

Interim report May – October 2013

Sectra's profit grows

SEK million	The quarter			The interim period			12 months		
	Q2 2013/2014	Q2 2012/2013	Change %	Q1-2 2013/2014	Q1-2 2012/2013	Change %	Rolling	2012/2013	Change %
Order bookings	156.9	217.0	- 27.7	404.6	333.2	21.4	987.4	916.0	7.8
Net sales	198.3	192.7	2.9	373.6	363.6	2.8	826.9	817.0	1.2
Operating profit (EBIT)	29.4	23.0	27.8	43.3	27.1	59.8	102.1	85.9	18.9
Operating margin, %	14.8	11.9		11.6	7.5		12.3	10.5	
Profit before tax (EBT)	32.1	24.8	29.4	47.2	25.1	88.0	108.6	86.6	25.4
Profit margin, %	16.2	12.9		12.6	6.9		13.1	10.6	
Profit after tax	25.1	16.9	48.5	37.0	17.1	116.4	82.1	62.2	32.0
Earnings per share, SEK ¹	0.68	0.46	47.8	1.00	0.46	117.4	2.21	1.68	31.5
Cash flow ²	58.2	3.9	1392.3	50.2	67.9	-26.1	173.5	191.2	-9.3
Number of employees ³	532	537		532	537		532	528	

¹ Prior to dilution. ² Operations after changes in working capital. ³ At end of period.



CEO'S COMMENTS

Following a strong start to the fiscal year, Sectra's operating profit continued to grow during the second quarter. Sectra's target is an operating margin of 15%.

"We have made progress in reaching the target for our operating margin – Sectra reported an operating margin of more than 12% on a rolling 12-month basis. Our largest business area, Imaging IT Solutions, has showed a positive earnings trend and in Secure Communications, we are focusing on activities that will help to restore the business area's profit levels. The need for secure communication has become highly evident in recent months due to disclosures of extensive eavesdropping in many countries.

"After four consecutive quarters of strong order bookings, the lower figures this quarter were due to several factors, including a less positive market in the US. However, a continued increase in order bookings from healthcare clients was noted in the UK and the Netherlands. A growing proportion of sales is deriving from long-term agreements with customers that purchase medical IT systems as a service. Sectra's financial strength facilitates these types of payment models, which are increasingly significant as a competitive tool and provide security for customers.

"We are working purposefully to increase customer satisfaction by improving our customer service and broadening our product offering with new innovations. It is therefore very satisfying when our efforts to build success for customers are rewarded, such as when we recently received the 'Best New Radiology Software' award for Sectra DoseTrack – our new product for radiation dose monitoring – or when we are ranked so highly in customer satisfaction surveys. This is confirmation of the value we deliver and of our customer satisfaction and thus enables us to view the future with confidence."

Torbjörn Kronander, President and CEO

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Teleconference with President Torbjörn Kronander and CFO Simo Pykälistö

December 10, 2013 at 09:30 a.m. To participate, call:

Sweden: +46 (0)8-505 564 77 UK: +44 203 194 0544 US: +1 855 269 2604

The presentation will be held in English and can also be followed online via:

<http://media.fronto.com/cloud/sectra/131210/>

THE PERIOD IN BRIEF

The interim period

- The Sectra Group's order bookings amounted to SEK 404.6 million, up 21.4% compared with the year-earlier period.
- Sectra's net sales increased 2.8% to SEK 373.6 million.
- Sectra's operating profit rose 59.8% to SEK 43.3 million, corresponding to an operating margin of 11.6%.
- Cash flow after changes in working capital amounted to SEK 50.2 million (67.9).

Second quarter

- Order bookings amounted to SEK 156.9 million (217.0).
- Net sales increased 2.9% to SEK 198.3 million.
- Operating profit rose 27.8% to SEK 29.4 million, corresponding to an operating margin of 14.8%.

Events during the quarter

- Through a share redemption program, SEK 4.50 per share was distributed to shareholders in August, in total SEK 166.9 million.
- The James Paget University Hospital in the UK signed a ten-year agreement with Sectra for a Vendor Neutral Archive (VNA) and Sectra's medical imaging IT system (PACS).
- Sectra's new product for radiation dose monitoring, Sectra DoseTrack, was named "Best New Radiology Software" by one of the most eminent online radiology portals, AuntMinnie.com.
- Sectra and Royal Philips Electronics extended their partnership agreement for service and support to customers that use Sectra PACS.
- In the US, Sectra signed agreements with several customers, including the Allison Breast Center, the first US clinic to introduce regular osteoporosis screenings with the Sectra OneScreen online service.
- In China, Sectra initiated a partnership with the company Tellyes Scientific for sales of the Visualization Table for medical education.
- The Dutch Government extended its framework agreement with Sectra for the secure communication service, VECOM, which is used by all ministries in the Netherlands for both national and international communication.

OUTLOOK

The world needs more efficient healthcare and more reliable communication. Both of these markets offer major scope for expansion. Sectra plays a key role in satisfying these needs by offering products and services in the areas of medical IT and secure communication.

There is a growing need for greater efficiency in healthcare in order to provide care for more patients, due to the demographic trend of an ageing population that is living longer while birth rates are declining. Sectra develops and sells systems and services for medical diagnostic imaging, which help to develop the healthcare sector while making it more efficient. Society also needs to improve how it takes care of age-related diseases. Sectra has several products and services that can contribute to more efficient healthcare and treatment of some of the most costly age-related diseases.

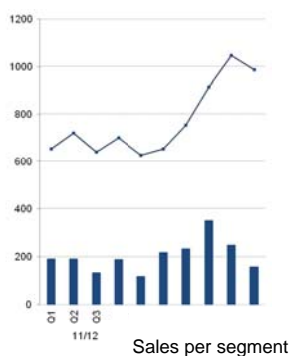
In terms of security, government agencies, defense organizations and the private sector are increasingly exposed to security risks and eavesdropping attempts. Increased

awareness of eavesdropping may contribute to greater interest in the type of security products offered by Sectra. Sectra is trusted to deliver products that protect classified information at the very highest levels and our encrypted products are approved by the EU, NATO and several national security agencies.

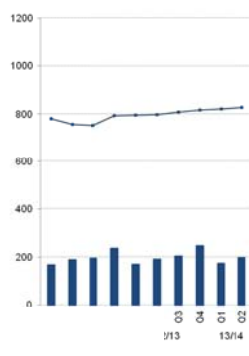
GROUP

Order bookings, sales and earnings

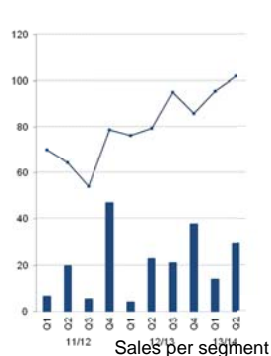
Order bookings, Group



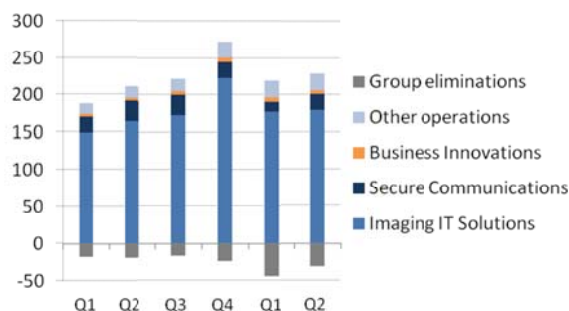
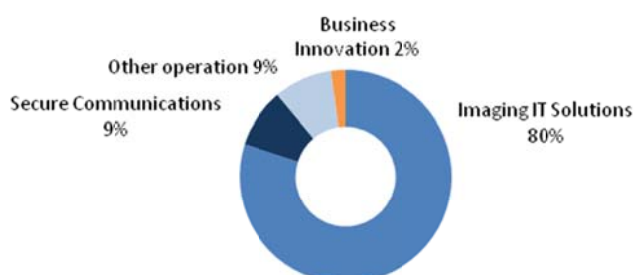
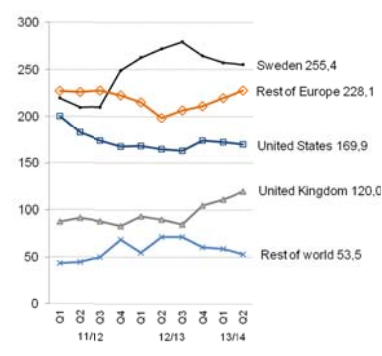
Sales, Group



Operating profit, Group



Net sales per geographic market



Results in SEK million excluding non-recurring items bars - per quarter line and circle - rolling 12 months

Six-month period

The Group's order bookings amounted to SEK 404.6 million, up 21.4% compared with the year-earlier period. The increase was primarily attributable to Sectra's largest business area, Imaging IT Solutions. Sectra focuses primarily on growth in countries where the company already holds an established position and through partners in selected growth markets. The operations in the Netherlands and the UK accounted for the highest increases in order bookings during the period.

Net sales increased 2.8% to SEK 373.6 million. Imaging IT Solutions accounted for this growth. The Group's operating profit rose 59.8% to SEK 43.3 million, corresponding to an operating margin of 11.6% (7.5). The earnings improvement was mainly attributable to greater efficiency in Imaging IT Solutions. The Secure Communications business area reduced its fixed operating expenses following the restructuring that took place at the end of the preceding fiscal year, but remains impacted by delays at its main Swedish customer.

The Group's net financial items rose to SEK 3.8 million (neg: 2.0). Exchange-rate changes had an impact of SEK 1.0 million (neg: 3.2) on the Group's financial items. Profit before tax amounted to SEK 47.2 million (25.1), corresponding to a profit margin of 12.6% (6.9).

Second quarter

After four consecutive quarters with order bookings of more than SEK 200 million, the Group's order bookings in the second quarter amounted to SEK 156.9 million (217.0), due to several factors including lower order bookings from the US market. However, Sectra noted a continued increase in order bookings from healthcare clients in the UK and the Netherlands, which are two key growth markets for the company.

Net sales increased 2.9% to SEK 198.3 million. Successful initiatives in the Netherlands and the UK were primary reasons to the increase. The Group's operating profit rose 27.8% to SEK 29.4 million, corresponding to an operating margin of 14.8% (11.9). The main factor for earnings improvement was greater efficiency in the Imaging IT Solutions business area. Secure Communications still remains impacted by delays from its main Swedish customer.

Net financial items amounted to SEK 2.7 million (1.8). Exchange-rate changes had an impact of SEK 1.6 million (0.9) on the Group's financial items. Profit before tax amounted to SEK 32.1 million (24.8), corresponding to a profit margin of 16.2% (12.9).

Seasonal variations

Sectra is affected by seasonal variations, whereby most invoicing and earnings are traditionally generated at the end of the fiscal year. However, seasonal variations have fallen slightly in recent years due to an increasing proportion of sales being generated by long-term agreements with payment per month or per use. The varying order volumes in terms of individual quarters can be substantial, since Sectra has many major customers that sign extensive, long-term agreements with the company for medical IT projects, for example, or the development of encryption systems.

Financial position

Sectra has a strong cash balance and balance sheet. At the end of the period, the equity/assets ratio was 59.4% and liquidity amounted to a multiple of 2.5. After adjustment for exchange-rate differences, the Group's cash and cash equivalents amounted to SEK 394.3 million. At the close of the period, the Group's interest-bearing liabilities amounted to SEK 33.3 million, which pertained to convertible debentures to employees and Board members.

The Group's cash flow from operations after changes in working capital amounted to SEK 50.2 million (67.9) for the period, of which SEK 58.2 million (3.9) was attributable to the second quarter. The completion date for customer projects has a major impact on cash flow and the variation between individual quarters is substantial. Cash flow from investing activities amounted to a negative SEK 29.6 million (neg: 53.8) for the period, of which a negative SEK 14.9 million (neg: 5.0) was attributable to the second quarter. The comparative figure for the period includes a negative SEK 46.8 million for the acquisition of the Burnbank companies in the UK. Cash flow from financing activities amounted to a negative SEK 160.2 million (neg: 199.9) for the period, of which a negative SEK 160.2 million (neg: 182.6) was attributable to the second quarter. During the quarter, Sectra distributed SEK 166.9 million (185.5) to shareholders through a redemption program. The Group's total cash flow for the period amounted to a negative SEK 139.6 million (neg: 185.8), of which a negative SEK 116.9 million (neg: 183.7) was attributable to the second quarter.

Investments and depreciation/amortization

Group investments during the period amounted to SEK 29.6 million (53.8), of which SEK 14.9 million (5.0) was attributable to the second quarter. Investments pertained primarily to customer projects in the Group's financing activities and capitalized development costs. The comparative figure for the period includes the acquisition of the Burnbank companies. Depreciation/amortization during the period amounted to SEK 22.2 million (22.3), of which SEK 12.4 million (11.0) was attributable to the second quarter. Depreciation/amortization to the amount of SEK 8.8 million (7.6) during the period was attributable to capitalized development projects.

Due to new, extensive service agreements with customers in the healthcare sector, investments in Group-financed customer projects during the quarter increased to SEK 16.5 million (2.0), of which SEK 7.0 million (0.2) was attributable to the second quarter. At the end of the period, the Group's carrying amount for Group-financed customer projects totaled SEK 43.1 million (35.6).

During the period, capitalization of development costs increased to SEK 12.8 million (4.6), of which SEK 6.4 million (4.4) was attributable to the second quarter. At the close of the period, capitalized development costs totaled SEK 56.6 million (53.1) and primarily pertained to development projects in Imaging IT Solutions.

Sectra's financial goals

Sectra's Group-wide targets and strategies are aimed at building financially sound operations that provide Sectra with opportunities to create customer value and thereby contribute to long-term growth in shareholder value. In the first quarter of 2013, in connection with a review of the financial targets, the Board of Directors decided to change the growth target and establish priorities for the targets. The new targets are (in order of priority):

1. Stability: The equity/assets ratio must be a minimum of 30% (unchanged)
2. Profitability: The operating margin (EBIT) must be a minimum of 15% (unchanged)
3. Growth: The operating profit (EBIT) per share must increase, on average, 10% per year over a five-year period (changed growth target, the previous target was that Sectra's sales would increase, on average, by a minimum of 15% over a seven-year period)

When calculating the growth target, adjustments are made for any changes in the number of shares outstanding due to the cancellation of treasury shares or for bonus issues.

Sectra has posted a negative average annual growth in EBIT per share over the past five-year period, but this negative trend was broken two years ago. For the past two years, EBIT per share has grown by more than 8%. This is a result of Sectra's long-term efforts to achieve greater cost-efficiency while increasing the proportion of products with higher margins, such as software licenses.

For information about the background to the revision of Sectra's financial targets, see [Sectra's 2012/2013 Annual Report](#).

Equity/assets ratio
59.4%

Operating margin
rolling 12 months
12.3%

Average growth for operating
profit/share,
five-year period
-5.8%

At the end of the period
including nonrecurring item

IMAGING IT SOLUTIONS

	Q2 Aug–Oct 2013	Q2 Aug–Oct 2012	Q1-2 May–Oct 2013	Q1-2 May–Oct 2012	Rolling 12 months	Full-year May–April 2012/2013
Net sales, SEK million	179.6	164.0	356.8	312.6	753.4	709.2
Operating profit/loss, SEK million	37.8	21.6	63.7	26.2	140.7	103.2
Operating margin, %	21.0	13.2	17.9	8.4	18.7	14.6
Number of employees at end of period	413	395	413	395	413	387

Sales and earnings

Imaging IT Solutions' sales for the period increased 14.1% to SEK 356.8 million. Operating profit rose 143.1% to SEK 63.7 million, corresponding to an operating margin of 17.9% (8.4). Higher sales and a more efficient organization contributed to the earnings improvement.

Market

The market for medical IT systems and services continues to grow due to the major need for systems that increase efficiency and the increased use of medical images in healthcare. Scandinavia, North America and the UK are Sectra's largest markets. In the domestic market in Scandinavia, Sectra is by far the largest provider of IT systems for efficient and secure communication, and the management of medical images (PACS) and patient information (RIS).

In many countries, the uncertain prospects for economic growth and extensive austerity programs have dampened growth, particularly in Europe. The US market was less positive than in the first quarter, which is not surprising considering the uncertainty created by the extended budget negotiations. Sectra's long-term assessment is that demand will recover, since the growing need for greater efficiency and lower costs in the healthcare sector will continue.

Focus 2013/2014

- Growth in regions in which Sectra has an established customer base
- Retain existing customers and broaden the product portfolio with systems and services that contribute to further efficiency enhancements for customers.
- Continue growth in selected growth markets through partners.

Imaging IT Solutions increased both order bookings and sales compared with the year-earlier period, through several long-term service agreements for IT systems that contribute to greater efficiency in the healthcare sector. Successes during the second quarter were primarily attributable to the UK and the Netherlands. The James Paget University Hospital in the UK signed a ten-year agreement with Sectra for a Vendor Neutral Archive (VNA) and Sectra's medical imaging IT system (PACS).

Sectra extends support agreement with major partner

During the second quarter, Sectra and Royal Philips Electronics extended their support agreement until 2020 with an option to extend on a year-by-year basis. Historically, Philips is one of Sectra's major partners. The company offers support to about 200 customers who use Sectra's radiology information system (PACS), originally sold to them by Philips.

Sectra's new product received "Best New Radiology Software" award

Imaging IT Solutions has several new products under development and will commence deliveries to customers during the fiscal year. One of these is a new product for dose monitoring, Sectra DoseTrack. In the second quarter, the service was named "Best New

Radiology Software” by one of the most eminent online radiology portals, AuntMinnie.com.

Sectra works to establish new partnerships in selected countries. In the second quarter, as part of the investment in visualization for medical education, Sectra initiated a partnership for sales of the Visualization Table in China with Tellyes Scientific, a company that manufactures and sells medical simulation products.

SECURE COMMUNICATIONS

	Q2 Aug–Oct 2013	Q2 Aug–Oct 2012	Q1-2 May–Oct 2013	Q1-2 May–Oct 2012	Rolling 12 months	Full-year May–April 2012/2013
Net sales, SEK million	22.2	28.0	35.6	49.7	84.9	99.0
Operating profit/loss, SEK million	-0.7	4.7	-3.2	5.6	-7.4	1.4
Operating margin, %	-3.2	16.8	-9.0	11.3	-8.7	1.4
Number of employees at end of period	53	68	53	68	53	66

Sales and earnings

Secure Communications’ sales for the period amounted to SEK 35.6 million, down 28.4% compared with the corresponding period in the preceding fiscal year. The operation reported a loss of SEK 3.2 million for the period. During the period, the business area reduced its fixed operating expenses by about 10% following the restructuring that took place at the end of the preceding fiscal year, but remains impacted by delays in procurements and the implementation of planned projects in Sweden. Operating profit was also impacted by delays in major, ongoing product development projects due to changes in Swedish regulatory requirements for the handling of classified information.

Market

The market is driven by the fact that it is easier than ever to eavesdrop telecommunications, by changes to various regulatory frameworks for the handling of classified information, and by the growing number of authorities that want to protect their confidential, although not classified, information. Due to greater collaboration between governments in European countries, customer requests for products that support cross-border cooperation have increased. Sectra offers products that are approved by the EU, NATO and several national security agencies. Sweden and the Netherlands comprise Sectra’s largest markets for secure communication systems. The major focus on eavesdropping in recent months may, in future, lead to greater demand for security products from non-US companies.

Focus 2013/2014

- Restore profit levels
- Develop the business area’s operations in Sweden and the Netherlands, as well as other countries in which Sectra has an established customer base

Focus on restoring Secure Communications’ profit levels.

At the end of the preceding fiscal year, the Secure Communications operations were restructured and are now focused on completing ongoing development projects and receiving approval from national security agencies and the EU for the new security products Tiger 7401, Panthon 3 and Ternety, in order to commence deliveries. Sectra is also reviewing possibilities to broaden the customer base and its offering in the security area.

In the second quarter, the Dutch Government extended its framework agreement with Sectra. The Netherlands purchases secure communication as a service, VECOM, which is used for both national and international communication. The service entails that Sectra supplies a total solution using Tiger products for secure mobile and fixed-voice communication, service and secure administration, as well as support and customized end-user training. The new agreement also enables users to change to Sectra's new secure mobile phone, the Tiger 7401, which was approved by Dutch security authorities in April 2013. An evaluation is currently ongoing to secure EU approval for the Tiger 7401 product.

BUSINESS INNOVATION

	Q2 Aug–Oct 2013	Q2 Aug–Oct 2012	Q1-2 May–Oct 2013	Q1-2 May–Oct 2012	Rolling 12 months	Full-year May–April 2012/2013
Net sales, SEK million	4.3	4.2	10.9	7.7	20.9	17.7
Operating profit/loss, SEK million	-2.0	-2.3	-0.1	-4.4	-2.7	-7.0
Operating margin, %	-46.5	-54.8	-0.9	-57.1	-12.9	-39.5
Number of employees at end of period	18	22	18	22	18	19

Business Innovation includes projects and smaller operations with future potential. This segment includes services and products that contribute to more efficient and effective care for osteoporosis and IT systems for planning and following up orthopaedic surgery and research projects.

Sales and earnings

Sectra's future projects and smaller business lines are making continuous progress. During the period, sales in Business Innovation rose 41.6% to SEK 10.9 million. Operating loss amounted to SEK 0.1 million.

More clinics take steps to prevent osteoporosis

Sectra OneScreen, Sectra's online service for identifying individuals at risk of osteoporosis has, to date, been introduced in mammography clinics in eight countries. During the second quarter, Sectra signed agreements for use of the service with customers in the US and the UK. The Allison Breast Center is the first clinic in the US to introduce regular osteoporosis screenings with Sectra OneScreen. The UK customer base was expanded with Spire Roding Hospital, which is part of the large private healthcare Group, Spire Healthcare.

OTHER OPERATIONS

	Q2 Aug–Oct 2013	Q2 Aug–Oct 2012	Q1-2 May–Oct 2013	Q1-2 May–Oct 2012	Rolling 12 months	Full-year May–April 2012/2013
Net sales, SEK million	23.0	15.6	45.9	30.3	83.6	68.0
Operating profit/loss, SEK million	-1.2	0.1	-1.6	-2.0	-5.6	-6.0
Operating margin, %	-5.2	0.6	-3.5	-6.6	-6.7	-8.8
Number of employees at end of period	48	52	48	52	48	53

Other operations pertain to Sectra's operations for the financing of customer projects, asset management, and shared functions for administration, Group finances, market communication, IT, regulatory issues and investor relations activities.

Sales and earnings

During the period, sales from Other operations increased 51.5% to SEK 45.9 million. The increase was attributable to Sectra's operations for the financing of customer projects and increased invoicing of internal services due to the new organizational structure. Operating loss amounted to SEK 1.6 million (loss: 2.0).

THE PARENT COMPANY SECTRA AB

The Parent Company includes the head office's functions for Group finances, market communication, IT, regulatory issues and investor relations activities. The Parent Company's income statement and balance sheet are reported on page 17.

During the period, sales in the Parent Company amounted to SEK 34.5 million (10.0), of which SEK 14.4 million (4.8) was attributable to the second quarter. Sales increased due to the new organizational structure that was introduced in May, mainly a result of increased invoicing of internal services. Operating loss for the period was SEK 4.4 million (loss: 6.2), of which a loss of SEK 4.2 million (loss: 1.8) was attributable to the second quarter. Profit after net financial items for the period amounted to SEK 4.3 million (loss: 1.6), of which a loss of SEK 1.5 million (profit: 1.2) was attributable to the second quarter. Exchange-rate changes had an impact of SEK 0.5 million (neg: 1.8) on financial items for the period.

THE SHARE

Sectra's share redemption program 2013

During July and August 2013, Sectra carried out a share redemption program, whereby SEK 4.50 per share, a total of SEK 166.9 million, was distributed to 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 August 5, 2013.

In Sweden, the redemption of Sectra's redemption shares 2013 (designated SECT IL B) is declared as sales of shares on Form K4 for the 2014 tax assessment. According to the Swedish Tax Agency's general recommendations, SKV A 2013:18, which was published on October 11, 2013, 92% of the acquisition fee for an original class A or B share in Sectra AB should be assigned to a remaining share and 8% to the redemption share.

The Tax Agency has provided a general recommendation for the declaration of Sectra's redemption shares

For further information and examples, refer to:

- Sectra's website <http://www.sectra.com/deklarera2014>
- The Swedish Tax Agency's website www.skatteverket.se

Share-related incentive programs

In the second quarter, due to Sectra's share redemption program 2013, the Board of Directors resolved on a recalculation of outstanding convertibles and employee stock options. The 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, please refer to the information on Sectra's website under the Investors/Sectra share heading. Sectra has thereafter redeemed employee stock options 2010/2013 issued to employees in North America through a cash settlement.

The 2013 AGM resolved to issue new convertibles to the Group's employees and external Board members. The convertibles were subscribed during the September 23 – October 4 2013 period. In total, employees and Board members subscribed convertibles at a nominal amount of SEK 16.9 million, corresponding to 224,730 Series B shares. The dilution effect of both convertible programs amounts to 0.6% of the share capital and 0.4% of the votes. The conversion price for convertibles to employees is SEK 74.60, and the duration is November 1, 2013 – November 30, 2016. Conversion is permitted from November 7 – 10, 2016. The conversion price for convertibles to external Board members is SEK 79.60 and the duration is November 1, 2013 – November 30, 2017. Conversion is permitted from November 6 – 9, 2017.

The AGM 2013 also authorized the Board of Directors to issue not more than 100,000 call options to the Group's employees in North America and to make decisions regarding the issue of not more than 100,000 warrants carrying rights to subscription of not more than 100,000 Series B shares in the company in order to guarantee the performance of option commitments to employees. At the time of publication of this interim report, the Board had not utilized this possibility.

Authorization

The 2013 AGM authorized the Board, for the period until the next AGM, to decide on the new issue of not more than 3,700,000 Series 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 Series 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 the publication of this interim report, the Board had not utilized these possibilities.

Nomination Committee

The 2013 AGM resolved to appoint a Nomination Committee comprising four members, of whom the Chairman of the Board and three members are to represent the largest shareholders in the company. The composition of the Nomination Committee is based on known shareholdings in the company as of September 30, 2013. 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)
- Ricard Wennerklint (representing IF, the fourth-largest shareholder)

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

The Nomination Committee's proposals will be presented in the notice of the Annual General Meeting and be available on the company's website. The Nomination Committee will prepare and submit proposals regarding the:

- Election of, and fees to be paid to, the Chairman of the Board and other Board members
- Election of, and fees to be paid to, auditors and deputy auditors
- Resolution on principles governing the composition of the Nomination Committee
- Chairman of the General Meeting

The AGM is scheduled for September 8, 2014. Shareholders who wish to submit proposals may do so in writing to the Nomination Committee by e-mail info.investor@sectra.com or by mail to: Sectra AB, 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 were 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 are unchanged compared with those applied in the 2012/2013 Annual Report. New policies and amendments that have come into effect as of the 2013/2014 fiscal year have had no material impact on the financial statements.

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, is provided in the Group's Annual Report for the 2012/2013 fiscal year, Note 31, page 48. No significant events have occurred that would alter the conditions reported therein.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- King Faisal Specialist Hospital in Saudi Arabia, one of most renowned hospitals in both the country and the region, has ordered Sectra's system for the management of medical images.

FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, tel: +46 (0)13 23 52 27

Presentation of the interim report

A teleconference will be held with Torbjörn Kronander, CEO and President of Sectra AB, and Simo Pykälistö, CFO and Executive Vice President of Sectra AB, on September 10, 2013 at 9:30 a.m. (CET). The presentation will be held in English. To participate, call one of the following numbers 5-10 minutes before the conference begins:

Sweden: +46 (0)8-505 564 77 UK: +44 203 194 0544 US: +1 855 269 2604

A presentation will be given during the teleconference. The presentation can be followed online via: <http://media.fronto.com/cloud/sectra/131210/>

The presentation will also be available as a PDF about 15 minutes prior to the teleconference via the following link:

http://www.sectra.com/corporate/investor/financial_information/financial_hearings.html

The recorded presentation will be made available on [Sectra's website](#).

Financial calendar

Nine-month report	March 4, 2014
Year-end report	May 27, 2014
2014 Annual General Meeting	September 8, 2014

ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the interim report for the period May - October 2013 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, December 10, 2013

Torbjörn Kronander CEO, President and Board member	Carl-Erik Ridderstråle Chairman	Erika Söderberg Johnson Board member
Anders Persson Board member	Christer Nilsson Board member	Jakob Svärdström Board member
Jan-Olof Brüer Board member	Klas Mehmeti Deputy Board member Deputy Employee repr.	Fredrik Häll Deputy Board member Deputy Employee repr.

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

The information in this report is such that Sectra AB (publ) is obligated to disclose in compliance with the Securities and Clearing Operations Act and/or the Financial Instruments Trading Act. The information was issued to the media for publication on December 10, 2013, at 08:00 a.m. (CET).

Consolidated income statements

SEK thousands	3 months Aug – Oct 2013	3 months Aug - Oct 2012	6 months May – Oct 2013	6 months May - Oct 2012	12 months Nov 2012 - Oct 2013	Full-year May-Apr 2012/2013
Net sales	198,277	192,694	373,620	363,649	826,925	816,954
Capitalized work for own use	6,398	4,357	12,815	4,620	20,405	12,210
Goods for resale	-28,254	-28,361	-57,138	-45,895	-138,076	-126,833
Personnel, costs	-101,382	-102,880	-198,113	-201,865	-412,431	-416,183
Other, external, costs	-33,203	-31,772	-65,628	-71,032	-148,926	-154,327
Depreciation/amortization	-12,408	-11,036	-22,212	-22,335	-45,829	-45,955
Operating profit	29,428	23,002	43,344	27,142	102,068	85,866
Net financial items	2,715	1,822	3,839	-2,046	6,573	688
Profit after net financial items	32,143	24,824	47,183	25,096	108,641	86,554
Taxes	-6,998	-7,942	-10,224	-8,023	-26,509	-24,308
Earnings for the period	25,145	16,882	36,959	17,073	82,132	62,246
Earnings/loss for the period attributable to:						
Parent Company owners	25,145	16,882	36,959	17,073	82,132	62,246
Non-controlling interest	0	0	0	0	0	0
Earnings per share						
Before dilution, SEK	0.68	0.46	1.00	0.46	2.21	1.68
After dilution, SEK	0.66	0.45	0.97	0.45	2.16	1.64
No. of shares						
Before dilution	37,094,978	37,094,978	37,094,978	37,094,978	37,094,978	37,094,978
After dilution ²⁾	38,124,018	37,809,395	38,124,018	37,809,395	38,124,018	37,951,746
Average, before dilution	37,094,978	37,094,978	37,094,978	37,010,681	37,094,978	37,052,830
Average, after dilution ²⁾	38,028,351	37,713,662	37,990,048	37,773,301	37,954,231	37,852,915

- 1) Dilution of the number of shares is based on the convertible debentures programs issued in 2010/2011 (176,052), 2011/2012 (272,363), 2012/2013 (155,895) and 2013/2014 (224,730) and on employee stock options issued in 2011/2012 (100,000), and 2012/2013 (100,000). On full conversion/exercise of convertible debentures and employee stock options, the number of shares will rise by 1,029,040.
- 2) Pertains to the number of shares excluding redemption shares with mandatory redemption process. On the record date of July 31, 2013, the redemption shares were automatically revoked and the number of outstanding shares subsequently amounted to 37,094,978, of which 2,620,692 were Series A shares and 34,474,286 Series B shares.

Consolidated Statement of Comprehensive Income

SEK thousands	3 months Aug – Oct 2013	3 months Aug - Oct 2012	6 months May – Oct 2013	6 months May - Oct 2012	12 months Nov 2012 - Oct 2013	Full-year May-Apr 2012/2013
Earnings for the period	25,145	16,882	36,959	17,073	82,132	62,246
Items that will be reclassified to profit and loss						
Change in translation differences from translating foreign subsidiaries	1,269	-2,399	13	-2,145	-9,033	-11,191
Total other comprehensive income for the period	1,269	-2,399	13	-2,145	-9,033	-11,191
Total comprehensive income for the period	26,414	14,483	36,972	14,928	73,099	51,055

Consolidated Balance Sheets

SEK thousands	Oct 31, 2013	Oct 31, 2012	Apr 30, 2013
Assets			
Intangible assets	126,179	139,783	123,157
Tangible assets	56,406	48,925	48,670
Financial assets	1,926	3,628	4,204
Deferred tax assets	13,995	7,758	5,593
Total fixed assets	198,506	200,094	181,624
Other current assets	306,049	352,953	365,642
Cash and cash equivalents	394,308	418,814	536,291
Total current assets	700,357	771,767	901,933
Total assets	898,863	971,861	1,083,557
Equity and liabilities			
Equity (including total comprehensive income for the period)	534,048	628,363	665,300
Provisions	18,433	33,805	17,575
Deferred tax liabilities	31,869	27,872	27,067
Long-term liabilities	27,173	20,450	26,503
Current liabilities	287,340	261,371	347,112
Total equity and liabilities	898,863	971,861	1,083,557

No changes have occurred in pledged assets and contingent liabilities since the 2012/2013 Annual Report.

Consolidated Statement of Changes in Equity

SEK thousands	6 months May - Oct 2013	6 months May - Oct 2012	Full-year May - Apr 2012/2013
Equity at start of period	665,300	787,392	787,392
Comprehensive income for the period	36,972	14,928	51,055
Share-related payments	920	669	1,479
Redemption of shares	-166,927	-185,475	-185,475
Settlement of share-related payments	-2,217	10,849	10,849
Equity at the end of the period	534,048	628,363	665,300

Consolidated Cash-flow Statements

SEK thousands	6 months May - Oct 2013	6 months May - Oct 2012	Full-year May - Apr 2012/2013
Cash flow from operations before changes in working capital	52,146	43,525	133,634
Cash flow from operations after changes in working capital	50,169	67,876	191,216
Investing activities	-29,648	-53,843	-76,206
Financing activities	-160,167	-199,864	-182,697
Cash flow for the period	-139,646	-185,831	-67,687
Change in cash and cash equivalents			
Cash and cash equivalents, opening balance	536,291	605,757	605,757
Exchange-rate difference in cash and cash equivalents	-2,337	-1,112	-1,779
Cash and cash equivalents, closing balance	394,308	418,814	536,291
Unutilized credit facilities	15,000	15,000	15,000

Key figures

	6 months Oct 31, 2013	6 months Oct 31, 2012	12 months Oct 31, 2013	Full-year Apr 30, 2013
Order bookings, SEK M	404.6	333.2	987.4	916.0
Operating margin, %	11.6	7.5	12.3	10.5
Profit margin, %	12.6	6.9	13.1	10.6
Average number of employees	519	519	519	527
Cash flow per share, SEK	1.41	1.17	3.83	3.60
Cash flow per share after full dilution, SEK	1.37	1.15	3.73	3.52
Value added, SEK M	241.5	229.0	514.5	502.1
P/E ratio, multiple	n/a	n/a	31.1	31.5
Share price at end of period, SEK	68.8	40.9	68.8	53.0
Return on equity, %	6.2	2.4	14.1	8.6
Return on capital employed, %	7.5	3.5	18.0	11.6
Return on total capital, %	4.8	2.4	11.8	7.9
Equity/assets ratio, %	59.4	64.7	59.4	61.4
Liquidity, multiple	2.5	3.0	2.5	2.6
Equity per share, SEK	14.40	16.94	14.40	17.94
Equity per share after full dilution, SEK	14.01	16.62	14.01	17.53

Quarterly consolidated income statement and key figures

SEK Million	2013/2014		2012/2013				2011/2012		
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2 ¹⁾
Net sales	198.3	175.3	248.1	205.2	192.7	171.0	238.5	196.1	219.2
Capitalized work for own use	6.4	6.4	4.1	3.5	4.4	0.3	1.6	2.6	5.7
Operating expenses	-162.9	-158.0	-203.5	-175.0	-163.1	-155.9	-181.6	-182.4	-169.4
Depreciation/amortization	-12.4	-9.8	-11.1	-12.6	-11.0	-11.3	-11.7	-10.9	-10.6
Operating profit	29.4	13.9	37.6	21.1	23.0	4.1	46.8	5.4	44.9
Net financial items	2.7	1.1	3.6	-0.8	1.8	-3.8	3.5	6.9	4.2
Earnings after net financial items	32.1	15.0	41.2	20.3	24.8	0.3	50.3	12.3	49.1
Tax on earnings for the period	-7.0	-3.2	-13.8	-2.5	-7.9	-0.1	-13.4	-3.3	-14.0
Earnings for the period from remaining operations	25.1	11.8	27.4	17.8	16.9	0.2	36.8	9.0	35.1
Profit/loss from discontinued operations	0	0	0	0	0	0	0	0	310.0
Earnings for the period	25.1	11.8	27.4	17.8	16.9	0.2	36.8	9.0	345.1
Order bookings, SEK M	156.9	247.7	350.0	232.9	217.0	116.2	188.2	131.5	190.6
Operating margin, %	14.8	7.9	15.2	10.3	11.9	2.4	19.6	2.8	20.5
Cash flow per share, SEK	0.93	0.48	1.20	1.23	0.65	0.52	1.38	0.97	1.48
Cash flow per share after full dilution, SEK	0.90	0.47	1.18	1.19	0.64	0.51	1.34	0.94	1.44
Earnings per share, SEK	0.68	0.32	0.74	0.48	0.46	0.01	1.00	0.24	0.95
Return on equity, %	4.2	1.8	4.2	2.8	2.4	0.0	5.8	1.1	46.3
Return on capital employed, %	5.1	2.2	6.1	3.2	3.4	0.1	6.3	1.5	47.8
Equity/assets ratio, %	59.4	65.2	61.4	63.8	64.7	71.2	69.4	68.2	75.0
Cash flow per share, SEK	0.93	0.48	1.20	1.23	0.65	0.52	1.25	0.97	1.25
Equity per share, SEK	14.40	18.23	17.94	17.13	16.94	21.54	21.37	20.34	24.94

1) Including discontinued operations.

Five-year summary

	2012/2013	2011/2012	2010/2011	2009/2010	2008/2009
Order bookings. SEK M	916.0	701.1	631.0	766.7	1 080.6
Net sales. SEK M	817.0	823.1	783.7	753.9	777.0
Operating profit. SEK M	85.9	103.5	72.5	115.7	120.4
Earnings after net financial items. SEK M	86.6	127.9	70.2	113.0	200.0
Earnings after tax from remaining operations. SEK M	62.2	92.8	48.3	84.0	143.9
Operating margin. %	10.5	12.6	9.3	15.3	15.5
Profit margin. %	10.6	15.5	9.0	15.0	25.7
Earnings per share before dilution. SEK	1.68	2.52	1.31	2.28	3.90
Earnings per share after dilution. SEK	1.64	2.46	1.29	2.24	3.84
Dividend per share. SEK	4.50	5.00	5.00	0.00	0.00
Share price at year end. SEK	53.0	43.0	34.0	37.3	38.8
P/E ratio. multiple	31.5	17.1	26.0	16.4	9.9
Including discontinued operations:					
Earnings for the period. SEK M	62.2	385.8	-9.6	17.2	50.5
Return on equity. %	8.6	58.0	-1.6	2.9	8.7
Return on capital employed. %	11.6	59.7	-1.1	3.9	11.6
Return on total capital. %	7.9	40.8	-0.7	2.5	7.4
Equity per share before dilution. SEK	17.94	21.37	15.46	16.36	16.26
Equity per share after dilution. SEK	17.53	20.77	15.13	16.11	16.06
Equity/assets ratio. %	61.4	69.4	61.0	62.2	59.4

OPERATING SEGMENTS

Nets sales by segment

(MSEK)	3 months Aug - Oct 2013	3 months Aug - Oct 2012	6 months May - Oct 2013	6 months May - Oct 2012	12 months Nov 2012 - Oct 2013	Full-year May - Apr 2012/2013
Imaging IT Solutions	179.6	164.0	356.8	312.6	753.4	709.2
Secure Communications	22.2	28.0	35.6	49.7	84.9	99.0
Business Innovation	4.3	4.2	10.9	7.7	20.9	17.7
Other operations ¹	23.0	15.6	45.9	30.3	83.6	68.1
Eliminations	-30.8	-19.1	-75.6	-36.7	-115.9	-77.0
Group total	198.3	192.7	373.6	363.6	826.9	817.0

Operating earnings by segment

(MSEK)	3 months Aug - Oct 2013	3 months Aug - Oct 2012	6 months May - Oct 2013	6 months May - Oct 2012	12 months Nov 2012 - Oct 2013	Full-year May - Apr 2012/2013
Imaging IT Solutions	37.8	21.6	63.7	26.2	140.7	103.2
Secure Communications	-0.7	4.7	-3.2	5.6	-7.4	1.4
Business Innovation	-2.0	-2.3	-0.1	-4.4	-2.7	-7.0
Other operations ¹	-1.2	0.1	-1.6	-2.0	-5.6	-6.0
Eliminations	-4.5	-1.1	-15.5	1.7	-22.9	-5.7
Group total	29.4	23.0	43.3	27.1	102.1	85.9

Net sales by geography

(MSEK)	3 months Aug - Oct 2013	3 months Aug - Oct 2012	6 months May - Oct 2013	6 months May - Oct 2012	12 months Nov 2012 - Oct 2013	Full-year May - Apr 2012/2013
Sweden	61.8	66.6	117.5	126.9	255.4	264.8
US	35.5	36.5	73.1	77.4	169.9	174.2
UK	34.7	21.5	62.8	47.8	120.0	105.0
Rest of Europe	51.3	47.2	96.8	80.3	228.1	211.7
Rest of world	15.0	20.9	23.4	31.2	53.5	61.3
Group total	198.3	192.7	373.6	363.6	826.9	817.0

¹ Other operations pertain to Sectra's operations for the financing of customer projects, asset management, shared functions for administration, Group finances, market communication, IT, regulatory issues and investor relations activities.

PARENT COMPANY

Parent Company Income Statements

SEK thousands	3 months Aug - Oct 2013	3 months Aug - Oct 2012	6 months May - Oct 2013	6 months May - Oct 2012	12 months Nov 2012 – Oct 2013	Full-year May - Apr 2012/2013
Net sales	14,364	4,816	34,477	10,007	44,676	20,206
Personnel costs	-8,640	-2,685	-20,207	-5,697	-25,330	-10,820
Operating expenses	-9,802	-3,908	-18,477	-10,368	-29,405	-21,296
Depreciation/amortization	-88	-53	-176	-105	-237	-166
Operating loss	-4,166	-1,830	-4,383	-6,163	-10,296	-12,076
Net financial items	2,691	2,990	8,703	4,570	78,300	74,167
Profit after net financial items	-1,475	1,160	4,320	-1,593	68,004	62,091
Appropriations	0	0	0	0	-1,975	-1,975
Profit before tax	-1,475	1,160	4,320	-1,593	66,029	60,116
Tax on earnings for the period	325	-305	-950	419	-17,493	-16,124
Earnings for the period	-1,150	855	3,370	-1,174	48,536	43,992

Parent Company Statement of Comprehensive Income

SEK thousands	3 months Aug - Oct 2013	3 months Aug - Oct 2012	6 months May - Oct 2013	6 months May - Oct 2012	12 months Nov 2012 – Oct 2013	Full-year May - Apr 2012/2013
Earnings for the period	-1,150	855	3,370	-1,174	48,536	43,992
Other comprehensive income						
Fund for fair value	-1,006	-2,489	-1,890	-1,265	-3,350	-2,725
Total other comprehensive income for the period	-1,006	-2,489	-1,890	-1,265	-3,350	-2,725
Total comprehensive income for the period	-2,156	-1,634	1,480	-2,439	45,186	41,267

Parent Company Balance Sheets

SEK thousands	Oct 31. 2013	Oct 31. 2012	Apr 30. 2013
Assets			
Tangible assets	548	299	238
Financial assets	79,819	116,742	106,492
Total fixed assets	80,367	117,041	106,730
Other current assets	166,994	150,731	168,667
Cash and cash equivalents	282,108	360,388	424,712
Total current assets	449,102	511,119	593,379
Total assets	529,469	628,160	700,109
Equity and liabilities			
Equity (including earnings for the period)	352,160	476,120	519,825
Deferred tax liabilities	112,166	110,191	112,166
Long-term liabilities	28,579	21,856	26,503
Current liabilities	36,564	19,993	41,615
Total equity and liabilities	529,469	628,160	700,109

Pledged assets and contingent liabilities

SEK thousands	Oct 31. 2013	Oct 31. 2012	Apr 30. 2013
Pledged. assets	11,000	11,000	11,000
Total pledged assets		11,000	11,000
Guarantees on behalf of group companies	259,878	257,347	283,943
Total contingent liabilities	259,878	257,347	283,943

Definition of key figures

Adjusted equity	Reported shareholders' equity increased by 78% of untaxed reserves.
Capital employed	Total assets reduced by non-interest-bearing liabilities.
Cash flow per share	Cash flow divided by the number of shares at the end of the period.
Earnings per share	Profit/loss after tax divided by the average number of shares.
Equity/assets ratio	Adjusted equity as a percentage of total assets.
Equity per share	Adjusted equity divided by the number of shares at the end of the period.
Liquidity	Current assets divided by current liabilities.
P/E ratio per share	Share price at the end of the period in relation to the 12-month period's earnings
Profit margin	Profit after net financial items as a percentage of net sales.
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	Profit after net financial items plus financial expenses as a percentage of average total assets.
Value added	Operating profit plus labor costs.

ABOUT SECTRA

The world needs more efficient healthcare and more reliable communication. Sectra plays a key role in satisfying these needs by offering products and services in the areas of medical IT and secure communication.

Sectra has its roots in research at Linköping University and ties with the research community remain strong. The company has grown from a small group of researchers and postgraduate students in 1978 to an international company with more than 500 employees in 12 countries. The company's success is based on close collaboration with customers, employees' dedication to solving customers' problems and the ability to develop technological and commercial innovations that can improve everyday life for our customers. The Group's operations currently comprise the following niche areas:

Imaging IT Solutions helps healthcare providers care for more patients, while retaining the same, or a higher level of quality through efficient image management. Increased use of medical images and ageing populations that are living longer pose huge challenges to the healthcare sector. Sectra's IT solutions and services enable greater efficiency throughout the entire care chain and contribute to healthcare advancements. Sectra has more than 1,400 installations of medical IT systems, and customers include some of the largest healthcare providers in the world. The main area today is radiology, but there is also rapidly rising interest from other diagnostic imaging areas in the healthcare sector.

Secure Communications helps authorities, companies and defense organizations in Europe to communicate securely. Eavesdropping on phone calls and messages is relatively easy, and represents a security threat for many organizations. Sectra's solutions and services protect the most sensitive and confidential information that is handled by customers. The products are approved by the EU, NATO and several national security authorities.

Business Innovation in which Sectra gathers smaller operations and future projects which may lead to major growth in Sectra's main areas or related niches. This area includes methods and products that contribute to more efficient and effective care for osteoporosis and the effects of osteoarthritis, which are some of society's most costly diseases.

Sectra's niche areas offer major scope for expansion. Conditions for the company's continued growth are:

- Established positions in the medical image-based IT and secure communication niches, where trust is a key factor for success.
- Close and long-term customer relationships, since most of the Group's revenues are generated by multi-year agreements.
- Large customer base that continues to generate new business.
- Global reach with customers in more than 50 countries, through partnerships and own offices in 12 countries.
- Sustainable investments in future projects that are currently small, but that hold major international growth potential if they are successful.
- Loyal and experienced employees who are dedicated and qualified to solve customers' challenges.
- Financial strength that facilitates acquisitions, flexible payment models and investments in research and development that will enable Sectra to generate value for customers and thereby contribute to long-term growth in shareholder value.

For further information about Sectra's operations, refer to [Sectra's 2012/2013 Annual Report](#).