

Interim report for the May–October 2017 period:

Increased order bookings and stable earnings trend

SEK million	The quarter			The period			12 months		
	Q2 2017/2018	Q2 2016/2017	Change %	Q1–2 2017/2018	Q1–2 2016/2017	Change %	Rolling 12 months	Full-year 2016/2017	Change %
Order bookings	426.8	299.6	42.5	654.4	525.1	24.6	1,306.9	1,177.7	11.0
Net sales	313.4	275.4	13.8	578.5	505.9	14.4	1,213.6	1,140.9	6.4
Operating profit (EBIT)	59.8	46.4	28.9	104.1	78.5	32.6	226.0	200.4	12.8
Operating margin, %	19.1	16.8	-	18.0	15.5	-	18.6	17.6	-
Profit before tax (EBT)	61.9	44.3	39.7	90.7	75.5	20.1	215.2	200.0	7.6
Profit margin, %	19.8	16.1	-	15.7	14.9	-	17.7	17.5	-
Profit after tax	49.8	34.6	43.9	72.3	58.9	22.8	166.2	152.8	8.8
Earnings per share, SEK ¹	1.31	0.92	42.8	1.91	1.56	22.4	4.38	4.04	8.4
Cash flow ²	50.4	52.6	-4.2	74.7	70.2	6.4	239.6	235.2	1.9
Cash flow per share ²	1.33	1.40	-3.0	1.97	1.86	5.9	6.32	6.21	1.8
Average no. of employees	640	615	4.1	640	613	4.4	631	616	2.4

¹ Prior to dilution. ² Cash flow from operations after changes in working capital.

CEO'S COMMENTS

We continued to grow during the second quarter. This was mainly due to increased sales from products and development assignments related to secure communications, including the deployment of IT systems and services at new healthcare customer sites, such as the University of Pennsylvania Health System in the US. Sales growth during the first half of the year took place in our major markets, namely the Netherlands, Scandinavia, and the US. The earnings trend for the Group as a whole was stable, and our operating margin is well above our long-term goal of 15%.

Sectra continues to experience major variations between quarters, particularly in terms of order bookings. During the second quarter, we reported increased order bookings in both Imaging IT Solutions and Secure Communications. We signed agreements with several new US customers, and won a prestigious order in the Netherlands for a nationwide breast screening solution. Our greatest growth opportunities currently lie in the US market, where we have a high level of customer satisfaction but a relatively small market share to date.

Several of our new orders will initially be charged to earnings. A significant portion of our costs arise in the early stages of the multiyear projects, while revenue and profit recognition are distributed over the entire duration of the customer contract. We are also investing in the countries where we have established new offices, Canada and France, which entails higher initial costs but ultimately will contribute to our continued growth and earnings.

The technology of the future has arrived

In late November, Sectra participated at RSNA, a major radiology trade fair held in Chicago, for the 28th consecutive year. At the fair, I met with both existing customers and representatives of healthcare providers who are evaluating Sectra's solutions ahead of future procurements. Based on their response, my assessment is that we have the best, most stable solutions in the market, and—most importantly—the best people in the industry.

Decision support based on artificial intelligence (AI) and machine learning attracted considerable attention at RSNA. This area of technology will have a major impact on healthcare in general—and on diagnostic imaging in particular—and will offer new growth opportunities for those who act wisely. For physicians, for example, products based on this new technology could contribute to efficiency gains by offering a more powerful toolbox for diagnostics, and when choosing and monitoring treatment. Thanks to a new interface launched by Sectra at RSNA, we will be able to offer not only our own but also third-party supplier AI applications integrated into our own systems, similar to smartphone apps. This will enable us to provide our customers with greater freedom of choice, and accelerate their transition to the new possibilities created by machine learning. This is yet another example of how we work to remain at the forefront of development in order to increase the efficiency of future health and medical care.



REPORT PRESENTATION

by telephone with
President Torbjörn
Kronander and CFO Mats
Franzén. The presentation
will be held in English.

Time: December 8, 2017,
at 10:00 a.m. (CET)

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Outlook

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 to—in turn—make people's lives healthier, safer, and more secure. By following our vision, this is how we create value for our customers, our society, and our shareholders.

Healthcare and cybersecurity are growing and rapidly changing markets, where numerous opportunities are being created for companies such as Sectra. We are well positioned in these areas, with stable solutions, a long-term future focus and high customer satisfaction. I am therefore optimistic when it comes to our ability to continue this positive trend going forward. Our financial goals remain firm: an equity/assets ratio of 30%, an operating margin of 15%, and 50% growth in operating earnings per share over a five-year period. However, I would like to point out that growth comes at a price. Our aim is to continue growing in the long term, but we will not be able to simultaneously increase our margins beyond our goal.

Torbjörn Kronander, President and CEO

THE PERIOD IN BRIEF

Six-month period May–October

- Order bookings increased 24.6% to SEK 654.4 million (525.1).
- Net sales rose 14.4% to SEK 578.5 million (505.9). Adjusted for currency fluctuations, sales increased 16.2%.
- Operating profit rose 32.6% to SEK 104.1 million (78.5), corresponding to an operating margin of 18.0% (15.5). Adjusted for currency fluctuations, operating profit increased 35.6%.
- Cash flow after changes in working capital increased to SEK 74.7 million (70.2).

Second quarter

- Order bookings increased 42.5% to SEK 426.8 million (299.6).
- Net sales rose 13.8% to SEK 313.4 million (275.4). Adjusted for currency fluctuations, sales increased 16.9%.
- Operating profit rose 28.9% to SEK 59.8 million (46.4), corresponding to an operating margin of 19.1% (16.8). Adjusted for currency fluctuations, operating profit increased 33.5%.
- Cash flow after changes in working capital amounted to SEK 50.4 million (52.6).

Events during the second quarter

- UC San Diego Medical Center in the US ordered Sectra's solution for reviewing medical images, Sectra PACS for mammography.
- The US hospital group Temple University Health System signed a multiyear agreement for the use of Sectra's medical IT solutions.
- The Dutch mammography organization FSB ordered a nationwide imaging IT solution for breast screening, including communication and archiving. The solution will be delivered as a service.
- The Royal College of Pathologists of Australasia selected Sectra's digital pathology solution for its quality assurance programs for pathology laboratories.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- The Dutch hospital Zuyderland ordered Sectra's IT solution for reviewing medical images, Sectra PACS, as part of the process to consolidate its IT systems.
- The French healthcare provider Imapôle Lyon-Villeurbanne ordered Sectra PACS in connection with the merger of two clinics, which will now consolidate their previous image management systems.
- Sectra initiated a partnership with Medical One Corporation in the Philippines, which will distribute Sectra's medical IT systems in the Philippine market.
- Sectra established a regional service office in Saudi Arabia to ensure that new and existing customers in the region receive the excellent service for which Sectra is renowned. Sectra also initiated a distribution partnership with El Seif Development Company in Saudi Arabia.
- Sectra expanded its solution for managing medical images to include an interface for integrating machine learning applications. This will allow Sectra's own applications as well as those of other suppliers to immediately be made available and be integrated into Sectra's systems.
- Sectra signed a partnership agreement with the global teleradiology company Telemedicine Clinic (TMC). Through this agreement, Swedish customers will gain access to Sectra Implant Movement Analysis, which will be offered both as a new product (for large customers), and as an online service in partnership with TMC. The solution is intended for orthopaedists who need to determine whether or not a patient's implant is loose. This information can reduce the number of unnecessary repeat surgeries, which in turn can save money and improve the quality of care.

THE FUTURE

The world needs more efficient healthcare and increased security in society's communication and IT systems. Sectra plays a key role in meeting the needs in both areas, which also offer significant scope for expansion.

IT support for more efficient care

To maintain a high quality of care despite today's population development, the healthcare sector is being forced to accomplish more with the same or fewer resources. With IT solutions and services for medical diagnostic imaging and medical education, Sectra is helping the healthcare sector to increase its efficiency, consolidate patient information, and facilitate cooperation between various healthcare providers.

Society also needs to improve how it takes care of age-related diseases. Sectra offers several products and services that enhance the efficiency of care for some of the most costly diseases primarily affecting older people. For example, the company's offering facilitates cancer diagnostics as well as planning and monitoring of orthopaedic surgeries. Sectra's work enables hospitals across the world to become more efficient, and thus take care of more patients and save more lives.

IT solutions for a more stable and safer society

The secure transfer of information plays a key role in maintaining the stability of many of society's functions. Sectra develops products and services that protect some of society's most sensitive information and communications. The offering includes secure voice and data communications, with solutions certified at the national level and by the EU and NATO. For the past year, Sectra has also offered cybersecurity for critical IT systems used in the production and supply of energy and water. By helping customers to provide increased security for society's most critical communication and control systems, Sectra contributes to a more stable and safer society.



Value of AI and machine learning in healthcare

Artificial intelligence (AI) and machine learning are technologies that will change the way customers work in the future. Using a clinical example in the field of prostate cancer, Sectra asked radiologists in three of the company's key markets (Scandinavia, Benelux, and the US) for their views on the combination of radiology and machine learning. Read their responses in Sectra's [report >>](#)

Unless otherwise stated, the results shown in the following diagrams refer to amounts restated in SEK million, bars refer to the result per quarter and lines refer to rolling 12 months.

GROUP

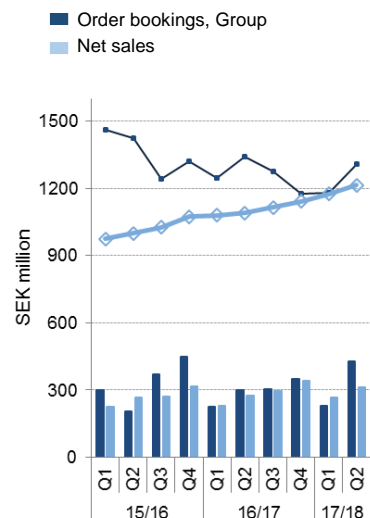
Order bookings, sales and earnings

The period

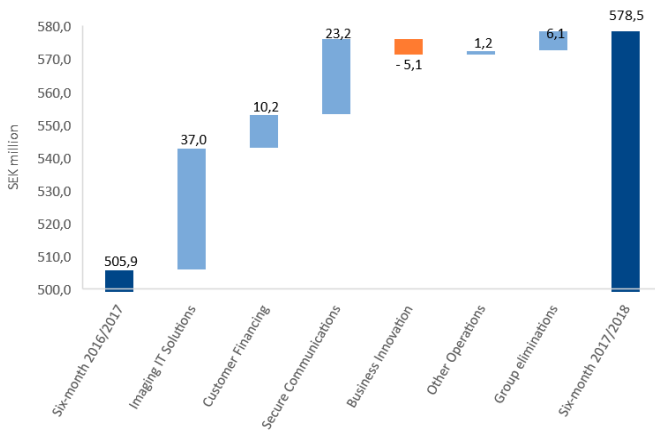
The order bookings curve is once again pointing upward as a result of Sectra entering into several long-term agreements during the quarter; refer to "Events during the second quarter" on page 2. The Group's order bookings totaled SEK 654.4 million, up 24.6% from the comparative period. Both Imaging IT Solutions and Secure Communications reported increased order bookings, while Business Innovation did not reach the desired level.

Net sales rose 14.4% to SEK 578.5 million. Adjusted for currency fluctuations, the increase was 16.2%. All segments except Business Innovation reported growth. Sales-related Group eliminations amounted to a negative SEK 88.3 million (neg: 94.4), and mainly pertained to ongoing internal sales and Group-financed managed-services agreements with customers. At the Group level, sales from these agreements will be recognized as revenue over the duration of the agreements, which is normally between five and ten years.

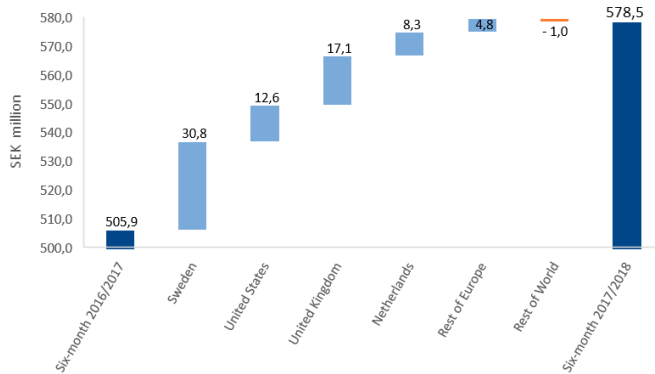
TRENDS



Sales trend per operating area compared with the corresponding period in the preceding fiscal year

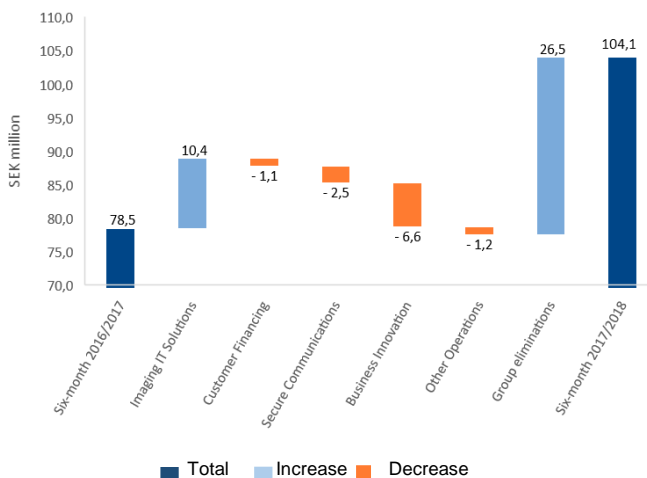


Sales trend per geographic market compared with the corresponding quarter in the preceding fiscal year



Geographically, Sectra displayed sales growth in essentially all markets, with the largest increases reported in Sweden, the US, and the UK. The trend in the UK has been reversed, despite a decline due to negative currency effects since the Brexit referendum in 2016.

Operating profit trend per operating area compared with the corresponding period in the preceding fiscal year

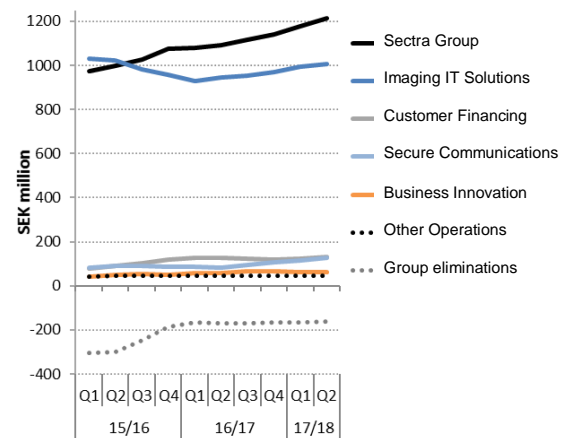


■ Total ■ Increase ■ Decrease

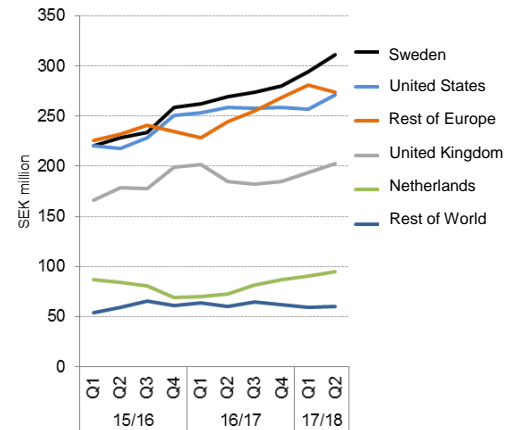
The Group's operating profit rose 32.6% to SEK 104.1 million. Adjusted for currency fluctuations, operating profit increased 35.6%. The operating margin rose 2.5 percentage points to 18.0%, which exceeded Sectra's financial goal of 15%. This positive earnings trend was largely attributable to Imaging IT Solutions (refer to page 7) as well as to a Group-level reversal of previously

TRENDS

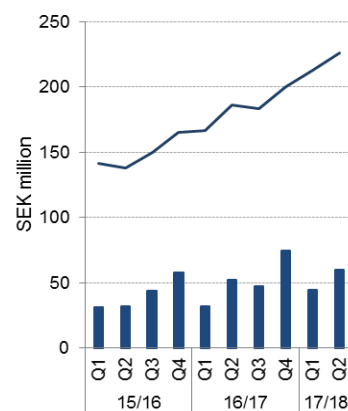
Sales per operating area



Sales per geographic market



Operating profit, Group



eliminated intra-Group profit from ongoing customer contracts. Eliminations related to operating profit amounted to SEK 26.0 million (neg: 0.6).

The Group's net financial items declined SEK 10.4 million to an expense of SEK 13.4 million. Currency fluctuations had a negative impact of SEK 12.6 million (neg: 2.8) on the Group's financial items. Changes in the GBP (refer to page 17) accounted for the largest currency effects. Despite a relatively large currency exposure, Sectra has chosen not to hedge its transactions given the company's stable finances. Accordingly, currency fluctuations have an immediate impact on financial figures rather than over time.

Profit after net financial items increased 20.1% to SEK 90.7 million, corresponding to a profit margin of 15.7%. Earnings per share totaled SEK 1.91 (1.56).

Second quarter

Order bookings for the second quarter amounted to SEK 426.8 million, up 42.5% from the comparative quarter. This increase mainly pertained to orders from new customers, including multiyear agreements with care providers in the US and the Netherlands. When these types of contracts are signed, they can have a major impact on the order volume during an individual quarter. However, sales and earnings are distributed over the duration of the contracts, which contributes to a long-term, stable performance for the Group.

Net sales rose 13.8% to SEK 313.4 million. Adjusted for currency fluctuations, the increase was 16.9%. All operating areas except Business Innovation contributed to this increase. Geographically, Sectra experienced particularly strong sales growth in Sweden and the US during the quarter.

Sales-related Group eliminations amounted to a negative SEK 33.6 million (neg: 40.3). Eliminations primarily pertain to future revenue related to Group-financed managed-services agreements with healthcare customers.

The Group's operating profit rose 28.9% to SEK 59.8 million. Adjusted for currency fluctuations, operating profit increased 33.5%. Group eliminations related to operating profit amounted to SEK 17.3 million (neg: 7.6). The operating margin increased 2.3 percentage points to 19.1%.

The Group's net financial items increased SEK 4.1 million to SEK 2.1 million. Currency fluctuations had an impact of SEK 2.5 million (neg: 2.1) on the Group's financial items. Changes in the GBP accounted for the largest currency effects.

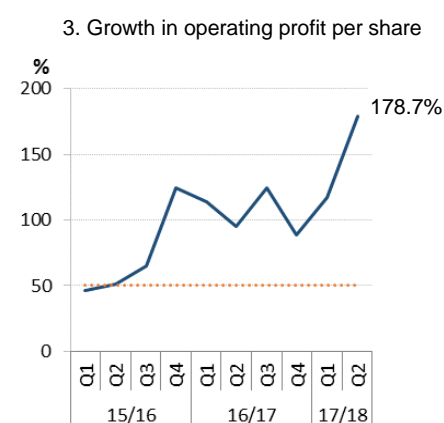
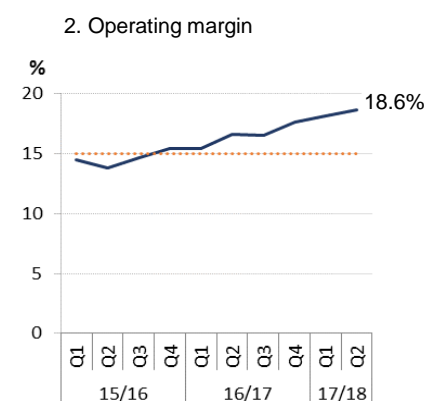
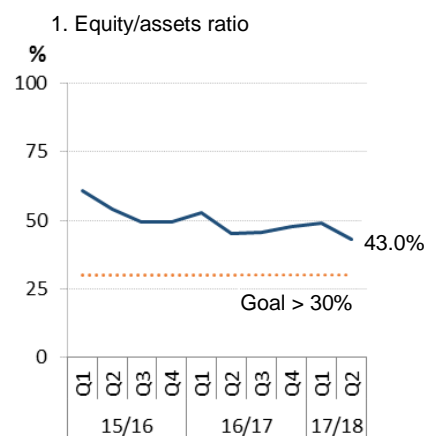
Profit after net financial items increased 39.7% to SEK 61.9 million, corresponding to a profit margin of 19.8%. Earnings per share totaled SEK 1.31 (0.92).

Seasonal variations

Sectra's seasonal variations entail that most of the company's invoicing and earnings are traditionally generated at the end of the fiscal year. However, these seasonal variations have diminished somewhat in recent years since a major portion of sales is derived from pay-per-use or pay-by-month agreements with long durations. In many cases, the equalization effect resulting from long-term managed-services agreements that are financed internally within the Group does not impact the business areas; instead it is essentially managed through the Parent Company's financing activities. The variations in order volumes in individual quarters can be substantial when customers sign extensive, multiyear agreements with the company, for example, for medical IT projects or for the development of encryption systems.

SECTRA'S FINANCIAL GOALS

All of the financial goals have been achieved. Goals in order of priority:



Financial position

Sectra has a strong cash balance and balance sheet. After adjustment for exchange-rate differences, the Group's cash and cash equivalents at the end of the reporting period amounted to SEK 150.0 million (111.6). During the second quarter, Sectra distributed SEK 170.8 million (169.6) to shareholders through a share redemption program.

The Group's debt/equity ratio was 0.17 (0.15). Interest-bearing liabilities amounted to SEK 75.1 million (66.1) and pertained to convertible loans held by employees and Board members. During the first quarter, convertible loans totaling SEK 2.5 million were converted to shares (refer to "Share-based incentive programs" on page 12).

The Group's cash flow from operations after changes in working capital amounted to SEK 74.7 million (70.2). This change was primarily the result of improved cash flow from operations. Cash flow per share increased to SEK 1.97 (1.86) for the period.

Cash flow from investing activities was a negative SEK 21.1 million (neg: 33.5) for the period. These investments mainly pertained to assets in long-term Group-financed customer projects and development projects.

The Group's total cash flow was a negative SEK 118.6 million (neg: 132.8), of which negative SEK 130.8 million (neg: 138.4) pertained to the second quarter. This result includes the share redemption program for shareholders. Excluding the share redemption program, total cash flow increased to SEK 52.2 million (36.8).

Investments, depreciation and amortization

Group investments during the period amounted to SEK 21.1 million (33.5), of which SEK 10.5 million (21.5) was attributable to the second quarter.

Investments primarily pertained to customer projects in the Group's financing activities and capitalized development costs. Depreciation/amortization for the period amounted to SEK 30.9 million (28.8), of which SEK 16.1 million (14.4) pertained to the second quarter.

Hardware-related investments in Group-financed customer projects during the period totaled SEK 0.4 million (7.1), of which a negative SEK 9.4 million (neg: 6.2) was attributable to the impact of currency fluctuations on the size of the investment amounts. At the end of the period, the net carrying amount for Group-financed customer projects totaled SEK 140.5 million (133.2).

Capitalization of development costs during the period amounted to SEK 9.5 million (15.1), of which SEK 5.6 million (9.4) was attributable to the second quarter. Amortization of capitalized development projects during the period amounted to SEK 9.7 million (8.5), of which SEK 5.6 million (4.3) pertained to the second quarter. At the end of the period, capitalized development costs totaled SEK 97.8 million (92.2).

IMAGING IT SOLUTIONS

	Q2 Aug–Oct 2017	Q2 Aug–Oct 2016	Change %	Q1–2 May–Oct 2017	Q1–2 May–Oct 2016	Change %	Rolling 12 months	Full-year May–Apr 2016/2017	Change %
Sales, SEK million	250.9	236.9	5.9	484.7	447.7	8.3	1,007.5	970.5	3.8
Operating profit, SEK million	48.0	53.9	-10.9	87.0	76.6	13.6	221.0	210.6	4.9
Operating margin, %	19.1	22.8	-	17.9	17.1	-	21.9	21.7	-
Average number of employees	475	462	2.8	475	464	2.4	469	464	1.1

Sales and earnings

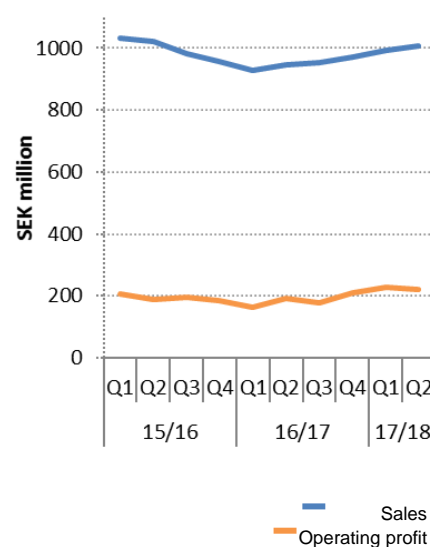
Over the past quarter, Imaging IT Solutions deployed its solutions at several customer sites, including the University of Pennsylvania Health System in the US, St. Antonius Hospital in the Netherlands, and Danderyd Hospital in Sweden. This growing customer base contributed to the business area's continued growth and increased profitability. In accordance with Sectra's aim, sales of goods for resale (licenses and hardware from sub-suppliers) decreased during the period, and were replaced by service and license sales. This has had a positive impact on the business area's operating margin for the period. However, the product mix varied between the quarters and between different orders. The percentage of third-party products in the second quarter was higher than in the comparative quarter. Sales and earnings for the second quarter were also charged with a negative contract adjustment of SEK 8.0 million in the UK. The earnings effect of the adjustment at the Group level amounted to SEK 0.7 million and was attributable to the reversal of a Group-wide reserve.

The business area is implementing long-term growth initiatives in new product areas, such as digital pathology, and an expansion into additional geographic markets through the establishment of its own operations and through new distributors. These activities were charged to operating profit, but have the potential to contribute to an ongoing positive performance moving forward.

Market

Sectra's market segment in the area of IT systems and services for medical imaging management is continuing to grow as a result of the population trend, the consolidation of healthcare resources and patient data, and the increased use of medical diagnostic imaging. To enable healthcare providers to provide better, faster and more patient-centered care, Sectra offers systems and services for the management and archiving of both radiology and non-radiology medical images, particularly in the new field of digital pathology. A key component of the business area's growth strategy is medical imaging management in cancer diagnostics, a field of diagnostics expected to grow rapidly in the future. While most users are currently active in the fields of radiology and mammography, the number of customers in the field of histopathology is increasing rapidly.

More than 1,700 healthcare providers worldwide use Sectra's medical systems and services, with customers including some of the largest healthcare providers in the world. The business area holds a strong position in IT systems for managing radiology images. Sectra has won the industry's most prestigious award for customer satisfaction for four consecutive years in this product segment, in which the business area currently holds a market-leading position in the Netherlands, Norway, Portugal, and Sweden. Sectra is also the market leader in other countries in the niche of breast imaging management. In the UK, where Sectra is now the second-largest player after securing several major long-term customer contracts in recent years, the current market is relatively stagnant. This is because most healthcare providers procured new systems in 2014–2016 when their previous agreements expired. While Sectra's market share in the US is still relatively small, its customer base is gradually growing. In recent years, we have started to reap the benefits of our focus on customer satisfaction in the form of orders from a number of highly strategic new customers.



During the second quarter, the business area won several important procurements of medical IT systems that have been ongoing for a long period of time, including the following:

- Nationwide imaging IT solution for breast screening in the Netherlands, including communication and archiving. The solution will be delivered as a service. A total of 59 mobile trailers, 11 fixed screening locations, and 29 reading units will be able to carry out and review breast screening examinations using Sectra's service.
- Solution for reviewing medical images, Sectra PACS for mammography, for UC San Diego Medical Center in the US.
- Medical IT solutions for the US hospital group Temple University Health System. This multiyear contract comprises Sectra PACS for radiology and mammography, as well as a broad range of advanced visualization tools and a solution for planning orthopaedic surgeries in 2D and 3D.
- Digital pathology solution for the Royal College of Pathologists of Australasia's quality assurance programs for pathology laboratories. Sectra's solution will be used for the college's external quality assurance programs (EQA), which the customer offers in Australia and 60 other countries worldwide.

The way forward

Offering customers stable, efficient, and future-proof solutions for managing, archiving and communicating all types of medical images. Examples of the business area's focus activities:

- Maintain high customer satisfaction by continuously measuring and monitoring customer opinions about Sectra's products and support.
- Grow within radiology and other areas of medical imaging management by adding new customers in regions where Sectra already has an established customer base. This includes an increased focus on the US. During 2017/2018, Sectra has entered into agreements with several new large and prestigious customers, for example, in the US and the Netherlands.
- Develop partnerships with existing customers through which Sectra's existing products and services can contribute to further efficiency enhancements. For example, sales of solutions for digital pathology and multimedia archives (VNA).
- Contribute to greater efficiency for customers by responding to demand for deliveries of IT solutions via the cloud, primarily in the form of software as a service (SaaS). During 2017/2018, for example, Sectra has deployed a cloud service at Danderyd Hospital.
- Continued product development and broadening of the product portfolio. Special focus on medical imaging management in cancer diagnostics, not least through the integration of radiology, mammography, and digital histopathology.
- Greater internal efficiency. Partly by establishing a service-oriented organization that can support the sale of cloud solutions and partly through increased centralization and globalization to ensure optimal utilization of Sectra's specialist expertise.
- Continued geographic growth. In 2016/2017, offices for direct sales were opened in France and Canada, and new partnerships were initiated in South Africa, Poland, and Russia. During the current fiscal year, new distribution partnerships have been initiated in the Philippines and Saudi Arabia. The business area has also opened a regional service and support office in Saudi Arabia.

The business area holds a strong position in IT systems for managing medical images. Sectra has won the industry's most prestigious award for customer satisfaction, Best in KLAS, in the PACS product segment for four consecutive

SECURE COMMUNICATIONS

	Q2 Aug–Oct 2017	Q2 Aug–Oct 2016	Change %	Q1–2 May–Oct 2017	Q1–2 May–Oct 2016	Change %	Rolling 12 months	Full-year May–Apr 2016/2017	Change %
Sales, SEK million	35.1	22.3	57.4	63.5	40.3	57.6	128.9	105.7	21.9
Operating profit/loss, SEK million	0.2	1.0	-80.0	0.4	2.9	-86.2	-0.9	1.7	-152.9
Operating margin, %	0.6	4.5	-	0.6	7.2	-	neg	1.6	-
Average number of employees	77	62	24.2	76	63	20.6	70	64	9.4

Sales and earnings

The sales growth trend for Secure Communications is positive. The business area's increase in sales was mainly attributable to products and development assignments in the secure communications product area. Operating profit was charged with ongoing growth initiatives to broaden the business area's offering to the critical infrastructure product segment, to further strengthen the offering in the secure communications segment, and to expand into additional geographic markets.

Market

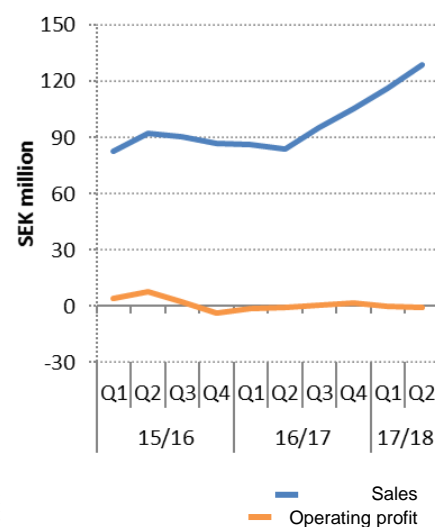
The ability to safely and efficiently transmit sensitive information is central to the stability and security of society. Sectra has extensive experience of protecting society's most critical communications, and is a strong brand in the area of encryption and secure mobile communications. IT developments in society, political instability in the world, and the growth of cybercrime are creating a greater need for Sectra's expertise and product offerings. The business area's growth strategy includes activities to expand into new geographic markets and broaden its offering to a new customer segment, cybersecurity for critical infrastructure. Sectra's services in critical infrastructure have been well received in the Nordic market, and the number of customers is gradually increasing. The critical infrastructure operations were introduced in the 2015/2016 fiscal year and are currently in an establishment phase, but show considerable long-term potential.

Sweden and the Netherlands comprise the business area's largest markets. Sectra's products for secure mobile communications are used in most European countries, and by the EU and NATO. This success is the result of close and long-lasting partnerships with customers as well as national security authorities in many countries. Being trusted to protect a nation's most sensitive information requires that the customer have a high degree of confidence in Sectra as a provider.

The way forward

Offering customers stable, accessible, and easy-to-use solutions for ultra-secure communications and critical IT security. Examples of the business area's focus activities:

- Increased sales of security-approved communication solutions in Finland, the Netherlands, and the rest of Europe. This will be facilitated by the company's offering of a complete system concept with solutions for various security levels able to handle multiple security domains (groups of users with a regulatory right to access classified information) in a single unit, which simplifies user management.
- International partnership with the Korean company Samsung to further develop the Sectra Tiger/R secure mobile telephony solution, and enable the company's operations to be expanded into new customer segments for government authorities, critical infrastructure, and private businesses.
- Growth within critical infrastructure by offering security and threat analyses and system monitoring services for critical operating and control systems. Primarily focusing on the energy sector in the Nordic region and other areas of Northern Europe.



Future focus on security analysis and monitoring services for the energy sector.

BUSINESS INNOVATION

	Q2 Aug–Oct 2017	Q2 Aug–Oct 2016	Change %	Q1–2 May–Oct 2017	Q1–2 May–Oct 2016	Change %	Rolling 12 months	Full-year May–Apr 2016/2017	Change %
Sales, SEK million	15.1	16.9	-10.7	26.3	31.4	-16.2	60.2	65.4	-8.0
Operating profit/loss, SEK million	-0.7	2.4	-129.2	-2.8	3.8	-173.7	-1.6	5.0	-132.0
Operating margin, %	neg	14.2	-	neg	12.1	-	neg	7.7	-
Average number of employees	35	34	2.9	35	32	9.4	35	34	2.9

Business Innovation is Sectra's incubator for early-stage business units, projects, and ideas that are not yet large enough to become independent business areas or are not a natural match with the existing business areas. This is where the company evaluates and utilizes opportunities to:

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

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

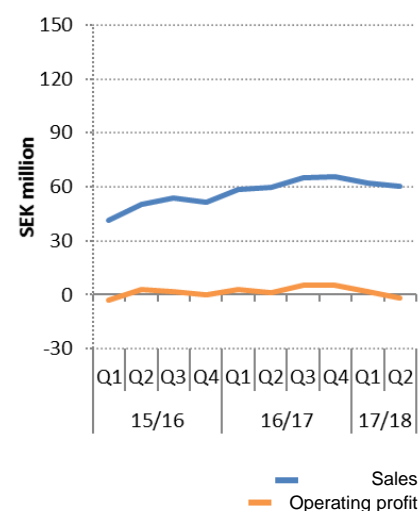
Sales and earnings

The performance of Business Innovation's two business units can vary significantly between quarters and periods. Sectra's offerings in both business units are currently undergoing a generational shift, which has resulted in weaker growth and earnings. However, both business units are attracting considerable market attention, and new management was appointed in Orthopaedics during the second quarter, which is expected to accelerate the development and launch of the new products.

Segments and market

The Orthopaedics business unit offers IT systems for image-based planning and monitoring of orthopaedic surgery in 2D and 3D—for example, knee, hip, and trauma surgery. Sectra is currently the market leader in Scandinavia in this niche and commands a strong market position in several other countries, including the Netherlands and the UK. The business unit is also advancing its position in the US. The area has several new and interesting products based on visualization and image analysis that can be used for preoperative planning and postoperative monitoring should an implant start to become loose. Postoperative monitoring is positioned to become a crucial element of the healthcare sector, since performing repeat surgery on surgically inserted implants is a growing problem that entails significant costs and patient risk. These new products are designed to help customers reduce the number of repeat surgeries.

The Medical Education business unit delivers Sectra's visualization devices to healthcare personnel, healthcare programs and veterinarians in more than 40 countries in Africa, Europe, the Middle East, China, North America, South America, and South-East Asia. The offering comprises a cloud-based education portal as well as presentation and teaching devices (Sectra Table and Sectra Board). For a monthly subscription fee, portal users receive access to images from actual patient cases from other customers, such as universities, training centers and hospitals using Sectra's solution for medical education. Sales outside Sweden mainly take place through some 30 distribution partners. This business unit is currently transitioning from supplying visualization devices for a one-time fee to a subscription model with a greater focus on content.



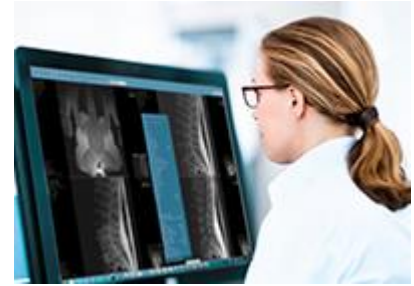
Sectra Implant Movement Analysis, a new product designed to help orthopedists determine whether or not a patient's implant is loose. Watch our [introduction video >>](#)

Sectra's research department is currently participating in approximately ten research projects, including projects in orthopaedic surgery, digital pathology, and AI/machine learning.

The way forward

Examples of focus activities in Business Innovation:

- Medical Education—grow in key markets, such as China and the US, and expand into new markets through distributors. Generate more recurring and long-term revenue through increased focus on subscription services for cloud-based content.
- Orthopaedics—grow in the countries where the business unit has its own sales organization, increase sales of cloud-based and local services for planning joint replacement surgeries through collaboration with implant suppliers, grow in the trauma segment through sales of a solution for 3D image planning of acute surgical procedures, and contribute to cost-efficiency and patient benefits using new products for analyzing implant movement.
- Research—projects in product areas and technologies with the potential to generate business within three to five years, and research partnerships with universities and colleges. Particular focus on the area of machine learning.



One possibility for the future is to increase the efficiency of physicians' daily work using tools based on machine learning.

SECTRA CUSTOMER FINANCING

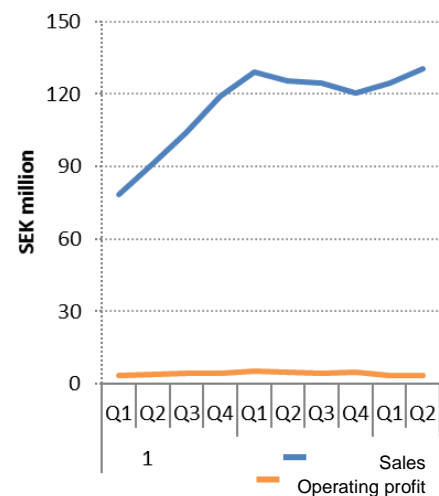
	Q2 Aug–Oct 2017	Q2 Aug–Oct 2016	Change %	Q1–2 May–Oct 2017	Q1–2 May–Oct 2016	Change %	Rolling 12 months	Full-year May–Apr 2016/2017	Change %
Sales, SEK million	34.5	28.4	21.5	69.3	59.1	17.3	130.5	120.3	8.5
Operating profit, SEK million	1.0	1.0	0.0	1.7	2.8	-39.3	3.5	4.7	-25.5
Operating margin, %	2.9	3.5	-	2.5	4.7	-	2.7	3.9	-
Average number of employees	0	0	0.0	0	0	0.0	0	0	0.0

Sectra Customer Financing is Sectra's unit for the financing of major managed-services agreements with healthcare customers and asset management.

Sales and earnings

This segment has a significant exposure to the GBP, which had a negative impact on its performance in the preceding fiscal year. Adjusted for currency fluctuations, sales growth amounted to 23.2% during the quarter. Since most of the financing activities pertain to multiyear customer contracts in the UK, movements of the GBP in relation to the SEK also have a major impact on the operating area's future revenue.

The rapid growth of the area in recent years is linked to Imaging IT Solutions' successful sales of multiyear managed-services agreements for medical IT systems, particularly in the UK in 2014–2016. Financing of major managed-services agreements is usually handled by Sectra Customer Financing, which takes over projects after deployment and thereafter recognizes revenue and earnings over the duration of the managed-services agreement. Within Imaging IT Solutions, most of the revenue and expenses for managed-services agreements are recognized in conjunction with installation and deployment at the customer's site, which are then eliminated at the Group level. For more information, visit www.sectra.com/customerfinancing.



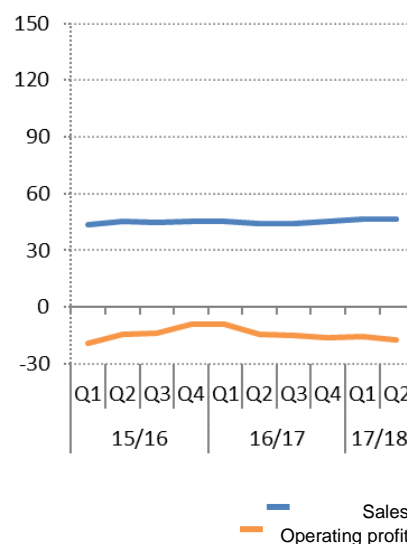
OTHER OPERATIONS

	Q2 Aug–Oct 2017	Q2 Aug–Oct 2016	Change %	Q1–2 May–Oct 2017	Q1–2 May–Oct 2016	Change %	Rolling 12 months	Full-year May–Apr 2016/2017	Change %
Sales, SEK million	11.4	11.2	1.8	23.0	21.8	5.5	46.7	45.5	2.6
Operating loss, SEK million	-6.0	-4.3	39.5	-8.2	-7.0	-17.1	-17.4	-16.1	-8.1
Operating margin, %	neg	neg	-	neg	neg	-	neg	neg	-
Average number of employees	53	54	-1.9	55	55	0.0	56	54	3.7

Other Operations pertain to Sectra's joint functions for administration, recruitment, Group finances, IT, regulatory affairs, marketing communication, and investor relations activities.

Sales and earnings

Sales from Other Operations were essentially on par with the comparative period. Earnings were charged with increased expenses for IT security, including expenses linked to the new General Data Protection Regulation (GDPR), and recruitment.



PARENT COMPANY

The Parent Company, Sectra AB, includes the operating segments Business Innovation and Sectra Customer Financing as well as the head office's functions for Group finances, IT, regulatory affairs, marketing communication, and investor relations activities. The Parent Company's income statement and balance sheet are reported on page 20.

THE SHARE

Sectra's 2017 share redemption program and recalculation of conversion prices

During October 2017, Sectra carried out a share redemption program, whereby SEK 4.50 per share, a total of SEK 170.7 million, 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. Payment was made on October 20, 2017.

In your Swedish tax assessment, a redemption or sale of redemption shares (designated SECT IL A and SECT IL B) is to be declared as a sale of shares on Form K4. The calculation of the acquisition fees for redemption shares can be carried out in one of two ways:

- According to the general advice issued by the Swedish Tax Agency, which entails that you allot a certain portion of the relevant acquisition fees for the original shares to redemption shares.
- Alternatively, the standard rule can be applied if the transaction pertains to Class B redemption shares.

According to the general advice issued by the Swedish Tax Agency regarding the redemption program, 96.8% of the acquisition fees for an original Class A or Class B share in Sectra AB should be attributed to remaining shares and 3.2% to

How to declare
Sectra redemption
shares.

redemption shares of the respective class. For more information, visit www.sectra.com/redemption.

Due to the share redemption program for 2017, the Board decided to recalculate the conversion prices for outstanding convertible programs. This recalculation means that the financial compensation to the holders of convertibles in relation to the shareholders is reasonable. For dilution effects and current conversion prices after the recalculation, refer to the information on Sectra's website www.sectra.com/investor/sectra_share/share-based_incentive_programs

Share-based incentive programs

On the balance-sheet date, Sectra's share capital totaled SEK 37,935,001, distributed between 37,935,001 shares. Of these shares, 2,620,692 are Class A shares and 35,314,309 are Class B shares. These figures include the redemption of convertibles (2012/2017 program) during the first quarter totaling SEK 2.5 million, corresponding to 44,916 Class B shares. After the balance-sheet date, holders of convertibles redeemed convertibles (2013/2017 program) totaling SEK 3.5 million, corresponding to 51,017 Class B shares. After registration of the new share issue, Sectra's share capital amounted to SEK 37,986,018, distributed between 37,986,018 shares. Of these shares, 2,620,692 are Class A shares and 35,365,326 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 580,580, corresponding to 1.5% of the share capital and 0.9% of the voting rights in the company.

Authorization

The 2017 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 this authorization.

NOMINATION COMMITTEE AND 2018 AGM

The 2017 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, 2017. In accordance with the resolution of the AGM, the following Nomination Committee was appointed:

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

Jan-Olof Brüer, who is the company's second-largest shareholder in terms of votes, will be appointed Chairman of the Nomination Committee. Torbjörn Kronander, the company's largest shareholder in terms of votes, decided to abstain from the chairmanship due to his role as CEO of Sectra AB.

Increased share capital after conversion of convertibles.

Date set for AGM and Nomination Committee appointed.

The AGM is scheduled for September 6, 2018 in Linköping. 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.com, or by mail: Sectra AB, Attn. Nomination Committee, Teknikringen 20, SE-583 30 Linköping, Sweden.

FINANCIAL STATEMENTS

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 EU Commission for application within the EU.

The accounting policies and calculation methods remain unchanged compared with those applied in the [2016/2017 Annual Report](#).

The Group applies the European Securities and Markets Authority (ESMA) Guidelines on Alternative Performance Measures. An alternative performance measure is a financial measure that is not defined or stipulated in applicable rules for financial reporting (such as IFRS or the Swedish Annual Accounts Act) and must therefore be explained in the financial statements. In accordance with these guidelines, the Group's alternative performance measures are defined on page 18 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.

Risks and uncertainties

Through its operations, Sectra is exposed to such business risks as dependence on major customers and partners, the effect of exchange rates on pricing in the markets in which the Group is active, and property and liability risks. Sectra is also exposed to various types of financial risks such as currency, interest-rate, credit, and liquidity risks. A detailed description of the risks and uncertainties as well as Sectra's strategies and tactics for minimizing risk exposure and limiting adverse effects are provided in the Administration Report in the Group's Annual Report for the 2016/2017 fiscal year and in Note 30 on page 69. No significant events have occurred that would alter the conditions reported therein.

FOR FURTHER INFORMATION

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

Presentation of the interim report

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

Time: December 8, 2017 at 10:00 a.m. (CET)

To participate, call:

SE: +46 856642690

UK: +44 2030089801

US: +1 8557532235

The report presentation can also be followed live online: www.sectra.com/irwebcast. You can also click on this link to watch a recorded version after the conference.

Financial calendar and AGM

Nine-month interim report March 12, 2018 at 8:00 a.m. (CET)—note change of date

Year-end report 2017/2018 May 29, 2018 at 8:00 a.m. (CET)

2018 AGM September 6, 2018 at 3:30 p.m. Linköping

For other IR events, visit: <http://www.sectra.com/investor/calendar/>

ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the interim report for the period May to October 2017 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.

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

Linköping, Sweden, December 8, 2017

Torbjörn Kronander
President, CEO and Board member

Carl-Erik Ridderstråle
Chairman

Ulrika Hagdahl
Board member

Anders Persson
Board member

Christer Nilsson
Board member

Jakob Svärdström
Board member

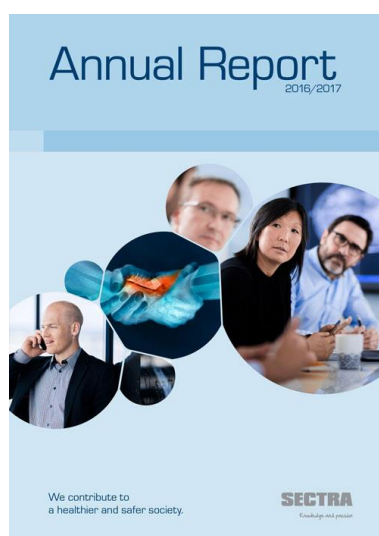
Jan-Olof Brüer
Board member

Tomas Puusepp
Board member

Deborah Capello
Board member,
employee representative

Bengt Hellman
Board member,
employee representative

This information constitutes information that Sectra AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and/or the Swedish Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8:00 a.m. (CET) on December 8, 2017.



Did you miss Sectra's most recent Annual Report when it was published in June? Download the report by clicking on the following link:

www.sectra.com/annual_report

Fill in your name and email address at the following link to subscribe to news from Sectra:

www.sectra.com/subscribe

GROUP FINANCIAL SUMMARY

Consolidated income statements

SEK thousand	3 months Aug–Oct 2017	3 months Aug–Oct 2016	6 months May–Oct 2017	6 months May–Oct 2016	12 months Nov 2016– Oct 2017	Full-year May–Apr 2016/2017
Net sales	313,407	275,391	578,527	505,873	1,213,575	1,140,922
Capitalized work for own use	5,561	9,364	9,460	15,104	23,726	29,369
Reversal of contingent consideration	0	0	0	0	12,355	12,355
Other operating income	514	137	1,372	505	3,264	2,398
Goods for resale	-48,191	-43,033	-83,548	-73,473	-176,424	-166,349
Personnel costs	-146,170	-137,585	-278,638	-257,675	-563,426	-542,464
Other external costs	-49,203	-43,475	-92,199	-83,018	-226,745	-205,251
Depreciation/amortization and impairment	-16,122	-14,446	-30,904	-28,824	-60,342	-70,575
Operating profit	59,796	46,353	104,070	78,492	225,983	200,405
Net financial items	2,125	-2,010	-13,374	-2,975	-10,803	-404
Profit after net financial items	61,921	44,343	90,696	75,517	215,180	200,001
Taxes	-12,083	-9,755	-18,356	-16,614	-48,957	-47,215
Profit for the period	49,838	34,588	72,341	58,903	166,223	152,786
Profit for the period attributable to:						
Parent Company owners	49,838	34,588	72,341	58,903	166,223	152,786
Non-controlling interest	0	0	0	0	0	0
Earnings per share						
Before dilution, SEK	1.31	0.92	1.91	1.56	4.38	4.04
After dilution, SEK	1.29	0.90	1.88	1.54	4.31	3.98
No. of shares						
Before dilution	37,935,001	37,686,105	37,935,001	37,686,105	37,935,001	37,890,085
After dilution ¹	38,499,137	38,341,746	38,499,137	38,341,746	38,499,137	38,499,137
Average, before dilution	37,935,001	37,686,105	37,927,515	37,655,643	37,908,800	37,772,864
Average, after dilution	38,499,137	38,341,746	38,499,137	38,341,746	38,499,137	38,420,443

¹ Dilution of the number of shares is based on the convertible programs issued in 2013/2014 (49,574), 2014/2015 (158,226), 2015/2016 (219,736) and 2016/2017 (136,600). On full exercise of convertibles, the number of shares will increase by 564,136.

Consolidated statement of comprehensive income

SEK thousand	3 months Aug–Oct 2017	3 months Aug–Oct 2016	6 months May–Oct 2017	6 months May–Oct 2016	12 months Nov 2016– Oct 2017	Full-year May–Apr 2016/2017
Profit for the period	49,838	34,588	72,341	58,903	166,223	152,786
Change in translation differences for the period from translating foreign subsidiaries	-4,641	-2,037	-12,317	-1,875	-7,186	3,256
Total other comprehensive income for the period	-4,641	-2,037	-12,317	-1,875	-7,186	3,256
Total comprehensive income for the period	45,197	32,551	60,024	57,028	159,037	156,042

Consolidated balance sheets

SEK thousand	Oct 31, 2017	Oct 31, 2016	Apr 30, 2017
Assets			
Intangible assets	176,848	188,880	182,053
Tangible assets	92,983	107,159	103,205
Financial assets	1,799	1,800	1,799
Deferred tax assets	23,377	37,207	30,283
Total fixed assets	295,007	335,046	317,340
Other current assets	591,672	527,917	571,903
Cash and cash equivalents	150,040	111,621	273,216
Total current assets	741,712	639,538	845,119
Total assets	1,036,719	974,584	1,162,460
Equity and liabilities			
Equity (incl. profit for the period)	446,303	442,016	554,515
Provisions	21,240	36,733	30,318
Deferred tax liabilities	26,081	45,616	45,720
Long-term liabilities	56,611	50,095	56,611
Current liabilities	486,484	400,124	475,296
Total equity and liabilities	1,036,719	974,584	1,162,460

No changes have occurred in pledged assets and contingent liabilities since the 2016/2017 Annual Report.

Consolidated statement of changes in equity

SEK thousand	6 months May–Oct 2017	6 months May–Oct 2016	Full-year May–Apr 2016/2017
Equity at start of period	554,515	545,603	545,603
Comprehensive income for the period	60,024	57,028	156,042
Dividend/redemption of shares	-170,707	-169,588	-169,588
Settlement of share-related payments	2,471	8,973	22,458
Equity at end of period	446,303	442,016	554,515

Consolidated cash-flow statements

SEK thousand	6 months May–Oct 2017	6 months May–Oct 2016	Full-year May–Apr 2016/2017
Cash flow from operations before changes in working capital	99,205	87,067	221,058
Cash flow from operations after changes in working capital	74,664	70,243	235,185
Investing activities	-21,091	-33,469	-59,553
Financing activities	-172,212	-169,588	-146,084
Total cash flow for the period	-118,639	-132,814	29,548
Change in cash and cash equivalents			
Cash and cash equivalents, opening balance	273,216	239,768	239,768
Exchange-rate difference in cash and cash equivalents	-4,537	4,668	3,900
Cash and cash equivalents, closing balance	150,040	111,622	273,216
Unutilized credit facilities	15,000	15,000	15,000

Alternative performance measures for the period and full-year

	6 months Oct 31, 2017	6 months Oct 31, 2016	12 months Oct 31, 2017	Full-year Apr 30, 2017
Order bookings, SEK million	654.4	525.1	1,306.9	1,177.7
Operating margin, %	18.0	15.5	18.6	17.6
Profit margin, %	15.7	14.9	17.7	17.5
Average number of employees	640	611	631	616
Cash flow per share, SEK	1.97	1.86	6.32	6.21
Cash flow per share after full dilution, SEK	1.94	1.83	6.22	6.11
Value added, SEK million	382.7	336.2	789.4	742.9
P/E ratio, multiple	n/a	n/a	37.4	40.2
Share price at end of period, SEK	164.00	139.50	164.00	162.50
Return on equity, %	14.5	11.9	33.2	27.8
Return on capital employed, %	15.9	13.5	37.6	32.2
Return on total capital, %	8.3	7.3	19.7	17.8
Equity/assets ratio, %	43.0	45.4	43.0	47.7
Liquidity, multiple	1.5	1.6	1.5	1.8
Equity per share, SEK	11.76	11.73	11.76	14.63
Equity per share after full dilution, SEK	11.59	11.53	11.59	14.40

Exchange rates

Currency	Average rates in SEK			Closing rates in SEK		
	Q1–2 2017/2018	Q1–2 2016/2017	Change	Oct 31, 2017	Oct 31, 2016	Change
US dollar, 1 USD	8.25	8.57	-3.7%	8.29	8.97	-7.6%
Euro, 1 EUR	9.59	9.53	0.7%	9.64	9.84	-2.1%
British pound, 1 GBP	10.78	11.34	-4.9%	10.91	10.92	-0.1%

Quarterly consolidated income statement and alternative performance measures

SEK million	2017/2018		2016/2017				2015/2016			
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	313.4	265.1	340.8	294.2	275.4	230.5	315.1	268.9	264.7	224.9
Capitalized work for own use	5.6	3.9	6.2	8.0	9.4	5.7	10.8	12.8	5.4	4.8
Reversal of contingent consideration	0	0	0	12.4	0	0	0	0	0	0
Other operating income	0.5	0.9	0.8	1.1	0.1	0.4	1.5	0.4	0.4	1.0
Operating expenses	-243.6	-210.8	-258.4	-241.3	-224.1	-190.1	-254.7	-224.4	-225.1	-189.5
Depreciation/amortization and impairment	-16.1	-14.8	-14.6	-27.1	-14.4	-14.4	-14.7	-13.7	-13.3	-9.8
Operating profit	59.8	44.3	74.8	47.1	46.4	32.1	58.0	44.0	32.1	31.4
Net financial items	2.1	-15.5	3.9	-1.3	-2.0	-0.9	-9.3	-7.1	2.5	3.1
Profit after net financial items	61.9	28.8	78.7	45.8	44.4	31.2	48.7	36.9	34.6	34.5
Tax on earnings for the period	-12.1	-6.3	-19.8	-10.8	-9.8	-6.9	-5.4	-8.1	-7.8	-7.8
Profit for the period	49.8	22.5	58.8	35.0	34.6	24.3	43.3	28.8	26.8	26.7
Order bookings, SEK million	426.8	227.6	349.6	302.9	299.6	225.5	447.8	369.0	205.3	299.9
Operating margin, %	19.1	16.7	21.9	16.0	16.8	13.9	18.4	16.4	12.1	14.0
Cash flow per share, SEK	1.33	0.64	1.59	2.76	1.40	0.47	1.65	1.74	1.39	0.18
Cash flow per share after full dilution, SEK	1.31	0.63	1.56	2.72	1.37	0.46	1.62	1.70	1.36	0.17
Earnings per share, SEK	1.31	0.59	1.55	0.92	0.92	0.65	1.15	0.77	0.72	0.71
Return on equity, %	10.0	4.0	10.7	6.8	7.0	4.1	7.5	5.1	4.8	4.2
Return on capital employed, %	10.8	4.6	12.6	7.8	7.9	4.8	7.7	5.9	5.7	5.1
Equity/assets ratio, %	43.0	49.1	47.7	45.8	45.4	52.7	49.5	49.5	54.1	60.8
Equity per share, SEK	11.76	14.80	14.63	12.87	11.73	15.37	14.55	13.74	13.61	17.68
Share price at end of period, SEK	164.00	152.50	162.50	153.00	139.50	133.00	110.75	105.75	105.00	119.00

Five-year summary

	2016/2017	2015/2016	2014/2015	2013/2014	2012/2013
Order bookings, SEK million	1,177.7	1,322.0	1,471.5	925.7	916.0
Net sales, SEK million	1,140.9	1,073.6	961.4	853.8	817.0
Operating profit, SEK million	200.4	165.5	150.3	128.1	85.9
Profit after net financial items, SEK million	200.0	154.8	164.4	141.5	86.6
Profit for the period after tax, SEK million	152.8	125.7	126.1	103.9	62.2
Operating margin, %	17.6	15.4	15.6	15.0	10.5
Profit margin, %	17.5	14.4	17.1	16.6	10.6
Earnings per share before dilution, SEK	4.04	3.35	3.38	2.80	1.68
Earnings per share after dilution, SEK	3.98	3.29	3.31	2.73	1.64
Dividend/redemption program per share, SEK	4.50	4.50	4.50	4.50	4.50
Share price at end of year, SEK	162.50	110.75	119.50	77.75	53.00
P/E ratio, multiple	40.2	33.0	35.3	27.8	31.5
Return on equity, %	27.8	21.7	20.6	16.3	8.6
Return on capital employed, %	32.2	24.2	25.1	21.1	11.6
Return on total capital, %	17.8	14.2	15.8	13.7	7.9
Equity per share before dilution, SEK	14.63	14.55	16.44	16.49	17.94
Equity per share after dilution, SEK	14.40	14.23	16.01	16.05	17.53
Equity/assets ratio, %	47.7	49.5	56.1	60.7	61.4

OPERATING SEGMENTS

Sales by business segment

SEK million	3 months Aug–Oct 2017	3 months Aug–Oct 2016	6 months May–Oct 2017	6 months May–Oct 2016	Rolling 12 months	Full-year May–Apr 2016/2017
Imaging IT Solutions	250.9	236.9	484.7	447.7	1,007.5	970.5
Sectra Customer Financing	34.5	28.4	69.3	59.1	130.5	120.3
Secure Communications	35.1	22.3	63.5	40.3	128.9	105.7
Business Innovation	15.1	16.9	26.3	31.4	60.2	65.4
Other Operations	11.4	11.2	23.0	21.8	46.7	45.5
Group eliminations	-33.6	-40.3	-88.3	-94.4	-160.2	-166.5
Total	313.4	275.4	578.5	505.9	1,213.6	1,140.9

Operating profit by business segment

SEK million	3 months Aug–Oct 2017	3 months Aug–Oct 2016	6 months May–Oct 2017	6 months May–Oct 2016	Rolling 12 months	Full-year May–Apr 2016/2017
Imaging IT Solutions	48.0	53.9	87.0	76.6	221.0	210.6
Sectra Customer Financing	1.0	1.0	1.7	2.8	3.5	4.7
Secure Communications	0.2	1.0	0.4	2.9	-0.9	1.7
Business Innovation	-0.7	2.4	-2.8	3.8	-1.6	5.0
Other Operations	-6.0	-4.3	-8.2	-7.0	-17.4	-16.1
Group eliminations	17.3	-7.6	26.0	-0.6	21.4	-5.5
Total	59.8	46.4	104.1	78.5	226.0	200.4

Sales by geographic market

SEK million	3 months Aug–Oct 2017	3 months Aug–Oct 2016	6 months May–Oct 2017	6 months May–Oct 2016	Rolling 12 months	Full-year May–Apr 2016/2017
Sweden	86.7	69.5	157.3	126.5	311.3	280.5
US	79.8	65.4	131.2	118.6	271.2	258.6
UK	48.3	40.5	96.1	79.0	202.4	184.8
Netherlands	25.6	20.8	44.6	36.3	95.1	86.6
Rest of Europe	60.4	67.4	124.2	119.4	273.9	268.9
Rest of World	12.6	11.8	25.1	26.1	59.7	61.5
Total	313.4	275.4	578.5	505.9	1,213.6	1,140.9

PARENT COMPANY

Parent Company income statements

SEK thousand	3 months Aug–Oct 2017	3 months Aug–Oct 2016	6 months May–Oct 2017	6 months May–Oct 2016	12 months Nov 2016– Oct 2017	Full-year May–Apr 2016/2017
Net sales	27,614	28,384	50,953	53,464	106,317	108,828
Capitalized work for own use	1,098	1,121	1,098	1,874	3,629	4,405
Other operating income	381	136	747	501	2,082	1,836
Goods for resale	-3,774	-4,638	-6,589	-8,669	-22,823	-16,234
Personnel costs	-14,709	-12,067	-25,997	-21,751	-53,497	-49,251
Other external costs	-12,751	-12,468	-24,438	-23,842	-45,038	-53,112
Depreciation/amortization	-1,848	-1,167	-3,402	-2,046	-6,052	-4,696
Operating loss	-3,989	-699	-7,628	-469	-15,382	-8,224
Net financial items	6,774	-430	-9,342	2,916	-2,245	10,013
Profit/loss after net financial items	2,785	-1,129	-16,970	2,447	-17,627	1,789
Appropriations	0	0	0	0	204,339	204,339
Profit/loss before tax	2,785	-1,129	-16,970	2,447	186,712	206,128
Tax on earnings for the period	-671	-300	3,733	-538	-39,655	-43,926
Profit/loss for the period	2,114	-1,429	-13,237	1,909	147,057	162,202
Comprehensive income for the period	2,114	-1,429	-13,237	1,909	147,057	162,202

Parent Company balance sheets

SEK thousand	Oct 31, 2017	Oct 31, 2016	Apr 30, 2017
Assets			
Intangible assets	10,925	8,949	10,765
Tangible assets	19,921	14,589	15,477
Financial assets	242,361	289,683	285,663
Total fixed assets	273,207	313,221	311,905
Other current assets	304,298	342,028	423,799
Cash and cash equivalents	75,568	68,409	221,099
Total current assets	379,866	410,437	644,898
Total assets	653,073	723,658	956,803
Equity and liabilities			
Equity (incl. profit for the period)	269,621	277,316	451,095
Untaxed reserves	87,629	168,351	87,629
Long-term liabilities	56,611	50,095	56,611
Current liabilities	239,212	227,896	361,468
Total equity and liabilities	653,073	723,658	956,803

Pledged assets and contingent liabilities

SEK thousand	Oct 31, 2017	Oct 31, 2016	Apr 30, 2017
Chattel mortgages	11,000	11,000	11,000
Total pledged assets	11,000	11,000	11,000
Guarantees on behalf of Group companies	158,688	210,526	190,948
Total contingent liabilities	158,688	210,526	190,948

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 number 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.

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. In order to read encrypted information, the recipient must have the correct key and algorithm.

Critical infrastructure

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

Machine learning

A discipline within artificial intelligence (see above) where algorithms (computer programs) learn to solve tasks using analyzed data. One example involves allowing a program to train on a large sampling of test images, where information is provided about which images show healthy or sick patients, after which the program can also make accurate predictions regarding unfamiliar images.

Mammography

An examination procedure used to detect breast cancer at an early stage in asymptomatic women.

Cloud

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

Orthopaedics

A surgical specialty for disorders affecting the musculoskeletal system.

PACS (Picture Archiving and Communication System)

A system for managing medical images, primarily 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.

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.

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.

Business areas/business models

Imaging IT Solutions helps hospitals across the world to become more efficient, enabling them to care for more patients and save more lives. Increased use of medical images and aging populations that are living longer pose huge challenges to healthcare. Sectra's IT solutions and services for medical diagnostic imaging enable greater efficiency and contribute to healthcare advancements. Sectra has more than 1,700 installations of medical IT systems, and customers include some of the largest healthcare providers in the world.

Secure Communications helps society's critical functions to use modern technology to exchange information securely, thereby contributing to a stable and secure society. Sectra's solutions and services protect 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.

Sectra Customer Financing is where the company's strong financial position is used to finance major managed-services agreements with healthcare customers.

Group-wide strategies

- Customers and customer satisfaction are always assigned top priority to enable long-term growth.
- International expansion mainly in areas and regions where Sectra holds an established position. This will primarily be achieved through organic growth, 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.
- Close relationships with demanding customers to ensure that Sectra's solutions meet market demands for quality, functionality, and usability.
- A strong, innovative corporate culture to attract and retain talented employees with the ability to solve our customers' problems and meet—and in many cases, exceed—their expectations.
- Close collaboration with universities and research institutions to capture ideas and new product areas that Sectra's customers may find useful.

For more information, visit www.sectra.com/investor



Ten good reasons to invest in Sectra

- Growth potential in the healthcare, secure communications, and critical infrastructure sectors.
- Established brand in niche areas, where customer confidence is a critical success factor.
- Stable, profitable company, with more than 50% of sales comprising recurring revenue from long-term customer contracts.
- Multinational reach and thousands of customers worldwide.
- High level of customer satisfaction and the aim to make customers even more satisfied.
- Products and services that contribute to improved quality of life and a safer society.
- Self-financed portfolio of exciting innovation projects with reported and controlled costs. While some of these projects are unlikely to succeed, a single success story would be sufficient to add significant value.
- Members of management are shareholders.
- Principal owners dedicated to the long-term development of the company.
- A very strong corporate culture based on the employees' expertise and attitudes and their drive to solve customer problems.

Are you a Sectra shareholder?

Your feedback is important to us! Please take the time to answer nine questions in Sectra's shareholder survey at: www.sectra.com/irsurvey