170,274
Deferred tax assets	4,226	5,996
Total fixed assets	509,618	399,069
Other current assets	656,929	583,814
Cash and cash equivalents	345,300	331,935
Total current assets	1,002,229	915,749
Total assets	1,511,847	1,314,818
Equity and liabilities		
Equity (incl. profit for the period)	817,213	727,909
Provisions	17,469	23,327
Deferred tax liabilities	4,799	7,395
Long-term liabilities	58,561	0
Other long-term liabilities	2,951	6,451
Current liabilities	22,402	0
Other current liabilities	588,452	549,736
Total equity and liabilities	1,511,847	1,314,818

No material changes have occurred in pledged assets and contingent liabilities since the 2018/2019 Annual Report.

Consolidated statement of changes in equity

SEK thousand	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Equity at start of period	727,909	660,954
Adjustment IFRS 15	0	916
Adjusted equity at start of period	727,909	661,870
Comprehensive income for the period	236,879	209,496
Dividend/redemption of shares	-172,588	-171,539
Settlement of share-related payments	25,013	28,082
Equity at end of period	817,213	727,909

Consolidated cash-flow statements

SEK thousand	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019 ¹
Operating activities		
Operating profit	295,348	235,541
Adjustment for non-cash items	102,686	41,716
Interest and dividends received	6,785	14,497
Interest paid	-2,748	-1,246
Income tax paid	-74,797	-81,209
Cash flow from operations before changes in working capital	327,274	209,299
Changes in working capital		
Change in inventories	8,546	-10,358
Change in receivables	-83,365	37,117
Change in current liabilities	43,817	16,484
Cash flow from operations	296,272	252,542
Investing activities		
Acquisitions of intangible assets	-44,775	-25,176
Acquisitions of tangible assets	-32,967	-9,699
Acquisition of financial assets	-812	0
Divestment of financial assets	18	0
Cash flow from investing activities	-78,536	-34,875
Financing activities		
Raising of convertibles	0	2,951
Repayment of lease liabilities	-21,018	0
Payment of contingent consideration	-2,937	-346
Redemption of shares	-172,588	-171,538
Cash flow from financing activities	-196,543	-168,933
Cash flow for the year	21,193	48,734
Cash and cash equivalents, opening balance	331,935	282,341
Exchange-rate difference in cash and cash equivalents	-7,828	860
Cash and cash equivalents, closing balance	345,300	331,935
Unutilized credit facilities	15,000	15,000

¹ Cash flow has been reclassified from investing activities to operations regarding long-term accounts receivable in Group-financed managed-services agreements and totaled SEK 1,846 thousand for the 2018/2019 fiscal year.

Alternative performance measures for the period and full-year

	Full-year Apr 30, 2020	Full-year Apr 30, 2019
Order bookings, SEK million	1,816.0	2,132.8
Operating margin, %	17.8	16.7
Profit margin, %	18.2	17.6
Average no. of employees	780	706
Cash flow per share, SEK	7.69	6.58
Cash flow per share after full dilution, SEK	7.69	6.55
Value added, SEK million	1,110.5	912.3
P/E ratio, multiple	68.0	61.8
Share price at end of period, SEK	420.0	322.0
Return on equity, %	30.7	29.8
Return on capital employed, %	36.8	35.9
Return on total capital, %	21.6	19.6
Equity/assets ratio, %	54.1	55.4
Liquidity, multiple	1.7	1.7
Equity per share, SEK	21.22	18.98
Equity per share after full dilution, SEK	21.21	18.89

Exchange rates

Currency	Average rates in SEK			Closing rates in SEK		
	Q4 2019/2020	Q4 2018/2019	Change %	Apr 30, 2020	Apr 30, 2019	Change %
US dollar, 1 USD	9.59	9.01	6.4	9.79	9.46	3.5
Euro, 1 EUR	10.63	10.36	2.6	10.65	10.58	0.7
British pound, 1 GBP	12.12	11.73	3.3	12.18	12.24	-0.5

Quarterly consolidated income statement and alternative performance measures

SEK million	2019/2020				2018/2019			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	507.6	457.4	363.3	332.8	474.1	329.5	316.2	293.7
Capitalized work for own use	12.1	14.3	8.9	6.4	15.6	10.7	6.3	4.6
Reversal of contingent consideration	0.0	8.8	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	2.0	0.7	0.2	0.8	0.3	1.1	1.5	0.5
Operating expenses	-371.6	-355.2	-312.4	-293.7	-372.8	-279.1	-267.4	-252.6
Depreciation/amortization and impairment	-26.5	-26.3	-17.4	-16.9	-12.5	-12.0	-11.6	-10.7
Operating profit	123.6	99.7	42.7	29.4	104.7	50.2	45.0	35.6
Net financial items	3.2	1.0	2.3	1.3	6.2	1.2	7.7	-1.8
Profit after net financial items	126.7	100.7	44.9	30.6	110.9	51.4	52.7	33.7
Tax on earnings for the period	-27.5	-21.5	-10.0	-6.6	-20.5	-11.1	-11.1	-7.1
Profit for the period	99.2	79.2	34.9	24.1	90.4	40.3	41.7	26.6
Order bookings, SEK million	716.2	435.4	425.7	238.7	1,104.9	390.7	350.7	286.5
Operating margin, %	24.3	21.8	11.8	8.8	22.1	15.2	14.2	12.1
Cash flow per share, SEK	2.10	3.48	2.85	-0.73	1.88	2.08	2.21	0.41
Cash flow per share after full dilution, SEK	2.10	3.48	2.83	-0.73	1.87	2.08	2.19	0.41
Earnings per share, SEK	2.58	2.06	0.91	0.63	2.36	1.06	1.09	0.70
Return on equity, %	12.8	10.9	5.2	3.3	14.1	6.8	7.5	4.3
Return on capital employed, %	15.3	12.9	6.2	3.9	15.6	7.8	8.3	4.9
Equity/assets ratio, %	54.1	51.2	49.7	56.2	55.4	51.8	47.4	53.7
Equity per share, SEK	21.22	18.81	16.10	19.33	18.98	16.25	14.50	17.76
Share price at end of period, SEK	420.0	396.0	321.5	325.0	322.0	220.05	238.6	240.0

Five-year summary¹

	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/loss, SEK million	295.3	235.5	214.3	195.0	158.0
Profit after net financial items, SEK million	303.0	248.8	231.2	201.1	154.0
Profit for the period after tax, SEK million	237.4	199.0	184.7	153.8	124.8
Operating margin, %	17.8	16.7	17.7	17.3	14.6
Profit margin, %	18.2	17.6	19.1	17.9	14.2
Earnings per share before dilution, SEK	6.18	5.21	4.86	4.07	3.33
Earnings per share after dilution, SEK	6.16	5.17	4.80	4.00	3.26
Dividend/redemption program per share, SEK	4.50	4.50	4.50	4.50	4.50
Share price at end of year, SEK	420.0	322.0	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 23.

OPERATING SEGMENTS

Sales by business segment

SEK million	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Imaging IT Solutions	445.9	413.8	1,428.2	1,204.2
Secure Communications	53.1	41.5	189.3	152.4
Business Innovation	22.5	21.2	78.1	68.8
Other Operations	18.6	16.2	68.6	62.7
Group eliminations	-32.5	-18.6	-103.1	-74.6
Total	507.6	474.1	1,661.1	1,413.5

Operating profit/loss by business segment

SEK million	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Imaging IT Solutions	131.6	106.8	317.6	257.0
Secure Communications	3.5	4.3	2.9	7.0
Business Innovation	8.7	0.8	12.9	-6.0
Other Operations	-7.5	-7.5	-26.4	-28.4
Group eliminations	-12.7	0.3	-11.7	5.9
Total	123.6	104.7	295.3	235.5

Sales by geographic market

SEK million	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Sweden	109.9	94.7	383.2	340.6
United States	173.7	114.0	461.4	321.7
UK	64.9	123.6	230.7	237.1
Netherlands	54.9	26.9	149.1	119.5
Rest of Europe	80.9	95.4	334.4	321.0
Rest of World	23.3	19.5	102.3	73.6
Total	507.6	474.1	1,661.1	1,413.5

Sales by product group

SEK million	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Hardware and other third-party products	84.7	148,3	251,9	230,5
Software	162.9	122,2	455,4	369,6
Services	260.0	203,6	953,8	813,4
Total	507.6	474.1	1,661.1	1,413.5

PARENT COMPANY

Parent Company income statements

SEK thousand	3 months Feb–Apr 2020	3 months Feb–Apr 2019	Full-year May–Apr 2019/2020	Full-year May–Apr 2018/2019
Net sales	40,915	38,530	145,610	130,600
Capitalized work for own use	1,325	4,127	4,873	4,368
Other operating income	-39	246	880	2,450
Goods for resale	-3,851	-5,065	-14,840	-17,097
Personnel costs	-16,888	-15,499	-67,497	-66,088
Other external costs	-22,503	-22,322	-69,353	-70,618
Depreciation/amortization	-3,411	-2,422	-12,262	-9,329
Operating profit/loss	-4,452	-2,405	-12,589	-25,714
Net financial items	14,140	62,569	27,736	68,159
Profit after net financial items	9,688	60,164	15,147	42,445
Appropriations	267,250	185,497	267,250	185,497
Profit before tax	276,938	245,661	282,397	227,942
Tax on earnings for the period	-56,475	-42,838	-57,640	-39,046
Profit for the period	220,463	202,823	224,757	188,896
Comprehensive income for the period	220,463	202,823	224,757	188,896

Parent Company balance sheets

SEK thousand	Apr 30, 2020	Apr 30, 2019
Assets		
Intangible assets	17,383	16,166
Tangible assets	23,506	17,858
Financial assets	266,587	267,447
Total fixed assets	307,476	301,471
Other current assets	465,924	395,814
Cash and cash equivalents	246,077	225,324
Total current assets	712,001	621,138
Total assets	1,019,477	922,609
Equity and liabilities		
Equity (incl. profit for the period)	607,297	530,115
Long-term liabilities	2,951	6,451
Current liabilities	409,229	386,043
Total equity and liabilities	1,019,477	922,609

Pledged assets and contingent liabilities

SEK thousand	Apr 30, 2020	Apr 30, 2019
Chattel mortgages	11,000	11,000
Total pledged assets	11,000	11,000
Guarantees on behalf of Group companies	92,599	102,869
Total contingent liabilities	92,599	102,869

NOTE 1 Accounting policies

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting, the Swedish Annual Accounts Act and the Swedish Securities Markets Act. The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) and statements from the International Financial Reporting Interpretations Committee (IFRIC) as approved by the European Commission for application within the EU.

The Group applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures. In accordance with these guidelines, the Group's alternative performance measures are defined on page 23 of the interim report. The Group applies alternative performance measures since the company believes they provide valuable supplementary information for management and investors given that they play a central role when it comes to understanding and evaluating the Group's operations.

The accounting policies and calculation methods applied are consistent with those described in [Sectra's 2018/2019 Annual Report](#), with the exception of IFRS 16 Leases (see below).

Restatement of comparative periods

Comparative periods have been restated in the 2018/2019 year-end report as a result of a change in the assessment of when the transfer of risk takes place for Group-financed managed-services agreements in the UK. The changes did not impact cash flow for the period and will not impact future cash flow. For more information, please refer to Note 5 on page 76 of [Sectra's Annual Report for 2018/2019](#).

New standard as of May 1, 2019

IFRS 16 Leases replaces IAS 17 *Leases* and related interpretations, for fiscal years starting January 1, 2019 or later. IFRS 16 has been adopted by the EU. Sectra applies IFRS 16 as of May 1, 2019. The new standard entails that all contracts with a term of more than 12 months of a certain monetary materiality are to be recognized as assets and liabilities in the balance sheet, with depreciation, amortization and interest expenses recognized in profit and loss. Contracts that were previously recognized as operating leases are now capitalized in the balance sheet.

Sectra completed the process of identifying the company's leases and determining the effects during the fourth quarter of 2018/2019. The standard resulted in an increase of SEK 89.6 million in the opening total assets for 2019/2020 and a decrease of 3.4 percentage points in the equity/assets ratio in the opening total assets. Total cash flow was unaffected, although the transition entails an increase in cash flow from operations and a decrease in cash flow from financing activities, since the majority of lease payments are now recognized as repayment of lease liabilities and not in operations. Sectra's leases pertain primarily to offices and premises as well as vehicles.

Sectra chose to apply the modified retrospective approach, meaning that upon transition to IFRS 16 the liability for remaining payments of the leased asset was calculated with a corresponding asset in the form of a right-of-use asset, resulting in no impact on opening equity. Comparative figures have not been restated. Leases with a term of 12 months or less and leases where the underlying asset has a low value are not included in the liability and the right-of-use asset in the balance sheet.

The Group's weighted average incremental borrowing rate used when discounting lease liabilities upon transition on May 1, 2019 was 2.2%.

Refer to the next page for the effects of the transition to IFRS 16.

The effects of the transition to IFRS 16 are presented below.

SEK thousand	Opening balance May 1, 2019	Restated according to IFRS 16	Restated opening balance May 1, 2019
Assets			
Intangible assets	182,651		182,651
Tangible assets	40,148		40,148
Right-of-use assets	0	93,518	93,518
Financial assets	170,274		170,274
Deferred tax assets	5,996		5,996
Total fixed assets	399,069	93,518	492,587
Other current assets	583,814	-3,927	579,887
Cash and cash equivalents	331,935		331,935
Total current assets	915,749	-3,927	911,822
Total assets	1,314,818	89,591	1,404,409
Equity and liabilities			
Equity (incl. profit for the period)	727,909		727,909
Provisions	23,327		23,327
Deferred tax liabilities	7,395		7,395
Long-term liabilities	0	68,816	68,816
Other long-term liabilities	6,451		6,451
Current liabilities	0	20,775	20,775
Other current liabilities	549,736		549,736
Total equity and liabilities	1,314,818	89,591	1,404,409

Reconciliation of disclosures concerning operating leases (IAS 17) and reported lease liabilities (IFRS 16)

Obligations for operating leases at April 30, 2019	100,723
Finance lease liabilities at April 30, 2019	0
Low-value leases (not included as expensed)	-4,496
Effects of extension options	-1,448
Discount effect	-5,188
Reported lease liabilities in the opening balance sheet at May 1, 2019	89,591

Note 2 Acquisitions

Columbitech

On May 21, 2019, the Group acquired the assets of the Swedish IT security company Columbitech AB, including all shares in its US subsidiary Columbitech Inc. The company specializes in software-based, mobile VPNs. The acquisition strengthens the Secure Communications operating area's total offering and ability to support security-conscious organizations' strategies for secure mobile work via smartphones and tablets, regardless of which technological platform the mobile device is based on. The acquisition also means that the operating area now has a presence and customers in the US market.

The total consideration transferred on the date of acquisition amounted to SEK 3.1 million, of which SEK 0.9 million comprised a cash consideration, SEK 1.7 million a contingent consideration recognized as a provision in the Group, and SEK 0.5 million a contingent consideration recognized as a current liability in the Group. The fair value of the additional purchase consideration was calculated based on the likelihood that the sales and earnings objectives set for 2024 would be achieved. The acquisition was fully financed with Sectra's existing funds.

Payment of the contingent consideration is based on the sales and earnings trend for Columbitech Inc.'s operations. The range for the contingent consideration is between SEK 0.0 million and SEK 2.2 million.

The operations were consolidated into Secure Communications from the date of acquisition on May 21, 2019, at which time Sectra obtained a controlling influence over the acquired unit. During the fiscal year, the Columbitech Inc.'s sales amounted to SEK 1.5 million and an operating loss of SEK -2.5 million was posted. Since the acquisition date, the company's sales have amounted to SEK 1.5 million and the operating loss to SEK -2.5 million.

Acquired net assets at May 21, 2019:

Acquisition analysis

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relationships	–	2.6
Patents and licenses	–	1.3
Current receivables	0.3	0.3
Cash and cash equivalents	0.0	0.0
Deferred tax	–	-0.8
Current liabilities	-0.4	-0.4
Total acquired net assets	-0.0	3.1
Fair value of consideration transferred		3.1
Goodwill		–
<hr/>		
Net outflow of cash and cash equivalents due to the acquisition ¹		
Cash consideration transferred		0.9
Cash and cash equivalents not yet paid		2.2
Cash and cash equivalents in the acquired company on the date of acquisition		-0.0
Total		3.1

¹ Excluding acquisition-related expenses of SEK 0.3 million, which are recognized as external costs in the consolidated income statement for the 2019/2020 fiscal year.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

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

GLOSSARY

Artificial intelligence (AI)

A collective term for the scientific field that studies the creation of machines and computer programs that display intelligent behavior. AI research encompasses numerous disciplines, including everything from studying philosophical issues to developing tangible technological solutions in such areas as medical diagnostics.

Integrated diagnostics

Diagnostic collaboration between different medical specialties, for example, between pathologists and radiologists for diagnosing, treating and monitoring cancer patients.

Cardiology/cardiovascular diseases

The field of medicine dealing with the functions and diseases of the heart.

Critical infrastructure

Basic infrastructure that is essential for the functioning of society, such as roads, bridges and electricity and water supply.

Crypto

Equipment that uses mathematical manipulations (algorithms and keys) to encrypt information, so that it can be interpreted or read only by the intended recipient. To read encrypted information, the recipient must have the correct key and algorithm.

Mammography

A radiology-based breast examination used to detect breast cancer at an early stage in asymptomatic women.

The cloud/cloud solution

From the term cloud computing. Cloud computing, meaning that computer power is distributed over the internet or company-specific intranets and not on individual computers.

Neurodegenerative diseases

Diseases that cause progressive degeneration and/or death of nerve cells. This causes problems with movement or mental function.

Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system.

Operational technology (OT)

Operational technology.

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)

Vendor-neutral 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 the healthcare sector. 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 business area's products are approved by the EU, NATO, and national security authorities.

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

Group-wide strategies for value creation and sustainable business development

Customer value

- 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.