

## Interim report for the May-October 2015 period: Growth and strong cash flow

SEK million	The quarter			6 months			12 months		
	Q2 2015/2016	Q2 2014/2015	Change %	Q1-2 2015/2016	Q1-2 2014/2015	Change %	Rolling	2014/2015	Change %
Order bookings	205.3	244.3	-16.0	505.2	632.4	-20.1	1,423.2	1,550.4	-8.2
Net sales <sup>1</sup>	264.7	239.0	10.8	489.5	451.5	8.4	999.4	961.4	4.0
Operating profit (EBIT) <sup>1</sup>	32.1	35.5	-9.6	63.5	76.0	-16.4	137.8	150.3	-8.3
Operating margin, %	12.1	14.9	-	13.0	16.8	-	13.8	15.6	-
Profit/loss before tax (EBT)	34.6	37.3	-7.2	69.1	81.3	-15.0	152.2	164.4	-7.4
Profit margin, %	13.1	15.6	-	14.1	18.0	-	15.2	17.1	-
Profit after tax	26.8	29.0	-7.6	53.6	63.1	-15.1	116.6	126.1	-7.5
Earnings/loss per share, SEK <sup>2</sup>	0.72	0.78	-7.7	1.43	1.70	-15.9	3.12	3.38	-7.7
Cash flow <sup>3</sup>	52.0	27.7	87.7	58.6	55.7	5.2	87.9	85.0	3.4
Number of employees <sup>4</sup>	603	563	7.1	603	563	7.1	603	565	6.7

<sup>1</sup> Q1 for the 2014/2015 comparative period includes a nonrecurring item in the amount of SEK 16.3 million. Excluding this item, net sales for the six-month period rose 12.5% and operating profit increased 6.4%.

<sup>2</sup> Prior to dilution. <sup>3</sup> Ongoing operations after changes in working capital. <sup>4</sup> At the end of the period.

### CEO'S COMMENTS

#### REPORT PRESENTATION

by phone with President Torbjörn Kronander and CFO Simo Pykälistö **December 8, 2015, at 10:00 a.m. (CET)**. The presentation will be held in English.

To participate, call:

SE: +46 8 56642691

UK: +44 2034281400

US: +1 6465025119

or follow online via:

<http://media.fronto.com/cloud/sectra/151208/>

We reported strong sales growth in all operating segments during the quarter, but our expenses also increased. This was mainly attributable to the resources and expenses incurred in connection with large, ongoing installation projects in Imaging IT Solutions - Group-financed projects that have not yet been recognized in earnings at the Group level. To a lesser extent, we are seeing the effects of our investments in future growth, particularly with respect to digital pathology. However, we believe that our profit level will improve again once these large installation projects reach the operational phase and thereby begin contributing to stable long-term development.

#### Strategic choices

Our strategies for growth primarily include organic growth, supported by smaller acquisitions, and new products in areas closely related to our current product areas. We are continuing to focus on controlled growth in order to become or remain a leader in the areas and regions where the company has its own offices, supplemented by operations in a few carefully selected markets that we believe offer significant growth potential for Sectra.

In our major business areas, we often perform better in markets where Sectra conducts its own sales than we do through partnerships. Accordingly, we plan to devote greater focus to establishing operations in markets that we believe have significant potential. One such area is the market for secure communication systems in Finland, where the Secure Communications business area acquired EXP Analytics Oy during the second quarter. EXP Analytics Oy sells consulting services in the field of information security.

#### Outlook

The Group's order bookings for the most recent 12-month period amounted to SEK 1.4 billion. This far exceeded net sales and thus bodes well for the future, although large projects are now often spread out over longer periods. Following the most recent 12-month period, Sectra's growth target, calculated as average profit growth per share, is 11.4%, which is above the target level. Thanks to our close, long-term customer relationships, our focus on high customer satisfaction, our high-quality and innovative products, and our strong financial position, we have the necessary prerequisites to continue driving the development of solutions that can improve people's quality of life, reduce society's healthcare costs and contribute to a safer society. This is how we create customer value, which in turn can lead to a favorable, long-term return for our shareholders.

*Torbjörn Kronander, President and CEO*

Sectra AB (publ)

Teknikringen 20

SE-583 30 Linköping

Tel: +46 (0)13 23 52 00

info@sectra.com

www.sectra.com

VAT Reg. No.

SE556064830401

## THE PERIOD IN BRIEF

### Six-month period

- The Sectra Group's order bookings amounted to SEK 505.2 million (632.4). Order bookings continued to exceed net sales.
- Net sales totaled SEK 489.5 million (451.5), up 8.4%. Excluding the nonrecurring item of SEK 16.3 million for the sale of patents in the comparative period, net sales increased 12.5%.
- Operating profit totaled SEK 63.5 million (76.0), corresponding to an operating margin of 13.0% (16.8). Excluding the nonrecurring item in the comparative period, operating profit rose 6.4%.
- Cash flow after changes in working capital increased to SEK 58.6 million (55.7).

### Second quarter

- Order bookings amounted to SEK 205.3 million (244.3).
- Net sales totaled SEK 264.7 million (239.0), up 10.8%.
- Operating profit totaled SEK 32.1 million (35.5), corresponding to an operating margin of 12.1% (14.9).
- Cash flow after changes in working capital amounted to SEK 52.0 million (27.7).

### Events during the second quarter

- Sectra acquired the Finnish consulting company EXP Analytics Oy, which sells consulting services in the field of information security.
- Samsung Electronics Co. Ltd. and Sectra entered a partnership concerning smartphones for European authorities.
- University Hospitals of Cleveland, a major medical center in the US, ordered Sectra's storage solution for all types of medical images.
- Sectra was presented with the prestigious Export Hermes Award by the Swedish Fund for Export Development. The award is given to companies with stable, growing exports to many countries based on well thought-out marketing activities and resulting in strong profitability.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

- Region Östergötland invested in a digital pathology system from Sectra, which could result in shorter waiting times for cancer care
- Sectra entered into a multi-year agreement with Kentucky Breast Care, a US healthcare provider that operates several mammography clinics. This new customer will use Sectra's IT solution for managing and archiving mammography images (PACS) at its clinics.
- The US healthcare chain Breast Center of Acadiana in Louisiana ordered Sectra's IT solution for managing and archiving mammography images (PACS) for two clinics.
- Jönköping County Council ordered Sectra's IT solution for managing and archiving radiology images and patient information for its mammography operations. The order value amounted to SEK 15 million.

## OUTLOOK

The world needs more efficient healthcare and more secure communication between IT systems. Both of these areas offer major scope for expansion. Sectra plays a key role in meeting these needs by offering products and services in medical IT and secure communications.

Due to the demographic trend of a population that is living longer while birth rates are declining, there is a growing need for greater healthcare efficiency in order to provide care for more patients. Sectra develops and sells systems and services for medical diagnostic imaging, which helps to develop the healthcare sector while also making it more efficient. Society also needs to improve how it takes care of age-related diseases.



Sectra has commenced deliveries of a new generation of Sectra Tiger/R. In partnership with Samsung, Sectra is now offering a solution for smartphones that protects communication via phone calls, text messages, data and apps. See video:

[sectra.com/tigerandknox](http://sectra.com/tigerandknox)

Sectra has several products and services that can contribute to more efficient healthcare and treatment of some of the most costly age-related diseases.

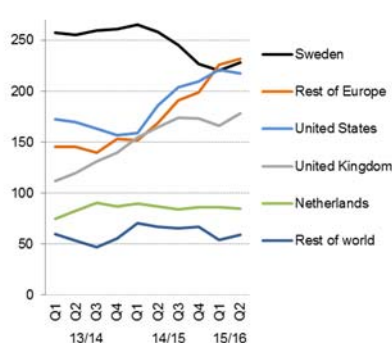
In terms of security, government agencies, defense organizations and the private sector are increasingly exposed to security risks and eavesdropping attempts. Heightened awareness of eavesdropping may contribute to greater interest in the type of security products offered by Sectra. Sectra is entrusted to deliver products that protect classified information at the very highest levels and its crypto products are approved by the EU, NATO and several national security authorities.

## GROUP

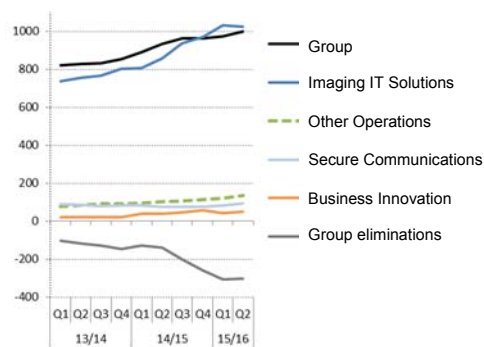
### Order bookings, sales and earnings



Sales trend per geographic market



Sales trend per segment



#### Six-month period

The Group's order bookings continue to exceed net sales by a significant margin. However, there are significant variations in order bookings between the quarters and, as expected, order bookings in the UK were lower than in the comparative period. Many UK healthcare providers have been forced to procure new medical IT systems over the past year, which contributed to Sectra's strong order bookings in the preceding fiscal year. The largest increase in order bookings during the six-month period was reported by Sectra's operations in the US and Norway.

Net sales rose 8.4%. Excluding a non-recurring item of SEK 16.3 million for the sale of patents in the year-earlier period, comparative sales growth was 12.5%. Sectra's Imaging IT Solutions and Secure Communications business areas reported increased sales. Excluding the nonrecurring item in the year-earlier period, Business Innovation also reported comparative sales growth. Geographically, Sectra's operations in

Scandinavia and the UK reported the highest growth compared with the year-earlier period. In Sweden, Sectra reported a certain degree of improvement after the dip in the preceding fiscal year, which was due to a decline in orders for encryption systems from the principal customer in Sweden.

Group eliminations associated with sales amounted to a negative SEK 113.6 million (neg: 69.8). This increase was attributable to Group-financed customer projects that are in the installation phase or were completed in the interim period. As these projects move from to the operational phase, they will contribute to a stable long-term trend for the Group since, at Group level, Sectra's external revenues and earnings are recognized over the duration of the managed-services agreement, which is normally five to ten years.

The Group's operating profit totaled SEK 63.5 million, corresponding to an operating margin of 13.0%. Excluding the nonrecurring item in the comparative period, operating profit rose 6.4% compared with the year-earlier period.

The Group's net financial items amounted to SEK 5.6 million (5.3). Currency fluctuations had an impact of SEK 5.4 million (4.7) on the Group's financial items. Profit before tax totaled SEK 69.1 million (81.3), corresponding to a profit margin of 14.1% (18.0).

#### *Second quarter*

The Group's order bookings amounted to SEK 205.3 million. Sectra's largest markets, Scandinavia and the US, reported the highest order bookings for the quarter. Net sales rose 10.8% compared with the year-earlier period. The operations in the UK and Sweden reported the highest sales growth during the quarter.

While the variation in sales between quarters has declined somewhat as a result of the higher proportion of long-term managed-services agreements in recent years, the variation in order bookings has increased. When Sectra signs a multi-year managed-services agreement, for example, the entire order amount is recognized when the agreement is signed, while sales are distributed over the duration of the agreement when the systems have been deployed at the customer's site.

The Group's operating profit totaled SEK 32.1 million, corresponding to an operating margin of 12.1% (14.9). In addition to several major deployment projects that are under way but not yet generating revenues, several projects were deployed toward the end of the second quarter. As a result, they did not generate a full sales and earnings effect during the period.

The Group's net financial items amounted to SEK 2.5 million (1.8). Currency fluctuations had an impact of SEK 2.4 million (2.0) on the Group's financial items. Profit before tax totaled SEK 34.6 million (37.3), corresponding to a profit margin of 13.1% (15.6).

#### **Acquisitions**

During the second quarter, Sectra acquired the Finnish company Exp Analytics Oy (refer to Note 1 on page 18). Exp Analytics sells consulting services in the field of information security. The company is included in Sectra's financial statements for the Secure Communications business area as of October 1, 2015.

Sectra acquired the Danish company it-mark ApS on April 30, 2015 (refer to Note 1 on page 19). it-mark delivers cloud-based imaging systems (PACS) to private and public healthcare providers in Denmark. The company is included in Sectra's financial statements for the Imaging IT Solutions business area as of May 1, 2015.

Equity/assets ratio

**54.1%**

Operating margin (EBIT),  
rolling 12-month basis

**13.8%**

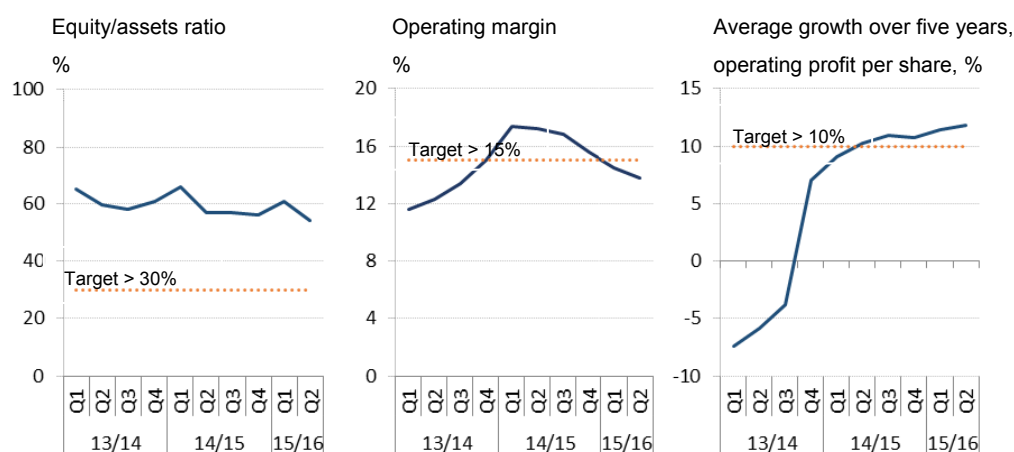
Average growth per year in  
operating profit per share,  
rolling five-year period

**11.8%**

## Sectra's financial goals

The purpose of Sectra's Group-wide goals and strategies is to build financially sound operations that provide Sectra with opportunities to create customer value and thereby contribute to long-term growth in shareholder value. The financial goals are (in order of priority):

1. Stability: The equity/assets ratio is to be at least 30%
2. Profitability: The operating margin (EBIT) is to be at least 15%
3. Growth: Operating profit (EBIT) per share is to grow 10% per year, on average, over a five-year period.



## 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 133.1 million (313.2). During the period, Sectra distributed SEK 168.8 million (167.7) to shareholders through a share redemption program. The Group's interest-bearing liabilities totaled SEK 46.9 million (37.4) and pertained to convertible loans held by employees and Board members. The equity/assets ratio was 54.1% (57.0).

The Group's cash flow from operations after changes in working capital amounted to SEK 58.6 million (55.7). The comparative period includes the aforementioned nonrecurring item of SEK 16.3 million. The comparative change, excluding the nonrecurring item, was partly attributable to increased customer payments. Cash flow per share amounted to SEK 1.56 (1.50) for the period. Cash flow from investing activities was a negative SEK 59.8 million (neg: 14.6) for the period, a change that was mainly attributable to assets in long-term Group-financed customer projects and investments in development projects. The Group's total cash flow was a negative SEK 171.2 million (neg: 126.7) and the figures included Sectra's share redemption program for shareholders. The change was mainly attributable to the increased assets in Group-financed customer projects and acquisition-related intangible assets.

## Investments, depreciation and amortization

Group investments during the period amounted to SEK 59.8 million (14.6), of which SEK 48.7 million (8.9) was attributable to the second quarter. Investments primarily pertained to customer projects in the Group's financing activities and capitalized development costs. Depreciation/amortization during the period amounted to SEK 23.1 million (23.1), of which SEK 13.3 million (10.9) was attributable to the second quarter. Of the depreciation/amortization for the period, SEK 6.4 million (8.9) was attributable to capitalized development projects.

Cash flow affected by major customer projects in the installation phase.

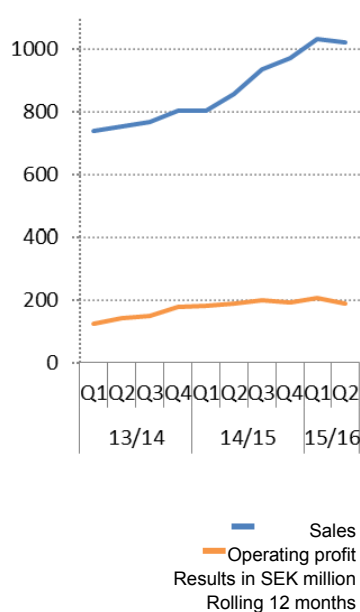
Investments in Group-financed customer projects during the period amounted to SEK 45.9 million (10.4), of which SEK 36.1 million (3.2) was attributable to the second quarter. At the end of the period, the net carrying amount for Group-financed customer projects totaled SEK 143.2 million (50.9).

Capitalization of development costs during the period amounted to SEK 10.2 million (11.2), of which SEK 5.5 million (7.4) was attributable to the second quarter. At the end of the period, capitalized development costs totaled SEK 69.0 million (49.9).

### 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. 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 major customers sign extensive, multi-year agreements with the company, for example, for medical IT projects or for the development of encryption systems.

Large long-term managed-services agreements help to reduce seasonal variations.



### IMAGING IT SOLUTIONS

	Q2 Aug-Oct 2015	Q2 Aug-Oct 2014	Q1-2 May-Oct 2015	Q1-2 May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	220.5	230.9	461.1	409.5	1,022.2	970.6
Operating profit, SEK million	27.0	45.0	71.0	75.6	187.4	192.0
Operating margin, %	12.2	19.5	15.4	18.5	18.3	19.8
Number of employees at end of period	453	420	453	420	453	426

### Sales and earnings

Imaging IT Solutions' sales for the six-month period rose 12.6% to SEK 461.1 million. The largest sales growth was reported by the business area's operations in Norway and the UK, as well as Denmark, in which the acquired company it-mark has been included since May 1, 2015. Operating profit totaled SEK 71.0 million, corresponding to an operating margin of 15.4% (18.5). Profit was mainly impacted by an increase in human resources and costs for hardware in large, ongoing installation projects for which the company has not yet begun invoicing customers or that were deployed at the end of the period. To a lesser extent, the increase in expense was also linked to marketing initiatives in selected countries, including the US, and to new product offerings in such areas as digital pathology.

### Market

The market for medical IT systems and services is continuing to grow as a result of the population trend 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 coherent management and archiving of all types of medical images. A central component of the business area's strategy for the future is medical imaging management for cancer diagnosis, which includes imaging management for radiology, mammography, dermatology (skin) and the new area of digital histopathology (tissue samples). Sectra's solutions also include imaging management for such medical fields as cardiology (heart) and orthopaedics. Most users are currently active in the fields of radiology and mammography, areas that make extensive use of medical images. The use of medical images is growing in other areas as more customers implement systems for coherent image management.

The use of medical images for cancer diagnosis is a common thread that runs through Sectra's offering.

The size of the customer varies from small private clinics to some of the largest health-care providers in the world. Every year, more than 75 million examinations are reviewed using Sectra's systems. The business area's largest markets are Scandinavia, the UK, the US and the Netherlands. In the product segment encompassing IT systems for communicating and managing radiology images (PACS) and patient information (RIS), the business area holds a market-leading position in Sweden, Norway, the Netherlands and Portugal.

Sectra's IT system for managing medical images, Sectra PACS, has received a top ranking in the KLAS survey – the industry's most important customer satisfaction survey for IT systems in healthcare – for two consecutive years. According to comments in the customer survey, Sectra's high rating was attributable to the company's employees, as well as the stability and easy-to-use nature of its systems.

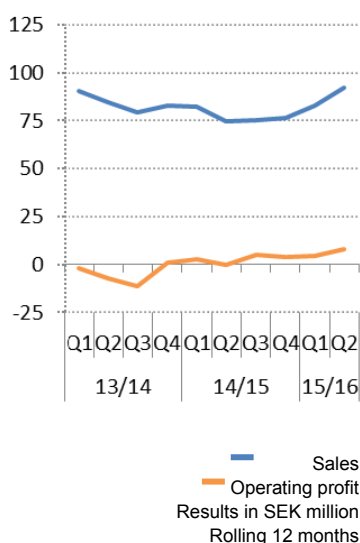


### The way forward

The business area is focusing on offering customers stable, efficient and future-proof solutions for managing and communicating all types of medical images. Examples of the business area's focus activities (refer to Sectra's Annual Report for 2014/2015 for further information) include:

- Primarily grow within radiology by adding new customers in regions where Sectra already has an established presence.
- Continued product development and broadening of the product portfolio. Special focus on medical imaging management in cancer diagnosis, an area that is growing significantly. This includes investments in solutions for integrated diagnostics, where images from radiology, mammography and pathology are managed and displayed in the same system.
- Greater internal efficiency. Partly by establishing a service-oriented organization that can support global sales of cloud solutions.
- Further increase customer satisfaction by continuously measuring and monitoring customer opinions about Sectra's support and products.

### SECURE COMMUNICATIONS



	Q2 Aug-Oct 2015	Q2 Aug-Oct 2014	Q1-2 May-Oct 2015	Q1-2 May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	24.3	14.7	43.4	27.6	92.5	76.7
Operating profit/loss, SEK million	0.3	-3.3	-0.1	-4.1	7.8	3.8
Operating margin, %	1.2	-22.5	-0.2	-14.9	8.4	5.0
Number of employees at end of period	63	55	63	55	63	55

### Sales and earnings

Secure Communications' sales for the six-month period rose 57.2%, contributing to the continued improvement of the business area's operating profit. This increase in sales was mainly attributable to higher sales to international customers, including orders from several new customers, as well as deliveries of additional orders to Swedish customers.

### Market

The market is being driven by the fact that it is easier than ever to eavesdrop on telephone calls and data communications, and by the increased threat of cyber-attacks and the risk of sabotage. Sectra offers solutions that are based on advanced encryption and meet rigorous demands for stability and availability, even in areas where traditional mobile coverage is insufficient. Customers include government authorities, critical social

infrastructure and defense organizations. To ensure that these customers receive flexible, user-friendly systems, Sectra has created an ecosystem for secure communications. This ecosystem makes it possible for customers to have users in different security classes in the same operating environment, where they can all communicate with each other.

As a supplier, being entrusted to protect a nation's most sensitive information requires a high degree of confidence. Sectra delivers products that are approved for the protection of classified information at the very highest levels and its security solutions are used by customers in most European countries, and by the EU and NATO.

Sweden and the Netherlands comprise the business area's largest markets. In the short and medium term, the business area is dependent on its relationships with Swedish authorities and defense customers. The market situation in Sweden remains unchanged. When and how Swedish customers decide on product orders is thus crucial to the performance of the business area. Demand for crypto products from customers in other European countries is favorable.

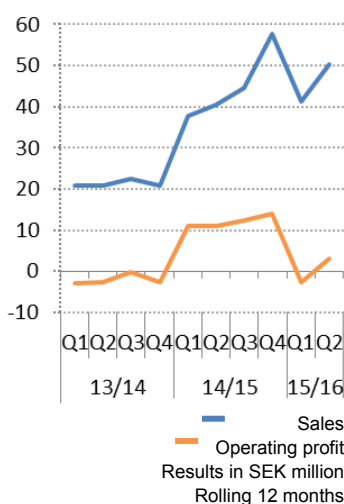
During the second quarter, the business area strengthened its presence in Finland through the acquisition of EXP Analytics Oy, which supplies IT security consulting services. The business area also implemented the first delivery of a new generation of Sectra Tiger/R for secure smartphone communications. The new product is based on a technical partnership with Samsung Electronics Co. Ltd, under which Samsung KNOX™, a solution for information and data leak protection, is integrated into Sectra's solution for secure smartphone calls.

## The way forward

The business area is focused on offering customers stable, accessible and easy-to-use solutions for secure communications. Examples of the business area's focus activities (refer to Sectra's Annual Report for 2014/2015 for further information):

- EU and NATO security approval for the new crypto products Tiger/S 7401 (Secret) and Sectra Tiger/R (Restricted), primarily in the Netherlands, followed by the EU and NATO.
- Restore the operations' profit levels.
  - Increased sales in the Netherlands and the rest of Europe. This will be enabled by the new offering in the form of a complete ecosystem of solutions at various security levels and the approval of new versions of Sectra Tiger/S 7401 and Sectra Tiger/R.
  - Achieve high customer satisfaction by supplying the market with products and services that are both secure and very easy to use.
- Expand the operations into new customer segments where Sectra's specialist expertise in data security is a strength.

## BUSINESS INNOVATION



	Q2 Aug-Oct 2015	Q2 Aug-Oct 2014	Q1-2 May-Oct 2015	Q1-2 May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	15.9	7.1	23.1	30.7	50.2	57.8
Operating profit/loss, SEK million	3.8	-1.9	2.4	13.5	3.0	14.1
Operating margin, %	23.9	-26.8	10.4	44.0	6.0	24.3
Number of employees at end of period	28	28	28	28	28	27

## Sales and earnings

Business Innovations' operating profit for the six-month period amounted to SEK 2.4 million, corresponding to an operating margin of 10.4%. The change in sales and earnings was attributable to the fact that the figures for the comparative period include the sale and licensing of patents, which had a positive impact of SEK 16.3 million on sales and operating profit. The sale pertained to patents resulting from research activities that had not been utilized by Sectra itself. This type of patent transaction constitutes a nonrecurring



effect and is unlikely to happen again. Excluding the nonrecurring item, the segment's operating sales rose 60.4%.

## Market

Business Innovation is Sectra's incubator for early-stage business lines, projects and ideas that are not yet large enough to become independent business areas. This is where Sectra evaluates and utilizes opportunities to commercialize new technologies and new segments in the Group's main and related areas. Through Business Innovation, Sectra participates in research that can lead to a better quality of life for the individual, increased customer value and cost savings for healthcare and society.

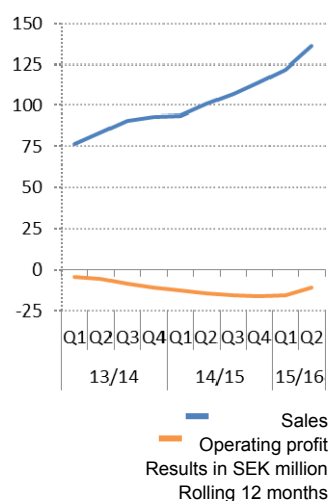
This segment includes products and services that contribute to more efficient and better care for osteoporosis, IT systems for planning and monitoring orthopaedic surgery, and research projects. Sectra's patent portfolio is also managed and developed in this segment. As of 2014/2015, Business Innovation also includes medical education products.

## The way forward

Examples of focus activities in Business Innovation include:

- *Medical education* – grow in key markets, such as the US and China, and expand into new markets. Essentially all sales outside Sweden are conducted through distributors.
- *Orthopaedics* – grow in the countries where the business unit has its own sales organization, increase sales of cloud-based services for planning joint replacement surgeries through collaboration with implant suppliers, and grow in the trauma segment through the company's new tool for 3D image planning.
- *Osteoporosis* – convince public healthcare providers to implement Sectra's method for early detection of osteoporosis symptoms in their healthcare flows. However, the decision-making and implementation processes in the public healthcare sector are very slow and, in parallel with this long-term work, the business line is also focusing on increasing sales the private mammography clinic segment.
- *Research* – make further progress in the digital pathology research project and 3D tools for planning orthopaedic surgery.

## OTHER OPERATIONS



	Q2 Aug-Oct 2015	Q2 Aug-Oct 2014	Q1-2 May-Oct 2015	Q1-2 May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	44.2	30.1	75.5	53.5	136.1	114.1
Operating profit/loss, SEK million	2.1	-2.6	0.7	-4.9	-10.6	-16.2
Operating margin, %	4.8	-8.6	0.9	-9.2	-7.8	-14.2
Number of employees at end of period	59	60	59	60	59	57

Other Operations pertain to Sectra's operations for the financing of customer projects and asset management, as well as joint functions for administration, Group finances, marketing communication, IT, regulatory affairs and investor relations activities.

## Sales and earnings

Sales from Other Operations rose 41.1% for the period. This increase was attributable to Sectra's operations for the financing of major managed-services agreements with healthcare customers. Operating profit for the period increased to SEK 0.7 million (loss: 4.9).

## PARENT COMPANY

The Parent Company, Sectra AB, includes the head office's functions for Group finances, marketing communication, IT, regulatory affairs, investor relations activities and the Business Innovation operating segment. The Parent Company's income statement and balance sheet are reported on page 17.

The Parent Company's sales for the period amounted to SEK 46.1 million (50.7), of which SEK 28.5 million (17.3) was attributable to the second quarter. The comparative figures for the period include a nonrecurring item that had a positive impact of SEK 16.3 million on sales and operating profit. Operating profit for the period amounted to SEK 3.1 million (7.6), of which SEK 5.9 million (neg: 5.2) pertained to the second quarter. The Business Innovation operating segment contributed to the earnings improvement during the second quarter. Profit after net financial items amounted to SEK 9.0 million (11.9), of which SEK 9.0 million (neg: 3.2) pertained to the second quarter. Currency fluctuations had an impact of SEK 2.6 million (1.0) on financial items for the period.

## THE SHARE

### **Sectra's share redemption program 2015**

During September and October, Sectra carried out a share redemption program, whereby SEK 4.50 per share, a total of SEK 168.8 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 October 16, 2015.

In the Swedish tax return, the redemption of Sectra's redemption shares for 2015 (designated SECT IL A and SECT IL B) is to be declared as a sale of shares on Form K4. An application for general recommendations regarding the distribution of cost between common shares and redemption shares has been submitted to the Swedish Tax Agency. Once the decision has been announced, Sectra will publish corresponding information on its website: [www.sectra.com/inlosen2015](http://www.sectra.com/inlosen2015)

### **Share-based incentive programs**

On the balance-sheet date, Sectra's share capital totaled SEK 37,503,335, distributed between 37,503,335 shares. Of these shares, 2,620,692 are Class A shares and 34,882,643 are Class B shares. On full conversion/exercise of outstanding convertibles and employee stock options, the number of Class B shares will increase by 699,592, corresponding to 1.9% of the share capital and 1.1% of the voting rights in the company.

During the first quarter, employees redeemed convertibles (2011/2015 program) totaling SEK 9.0 million, corresponding to 232,318 Class B shares.

The AGM, held on September 7, 2015, resolved to issue additional convertibles to the Group's employees and external Board members. The convertibles could be subscribed during the period November 3-11, 2015. Employees were subsequently allocated 188,084 convertibles and Board members were allocated 24,928 convertibles, corresponding to a total of 213,012 Class B shares at a combined nominal amount of SEK 28.1 million. The dilution effect of the two convertible programs is 0.6% of the share capital and 0.3% of the voting rights.

The conversion price for convertibles to employees is SEK 130.70, and the duration is from December 1, 2015 to December 30, 2018. Conversion is possible during December 10-14, 2018. The conversion price for convertibles to external Board members is SEK 140.40, and the duration is from December 1, 2015 to December 30, 2019. Conversion is possible during December 9-13, 2019.

Due to Sectra's share redemption program for 2015 (see above), the Board decided to recalculate conversion prices for outstanding convertibles and employee stock option programs. As a result of this recalculation, the financial compensation that the holders of convertibles will receive 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/shareprograms](http://www.sectra.com/shareprograms)

### **Authorization**

The 2015 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 2016 AGM

The 2015 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 September 31, 2015. 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)
- Nils Bolmstrand (representing Nordea, Sectra's third-largest shareholder)

AGM scheduled for  
September 6, 2016.

The AGM is scheduled for September 6, 2016 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 more than four weeks prior to the Meeting date. 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 AGM

Shareholders who wish to submit proposals may do so in writing to the Nomination Committee by e-mail: [info.investor@sectra.com](mailto: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.

As of the 2015/2016 fiscal year, other operating income is recognized separately from net sales. Comparative periods have not been adjusted since the amounts are deemed to be of little value and are thus not expected to have a material impact on net sales. In all other respects, the accounting policies and calculation methods remain unchanged compared with those applied in the 2014/2015 Annual Report. New policies and amendments that have come into effect as of the 2015/2016 fiscal year have not had any 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 rate changes 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 2014/2015 fiscal year in Note 30 on page 62. No significant events have occurred that would alter the conditions reported therein.

## FOR FURTHER INFORMATION

Contact Sectra's CEO Torbjörn Kronander, telephone +46 (0)13 23 52 27 or e-mail [info.investor@sectra.se](mailto:info.investor@sectra.se).

### 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 December 8, 2015 at 10:00 a.m. (CET). The presentation will be held in English. To participate, call:

SE: +46 8 56642691

UK: +44 2034281400

US: +1 6465025119

Follow live online: <http://media.fronto.com/cloud/sectra/151208/>

Watch a recorded version after the conference: [www.sectra.com/irwebcast](http://www.sectra.com/irwebcast)

### Financial calendar

Nine-month report	March 8, 2016
Year-end report	May 31, 2016
2016 AGM	September 6, 2016 in Linköping

## ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby assure that the interim report for the period May to October 2015 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 interim report has not been reviewed by the company's auditors.

Linköping, December 7, 2015

Torbjörn Kronander President, CEO 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	Deborah Capello Board member, employee representative	Fredrik Häll Board member, employee representative
--------------------------------	-------------------------------------------------------------	----------------------------------------------------------

*The information in this report is such that Sectra AB (publ) is obligated to disclose in compliance with the Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted to the media for publication on December 8, 2015, at 8:00 a.m. (CET).*

## GROUP FINANCIAL SUMMARY

### Consolidated income statements

SEK thousand	3 months Aug-Oct 2015	3 months Aug-Oct 2014	6 months May-Oct 2015	6 months May-Oct 2014	12 months Nov 2014- Oct 2015	Full-year May-Apr 2014/2015
<b>Net sales</b>	<b>264,656</b>	<b>239,035</b>	<b>489,522</b>	<b>451,473</b>	<b>999,441</b>	<b>961,392</b>
Capitalized work for own use	5,457	7,381	10,226	11,182	31,224	32,180
Other operating income <sup>1</sup>	448	0	1,474	0	1,474	0
Goods for resale	-48,483	-47,649	-68,548	-74,916	-146,089	-152,457
Personnel costs	-129,278	-116,449	-252,641	-219,293	-509,129	-475,781
Other external costs	-47,327	-35,898	-93,401	-69,379	-196,738	-172,716
Depreciation/amortization and impairment	-13,349	-10,902	-23,106	-23,087	-42,343	-42,324
<b>Operating profit</b>	<b>32,124</b>	<b>35,518</b>	<b>63,526</b>	<b>75,980</b>	<b>137,840</b>	<b>150,294</b>
Net financial items	2,501	1,805	5,576	5,305	14,393	14,122
<b>Profit after net financial items</b>	<b>34,625</b>	<b>37,323</b>	<b>69,102</b>	<b>81,285</b>	<b>152,233</b>	<b>164,416</b>
Taxes	-7,790	-8,276	-15,548	-18,160	-35,727	-38,339
<b>Profit for the period</b>	<b>26,835</b>	<b>29,047</b>	<b>53,554</b>	<b>63,125</b>	<b>116,506</b>	<b>126,077</b>
<b>Profit for the period attributable to:</b>						
Parent Company owners	26,835	29,047	53,554	63,125	116,506	126,077
Non-controlling interest	0	0	0	0	0	0
<b>Earnings per share</b>						
Before dilution, SEK	0.72	0.78	1.43	1.70	3.12	3.38
After dilution, SEK	0.70	0.76	1.40	1.66	3.05	3.31
<b>No. of shares</b>						
Before dilution	37,503,335	37,271,017	37,503,335	37,271,017	37,503,335	37,271,017
After dilution <sup>2</sup>	38,202,927	38,024,005	38,202,927	38,024,005	38,202,927	38,202,938
Average, before dilution	37,503,335	37,271,017	37,464,615	37,241,677	37,367,816	37,256,347
Average, after dilution	38,202,927	38,090,672	38,202,929	38,107,341	38,173,111	38,125,317

<sup>1</sup> As of the 2015/2016 fiscal year, other operating income is recognized separately from net sales. Comparative periods have not been adjusted since the amounts are deemed to be of little value and are thus not expected to have a material impact on net sales.

<sup>2</sup> Dilution of the number of shares is based on the convertible programs issued in 2011/2012 (53,405), 2012/2013 (163,479), 2013/2014 (235,772) and 2014/2015 (146,936), as well as on employee stock options issued in 2012/2013 (100,000). On full conversion/exercise of convertibles and employee stock options, the number of shares will increase by 699,592.

### Consolidated statement of comprehensive income

SEK thousand	3 months Aug-Oct 2015	3 months Aug-Oct 2014	6 months May-Oct 2015	6 months May-Oct 2014	12 months Nov 2014- Oct 2015	Full-year May-Apr 2014/2015
<b>Profit for the period</b>	<b>26,835</b>	<b>29,047</b>	<b>53,554</b>	<b>63,125</b>	<b>116,506</b>	<b>126,077</b>
<b>Items that may be reclassified to profit and loss</b>						
Change in translation differences for the period from translating foreign subsidiaries	-10,754	4,508	4,759	16,975	28,152	40,368
<b>Total other comprehensive income for the period</b>	<b>-10,754</b>	<b>4,508</b>	<b>4,759</b>	<b>16,975</b>	<b>28,152</b>	<b>40,368</b>
<b>Total comprehensive income for the period</b>	<b>16,081</b>	<b>33,555</b>	<b>58,313</b>	<b>80,100</b>	<b>144,658</b>	<b>166,445</b>

## Consolidated balance sheets

SEK thousand	Oct 31, 2015	Oct 31, 2014	Apr 30, 2015
<b>Assets</b>			
Intangible assets	163,143	110,189	149,703
Tangible assets	111,747	62,399	75,945
Financial assets	1,798	1,766	1,766
Deferred tax assets	28,633	16,163	26,635
<b>Total fixed assets</b>	<b>305,321</b>	<b>190,517</b>	<b>254,049</b>
Other current assets	504,586	427,233	528,682
Cash and cash equivalents	133,091	313,195	307,076
<b>Total current assets</b>	<b>637,677</b>	<b>740,428</b>	<b>835,758</b>
<b>Total assets</b>	<b>942,998</b>	<b>930,945</b>	<b>1,089,807</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	510,410	531,099	611,775
Provisions	18,345	8,278	8,595
Deferred tax liabilities	39,749	32,494	40,120
Long-term liabilities	37,968	28,429	46,941
Current liabilities	336,526	330,645	382,376
<b>Total equity and liabilities</b>	<b>942,998</b>	<b>930,945</b>	<b>1,089,807</b>

No changes have occurred in pledged assets and contingent liabilities since the 2014/2015 Annual Report.

## Consolidated statement of changes in equity

SEK thousand	6 months May-Oct 2015	6 months May-Oct 2014	Full-year May-Apr 2014/2015
Equity at start of period	611,775	611,702	611,702
Comprehensive income for the period	58,313	80,100	166,445
Share-related payments	119	926	335
Dividend/redemption of shares	-168,765	-167,720	-167,720
Settlement of share-related payments	8,968	6,091	1,012
<b>Equity at end of period</b>	<b>510,410</b>	<b>531,099</b>	<b>611,775</b>

## Consolidated cash-flow statements

SEK thousand	6 months May-Oct 2015	6 months May-Oct 2014	Full-year May-Apr 2014/2015
Cash flow from operations before changes in working capital	84,762	90,035	165,639
<b>Cash flow from operations after changes in working capital</b>	<b>58,559</b>	<b>55,693</b>	<b>85,039</b>
Investing activities	-59,824	-14,642	-63,931
Financing activities	-169,957	-167,720	-154,288
<b>Total cash flow for the period</b>	<b>-171,222</b>	<b>-126,669</b>	<b>-133,180</b>
<b>Change in cash and cash equivalents</b>			
Cash and cash equivalents, opening balance	307,076	441,945	441,945
Exchange-rate difference in cash and cash equivalents	-2,763	-2,081	-1,689
Cash and cash equivalents, closing balance	133,091	313,195	307,076
Unutilized credit facilities	15,000	15,000	15,000

## Key figures

	6 months Oct 31, 2015	6 months Oct 31, 2014	12 months Oct 31, 2015	Full-year Apr 30, 2015
Order bookings, SEK million	505.2	632.4	1,423.2	1,550.4
Operating margin, %	13.0	16.8	13.8	15.6
Profit margin, %	14.1	18.0	15.2	17.1
Average number of employees	574	541	562	546
Cash flow per share, SEK	1.56	1.50	2.34	2.28
Cash flow per share after full dilution, SEK	1.53	1.46	2.30	2.23
Value added, SEK million	316.2	295.3	647.0	626.1
P/E ratio, multiple	n/a	n/a	33.7	35.3
Share price at end of period, SEK	105.0	95.0	105.0	119.5
Return on equity, %	9.5	11.0	22.4	20.6
Return on capital employed, %	11.4	13.2	27.1	25.1
Return on total capital, %	6.9	8.5	16.4	15.8
Equity/assets ratio, %	54.1	57.0	54.1	56.1
Liquidity, multiple	1.9	2.3	2.1	2.2
Equity per share, SEK	13.61	14.27	13.61	16.44
Equity per share after full dilution, SEK	13.36	13.97	13.36	16.01

## Quarterly consolidated income statement and key figures

SEK million	2015/2016				2014/2015				2013/2014	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	264.7	224.9	268.3	241.6	239.0	212.4	270.6	209.6	198.3	175.3
Capitalized work for own use	5.4	4.8	9.0	12.0	7.4	3.8	2.2	1.3	6.4	6.4
Other operating income	0.4	1.0	0	0	0	0	0	0	0	0
Reversal of contingent consideration	0	0	0	0	0	0	16.2	0	0	0
Operating expenses	-225.1	-189.5	225.5	-211.8	-200.0	-163.5	-204.5	-168.4	-162.9	158.0
Depreciation/amortization and impairment	-13.3	-9.8	-9.4	-9.9	-10.9	-12.2	-30.4	-11.9	-12.4	-9.8
<b>Operating profit</b>	<b>32.1</b>	<b>31.4</b>	<b>42.4</b>	<b>31.9</b>	<b>35.5</b>	<b>40.5</b>	<b>54.1</b>	<b>30.6</b>	<b>29.4</b>	<b>13.9</b>
Net financial items	2.5	3.1	-2.8	11.6	1.8	3.5	1.9	7.7	2.7	1.1
<b>Profit after net financial items</b>	<b>34.6</b>	<b>34.5</b>	<b>39.6</b>	<b>43.5</b>	<b>37.3</b>	<b>44.0</b>	<b>56.0</b>	<b>38.3</b>	<b>32.1</b>	<b>15.0</b>
Tax on earnings for the period	-7.8	-7.8	-5.0	-15.2	-8.3	-9.9	-17.9	-9.5	-7.0	-3.2
<b>Profit for the period</b>	<b>26.8</b>	<b>26.7</b>	<b>34.6</b>	<b>28.3</b>	<b>29.0</b>	<b>34.1</b>	<b>38.1</b>	<b>28.8</b>	<b>25.1</b>	<b>11.8</b>
Order bookings, SEK million	205.3	299.9	368.6	549.4	244.3	388.1	264.6	256.5	156.9	247.7
Operating margin, %	12.1	14.0	15.8	13.2	14.9	19.0	20.0	14.6	14.8	7.9
Cash flow per share, SEK	1.39	0.18	1.42	-0.63	0.75	0.75	0.52	1.46	1.57	-0.22
Cash flow per share after full dilution, SEK	1.36	0.17	1.39	-0.62	0.73	0.74	0.51	1.42	1.53	-0.21
Earnings per share, SEK	0.72	0.71	0.93	0.76	0.78	0.92	1.03	0.78	0.68	0.32
Return on equity, %	4.8	4.2	5.7	4.8	5.1	5.3	6.0	4.7	4.2	1.8
Return on capital employed, %	5.7	5.1	6.0	6.8	6.1	6.5	8.4	5.9	5.1	2.2
Equity/assets ratio, %	54.1	60.8	56.1	56.7	57.0	65.8	60.7	57.9	59.4	65.2
Equity per share, SEK	13.61	17.68	16.44	15.28	14.27	17.86	16.49	15.29	14.40	18.23

## Five-year summary

	2014/2015	2013/2014	2012/2013	2011/2012	2010/2011
Order bookings, SEK million	1,550.4	925.7	916.0	701.1	631.0
Net sales, SEK million	961.4	853.8	817.0	823.1	783.7
Operating profit, SEK million	150.3	128.1	85.9	103.5	72.5
Profit after net financial items, SEK million	164.4	141.5	86.6	127.9	70.2
Profit for the period after tax from remaining operations, SEK million	126.1	103.9	62.2	92.8	48.3
Operating margin, %	15.6	15.0	10.5	12.6	9.3
Profit margin, %	17.1	16.6	10.6	15.5	9.0
Earnings per share before dilution, SEK	3.38	2.80	1.68	2.52	1.31
Earnings per share after dilution, SEK	3.31	2.73	1.64	2.46	1.29
Dividend/redemption program per share, SEK	4.50	4.50	4.50	5.00	5.00
Share price at end of year, SEK	119.5	77.75	53.0	43.0	34.0
P/E ratio, multiple	35.3	27.8	31.5	17.1	26.0
<b>Including discontinued operations</b>					
Profit for the period after tax, SEK million	126.1	103.9	62.2	385.8	-9.6
Return on equity, %	20.6	16.3	8.6	58.0	-1.6
Return on capital employed, %	25.1	21.1	11.6	59.7	-1.1
Return on total capital, %	15.8	13.7	7.9	40.8	-0.7
Equity per share before dilution, SEK	16.44	16.49	17.94	21.37	15.46
Equity per share after dilution, SEK	16.01	16.05	17.53	20.77	15.13
Equity/assets ratio, %	56.1	60.7	61.4	69.4	61.0

## OPERATING SEGMENTS

### Sales by business segment

SEK million	3 months Aug-Oct 2015	3 months Aug-Oct 2014	6 months May-Oct 2015	6 months May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Imaging IT Solutions	220.5	230.9	461.1	409.5	1,022.2	970.6
Secure Communications	24.3	14.7	43.4	27.6	92.5	76.7
Business Innovation	15.9	7.1	23.1	30.7	50.2	57.8
Other Operations	44.2	30.1	75.5	53.5	136.1	114.1
Group eliminations	-40.2	-43.8	-113.6	-69.8	-301.6	-257.8
<b>Total</b>	<b>264.7</b>	<b>239.0</b>	<b>489.5</b>	<b>451.5</b>	<b>999.4</b>	<b>961.4</b>

### Operating profit by business segment

SEK million	3 months Aug-Oct 2015	3 months Aug-Oct 2014	6 months May-Oct 2015	6 months May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Imaging IT Solutions	27.0	45.0	71.0	75.6	187.4	192.0
Secure Communications	0.3	-3.3	-0.1	-4.1	7.8	3.8
Business Innovation	3.8	-1.9	2.4	13.5	3.0	14.1
Other Operations	2.1	-2.6	0.7	-4.9	-10.6	-16.2
Group eliminations	-1.1	-1.7	-10.5	-4.1	-49.8	-43.4
<b>Total</b>	<b>32.1</b>	<b>35.5</b>	<b>63.5</b>	<b>76.0</b>	<b>137.8</b>	<b>150.3</b>

### Sales by geographic market

SEK million	3 months Aug-Oct 2015	3 months <sup>1</sup> Aug-Oct 2014	6 months May-Oct 2015	6 months <sup>1</sup> May-Oct 2014	Rolling 12 months	Full-year May-Apr 2014/2015
Sweden	62.5	54.7	115.9	114.4	228.0	226.5
US	59.8	63.2	110.2	102.7	217.4	209.9
UK	56.7	45.2	93.3	88.0	178.4	173.1
Netherlands	18.1	20.0	33.0	34.5	84.5	86.0
Rest of Europe	51.6	44.8	110.2	77.3	231.9	199.0
Rest of world	16.0	11.1	26.9	34.6	59.2	66.9
<b>Total</b>	<b>264.7</b>	<b>239.0</b>	<b>489.5</b>	<b>451.5</b>	<b>999.4</b>	<b>961.4</b>

<sup>1</sup> Due to a correction in the distribution between the markets reported, the comparative figures for the UK and Rest of Europe differ from the figures recognized in the six-month report for 2014.



## PARENT COMPANY

### Parent Company income statements

SEK thousand	3 months Aug-Oct 2015	3 months Aug-Oct 2014	6 months May-Oct 2015	6 months May-Oct 2014	12 months Nov 2014- Oct 2015	Full-year May-Apr 2014/2015
<b>Net sales</b>	<b>28,466</b>	<b>17,260</b>	<b>46,076</b>	<b>50,663</b>	<b>95,329</b>	<b>99,916</b>
Capitalized work for own use	1,030	1,375	1,577	2,077	3,077	3,577
Other operating income <sup>1</sup>	278	0	479	0	479	0
Personnel costs	-10,126	-9,968	-14,117	-17,445	-41,985	-45,313
Other external costs	-13,158	-13,755	-30,217	-27,531	-64,572	-61,886
Depreciation/amortization	-600	-104	-699	-197	-928	-426
<b>Operating profit/loss</b>	<b>5,890</b>	<b>-5,192</b>	<b>3,099</b>	<b>7,567</b>	<b>-8,600</b>	<b>-4,132</b>
Net financial items	3,069	2,017	5,908	4,323	88,778	87,193
<b>Profit/loss after net financial items</b>	<b>8,959</b>	<b>-3,175</b>	<b>9,007</b>	<b>11,890</b>	<b>80,178</b>	<b>83,061</b>
Appropriations	0	0	0	0	130,107	130,107
<b>Profit/loss before tax</b>	<b>8,959</b>	<b>-3,175</b>	<b>9,007</b>	<b>11,890</b>	<b>210,285</b>	<b>213,168</b>
Tax on earnings for the period	-2,016	1,041	-2,026	-2,648	-28,305	-28,927
<b>Profit/loss for the period</b>	<b>6,943</b>	<b>-2,134</b>	<b>6,981</b>	<b>9,242</b>	<b>181,980</b>	<b>184,241</b>

<sup>1</sup> As of the 2015/2016 fiscal year, other operating income is recognized separately from net sales. Comparative periods have not been adjusted since the amounts are deemed to be of little value and are thus not expected to have a material impact on net sales.

### Parent Company statement of comprehensive income

SEK thousand	3 months Aug-Oct 2015	3 months Aug-Oct 2014	6 months May-Oct 2015	6 months May-Oct 2014	12 months Nov 2014- Oct 2015	Full-year May-Apr 2014/2015
<b>Profit/loss for the period</b>	<b>6,943</b>	<b>-2,134</b>	<b>6,981</b>	<b>9,242</b>	<b>181,980</b>	<b>184,241</b>
<b>Other comprehensive income</b>						
Fund for fair value	-5,623	2,650	4,446	8,399	15,566	19,519
<b>Total other comprehensive income for the period</b>	<b>-5,623</b>	<b>2,650</b>	<b>4,446</b>	<b>8,399</b>	<b>15,566</b>	<b>19,519</b>
<b>Total comprehensive income for the period</b>	<b>1,320</b>	<b>516</b>	<b>11,427</b>	<b>17,641</b>	<b>197,546</b>	<b>203,760</b>

### Parent Company balance sheets

SEK thousand	Oct 31, 2015	Oct 31, 2014	Apr 30, 2015
<b>Assets</b>			
Intangible assets	6,123	3,285	4,785
Tangible assets	6,552	1,558	6,662
Financial assets	305,421	131,885	179,785
<b>Total fixed assets</b>	<b>318,096</b>	<b>136,728</b>	<b>191,232</b>
Other current assets	323,344	161,909	556,977
Cash and cash equivalents	94,613	202,171	267,016
<b>Total current assets</b>	<b>417,957</b>	<b>364,080</b>	<b>823,993</b>
<b>Total assets</b>	<b>736,053</b>	<b>500,808</b>	<b>1,015,225</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	338,940	306,303	487,343
Untaxed reserves	149,505	131,112	149,505
Long-term liabilities	37,968	28,429	46,941
Current liabilities	209,640	34,964	331,436
<b>Total equity and liabilities</b>	<b>736,053</b>	<b>500,808</b>	<b>1,015,225</b>

### Pledged assets and contingent liabilities

SEK thousand	Oct 31, 2015	Oct 31, 2014	Apr 30, 2015
Chattel mortgages	11,000	11,000	11,000
<b>Total pledged assets</b>	<b>11,000</b>	<b>11,000</b>	<b>11,000</b>
Guarantees on behalf of Group companies	319,547	234,376	357,729
<b>Total contingent liabilities</b>	<b>319,547</b>	<b>234,376</b>	<b>357,729</b>

## NOTES

### Note 1 Acquisitions

#### EXP Analytics Oy

On September 30, 2015, the Group acquired 100% of the shares in the Finnish company EXP Analytics, which sells consulting services in the field of information security. The acquisition was part of Sectra's efforts to expand the Secure Communications business area into the Finnish market. The acquired company has four employees. During the six-month period, the company's sales amounted to EUR 0.4 million (approximately SEK 4 million) and operating profit to EUR 0.1 million (approximately SEK 0.9 million). After the acquisition date, the company's sales and profit totaled EUR 0.08 million (approximately SEK 0.7 million) and EUR 0.05 million (approximately SEK 0.4 million), respectively.

The total consideration transferred on the acquisition date amounted to SEK 11.9 million, of which SEK 0.9 million comprised a cash consideration and SEK 10.9 million comprised a contingent consideration, which was recognized as a provision in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the sales and earnings objectives set for 2020 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The goodwill that arose in connection with the transaction was attributable to expected growth opportunities for Secure Communications in the Finnish and Estonian market, as well as the experience and expertise of the company's employees. The analysis of the allocation of the purchase consideration is preliminary and may change.

Payment of the contingent consideration is based on the sales and earnings trend for both the company and the entire Secure Communications segment. The payment range is between EUR 0.3 million and EUR 1.8 million, which is based on market conditions for the company.

The operations were consolidated into the Sectra Group's Secure Communications business area from the date of acquisition on September 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit.

#### Acquired net assets and goodwill, September 30, 2015 Preliminary acquisition analysis

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	0.0
Tangible assets	0.3	0.3
Current receivables	1.8	1.8
Cash and cash equivalents	0.3	0.3
Deferred tax	0.0	0.0
Current liabilities	-1.2	-1.2
<b>Total acquired net assets</b>	<b>1.2</b>	<b>1.2</b>
Fair value of consideration transferred		11.9
<b>Goodwill</b>		<b>10.7</b>
Net outflow of cash and cash equivalents attributable to the acquisition <sup>1</sup>		
Cash consideration transferred		0.9
Cash and cash equivalents in the acquired company on the date of acquisition		-0.3
<b>Total</b>		<b>0.6</b>

<sup>1</sup> Excluding acquisition-related expenses of SEK 0.1 million, which were recognized as external costs in the consolidated income statement for the 2015/2016 fiscal year.

## it-mark ApS

On April 30, 2015, the Group acquired 100% of the shares in the Danish company it-mark ApS, which sells IT services to the healthcare sector in Denmark. The acquisition was part of Sectra's efforts to expand the Medical Systems business area into the Danish market. The company has 11 employees and reported sales of DKK 13.4 million (approximately SEK 16.0 million) for the 2014 fiscal year, with an operating margin of 10.2%.

The total consideration transferred on the date of acquisition amounted to SEK 19.4 million, of which SEK 12.4 million comprised a cash consideration and SEK 6.2 million comprises a contingent consideration, which was recognized as a provision in the Group. The fair value of the contingent consideration was calculated based on the likelihood that the earnings objective set for April 30, 2020 would be achieved. The acquisition was fully financed with Sectra's existing funds.

The operations were consolidated into the Sectra Group's Imaging IT Solutions business area from the date of acquisition on April 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. During the six-month period, sales in the acquired unit amounted to SEK 10.9 million and operating profit totaled SEK 1.4 million.

### Acquired net assets and goodwill, April 30, 2015

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	19.3
Tangible assets	1.0	1.0
Current receivables	3.0	3.0
Cash and cash equivalents	3.7	3.7
Deferred tax	0.0	-3.5
Current liabilities	-4.1	-4.1
<b>Total acquired net assets</b>	<b>3.6</b>	<b>19.4</b>
Fair value of consideration transferred		19.4
<b>Goodwill</b>		<b>0.0</b>
Net outflow of cash and cash equivalents attributable to the acquisition <sup>1</sup>		
Cash consideration transferred		12.4
Cash and cash equivalents in the acquired company on the date of acquisition		-3.7
<b>Total</b>		<b>8.7</b>

<sup>1</sup> Excluding acquisition-related expenses of SEK 0.5 million, which were recognized as external costs in the consolidated income statement for the 2014/2015 fiscal year.

## Definition of key figures

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

## Glossary

### 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.

### Mammography

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

### Cloud

From the term 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.

### Osteoporosis

Commonly referred to as "brittle bone disease," a skeletal disease that causes increased brittleness of the bones and a risk for fractures.

### 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.

### RIS (Radiology Information System)

An IT system for managing radiology patient data, such as appointment bookings and patient information at radiology clinics.

### Visualization table

Large interactive touch screen with an image viewing program that enables interaction with 3D images of human and animal bodies.

## ABOUT SECTRA

### Sectra's vision

To be beneficial for humanity.

### Sectra's mission statement

To increase the effectiveness of healthcare, while maintaining or increasing the quality of care.

To deliver approved and efficient security solutions to authorities, defense departments and other critical infrastructure organizations.

### Are you a Sectra shareholder?

Your views are important for Sectra! We would like to thank you for taking the time to answer eight questions in Sectra's shareholder survey at: [sectra.com/shareholder2015](http://sectra.com/shareholder2015)

Since the company was first formed in 1978, Sectra has grown from a small group of researchers and postgraduates to an international Group with more than 500 employees and subsidiaries in 14 countries. Long-term and close collaboration with customers has been key to the company's success, combined with innovation, technological excellence and each employee's dedication to using his or her knowledge to solve customer problems. Sectra's employees and stable IT systems are what customers value most. The Group's operations comprise the following niche areas.

**Imaging IT Solutions** helps healthcare providers care for more patients, while retaining the same, or higher, level of quality though efficient image management. Increased use of medical images and aging populations that are living longer pose huge challenges to healthcare. Sectra's IT solutions and services enable greater efficiency throughout the entire care chain 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 authorities, companies and defense organizations throughout 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 handled by its customers. The products are approved by the EU, NATO and several national security authorities.

**Business Innovation** gathers smaller activities that could eventually 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, and medical education.

### Group-wide strategies

- International expansion in areas and regions where Sectra holds an established position. Primarily organic growth, supplemented by acquisitions that also strengthen organic growth.
- Partnerships to reach a broader geographic market and to offer a wider range of products and services to customers.
- Close relationships with demanding customers to ensure that Sectra's solutions meet market demands for quality, functionality and usability. Customer satisfaction is essential for continued successful development.
- A strong, innovative corporate culture to attract and retain talented employees with the ability to solve our customers' problems and meet – in many cases, to exceed – their expectations.
- Close collaboration with universities and research institutions to capture ideas and new product areas that Sectra's customers may find useful.

### Ten reasons to invest in Sectra

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

- Growth potential in the healthcare sector and in secure communications and infrastructure.
- Established brand in niche areas, where customer confidence is a critical success factor.
- Stable, profitable company, with more than 50% of sales comprising recurring revenues 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 more secure 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 owner dedicated to the long-term development of the company.
- Strong corporate culture based on the employees' expertise and attitudes and their drive to solve customer problems.