

## Interim report for the nine-month period May 2015 to January 2016: Sectra displays positive earnings trend and top global ranking in customer satisfaction

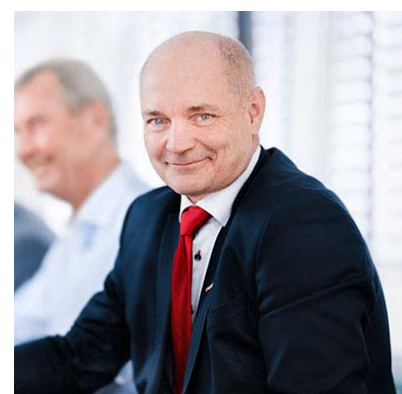
SEK million	The quarter			9 months			12 months		
	Q3 2015/2016	Q3 2014/2015	Change %	Q1-3 2015/2016	Q1-3 2014/2015	Change %	Rolling	2014/2015	Change %
Order bookings	369.0	549.4	-32.8	874.2	1,181.8	-26.0	1,242.8	1,550.4	-9.8
Net sales <sup>1</sup>	268.9	241.6	11.3	758.4	693.1	9.4	1,026.8	961.4	6.8
Operating profit (EBIT) <sup>1</sup>	44.0	31.9	37.9	107.5	107.9	-0.4	149.9	150.3	-0.3
Operating margin, %	16.4	13.2	-	14.2	15.6	-	14.6	15.6	-
Profit before tax (EBT)	36.9	43.5	-15.2	106.0	124.8	-15.1	145.6	164.4	-11.4
Profit margin, %	13.7	18.0	-	14.0	18.0	-	14.2	17.1	-
Profit after tax	28.8	28.4	1.4	82.4	91.5	-10.0	117.0	126.1	-7.2
Earnings per share, SEK <sup>2</sup>	0.77	0.76	1.3	2.20	2.46	-10.6	3.13	3.38	-7.4
Cash flow <sup>3</sup>	65.3	-23.6	376.7	123.8	32.1	285.7	176.8	85.0	108.0
Number of employees <sup>4</sup>	618	563	9.8	618	563	9.8	618	565	9.4

<sup>1</sup> Q1 of the 2014/2015 comparative period includes a nonrecurring item in the amount of SEK 16.3 million. Excluding this item, net sales for the nine-month period rose 12.1% and operating profit increased 17.4%.

<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

For the third consecutive year, Sectra topped its segment in the industry's most important customer satisfaction survey for IT systems in healthcare. The survey was performed by the analyst company KLAS, and our system for managing medical images, Sectra PACS, was ranked highest in Europe, the US and globally. Sectra was awarded top ratings for the stability and ease-of-use of its system, as well as for its employees, proactive service, high-quality implementation and training. This ranking in the KLAS survey shows that customers have a high level of confidence in Sectra and our ability to help them deliver efficient healthcare of the highest quality.



#### *Strategic choices*

It is becoming increasingly common to deliver IT systems as a service since this approach generates cost and operating advantages for both customers and suppliers. In certain cases, this means that Sectra assumes overall responsibility for technology, operation and service; in others, it simply entails a payment plan for software over a longer period of time. Orders in Scandinavia from the Norrbotten Region County Council and the private healthcare provider Unilabs during the third quarter are examples of such multiyear service agreements. Within the Secure Communications business area, we offer equivalent comprehensive infrastructure for secure voice communication as a service. Several of the acquisitions we have carried out in recent years to strengthen Sectra's organic growth were companies that deliver services. Our most recent acquisition, which took place at year-end, was the Swedish company RxEye, which sells IT services for efficient and secure remote viewing of medical images.

By their nature, service sales normally utilize resources and generate costs during the installation phase and initially have a negative impact on our operating profit and cash flow. However, this is offset by the fact that these transactions go on to generate stable invoicing for many years. Several of the service orders that Sectra received for medical IT systems in the preceding fiscal year have reached the operational phase in recent quarters.

### REPORT PRESENTATION

by phone with President Torbjörn Kronander and CFO Simo Pykälistö on **March 8, 2016, at 10:00 a.m. (CET)**. The presentation will be held in English.

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This means that we have now started invoicing these customers, which is having a positive impact on the Group's net sales, operating profit and cash flow.

#### *Outlook*

Order bookings are significantly higher than our net sales, which bodes well for the future since many orders are spread over a long period, and we are growing in all areas. Our earnings, calculated as operating profit per share, have climbed more than 60% over the past five years, which is above our target level.

Although we are making progress in all areas, I must emphasize that it is unsatisfactory that we have not succeeded in reversing the earnings trend in Secure Communications. Our ongoing efforts to boost our international sales and broaden the business area's offering to include new customer segments had a negative impact on profit for the period and were not sufficient to entirely compensate for our declining sales to our principal customer in Sweden. In the long term, these efforts are expected to restore our margins and growth to our target level.

The Group's financial position is enabling us to invest in new markets, product development and future-oriented projects. Thanks to our close, long-term customer relationships, our focus on high customer satisfaction, our outstanding employees, our high-quality and innovative products, and our strong financial position, we have the necessary prerequisites to continue delivering 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*

## THE PERIOD IN BRIEF

### **Nine-month period**

- The Sectra Group's order bookings amounted to SEK 874.2 million (1,181.8). Order bookings continued to exceed net sales.
- Net sales totaled SEK 758.4 million (693.1), up 9.4%. Excluding the nonrecurring item of SEK 16.3 million for the sale of patents in the comparative period, net sales increased 12.1%.
- Operating profit totaled SEK 107.5 million (107.9), corresponding to an operating margin of 14.2% (15.6). Excluding the nonrecurring item in the comparative period, operating profit rose 17.4%.
- Cash flow after changes in working capital increased to SEK 123.8 million (32.1). Several of the orders that Sectra received for medical IT systems in the preceding fiscal year have reached the operational phase. This means that invoicing to end customers has begun, which is having a positive impact on the Group's sales, earnings and cash flow.

### **Third quarter**

- Order bookings amounted to SEK 369.0 million (549.4).
- Net sales totaled SEK 268.9 million (241.6), up 11.3%.
- Operating profit increased 37.9% to SEK 44.0 million (31.9), corresponding to an operating margin of 16.4% (13.2).
- Cash flow after changes in working capital amounted to SEK 65.3 million (neg: 23.6).

## Events during the third quarter

- Sectra had the highest level of customer satisfaction worldwide for 2015/2016, according to the customer satisfaction survey of users of systems for managing and archiving radiology images (PACS), conducted by the analyst company KLAS. Sectra PACS topped the "Best in KLAS" survey in the categories Global, US and Europe.
- Sectra acquired the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images.
- Sectra and the private healthcare provider Unilabs extended their cooperation through an agreement that encompasses both Sweden and Norway.
- The Norrbotten Region County Council in Sweden ordered Sectra's IT service for managing medical images and patient information. Under the six-year agreement, Sectra will assume overall responsibility for technology, administration and service of the County Council's radiological IT system. The order value amounted to approximately SEK 60 million.
- 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.
- The Jönköping Region County Council in Sweden 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.

## EVENTS AFTER THE END OF THE REPORTING PERIOD

There were no significant events after the end of the nine-month period to report at the time of publication of this interim report.

## 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 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 has been entrusted to deliver products that protect classified information at the very highest levels and its crypto products have been approved by the EU, NATO and several national security authorities.

## GROUP

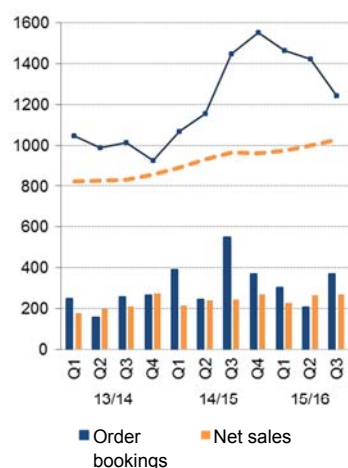
### Order bookings, sales and earnings

Results in SEK million

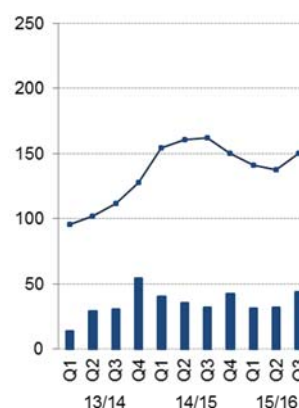
Bar – per quarter

Line – rolling 12 months

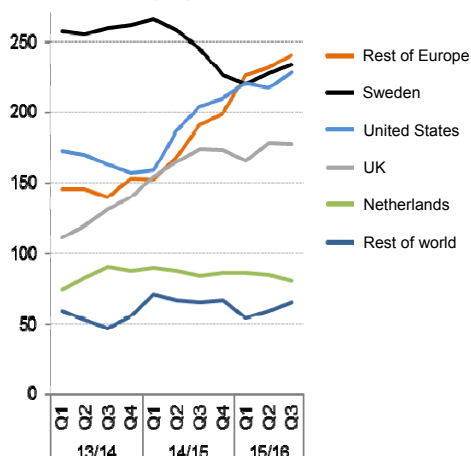
Order bookings and sales, Group



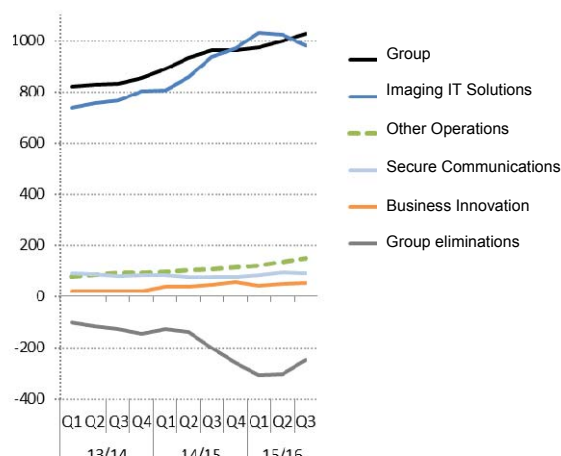
Operating profit, Group



Sales trend per geographic market



Sales trend per segment



#### Nine-month period

The Group's order bookings continued to exceed net sales by a significant margin. However, there are major variations in order bookings between the quarters and, as expected, order bookings in the UK were significantly lower than in the comparative period. Many UK healthcare providers procured new medical IT systems in 2014 and 2015, which contributed to Sectra's high order bookings in the preceding fiscal year. The largest increase in order bookings during the nine-month period was reported by Sectra's operations in the US and Norway (which is included in Rest of Europe).

Net sales rose 9.4%. Excluding a non-recurring item of SEK 16.3 million for the sale of patents in the year-earlier period, comparative sales growth was 12.1%. Geographically, Sectra's operations in the US and Rest of Europe reported the highest growth compared with the year-earlier period. Growth in Rest of Europe mainly pertained to increased sales in Denmark, Norway and Germany. 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 in Secure Communications.

Group eliminations associated with sales amounted to a negative SEK 148.5 million (neg: 158.4). Eliminations primarily pertain to Group-financed customer projects in Imaging IT Solutions. Eliminations declined as a result of increased revenues from end customers after several projects reached the operational phase. As these projects

move from to the operational phase, they will contribute to a stable long-term trend since, at Group level, Sectra's external revenues and earnings are recognized over the duration of the managed-services agreements, which is normally five to ten years.

The Group's operating profit totaled SEK 107.5 million, which was in line with the year-earlier period and corresponded to an operating margin of 14.2%. Excluding the nonrecurring item in the comparative period, operating profit rose 17.4% compared with the year-earlier period. This increase was mainly due to a large number of customer projects in the Imaging IT Solutions business area transitioning from the installation phase to the operational phase. However, operating profit continued to feel the negative impact of the earnings trend in the Secure Communication business area.

The Group's net financial items amounted to an expense of SEK 1.5 million (income: 16.9). Currency fluctuations had a negative impact of SEK 1.4 million (pos: 13.6) on the Group's financial items. Profit before tax totaled SEK 106.0 million (124.8), corresponding to a profit margin of 14.0% (18.0).

#### *Third quarter*

The Group's order bookings amounted to SEK 369.0 million. Sectra's largest markets, Scandinavia and the US, reported the highest order bookings for the quarter. Net sales rose 11.3% compared with the year-earlier period. The operations in the US and Rest of Europe 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 the Group's 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 rose 37.9% to SEK 44.0 million, corresponding to an operating margin of 16.4% (13.2). The most significant contributions to this earnings improvement came from the Imaging IT Solutions business area, the Group's financing activities in Other Operations and the decrease in Group eliminations.

The Group's net financial items amounted to an expense of SEK 7.1 million (income: 11.6). Currency fluctuations had a negative impact of SEK 6.8 million (pos: 8.9) on the Group's financial items. Profit before tax amounted to SEK 36.9 million (43.5), corresponding to a profit margin of 13.7% (18.0).

#### **Acquisitions**

During the third quarter, Sectra acquired the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. The company is included in Sectra's financial statements for the Imaging IT Solutions business area as of December 30, 2015. Refer to Note 1 on page 20 for further information.

During the second quarter, Sectra acquired the Finnish company Exp Analytics Oy, which 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 September 30, 2015. Refer to Note 1 on page 21 for further information.

Sectra acquired the Danish company it-mark ApS on April 30, 2015. The company delivers cloud-based IT services for medical imaging management (PACS), for example, 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 April 30, 2015. Refer to Note 1 on page 22 for further information.

Equity/assets ratio  
**49.5%**

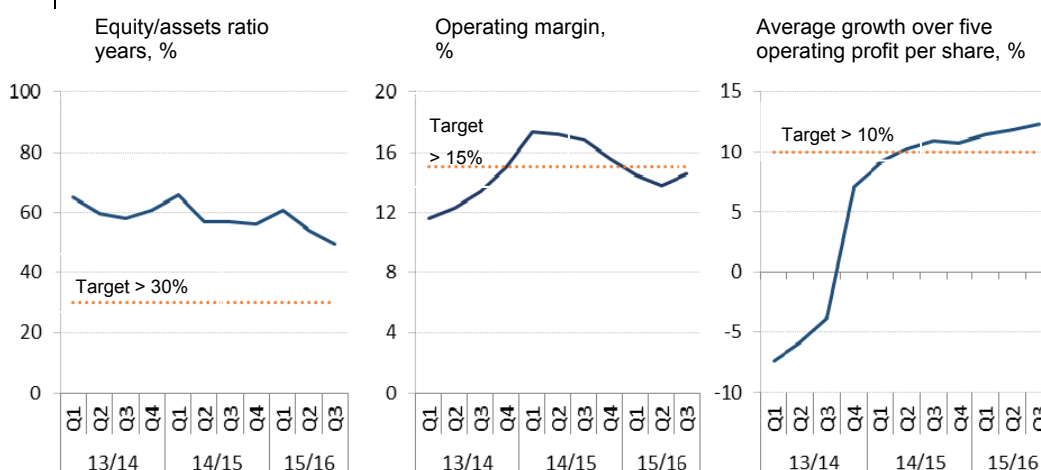
Operating margin (EBIT),  
rolling 12-month basis  
**14.6%**

Average growth per year in  
operating profit per share,  
rolling five-year period  
**12.3%**

## 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 199.2 million (250.6). 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 75.0 million (55.9) and pertained to convertible loans held by employees and Board members. The equity/assets ratio was 49.5% (56.7).

The Group's cash flow from operations after changes in working capital amounted to SEK 123.8 million (32.1). The comparative period includes the aforementioned patent sale of SEK 16.3 million. Excluding the nonrecurring item, the change in the comparison mainly pertains to a decline in receivables related to Group-financed customer projects as a result of more projects entering the operational phase. Cash flow per share amounted to SEK 3.30 (0.86) for the period.

Cash flow from investing activities was a negative SEK 80.4 million (neg: 56.2) for the period. These investments mainly pertained to assets in long-term Group-financed customer projects and development projects. Convertible programs had a positive impact on financing activities during the period. The Group's total cash flow was a negative SEK 102.7 million (neg: 178.4) and the figures included Sectra's share redemption program for shareholders.

## Investments, depreciation and amortization

Group investments during the period amounted to SEK 80.4 million (56.2), of which SEK 20.6 million (41.6) was attributable to the third quarter. Investments during the period primarily pertained to customer projects in the Group's financing activities and capitalized development costs.

Depreciation/amortization during the period totaled SEK 36.8 million (33.0), of which SEK 13.7 million (9.9) pertained to the third quarter. Of depreciation/amortization for the period, SEK 10.5 million (11.7) was attributable to capitalized development projects.

Investments in Group-financed customer projects during the period amounted to SEK 44.5 million (23.5), of which a negative SEK 1.4 million (pos: 13.1) was attributable to the third quarter. At the end of the period, the net carrying amount for Group-financed customer projects totaled SEK 134.2 million (67.1).

Capitalization of development costs during the period amounted to SEK 23.0 million (23.2), of which SEK 12.8 million (12.0) pertained to the third quarter. At the end of the period, capitalized development costs totaled SEK 77.8 million (59.1).

### 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

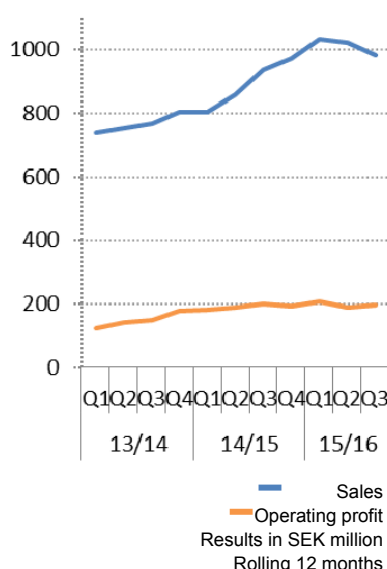
	Q3 Nov 2015- Jan 2016	Q3 Nov 2014- Jan 2015	Q1-3 May 2015- Jan 2016	Q1-3 May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	226.6	267.2	687.7	676.7	981.6	970.6
Operating profit, SEK million	53.0	44.8	124.0	120.4	195.6	192.0
Operating margin, %	23.4	16.8	18.0	17.8	19.9	19.8
Number of employees at end of period	465	420	465	420	465	426

### Sales and earnings

Imaging IT Solutions' sales rose 1.6% during the nine-month period. Operating profit increased 3.0%. The operating margin for the period rose to 18.0%. Additional customer projects reaching the operational phase and deliveries including a large proportion of software contributed to the earnings increase during the third quarter.

### 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



Customers awarded the business area's system for managing medical images, Sectra PACS, a top ranking in the customer satisfaction survey performed by the analyst company KLAS. Read more: [www.sectra.com/klas](http://www.sectra.com/klas)



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 imaging management.

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. For the third consecutive year, customers awarded the business area's system for managing medical images, Sectra PACS, a top ranking in the customer satisfaction survey performed by the analyst company KLAS. Since care providers often refer to KLAS surveys when procuring IT systems, the surveys are of major importance in the industry. In the most recent survey, which was summarized in the "2015/2016 Best in KLAS: Software & Services Report," Sectra was ranked number one in Europe, the US and globally.

The business area's operations in the US and Rest of Europe, which includes Norway, reported the largest increase in order bookings compared with the year-earlier period. During the third quarter, the business area received orders for IT systems for mammography from the Kentucky Breast Care and Breast Center of Acadiana healthcare chains in the US, and Jönköping Region County Council in Sweden. During the quarter, the business area also signed new agreements with Scandinavian customers such as the private care provider Unilabs and Norrbotten Region County Council. Both are multiyear agreements pertaining to Sectra's IT services for managing medical images and patient information.

Delivering services to the healthcare sector via the Internet is becoming an increasingly important delivery model. To strengthen the business area's opportunities to grow organically, Sectra completed the acquisition of the Swedish company RxEye during the third quarter. The company sells cloud-based IT services for efficient and secure remote viewing of medical images. The services are used by radiology, nuclear medicine and pathology departments, and by companies that sell teleradiology services. RxEye's services enhance the efficiency of communication and use of resources in healthcare and complement the business area's offering.

Imaging IT Solution's growth strategy also includes investments in solutions for integrated diagnostics, where images from radiology, mammography and pathology are managed and displayed in the same system. During the quarter, Region Östergötland in Sweden, which already uses Sectra's solutions for managing mammography and radiology images, decided to also invest in a digital pathology system from Sectra, which could result in shorter waiting times for cancer care.

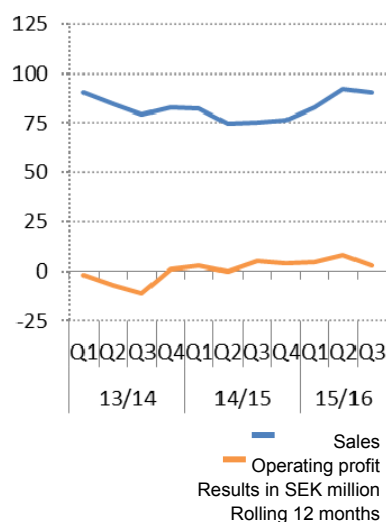
### The way forward

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 various areas, such as radiology, mammography, dermatology 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.

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





## SECURE COMMUNICATIONS

	Q3 Nov 2015- Jan 2016	Q3 Nov 2014- Jan 2015	Q1-3 May 2015- Jan 2016	Q1-3 May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	20.6	22.5	64.0	50.2	90.5	76.7
Operating profit/loss, SEK m	-0.8	4.4	-0.9	0.3	2.6	3.8
Operating margin, %	-3.9	19.5	-1.4	0.6	2.9	5.0
Number of employees at end of period	64	55	64	55	64	55

### Sales and earnings

Secure Communications' sales for the nine-month period increased 27.5%. This increase 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. Profit was charged with costs for expanding into new geographic markets and broadening the business area's operations to include new customer segments. These investments are part of the business area's growth strategy and could help to reduce its dependency on the company's principal customer in Sweden, where the market situation for encryption systems has been weak for several years.

### 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 have been 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 will remain 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 important to the performance of the business area. Demand for crypto products from customers in other European countries is favorable.

During the nine-month period, the business area strengthened its presence in Finland through the acquisition of EXP Analytics, which supplies IT security consulting services (refer to Note 1 on page 21).

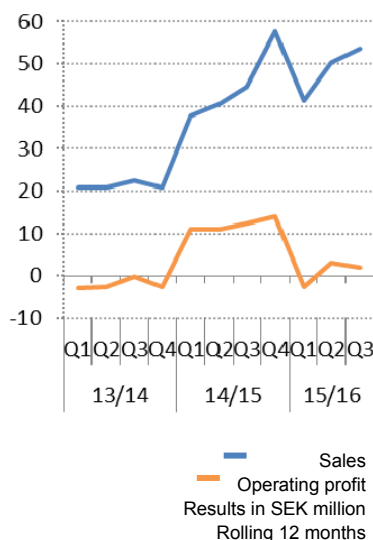
### The way forward

The business area is focusing 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 Sectra 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



	Q3 Nov 2015- Jan 2016	Q3 Nov 2014- Jan 2015	Q1-3 May 2015- Jan 2016	Q1-3 May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	13.7	10.2	36.8	40.9	53.7	57.8
Operating profit, SEK million	0.0	1.1	2.4	14.6	1.9	14.1
Operating margin, %	0.0	10.8	6.5	35.8	3.5	24.3
Number of employees at end of period	29	28	29	28	29	27

### Sales and earnings

Business Innovations' sales for the nine-month period amounted to SEK 36.8 million. 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. However, Sectra retained a perpetual right to use the patents in its own products. 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 49.6%.

### Market

Business Innovation is Sectra's incubator for early-stage business units, projects and ideas that are not yet large enough to become independent business areas. 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.

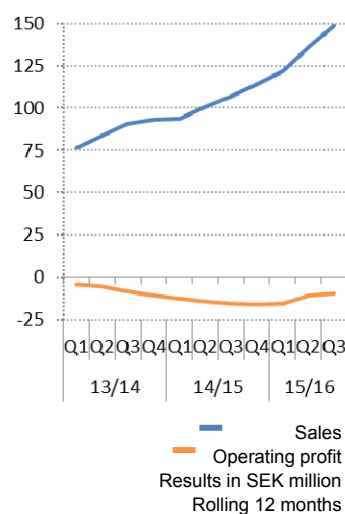
This segment includes products and services that contribute to more efficient and better care for osteoporosis, IT systems for planning and monitoring orthopaedic surgery, and research projects. Sectra's patent portfolio is also managed and developed in this segment. As of 2014/2015, Business Innovation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

During the third quarter, Sectra decided to implement a reorganization as of May 1, 2016, which will entail a merger of the Osteoporosis business unit and Orthopaedics business unit. This will form a single business unit for products and services related to skeletal diseases and injuries, which is expected to generate certain synergy effects.

### 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 unit is also focusing on increasing sales in the private mammography clinic segment. As of May 1, 2016, the area will be included in Orthopaedics in order to form a broader business unit for skeletal diseases.
- *Research* – make further progress in the digital pathology research project and 3D tools for planning orthopaedic surgery.



## OTHER OPERATIONS

	Q3 Nov 2015- Jan 2016	Q3 Nov 2014- Jan 2015	Q1-3 May 2015- Jan 2016	Q1-3 May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Sales, SEK million	42.9	30.2	118.4	83.7	148.8	114.1
Operating loss, SEK million	-1.8	-2.9	-1.1	-7.8	-9.5	-16.2
Operating margin, %	-4.2	-9.6	-0.9	-9.3	-6.4	-14.2
Number of employees at end of period	60	60	60	60	60	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 41.5% for the period. This increase was attributable to Sectra's operations for the financing of major managed-services agreements with healthcare customers. The operating loss for the period improved to SEK 1.1 million (loss: 7.8).

## 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 19.

During the period, sales in the Parent Company totaled SEK 70.7 million (72.5), of which SEK 24.6 million (21.9) was attributable to the third 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. The Parent Company reported an operating loss for the period of SEK 0.1 million (profit: 5.5), of which a loss of SEK 3.2 million (loss: 2.1) was attributable to the third quarter. The Business Innovation operating segment contributed to the earnings improvement during the third quarter. Profit after net financial items amounted to SEK 18.9 million (15.7), of which SEK 9.9 million (3.8) pertained to the third quarter. Currency fluctuations had an impact of SEK 1.9 million (2.9) 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 2015 tax assessment, 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. According to the Swedish Tax Agency's general recommendations, 95.8% of the acquisition cost of an original Class A or B share in Sectra AB should be assigned to a remaining share and 4.2% to the redemption share. For more information and general guidelines from the Swedish Tax Agency, visit [www.sectra.com/redemption](http://www.sectra.com/redemption).

### 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, the number of Class B shares will increase by 838,411, corresponding to 2.2% of the share capital and 1.4% of the voting rights in the company.

During the third quarter, Sectra redeemed employee stock options (2012/2015 program) issued to employees in North America through a cash settlement totaling SEK 5.5 million. 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: <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 ANNUAL GENERAL MEETING

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 October 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)

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

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 days 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

AGM scheduled for  
September 6, 2016.

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 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 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 March 8, 2016 at 10:00 a.m. (CET). The presentation will be held in English. To participate, call:

SE: +46 85 664 2690

UK: +44 20 3008 9801

US: +1 646 722 4897

Follow live online: [www.sectra.com/ir20160308](http://www.sectra.com/ir20160308)

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

### Financial calendar

Year-end report	May 31, 2016 at 8:00 a.m. (CET)
Presentation of Year-end report	May 31, 2016 at 12:00 noon (CET) in Stockholm
2016 AGM	September 6, 2016 in Linköping

## ASSURANCE

The Board of Directors and the President of Sectra AB (publ) hereby provide their assurance that the interim report for the May 2015-January 2016 period 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, March 7, 2016

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 Svärdröm  
Board member

Jan-Olof Brüer  
Board member

Deborah Capello  
Board member,  
employee representative

Fredrik Häll  
Board member,  
employee representative

## AUDITOR'S REVIEW REPORT

### *Introduction*

We have reviewed the condensed interim financial information for Sectra AB (publ) 556064-8304 at January 31, 2016 and for the nine-month period ended on that date. The Board of Directors and the President are responsible for the preparation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express an opinion on the interim financial information based on our review.

### *Focus and scope of the review*

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed on the basis of a review does not provide the same level of assurance as an opinion expressed on the basis of an audit.

### *Opinion*

Based on our review, nothing has come to our attention that causes us to believe that the interim report has not, in all material aspects, been compiled for the Group in accordance with IAS 34 Interim Reporting and the Swedish Annual Accounts Act and for the Parent Company, in accordance with the Swedish Annual Accounts Act.

Stockholm, March 7, 2016

Grant Thornton Sweden AB

Peter Bodin, Authorized Public Accountant

*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 March 8, 2016, at 8:00 a.m. (CET).*

## GROUP FINANCIAL SUMMARY

### Consolidated income statements

SEK thousand	3 months Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	12 months Feb 2015- Jan 2016	Full-year May-Apr 2014/2015
<b>Net sales</b>	<b>268,921</b>	<b>241,590</b>	<b>758,442</b>	<b>693,063</b>	<b>1,026,771</b>	<b>961,392</b>
Capitalized work for own use	12,804	12,045	23,029	23,227	31,982	32,180
Other operating income <sup>1</sup>	437	0	1,912	0	1,912	0
Goods for resale	-30,606	-43,805	-99,154	-118,721	-132,890	-152,457
Personnel costs	-130,305	-123,727	-382,946	-343,020	-515,707	-475,781
Other external costs	-63,553	-44,299	-156,953	-113,678	-215,991	-172,716
Depreciation/amortization and impairment	-13,721	-9,864	-36,827	-32,951	-46,200	-42,324
<b>Operating profit</b>	<b>43,977</b>	<b>31,940</b>	<b>107,503</b>	<b>107,920</b>	<b>149,877</b>	<b>150,294</b>
Net financial items	-7,059	11,601	-1,482	16,906	-4,266	14,122
<b>Profit after net financial items</b>	<b>36,918</b>	<b>43,541</b>	<b>106,021</b>	<b>124,826</b>	<b>145,611</b>	<b>164,416</b>
Taxes	-8,087	-15,203	-23,636	-33,363	-28,612	-38,339
<b>Profit for the period</b>	<b>28,831</b>	<b>28,338</b>	<b>82,385</b>	<b>91,463</b>	<b>116,999</b>	<b>126,077</b>
<b>Profit for the period attributable to:</b>						
Parent Company owners	28,831	28,338	82,385	91,463	116,999	126,077
Non-controlling interest	0	0	0	0	0	0
<b>Earnings per share</b>						
Before dilution, SEK	0.77	0.76	2.20	2.46	3.13	3.38
After dilution, SEK	0.75	0.74	2.16	2.40	3.06	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>	38,341,746	38,202,938	38,341,746	38,202,938	38,341,746	38,202,938
Average, before dilution	37,503,335	37,271,017	37,477,522	37,251,457	37,425,896	37,256,347
Average, after dilution	38,249,200	38,083,649	38,218,353	38,099,443	38,214,499	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 (55,703), 2012/2013 (170,570), 2013/2014 (245,797), 2014/2015 (153,329) and 2015/2016 (213,012). On full conversion/exercise of convertibles and employee stock options, the number of shares will increase 838,411.

### Consolidated statement of comprehensive income

SEK thousand	3 months Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	12 months Feb 2015- Jan 2016	Full-year May-Apr 2014/2015
<b>Profit for the period</b>	<b>28,831</b>	<b>28,338</b>	<b>82,385</b>	<b>91,463</b>	<b>116,999</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	-18,381	13,752	-13,622	30,727	-3,981	40,368
<b>Total other comprehensive income for the period</b>	<b>-18,381</b>	<b>13,752</b>	<b>-13,622</b>	<b>30,727</b>	<b>-3,981</b>	<b>40,368</b>
<b>Total comprehensive income for the period</b>	<b>10,450</b>	<b>42,090</b>	<b>68,763</b>	<b>122,190</b>	<b>113,018</b>	<b>166,445</b>

## Consolidated balance sheets

SEK thousand	Jan 31, 2016	Jan 31, 2015	Apr 30, 2015
<b>Assets</b>			
Intangible assets	183,060	123,034	149,703
Tangible assets	109,709	68,898	75,945
Financial assets	1,798	21,765	1,766
Deferred tax assets	30,128	19,112	26,635
<b>Total fixed assets</b>	<b>324,695</b>	<b>232,809</b>	<b>254,049</b>
Other current assets	516,414	518,956	528,682
Cash and cash equivalents	199,204	250,637	307,076
<b>Total current assets</b>	<b>715,618</b>	<b>769,593</b>	<b>835,758</b>
<b>Total assets</b>	<b>1,040,313</b>	<b>1,002,402</b>	<b>1,089,807</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	515,404	568,658	611,775
Provisions	35,998	6,417	8,595
Deferred tax liabilities	40,673	32,586	40,120
Long-term liabilities	52,565	46,941	46,941
Current liabilities	395,673	347,800	382,376
<b>Total equity and liabilities</b>	<b>1,040,313</b>	<b>1,002,402</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	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	Full-year May-Apr 2014/2015
Equity at start of period	611,775	611,702	611,702
Comprehensive income for the period	68,763	122,190	166,445
Share-related payments	139	1,474	335
Dividend/redemption of shares	-168,765	-167,720	-167,720
Settlement of share-related payments	3,492	1,012	1,012
<b>Equity at end of period</b>	<b>515,404</b>	<b>568,658</b>	<b>611,775</b>

## Consolidated cash-flow statements

SEK thousand	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	Full-year May-Apr 2014/2015
Cash flow from operations before changes in working capital	117,525	130,576	165,639
<b>Cash flow from operations after changes in working capital</b>	<b>123,843</b>	<b>32,098</b>	<b>85,039</b>
Investing activities	-80,425	-56,195	-63,931
Financing activities	-146,156	-154,288	-154,288
<b>Total cash flow for the period</b>	<b>-102,738</b>	<b>-178,385</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	-5,134	-12,923	-1,689
Cash and cash equivalents, closing balance	199,204	250,637	307,076
Unutilized credit facilities	15,000	15,000	15,000



## Key figures

	9 months Jan 31, 2016	9 months Jan 31, 2015	12 months Jan 31, 2016	Full-year Apr 30, 2015
Order bookings, SEK million	874.2	1,181.8	1,242.8	1,550.4
Operating margin, %	14.2	15.6	14.6	15.6
Profit margin, %	14.0	18.0	14.2	17.1
Average number of employees	580	544	580	546
Cash flow per share, SEK	3.30	0.86	4.71	2.28
Cash flow per share after full dilution, SEK	3.23	0.84	4.61	2.23
Value added, SEK million	490.4	450.9	665.6	626.1
P/E ratio, multiple	n/a	n/a	33.8	35.3
Share price at end of period, SEK	105.75	124.75	105.75	119.5
Return on equity, %	14.6	15.5	21.6	20.6
Return on capital employed, %	17.0	19.4	24.2	25.1
Return on total capital, %	10.0	12.5	14.4	15.8
Equity/assets ratio, %	49.5	56.7	49.5	56.1
Liquidity, multiple	1.8	2.3	1.8	2.2
Equity per share, SEK	13.74	15.28	13.74	16.44
Equity per share after full dilution, SEK	13.44	14.89	13.44	16.01

## Quarterly consolidated income statement and key figures

SEK million	2015/2016			2014/2015				2013/2014		
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2
Net sales	268.9	264.7	224.9	268.3	241.6	239.0	212.4	270.6	209.6	198.3
Capitalized work for own use	12.8	5.4	4.8	9.0	12.0	7.4	3.8	2.2	1.3	6.4
Other operating income	0.4	0.4	1.0	0	0	0	0	0	0	0
Reversal of contingent consideration	0	0	0	0	0	0	0	16.2	0	0
Operating expenses	-224.4	-225.1	-189.5	-225.5	-211.8	-200.0	-163.5	-204.5	-168.4	-162.9
Depreciation/amortization and impairment	-13.7	-13.3	-9.8	-9.4	-9.9	-10.9	-12.2	-30.4	-11.9	-12.4
<b>Operating profit</b>	<b>44.0</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>
Net financial items	-7.1	2.5	3.1	-2.8	11.6	1.8	3.5	1.9	7.7	2.7
<b>Profit after net financial items</b>	<b>36.9</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>
Tax on earnings for the period	-8.1	-7.8	-7.8	-5.0	-15.2	-8.3	-9.9	-17.9	-9.5	-7.0
<b>Profit for the period</b>	<b>28.8</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>
Order bookings, SEK million	369.0	205.3	299.9	368.6	549.4	244.3	388.1	264.6	256.5	156.9
Operating margin, %	16.4	12.1	14.0	15.8	13.2	14.9	19.0	20.0	14.6	14.8
Cash flow per share, SEK	1.74	1.39	0.18	1.42	-0.63	0.75	0.75	0.52	1.46	1.57
Cash flow per share after full dilution, SEK	1.70	1.36	0.17	1.39	-0.62	0.73	0.74	0.51	1.42	1.53
Earnings per share, SEK	0.77	0.72	0.71	0.93	0.76	0.78	0.92	1.03	0.78	0.68
Return on equity, %	5.1	4.8	4.2	5.7	4.8	5.1	5.3	6.0	4.7	4.2
Return on capital employed, %	5.9	5.7	5.1	6.0	6.8	6.1	6.5	8.4	5.9	5.1
Equity/assets ratio, %	49.5	54.1	60.8	56.1	56.7	57.0	65.8	60.7	57.9	59.4
Equity per share, SEK	13.74	13.61	17.68	16.44	15.28	14.27	17.86	16.49	15.29	14.40

## 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

## Including discontinued operations

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 Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Imaging IT Solutions	226.6	267.2	687.7	676.7	981.6	970.6
Secure Communications	20.6	22.5	64.0	50.2	90.5	76.7
Business Innovation	13.7	10.2	36.8	40.9	53.7	57.8
Other Operations	42.9	30.2	118.4	83.7	148.8	114.1
Group eliminations	-34.9	-88.5	-148.5	-158.4	-247.8	-257.8
<b>Total</b>	<b>268.9</b>	<b>241.6</b>	<b>758.4</b>	<b>693.1</b>	<b>1,026.8</b>	<b>961.4</b>

### Operating profit by business segment

SEK million	3 months Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Imaging IT Solutions	53.0	44.8	124.0	120.4	195.6	192.0
Secure Communications	-0.8	4.4	-0.9	0.3	2.6	3.8
Business Innovation	0.0	1.1	2.4	14.6	1.9	14.1
Other Operations	-1.8	-2.9	-1.1	-7.8	-9.5	-16.2
Group eliminations	-6.4	-15.5	-16.9	-19.6	-40.7	-43.4
<b>Total</b>	<b>44.0</b>	<b>31.9</b>	<b>107.5</b>	<b>107.9</b>	<b>149.9</b>	<b>150.3</b>

### Sales by geographic market

SEK million	3 months Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months <sup>1</sup> May 2014- Jan 2015	Rolling 12 months	Full-year May-Apr 2014/2015
Sweden	66.5	60.8	182.5	175.2	233.9	226.5
US	62.3	51.6	172.5	154.3	228.1	209.9
UK	46.2	46.7	139.4	134.7	177.8	173.1
Netherlands	17.2	21.5	50.2	55.4	80.8	86.0
Rest of Europe	62.1	52.5	172.3	130.4	240.9	199.0
Rest of world	14.6	8.5	41.5	43.1	65.3	66.9
<b>Total</b>	<b>268.9</b>	<b>241.6</b>	<b>758.4</b>	<b>693.1</b>	<b>1,026.8</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 nine-month report for 2014.

## PARENT COMPANY

### Parent Company income statements

SEK thousand	3 months Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	12 months Feb 2015- Jan 2016	Full-year May-Apr 2014/2015
<b>Net sales</b>	<b>24,591</b>	<b>21,866</b>	<b>70,667</b>	<b>72,529</b>	<b>98,054</b>	<b>99,916</b>
Capitalized work for own use	691	1,082	2,268	3,159	2,686	3,577
Other operating income <sup>1</sup>	344	0	823	0	823	0
Personnel costs	-10,678	-10,790	-24,795	-28,235	-41,873	-45,313
Other external costs	-17,496	-14,106	-47,713	-41,637	-67,962	-61,886
Depreciation/amortization	-609	-114	-1,308	-311	-1,423	-426
<b>Operating profit/loss</b>	<b>-3,157</b>	<b>-2,062</b>	<b>-58</b>	<b>5,505</b>	<b>-9,695</b>	<b>-4,132</b>
Net financial items	13,043	5,911	18,950	10,233	95,910	87,193
<b>Profit after net financial items</b>	<b>9,886</b>	<b>3,849</b>	<b>18,892</b>	<b>15,738</b>	<b>86,215</b>	<b>83,061</b>
Appropriations	0	0	0	0	130,107	130,107
<b>Profit before tax</b>	<b>9,886</b>	<b>3,849</b>	<b>18,892</b>	<b>15,738</b>	<b>216,322</b>	<b>213,168</b>
Tax on earnings for the period	-2,224	-847	-4,250	-3,495	-29,682	-28,927
<b>Profit for the period</b>	<b>7,662</b>	<b>3,002</b>	<b>14,642</b>	<b>12,243</b>	<b>186,640</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 Nov 2015- Jan 2016	3 months Nov 2014- Jan 2015	9 months May 2015- Jan 2016	9 months May 2014- Jan 2015	12 months Feb 2015- Jan 2016	Full-year May-Apr 2014/2015
<b>Profit for the period</b>	<b>7,662</b>	<b>3,002</b>	<b>14,642</b>	<b>12,243</b>	<b>186,640</b>	<b>184,241</b>
<b>Other comprehensive income</b>						
Fund for fair value	-9,889	8,662	-5,443	17,061	-2,985	19,519
<b>Total other comprehensive income for the period</b>	<b>-9,889</b>	<b>8,662</b>	<b>-5,443</b>	<b>17,061</b>	<b>-2,985</b>	<b>19,519</b>
<b>Total comprehensive income for the period</b>	<b>-2,227</b>	<b>11,664</b>	<b>9,199</b>	<b>29,304</b>	<b>183,655</b>	<b>203,760</b>

### Parent Company balance sheets

SEK thousand	Jan 31, 2016	Jan 31, 2015	Apr 30, 2015
<b>Assets</b>			
Intangible assets	6,575	4,367	4,785
Tangible assets	7,660	1,639	6,662
Financial assets	297,379	196,408	179,785
<b>Total fixed assets</b>	<b>311,614</b>	<b>202,414</b>	<b>191,232</b>
Other current assets	356,202	126,897	556,977
Cash and cash equivalents	157,805	208,324	267,016
<b>Total current assets</b>	<b>514,007</b>	<b>335,221</b>	<b>823,993</b>
<b>Total assets</b>	<b>825,621</b>	<b>537,635</b>	<b>1,015,225</b>
<b>Equity and liabilities</b>			
Equity (incl. profit for the period)	331,237	312,886	487,343
Untaxed reserves	149,505	131,112	149,505
Long-term liabilities	52,565	46,941	46,941
Current liabilities	292,314	46,696	331,436
<b>Total equity and liabilities</b>	<b>825,621</b>	<b>537,635</b>	<b>1,015,225</b>

### Pledged assets and contingent liabilities

SEK thousand	Jan 31, 2016	Jan 31, 2015	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	350,231	357,729
<b>Total contingent liabilities</b>	<b>319,547</b>	<b>350,231</b>	<b>357,729</b>

## NOTES

### Note 1 Acquisitions

#### RxEye AB

On December 30, 2015, the Group acquired 100% of the shares in the Swedish company RxEye AB, which sells cloud-based IT services for efficient and secure remote viewing of medical images. Through its cloud services, RxEye has established a network for distance viewing of radiology and pathology images. The company's customers are located in Europe, and more than 2,000 users in Sweden, Norway and France are connected to the network. The company now has a total of six employees and had sales of approximately SEK 7 million in the 2015 fiscal year. The acquisition was part of Sectra's efforts to expand the operations of Imaging IT Solutions.

The total consideration transferred on the date of acquisition amounted to SEK 17.2 million, of which SEK 2.6 million comprised a cash consideration and SEK 14.6 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 sales objectives set for 2021 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 RxEye's products in the markets where Sectra operates. The analysis of the allocation of the purchase consideration is preliminary and may change.

Payment of the contingent consideration is based on the sales performance of the company's products and the operations of the entire Imaging IT Solutions business area in certain markets. The range for the contingent consideration is between SEK 0.0 million and SEK 110 million.

The operations were consolidated into the Sectra Group's Imaging IT Solutions business area from the date of acquisition on December 30, 2015, at which time Sectra obtained a controlling influence over the acquired unit. During the nine-month period, the company's sales amounted to SEK 2.9 million and an operating loss of SEK 32.7 million was posted. Since the acquisition date, the company's sales totaled SEK 0.5 million and the operating loss amounted to SEK 0.6 million.

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

SEK million	Carrying amount of the acquired company	Value according to acquisition analysis
Customer relations	0.0	6.6
Current receivables	1.8	1.8
Cash and cash equivalents	5.6	5.6
Deferred tax	0.0	-1.2
Current liabilities	-6.3	-6.3
<b>Total acquired net assets</b>	<b>1.1</b>	<b>6.5</b>
Fair value of consideration transferred		17.2
<b>Goodwill</b>		<b>10.7</b>
<hr/>		
Net outflow of cash and cash equivalents attributable to the acquisition <sup>1</sup>		
Cash consideration transferred		1.5
Cash and cash equivalents not yet paid		1.1
Cash and cash equivalents in the acquired company on the date of acquisition		-5.6
<b>Total</b>		<b>-3.0</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.

## EXP Analytics Oy

On September 30, 2015, the Group acquired 100% of the shares in the Finnish company EXP Analytics Oy, 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.

The total consideration transferred on the date of acquisition amounted to SEK 11.9 million, of which SEK 1.7 million comprised a cash consideration, SEK 9.7 million a contingent consideration recognized as a provision in the Group, and SEK 0.5 million a contingent consideration recognized as a current liability in the Group. The fair value of the 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. During the nine-month period, the company's sales amounted to EUR 0.4 million (approximately SEK 4 million) and operating profit to EUR 0.01 million (approximately SEK 0.1 million). Since the acquisition date, the company's sales totaled EUR 0.07 million (approximately SEK 0.7 million) and an operating loss of EUR 0.04 million (approximately SEK 0.4 million) was posted.

## 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 not yet paid		0.7
Cash and cash equivalents in the acquired company on the date of acquisition		-0.3
<b>Total</b>		<b>1.3</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 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 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. In December 2015, Sectra's Danish companies – it-mark ApS and Sectra A/S – were merged. During the nine-month period, sales in the merged company as a whole amounted to DKK 16.8 million (approximately SEK 20.9 million) and operating profit totaled DKK 2.0 million (approximately SEK 2.4 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>

- 1) 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 to 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 their 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 good 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.