Annual Report 2016/17



Focus where it matters.

Content

Company presentation

Financial reports

Regulatory status of products
This document presents Elekta's product portfolio. Certain products or functionality described may be works in progress and/or pending regulatory approval for certain markets.

Forward looking statements
This report includes forward-looking statements including, but not limited to, statements relating to operational and financial performance, market conditions, and other similar matters. These forward-looking statements are based on current expectations about future events. Although the expectations described in these statements are assumed to be reasonable, there is no guarantee that such forward-looking statements will materialize or are accurate. Because these statements involve assumptions and estimates that are subject to risks and uncertainties, results could differ materially from those set out in the statement. Certain of these risks and uncertainties are described further in the section Risks on pages 66–67. Elekta undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulation.

At the cover
Versa HD™ linear accelerator and Leksell® Vantage™ Stereotactic System. Vantage is Elekta's latest system for very precise neurosurgery.

Elekta Unity

Two worlds, one future

Helping clinicians improve patients' lives

This is Elekta

Elekta is proud to be the leading innovator of equipment and software used to improve, prolong and save the lives of people with cancer and brain disorders. Our advanced, effective solutions are created in collaboration with customers, and more than 6,000 hospitals worldwide rely on Elekta technology.

Our treatment solutions and oncology informatics portfolios are designed to enhance the delivery of radiation therapy, radiosurgery and brachytherapy, and to drive cost efficiency in clinical workflows. Elekta employs 3,600 people around the world. Headquartered in Stockholm, Sweden, Elekta is listed on NASDAQ Stockholm.
www.elekta.com

Our values

WE WORK AS ONE TEAM	We work collaboratively and inclusively together. Only then can we truly focus on getting things done for our customers
WE DO WHAT WE SAY	We act with accountability and integrity, taking personal and collective responsibility to make the right things happen
WE KEEP THINKING FORWARD	We believe things can always be more efficient and effective: our innovative spirit and resourcefulness keep us ahead of the game

Josh Perry rides with confidence into the future

As a professional BMX rider, Josh Perry is used to picking himself up after spills and crashes. Why should the diagnosis and treatment of a brain tumor be any different?

When Josh was 21 years old, he had a benign, meningioma brain tumor removed through an open craniotomy, an invasive surgical procedure. Two years later, doctors discovered two new tumors at the original cancer site.

"They were dangerously close to my main artery, so surgery would have been too risky," he explains. "I made it my new goal to find another way and learned about a form of radiotherapy called stereotactic radiosurgery."

Josh was treated using Leksell Gamma Knife® Perfexion™. He says it was like an MRI, but shorter. "I went in and out of the tunnel (collimator helmet) three times for different lengths of time. It was a bit weird when they fastened a "gnarly frame" (Leksell Stereotactic System®) on my head, but that's all."

Josh was back on his bike a week after treatment and last year he placed 10th in the UCI BMX Freestyle World Cup Series. He adds: "If I had been diagnosed with this condition 20 years ago I probably would not be alive today."

Sustainable business development

Our company's most important aim and contribution to society is to help cancer clinics improve the lives of as many patients as possible. To achieve this goal, collaboration with strategic partners, employee commitment and corporate responsibility are crucial. During the year, Elekta has identified and is driving activities within four focus areas for sustainable business development.

Read more on pages 36–42

Our focus areas in sustainability

Fight cancer
with safe and efficient products

Business ethics
and preventing corruption

Sustainable sourcing
and environmental focus

Human rights
and diversity

Elekta – leading the future of radiation therapy

- Leading innovator within radiation therapy with some 40-percent global market share
- Elekta's products are sold in more than 120 countries
- Installed base of 3,900 treatment systems
- 3,600 employees
- Almost 1.5 million patients are treated with Elekta's systems each year
- Market leader in Asia and Europe
- Net sales of SEK 10,704 M
- The Elekta share is listed on NASDAQ Stockholm since 1994

2016/17 in figures

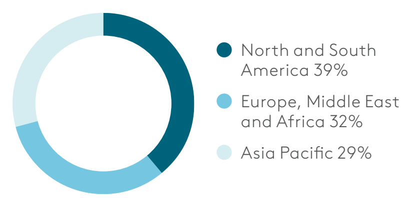
KEY FIGURES

	2016/17	2015/16	Change, %
Gross order intake, SEK M	14,064	13,821	2%
Net sales, SEK M	10,704	11,221	–5%
Gross margin	41%	41%	–
Adjusted EBITA[1], SEK M	1,661	1,639	1%
Adjusted EBITA-margin[1], %	16%	15%	7%
Operating result, SEK M	598	423	41%
Operating margin, %	6%	4%	50%
Net income, SEK M	126	145	–13%
Equity/assets ratio, %	32%	33%	–3%
Net debt/equity ratio, times	0.28	0.42	–33%
Capital employed, SEK M	12,046	11,360	6%
The share:			
Earnings per share before dilution, SEK	0.33	0.36	–8%
Earnings per share after dilution, SEK	0.33	0.36	–8%
Dividend, SEK	1.00[2]	0,50	100%

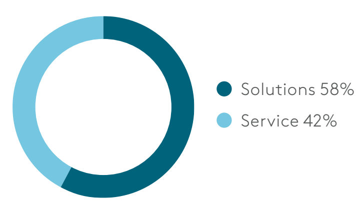
1) Adjusted for items affecting comparability and bad debt losses. Items affecting comparability amounted to SEK –518 M (–598) Bad debt losses amounted to SEK –46 M (–149)

2) Proposed dividend

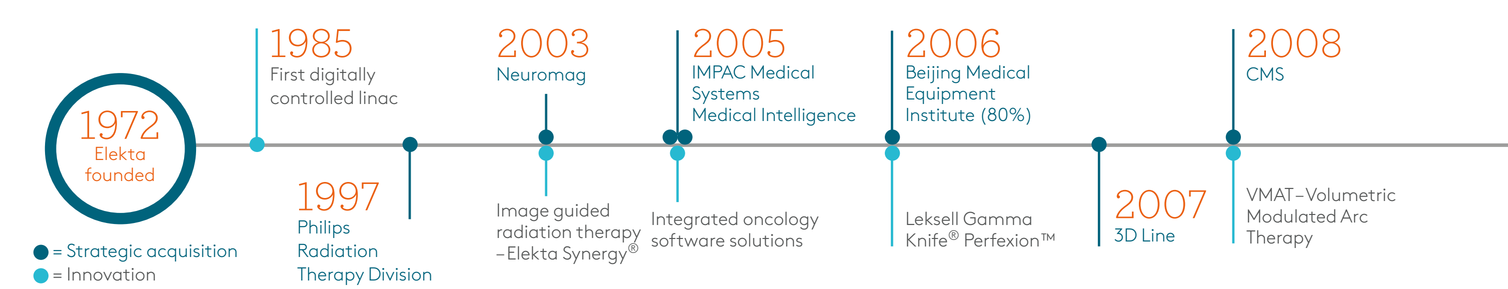
NET SALES, BY REGION



NET SALES, BY PRODUCT TYPE



Elekta's development



Events during the year

Elekta Unity was successfully presented at ESTRO in Vienna in May 2017, and shortly after that the first patients were treated on the new system during a clinical study.

One of Sweden's leading university hospital, **New Karolinska Solna, signed a 13-year partnership agreement with Elekta** within advanced radiation therapy, with focus on innovation and shared research and education.

Richard Hausmann assumed the role as Elekta's President and CEO. Richard has over 30 years of experience from the medical technology industry.

Gustaf Salford was appointed Executive Vice President and CFO effective July 1, 2017.

The world's most advanced and sophisticated system for radiosurgery treatments of brain tumors, vascular malformations and functional disorders, **Elekta's Leksell**

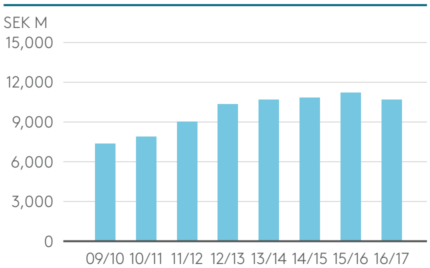
Gamma Knife® Icon™ received approval for clinical use from Japanese and US regulatory bodies.

A 51-year-old woman in Germany was the first person in the world to be treated with **Venezia™, Elekta's new brachytherapy applicator**.

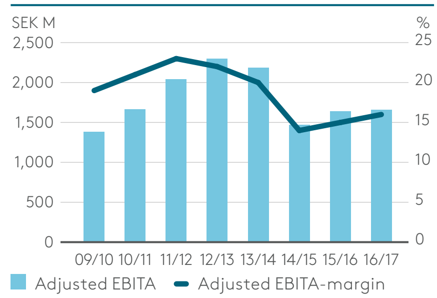
Elekta launched **Monaco® version 5.11.** The new release provides significant performance and speed enhancements over prior versions.

Historical figures

NET SALES

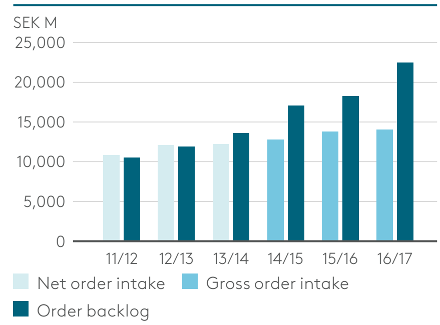


ADJUSTED EBITA AND EBITA-MARGIN[1)]



1) Before items affecting comparability and bad debts

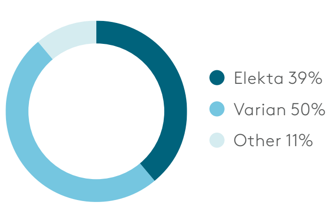
ORDER INTAKE[2)] AND ORDER BACKLOG



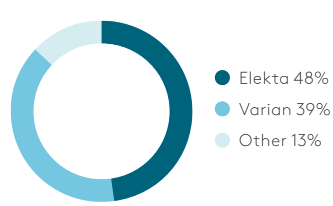
2) Gross order intake data 16/17, 15/16 and 14/15. For 11/12, 12/13 and 13/14 net order intake

Elekta's market share 2016/17

TOTAL ORDERS, LINEAR ACCELERATORS

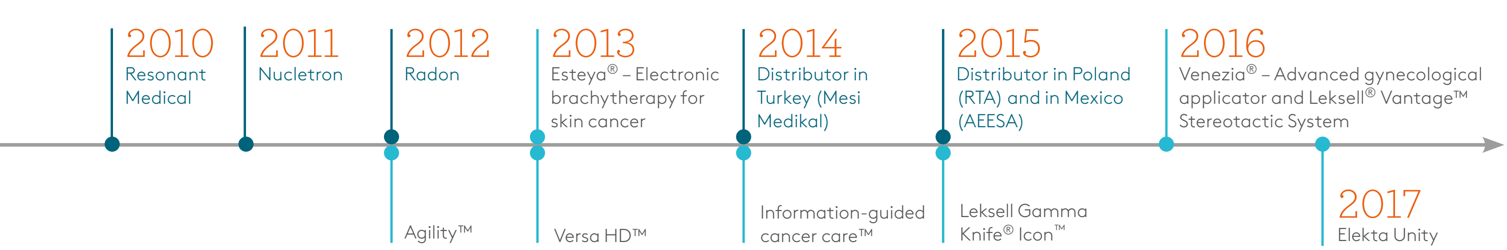


ORDERS TO NEW CLINICS AND EXPANSION IN EXISTING CLINICS, LINEAR ACCELERATORS



3,900

Installed base of approximately 3,900 treatment systems



With innovation and better processes towards profitable growth

This year has been characterized by transformation and change. Both are positive and important, and they have resulted in considerably stronger cash flow, lower working capital, significant shorter lead times in our supply chain, and substantial cost savings. At the same time, we have moved forward in product development and we are able to offer our customers a product portfolio that is stronger and more attractive than ever before. Helping our customers to improve patients' lives is and will remain our primary purpose.

I see the year ahead as a turning point at which we will return to growth and achieve the margin target of an adjusted EBITA of at least 20 percent. With our current strong product portfolio and the introduction of Elekta Unity – the new frontier in radiation therapy – our foundation is set for long-term profitable growth.

Constantly pushing boundaries forward in what can be achieved within modern cancer care is only possible through the work that our dedicated teams around the world perform every day. The competence, drive and dedication of our Elekta team are among the factors that have impressed me the most during my first year at Elekta. The progress and the innovation that we generate together is the foundation of future growth, and for that I want to thank all Elekta employees for their considerable efforts during the year.

SEK 1 bn

cash flow improvement during the year

Cancer is growing

Close to 15 million new cancer cases will occur throughout the world this year. The unrecorded figure is higher since a far too large portion of the world's population unfortunately only has limited or no access to diagnosis or care today. The number of cancer cases is steadily raising, mainly driven by the fact that the population is growing and since we are living longer. Health care systems around the world have a challenge in how high quality cancer care can be offered to a growing group of cancer patients. We have accepted the challenge and constantly offer new, high quality solutions, aimed at making treatments more precise and better, and at the same time improve workflow and outcomes to enable the treatment of a larger group of patients in various regions of the world.

Strengthened our leading product portfolio

We delivered the most important news within the industry when Elekta Unity was presented at ESTRO in Vienna in May 2017. Unity is the only solution that integrates the superior diagnosis quality of a high-field MRI system with an advanced system for radiation therapy at the same time in an adaptive way. This is revolutionary and I am convinced that it will fundamentally change how radiation therapy is applied in the future. The first patients have been treated as part of a clinical study and the precision exceeded the expectations. We already have more than 15 customers for Unity and anticipate having 75 orders by the end of 2019.

The interest in Unity is significant and confirms our bet on this idea and our position as the leader in innovation. It generates substantial business opportunities from its sought after characteristics. At the same time is our remaining product portfolio stronger than ever before. For instance, we strengthened our offering during the year through the significantly faster treatment planning system Monaco® 5.11, Leksell Vantage™, the new standard for neurosurgery and Elekta Venezia™, which is a groundbreaking applicator for gynecological brachytherapy.

Our beliefs in future product development are three pronged; we believe image guidance is instrumental to further enhance precision in treatment, that hospital workflow tools like our MOSAIQ® and add-ons to that are necessary to increase clinic efficiency and that intelligent automation is key in strengthening decision support and analytics capabilities. This is where we will see the most significant innovations in the years to come and, now that Elekta Unity is transitioning from the development to the commercialization phase, our focus for development is being redirected towards what we call Elekta Digital. This is a major software undertaking, in which we are creating an integrated platform that also enables applications using big data and artificial intelligence. We are determined to make cancer care not only better but also more cost-effective through more intelligent, faster and more automated workflows never seen before.

It is through innovation that we drive cancer care forward, create value for our customers, strengthen our market position and generate value for our shareholders.

Transformation program completed

We are ready for future growth. The year's transformation activities have laid the foundation we need. We have shortened our lead times from production to installation considerably through a transformational change in our supply chain and have significantly reduced the backlog of shipped and not installed systems. This has reduced accrued income, freed up working capital, created a more even cash flow and increased the efficiency of our internal processes, which gives us the base for achieving long-term profitable growth. But it had a temporary negative impact on sales and profitability during the year. We have reduced our cost structure by SEK 540 M and will achieve the full savings effect of SEK 700 M during the current fiscal year.

The transformation has led to cash flow increasing to over a billion kronor. This will benefit our shareholders, with a proposal to double the dividend. I am very satisfied with the significant change we have made although some work still needs to be done in the current fiscal year.

During the year we have strengthened our market positions in many geographies, for example, Europe, China, India and Latin America, but at the same time, I see two important geographic areas of Elekta where I am not satisfied with the development. We have thus increased the pace of our activities to achieve the full potential in our operations in the US and in Japan.

Profitable growth ahead

The past year was a turning point for Elekta and I look forward to the continuation of the year that has started. We have pushed boundaries forward regarding our internal efficiency and in our product offering, at the same time as we are on track with the commercialization of Elekta Unity, which is an enormous milestone in the company's history and for radiation therapy as a whole.

During 2017/18, we will realize the final effects of the transformation program and achieve an adjusted EBITA margin of at least 20 percent. During the last year, I have reinforced parts of my executive management team and I will continue to ensure the development of the leadership in our organization. I greatly believe in the right leadership by developing internal candidates as well as strengthen the team by external hires to secure a high performance culture within Elekta.

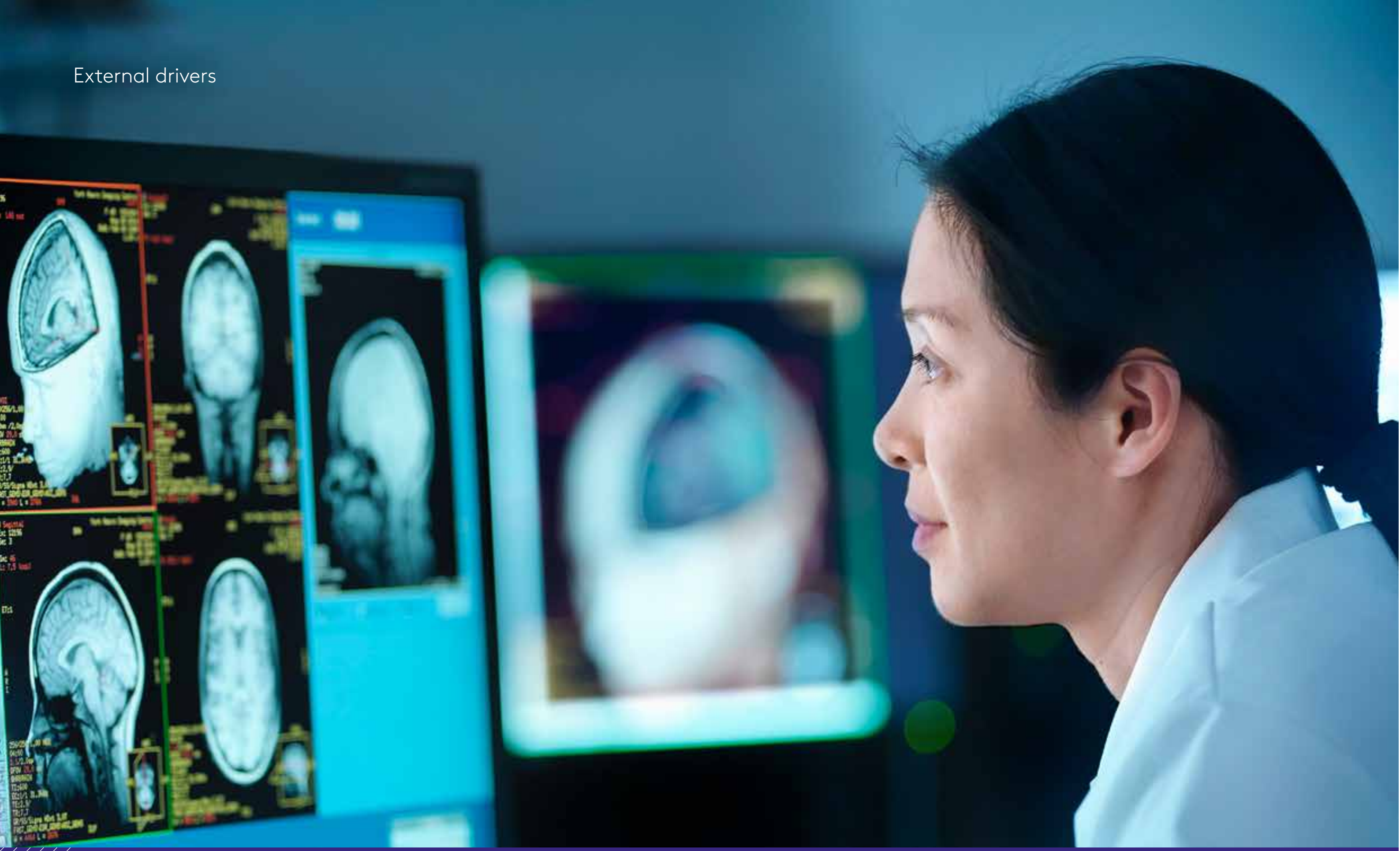
We will continue our work to ensure that more people gain access to cancer care by relentlessly further developing our solutions and contributing to improved care and higher capacity. We do this best in close collaboration with our customers, and I want to say a special thank you to all of the physicians and clinics that help us to improve our solutions, create new ones together with us and drive the fight against cancer and improve and save lives of patients around the world.

Richard Hausmann
President and CEO

External drivers

Innovation takes cancer care to the next level

New technology, advanced software solutions, demographics and economic factors create a rising demand for more advanced, intelligent and cost-efficient cancer care solutions.



Technological advances have enabled more efficient forms of treatment, including diagnosis and follow-up. Today, more people survive cancer and the next-generation technology will offer even better and gentler treatments at the same time as more types of cancer will be treatable. The increased survival rate also means that more patients will need to repeat treatments during their lifetime.

New technology expands the use of radiation therapy

Image guidance
Image guidance in radiation therapy is used to visualize the tumor, analyze and adjust for tumor movements and adjust the treatment according to its shape and volume. The most sophisticated imaging system available is high-field MR, which can visualize soft tissue with high-resolution. Using advanced image guidance applications, the accuracy of treatments can improve, and the scope for radiation therapy increases accordingly.

Workflow
Workflows in radiation therapy are continuously improving, resulting in better integration and optimization with treatment systems. This enables higher efficiency and quality of care. With advanced software systems, other areas of the cancer management ecosystem can be integrated with radiation therapy and enable improved workflow and efficiency.

Automation
Greater volumes of data can be registered and collected by software systems. Using advanced software, the data can be used for decision support to increase the automation of treatments, resulting in improved clinical workflows.

Growing demand for efficient cancer treatment

New cancer cases are increasing
Radiation therapy as a form of treatment has doubled during the past decade, and several factors suggest that the use of radiation therapy will continue to rise significantly. According to the Lancet Oncology Commission, the number of cancer cases worldwide is expected to increase by approximately 25 million by 2035, corresponding to an annual increase of three to four percent. This increase is primarily a result of the aging population and a rise in risk factors, such as environmental pollution, obesity and smoking. More people are diagnosed and effectively treated, which results in an increase in the number of patients who survive cancer. This in turn increases the number of re-treatments later in life. More people are today living with cancer as a chronic disease, which steadily increases the need for long-term care.

25

million is the expected increase in the number of cancer cases by 2035

Growth in SRS and SBRT
Precise and efficient treatments, for instance SRS and SBRT technologies are growing. This require upgrades of the current installed base of treatment solutions and has also the potential to increase the throughput in the clinics.

Shortage of radiation therapy systems
A shortage of capacity is particularly apparent in low and middle-income countries, where only 10 percent of the population has access to radiation therapy. Most of today's installed base of linear accelerators, which is slightly above 13,000 systems, are in high-income countries.

Demand for increased efficiency in health care
The challenge for national health care authorities is to ensure efficient and high-quality cancer care at a reasonable cost. Radiation therapy is the most cost-effective treatment option, but it only accounts for seven percent of the total care costs for cancer. Of global cancer patients today, about 25 percent are treated using radiation therapy, although research suggests that the treatment would be beneficial for more than 50 percent of all cancer patients.

>50%

of cancer patients would benefit from radiation therapy

Source: Lancet Oncology Commission

Shortage of trained personnel
Radiation therapy must be planned and performed by specialist nurses, physicians and radiation physicists. There is currently a shortage of trained and qualified personnel in many parts of the world. This shortage hinders the expansion of this form of treatment, and is also driving demand for automation through advanced software. Lancet Oncology estimates that another 215,000 specialists will be needed by 2035.

Changes to public reimbursement models driving efficiency
Various reimbursement models are being discussed and tested to achieve cost-effective cancer care that can be accommodated within the framework of approved care funding. Regardless of the model, health care authorities need a solution that is efficient, automated and intelligently linked.

Patient driven demands
With the increase in prosperity and access to information, patients are becoming more knowledgeable and subsequently also demand the best treatments based on the latest technology. Particularly in high-income markets, the modern information society means, for example, that a clinic's equipment, treatments and patient reception is assessed in officially available rankings and evaluations.

Radiation therapy – a versatile form of treatment

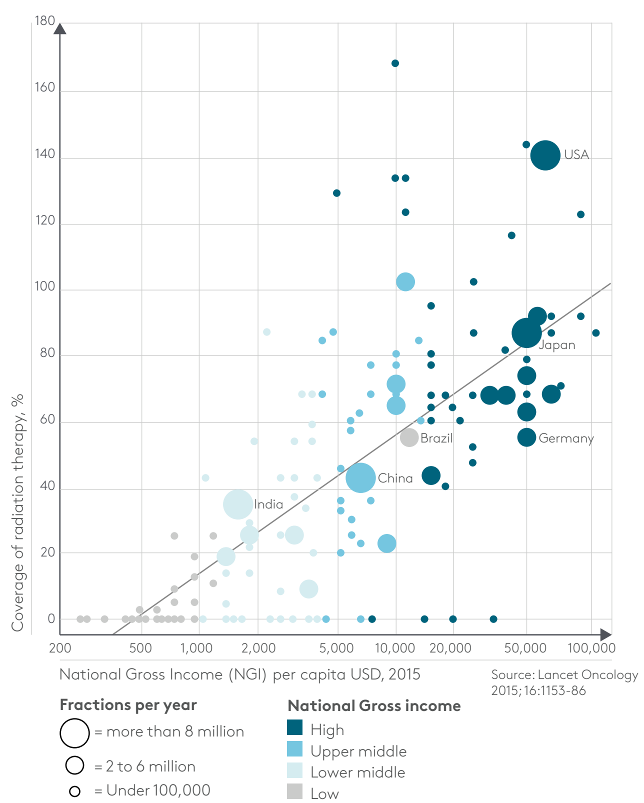
The most common forms of cancer treatment are radiation therapy, surgery and drugs. The methods are used separately, but often complement each other and are used in combination. Because of its high level of efficiency in terms of cost and treatment, radiation therapy has a significant potential for more widespread use, both for basic and more complicated treatments.

The world needs twice as many radiation therapy systems

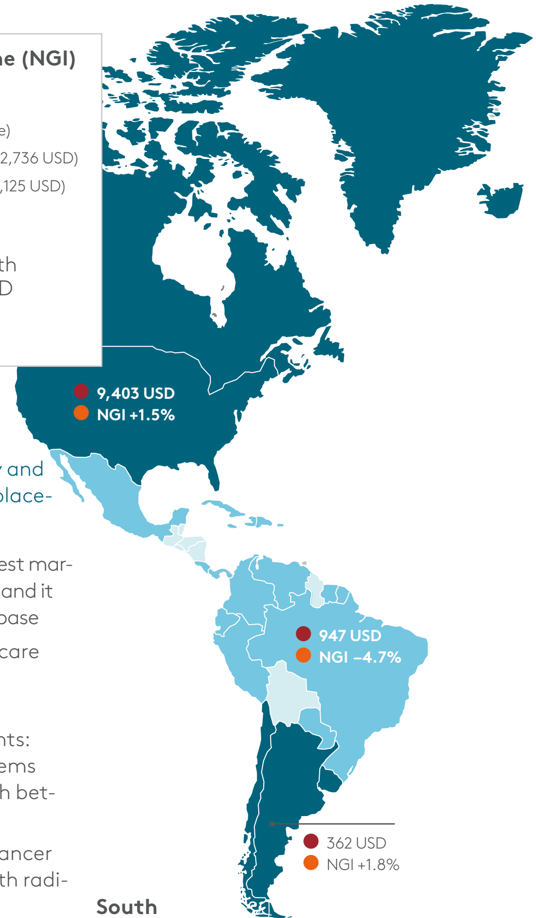
Access to radiation therapy and the prerequisites for investing in the expansion of cancer care varies considerably between regions, as well as local markets. In low-income countries, less than 10 percent of the population has access to radiation therapy, despite research that confirms that about half of all cancer patients would benefit from this treatment method.

According to The Lancet Oncology Commission, increased access to radiation therapy would save the lives of millions of patients, while substantially reducing the global cost for cancer, which was USD 2 trillion in 2010. Full-scale availability of radiation therapy in the world's low and middle-income countries by 2035 could, according to The Lancet's estimates, be met with a budget of USD 97 billion. The economic benefits of such a venture are estimated at USD 278–365 billion.

ESTIMATED NUMBER OF RADIOTHERAPY TREATMENTS



Each circle represents an individual country. The diameter of the circle shows the annual number of radiation therapy treatments conducted in the country, in relation to NGI. 8-hour working days were used in all estimates.



North America

A mature market with a focus on new technology and new applications and replacement investments

- The US is the world's largest market for radiation therapy and it has the largest installed base
- Predominantly private care providers
- The market is driven by replacement investments: renewing installed systems with new machines with better functionality
- Around 60 percent of cancer patients are treated with radiation therapy
- The world's highest health care costs per person
- Increasing efficiency requirements creates a demand for more integrated and comprehensive solutions
- Ongoing consolidation in the hospital market leads to independent clinics merging with hospitals and health care networks

South America

Low capacity and a great need to expand cancer care

- Growing need for efficient and high-quality cancer care
- Rapidly aging population
- Challenging macroeconomic conditions in many countries
- A combination of private and public care providers

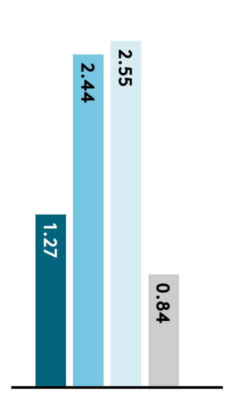
Increased life expectancy

Most of the world's population today lives in low- and middle-income countries, which are also the countries where the average life expectancy, and the number of people that are over 60, is increasing fastest.

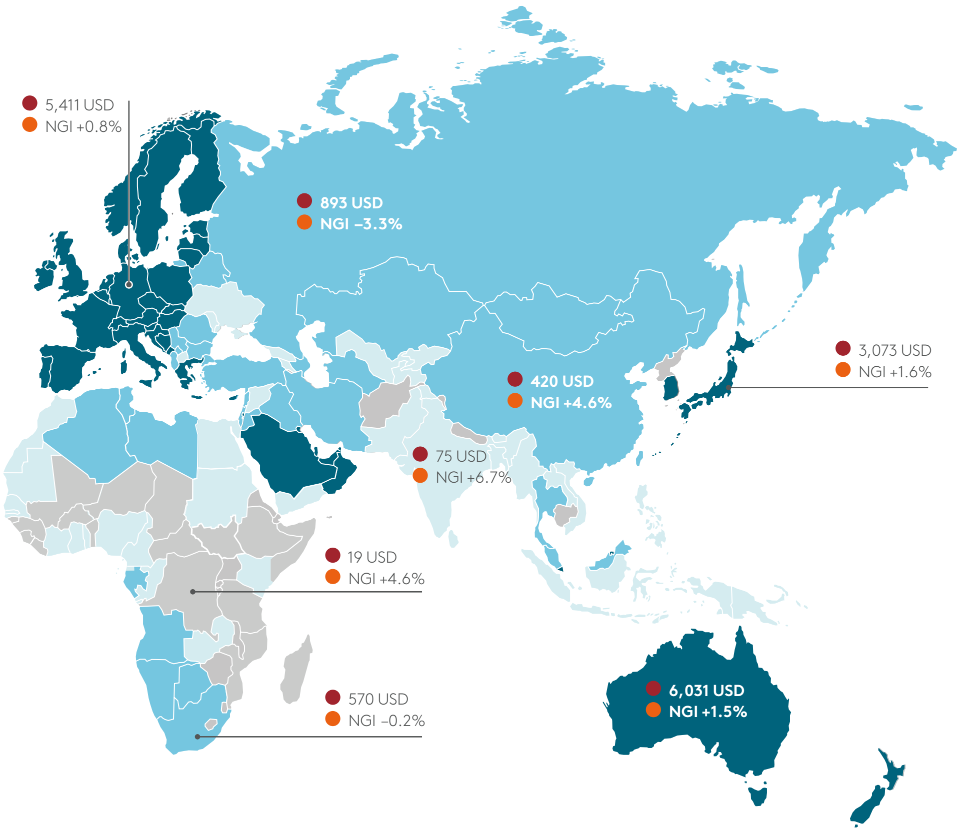
As most of the cancer clinics and linear accelerators are currently in high-income countries, there is a significant need to increase the installed base.

According to estimates, only 10 percent of the population in low- and middle-income countries currently has access to radiation therapy.

POPULATION 2013, BILLIONS



Source: UN,ST/ESA/SER.A/390



Asia Pacific

The region is home to 60 percent of the global population, but less than 30 percent of the world's linear accelerators. Increased life expectancy, greater economic prosperity and more effective diagnostic services are driving long-term health care demand in the region

- China: Elekta's second largest market after the US. Growth in both public and private sectors. Focus is primarily on capacity expansion, but in the next few years, replacement investments are also expected to increase
- Japan: Mature market with a focus on replacement investments. In the long term, good potential for increased use of radiation therapy as only 25–30 percent of cancer patients receive radiation therapy
- Australia, Hong Kong, Singapore, South Korea and Taiwan: well-established health care systems with high capacity for cancer care
- India: the majority of people lack adequate health care. Radiation therapy and other types of specialized health care are mainly offered in the private sector. Public investments are expected to increase in the long term

Western Europe

Market with a focus on replacement investments and with a growing private sector

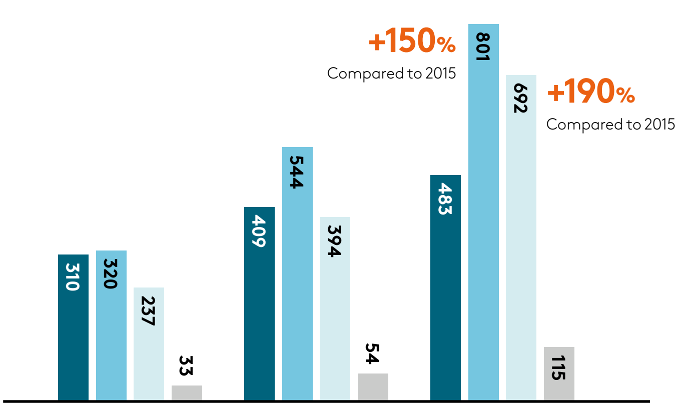
- Particular interest in new technology and in improving health care through research and development
- A public market to a great extent, with a growing private sector
- Increased average life expectancy, driving need for greater capacity
- Modernization of installed base

Eastern Europe, Middle East, and Africa

Generally, less developed resources for cancer care even if many countries have programs for expansion and modernization

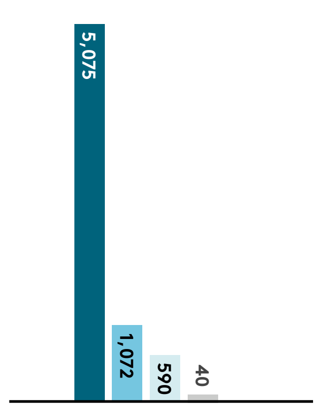
- Turkey: Emerging market mainly driven by private investments
- Russia: Widespread need for increased capacity, but with weak economic conditions delays investments
- Africa: Very small percentage of the population has access to radiation therapy or other advanced cancer care. Substantial long-term potential

AGE 60+,
EXPECTED AMOUNT, 100 MILLIONS



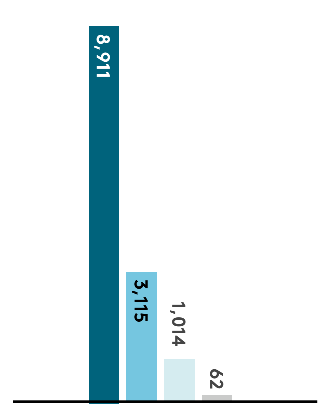
Source: UN,ST/ESA/SER.A/390

NO. OF RADIOTHERAPY DEPARTMENTS, 2013



Source: Lancet Oncology 2015; 16:1153-86

TOTAL NUMBER OF INSTALLED LINEAR ACCELERATORS, 2013



Source: Lancet Oncology 2015; 16:1153-86

Strategy

Improved patient care drives stakeholder value

The primary purpose of our business – helping clinicians improve patients' lives – guides us in everything we do. We strive to improve the workflow in clinical environments and the quality of care for patients. The value we generate lies both in business opportunities for Elekta, and societal and economical gains for the world. Ultimately, Elekta creates opportunities for more patients to receive care with the possibility to save and improve their lives.

Focus where it matters

Elekta's strategy drives the business-critical areas of our operations. By focusing on what is truly essential, we combine long-term thinking with agility and a high degree of flexibility. Flexibility allows us to capitalize on opportunities and effectively address challenges in the market.

Act as an innovation leader

Our innovation efforts are essential in order for us to fulfil our purpose – to help clinicians improve patients' lives – and be commercially successful. Elekta's success is founded on our ability to utilize innovative solutions to continuously improve the treatment of cancer and neurological conditions. Elekta will continue to prioritize and invest in the development of advanced products and services that improve health care.

Our focus areas

We work to improve the treatment of cancer, striving both to improve existing treatments, and to develop systems to treat types of cancer that were not previously treatable. This can be achieved with new technology and advanced software systems. We also develop our systems to make them more effective. Elekta's innovative solutions and services mean that more patients around the world can receive the treatment they need. We develop highly versatile, precise and advanced solutions for cancer care of the future. By continuously developing our portfolio, we help our customers meet an increasing demand for efficiency, both in terms of improved patient outcomes and financial efficiency.

Elekta Unity is the largest and most groundbreaking development project in the history of the company. Unity is a clear example of how we transform innovation leadership into highly efficient treatment solutions. We have created a completely new treatment platform, which combines treatment and high-quality MR imaging in real time. We see potential for improvement of current treatments, as well as manage types of cancer that were not previously treatable. Elekta estimates that a total of 75 systems will be ordered worldwide before the end of 2019. **Read more about Elekta Unity on pages 30–31.**

Elevate the customer experience

We help clinics and hospitals to improve and enhance the efficiency of their cancer treatments. Positive, long-term relationships are vital for the success of Elekta and our customers.

Key areas

We are focusing on four main areas to further strengthen our customer relationships. We guarantee that our customers receive: a uniform experience, reliable deliveries and reception, consistent behavior, and genuine commitment.

The experience of our customers is a part of Elekta's entire value chain, from our internal product development, supplier inspections and control, commercialization and testing of treatment systems in a clinical environment, to sales and day-to-day service and support.

Sustain a competitive cost-base

Reducing the company's cost structure is not an isolated occurrence. While Elekta has completed a major transformation program, a sustainable cost base for the business as a whole is being ensured for the long term. This is a strategic priority that entails continuous measures to streamline operations and reduce costs in our daily work.

"Continuous improvements and cost efficiency are a key part of our corporate culture"

What we do

Elekta has been through a period of transformation and one of the objectives was to balance the company's cost levels, based on its strategy. Elekta has substantially strengthened its cash flow and reduced its working capital. Further streamlining and improvements will be prioritized and become a natural part of our daily work. Elekta will, thereby, generate a widened scope for re-investments in the business, and make investments in the research and development of future innovations.

Continuously improve our processes

Elekta's culture is characterized by continuously improving in order to enhance the efficiency of our internal processes.

What we do

Elekta's focus on effective internal processes consists of both plans for prioritized activities and close ties to the corporate culture. Through regular, gradual improvements in individual processes and mechanisms in our business, employees are encouraged to think about how we can work in new ways. This creates the prerequisites for strong and long-term value development with a high degree of cost awareness.

Live our values

Our goal is that our values should be firmly rooted and permeate everything we do. We work as one team, we do what we say and we keep thinking forward. Through clear leadership, based on common values, we contribute to a reduction in costs, sustainable growth and improved performance.

What we do

To live up to our business philosophy, all employees are committed to applying this value-guided work in our operational activities. All of Elekta's 3,600 employees in all 31 countries are included, and the values serve as a cornerstone for them in their objectives. Leadership is highly important to ensure that our values are reflected in everything we do. **Read more about Elekta's management philosophy on pages 41–42.**

Market dynamics and expectations

External drivers

New technology expands usage of radiation therapy

Image guidance – scope of treatment expanded through advanced imaging technologies

Workflow and automation – advanced software improves and automatizes radiation therapy

New cancer cases are increasing

Cancer incidence and prevalence increasing

Increasing cancer survival rates mean higher frequency of recurrent cancer

High growth in SRS/SBRT

Growth within high precision treatments drives efficiency and replacement with new technology

Shortage of radiation therapy systems

Gap in radiation treatment capacity

Need for qualitative cancer care at affordable cost

Need for trained radiation therapy oncologists and physicists remains high

Reimbursement models

Trend in public reimbursement structures to focus on quality and efficiency

Patients driving demand

Patient demand for modern treatments increase

Read more on pages 9–13

Stakeholder expectations

Shareholders

Profitable growth through innovative and efficient solutions

Increasing enterprise value

Transparency and prudent risk management

Customers (clinics and hospitals)

Innovative technology enabling better treatments and higher efficiency

The highest standard and product safety

Long-term relationships and support

Patients

Improved quality of life

Safe and leading treatment methods

Improved patient experience

Employees

Personal development and career opportunities

Responsible business conduct

Suppliers

Long-term partnerships

High business ethics

Regulators

Highest product safety and quality standard

Adherence to international legal requirements

Policy makers and NGO:s

Access to radiation therapy in both developed and developing regions

Active contribution to the UN Sustainable Development Goals

Elekta's strategic priorities

Act as an innovation leader

Innovation with a clear purpose in mind

- Market leading treatment solutions
- Drive radiation treatment paradigm shift through Elekta Unity
- 20 percent of workforce dedicated to R&D
- Setting new standards within oncology informatics
- Forming strategic partnerships to further enhance our innovations in clinical environments

Focus where

Elevate the customer experience

Customer experience across all solutions and services

- Integrated and automated workflows for treatment solutions enables enhanced efficiency
- Improved patient recovery and shortened treatment sessions through innovative cancer treatment with optimal tumor dosage and minimal harm to healthy tissue
- Maximal clinic availability through flawless installation, service and support solutions
- Providing collaborative education and training solutions, thus assisting in the increase of crucial skills and knowledge

Value created

Results 2016/17

Sustain a competitive cost base

A cost-conscious culture secures our ability to invest for the future

- Transformation program that includes SEK 700 million of cost reductions with full effect in 2017/18
- Lowered costs and reduction of working capital through the implemented produce to order process
- Streamlined procurement processes, lowering the cost of goods and services purchased
- Cost-conscious culture driving continuous efficiency improvements

it matters.

Strategic enablers

Continuously improve our processes

Ensuring our internal processes drive innovation and customer experience at appropriate cost levels

- Continuous momentum to make the business-critical processes more efficient, integrated and with minimal waste
- New organization structure implemented, reflecting Elekta's key processes

Live our values

Ensuring our values are anchored throughout our organization and help us fulfil our strategy

- Guiding principles to work by across the whole company:
  - We work as one team
  - We do what we say
  - We keep thinking forward

Read more on pages 16-17

Stakeholder value

Shareholders

Share price and dividend development

Orders, sales and profit growth

Cash flow generation

Capital employed

Customers (hospitals and clinics)

Innovations that improve quality and lower cost of care

Customer experience as measured by net promoter score

Long term partnerships

Patients

Access to care

Clinical innovation for better treatment outcomes

Patient experience

Employees

Career opportunities and personal development

Organizational health

Adherence to compliance

Suppliers

Long term partnerships

Create innovative eco system based on continuous improvement and innovation

Regulators

Enable safety and efficacy of care

Contribute and adherence to international standards

Policy makers and NGO:s

Cost effectiveness awareness of radiation treatment

Access to radiation therapy care in developing countries

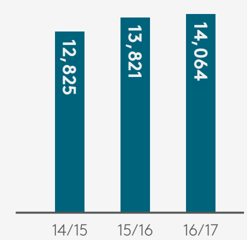
Member of UN Global Compact

+57%

increase in share price

SEK 1

proposed dividend per share doubled



growth in gross order intake, SEK M

SEK 1 bn

strengthened cash flow

+18%

customer net promotor score

+7%

growth in installed base of treatment solutions

+8%

OHI (organizational health index) improvement

Elekta´s transformation program

The aim of Elekta's transformation program was to secure improved financial performance as well as operational excellence. This will enable us to continuously improve our ability to innovate and provide the best solutions for our customers and their patients, while we also create shareholder value.

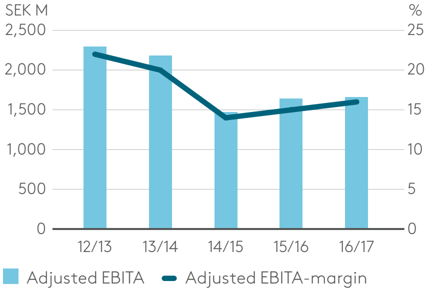
Why has the transformation program been implemented?
For many years, Elekta has grown rapidly in a fast-growing market. The focus has been on building a leading market position, an installed base and a strong presence in key markets. Organic growth was also supplemented with a series of strategic acquisitions. The transformation program started in 2015 in order to streamline internal processes and to realize synergies from acquisitions, while adapting the company's cost base to lower market growth.

What has been achieved?
The aim of the transformation program was to create a more efficient business, with improved profitability and cash flow. The program also included measures to strengthen our customer services and innovation capacity. In addition, activities have been implemented to achieve higher efficiency in both the supply chain and the purchasing operations. The program's objectives and status at the end of the year are reported below.

How has Elekta implemented these measures?
We have reduced administrative spending and increased efficiency in marketing, sales and product development. Our organization has also been adapted in accordance with our three core processes: Product Lifecycle Management, Supply Chain Management and Customer Relationship Management. Together with changes in support and management processes, this enables more efficient processes and workflows.

When was the transformation program completed?
All of the essential measures have been implemented over the past two years. The financial effects are developing as planned and we have noted gradual improvements compared with the previously communicated targets, which will reach full effect during the fiscal year 2017/18. Continuous improvements and efficiency enhancements will remain a part of the day-to-day operations.

ADJUSTED EBITA AND EBITA-MARGIN[1)]

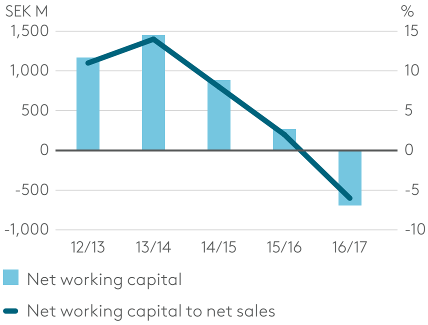


1) Before items affecting comparability and bad debt

540

Realized cost savings, SEK million

NET WORKING CAPITAL BELOW 5 PERCENT OF NET SALES



Objective	Current status
Achieve an EBITA margin of >20 percent in the 2017/18 fiscal year	Adjusted EBITA margin in fiscal year 2016/17 improved to 16 (15) percent
Deliver cost savings of SEK 700 M, with full effect from the 2017/18 fiscal year	The annual rate of savings increased to SEK 540 M. The reduction in purchasing costs is expected to be visible in 2017/18
Maintain a working capital below 5 percent of net sales	At the end of the fiscal year working capital was -6 percent to net sales
Implement a produce-to-order process	Achieved. Completed in the second quarter 2016/17

Strategy to realize business potential

Our strategic priorities help us to fulfil Elekta's financial ambitions. Our strategy puts how we should act into words and it also shows us the direction we are taking. More specifically, the strategic priorities help us realize our business potential and we have a number of prioritized areas in order to achieve our long-term financial ambitions.

Innovation is the foundation for growth

We set the highest standards for ourselves. Our pace in product development is high and we challenge our innovative capacity to continuously improve our offering. Elekta collaborates closely with its customers to ensure the development of products and services that contribute to significantly improving cancer care. Over time, we have produced a broad range of groundbreaking innovations that have transformed cancer care, taking several steps forward. The leading ability to innovate is what lies behind Elekta's success and growth, and we will continue our efforts and investments to drive improvements in cancer care.

Focus on cash flow and capital management

Key activities in the transformation program, which was launched in 2015, included strengthening cash flow and capital management. The result include significantly stronger cash flow and lower working capital. Elekta will continue to streamline and reduce lead times in the supply chain, to enhance capital efficiency and continue to generate strong cash flow.

Leading position in emerging markets

Elekta's ambition to be the leader in emerging markets was a clear aspect of its strategy from an early stage. Today, about one-third of our revenue is derived from these markets and we have a number one position. The need in emerging markets is significant, and over time these markets create a substantial driving force for growth. Demand in these countries has a direct correlation to economic development, which makes these markets more volatile than established markets. Elekta will continue to maintain a strong presence in emerging markets, while we work to secure a balanced risk exposure.

Long-term growth for installed base

Over the years, Elekta has created a global installed base comprising about 3,900 systems. This means that approximately one-quarter of all radiation therapy systems worldwide are from Elekta. In terms of sales of new capacity to the market, Elekta's share is much higher, which is why we continue to expand our installed base. We also hold a leading position in oncology informatics. Continuing to increase our share of the installed base is a prioritized area as this forms the basis for recurring revenues from services, software and support.

Growing revenue from services and support

The significance of aftermarket services is increasing and our installed base of treatment systems is an asset as we continue to strengthen operations in service and support. The need for clinics and hospitals to operate efficiently is growing along with rising quality and cost awareness. Elekta's broad service offering ensures that customers can receive the greatest possible benefits from their cancer treatment systems. Our services and software solutions help to shorten patient waiting times, improve care routines, simplify workflows and increase efficiency in the clinical environment.

Drive continuous efficiency improvements

Elekta's internal efficiency efforts will continue as a natural part of our way of working, even after the current transformation program achieves its full effect in 2017/18. By using smart working methods, constantly improving our processes, and utilizing all of our resources as efficiently as possible, we will improve our margins, and at the same time free up resources for continued investment in improving cancer care in the future.

Elekta´s long-term financial ambitions

Elekta's aim is to achieve sustainable profitable growth. Elekta conducts its operations based on a long-term plan, which is regularly reviewed and evaluated by the board of directors. These financial objectives form the basis of the long-term planning. The objectives are under review taking into account current macro economic and market conditions.

>10%
Organic sales growth exceeding 10 percent in local currency

Operating result improvement rate to exceed sales growth in SEK

>20%
Return on capital employed to exceed 20 percent

<0.5
Net debt/equity ratio less than 0.5


Fighting brain metastases

Brain metastases – cancer cells that have spread to the brain from primary tumors – are estimated to occur in 10 to 20 percent of patients with cancer. But when Lynn Wyatt from Atlanta, Georgia discovered that the breast cancer she had overcome had resulted in 21 brain lesions, she resolved to not be reduced to a statistic.

"I silently screamed at the cancer that it had chosen the wrong person this time," she recalls. "My eight-year-old son asked: 'Does the doctor know how to fix this?" Fortunately, her doctor was Shannon Kahn at Emory Saint Joseph's Hospital in Atlanta, who specializes in Gamma Knife radiosurgery.

Its high precision and automation makes Leksell Gamma Knife® Perfexion™ particularly suitable for the treatment of brain metastases. After treatment for her 21 metastases, Lynn is once again cancer free and back on the tennis court and doing volunteer work at her children's schools.

"Compared to all the things we go through as cancer patients, the side effects from Gamma Knife radiosurgery are not a big deal," Lynn says. "You're in, you're out and you get on with your life."

Leading product portfolio

As a central partner to hospitals and cancer clinics, we focus on how Elekta's treatment and information systems can create the best possible outcomes. Therefore, we have two key questions that are of vital importance in our operations: how can Elekta help clinics to deliver maximum benefits in a cost-effective manner, and how can we optimize our treatment systems?

Oncology informatics

"How can Elekta help cancer clinics improve the quality of care, at the same time as the clinics are under increased cost pressure?"

Elekta's response

Facilitate continuous improvement in the clinic's efficiency, quality, and the outcome of care

Cancer incidences are growing and at the same time, the number of treatable diagnoses is rising. This results in a higher workload for clinics, often within an unchanged economic framework. To improve efficiency and patient flows, Elekta has developed advanced oncology informatic systems that simplify a clinic's planning, coordination and optimization of treatment sessions.

Treatment solutions

"How can we further optimize and personalize care so that patients live longer, with an improved quality of life?"

Elekta's response

Develop treatment systems that effectively treat cancer while minimizing harm to healthy tissue

Elekta's treatment systems successfully treat a wide range of cancer types and serious neurological diseases. Continuous innovation helps to constantly increase the effectiveness and precision of treatment, while at the same time becoming better and more gentle for patients as well as improving the quality of life after treatment.

Leading systems for radiation therapy and informatics

Elekta's innovations are developed in close collaboration with researchers and clinics, and have resulted in leading radiation therapy solutions, as well as informatic systems that optimize and individualize cancer care.

Oncology informatics

Facilitate continuous improvement in efficiency, quality and outcomes

Elekta innovations in oncology informatics have been at the forefront of serving clinician needs for 25 years. Today, MOSAIQ oncology informatics enables clinicians to make informed decisions for better patient care across the cancer spectrum. Customers employing Elekta's advanced informatics solutions improve both patient outcomes and utilization of health care resources.

- Open and multi-modality
- Intelligent automation
- Actionable analytics

MOSAIQ® Oncology-Specific EMR

Use: Manages clinical, operational and financial data throughout the department.
Key advantages: Automated decision support. Single data source for improving clinical and operational efficiency. Interoperability advantage allows widest connectivity in the industry.
Elekta's position: MOSAIQ holds a global market leading position with close to 50 percent of the market.

MOSAIQ® Oncology Analytics

Use: Enables cancer centers to collect, integrate, and analyze clinical, operational, and financial data to monitor efficiencies, understand and visualize patient care.
Key advantages: Designed for secure cloud environment. MOSAIQ customers can receive a seamless analytics solution. Meets today's needs and scales to support integration of larger data volumes.
Elekta's position: Elekta's oncology analytics is sought after in the market, with recent key customer installations including renowned MD Anderson Cancer Center.

Treatment solutions

Treatments that are both more effective and gentle for patients as a result of increased precision

Extensive experience, innovation at the forefront of development and close collaboration with leading hospitals worldwide enable Elekta to offer world-leading solutions to treat a wide range of different cancer diseases. All of Elekta's linear accelerators and systems for stereotactic radiosurgery and brachytherapy have one thing in common, they provide effective treatments with a high degree of precision and minimal impact on the surrounding healthy tissue.

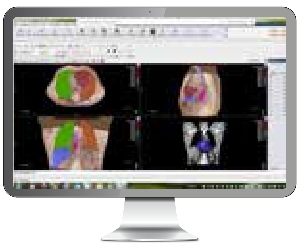
With the new Elekta Unity, Elekta is taking a transformative step into the future of cancer care through MR image guidance, to direct the radiation therapy with an accuracy that was previously not possible.

Linac portfolio

Areas of use: Linear accelerators are used in the most predominant form of radiation therapy. The systems can treat a wide range of the most prevalent forms of cancer effectively.
Main advantages: Wide range of usage for the most common cancer types. Stereotactic treatments provide high dose rates that are precisely concentrated to the tumor, and aim to minimize the dose to surrounding tissue.
Elekta's position: Elekta has about 3,600 installed systems around the world and has the highest market share regarding orders for new capacity.

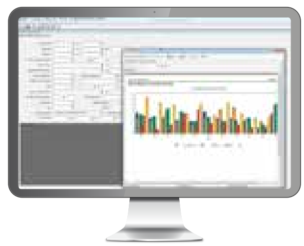
Neuro portfolio

Areas of use: The stereotactic radiosurgery system Leksell Gamma Knife® enables non-invasive treatments of tumors and other serious neurological conditions.
Main advantages: Leading efficient and effective method for treating brain conditions that are difficult to treat and to reach with other methods, as well as an efficient treatment for metastatic disease in the brain.
Elekta's position: World-leading in intracranial stereotactic radiosurgery in the brain with a total of over 300 systems in clinical use.



MOSAIQ® Image & Plan Review

Use: Brings plan management and dose review tools into the EMR, so you can assess and approve plans for any treatment modality from any MOSAIQ workstation.
Key advantages: Streamlines image and plan workflows to a high-performance, easy-to-use visual workspace. Compare multiple plans and has enhanced 3D imaging capabilities and exceptional visualization.
Elekta's position: Strong with a notable market presence in the US and Western European markets.



METRIQ® Cancer Registries

Use: Simplifies coordination and evaluation of multiple cancer programs and registry submissions.
Key advantages: Provides insights into treatment efficacy by advancing standardization, consistency, and quality of data for research and reporting. Highly detailed and secure database. Enables lifetime patient follow-up.
Elekta's position: METRIQ is the largest solution installed in the US market, with approximately 1,300 sites.

Brachytherapy portfolio

Areas of use: Internal radiation therapy placed adjacent to the tumor is particularly effective in the treatment of specific indications including cervical cancer, prostate cancer, breast cancer and skin cancer.
Main advantages: Small footprint system with high precision and reduced risk of damage to surrounding, healthy tissue.
Elekta's position: Strong position in both established markets and emerging markets. Elekta has about 60 percent of the international market for brachytherapy.

MR Radiotherapy

Areas of use: Designed to improve the treatment of the most common types of cancer, and to provide an opportunity to reach tumors that, until now, have been difficult to treat with radiation therapy.
Main advantages: The combination of a linear accelerator and MRI creates opportunities to monitor the target in real time and adapt the treatment and to ensure the dose of radiation treats the tumor cells in the most effective way.
Elekta's position: The first patients have been treated under clinical trials using Unity in 2017. Elekta estimates that 75 systems will be ordered before the end of 2019.

Service and support

Elekta Care™ is a complete and coherent offering in service, support, education, training and consultancy services. The concept includes functions to support Elekta's customers throughout the treatment system's lifecycle.

Service and support services in Elekta Care™ are provided at three different levels, which allow customers to decide on the desired level of service and cost – Elekta Care™ Silver, Elekta Care™ Gold and Elekta Care™ Platinum.

Start-up services help clinics to initiate treatments smoothly and immediately with their new radiation therapy systems delivered from Elekta.

System availability ensures the maximum operating time for the efficient use of the treatment system, thereby offering care to as many patients as possible.

Optimized use covers Elekta's service and support functions as well as education and training. It is about continuously ensuring that the system is optimized and that clinics can utilize all functions in the best possible way.

Upgrade solutions guarantee that new functions and improvements are continuously installed so the treatment systems continually become more efficient and can achieve maximum care results.

Oncology informatics

Creating a more efficient healthcare chain

Elekta's software solutions play an important role in helping care providers improve efficiency, quality and outcomes. Elekta´s MOSAIQ offers access to complete patient information, optimizing analysis tools and patient data.

The cancer care of the future is largely formed by technological advances. It is becoming increasingly personalized and it must also become more efficient as the number of cancer cases rises. In combination with an increase of treatable types of cancer and a greater technical complexity, higher demands are set on the functionality of the continuum of care. Elekta's software and oncology information systems are developed with a profound understanding of the real needs of care providers, and the systems contribute to significant enhancements in efficiency.

To simplify and improve day-to-day work in clinical environments, Elekta offers an Oncology-specific software solution powering practice optimization through continuous learning within four main areas: Single platform solution to enable multi-disciplinary treatment management, workflow management to ensure the patient treatment journey is seamless and highly efficient, quality control and decision support through intelligent automation, and actionable oncology analytics.

MOSAIQ supports all activities in a cancer clinic and the system helps patients and the care team throughout the continuum of care with safe practices, communication and workflows.

Analysis, follow-up and database management form a central part of Elekta's software solutions. They enable hospitals and clinics to benefit from the wealth of collective expertise that is available from previous treatments. In this area, Elekta supplies applications that collect, analyze and visualize large amounts of information in a user-friendly manner.

In all software, usability is critical to the ability of hospitals and clinics to leverage their full potential. One key element in all of our software development is a functional user interface. We offer our customers a scalable solution for a secure, high-performance and reliable infrastructure, which is critical for safe healthcare with high patient volumes.

Independent with integration potential

Elekta's vision of cancer care of the future, based on data-driven patient treatment, forms the basis for our focus on innovative and advanced software. Our proprietary information systems are built to work regardless of the hardware used to treat the patient or the design of the clinical environment. The integration of the software with Elekta's hardware is seamless and Elekta's service and support team is always available to ensure optimal performance. There are also excellent integration opportunities to other hardware systems, which offers Elekta a competitive edge in the market.

Linac portfolio

Effective and precise treatment of many different types of tumors

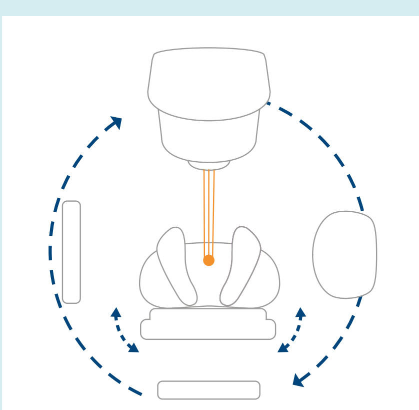
Elekta's family of linear accelerators offers effective treatments of a number of different types of cancer. Versatility and high precision ensure more accurate treatments, faster treatment times and the potential to use technology improvements to increase the number of cancer types that can be treated.

Elekta has developed fully digitally controlled linear accelerators since 1985. Today, we are leaders, and we continue to drive the development forward. Many diagnoses and a wide range of tumor types can be treated using an advanced linear accelerator; including brain and spine, head and neck, breast, lungs, and prostate. Treatment with a linear accelerator system is efficient, both for the patient and for the clinic.

The development of the linear accelerator technology is progressing steadily. Elekta's Versa HD™ is the most advanced digital linear accelerator within our current offering. Together with the Agility™ multileaf collimator – a proprietary advanced beam shaping solution – and high dose rate flattening filter free (FFF) technology, this system provides unsurpassed versatility, precision and efficiency. In combination with the latest release of the Monaco software Versa HD™ can optimise the dose coverage and harnesses the continuously variable high dose rate to create exquisite plans that literally paint the dose to the target. Combine this with the lowest transmission specification of any equivalent commercial system and you get a truly versatile, fast and highly accurate radiosurgery delivery system – all in one integrated product.

Enhanced performance with Elekta's new software

Elekta's software for dose planning is optimized for treatments using Elekta's linear accelerators. The treatment system is efficient from the perspective of both the clinics as well as the patients. To further improve efficiency, Elekta offers a market-leading oncology information system that seamlessly integrates with various units and treatment systems used within the clinics. Elekta's local service and support team also ensures the continuous upgrade and optimization of a clinics' treatment system based on the prerequisites of each customer.

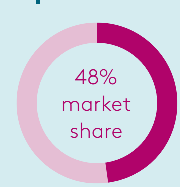


How does it work?

A linear accelerator produces radiation beams shaped and aimed at the tumor with high precision in accordance with a calculated and individually adapted treatment plan. Using an alternating current voltage, electrons are accelerated at high speeds and are directed towards the target with the objective to deliver the maximum dose of radiation to the tumor and minimum collateral damage to healthy tissue. The linear accelerator includes integrated imaging visualization and localization of the tumor target.

Position and development

Elekta's market position comprises an installed base of about 3,600 linear accelerator systems worldwide. Elekta is a leading player in the field and our market share for new system sockets (meaning sales of systems that do not replace an existing system) is the highest in the world. Our high market share in new clinical environments is proof of our good reputation and competitive offering.



Orders to new clinics and expansion in existing clinics.

Neuro portfolio

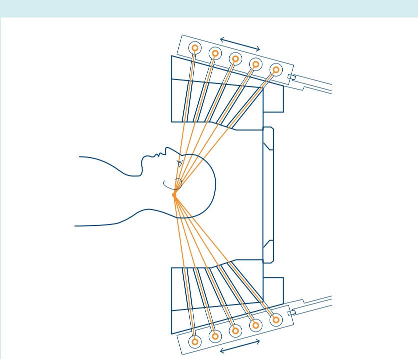
Unique precision and efficiency

The stereotactic radiosurgery system Leksell Gamma Knife has for many years been the leading and most precise tool for treating difficult neurological conditions. Leksell Gamma Knife offers a safe, efficient and cost-effective treatment, without prolonged hospitalization for patients.

Within the field of neuroscience, Elekta develops highly precise solutions for both diagnosis and treatment of neurological diseases. Elekta is a pioneer in stereotactic radiosurgery and our solutions in radiosurgery and stereotactic neurosurgery are world-leading. Stereotactic radiosurgery is a non-invasive and very precise method, which makes it particularly suitable for neurological conditions, where surgery and chemotherapy are more difficult to perform. With Gamma Knife surgery, the patient can usually be treated and go home during the same day, which makes it a very resource-efficient method.

Broader use with Leksell Gamma Knife® Icon™

Leksell Gamma Knife® Icon™ has received regulatory approval in a number of key markets, including Europe, USA, Canada and Japan. The new system is equipped with integrated visualization and an option for fixation, with or without a frame, which increases flexibility and improves patient comfort. The possibility of using Elekta's latest Gamma Knife without a stereotactic frame means that it is easier for oncology clinics, in addition to specialized neurology clinics, to include a Gamma Knife in their workflow. Leksell Gamma Knife® Icon™ also makes it possible for physicians to treat tumors in different stages, which enables a more widespread use of radiosurgery in the brain.



How does it work?

Stereotactic radiosurgery is specifically developed to inhibit neurological conditions. Elekta's Leksell Gamma Knife® Icon™ directs and focuses 192 precise beams into a single iso-center in the brain. Advanced imaging technology and tracking systems enable online adaptive treatments. The precise frame-based and frameless fixation options ensure that the dose of radiation hits the target area aimed to be treated.

Position and development

Elekta has the world's largest installed base of stereotactic radiation treatment systems intended for neurological treatments.

At the end of the 2016/17 fiscal year, the total number of Gamma Knives in clinical use amounts to more than 300.

>300

installed Gamma Knifes

Brachytherapy portfolio

Treatment directly in the tumor

Elekta is the leader in the treatment of cancer when using a radiation source that is placed in the body, inside or adjacent to a cancer tumor. The method with internal radiation offers high precision and low risk of damage to surrounding, healthy tissue.

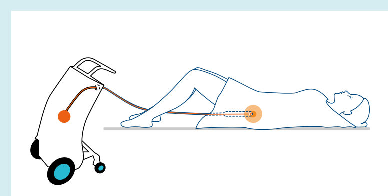
Brachytherapy is a radiation treatment method that is effective for the treatment of, for example, cervical cancer, prostate cancer, breast cancer and skin cancer. Brachytherapy can also be used to treat tumors in several other areas of the body. The system for treatment is small in size.

Elekta's brachytherapy system is part of our leading radiation therapy portfolio that has been developed through 40 years of continuous innovation. Elekta has about 60 percent of the world market for HDR brachytherapy and the product portfolio includes Esteya® for skin cancer, Flexitron® treatment system, Oncentra® treatment planning software and a large number of applicators for precise and simple treatment. Altogether, Elekta's brachytherapy system represents the market's most comprehensive offering in internal radiation.

Significant patient value

Brachytherapy is an effective treatment option for several types of cancer. It is also increasingly common that brachytherapy is combined with other treatment methods, such as surgery and external radiation therapy. The increased use of brachytherapy is positive for the patients since the treatment is associated with low risk for serious side-effects, and with minimal damage to healthy tissue.

Treatment requires specialist expertise, but can be given as an outpatient procedure. This means that treatment is available for many patients and that it is easier to conduct compared to other treatments.

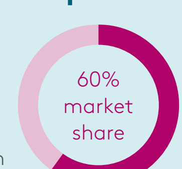


How does it work?

An isotope, in the form of a very small grain of mostly iridium-192, is carefully temporarily placed inside or directly adjacent to the tumor through the afterloader. The radiation from these isotopes has a short range and can therefore precisely limit the radiated area. This ensures that the tumor receives the most effective dose of radiation in order to destroy the cancer cells. Special planning software is used to plan the treatment and radiation of the tumor.

Position and development

Elekta is world-leading in HDR-brachytherapy, with a total market share of about 60 percent. Our market position is strong in both established clinical environments and in new care facilities.



MR radiation therapy

Revolution in radiation therapy

With its intelligent and groundbreaking design, Elekta Unity combines the best of two worlds and will create a completely new standard in image-guided radiation therapy. The first patients were treated under clinical trial using Elekta Unity in 2017.

Elekta Unity is the only system in existence that uses intelligently designed software to integrate the superior diagnostic quality of a 1.5 Tesla high-field magnetic resonance imaging (MRI) system with an advanced radiation therapy treatment delivery device.

Unity is a milestone in Elekta's endeavor to continuously push boundaries and substantially improve cancer care. The system comprises a completely new platform, which is able to provide high-quality images of tumors and surrounding tissue in real time during radiation therapy. This will enable physicians to continuously adjust and adapt radiation therapy during treatment, resulting in a more precise dose of radiation while this is expected to result in sparing surrounding tissue.

When the two technologies are combined, unique opportunities are created to improve the level of treatment for the most common forms of cancer, which account for about half of mortality rates from all cancer diseases worldwide. Unity also has the potential to treat cancer indications that are currently not treated – or very rarely – treated with radiation therapy. In addition, the ability to acquire high-quality images – and thereby gain insights into the biology of tissues – brings a great potential for better dose painting and assessments of how well tumors respond to treatment.

Groundbreaking innovation

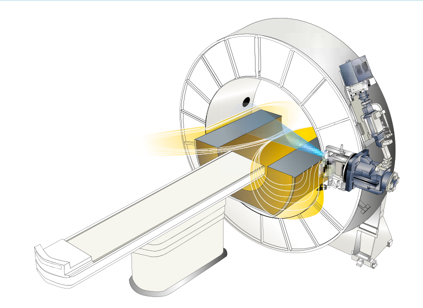
Elekta's innovation and development work takes place in close collaboration with our customers. The integrated MR-linac system was already conceived 18 years ago by Jan Lagendijk, professor and head of the department for radiation oncology physics at the University Medical Centre Utrecht. In 2012, Elekta established a global consortium comprising seven of the world's leading cancer centers with the aim of demonstrating the clinical value of a system that combines a precise dose of radiation with MRI, from our technology partner Philips. In addition to working closely with our development team, the consortium is also working on creating clinical workflows and protocols. These will maximize the new system's therapeutic efficacy and ensure seamless integration into existing procedures at radiation oncology departments. The consortium will continue with its research even after commercialization to explore Unity's full potential to improve cancer treatments.

Sought after characteristics

The main reason Elekta Unity has created so much interest is the potential that the new system offers. Ongoing tests at some of the world's most distinguished hospitals and cancer clinics indicate highly promising preliminary results. In 2017, the first patient was treated using Elekta Unity, an important milestone in the commercialization of the system.

Clinics also view Unity as an opportunity to further strengthen their positions as leading cancer treatment clinics, as patients make greater demands and choose care providers based on the standard of technical equipment and patient outcomes.

How does it work?



The Elekta Unity system is installed in a bunker environment and is carefully calibrated by radiation physicists from Elekta and the clinic. High-resolution MRI images are generated prior, during, and post radiation and can be used as decision-making data to optimize the treatment. An exact MR/RT treatment offers the potential to deliver a high dose of radiation to the tumor while sparing a larger degree of the surrounding healthy tissue than with conventional linacs because of the tissue visualization during radiation. This enables the possibility to reduce the number of radiation treatment sessions or fractions.

Key features:

- Next generation linac
- 1.5T high-field MR imaging
- Slip ring technology
- Intelligent software
- Short, wide bore magnet

Read more at: unity.elekta.com

Elekta Unity

Two worlds, one future

“Elekta Unity has the potential to revolutionize the way we treat cancer today”

Jan Lagendijk, PhD, Professor and Head Radiation Oncology Physics in the Department of Radiotherapy at University Medical Centre Utrecht

75

Elekta targets 75 orders until end of 2019

Elekta services

Ensures maximum availability

Elekta's service and support function ensures efficiency, maximum availability and a continuous optimization of treatment systems and software. Elekta also offers solutions for education and training of healthcare personnel within radiation oncology.

We provide services that offers our customers the greatest possible benefit of their Elekta cancer treatment solutions. Service and support includes both proactive maintenance activities and reactive response, as well as education and training in various specialty fields.

Elekta Care™ is the backbone of our service activities, which ensures high operational functionality that helps customers shorten patient waiting times, change care routines, simplify workflows and increase efficiency at entire clinics. The demand for our service offering is steadily rising, which means the business area accounts for a large share of revenues within the established markets.

Remote services increases efficiency

IntelliMax® Remote Services is an integral part of Elekta Care which remotely monitors system performance and enables Elekta service personnel to provide immediate reactive support without being on site, as well as proactive and predictive maintenance. By constantly monitoring hundreds of data points in the linear accelerators we can identify faults, and take corrective action, before it interrupts the clinical schedule, thereby maximizing system availability for the customer. The ability to update software remotely is also an important and time-saving feature of Elekta's service offering.

Training support is valuable for our customers

To further strengthen our customers' operations, Elekta provides several different educational and training services. Personnel training is important, both to ensure that the hospitals and clinics using Elekta's treatment systems can utilize their full capacity and to enhance the supply of skills in the form of radiation oncologists, clinical staff and radiation physicists in local markets. Training is conducted in close collaboration with leading university hospitals. Elekta also operates proprietary training centers – learning and innovation centers – in Beijing, China and Atlanta in the US.

Support throughout the entire lifecycle

Upgrade solutions guarantees that new functions and improvements are continuously installed. As a result, the treatment systems are constantly becoming more efficient and can achieve the maximum care results. Elekta's open and flexible upgrading services are adaptable based on the specific needs of the customer.

Optimized use means that Elekta's service and support function continuously ensures that the system is optimized through the use of technology, education and consultation so that the clinics can utilize all functions in the best possible way. Software is continuously upgraded. Within optimization services, tailored further training and customized consulting assignments are also available. This do also include professional services to help cancer centers to reach their goals. As part of the Elekta family, customers are also offered communication tools and access to our global network with the associated experience and knowledge bank.

Start-up services help the clinics to smoothly and immediately initiate treatments with their new radiation therapy systems delivered from Elekta. Project management, training support, installation calibration, and warranty review are a few of the elements that together form start-up services within the service offering. Elekta's customer service personnel and technicians are always available for our customers, from day one and throughout the collaboration.

System availability maximizes the operating time and ensures that the treatment system can be used efficiently and offer care to as many patients as possible. As part of Elekta Care™, system availability service includes planned and corrective maintenance measures, remote-based diagnostics through IntelliMax®, analysis of any replacement needs and spare-part management as well as access to the Elekta Care Support Center for further expert support.

Geographic regions

Elekta is well positioned for future growth

North and South America

Long-term opportunities in a consolidating market

Full-year performance for our US operations was not in line with our expectations and additional actions were initiated at the end of the year.

Market

North America is the world's largest market for radiation therapy and it is characterized by a high penetration of treatment solutions, service and after-market business, and known for being an early adopter of new technology. The US has the world's highest health care cost per person, which is driving the need for increased efficiency. This in turn demands new functionality, and more comprehensive and integrated solutions.

The South American market has a significant need for radiation therapy capacity. The market differs between countries and over time, due to economic development and political initiatives.

Elekta's market position

20%

market share of linear accelerator orders

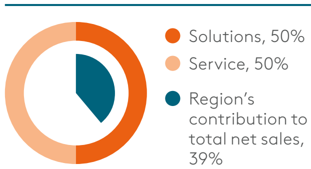
Performance and activities

Our performance in Latin America has been solid during the year while the US operation has underperformed in relation to its potential and general market development. Order intake in the region decreased by 9 percent for the year, corresponding to 11 percent based on constant exchange rates.

Elekta's organizational changes and focus on improved process management will strengthen our abilities to capitalize on opportunities in the US market. The main priorities for Elekta's US division are to regain momentum in sales and continue to increase the customer experience.

Elekta's offering is competitive and comprehensive. Demand for our brachytherapy solutions remained high during the year, and Elekta's service and support functions continued to play a key role in helping hospitals and clinics to improve cancer care and drive efficiency. Elekta is well positioned as our new Elekta Unity system undergoes its final stages of development with the aim of being available for sale in the US during 2018.

NET SALES



Europe, Middle East and Africa

Win of several large tenders

Elekta closed the year with strong performance in the region as a whole. This was a result of overall good growth and several large contracts wins.

Market

Radiation therapy capacity in Western Europe is insufficient. Most of the larger Western European markets are investing in new radiation therapy as the number of cancer cases increases and earlier diagnosis rates improve. The driving forces are the underlying need to improve clinical efficiency, modernize equipment and treatment solutions.

The Eastern European market has begun to grow after some years of low activity. The resources for cancer treatment are less advanced and many countries plan or are conducting programs to expand and modernize cancer care.

Market activity is mixed in the Middle East with Iran as a good example of growth. In Africa, only a small percentage of the population has access to radiation therapy or other advanced cancer care, implying a significant long-term growth opportunity.

Elekta's market position

55%

market share of linear accelerator orders

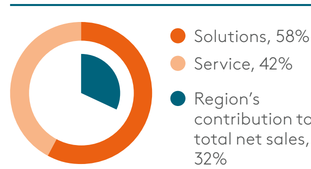
Performance and activities

Both Western Europe and emerging markets across the region performed well. Order intake in the region increased by 5 percent for the year, corresponding to 4 percent based on constant exchange rates.

During the year, Elekta strengthened the partnership in Europe with Genesis Care through a large contract in Spain. A long-term contract with one of Sweden's leading university hospitals, New Karolinska Solna, also contributed to the region's performance. Important contracts have also been signed with customers for instance in the UK, South Africa, Spain, Greece, Turkey and Iran.

To meet the increasing demand for smart and cost effective cancer care in Western European markets, Elekta has improved its offering in informatics and services. In other markets, the company is actively positioning itself to capitalize on growth opportunities. In Russia Elekta is establishing a direct sales support and service hub, expected to be operational in 2017/18. To address Turkey's strong development, Elekta is establishing an education and training center.

NET SALES



Asia Pacific

Shortage in capacity drives demand

The long-term need for improved cancer care remains high in the region, and with the economic development continuously strengthened, demand for treatment solutions continues to increase.

Market

The Asia Pacific markets are predominantly characterized by the addition of new treatment capacity. However in addition there is also an increasing percentage of older installed systems that have started reaching the end of their lifecycles and driving a demand for upgrades in the near future. The long-term need for increased cancer care will continue to be high due to longer life expectancy and greater economic prosperity.

Market growth in the region was favorable during the year. High-growth markets include China, India and South East Asia. The Japanese market continued to be weak during the year.

Elekta´s market position

43%

market share of linear accelerator orders

Performance and activities

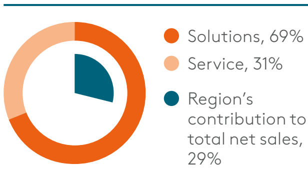
We continued with strong performance in China during the year together with a robust development in India and South East Asia. Our operations in Japan showed weak development. Order intake in the region increased by 11 percent for the year, corresponding to 5 percent based on constant exchange rates.

Elekta's leading installed base position in growth markets bodes well as demand for service contracts and system upgrades are becoming more frequent in the region. Strong regional presence is also advantageous as the demand for comprehensive software solutions gradually increases.

In China, Elekta's focus on the delivery of comprehensive treatment solutions continues. Elekta is the clear market leader in the country. The market's steadily growing installed base is typically operated during longer hours than in other markets, meaning that an additional need for service and support is expected.

The full-year result shows that we are not performing to our full potential in Japan. The regulatory approval of Elekta's Gamma Knife Icon™ has the potential to strengthen our long-term performance. This will also be true for Elekta Unity once it is released commercially and approved for use in Japan.

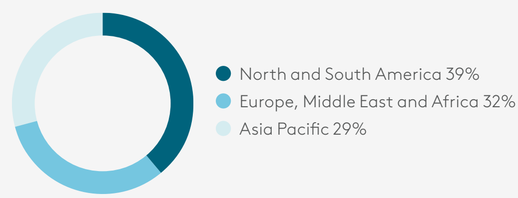
NET SALES



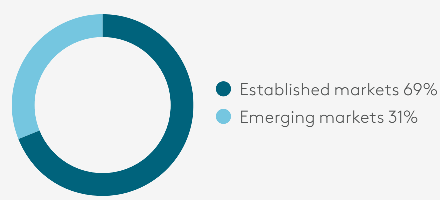
Key figures for the year

Our performance in region Europe, Middle East and Africa as well as Asia Pacific was solid. In Europe, we secured a number of important orders, including some early orders for Elekta Unity. In Asia, we noted strong growth in China and India. Latin America was solid while we needed to implement further activities for improvement in the US. In total order intake for the year grew by 2 percent, representing a decline of 1 percent based on constant currencies.

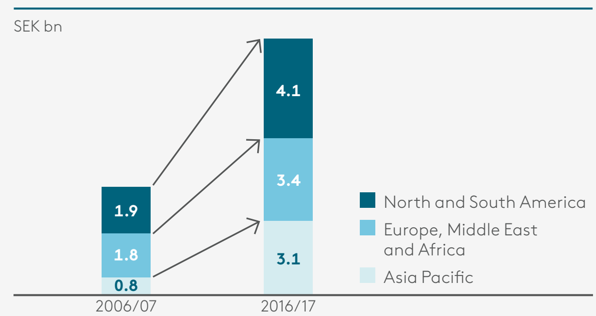
NET SALES, BY REGION



NET SALES, BY MARKET



NET SALES, BY REGION



For macroeconomic statistics and analysis of global drivers' effect on market behavior, **see pages 12–13.**

Sustainability and employees

We want to improve, prolong and save lives

Our company's most important aim and contribution to society is to help cancer clinics to improve the lives of as many patients as possible. To achieve this goal, collaboration with strategic partners, employee commitment and corporate responsibility are crucial.

Our focus areas in sustainability

Fight cancer
with safe and efficient products

Business ethics
and preventing corruption

Sustainable sourcing
and environmental focus

Human rights
and diversity

Today, there are efficient forms of treatments to improve, prolong and save the lives of cancer patients. The differences between low-, middle- and high-income countries are, however, enormous in terms of both opportunities to diagnose the disease and the availability of high-quality cancer care. Learn more on pages 9–13.

Elekta's treatment solutions contribute to more effective and gentler treatment options for patients, which in addition to patient benefits may also reduce the need for hospitalization and thereby cut healthcare costs. Our focus on innovation, cost awareness and continuous improvements makes radiation therapy available to more people.

Joint action for sustainable development

Constructive dialogue, collaboration and strategic partnerships are crucial if we are to develop the best solutions together with our stakeholders. One good example of this strategic collaboration in a research project is the development of Elekta Unity. Learn more on pages 30–31.

Strengthening our strategic sustainability efforts

Elekta's compliance function is responsible for establishing the framework for Elekta's sustainability efforts, and the external reporting of aspects of sustainability from the perspective of business operations. During the year, a Global Sustainability Manager was recruited, whose assignment is to enroot the strategy and to coordinate Elekta's sustainability efforts within the identified focus areas so the sustainability ambitions can be more clearly integrated. One important task is also to clearly demonstrate how Elekta's focus areas contribute to the global Sustainable Development Goals. In the spring of 2017, we joined the UN's sustainability initiative Global Compact, which entails that we undertake to act in accordance with the Global Compact's 10 principles for human rights, labor law, the environment and anti-corruption.

Elekta has from the outset been a member of the Swedish Leadership for Sustainable Development network, which includes more than 20 of the leading Swedish companies. The network promotes strong leadership in sustainable development and is coordinated by Sida (Swedish International Development Cooperation Agency). During the year, discussions included how sustainable development work influences business strategies and board decisions.

Code of conduct as guide

Elekta's code of conduct contains the basic principles that all of Elekta's employees and business partners are expected to follow. Steering documents link our values with our business concept and strategy based on international principles, such as the Universal Declaration of Human Rights, the UN Global Compact, the OECD Guidelines for Multinational Enterprises and the ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy. In order for employees to report any violations of the code of conduct, Elekta has established a global whistleblower tool, where suspected violations can be anonymously reported. The code of conduct was revised during the year to include a letter from our new President and CEO who links Elekta's reworded values with the principles of the code of conduct.

The UN's Sustainable Development Goals and agenda 2030

The business community has a key role in working to achieve the 17 global sustainable development goals, which were adopted by the UN's members in September 2015. During the year, Elekta analyzed which of the goals the company is best positioned to contribute towards. Several of the goals are relevant but the analysis revealed that Elekta's solutions have a particular potential to contribute positively to goals 3, 5, 8, 12 and 16. Goal 3, Good Health and Well-being, is the goal judged to have the greatest potential.

Fight cancer with safe and efficient products

Highest possible safety

Product safety permeates our entire business, and is a prerequisite for being a leading manufacturer of medical equipment. Our goal is to meet the highest-possible safety standards for all products, for both customers and patients, but also for the Company's own installation and service employees. There are strict and comprehensive requirements in both international legislation and product-safety standards that are described in quality system standards, such as ISO 9001, ISO 13485, and in special standards and regulations for medical devices. The systems are reviewed both internally and externally and external inspections are conducted regularly.

Increasing the availability of cancer care in growth regions

The first Gamma Knife in Sub-Saharan Africa was installed at Netcare Milpark Hospital in Johannesburg in April 2017. Previously, there was only a Gamma Knife in Rabat, Morocco, and two in Cairo, Egypt, forcing patients from South Africa to either travel there or to Europe and the US.

Elekta is constantly working to improve the availability of cancer care in countries with lower income levels. This includes adapting systems. Elekta Compact™ is one example of a radiation therapy system with low energy consumption, operational simplicity, and that can be used in smaller spaces, which is often required in markets with limited access to premises, electricity and specialist personnel. Elekta also offers financial solutions and training, and collaborates with various organizations to strengthen cancer care in growth regions. One example of this type of collaboration is Radiating Hope, as described below.

Mountaineering for the right of everyone to receive cancer care

Ashley Cogswell, who was never previously a outdoor type, has in the past year climbed Kilimanjaro and hiked to the Mount Everest Basecamp, as part of the Radiating Hope initiative. Ashley, who in daily life is Director of Software Sales at Elekta, describes the challenge as an event that changed her life.

- I was horrified ahead of the first hike but am very moved by all of the support and by the opportunity to be part of an initiative that improves the availability of radiation therapy in less well developed countries. In comparison with all the people who fight cancer without access to proper care, then my fear is not justified. We are fortunate in our part of the world and this helps in a very real way towards Elekta's overall objective – to help clinics to improve the lives of patients, says Ashley.

For several years, Elekta has collaborated with the non-profit organization Radiating Hope, which arranges the hikes. The aim of the events is to collect money to help achieve the organization's mission – to improve cancer care in areas of the world with the lowest availability. Collected funds are mainly used for transport and installation of donated equipment or to renovate radiation therapy equipment, often in collaboration with various hospitals and clinics around the world, including Senegal and Nepal.

Learn more at www.radiatinghope.org

Business ethics and preventing corruption

Working actively to combat corruption using risk analyses and training in ethics

To achieve a sound collaboration between healthcare providers and the medtech industry, one fundamental prerequisite is close adherence to existing legislation in areas such as bribery and tendering. This is in order to ensure that tax revenue is correctly utilized, that patients can be assured of the best possible healthcare and medical care and that public confidence in the collaboration is maintained.

For several years, Elekta has worked actively to combat corruption and bribery and to stay out of situations that could violate the guiding principles in our industry agreements around the world. These efforts have been reinforced in recent years through detailed risk analyses and the establishment of specific compliance programs. The code of conduct and our group-wide anti-corruption policy set out the rules of conduct that apply to specific areas of risk.

During the year, the anti-corruption policy was revised to provide additional guidance to employees and business partners, primarily in various interactions with healthcare providers and professionals. Our internal regulations therefore also include situations that, though they are legal, we consider unethical and consequently do not wish to be associated with. An online training course in anti-corruption is also compulsory for all employees. For employee categories that are particularly exposed to situations where corruption or unethical forms of collaboration may occur, such as staff in sales, purchasing and marketing, training courses are customized for each individual session in order to help our employees understand and comply with our internal regulations. The psychology of decision making is an important part in the code of conduct training, when we discuss situations that may be challenging from both a legal and ethical perspective. We train all employees in business ethics based on a concept drawn up by Professor Guido Palazzo. The course weaves together the theory of ethical blindness, which is thought to be a result of a complex interplay between decisions by individuals and various contextual factors, with ethical issues from real life. More than 90 percent of employees in sales have taken part in this training during the year in conjunction with a comprehensive and Group-wide sales training program.

Our collaboration with external partners

We conduct operations in several geographic markets where corruption is a risk and an obstacle. In markets where we do not have our own sales organization, we work with external distributors and agents. This business model places strict demands on internal strategies and processes to describe and counter the risk of corruption. Last year, an automated process was introduced to ensure effective and risk-based due diligence on these external partners. The evaluation is both commercial and risk-based to maximize the business value for Elekta. During the year, the automated process was implemented throughout most of the Group.

Board monitoring of the anti-corruption program

The Global Compliance Officer reports at each board meeting held in connection with the interim reports, and additionally when appropriate. The board is informed of the various activities in the anti-corruption program. An extensive plan covering anti-corruption efforts is presented each year to the board for approval. The board is also regularly informed about the status of internal investigations and where applicable about external investigations that concern Elekta or any of Elekta's business partners.

Latest development in Elekta's anti-corruption program

14/15.

- Special compliance function established
- Specific risk analyses conducted aimed at pinpointing corruption risks ahead of the creation of a more detailed anti-corruption program

15/16.

- Elekta's revised code of conduct launched together with the training concept ethical blindness
- Particularly exposed employees take part in customized anti-corruption courses
- Global whistleblower tool introduced
- A process and automated tool for more efficient due diligence of external business partners is developed

16/17.

- Elekta's anti-corruption policy revised to provide additional guidance to employees
- Automated tool and process to ensure an effective due diligence of external business partners was gradually implemented in the organization

17/18.

- Compliance committee set up as decision-making body for follow-up and decisions on measures as a result of internal investigations

Sustainable sourcing program and environmental focus

Global program for enhanced supplier governance
During the year, we began to strengthen our processes in procuring and governing suppliers. By building on the existing foundation for supplier governance, we have now set up a new global sustainable sourcing program and over the next few years we will focus on establishing and implementing the program, to ensure that suppliers manage areas such as business ethics, human rights, the environment and staff in line with Elekta's code of conduct. The control of conflict minerals is also an important component for inclusion in the program. A pilot project was previously completed and work moving forward will ensure that tungsten in particular, which Elekta uses large amounts of, does not come from non-certified smelters.

The program will be risk-based and audits will use a clear process involving both internal and external auditors. There is zero tolerance of: child labor, discrimination, forced labor, life-threatening workplaces, a refusal to be transparent and of bribes and corruption.

Elekta has reinforced its efforts in respect of human rights throughout the entire business and in the supply chain through the "Elekta modern slavery and human trafficking statement". The policy is available at www.elekta.com.

Minimize environmental impact
For many years, we have strived to continuously reduce the environmental impact of our operations and from our products. Elekta's environmental policy includes areas such as resource consumption during production, reducing emissions to air and water and, as far as possible, avoiding the use of environmentally hazardous materials. Elekta's greatest environmental impact arises from electricity use in production processes and from the heating of premises, as well as transportation and business travel. Activities related to this include Elekta's changed travel policy, which in Sweden has helped to reduce business trips by air by 22 percent, corresponding to a reduction in CO_2 emissions related to air travel by 34 percent. Another example is the active efforts made at our UK plant to optimize the use and recycling of packaging, which besides reducing environmental pressure has the potential to result in cost-savings of more than GBP 50,000 per year and improved efficiency at the plant.

4 questions to:

Maria Collin

Global Sustainability Manager, Elekta, since February 2017. Broad international background, including the role of Responsible Sourcing Manager Europe, Africa and the Middle East at Electrolux.

What attracted you to the role at Elekta?
The opportunity to strategically develop the excellent work in sustainable business that is taking place in the organization. Elekta has a fantastic foundation considering the aim of its business operations and it feels rewarding to be part of working to provide the best possible cancer care for everyone.

How do you view the connection between sustainability issues and Elekta's business operations?
Sustainability is a natural part of all operations, and here it is about ensuring that Elekta's prioritized focus areas in sustainable business have a role in all processes. Sustainability is not a separate issue but must be integrated into daily work by each employee.

Considering your extensive experience within the sustainable supply chain, how can you develop this further?
I have, together with purchasing, just created the framework for the sustainable sourcing program. The key elements in this are risk-based strategy, training, audits performed by internal and external auditors and collaboration. One important success factor is that the program is naturally integrated into the purchasing process, and is regularly monitored against clear targets.

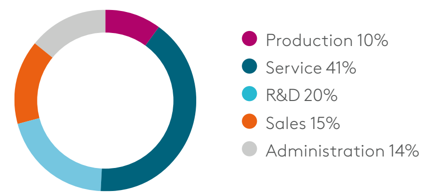
Which sustainability issues do you see as the most important for your industry in the future?
I believe a key issue for R&D is to achieve the highest possible efficiency with the lowest possible environmental impact, as well as working toward a more circular life cycle for products. Strategic partnerships will become more important to increase the availability of cancer care to all people.

Human rights and diversity

Our employees are driving progress

The dedication of our management and employees is key to our customer satisfaction. A high level of competence, true commitment and the ability to adapt are all essential in Elekta's successful change of its operations in response to the change of customer needs and expectations. Each part of our value chain is equally important for customer satisfaction. With 3,600 employees in 31 countries, there are substantial opportunities to utilize both local and group wide expertise.

EMPLOYEES PER FUNCTION, 2016/17



Organization and leadership for the future

A flexible organization and a long-term sustainable supply of expertise is needed if the organization is to function as effectively as possible, in line with Elekta's strategic priorities (read more on pages 16–17). To better utilize synergies and to improve the cohesiveness and efficiency of processes, Elekta reorganized from region-based operations to process-based operations during the year. Our managers have an essential role to play in driving operations as part of the ongoing transformation. An ability to lead during change and to spur commitment among employees are important success factors if the company is to move in the right direction. Our annual succession planning and skills development, as well as better use of internal expertise are examples of important elements to ensure that we leverage the organization's potential.

Strong values strengthen opportunities

During the year, Elekta introduced new company values (refer to page 1). Implementing the values throughout the entire organization so that we carry them with us in everything we do, is an important and long-term effort. A first step was taken during the year, which included the global event "Elekta together day", where all employees discussed their role in contributing to the company's strategy and values.

Motivated to make a difference

They're motivated, committed and full of energy, but these aren't the characteristics that make the R&D staff in Shanghai a model team. Led by Jack Luo, Director of Engineering in China, the 107 men and women – yes, the engineers are almost equally divided by gender – exemplify Elekta's values.

Jack says: "We do what we say. So when we committed to delivering on the latest version of Elekta's treatment planning software, Monaco, we worked in a systematic and collaborative way to ensure we provided our part of the solution on time and with high quality." By closely working with colleagues in Germany, Japan, Switzerland, US and Sweden, the staff truly works as one team across the organization.

With an average age of just under 30, the Shanghai team is young and energetic. "We have a variety of communities covering technologies, sports, photography, even cooking. Most important is that all of us are interested in engineering innovation," Jack says smiling. "Through continuous engineering, we're continuously innovating and thinking forward; it's in our DNA."

Although it's made up of unique individuals, Jack believes his team is much like any other at Elekta. "We're highly motivated and eager to do our best," he says. "But most of all, we take pride in knowing we're making a difference to thousands of lives."

Parts of Elekta's team at a management conference in Brighton, UK.

Setting clear objectives

Elekta strives to achieve a clear link between the Group's targets and the personal goals of each employee. One important tool is our performance management process, which includes all employees. During the year, the system was carefully evaluated, and as a result, we will further develop our processes for planning and evaluation for the next fiscal year and moving forward. These changes aim to increase flexibility and create the right conditions for management and our employees to clearly link goals and development initiatives to Elekta's strategy and values. Moving forward, the focus will be on individual development, including Elekta's values as an element in performance evaluation and ongoing coaching and dialogue on goals and development.

Temperature gauging contributes to progress

Measuring appropriately is vital in identifying improvement potential. This year's organizational health index (OHI) – a measurement of the strength of an organization in terms of motivation, leadership and innovation – shows Elekta's organization is moving in the right direction. But there are areas that need improving. All areas note a positive trend compared to the preceding year and the emphasis for future years continues to be a focus on the path ahead, namely on accountability and motivation.

Respect for all employees

Elekta promotes the health, safety and wellbeing of its employees. Elekta complies with national labor market legislation in all markets and respects the right of all employees to join a trade union and to bargain collectively in accordance with local laws and applicable conventions. The company has zero tolerance of all types of discrimination and strives to ensure that all employees with similar experience and qualifications receive equal pay for equal work. We expect both employees and external partners to respect and work on the basis of these principles.

> "My most important objective in the years ahead is to ensure that the organization has the right priorities and support so all employees can contribute with their full potential."
>
> **Karin Svenske Nyberg**,
> Executive Vice President Human Resources

Diversity with potential

Given Elekta's geographical diversity and spread, ethnical and cultural diversity among our employees is natural. However, there is still potential for better utilization of this diversity. Diversity in terms of gender is relatively positive, though there is a need to improve the gender balance and it is, accordingly, a prioritized issue at Elekta.

Responsibility across the entire value chain

1 Product development

A focus on ecodesign from a life-cycle perspective, which includes minimizing energy consumption, material choices and facilitating upgrading and recycling as key components in the products. Assessment of product risks and aspects of safety is an integral part of the development process, which covers all phases in the product life-cycle – from installation to handling and use. The focus moving forward is continued development of innovative and energy-efficient products, which help hospitals and clinics reduce energy consumption and costs.

2 Suppliers

Elekta currently procures direct materials from about 600 suppliers, of which some 75 percent of the purchase/delivery value is from the UK, Western Europe and North America. The remainder is primarily from China, Eastern Europe and Japan. Elekta's code of conduct and anti-corruption policy are included in all standard contracts. A risk assessment of all suppliers is conducted each year. This annual review results in a supplier audit plan, for the upcoming 12 months. A review of quality, cost development and delivery performance is conducted each month. A dialogue process is started if the specified requirements are not met. The focus moving forward is to build up and implement a global sustainable sourcing program. The initial focus is on suppliers of direct materials to Elekta's manufacturing. The control of conflict minerals is an important part of the program. Purchasing is responsible for implementing the program together with support from the Global Sustainability Manager.

3 Manufacturing

Elekta has three production units in China and Europe and all facilities are certified in accordance with the environmental management system ISO 14001. The units primarily assemble, test and perform quality assurance, which means that their environmental impact is limited. Sulphur hexafluoride (SF6), which is a necessary component in generating the radiation within linear accelerators, can result in emissions with a strong impact on the environment if the gas is emitted into the atmosphere. Therefore, one important part of Elekta's environmental work is to monitor the use of SF6 in manufacturing. The focus moving forward is to reduce energy consumption and continue to control the use of SF6.

4 Transportation

Transport and business travel account for a significant portion of Elekta's environmental impact. A group-wide logistics platform, Logistics control tower, is used to reduce the amount of transportation, control the freight distribution between various transport modes, reduce packaging sizes and streamline the delivery of spare parts. The focus moving forward is to implement the logistics platform for remaining units, further increase the use of remote services, which enable updating software, and diagnosis and remotely rectifying system problems. Additional focus areas are to reduce the number of flights, for example, by using web conferencing and by improving the control and reporting of greenhouse gas emissions.

5 Usage

The highest possible level of safety in each part of the value chain. Elekta offers in-depth training in how the products work and should be used. The user is also supported by automatic security messages and checks built into the software. Energy-efficient products and optimization of energy use and resources help to reduce the environmental footprint and costs for both Elekta and our customers. There will be a continued focus moving forward on innovation and energy-efficient products. Elekta's linear accelerators currently use about 30 percent less energy than comparable devices in the market.

A Nordic large cap

Elekta B-shares have been listed on the NASDAQ Stockholm since 1994. Total number of registered shares on April 30, 2017 was 382,568,409 whereof treasury shares amounted to 1,541,368 series B-shares. Total trading in Elekta shares on NASDAQ Stockholm during the period May 1, 2016 – April 30, 2017 amounted to 327.1 million shares (633.8), corresponding to 85 percent (166) of the total number of shares. The average number of shares traded each day during the period amounted to 1,292,905 (2,525,252). Market capitalization on April 30, 2017 amounted to SEK 34,076 M (22,382), an increase by 52 percent.

DISTRIBUTION OF SHARES APRIL 30, 2017

Class of share	No. of shares	No. of votes	Percentage of capital	Percentage of votes
A-shares	14,980,769	149,807,690	3.9%	28.9%
B-shares	368,587,640	368,587,640	96.1%	71.1%
Total	**383,568,409**	**518,395,330**	**100.0%**	**100.0%**

See Note 24 for more information on Elekta's share capital.

Dividend and proposal to repurchase shares

Elekta's goal is to provide shareholders with a favorable return and value growth. The policy is to distribute at least 30 percent of profit for the year in the form of dividend, repurchase of shares or comparable measures. A dividend decision is based on Elekta's financial position, earnings trend, growth potential and investment needs. For 2016/17, the board proposes, in accordance with the Company's dividend policy, a total dividend of SEK 1.00 (0.50) per share. Total dividend amounts to approximately SEK 382 M and 306 percent of net profit for the year. The board also proposes the dividend to be divided into two payments. See page 67 for more information on dividend.

The board intends to propose to the annual general meeting 2017 to renew the board's authorization to repurchase shares in Elekta AB. The proposal limits the number of shares to be repurchased to a maximum of 10 percent of the number of shares outstanding in Elekta AB.

Share program

The annual general meetings in 2009–2016 have resolved to adopt share programs, called performance share plans. Performance share plan 2013/15, resolved by the annual general meeting in 2013, was concluded during the year. Outstanding programs as per April 30, 2017 were performance share plan 2014/17, 2015/18 and 2016/19 respectively. The resolutions entailed that the conditions and the guidelines stated in the respective plans shall form the basis for the receipt of shares by key employees of Elekta upon fulfillment of certain performance requirements during the periods 2014/15–2016/17, 2015/16–2017/18 and 2016/17–2018/19, respectively. The scope of performance share plans 2014/17, 2015/18 and 2016/19 are summarized in the tables below. See Note 5 for more information on the plans.

SHARE PROGRAM

	2014/17	2015/18	2016/19
Originally designated number of shares	976,726	289,284	280,386
Share price used for calculation of theoretical value, SEK	75	56	77
Allotment of share	2017-09-21	2018-09-16	2019-09-14
Number of shares as of April 30, 2017	691,480	265,177	280,386

Under the performance share plan 2014/17, the performance targets are measured and earned by one-third each financial year from 2014/15 until 2016/17. The results for the 2016/17 financial year, as disclosed in the table below, did not meet the minimum performance level to deliver any performance shares.

OUTCOME OF SHARE PROGRAM 2014/17

	2016/17			Allocation of performance shares		
Financial target	Minimum, %	Maximum, %	Actual, %	Outcome, %	Weight, %	Allocation, %
Adjusted EBITA growth 2016/17 vs. 2015/16	4	21	1	0	50	0
Business volume growth 2016/17 vs. 2015/16	–2	1	–4	0	50	0
Total allocation of performance shares						**0**

Convertible bonds

In April 2012 Elekta conducted an issue of convertible bonds, which matured in April 2017. The issue raised approximately SEK 1,894 M for the Company, before transaction costs. The matured loan was repaid with an amount of SEK 1,820 M. The conversion price was SEK 97.50 and bondholders had the right to require conversion into shares at any time until March 28, 2017. As per April 30, 2017, a total of 730,769 A-shares and 30,960 B-shares had been subscribed through conversion of convertible bonds into shares, whereof 730,769 of A-shares and 8,593 of B-shares were converted in fiscal year 2016/17. When the convertible matured the registrated number of shares of series A were 14,980,769 and the number of registrated shares of series B were 368,587,640.

OWNERSHIP STRUCTURE APRIL 30, 2017

Shareholding, No. of shares	No. of shareholders	Percentage of shareholders	No. of shares	Percentage of share capital	Average No. per shareholder
1–500	15,433	58.7%	2,585,696	0.7%	168
501–1,000	3,858	14.7%	3,177,146	0.8%	824
1,001–10,000	6,009	22.9%	18,140,729	4.7%	3 ,019
10,001–100,000	731	2.8%	19,765,422	5.2%	27,039
100,001–	254	0.9%	339,899,416	88.6%	1,338,187
Total	**26,285**	**100.0%**	**383,568,409**	**100.0%**	**14,593**

Source: Euroclear Sweden

MAJOR SHAREHOLDERS APRIL 30, 2017

Owner	No. of shares	Percentage of capital	Percentage of votes
Laurent Leksell and companies	24,037,393	6.3%	30.6%
Fourth Swedish National Pension Fund	22,707,041	5.9%	4.4%
AMF Pensionsförsäkring and AMF Fonder	21,036,410	5.5%	4.1%
Sweden Robur Funds	20,882,624	5.4%	4.0%
JPM Chase NA	17,857,522	4.7%	3.4%
Nordea Investment Funds	17,744,273	4.6%	3.4%
Alecta	12,939,000	3.4%	2.5%
Second Swedish National Pension Fund	11,074,560	2.8%	2.1%
Skandia	8,607,096	2.2%	1.7%
State Street Bank & Trust Com. Boston	6,392,781	1.7%	1.2%
Other	220,289,709	57.5%	42.6%
Total	**383,568,409**	**100.0%**	**100.0%**

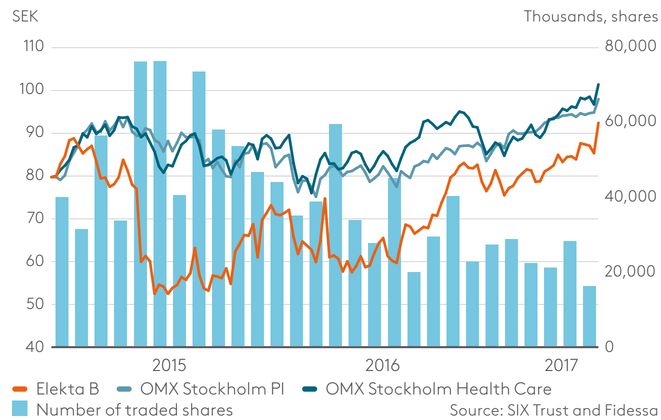
Source: Euroclear Sweden and Finansinspektionen

The table on page 44 lists the 10 largest known shareholders in Elekta AB as of April 30, 2017. Foreign ownership was approximately 44 (40) percent. Foreign holdings which are held by trustees may include other large shareholders with undisclosed holdings, even if no other foreign shareholder has declared holdings above 5 percent.

CHANGE IN SHARE CAPITAL UNTIL APRIL 30, 2017

Year	Transaction	Total number of shares	Total share capital
1994	New issue	7,397,180	36,985,900
1994	Exercise of warrants	7,897,180	39,485,900
1997	New issue	10,497,451	52,487,255
2000	New issue	27,853,617	139,268,085
2001	Conversion of debentures	31,661,867	158,309,335
2001	Exercise of warrants	31,678,867	158,394,335
2002	Exercise of warrants	32,181,742	160,908,710
2003	Exercise of warrants	32,647,067	163,235,335
2003	Conversion of debentures	32,781,267	163,906,335
2003	Exercise of warrants	32,953,967	164,769,835
2003	Redemption of shares	31,066,254	155,331,270
2004	Exercise of warrants	31,567,454	157,837,270
2005	Exercise of warrants	31,596,236	157,981,180
2005	Bonus issue	31,596,236	189,577,416
2005	Split 3:1	94,788,708	189,577,416
2005	Cancellation of repurchased shares	94,114,008	188,228,016
2005	Exercise of warrants	94,194,372	188,388,744
2006	Exercise of warrants	94,451,456	189,902,912
2006	Redemption of shares	93,649,756	187,299,512
2006	Exercise of warrants	93,741,598	187,483,196
2007	Exercise of warrants	93,880,090	187,760,180
2007	Conversion of debentures	93,900,016	187,800,032
2007	Exercise of warrants	92,272,445	187,806,632
2007	Cancellation of repurchased shares	93,903,316	184,544,890
2008	Exercise of warrants	93,075,863	186,151,726
2008	Cancellation of repurchased shares	92,124,563	184,249,126
2009	Exercise of warrants	92,237,944	184,475,888
2010	Exercise of warrants	94,188,044	188,376,088
2011	Exercise of warrants	94,769,763	189,539,526
2012	Exercise of warrants	95,701,670	191,403,340
2012	Split 4:1	382,806,680	191,403,340
2012	Conversion of convertible loan	382,807,329	191,403,665
2013	Conversion of convertible loan	382,828,114	191,414,057
2014	Conversion of convertible loan	382,828,765	191,414,383
2015	Conversion of convertible loan	382,829,045	191,414,523
2016	Conversion of convertible loan	382,829,047	191,414,524
2017	Conversion of convertible loan	383,568,409	191,784,205

THE ELEKTA SHARE



DATA PER SHARE

	2012/13[1]	2013/14	2014/15	2015/16	2016/17
Earnings per share					
before dilution, SEK	3.52	3.01	1.45	0.36	0.33
after dilution, SEK	3.52	3.00	1.45	0.36	0.33
Cash flow per share					
before dilution, SEK	3.17	1.31	1.78	1.00	2.69
after dilution, SEK	3.17	1.24	1.78	1.00	2.69
Shareholders' equity per share					
before dilution, SEK	14.55	16.39	17.41	16.79	17.73
after dilution, SEK	14.55	20.32	17.41	16.79	17.73
Dividend, SEK	2.00[2]	2.00[2]	0.50	0.50	1.00[3]
Share price, Elekta series B, April 30, SEK	99.65	91.00	78.00	58.70	92.45
Market capitalization, April 30, SEK M	38,127	34,697	29,740	22,382	34,076
Lowest share price, SEK	76.88	82.10	66.10	51.60	57.50
Highest share price, SEK	104.50	115.60	95.05	78.70	93.15
Average number of shares					
before dilution, 000's	380,672	381,277	381,287	381,288	381,306
after dilution[4], 000's	380,672	400,686	381,287	381,288	381,306
Number of shares, April 30[5]					
before dilution, 000's	381,270	381,287	381,287	381,288	382,027
after dilution, 000's	381,270	400,696	381,287	381,288	382,027

1) In September 2012 a 4:1 share split was conducted
2) Ordinary dividend SEK 1.50 and extraordinary dividend SEK 0.50
3) Proposed dividend
4) Number of shares used in the calculation of earnings per share in accordance with IAS 33
5) Number of registered shares at closing excluding treasury shares (1,541,368 per April 30, 2017)

Financial calendar

Three-month interim report May–July 2017/18	23 August, 2017
Annual general meeting	23 August, 2017
Six-month interim report May–October 2017/18	1 December, 2017

Five year review and key figures

INCOME STATEMENT

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Net sales	10,339	10,694	10,839	11,221	10,704
Operating expenses excl. amortization, depreciation and items affecting comparability	–7,932	–8,393	–9,221	–9,417	–8,887
Depreciation	–110	–118	–146	–165	–156
EBITA before items affecting comparability and bad debt losses	**2,297**	**2,183**	**1,472**	**1,639**	**1,661**
Bad debt losses	– 1)	– 1)	-166	–149	–46
Amortization	–239	–295	–366	–469	–499
EBIT before items affecting comparability	**2,058**	**1,888**	**940**	**1,021**	**1,115**
Items affecting comparability	–46	–161	–3	–598	–518
Operating result	**2,012**	**1,727**	**937**	**423**	**598**
Financial net	–212	–225	–221	–234	–258
Profit before tax	**1,800**	**1,502**	**716**	**189**	**340**
Taxes	–449	–350	–158	–44	–214
Profit for the year	**1,351**	**1,152**	**558**	**145**	**126**
Attributable to:					
Parent Company shareholders	1,340	1,148	552	137	125
Non-controlling interests	11	4	6	8	1

1) Data not available for bad debt losses.

CASH FLOW

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Operating flow	1,894	1,692	1,299	709	767
Changes in working capital	–24	–417	524	461	1,051
Cash flow from operating activities	**1,870**	**1,275**	**1,823**	**1,170**	**1,819**
Continuous investments	–578	–781	–956	–774	–774
Cash flow after continuous investments	**1,292**	**494**	**867**	**396**	**1,045**
Acquisition of operations	–84	4	–188	–12	–18
Cash flow from investing activities	–662	–777	–1,144	–786	–792
Cash flow after investments	**1,208**	**498**	**679**	**384**	**1,027**
Cash flow from financing activities	–380	–888	186	–1,303	–55
Cash flow for the year	**828**	**–390**	**865**	**–920**	**972**

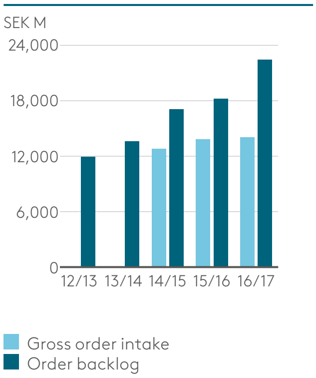
BALANCE SHEET

SEK M	2013-04-30	2014-04-30	2015-04-30	2016-04-30	2017-04-30
Intangible assets	6,424	6,845	8,174	8,210	8,704
Tangible fixed assets	487	624	881	803	795
Financial assets	236	359	371	364	308
Deferred tax assets	92	143	224	281	375
Inventories	850	1,078	1,297	1,135	936
Receivables	5,651	6,596	6,972	6,375	6,450
Cash and cash equivalents	2,567	2,247	3,265	2,273	3,383
Total assets	**16,307**	**17,892**	**21,184**	**19,441**	**20,950**
Shareholders' equity	5,560	6,257	6,646	6,412	6,774
Interest-bearing liabilities	4,552	4,486	6,033	4,950	5,272
Interest-free liabilities	6,195	7,149	8,505	8,079	8,905
Total shareholders' equity and liabilities	**16,307**	**17,892**	**21,184**	**19,441**	**20,950**

KEY FIGURES

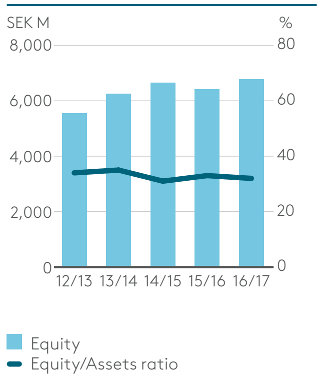
	2012/13	2013/14	2014/15	2015/16	2016/17
Gross order intake, SEK M	n/a	n/a	12,825	13,821	14,064
Net order intake, SEK M	12,117	12,253	11,907	12,880	n/a
Order backlog, SEK M	11,942	13,609	17,087	18,239	22,459
Operating margin, %	19	16	9	4	6
Profit margin, %	17	14	7	2	3
Shareholders' equity, SEK M	5,560	6,257	6,646	6,412	6,774
Capital employed, SEK M	10,112	10,743	12,678	11,360	12,046
Net debt, SEK M	1,985	2,239	2,768	2,677	1,889
Equity/Assets ratio, %	34	35	31	33	32
Net debt/Equity ratio, multiple	0.36	0.36	0.42	0.42	0.28
Interest cover ratio, multiple	12.6	10.6	6.7	4.4	6.0
Return on shareholders' equity, %	27	21	9	2	2
Return on capital employed, %	21	17	9	4	5
Investments in tangible and intangible assets, SEK M	544	726	982	874	681
Depreciation and amortization, SEK M	–349	–414	–512	–634	–655
Operational cash conversion, %	79	60	126	111	145
Average number of employees	3,336	3,631	3,679	3,677	3,581

GROSS ORDER INTAKE[1] AND ORDER BACKLOG

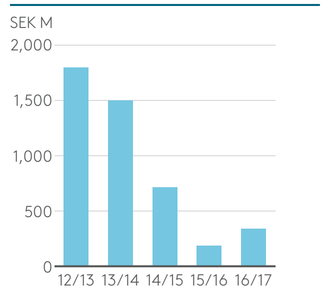


1) Data not available for the years 12/13 and 13/14

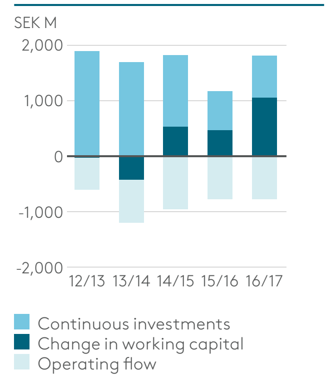
EQUITY AND EQUITY/ASSETS RATIO



PROFIT BEFORE TAX



CASH FLOW AFTER CONTINUOUS INVESTMENTS



Corporate governance report 2016/17

Elekta AB (publ) is a Swedish public limited liability company listed on NASDAQ Stockholm. Elekta considers good corporate governance, including risk management and internal control, to be an important element of a successful business operation since it provides opportunities for maintaining confidence among customers, patients, shareholders, authorities and other stakeholders. Elekta's corporate governance report 2016/17 was prepared by the Company's board of directors, in accordance with the annual accounts act and the Swedish corporate governance code, as a separate report from the board of directors' report, and it has been reviewed by the Company's external auditor.

Elekta AB (publ) is referred to as "Elekta AB", "the Company" or "the Parent Company" and the Elekta Group, which includes Elekta AB and its subsidiaries, is referred to as "Elekta" or "the Group".

Elekta has implemented and complied with the Swedish corporate governance code (the corporate governance code) with one exception during the fiscal year of 2016/17. Elekta's nomination committee resolved to appoint the chairman of the board of directors, Laurent Leksell, as chairman of the nomination committee. This was motivated by the fact that Laurent Leksell, in his capacity as the major shareholder, is well suited to effectively lead the work of the nomination committee in order to achieve the best result for the Company's shareholders. According to point 2.4 of the Corporate Governance Code, the chairman of the board of directors is not to be the chairman of the nomination committee.

Chairman's comments 2016/17

Elekta is a global medical technology company pioneering significant innovations and clinical solutions for treating cancer and brain disorders. Our primary purpose is to help clinicians improve patients' lives and Elekta's clinical solutions contribute to treatment of close to 1.5 million patients annually, all around the world. Thus, we have a major responsibility towards our customers and their patients.

As a manufacturer of medical devices, Elekta's operations are governed by requirements and standards established by regulatory authorities in various countries, as well as by our own policies and procedures, including our code of conduct. Elekta is furthermore listed on NASDAQ Stockholm and has an international shareholder base, which contributes to the high demands we set on Elekta's governance, including risk management and internal control.

The board emphasizes its work with Elekta's strategy and international development, as well as corporate governance. The purpose of Elekta´s governance framework is to create, preserve, and realize value for our shareholders as well as to provide and secure a sustainable and reliable operation.

During the past few years, Elekta has therefore implemented and strengthened our internal control framework, and reinforced group functions for risk and quality management further. This will enable us to manage and mitigate risks in a more structured manner. We are also very pleased with our updated and well established compliance program. Elekta has zero tolerance towards all actions that do not comply with or follow regulations, our code of conduct and other business policies. We strive for, and expect, the highest ethical business standard.

Elekta completed a transformation program during the year, which was launched in June 2015. The aim of the program was to secure improved financial performance as well as operational excellence. All activities included in the program have laid a foundation needed in order to achieve long-term profitable growth.

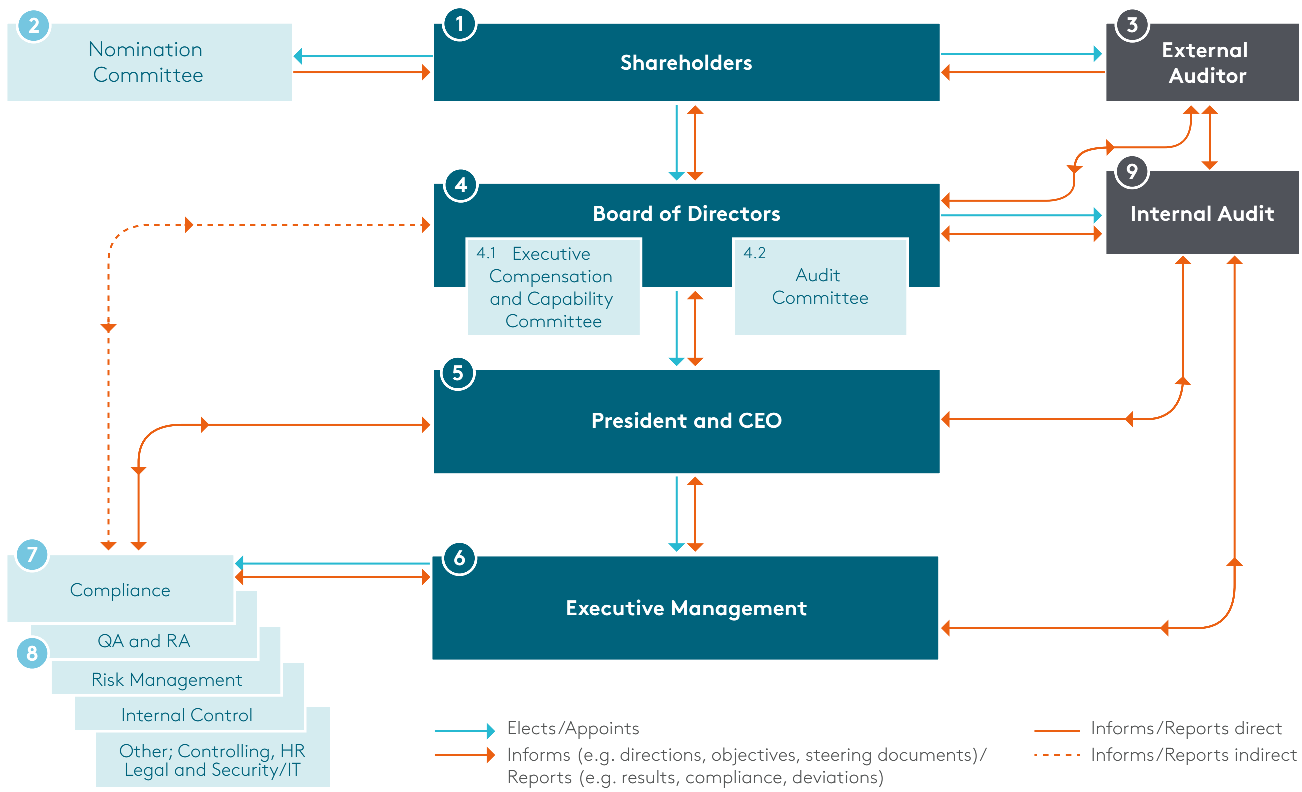
We on the board continue to support and monitor the company to ensure that we reach our strategic and financial objectives. We are fully confident in that the actions that are being established and implemented by executive management will contribute to a positive future, and the further development of Elekta.

July 10 2017

Laurent Leksell
Chairman of the board

Elekta's governance structure

As per April 30, 2017



1 Shareholders

Ownership structure

At the end of the fiscal year, Elekta AB had 26,285 shareholders, of whom 56 percent were domiciled in Sweden. At April 30, 2017, the largest shareholders were Laurent Leksell with companies, with 30.6 percent of the votes, and the Fourth Swedish National Pension Fund with 4.4 percent of the votes. Read more about the share and shareholders on pages 44–45.

Shares and votes

Elekta AB's B share is listed on NASDAQ Stockholm. On April 30, 2017, the total number of registered shares in Elekta AB was 383,568,409 divided between 14,980,769 Series A shares and 368,587,640 Series B shares. At the general meetings of shareholders, which is the forum in which shareholders may exercise influence, Series A shares entitle the holder to 10 votes, while Series B shares carry one vote each. Read more about the share and shareholders on pages 44–45.

Dividend policy

Elekta's goal is to provide shareholders with a favorable return and value growth. The policy is to distribute at least 30 percent of profit for the year in the form of dividends, repurchase of shares or comparable measures. A dividend decision is based on Elekta's financial position, earnings trend, growth potential and investment requirements.

General meeting of shareholders

The general meeting of shareholders is Elekta AB:s highest decision-making body. In addition to the annual general meeting of shareholders (ordinary general meeting of shareholders), extraordinary general meetings of shareholders may be held at the discretion of the board of directors or, if requested by the external auditor or by shareholders holding at least 10 percent of the shares. Decisions are normally made by a simple majority, and in elections, the person receiving the most votes is deemed elected. The Swedish companies act requires certain decisions, such as amendments of the articles of association and the transfer of shares to employees participating in equity-based long-term incentive programs, to be made by a qualified majority. Disclosures on direct or indirect shareholdings in Elekta AB representing at least one-tenth of the voting rights, and information about authorizations by the general meeting of shareholders for the board of directors to decide upon acquisition of own shares are set out on page 27.

Annual general meeting of shareholders

The annual general meeting of shareholders is held in Stockholm, Sweden. The date and venue for the meeting will be announced on Elekta's website www.elekta.com not later than in connection with the third interim report May–January. Notification of the annual general meeting is published, according to the rules of the Swedish companies act, not earlier than six weeks and not later than four weeks in advance of the meeting.

Shareholders who cannot attend in person may be represented by an authorized proxy. Only shareholders included in the shareholder register are entitled to vote. Shareholders with trustee-registered shares who wish to vote must request that they be entered in the shareholder register by the record date for the annual general meeting. The annual general meeting is held in Swedish, but all relevant documentation is also available in English. At the annual general meeting, shareholders have the opportunity to ask questions. Elekta always strives to ensure that the members of the board of directors, the executive management and the external auditor are present at the annual general meeting.

2016 annual general meeting of shareholders

The 2016 annual general meeting of shareholders was held in Stockholm on September 1, 2016. The meeting was attended by 330 shareholders, either personally or by proxy, corresponding to approximately 65 percent of the votes in the Company. All members of the board of directors were present at the meeting. The 2016 annual general meeting of shareholders resolved on the following:

- A dividend payment of SEK 0.50 per share to shareholders
- Discharge of the members of the board of directors, and the President and CEO, Niklas Savander and Tomas Puusepp respectively from liability for management in the 2015/16 fiscal year
- Adoption of fees to the board of directors totaling SEK 4,295,000 (unchanged), of which SEK 1,075,000 (unchanged) to the chairman of the board of directors and SEK 460,000 (unchanged) to each of the other external members of the board of directors, as well as remuneration for board committee work of a total SEK 770,000 (unchanged), of which SEK 90,000 (unchanged) to the chairman of the executive compensation and capability committee and SEK 50,000 (unchanged) to each of the other members of the committee, and SEK 200,000 (unchanged) to the chairman of the audit committee and SEK 110,000 (unchanged) to each of the other members of the committee
- Re-election of members of the board of directors Luciano Cattani, Annika Espander Jansson, Laurent Leksell, Siaou-Sze Lien, Johan Malmquist, Tomas Puusepp, Wolfgang Reim, Jan Secher and Birgitta Stymne Göransson. Laurent Leksell was re-elected chairman of the board of directors
- Re-election of PwC as external auditor, with authorized public accountant Johan Engstam as the auditor in charge
- Adoption of guidelines for remuneration of senior executives
- Adoption of equity-based long-term incentive program, Performance Share Plan 2016, to encompass 11 key employees of the Group
- Acquisition and transfer of own shares

Further information regarding the annual general meeting 2016, including the minutes, is available at www.elekta.com. No other general meetings of shareholders were held during the 2016/17 fiscal year.

2017 annual general meeting of shareholders

The 2017 annual general meeting of shareholders will be held in Stockholm, Sweden, at Moderna Museet on August 23, 2017 at 2:00 pm. More information regarding the 2017 annual general meeting of shareholders is available at www.elekta.com.

2 Nomination committee

Procedure for appointment of nomination committee

The 2016 annual general meeting of shareholders resolved that the nomination committee for the 2017 annual general meeting of shareholders would be appointed through a procedure whereby the chairman of the board of directors, before the end of the second quarter of the fiscal year, would contact the four largest shareholders in terms of voting rights, besides the shareholder or shareholders the chairman of the board of directors may represent as of the last banking day of September. These shareholders would be given the opportunity to appoint one person each who, together with the chairman of the board of directors, would constitute the nomination committee. The chairman of the nomination committee would, unless the nomination committee unanimously decides otherwise, be the member of the nomination committee appointed by the largest shareholder in terms of voting rights. The nomination committee would be entitled to appoint a person as a co-opted member to the nomination committee. Such a co-opted member would not participate in the nomination committee's resolutions. No remuneration would be paid to the members of the nomination committee.

Composition of the nomination committee for the 2017 annual general meeting of shareholders

The composition of the nomination committee for the 2017 annual general meeting of shareholders was announced in a press release on November 9,

The work of the board of directors including some important agenda items in 2016/17

One meeting

- Year-end report
- Meeting with auditors and review of external audit report for the full year
- Report from the audit committee
- Review of budget fiscal year 2016/17 incl. financial targets
- Proposal for dividend and authorization on acquisition of own shares
- Update and review of the company transformation program
- Update and review of the software comprehensive program
- Report from the executive compensation and capability committee, including the long-term incentive program
- Approval of the terms for Tomas Puusepp as executive director of the board
- Long-term financing

One meeting

- Adoption of annual report (including all reports included therein)
- Adoption of notice and final proposals to the AGM
- Approval of the board's reasoned statement regarding share repurchase and statement with respect to dividend

Two meetings

- AGM
- Inaugural board meeting
- Appointment of the committees after the AGM
- Adoption of working instructions for board, committees and the President and CEO
- Two-day meeting in conjunction with ASTRO in Boston focusing on innovation within oncology
- Update and discussion on the business operations in region North and South America
- Update and review of company transformation program

2016 | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER

One meeting

- Adoption of budget 16/17

One meeting

- Interim report Q1
- Update and review of company improvement program
- Adoption of the Company code of conduct and relevant policies, directives and instructions

2016. The nomination committee for the 2017 annual general meeting of shareholders comprises:

- Laurent Leksell, chairman of the board of directors and representing his own and related parties' holdings
- Per Colleen – appointed by the Fourth Swedish National Pension Fund
- Thomas Flodén – appointed by AMF Pensionsförsäkring and AMF Fonder
- Magnus Henjeby – appointed by Nordea Investment funds
- Åsa Nisell – appointed by Swedbank Robur Fonder

The nomination committee has appointed Laurent Leksell as chairman of the nomination committee. The nomination committee has further resolved to co-opt Caroline Leksell Cooke without voting rights to the nomination committee. The assignment for the nomination committee is valid until the end of the next annual general meeting of shareholders, or, where applicable, until a new nomination committee has been appointed.

Preparation for the 2017 annual general meeting of shareholders

The role of the nomination committee ahead of the annual general meeting of shareholders includes: Proposing a chairman of the annual general meeting of shareholders, chairman of the board of directors, members of the board of directors, auditor, fees to the board of directors and fees to the auditor and the procedure for appointing the nomination committee.

The nomination committee held four meetings prior to the 2017 annual general meeting of shareholders. For the composition of the board of directors, the nomination committee paid particular attention to the Company's strategy, operations, stage of development and other conditions. The composition also meets the requirements stipulated in item 4.1 of the corporate governance code regarding diversity and a breadth of qualifications, experience and background among board members. The nomination committee does not yet believe that the composition of the board of directors fully meets the requirement of striving for gender balance on the board. Of the nine board members, three are women and six men, meaning that the percentage of women is 33 percent (unchanged). The nomination committee believes that it is important to continue to strive for gender balance on the board. As a diversity policy, the nomination committee has applied rule 4.1 of the code when preparing its proposal.

Annually an evaluation of the board of directors' work, expertise, composition and independence of its members is initiated by the board of directors, partly to assess the preceding year, partly to identify areas for development for the board of directors. The evaluation is performed with support from an evaluation form and by discussions as well as by individual interviews of the board members performed by the chairman of the board. The conclusion is presented to the nomination committee by the chairman of the board.

The nomination committee's complete proposals for the 2017 annual general meeting of shareholders and reasoned statement is published in the notice convening the 2017 annual general meeting of shareholders, which is available at www.elekta.com

3 External auditor

Appointment of the external auditor

The external auditor of Elekta AB is appointed by the annual general meeting of shareholders for a period until the end of the next annual general meeting of shareholders.

External auditor and auditor in charge

The 2016 annual general meeting of shareholders re-elected PwC as external auditor with Johan Engstam as auditor in charge. PwC has been the external auditor of Elekta AB since the 2012 annual general meeting of shareholders.

Johan Engstam was born in 1966 and is an authorized public accountant. During the year, he was also the auditor in charge of MedCap AB, Tobii and Astra Zeneca AB. He has no assignments in any other company that affect his independence as the auditor in charge of Elekta AB.

Two meetings

- Interim report Q2
- Meeting with auditor and review of external audit report
- Report from the executive compensation and capability committee
- Report from audit committee
- Update and review of the company transformation program
- Long-term financing

One meeting

- Market overview
- General financial update
- Review of draft interim report Q3
- Update and review of the business operation within the product area Neuroscience
- Report from compliance function
- Update and review of the company transformation program
- Review of board evaluation

One meeting

- Market overview and financial update
- Review of budget direction and financial targets

NOVEMBER | DECEMBER | 2017 | JANUARY | FEBRUARY | MARCH | APRIL

One meeting

- Business and financial update
- Approval of direction in the budget directive

One meeting

- Interim report Q3

Responsibility

The audit engagement includes the audit of the annual report and consolidated accounts of Elekta AB, the proposed appropriations of the Company's profit or loss and the administration of the board of directors and the President and CEO of Elekta AB. The audit engagement also includes reviewing whether the guidelines for remuneration of senior executives adopted by the annual general meeting of shareholders have been complied with. The audit engagement also includes a review of the interim report for the second quarter, as well as a statutory audit of the corporate governance report.

Work during the year

PwC has performed the audit of Elekta for the 2016/17 fiscal year, based on a risk-based external audit plan, resulting in the unqualified auditor's report and statement, which are available on page 106-108 and at www.elekta.com.

During the year, the audit committee updated guidelines regarding the type of services in addition to audit services, known as permissible non-audit services, that Elekta may procure from the external auditor in order to assure that the impartiality and independence of the external auditor is not put at risk. Permissible non-audit services may not exceed 70 percent of the cost for audit services measured over a three-year period. The audit committee may decide to make exceptions under certain circumstances.

Non-audit services procured from the external auditor during the 2016/17 fiscal year adhered to the guidelines established and comprised tax consultancy and other services such as consultancy work related to internal control and accounting principles.

The fees to the external auditor for the 2016/17 fiscal year are reported in Note 8.

4 Board of directors

Appointment of the board of directors

The board of directors of Elekta AB ("the board") is appointed by the annual general meeting of shareholders for a period until the end of the next annual general meeting of shareholders. According to the articles of association of Elekta AB, the board is to have between three and 10 members with no more than five deputy members. There are no other rules in the articles of association concerning the appointment or removal of members of the board.

Composition and independence of the board of directors

The board of directors comprises nine members. The members of the board are Laurent Leksell, who is also the chairman of the board, Luciano Cattani, Annika Espander Jansson, Siaou-Sze Lien, Johan Malmquist, Tomas Puusepp, Wolfgang Reim, Jan Secher and Birgitta Stymne Göransson. There are neither deputy board members nor employee representatives on the board.

The general counsel serves as secretary for the board.

The composition of the board meets applicable independence requirements as seven of the nine members of the board have been deemed independent in relation to the Company, the executive management and major shareholders. These seven members are: Luciano Cattani, Annika Espander Jansson, Siaou-Sze Lien, Johan Malmquist, Wolfgang Reim, Jan Secher and Birgitta Stymne Göransson.

Attendance at board meetings is shown on pages 58–59.

Responsibility

The board's work is regulated by the Swedish Companies Act, the articles of association, the corporate governance code and the working instructions for the board of directors.

The board is responsible for the organization of Elekta AB and the management of the Company's operations in the interest of the Company and all shareholders. This includes appointing a President and CEO who is responsible for managing the day-to-day operations in accordance with instructions from the board. The responsibilities for the board also include:

- Establishing overall goals and strategy
- Defining guidelines to govern ethical conduct with the purpose of ensuring the long-term ability to create value
- Ensuring an effective system for follow-up and control of the company's operations and risks that the company and its operations are exposed to
- Ensuring a satisfactory process for monitoring compliance with laws and regulations and other regulatory compliance requirements applicable for the company as well as compliance with internal company regulations
- Ensuring that external information and communications are characterized by openness, and that they are accurate, reliable and relevant

The working instructions for the board of directors establish that the board is to:

- Hold at least seven ordinary meetings per year
- Adopt finance and foreign exchange policies
- Adopt a code of conduct
- Approve a long-term plan and budget, including an investment budget
- Approve investments and similar decisions where the amount of the transaction exceeds SEK 5 M if such a transaction falls outside the approved investment budget
- Decide on acquisition or sale of real property or shares, or acquisition or sale of the assets of, or a major part of the assets of, another company
- Decide on the establishment and liquidation of subsidiaries
- Adopt guidelines for remuneration of senior executives to be approved by the annual general meeting of shareholders
- Decide on terms of employment for the President and CEO according to guidelines for remuneration of senior executives approved by the annual general meeting of shareholders
- Adopt the annual report, year-end report and interim reports

Within the board, there is no special distribution of responsibilities among the members of the board in addition to the duties that the board has delegated to the executive compensation and capability committee and to the audit committee respectively.

Risk management

Risk management, internal governance and internal control are key components of Elekta's strategy and management processes. Elekta's board of directors assumes the overall responsibility for establishing an efficient risk management, internal governance and internal control system. The responsibility for maintaining the system is delegated to the President and CEO, who is assisted by the executive management and specifically established committees, functions and employees. Functions that are responsible for risk management, internal governance and internal control continuously report on the status directly to the board of directors and/or the audit committee.

Elekta's risk work focuses on assessing and managing strategic risks, operating risks, legal and regulatory risks, market and external risks and financial risks. A risk assessment is performed once a year in order to identify the risks related to the achievement of established objectives, compliance with laws and regulations, and financial reporting. The board of directors also manages subjects for decision that include risk management in, for example, Elekta's strategy and management processes and business decisions. Find out more about risk management in the board's report on risk management and internal control over financial reporting on pages 56–57.

Work during the year

During the 2016/17 fiscal year, the board held 12 minuted meetings. Attendance at board meetings is shown on pages 58–59. These meetings are normally held at the Elekta's head office in Stockholm. Representatives from the executive management and other senior managers regularly attend board meetings to report on matters within their respective area of responsibility.

For ordinary board meetings, an agenda with decision supporting material is available ahead of the meetings. The work of the board including important agenda items in 2016/17 is on page 50–51.

4.1 Executive compensation and capability committee

Appointment of the executive compensation and capability committee
The board shall appoint an executive compensation and capability committee ("the executive compensation and capability committee" or "ECCC"), which shall consist of at least two members of the board, of whom at least one shall be independent of the Company and its executive management.

Composition
The executive compensation and capability committee consists of four members appointed by the board at the first board meeting following the election of the board by the annual general meeting of shareholders for a term of one year. The members of the committee are Laurent Leksell, who is also the chairman of the committee, Luciano Cattani, Siaou-Sze Lien, and Johan Malmquist. Attendance at committee meetings and independence are shown on pages 58-59. The President and CEO also attends the committee's meetings and the Group VP Human Resources serves as secretary for the committee.

Responsibility
The objective of the executive compensation and capability committee is to ensure a fair and equitable remuneration scope and structure for managers at Elekta. Such remuneration should be designed to contribute to generating maximum value for shareholders and customers, while maintaining the Group's market competitiveness. It should further be designed to ensure the Group's ability to attract, motivate and retain managers who are key to achieving the business objectives of the Group. This applies to remuneration structures for the executive management and for other remuneration structures targeting all Elekta managers. The objective of the committee is also to ensure succession planning and reviews of management succession plans for senior management levels and other Group-critical positions, and to ensure gender and diversity analysis and actions. Furthermore, the objective of the committee is to ensure senior management competencies and capabilities including organization development programs. The committee works in accordance with directives for the executive compensation and capability committee adopted by the board. The committee keeps the board regularly informed and refers matters to the board for decision as necessary.

Work during the year
During the 2016/17 fiscal year, the executive compensation and capability committee held eight minuted meetings. Attendance at committee meetings is shown on pages 58–59. The most important agenda items at the meetings were:

- Remuneration review including variable remuneration of the executive management
- Evaluation and update of Elekta's performance share plan for the executive management
- Preparations for a new long-term incentive program for 2016/17 for key individuals not included in the executive management
- Follow-up of compliance with the guidelines for remuneration of senior executives approved by the annual general meeting of shareholders
- Evaluation of update of Elekta's benchmarking system, global performance management
- Succession planning and reviews of management succession plans for senior management levels and other Group-critical positions
- Preparation of the board's recommendations regarding guidelines for remuneration of senior executives for the next annual general meeting of shareholders

4.2 Audit committee

Appointment of the audit committee
The board shall appoint an audit committee, which shall consist of at least three members of the board with at least one qualifying as a financial expert. The majority of the committee members are to be independent of the Company and its executive management. At least one member of the committee who is independent of the Company and its executive management shall also be independent of the Company's major shareholders.

Composition
The audit committee consists of four members, which were appointed by the 2016 annual general meeting of shareholders for the period until the next annual general meeting. The members of the committee are Birgitta Stymne Göransson, who is also the chairman of the committee, Jan Secher, Wolfgang Reim and Annika Espander Jansson. Independence of the members is shown on pages 58–59.

The President and CEO, the CFO and the Chief Audit Executive also attend the committee's meetings as well as the external auditor as applicable. The general counsel serves as secretary for the committee.

Responsibility
The objective of the audit committee is to monitor the Group's financial reporting and the effectiveness of the Group's internal control, internal audit and risk management. The objective is also to keep itself informed about the external audit of the annual report and consolidated report of Elekta AB as well as to review and monitor the impartiality and independence of the external auditor, and pay particular attention if the external auditor provides the Group with services other than audit services. Furthermore, the objective is to assist the nomination committee in preparing the proposal to the annual general meeting of shareholders regarding election of external auditor. The committee works in accordance with working instructions for the audit committee adopted by the board. The committee keeps the board regularly informed and prepares matters to the board for decision.

Work during the year
During the fiscal year 2016/17, the audit committee held four minuted meetings. Attendance at committee meetings is shown on pages 58–59. The most important agenda items at the meetings were:

- Review of interim reports, year-end report and annual report 2016/17
- Review of accounting principles
- Balance sheet review and cash flow analyses
- Monitoring of the global internal control project
- Review of the finance organization
- Review of charter for the internal audit function
- Approval of internal audit plan
- Review of internal audit reports
- Review of compliance reports
- Review of external audit plan
- Review of external audit reports
- Evaluation of the external audit
- Evaluation and update of guidelines for permissible non-audit services

5 President and CEO

Appointment of the President and CEO

The board appoints Elekta AB's President and CEO.

Richard Hausmann was appointed President and CEO of Elekta AB on June 10, 2016. More information about Richard Hausmann is provided in the presentation of the executive management on page 60. Richard Hausmann succeeded Tomas Puusepp. More information about Tomas Puusepp is available in the presentation of the board of directors on pages 58–59. Remuneration of the President and CEO is described in Note 5.

Responsibility
The President and CEO is responsible for the day-to-day management of the Company in accordance with applicable laws and regulations as well as internal steering documents including the working instructions for the Chief Executive Officer adopted by the board and other instructions from the board. The President and CEO also represents the Group in various contexts, leads the work of the executive management and makes decisions in consultation with the members of the executive management.

6 Executive management

Appointment of the executive management
The President and CEO appoints the members of the executive management following approval by the board of directors.

Composition
As of April 30, 2017, Elekta's executive management comprised the President and CEO, the Chief Financial Officer ("CFO"), the Chief Commercial Officer ("CCO"), Chief Marketing Officer ("CMO"), the Chief Operating Officer ("COO"), Chief Strategy Officer ("CSO"), Chief Technology Officer ("CTO"), the Executive Vice President Region North Americas, the Executive Vice President Legal and Compliance, and the Executive Vice President Human Resources. During the 2016/17 fiscal year, the Executive Vice President Global Engineering role was excluded from the executive management as per November 1, 2016, and the marketing and strategy function was divided between Chief Marketing Officer and Chief Strategy Officer as per February 13, 2017. A presentation of the executive management is provided on page 60. Remuneration of the executive management is described in Note 5.

Responsibility
The President and CEO is responsible for and leads the work and meetings of the executive management. The executive management makes joint decisions following consultation with various parts of the Group.

Work during the year
The executive management meetings are normally held each week by telephone and with regular intervals in conjunction with visits to the Group's various offices and facilities.

The most important agenda items at the meetings were strategic and operational issues such as product development, acquisitions/divestments, investments, market development, organization, long-term plans and budget, and monthly and quarterly business and financial reviews.

7 Compliance

Appointment
The compliance function is headed by a Global Compliance Officer.

Responsibility
The compliance function's responsibilities are to review and evaluate compliance issues within the organization and ensure that management and employees of the Group are in compliance with the rules and ethical regulations in the most significant risk areas such as anti-corruption and interactions with healthcare professionals, export control and competition law. Since 2017, the function is also responsible for implementing the program to secure personal data management within the Group. Additionally, sustainability issues have been included within the compliance function since 2017. Elekta's Global Compliance Officer reports functionally to the General Counsel but functions as an independent and objective body ensuring compliance concerns are being appropriately resolved and reported to the board of directors.

Work during the year
Focus areas during the year included the following:

- Further strengthening the compliance program to prevent corruption and clarifying regulations for Elekta's interaction with healthcare professionals
- Continuously updating the compliance function
- Training employees in Elekta's code of conduct and steering documents according to the long-term plan and the goals established by the board
- Ensuring program efficiency and risk-based due diligence of parties, including business partners and distributors and agents, are implemented within the Group in accordance with the goals established by the board
- Continuing assistance to management and the local organization with ongoing investigations of Elekta's Italian operations regarding alleged violations connected with public procurement
- Internal investigations including the preparation of proposed measures in consultation with management and the board of directors
- Appointment of a compliance committee which, headed by the Global Compliance Officer, supports the President and CEO and other key members of the executive management in work following up incidents and decisions on measures
- Establishing the framework for Elekta's sustainability work with four distinct focus areas and ensuring the Company has internal resources to compile the external sustainability reports

Reporting to the board
Since the audit committee monitors regulatory compliance in the Group on behalf of the board of directors, it is necessary to have regular information about how the Company manages and prevents compliance risks. It is important that the board is well informed of both the preventive measures and any weaknesses in order to ask the right questions and remain a critical auditor of the operations.

Since 2017, Elekta's Global Compliance Officer presents the progress of the risk-based compliance program at each quarterly committee meeting, and reports on any incidents and the status of ongoing investigations. A written compliance report is submitted at every information meeting. The audit committee constantly monitors, on behalf of the board, any matters that may require greater focus and Elekta's Global Compliance Officer is present at each ordinary meeting with the audit committee.

In addition to continuous reporting, the board has during the year evaluated and approved the long-term plan for preventive anti-corruption efforts with clear goals for the coming fiscal year. The long-term plan is drawn up based on risk analyses and the best international practise.

8 Quality assurance and regulatory affairs

Appointment
The quality assurance (QA) and regulatory affairs (RA) functions are headed by Vice President Quality Assurance and Vice President Global Regulatory Affairs respectively, after a division of the quality and regulatory affairs (Q&RA) function during the 2016/17 fiscal year.

Responsibility
The functions' responsibilities include supporting management in its efforts to comply with regulatory requirements for products, quality systems and market entry. The functions provide transparency and interact with man-

agement and external regulatory bodies. The functions are responsible for the quality system infrastructure and compliance, product clearances and approvals, and post market vigilance and recall reporting. The functions are also responsible for and conduct internal audits of the quality system and regulatory compliance. Vice President Quality Assurance and Vice President Global Regulatory Affairs, respectively, report to the Chief Operating Officer.

Work during the year

- Ensuring product approval for regulatory market entry
- Implementation of internal audits
- Managing inspections from different authorities and organizations, all with positive outcomes
- Interacting with authorities in different regulatory forums and representation in different industry associations in discussions with authorities worldwide

9 Internal audit

Appointment

The internal audit function is appointed by and reports to the audit committee and the board of directors.

Responsibility

The internal audit function is under the supervision of the Chief Audit Executive. The internal audit function is an independent and objective assurance and consulting activity. Elekta's Chief Audit Executive reports functionally to the audit committee, and administratively to the Chief Financial Officer (CFO). The scope of the internal audit function encompasses the examination and evaluation of the adequacy and effectiveness of Elekta's governance, risk management and internal control processes as well as the quality of performance in carrying out assigned responsibilities to achieve the Group's objectives as part of the assurance activity. It also encompasses consulting activities and advisory support in relation to Elekta's governance, risk management, and internal control processes.

The internal audit function works in accordance with the guidelines for the internal audit function adopted by the board.

Work during the year

- Preparation and review of risk map as a basis for the internal audit plan
- Establishment of an internal audit plan
- Internal audit of risk and control matrices for processes encompassed by the global internal control project
- Internal audit of the Group's and subsidiaries' various processes based on a risk-based internal audit plan
- Special investigations
- Member of program management office for the global internal control project
- External audit co-ordination
- Audit committee meeting planning and administration
- Internal audit reports to the executive management, the audit committee and the board of directors

Elekta´s process for risk management and internal control

The board and its committees assume the overall responsibility for establishing effective governance of Elekta including risk management and internal control. The responsibility for designing, implementing and conducting effective governance including risk management and internal control is delegated to the President and CEO, who is assisted by the executive management, other operational managers and personnel, the so-called "first line of defense".

In addition, specifically established functions such as compliance, quality assurance, regulatory affairs, internal control, etc. provide guidance and assessments on governance, risk management and internal control related to their areas of expertise, the so-called "second line of defense,". The internal audit function, the so-called "third line of defense", provides independent and objective assurance and advisory support to management on governance, risk management and internal control.

Elekta has defined risk management and internal control as a process, affected by the board and its committees, the President and CEO, the executive management and other managers and personnel, and designed to provide reasonable assurance regarding the achievement of objectives relating to:

Operations

- Effectiveness and efficiency of operations
- Safeguarding of assets against loss

Reporting

- Reliability, timeliness and transparency of internal and external financial and non-financial reporting

Compliance

- Adherence to applicable laws and regulations, and internal steering documents

Risk management and internal control over financial reporting is a sub-set of the risk management and internal control process. The risk management and internal control process is applicable to all Elekta operations, including business areas, regions, functions, management, people, processes and technology.

All business activities involve risks from external and internal sources. Risk is defined as the possibility that an event will occur and adversely affect the achievement of objectives. Risks that are effectively managed may lead to opportunities and value creation, while risks that are not could result in damage and losses.

Internal governance and control environment

Elekta's internal governance and control environment comprise its values, code of conduct, risk strategy, organization, roles and responsibilities, delegation of authority, and policies and procedures. Policies and procedures clarify certain important aspects of the control environment such as board independence from management, a commitment to attract, develop and retain competent individuals as well as performance measures, incentives and rewards to drive accountability for performance.

Elekta has adopted a number of steering documents at group-wide level:

- Working Instructions for the board of directors, working instructions for the Chief Executive Officer, instructions regarding financial reporting for the board of directors, working instructions for the audit committee, a directive for the executive compensation and capability committee and a charter for the internal audit function
- Values
- Code of conduct, anti-corruption policy, whistle-blowing procedure and competition policy
- Elekta financial guide

To govern the operations, Elekta has established a business management system with internal steering documents. The most important elements of this system are:

- The organizational structure with defined roles and responsibilities and delegation of authority
- Other policies and procedures such as the communication policy, quality policy, environmental policy, IT policies and HR policies
- Processes and work instructions, for example, the strategy and management processes, the main business processes (time to market, time to customer and installed base management), as well as supporting processes

In addition to group-wide steering documents and the business management system, operations are also governed by external laws, regulations, rules and guidelines, such as the Swedish companies act, NASDAQ Stockholm rule book for issuers, Swedish corporate governance code, and requirements and standards from supervisory authorities in the field of medical technology.

The board of directors' report on risk management and internal control over financial reporting

The board of directors' report on risk management and internal control over financial reporting has been prepared in accordance with the annual accounts act and the Swedish corporate governance code, and constitutes an integral part of the corporate governance report. The external financial reporting has been prepared in accordance with laws and regulations and applicable accounting standards, namely the International Financial Reporting Standards (IFRS), and other requirements on listed companies, such as the NASDAQ Stockholm Rule Book for Issuers. Elekta's work on risk management and internal control over financial reporting is based on the 2013 updated internal control – integrated framework (the "framework"), and the enterprise risk management integrated framework (the "ERM framework"), both established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The COSO framework is based on 17 fundamental principles linked to the five components: control environment, risk assessment, control activities, monitoring, and information and communication.

Objective

The Elekta Group is governed and controlled based on the distribution of rights and responsibilities, including decision-making, among different corporate bodies according to laws and regulations as well as internal steering documents. A structure is provided through which Elekta's objectives and the means of attaining these objectives and monitoring performance are set. The objectives reflect choices made on how the Group seeks to create, preserve and realize value for its stakeholders. Governance is twofold; it concerns both effectiveness and accountability. Effectiveness is measured by performance, and accountability includes all issues surrounding disclosure and transparency.

Objective setting is a prerequisite necessary to internal control and a key part of the Elekta strategy and management processes. Therefore, Elekta's corporate governance encompasses both the strategy and management processes, outlining the establishment of both long-term objectives and strategies with at least a three-year perspective and short-term objectives and plans with a one-year perspective, and the risk management and internal control process.

Control environment

Important elements of the control environment applicable for Elekta's financial reporting are the financial guide, including the accounting policy, reporting instructions, authorization policy and finance policy. In addition, there are other important elements of the control environment for financial reporting such as the communication policy and processes and work instructions to be found in group wide steering documents and in the Elekta business management system.

Risk assessment is carried out continuously throughout the year in order to identify risks that can affect the possibility to reach targets set in relation to the strategy, the business, reporting and compliance.

Risk assessment

Risk assessment includes identifying any risk that the qualitative characteristics of useful financial information according to IFRS may not be fulfilled or the financial reporting assertions may not be supported. Risk assessment criteria include occurrence, completeness, accuracy, cut-off, classification, existence, rights and obligations, and valuation for profit and loss and balance sheet items in the financial reporting as applicable, but also information processing relating to input, processing and recording of data. A risk assessment regarding internal control over financial reporting is performed once a year and covers profit and loss and balance sheet items in the financial reporting and related areas and processes. The work is documented in a risk map and included in risk and control matrices (RACM:s) per area and process.

Control activities

Control activities mitigate the risks identified to achieve set objectives through adherence to risk tolerance levels in terms of globally defined minimum internal control requirements over financial reporting. The control activities are documented in risk and control matrices (RACM:s) per area, process and risk.

Control activities are aimed at preventing errors and irregularities from occurring and/or detecting errors and irregularities that may have occurred. Control activities can be manual or automated, such as authorizations and approvals, verifications, reconciliations, and business performance reviews, or a combination of the two.

Control activities comprise the following areas and processes:

- Entity level controls – over the control environment
- General IT controls – over IT system components, processes and data for a given IT environment including logical access, program change management, back-up and recovery
- Process controls – over processes such as order recognition, order to cash, revenue recognition, purchase to pay, inventory, payroll and financial statement close.

The globally defined minimum internal control requirements over financial reporting comprise entity level controls that are regulated through Elekta's steering documents at Group-wide level, the business management system and internal control frameworks of standard controls that include general

IT controls and uniform process controls for all Elekta companies and locally defined controls where necessary. The controls included in the internal control framework are documented in RACM:s as standard models for all entities and then specifically for each individual entity. All controls in the internal control framework are based on risk assessments of financial flows that impact the financial reporting in general and more specifically for the individual entities.

Monitoring

Monitoring of internal control over financial reporting is carried out through ongoing evaluations, separate evaluations, or some combination of the two, to ascertain whether the five components of risk management and internal control are present and functioning. Control environment, risk assessment, control activities, monitoring and information and communication.

Ongoing evaluations are routine operations, built into processes. Monitoring takes place on a real-time basis by operational managers and personnel and periodically by management at different levels of the Group, and the audit committee and the board, and includes for example monitoring of the following:

- Business and financial performance
- Order bookings and revenue recognition
- Compliance reports from the compliance function
- Internal audit reports from the QA and RA functions related to, for example, the quality system and regulatory compliance
- Internal audit planning
- Internal audit reports from the internal audit function
- External audit reports from the external auditor

Special evaluations may be performed through:

- Periodic reviews of whether risk management and internal control are operating as intended by financial managers and general management at local, regional, business area and Group level as applicable
- Control self-assessment (CSA), a tool for local management to report on the current status of effective design and operating effectiveness of the globally defined minimum internal control requirements over financial reporting documented in RACM:s
- Internal audit according to the internal audit plan

Instructions and budget approvals of internal control for financial reporting are conducted by the audit committee on behalf of the board of directors and require supporting documentation in the form of presentation of status, progress and solutions as well as supporting appendixes such as Internal audit reports and internal control reports. Status, progress and solutions for internal control over financial reporting are discussed at the audit committee meeting and instructions are documented and where approvals are required, approvals are performed and documented accordingly. The audit committee subsequently briefs the board of directors at the next board meeting and provides supporting documentation for discussion and approval.

Information and communication

Information and communication regarding risk management and internal control over financial reporting relates to both internal and external information and communication.

Internal information about important internal steering documents for risk management and internal control over financial reporting, including and RACM:s, as well as the communication policy and processes, work instructions and other relevant information in the Elekta business management system, are channeled down the organization and communicated to relevant personnel on the Group's intranet. Internal information regarding the status of the effective design and operating effectiveness of risk management and internal control over financial reporting are channeled up the organization based on the result of the monitoring in order for management at different levels to be able to take corrective actions as necessary. The President and CEO and the Chief Audit Executive in turn inform the audit committee and the board, respectively, of the results of the monitoring in order for them to be able to fulfill their oversight responsibility. This communication normally takes place at the ordinary audit committee meetings and board meetings, respectively.

Elekta provides the financial markets and other stakeholders with continuous external information and communication regarding the Group's and the Company's financial performance and position in accordance with the communication policy. External information and communication regarding financial reporting is provided in the form of:

- Interim reports, year-end reports and annual reports
- Press releases on news and events that may significantly affect the Group's valuation and future prospects
- Presentations and telephone conferences for financial analysts, investors and media representatives on the day of publication of interim reports and year-end reports and in conjunction with the release of important news and events
- Capital market days arranged by the Group at one of its major entities or in conjunction with major scientific conferences
- Information on the Elekta website: www.elekta.com, including reports, press releases and presentations

Elekta observes a silent period prior to each interim and year-end report.

Activities in the fiscal year 2016/17

During the fiscal year 2016/17, the implementation of the global internal control project, comprising the internal control framework for financial reporting, proceeded and was completed according to plan. The implementation has been validated by the internal control function. Internal audits of implementation and operational compliance were performed at a selection of implemented entities. The project is administered by a program management office with representatives from the internal audit function and the internal control function. The review of the company's internal steering documents as a basis for the company's control environment proceeded as planned during the fiscal year. Continuous information on the status and progress of the project and the results of the internal audits were addressed at the meetings of the audit committee and subsequently followed up by the board.

Activities in the fiscal year 2017/18

During the 2017/18 fiscal year, the plan is to expand the global internal control framework through the implementation of a number of additional processes and implementation at a few smaller entities currently not in scope for the internal control framework. Administration and support of the control framework as well as the identification and management of improvement measures will be carried out throughout the year. The review of the company's internal steering documents as a basis for the company's control environment will continue as planned during the fiscal years.
The internal audit plan will, based on a risk perspective, have its main focus on financial reporting, operating processes, and on specific risk areas.

Board of directors

				
	Laurent Leksell	**Luciano Cattani**	**Annika Espander Jansson**	**Siaou-Sze Lien**
First elected:	1972	2008	2015	2011
	Board chairman Chairman of the executive compensation and capability committee	Member of the board Member of the executive compensation and capability committee	Member of the board Member of the audit committee	Member of the board Member of the executive compensation and capability committee
Attendance:	12/12 8/8	11/12 8/8	12/12 4/4	12/12 8/8
Total fees:	1,075,000 90,000	460,000 50,000	460,000 110,000	460,000 50,000
Year of birth:	1952	1945	1964	1950
Education:	MBA and PhD from Stockholm School of Economics, Sweden	Master of Science in Economics from the University of Rome, Italy	Bachelor of Science in Chemistry from Uppsala University/University of Michigan, and MBA in International Business Management from Uppsala University, Sweden	Bachelor of Science in Physics from Nanyang University and a Master of Science in Computer Science from Imperial College in London
Independence:	Not independent in relation to the Company and the executive management and, being the Company's largest shareholder, not independent in relation to major shareholders	Independent of the Company and the executive management and independent of major shareholders	Independent of the Company and the executive management and independent of major shareholders	Independent of the Company and the executive management and independent of major shareholders
Other board assignments:	Board chairman: Leksell Social Ventures Board member: International Chamber of Commerce (ICC) and Stockholm School of Economics	–	Board member: Lifco AB, Esperio AB and Asperia AB	Board member: Nanyang Technological University (NTU), NTU's Confucius Institute, Japfa Ltd and Singapore Corporation of Rehabilitative Enterprises (SCORE)
Holdings in Elekta AB: (own and closely related parties)	14,980,769 A-shares 9,056,624 B-shares	20,000 B-shares	8,000 B-shares	10,000 B-shares
Principal work experience and other information:	Founder of Elekta and Executive Director from 2005 to 2013. Former President and CEO of Elekta during the years from 1972 to 2005. Among others, Assistant Professor and Faculty member of Stockholm School of Economics, IFL and Insead Fontainebleau, and Visiting Scholar at Harvard Business School	President for EMEA at Stryker Corporation from 2001 to 2004, Group President International at Stryker Corporation from 2005 to 2008, and Executive Vice President International Public Affairs at Stryker Corporation from 2008 to 2010. CEO of Eucomed (European MedTech Industry Trade Association) in 2012	25 years' experience as an advisor and investor, as well as from executive positions within the financial markets, among others from Handelsbanken, Enskilda Securities, and Catella. Operational experience from the pharmaceutical industry (Pharmacia). Currently CEO at Asperia AB	Senior Executive Coach at Mobley Group Pacific Ltd after a 28-year career at Hewlett-Packard. Until 2006, Senior Vice President, Hewlett-Packard Services for the Asia Pacific & Japan region

Johan Malmquist	**Tomas Puusepp**[1]	**Wolfgang Reim**	**Jan Secher**	**Birgitta Stymne Göransson**
				
2015	2013	2011	2010	2005
■ Member of the board ■ Member of the executive compensation and capability committee	■ Member of the board	■ Member of the board ■ Member of the audit committee	■ Member of the board ■ Member of the audit committee	■ Member of the board ■ Chairman of the audit committee
■ 12/12 ■ 8/8	■ 11/12	■ 12/12 ■ 4/4	■ 12/12 ■ 4/4	■ 12/12 ■ 4/4
■ 460,000 ■ 50,000	■ –	■ 460,000 ■ 110,000	■ 460,000 ■ 110,000	■ 460,000 ■ 200,000
1961	1955	1956	1957	1957
Bachelor Degree Stockholm School of Economics, Sweden	Electrical Engineer, studies in Physics at the Royal Institute of Technology in Stockholm and at the University of Stockholm and Management (IEP) at IMD in Lausanne	Master in Natural Sciences and PhD in Physics from the Federal Institute of Technology ETH in Zürich	Master of Science in Industrial Engineering and Management from Linköping University, Sweden	MBA from Harvard Business School and Master of Science in Chemical Engineering and Biotechnology from the Royal Institute of Technology in Stockholm, Sweden
Independent of the Company and the executive management and independent of major shareholders	Not independent in relation to the Company and the executive management but independent in relation to major shareholders	Independent of the Company and the executive management and independent of the major shareholders	Independent of the Company and the executive management and independent of the major shareholders	Independent of the Company and the executive management and independent of the major shareholders
Board chairman: Tingstad AB and Arjo AB Board member: Mölnlycke Health Care AB, Dunkerstiftelserna, Chalmers University of Technology Foundation, SCA AB, Trelleborg AB, and Getinge AB	Board chairman: Global Medical Investments GMI AB Board member: The Swedish American Chamber of Commerce in New York and Permobil AB	Board chairman: Ondal Medical Systems GmbH- Board member: GN Store Nord A/S, Klingel GmbH and Medlumics S.L.	Board chairman: Peak Management AG Board Member: The European Chemical Industry Council and IKEM (Innovation and Chemical Industries in Sweden)	Board chairman: HL Display and Fryshuset Foundation Board member: Pandora AS, Capio AB, Rhenman & Partners Asset Management AB, Midsona AB, and Sportamore AB
20,000 B-shares	600,000 B-shares	17,500 B-shares	18,800 B-shares	6,100 B-shares
Extensive experience from the medical technology industry, among others as president and CEO for Getinge AB between 1997 and 2015. Before that, various positions within the Getinge group and Electrolux group	Various positions at the Research Institute for Nuclear Physics, Scanditronix and Ericsson before being employed by Elekta in 1988. Since then, he has held various management positions within the Company, including head of Elekta's neurosurgery operations, President of Elekta's subsidiary in North America, global head of Elekta's sales, marketing and service operations, and President and CEO of Elekta during fiscal years 2005/06 to 2013/14, and during 2015/16	CEO at DORC B.V. since March 2017. Previously, independent consultant focusing on the medical technology industry. Until the end of 2006, CEO of Drager Medical AG. At Siemens from 1986 until 2000, as President of the Special X Ray Products Division and CEO of the Ultrasound Division among other positions	President and CEO of Perstorp AB from September 2013. Previously President and CEO of Ferrostaal AG from 2010 to 2012, operating partner of the US private equity fund Apollo in London from 2009 to 2010, CEO of Clariant AG in Basel from 2006 to 2008 and CEO of SICPA in Lausanne from 2003 to 2005. Before he held various leading positions in the ABB Group during the years from 1982 to 2002	President and CEO of Memira Group 2010 to 2013. CEO of Semantix Group 2005 to 2009, and COO/CFO of Telefos 2001 to 2005. Before that, various management positions, including Åhléns AB, Gambro and McKinsey & Co

1) Tomas Puusepp served as Elekta's President and CEO from May 13, 2015 until June 9, 2016. For information about Tomas Puusepp's remuneration, see Note 5

Executive management

Richard Hausmann[1]

Year of birth: 1960
Role: President and CEO
Employed since: 2016
Holdings[4]: 29,000 B-shares
Education: Doctorate in Physics from Regensburg University, Germany

Ian Alexander

Year of birth: 1958
Role: Chief Commercial Officer (CCO)
Employed since: 2008–2011 and since 2012
Holdings[4]: 1,332 B-shares

Jonas Bolander

Year of birth: 1966
Role: EVP Legal and Compliance
Employed since: 2001
Holdings[4]: 200 B-shares
Education: Master of Laws from Stockholm University

Peter Gaccione[2]

Year of birth: 1959
Role: EVP Region North America
Employed since: 1997
Holdings[4]: -
Education: BS Electronic Engineering

John Lapré

Year of birth: 1964
Role: Chief Technology Officer (CTO)
Employed since: 2011 (Nucletron 2009)
Holdings[4]: 5,250 B-shares
Education: MSc in Human Nutrition and Physiology, and PhD in Toxicology from Wageningen University

Ioannis Panagiotelis

Year of birth: 1972
Role: Chief Marketing Officer (CMO)
Employed since: 2017
Holdings[4]: -
Education: MSc in Medical Physics and a PhD in Biomedical Physics and Bioengineering from the University of Aberdeen, and MBA from IESE Business School in Barcelona

Gustaf Salford[3]

Year of birth: 1977
Role: Chief Financial Officer (CFO)
Employed since: 2009
Holdings[4]: 2,100 B-shares
Education: MSc in Business Administration, Stockholm School of Economics

Johan Sedihn

Year of birth: 1965
Role: Chief Operating Officer (COO)
Employed since: 1993
Holdings[4]: 79,462 B-shares
Education: MSc in Industrial Engineering and Management from Linköping University

Karin Svenske Nyberg

Year of birth: 1966
Role: EVP HR
Employed since: 2017
Holdings[4]: -
Education: MSc Chemical Engineering, Royal Institute of Technology, Stockholm, and Behavioural Science, Stockholm University

Maurits Wolleswinkel

Year of birth: 1971
Role: Chief Strategy Officer (CSO)
Employed since: 2011
Holdings[4]: 5,000 B-shares
Education: MSc in Mechanical Engineering from Delft University of Technology, and MSc in General Management from Nyenrode University

1) Richard Hausmann assumed the role as President and CEO effective on June 10, 2016. Richard Hausmann succeeded Tomas Puusepp, for more information about Tomas Puusepp see pages 58–59
2) Peter Gaccione assumed the role as EVP Region North America on June 1, 2017, succeeding Bill Yaeger
3) Gustaf Salford assumed the role as Chief Financial Officer on July 1, 2017, succeeding Håkan Bergström
4) Own and closely related parties

Auditor's report on the corporate governance statement

To the general meeting of the shareholders in Elekta AB (publ) corporate identity number 556170-4015.

Engagement and responsibility

It is the board of directors who is responsible for the corporate governance statement for the year the financial year May 1, 2016 – April 30, 2017 on pages 48–60 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, July 10, 2017

PricewaterhouseCoopers AB
Signature on original auditors' report in Swedish[1)]

Johan Engstam Authorized public accountant Auditor-in-charge	Camilla Samuelsson Authorized public accountant

1) This is a translation of the original auditors' report in Swedish. In the event of any differences between the translation and the original statement in Swedish, the Swedish version shall prevail

Content

Board of Directors' Report

The Board of Directors and the CEO of Elekta AB (publ.), corporate identity number 556170-4015 and registered office in Stockholm, hereby submit the consolidated financial statements and annual report for the fiscal year 2016/17, covering the period May 1, 2016 – April 30, 2017. Amounts in parentheses indicate values for the previous fiscal year. Elekta AB (publ.) is referred to as "Elekta AB" or "the Parent Company" and the Elekta Group, which includes Elekta AB and its subsidiaries, is referred to as "Elekta" or "the Group".

Elekta's operations

Elekta is a medical technology company which aims to improve, prolong and save lives through clinical solutions for treating cancer and brain disorders. The Group develops clinical treatment solutions for radiation therapy and radiosurgery, as well as workflow-enhancing software systems, across the spectrum of cancer care. Elekta is a leader in clinical solutions for image guided radiation therapy and stereotactic radiosurgery, giving oncologists and neurosurgeons an unmatched capability to treat tumors and functional targets with ultra-high precision while sparing healthy tissue.

Elekta's products comprise hardware as well as software and service with a focus on clinical solutions. Elekta's treatment solutions and oncology informatics portfolios are designed to enhance the delivery of radiation therapy, radiosurgery and brachytherapy, and to drive cost efficiency in clinical workflows. Elekta's operations are divided into three geographical regions:

- North and South America
- Europe, Middle East and Africa
- Asia Pacific

Market outlook

The global market development for Elekta's solutions is driven by the need for qualitative cancer care at an affordable cost.

Cancer incidence and prevalence are increasing. More patients are surviving their cancer, which increasingly makes cancer a chronic disease with growing number of patients all over the world in need of long-term care. The cost of cancer care is increasing and the demands for cost efficiency in health systems and among care providers is an important part of the market dynamics. This benefits solutions within radiation therapy which is one of the most cost-effective treatment solutions. The evolving consolidation and integration in care delivery will further support comprehensive and complete solution suppliers, such as Elekta.

A complete radiation therapy program includes various technologies in Elekta's product portfolio. Each solution is addressing various cancer types as well as cancer patients and our all important complementary solutions. New advancements in precision, accuracy and effectiveness will increase the need for radiation therapy. Information management solutions constitute an important element in care delivery where hospital information systems and cancer informatics are other important elements of Elekta's solutions. There is a significant shortage of radiation therapy capacity, which is an important fact in understanding the potential and market outlook in many developing economies.

Competition

The main competitor in the global market, with a comprehensive product range and overlap with Elekta, is Varian Medical Systems. Elekta is overall one of the largest supplier of radiation therapy solutions. For the emerging markets, Elekta is the largest supplier. Elekta is the market leader in many segments, such as intracranial radiosurgery, HDR brachytherapy and information management solutions.

From a competitive perspective there are also various companies addressing specific segments within radiation therapy. Companies, such as Accuracy with its radiosurgery solutions, Bebig with its brachytherapy products, and Philips and Raysearch with its treatment planning solutions, are part of our competitive landscape. Hospital Information System (HIS) companies are addressing the HIS market with hospital wide solutions where cancer care is one of many different specialties. In addition there are a number of companies with products and applications supporting different aspects of cancer care processes.

Long-term financial ambitions

Elekta's aim is to achieve sustainable profitable growth. Elekta conducts its operations based on a long-term plan which is regularly reviewed and evaluated by the Board of Directors. The following financial objectives form the basis of long-term planning and are currently under review:

- Organic sales growth exceeding 10 percent in local currency
- Operating result improvement rate to exceed the sales growth in SEK
- Return on capital employed to exceed 20 percent
- Net debt/equity ratio less than 0.50

The financial year 2016/17

- Gross order intake was SEK 14,064 M (13,821), an increase of 2 percent or a decrease of 1 percent based on constant exchange rates
- Net sales decreased 5 percent to SEK 10,704 M (11,221), or 7 percent based on constant exchange rates
- EBITA before items affecting comparability and bad debt losses amounted to SEK 1,661 M (1,639)
- Items affecting comparability was SEK –518 M (–598) and bad debt losses SEK –46 M (–149)
- Operating result was SEK 598 M (423)
- Profit for the year amounted to SEK 126 M (145)
- Earnings per share amounted to SEK 0.33 (0.36) before/after dilution
- Cash flow from operating activities amounted to SEK 1,819 M (1,170), representing an operational cash conversion of 145 percent (111)
- Cash flow after continuous investments amounted to SEK 1,045 M (396)
- The Board of Directors proposes a dividend of SEK 1.00 (0.50) per share for 2016/17 to be divided into two payments

Order intake and order backlog

As from the fiscal year 2016/17, Elekta reports gross order intake instead of net order intake. This is in line with industry peers. The difference between gross and net order intake are backlog adjustments and currency effects.

Gross order intake increased by 2 percent and decreased by 1 percent based on constant exchange rates. The order backlog was SEK 22,459 M on April 30, 2017, compared with SEK 18,239 M on April 30, 2016. Orders that are cancelled or not expected to materialize as planned are removed from the order backlog. The order backlog was affected by adjustments of SEK –441 M (–941) and translation differences of SEK 1,295 M (–511) relating to the revaluation of the order backlog at closing rates. The order backlog as per 30 April 2017 is expected to be revenue recognized as follows: 35 percent in fiscal year 2017/18, 26 percent in 2018/19, and 39 percent thereafter.

GROSS ORDER INTAKE

SEK M	2016/17	2015/16	Change, %
North and South America	4,516	4,954	–9%
Europe, Middle East and Africa	5,078	4,824	5%
Asia Pacific	4,470	4,043	11%
Group	**14,064**	**13,821**	**2%**

Market comments

North and South America

Gross order intake in the region decreased by 9 percent to SEK 4,516 M (4,954), corresponding to a 11 percent decrease based on constant exchange rates. Latin America was solid while North America underperformed. In particular there were challenges within the solutions area while service was showing solid growth. Net sales increased by 4 percent to SEK 4,147 M (4,005), corresponding to an increase of 1 percent based on constant exchange rates. The contribution margin in the region was positively affected by cost savings and amounted to 37 percent (32). Measures to strengthen operations in the US were taken and on June 1, Peter Gaccione was appointed Executive Vice President for North America.

The market in the US remained stable and investments in renewing the installed base of radiation therapy equipment continued. Market growth is primarily related to services. Hospital consolidation continues and is driving the market towards more comprehensive solutions and larger projects, as well as longer lead times for purchasing decisions. In South America, demand for cancer care is growing mainly driven by a rapidly aging population and a substantial shortage of radiation therapy capacity. However, weak economic conditions throughout the region have slowed investments in new equipment. See page 34 for more information on region North and South America.

Europe, Middle East and Africa

Gross order intake in the region increased by 5 percent to SEK 5,078 M (4,824) and increased by 4 percent based on constant exchange rates. Net sales decreased by 6 percent to SEK 3,444 M (3,651), corresponding to a decrease of 5 percent based on constant exchange rates. The decrease was mainly related to third party products. The contribution margin in the region amounted to 31 percent (24). The increase compared to the previous year mainly relates to a lower level of bad debt losses and cost savings.

During the year, Elekta signed a number of significant orders, including New Karolinska Solna in Sweden, Andalusian Health Service in Spain, Stavros Niarchos Foundation in Greece and a few Elekta Unity orders.

Radiation therapy capacity in Western Europe is insufficient, evidenced by the long waiting times for treatment in many countries. This is being addressed through increased investments by public health care systems as well as an expansion of private care providers. Emerging markets across the region performed favorably. Eastern Europe showed growth while the Middle East was mixed, with growth in the recently opened market in Iran. Growth in Africa has been significant and represents an interesting long-term growth potential.

During the year Elekta established a direct sales support and service hub in Russia, which is expected to be operational in 2017/18.

See page 34 for more information on region Europe, Middle East and Africa.

Asia Pacific

Gross order intake in the region increased by 11 percent to SEK 4,470 M (4,043), corresponding to a 5 percent increase based on constant exchange rates with good growth in China and India. Affected by the one-off effect of the new produce-to-order process, net sales decreased by 13 percent to SEK 3,114 M (3,565), corresponding to a decrease of 17 percent based on constant exchange rates. The decrease mainly related to China and Japan. The contribution margin in the region amounted to 30 percent (27).

The region is home to almost 60 percent of the global population, but has less than 30 percent of the world's total capacity for radiation therapy. Accordingly, there is a large unmet need for cancer care. The main market drivers are longer life expectancy and greater economic prosperity, which are leading to a growing need for investments in health care. Market growth in the region was favorable during the year. High-growth markets include China, India and South East Asia. The Japanese market is currently weak.

See page 35 for more information on region Asia Pacific.

Net sales

Net sales decreased by 5 percent to SEK 10,704 M (11,221), equivalent to a decrease of 7 percent based on constant exchange rates. The decrease was mainly related to the one-off effect from the new produce-to-order process.

SEK M	2016/17	2015/16	Change, %
North and South America	4,147	4,005	4%
Europe, Middle East and Africa	3,444	3,651	–6%
Asia Pacific	3,114	3,565	–13%
Group	**10,704**	**11,221**	**–5%**

Earnings

Gross margin was 41 percent (41). Operating expenses, decreased by 6 percent as a result of cost reduction activities and currency effects. Selling and administrative expenses amounted to SEK 2,093 M (2,362), corresponding to 20 percent (21) of net sales.

EBITA before items affecting comparability and bad debt losses amounted to SEK 1,661 M (1,639). Items affecting comparability amounted to SEK –518 M (–598) and mainly refer to costs related to legal disputes and costs for severance, efficiency initiatives and external support within the transformation program. The effect from changes in exchange rates was approximately SEK 315 M (60), including hedges.

Operating result was SEK 598 M (423), corresponding to an operating margin of 6 percent (4).

Net financial items amounted to SEK –258 M (–234). The increase was related to an impairment of participations in associates (Global Medical Investments GMI AB) while interest expenses decreased due to lower interest rates. Profit before tax amounted to SEK 340 M (189). Tax amounted to SEK –214 M (–44). The tax rate was high because of low or negative results in entities in low tax jurisdictions. Profit for the year amounted to SEK 126 M (145).

Earnings per share amounted to SEK 0.33 (0.36) before/after dilution. Return on shareholders' equity amounted to 2 percent (2) and return on capital employed amounted to 5 percent (4).

Investments and depreciation

Continuous investments were SEK 682 M (865) including investments in intangible assets of SEK 541 M (687). Investments in intangible assets are mainly related to ongoing R&D programs. The reduction was related to the Elekta Unity project coming to its final development phase and to an investment in licenses made in 2015/16. The reduced investment in other assets was also R&D related. Amortization of intangible assets and depreciation of tangible fixed assets amounted to a total of SEK 655 M (634).

Research and development

Elekta conducts research and development (R&D) aimed at strengthening and enhancing its position as technology leader. R&D expenditure, before capitalization of development costs, decreased by 12 percent (5) and amounted to SEK 1,196 M (1,355), equal to 11 percent (12) of net sales. Costs related to the R&D function amounted to SEK 1,018 M (1,065). Capitalization and amortization of development costs in the R&D function amounted to a net of SEK 178 M (290). Capitalization amounted to SEK 534 M (591) and amortization to SEK 356 M (301).

Cash flow

Cash flow from operating activities increased by SEK 649 M to SEK 1,819 M (1,170). Cash flow after continuous investments increased to SEK 1,045 M (396). Operational cash conversion was 145 percent (111). The cash flow improvement was mainly due to the positive effects from the transformation program with a reduction of working capital. Cash flow was negatively affected by cash outflow from the transformation program and costs related to legal disputes of approximately SEK 575 M (250). Cash outflow to continuous investments included SEK –92 M relating to investments in intangible assets made in 2015/16.

See pages 76–77 for more information on the consolidated cash flow.

Financial position

Cash and cash equivalents amounted to SEK 3,383 M (2,273) and interest-bearing liabilities amounted to SEK 5,272 M (4,950). Thus, net debt amounted to SEK 1,889 M (2,677). Equity amounted to SEK 6,774 M (6,412). Net debt/equity ratio was 0.28 (0.42).

In April the convertible loan corresponding to a value of SEK 1,820 M matured. The convertible bond was refinanced through a SEK 1,000 M bond issued under the MTN program. Elekta also entered into a five-year loan agreement of GBP 90 M (approximately SEK 1,000 M) with the Nordic Investment Bank with the purpose of financing R&D investments.

The balance sheet has been affected by changes in exchange rates. The exchange rate effect of the translation of cash and cash equivalents amounted to SEK 138 M (–72). The translation difference in long-term interest-bearing liabilities amounted to SEK 207 M (–43). Shareholder's equity was affected by exchange rate differences amounting to SEK 364 M (–281).

See pages 72–73 for more information on the consolidated balance sheet.

Employees

The average number of employees during the year was 3,581 (3,677). The number of employees on April 30, 2017 totaled 3,681 (3,617). Value added per average employee amounted to SEK 1,140 T (1,060).

Significant events during the year

Change of President and CEO

Richard Hausmann was appointed as the new President and CEO effective June 10, 2016. He succeeded Tomas Puusepp.

Richard Hausmann joined Elekta with nearly three decades of experience in the medical device industry. He led GE's Magnetic Resonance (MR) division as President and CEO, served as President and CEO of Siemens computed tomography (CT) and worked at Siemens in leading positions in its MR business. He also acted as President and CEO of Siemens Ltd China, responsible for the company's entire portfolio in its core emerging market. Richard has a solid track record of bringing clinical innovations to the global health care market and is known for his deep insights into customer and patient needs, with a strong workflow and outcome orientation. Richard Hausmann has a doctorate in physics from the University of Regensburg.

Changes to the Executive Management team

Todd Powell, Executive Vice President Global Engineering, left the company with effect from October 31, 2016.

Karin Svenske Nyberg joined Elekta as Executive Vice President Human Resources on January 16, 2017. Valerie Binner, former Executive Vice President Human Resources, left the company with effect from June 10, 2016.

On February 13, 2017, Ioannis Panagiotelis joined Elekta and the Executive Management Team as Chief Marketing Officer. With effect from the same date Maurits Wolleswinkel, former EVP Marketing and Strategy assumed the position as Chief Strategy Officer in the Elekta Executive Management Team.

The Transformation program

The implementation of the transformation program is completed and all the objectives announced in June 2015 are on track to be fully realized during fiscal year 2017/18. The overall ambition is to create more efficient operations, with improved profitability and cash flow. The program has included measures to strengthen our customer services and support, our innovation capacity and activities for increased efficiency in supply chain and procurement processes. The objectives of the transformation and status as of the fourth quarter:

- EBITA margin of >20 percent in the fiscal year 2017/18. This is on track with an improvement during 2016/17 of 16 percent (15)
- Cost savings of SEK 700 M (base year 2014/15, excluding currency effects) with full effect from fiscal year 2017/18. With annualized savings rate of SEK 540 M this is on track. A reduction of procurement costs of SEK 150 M will be realized during fiscal year 2017/18
- Net working capital to sales below 5 percent. Net working capital to net sales reached –6 percent at the end of the year
- Implement a produce-to-order process. This was completed in the second quarter of the year

humediQ legal dispute

On May 23, 2016, an arbitration tribunal in London issued an award in the dispute between two Elekta group companies and humediQ GmbH. The award concluded an arbitration with humediQ arising out of an agreement for the exclusive supply of Identify™ under the Elekta label, which was entered into in 2011. The tribunal determined that the Elekta companies did not validly terminate the 2011 agreement and that, as a result, they must pay humediQ EUR 8.9 M for Identify systems the Elekta companies did not order according to minimum volume commitments in the contract. This amount is less than half of the EUR 19 M that humediQ claimed in the arbitration. The tribunal also held that the respective success of each party was comparable and that each party should bear its own legal costs. The Elekta companies do not have any further obligation to purchase any systems from humediQ. In addition to the damages ordered in the arbitration award, Elekta has written off approximately EUR 5 M in receivables related to the agreement with humediQ. An amount of SEK 29 M relating to humediQ has been reported as items affecting comparability. This amount is in addition to SEK 128 M, which was reported as items affecting comparability in 2015/16.

Processes regarding intellectual property rights

On April 3, 2017, it was announced that Elekta and Varian Medical Systems reached a confidential settlement agreement to end ongoing patent litigation involving technology used for radiation oncology and the treatment of cancer. Varian and Elekta resolved the multi-year disputes in the United States, Germany, and the United Kingdom, including the suit brought by Elekta AB and William Beaumont Hospital, with no payments exchanged by the plaintiffs and defendants and no future financial obligations. The two companies have been in litigation since 2015.

Investigation in Italy

As communicated in November 2015, Elekta's subsidiary in Italy and some former employees are suspected of interfering with public procurement processes. Elekta provided all requested information to the Italian authorities during the investigation which closed in August 2016. Elekta has zero tolerance for any deviation from the code of conduct and clear corporate policies and procedures in place. The Public Prosecutor of Milan, Italy, has in 2017 initiated preliminary hearings involving individuals and Elekta's Italian subsidiary in connection with alleged bid-rigging allegations.

Legal dispute in the Netherlands

A group of employees have sued Nucletron B.V. and claims that they have suffered a pension loss as a result of the transition from an old to a new pension scheme in 2004. The claims have not been specified and Elekta's assessment is that the claims lacks merit. A decision in first instance is expected during fiscal year 2017/18.

Significant events after year-end

Changes to the Executive Management team

On May 10, 2017 Elekta announced that Gustaf Salford had been appointed Executive Vice President and Chief Financial Officer effective July 1, 2017. He succeeded Håkan Bergström.

On June 1, 2017, Elekta appointed Peter Gaccione as Executive Vice President for North America, succeeding Bill Yaeger.

The Executive Management team is presented on page 60.

New revolving credit facility

On June 29 Elekta AB entered into a new five year revolving credit facility for EUR 200 M with five banks. The existing EUR 175 M revolving credit facility with maturity in May 2018 has been cancelled in connection with the signing of the new facility. The new facility is primarily intended to be used as a back-up financing.

Sustainability

Responsible and sustainable business is critical to Elekta's ability to fulfill its business objectives. Elekta's sustainability activities embrace four focus areas; fight cancer with safe and efficient products, business ethics and prevent corruption, sustainable sourcing and environmental focus, human rights and diversity. All employees, as well as all business partners, must adhere to the standards of conduct and the ethical behavior described in our code of conduct and our anti-corruption policy.

The Elekta principles for employment practices, employee rights and human rights, as described in the code of conduct, are deployed on a local level throughout the Group and the supply chain in accordance with our new sustainable sourcing program.

Product safety and quality in products and services are key for Elekta and permeate all activities from product development and manufacturing to service activities. Elekta is striving to reduce the environmental impact of the Group's products and activities and to comply with all relevant environmental laws and regulations. The environmental responsibility is described in the Group's environmental policy. See pages 36–43 for more information about our responsibilities.

Quality

Elekta continue to focus on improving processes as one of their key strategic priorities. Elekta conducts regular audits to ensure compliance to established requirements from medical regulatory authorities. Where appropriate Elekta's development, production or sales units are certified in accordance to relevant ISO 9001 and ISO 13485 standards.

IT

The establishment of the shared service center, Elekta Business Services, in Poland has created the opportunity to improve and further standardize the business support processes. With single global instances of IT Solutions available, Elekta has been able to quickly migrate many business support activities into Poland and more easily establish new business operations around the world. At the same time, Elekta IT has been able to consolidate its own activities in Poland to create a cost efficient and effective support organization for the IT Solutions deployed within Elekta.

During the year, the IT teams have also executed infrastructure modernization and consolidation programs to further decommission over 400 hardware devices, replacing them with modern virtual systems to reduce space, power and cooling requirements. With every physical server consuming the same amount of electricity as the average domestic home, this work has made a good contribution to the corporate sustainability objectives and the "Green IT" agenda.

Cybersecurity is of growing concern globally. Elekta IT is committed to continuous strengthening of our security position, and during the year, additional preventive measures to protect our business from malware and cyber threats have been implemented. The ISO 27001 certificates have also been renewed as an ongoing commitment to quality and security compliance.

Elekta's adoption and deployment of secure cloud-based solutions for collaboration have been strengthened by the addition of new virtual meeting solutions in our major business locations. Not only will this help Elekta connect and collaborate in new ways, but it will reduce the cost and unproductive time associated with business travel.

Risks

Elekta's presence in a large number of geographical markets leave it open to potential exposure to political and economic risk on a global scale and in individual countries or regions. United Kingdom's decision to leave the European Union, as an example, might lead to economic uncertainty that may impact Elekta since an important part of the business is located in the United Kingdom. In some markets weak economic development and strained finances may mean less availability of financing for private customers and reduced future health care spending by governments.

Elekta operates in a competitive landscape. The medical equipment industry is characterized by relatively swift technological alterations with advances in industrial knowhow. Elekta's products are developed in close collaboration with research institutes. For Elekta it is of great significance that these prospective and intimate relationships are maintained, in order to understand customer needs.

New products and improved methods for treatment are continuously released and future developments on the medical equipment market might have an impact on Elekta's ability to compete. Thus, it is crucial that new products and technical solutions developed by Elekta are protected from the risk of improper use by competitors. When possible and deemed appropriate, Elekta protects its intellectual property rights by way of patents, copyrights and trademark registrations.

Elekta sells its products through its direct sales force and through an external network of agents and distributors. The Group's continued success is dependent on its ability to establish and maintain successful relationships with customers and collaborations with external sales channels.

Corruption is a risk and an obstacle for development and growth in some countries of which Elekta has operations. Elekta has implemented an anti-corruption policy to discourage corruption as well as third party risk management processes.

Elekta's operations comprise several geographical markets. This does expose the Group to a vast number of laws, regulations, policies and guidelines regarding topics such as health, security, environment, trade restrictions, competition, exchange control and delivery of products. As a manufacturer of medical equipment, Elekta's operation is guided by demands and standards set by regulatory authorities. Rule changes might bring about increased costs or hinder sales of Elekta's products. Regulatory processes may interfere with the possibility to introduce products.

Much like other companies within the same field of business, Elekta is dependent on assessments and decisions made by authorities such as Läkemedelsverket in Sweden or the FDA (Food and Drug Administration) in the US. Assessments of that sort are inclusive of product safety as well as permission to market and sell medical equipment. Applications to these authorities demand comprehensive documentation, and unforeseen circumstances might interfere with the ability to introduce, market, sell and deliver products, as well as hindering or limiting the commercial appeal and/or causing a severe financial cost.

Elekta has to fulfill rigorous demands in accordance with international rules and product safety standards from the International Electrotechnical Commission (IEC) and International Organization for Standardization (ISO), Rådets direktiv 93/42/EEG on medical products, FDA's demands on quality systems, as well as a number of other domestic directives and rules. These are explained in Elekta's quality system in accordance with ISO 9001 and ISO 13485. Quality systems are reviewed and certified by external regulatory authorities and are regularly inspected by FDA. To deviate from safety regulations is an example of a circumstance which might result in delays and prohibit deliveries of Elekta products.

Elekta is continuously evaluating conditions to enter new markets. The process takes into consideration both the opportunities and risks involved. There are regulatory registration requirements with each market that could potentially delay product introductions and certifications.

Political stability in certain countries and the security situation for employees traveling to exposed areas are constantly evaluated.

Elekta depends on the capability of producing advanced medical equipment, which requires highly qualified personnel. The Group's ability to attract and retain qualified personnel and management is of great importance and will have a significant impact on the future success of the Group.

Elekta's ability to commercialize its solutions is dependent on the reimbursement level that hospitals and clinics can obtain. Reimbursement systems vary depending on the country. Alterations in the existing reimbursement systems related to medical products or implementation of new regulations might have a direct impact on demand for Elekta's products. Elekta's delivery of treatment equipment relies on customers' capability to receive the delivery on site. Depending on contractual the terms a delay can result in postponed invoicing and also affect the timing of revenue recognition. The Group's credit risks are normally limited, since customer operations are, to a large extent, financed either directly or indirectly by public funds. See also Note 2 and Note 21 for more information on credit risk and credit exposure.

Elekta is dependent on a limited number of suppliers for delivery of critical components. There is a risk of delivery difficulties occurring due to circumstances beyond Elekta's control. Critical suppliers are regularly followed up regarding delivery precision and quality of components.

Integrating third party components with Elekta products might bring about product responsibility for the components. Unforeseen problems can cause delays, hinder or limit the products' commercial use and/or translate to a cost for the Group.

From time to time Elekta is involved in disputes associated with the business operations. Situations in question might revolve around disputes over product liability, contractual questions, immaterial rights and alleged flaws in the delivery of goods or services. Disputes can be costly, time consuming and can hamper the process of ongoing operations. Intellectual property disputes are costly and might have a material impact on Elekta's operations and financial position. In addition, it can be difficult to predict the outcome of intricate disputes. Disputes related to Elekta's product liability might concern alleged negligence, warranty issues or mistreatment and might bring about major costs unrelated to the final verdict. Elekta has product liability insurances. However, there is still a risk that future demands will exceed or fall outside of the insurance coverage.

Elekta's business operations involve development, manufacturing and delivery of products and services in a large number of jurisdictions. Operations are taxed under the laws in the jurisdictions in which they operate. Changes in tax regimes could impact the Group's cash tax liabilities and tax charge, resulting in either an increase or a reduction in financial results depending on the nature of the change.

International regulations governing the global tax environment are also subject to regular changes. Due to the uncertainty related to which of the final tax regulations under consideration will be enacted Elekta cannot predict the impact, if any, that these changes could have on the business.

Elekta's operations within research and development, production, distribution, marketing and administration depend on a large number of advanced IT systems and IT solutions. Routines and procedures are applied in order to protect the hardware, software and information against damages, manipulations, loss or incorrect use. If these systems and solutions should be affected by any interference resulting in loss of information it might have a negative impact on Elekta's operations, result and financial position.

In its operation, Elekta is subject to a number of financial risks such as currency risk, interest rate risk, credit risk and liquidity risk. Currency risks arise primarily as a product of future business transactions, recognized assets and liabilities along with net investments in foreign operations. Interest rate risk concerns the risk of fluctuating rate levels affecting Elekta's result negatively, particularly rising long-term loan costs. Credit risk ascends from financial credit risk related to liquid cash and cash equivalents, derivative financial instruments and receivables from banks and financial institutes along with credit exposure towards customers and distributors. Liquidity risk relates to the risk of being unable to fulfill payment obligations as a result of inadequate liquidity or difficulty taking on external loans. Some of Elekta's financing agreements are subject to financial covenants, such as net debt/ebitda and interest cover. A development of financial metrics impacting net debt and/or ebitda negatively, could end up in a break of covenants resulting in a need to renegotiate the agreements or to repay existing financing. Note 2 provides further details and information regarding financial risks and financial risk management.

Sensitivity analysis

Elekta's operation is bound to projects the basis of consists of relatively big deliveries to customers. The lead time from delivery to installation can therefore vary from period to period. Quarterly variations of delivery volumes occur, which has a high impact on net sales and net income each quarter. Elekta's gross margin can also vary from period to period depending on product and geographic mix and currency movements. During the year, Elekta had a gross margin of 41 percent (41).

As a result of its international operations and structure, Elekta has a significant exposure to exchange rate fluctuations. This pertains primarily to expenses in SEK and GBP against revenue in USD and EUR. Based on the year's income, expense and currency structure a general change of 1 percentage point in the SEK exchange rate against other currencies would affect the Group's operating profit by approximately +/– SEK 13 M (18). In the short term, the effect is reduced through hedging.

Based on the balance sheet structure at year-end a general change of 1 percentage point in the interest on borrowings and investments would affect the Group's profit before tax by approximately +/– SEK 4 M (10).

Parent company

The Parent Company of the Group, Elekta AB, conducts no operating activities but provides group management, joint group functions and financial management. Profit for the year amounted to SEK 91 M (503) inclusive of dividends from subsidiaries of SEK 271 M (615). Total assets amounted to SEK 11,445 M (10,655) of which shares in subsidiaries amounted to SEK 2,222 M (2,129) and receivables from subsidiaries amounted to SEK 6,549 M (6,807). Cash and cash equivalents at year-end amounted to SEK 2,479 M (1,499). Shareholders' equity amounted to SEK 2,606 M (2,631). Interest-bearing liabilities amounted to SEK 8,649 M (7,726), of which SEK 3,381 M (2,791) constituted liabilities to subsidiaries. The average number of employees during the year was 30 (32). The number of employees on April 30, 2017 was 31 (32). For further information refer to the Parent Company's financial reports and the accompanying notes.

Shares

During the year 730,769 new Series A-shares and 8,593 new Series B-shares were subscribed through conversion of convertible loan. The total number of registered shares on April 30, 2017 was 383,568,409 divided between 14,980,769 A-shares and 368,587,640 B-shares. One series A-share entitles the holder to 10 votes and series B-shares entitle the holder to one vote for each share. All shares carry equal rights to participate in the Company's assets and profits. In accordance with Section 12 of the Articles of Association, series A-shares are subject to right of first refusal. All A-shares are owned by Laurent Leksell via companies, also the only shareholder representing more than 10 percent of total votes. On 30 April, 2017, treasury shares amounted to 1,541,368 (1,541,368) equivalent to 0.4 percent (0.4) of the total number of outstanding shares as well as of share capital. Regarding treasury shares, par value is 0,50 SEK per share and average cost is 49,70 SEK per share.

See pages 44–45 for more information on Elekta's share.

Dividend and proposal to repurchase shares

For 2016/17, the Board proposes a dividend of SEK 1.00 (0.50) per share to be divided into two payments. Total proposed dividend amounts to approximately SEK 382 M (191) and 306 percent (139) of net profit for the year. The Board intends to propose to the 2017 Annual General Meeting the renewal of the Board's authorization to repurchase shares in Elekta AB. The proposal limits the number of shares to be repurchased to a maximum of 10 percent of the number of shares outstanding in Elekta AB.

APPROPRIATION OF PROFIT

Amounts in SEK	**April 30, 2017**
Distributable shareholders' equity of the Parent Company	
Premium reserve	656,609,561
Retained earnings	1,510,671,830
Profit for the year	90,566,042
Total	**2,257,847,432**
The Board of Directors and the President and CEO propose:	
to be distributed to the shareholders, a total dividend of SEK 1.00 per share[1]	382,027,041
and that the remaining amount be carried forward	1,875,820,391
Total	**2,257,847,432**

1) The total amount distributed may change up until the record date depending on changes in the number of shares

The Board's statement on the proposed dividend

In making this proposal for dividend, the Board has taken into account the The Parent company's dividend policy, solidity as well as its general financial position, whereby the Parent company's ability to fulfill existing and foreseeable payment obligations in a timely manner, as well as potential acquisitions and other investments. The equity ratio is reassuring, under the assumption that the Parent company and the Group continue to be profitable. The impact of the proposed dividend on the Group's reported equity/assets ratio of 32 percent (33), will be marginal. Concerning the Parent company's and the Group's result and position in general, refer to the statements of income, statements of comprehensive income, balance sheets and statements of cash flow and notes.

It is the assessment of the Board of Directors that the proposed dividend neither prevents the Parent company, and other companies within the Group, from fulfilling their obligations, nor from making the necessary investments. The proposed dividend can therefore be justified in respect of Chapter 17, section 3, paragraphs 2 and 3 of the Swedish Companies Act (the prudence rule).

Articles of association

The Articles of Association state that board members are appointed and dismissed by the Annual General Meeting. The Articles of Association contain no specific regulations regarding changes to the Articles of Association.

Guidelines for remuneration to executive management

The Board of Directors proposes that the Annual General Meeting on August 23, 2017 approve the following guidelines for remuneration and other terms of employment for the executive management of the Group. The guidelines will be valid for employment agreements entered into after the Annual General Meeting and for any changes made to existing employment agreements thereafter. It is proposed that the Board be given the ability to deviate from the guidelines below in individual cases where specific reasons or requirements exist. The guidelines in the following proposal are, in principle, unchanged compared to the guidelines which were proposed by the Board of Directors and approved by the Annual General Meeting in 2016, except for the section "Annual incentive" and "Notice periods and severance agreements" below.

Guidelines

It is of fundamental importance to Elekta and its shareholders that the guidelines for remuneration and other terms of employment for the executives of the Group attract, motivate and retain competent employees and managers, both in the short and long term. To achieve this goal, it is important to ensure fairness and internal equity, while maintaining market competitiveness in terms of the structure, scope and level of executive compensation within Elekta. Employment conditions for executive management should comprise a balanced mix of fixed salary, a variable salary component, annual incentive, long-term incentives, pension and other benefits, as well as notice and severance payments, where applicable.

Total target cash compensation

Total target cash compensation (fixed plus variable salary components), should be competitive in the geographic market where the executive is resident. The level of total target compensation should be reviewed annually to ensure that the company is competitive for similar positions in the market to be able to recruit and retain business critical competencies where needed. Market medians are established with the assistance of external compensation benchmarking. Since compensation should be performance-driven, the target annual variable salary component should account for a relatively high portion of the total target compensation.

Compensation components

The Group compensation system comprises various forms of compensation. This ensures well-balanced remuneration, thereby strengthening and underpinning short and long-term objective setting and achievement.

Fixed salary

Executive Management's fixed salary shall be individual and based on the content and responsibility of the position, the individual's competence and experience in relation to the role held, as well as the geography in which the position is based.

Variable salary

In addition to a fixed salary, Executive Management also has a variable salary component. The variable component is structured as a portion of the total cash remuneration package and is primarily related to the achievement of common Group financial performance goals. The Key Performance Indicators (KPIs) for variable salary components shall primarily be related to the outcome of specific financial and functional objectives within the Group compensation and benefit system.

The size of the variable salary component depends on the position held and may amount to between 30 percent and 70 percent of the fixed salary for on-target performance. Performance against fixed targets and payment for results achieved are measured quarterly. Quarterly payments, if these exist, against variable salary components are capped at 100 percent.

The goals for the variable salary component are established annually by the Board so as to sustain the business strategy and objectives. Other KPIs may be used to drive focus on non-financial objectives of particular interest.

Annual incentive

For performance related to financial goals within the variable salary plan exceeding 100 percent of the target, there is the opportunity for additional compensation called an annual incentive. The annual incentive entails a potential to earn a maximum of 100 percent of the target variable salary component. Accordingly, the maximum payout level for the sum of the variable salary component and the annual incentive is capped at 200 percent of the original target for variable compensation. The plan also contains a minimum performance level or threshold under which no variable salary or annual incentive will be paid out at all.

Equity-based long-term incentive programs

The Board also uses long-term incentives to ensure alignment between shareholder interests and executive management, senior managers and other key colleagues. On an annual basis, the Board of Directors evaluates whether an equity-based long-term incentive program should be proposed to the Annual General Meeting.

In order to strengthen long-term thinking in decision-making and ensure achievement of long-term objectives, while also covering situations where equity-based solutions may be inappropriate or precluded by law, the Board may also selectively decide on other types of non-equity-based long-term incentive programs. Monetary long-term incentives should only be used as remuneration in special circumstances and be in line with practice in each market. They must also require continued employment in the Group.

Retention measures

In order to ensure long-term engagement and retention of key staff in connection with the acquisition of new business, the divestment of operations or other transitional activities, an additional annual incentive with a deferred payment of 12–24 months may or may not be applied. This deferred incentive requires continued employment until an agreed future date for any payment to be made and is applied only in special and rare circumstances, which means that it is not part of any ordinary executive remuneration scheme. The deferred incentive should never exceed 50 percent of the contractual annual variable salary component and shall in other aspect comply with the Group bonus plan.

Pensions

When establishing new pension agreements, senior executives who are entitled to pension benefits should only be enrolled in defined-contribution schemes. The standard retirement age for Swedish citizens is 65 years while other executives follow the rules of their respective countries of residence. The main guideline is that the size of pension contributions shall be based only on the fixed salary. Certain individual adjustments may occur based on local market practice.

Other benefits

Benefits such as company cars and health, medical and sickness-related insurance schemes, should be of a more limited value compared with other items of the compensation package and in line with the market practice for the respective geographic market.

Notice periods and severance agreements

Periods of notice at Elekta follow local labor legislative requirements in the geographies in which they are based. Senior executives generally have notice periods of between 6 and 12 months and, in specific circumstances, are entitled to severance payment equal to 6–12 months employment. In the event of a material change of control, the President and CEO shall be entitled to an extra severance payment equal to 18 months employment.

Severance agreements entitling executives to lump sum payments will in principle not be signed.

Preparation and decision process

During the year, Elekta's Executive Compensation & Capability Committee (ECCC) provided the Board with recommendations regarding principles for formulating the Group's remuneration system and remuneration of senior executives and senior managers. The recommendations covered formulation of the bonus system, distribution between fixed and variable remuneration and the size of any salary increases. The ECCC also proposed criteria for assessing the performance of senior executives and senior managers. Any decisions on remuneration for the CEO are taken by the Board in its entirety.

The Board has discussed the proposals from the ECCC and its motion to the Annual General Meeting is based on the recommendation submitted. Elekta's ECCC comprises the Chairman of the Board and three independent Board members. The President and CEO attend the committee's meetings. The Group Vice President Human Resources acts as the ECCC secretary.

Consolidated income statement

SEK M	Note	2016/17	2015/16
Net sales	4	10,704	11,221
Cost of products sold		–6,277	–6,608
Gross profit		**4,427**	**4,613**
Selling expenses		–1,165	–1,336
Administrative expenses		–928	–1,026
R&D expenses		–1,018	–1,065
Exchange rate differences		–201	–165
Operating result before items affecting comparability		**1,115**	**1,021**
Items affecting comparability		–518	–598
Operating result	4–9	**598**	**423**
Income from participations in associates	11	–17	11
Financial income	11	31	37
Financial expenses	11	–271	–285
Exchange rate differences	11	–1	3
Profit before tax		**340**	**189**
Income taxes	14	–214	–44
Profit for the year		**126**	**145**
Profit attributable to:			
Parent Company shareholders		125	137
Non-controlling interests		1	8
Earnings per share:			
Earnings per share before dilution, SEK		0.33	0.36
Earnings per share after dilution, SEK		0.33	0.36
Average number of shares before dilution, thousands		381,306	381,288
Average number of shares after dilution, thousands		381,306	381,288

Consolidated statement of comprehensive income

SEK M	Note	2016/17	2015/16
Profit for the year		**126**	**145**
Other comprehensive income			
Items that will not be reclassified to the statement of income:			
Remeasurements of defined benefit pension plans	26	1	8
Tax	14	0	–2
Total items that will not be reclassified to the statement of income		**1**	**6**
Items that subsequently may be reclassified to the statement of income:			
Revaluation of cash flow hedges	2	34	117
Translation differences from foreign operations		364	–281
Tax	14	–7	–25
Total items that subsequently may be reclassified to the statement of income		**391**	**–189**
Other comprehensive income, net		**392**	**–183**
Total comprehensive income		**518**	**–38**
Comprehensive income attributable to:			
Parent Company shareholders		517	–45
Non-controlling interests		1	7

Comments on the consolidated income statement

In the income statement presented on the previous page items affecting comparability have been separately recognized. Items affecting comparability amounted to SEK –518 M (–598) and mainly refer to costs related to legal disputes and costs for severance, efficiency initiatives and external support within the transformation program. In the table below presents the income statement down to operating result before and after items affecting comparability with items affecting comparability allocated by function.

		2016/17				2015/16			
SEK M	Note	Excluding items affecting comparability	Restructuring costs	Costs related to legal disputes	Including items affecting comparability	Excluding items affecting comparability	Restructuring costs	Costs related to legal disputes	Including items affecting comparability
Net sales	4	10,704	–	–	10,704	11,221	–	–	11,221
Cost of products sold		–6,277	–23	–	–6,300	–6,608	–25	–	–6,633
Gross profit		**4,427**	**–23**	**–**	**4,404**	**4,613**	**–25**	**–**	**4,588**
Selling expenses		–1,165	–5	–	–1,170	–1,336	–49	–	–1,385
Administrative expenses		–928	–231	–235	–1,394	–1,026	–243	–231	–1,500
R&D expenses		–1,018	–24	–	–1,042	–1,065	–50	–	–1,115
Exchange rate differences		–201	–	–	–201	–165	–	–	–165
Operating result	4–9	**1,115**	**–283**	**–235**	**598**	**1,021**	**–367**	**–231**	**423**

Net sales

Net sales decreased 5 percent to SEK 10,704 M (11,221), corresponding to 7 percent decrease based on constant exchange rates. The decrease was mainly related to a one-off effect from the new produce-to order process.

	Net sales, SEK M	Change, %[1)]	Operating result, SEK M
Q1	1,882	–15%	–34
Q2	2,434	–16%	140
Q3	2,673	1%	144
Q4	3,715	0%	347
Full year 2016/17	**10,704**	**–7%**	**598**

1) Compared to last fiscal year based on constant exchange rate

Earnings

Gross margin was 41 percent (41). EBITA before items affecting comparability and bad debt losses amounted to SEK 1,661 M (1,639). The effect from changes in exchange rates was approximately SEK 315 M (60) including hedges.

Operating result increased by 41 percent and amounted to SEK 598 M (423). Operating margin was 6 percent (4).

Research and development expenditures before capitalization of development costs decreased 12 percent to SEK 1,196 M (1,355) equal to 11 percent (12) of net sales. Capitalization of development costs and amortization of capitalized development costs amounted to net SEK 155 M (266), of which SEK 178 M (290) relates to the R&D function. Capitalization within the R&D function amounted to SEK 534 M (591) and amortization to SEK 356 M (301).

The change in unrealized exchange rate effects from effective cash flow hedges amounted to SEK 34 M (117) and is reported in other comprehensive income. Closing balance of unrealized exchange rate effects from effective cash flow hedges in shareholders' equity was SEK 36 M (–9) exclusive of tax. According to Elekta's currency hedging policy, anticipated sales in foreign currency may be hedged up to 24 months.

Net financial items amounted to SEK –258 M (–234). The increase was related to an impairment of participations in associates while interest expense decreased due to lower interest rates.

Income before tax amounted to SEK 340 M (189). Tax expense amounted to SEK –214 M (–44) or 63 percent (23). The tax rate is high because of low or negative results in entities in low tax jurisdictions. Profit after tax amounted to SEK 126 M (145).

RESULT OVERVIEW

SEK M	2016/17	2015/16
Operating result/EBIT before items affecting comparability	**1,115**	**1,021**
Bad debt losses	46	149
Amortization:		
Capitalized development costs	380	326
Assets relating business combinations	119	143
EBITA before items affecting comparability and bad debt losses	**1,661**	**1,639**

Consolidated balance sheet

SEK M	Note	April 30, 2017	April 30, 2016
ASSETS			
Non-current assets			
Intangible assets	15	8,704	8,210
Tangible fixed assets	16	795	803
Shares in associated companies	18	22	12
Other financial assets	2, 19	285	352
Deferred tax assets	14	375	281
Total non-current assets		**10,181**	**9,658**
Current assets			
Inventories	20	936	1,135
Accounts receivable	21	3,726	3,301
Accrued income		1,640	2,126
Current tax assets	14	191	160
Derivative financial instruments	2	92	47
Other current receivables	22	802	741
Cash and cash equivalents	23	3,383	2,273
Total current assets		**10,769**	**9,783**
Total assets		**20,950**	**19,441**
EQUITY AND LIABILITIES			
Equity			
Parent Company shareholders:			
Share capital	24	192	192
Contributed funds		812	740
Reserves		600	208
Retained earnings		5,171	5,262
Parent Company shareholders, total		**6,774**	**6,402**
Non-controlling interests		0	10
Total equity		**6,774**	**6,412**
Non-current liabilities			
Long-term interest-bearing liabilities	25	5,272	3,065
Deferred tax liabilities	14	778	690
Long-term provisions	26	142	140
Other long-term liabilities	2	33	73
Total long-term liabilities		**6,224**	**3,967**
Current liabilities			
Short-term interest-bearing liabilities	25	0	1,885
Accounts payable		1,000	1,122
Advances from customers		2,531	1,943
Prepaid income	27	1,874	1,648
Accrued expenses	28	1,875	1,817
Current tax liabilities	14	111	93
Short-term provisions	26	231	347
Derivative financial instruments	2	48	50
Other current liabilities		281	157
Total current liabilities		**7,952**	**9,062**
Total equity and liabilities		**20,950**	**19,441**

For information about assets pledged and contingent liabilities see Note 30 and 31 respectively.

Comments on the consolidated balance sheet

The Group's consolidated balance sheet has been affected by changes in exchange rates. The balance sheets of the foreign subsidiaries are translated at the closing rate as per the closing date. The exchange rates used for translation as per 30 April 2017 and 30 April 2016 respectively are presented in the table on page 85.

Assets and capital employed

The Group's total assets increased by SEK 1,509 M to SEK 20,950 M (19,441). Fixed assets totaled SEK 10,181 M (9,658) of which goodwill amounted to SEK 5,388 M (5,069).

Current assets, excluding cash and cash equivalents, decreased by SEK 124 M to SEK 7,386 M (7,510). Accounts receivable, accrued income and inventories decreased by 4 percent (decreased by 11). Inventory value in relation to net sales was 9 percent (10).

Cash and cash equivalents increased by SEK 1,110 M to SEK 3,383 M (2,273) at year-end, totaling 16 percent (12) of total assets. Of total bank balances SEK 12 M (10) were pledged primarily for commercial guarantees.

The Group's capital employed increased to SEK 12,046 M (11,360).

Liabilities and shareholders' equity

Interest-free liabilities and provisions increased by SEK 825 M to SEK 8,904 M (8,079). Interest-bearing liabilities totaled SEK 5,272 M (4,950). Net debt amounted to SEK 1,889 M (2,677). Total equity was SEK 6,774 M (6,412). Return on shareholders' equity amounted to 2 percent (2) and return on capital employed amounted to 5 percent (4). Net debt/equity ratio was 0.28 (0.42) and equity/assets ratio was 32 percent (33).

Working capital

Elekta's operations is to a large extent project based. Payment flows from projects generally occur in connection with order receipt, delivery and acceptance, which generates fluctuations in working capital. Thus, movements in working capital depend on the progress of projects and the timing of certain events in relation to terms in the contract. Invoicing and payments from the customer occur in accordance with the terms of the contract while revenue is recognized based on accounting principles. Therefore cash flow from projects does not always coincide with the recognition of revenue and may result in either an asset (accrued income) or a liability (advances from customers).

Elekta's payment terms varies significantly between regions and specific customers. For example, in China, the majority of Elekta's customers are in the public sector. Financing and payments are normally structured by a bank through a letter of credit arrangement. When Elekta has met certain performance conditions, payments are obtained from the issuing bank. The majority of the proceeds are normally due at shipment. As another example, the US is largely a private hospital market with replacement investments. The operating cycle in the projects are typically shorter than Elekta's average. In a typical customer relationship, Elekta receives partial payments at order receipt, delivery, installation and acceptance. North America is the region where Elekta has the lowest DSO. Lastly, customers in Europe are typically public hospitals and contracts are awarded through public procurement processes. In such cases, terms and conditions are often pre-defined by the customer. This means that Elekta get paid late in the operating cycle and payment times are generally longer than normal. There are many examples of projects where customers pay after acceptance of installation.

Accounts receivable amounted to SEK 3,726 M (3,301) as per 30 April, showing a increase of 13 percent in SEK. The majority of non-due accounts receivable are normally due within 90 days.

In a limited number of customer projects, Elekta is providing financing through extended payment terms. Such receivables amounted to SEK 185 M (181) as per 30 April and are included in "Other financial assets" in the balance sheet and specified as "Contractual receivables" in note 19.

Customer advances represent projects for which invoiced amounts exceed revenue recognized. Advances from customers amounted to SEK 2,531 M (1,943) as per 30 April, an increase of SEK 588 M. The increase; early in the year due to the produce-to-order process and later in the year due to large project advances.

WORKING CAPITAL

SEK M	April 30, 2017	April 30, 2016
Working capital assets		
Inventories	936	1,135
Accounts receivable	3,726	3,301
Accrued income	1,640	2,126
Other operating receivables	802	741
Sum working capital assets	**7,104**	**7,303**
Working capital liabilities		
Accounts payable	1,000	1,122
Advances from customers	2,531	1,943
Prepaid income	1,874	1,648
Accrued expenses	1,875	1,817
Short-term provisions	231	347
Other current liabilities	281	157
Sum working capital liabilities	**7,792**	**7,035**
Net working capital	**–688**	**268**
Percent of net sales	–6%	2%

Net working capital amounted to SEK –688 M (268) at year-end, corresponding to –6 percent (2) of net sales.

Changes in consolidated equity

SEK M	Note	Share capital	Other contributed capital	Translation reserve	Hedge reserve	Retained earnings	Elekta AB:s owners, total	Non-controlling interests	Total equity
Opening balance May 1, 2015		**192**	**740**	**490**	**–95**	**5,310**	**6,638**	**8**	**6,646**
Profit for the year		–	–	–	–	137	137	8	**145**
Remeasurements of defined benefit pensions plans		–	–	–	–	8	8	–	**8**
Cash flow hedges		–	–	–	117[1]	–	117	–	**117**
Translation differences from foreign operations		–	–	–280	–	–	–280	–1	**–281**
Tax relating to components of other comprehensive income	14	–	–	–	–25	–2	–27	–	**–27**
Other comprehensive income		0	0	–280	92	6	–182	–1	**–183**
Total comprehensive income		**0**	**0**	**–280**	**92**	**143**	**–45**	**7**	**–38**
Dividend		–	–	–	–	–191	–191	–5	**–196**
Conversion of convertible loan		0	0	–	–	–	0	–	**0**
Transactions with the shareholders, total		**0**	**0**	**0**	**0**	**–191**	**–191**	**–5**	**–196**
Closing balance April 30, 2016		**192**	**740**	**210**	**–2**	**5,262**	**6,402**	**10**	**6,412**
Opening balance May 1, 2016		**192**	**740**	**210**	**–2**	**5,262**	**6,402**	**10**	**6,412**
Profit for the year		–	–	–	–	125	125	1	**126**
Remeasurements of defined benefit pensions plans		–	–	–	–	1	1	–	**1**
Cash flow hedges		–	–	–	34[1]	–	34	–	**34**
Translation differences from foreign operations		–	–	364	–	–	364	–	**364**
Tax relating to components of other comprehensive income	14	–	–	–	–7	0	–7	–	**–7**
Other comprehensive income		0	0	364	27	1	392	0	**392**
Total comprehensive income		**0**	**0**	**364**	**27**	**126**	**517**	**1**	**518**
Acquisition of non-controlling interest		–	–	–	–	–31	–31	–1	**–32**
Dividend		–	–	–	–	–191	–191	–10	**–201**
Incentive programs		–	–	–	–	5	5	–	**5**
Tax effect incentive programs		–	–	–	–	0	0	–	**0**
Conversion of convertible loan		0	72	–	–	–	72	–	**72**
Transactions with the shareholders, total		**0**	**72**	**0**	**0**	**–217**	**–145**	**–11**	**–156**
Closing balance April 30, 2017		**192**	**812**	**574**	**26**	**5,171**	**6,774**	**0**	**6,774**

1) Of which transferred to the income statement in 2016/17: SEK –185 M (–132)

Comments on changes in consolidated equity

In 2016/17 Elekta paid a total dividend of SEK 191 M. The dividend payment has affected equity through a reduction of retained earnings.

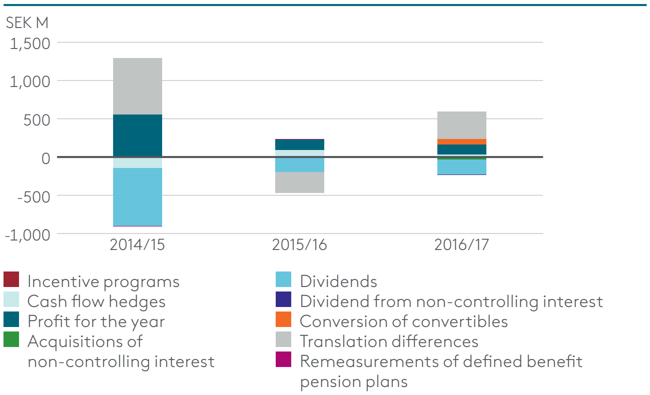
During 2016/17, a number of 730,769 new A-shares and 8,593 new B-shares were subscribed through conversion of convertibles, which have affected equity by increases in share capital and contributed funds, by SEK 72 M in total.

The total number of shares in Elekta as of April 30, 2017, amounted to 383,568,409 of which 14,980,769 A-shares and 368,587,640 B-shares. See Note 24 for more information on share capital.

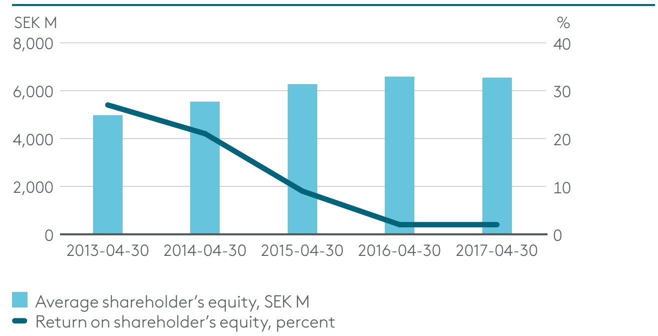
Total equity includes equity of foreign subsidiaries. Translation is performed at closing rate and the translation difference is reported in the translation reserve via other comprehensive income. The translation difference amounted to SEK 364 M (–281) in 2016/17. Shareholders' equity in foreign currency is hedged when it is deemed appropriate in individual cases. The translation reserve includes all exchange rate differences arising in conjunction with the translation of foreign operations that have prepared their financial reports in a currency other than that used in the group's financial reports. In addition, the translation reserve consists of exchange rate differences arising from the translation of liabilities raised as a hedging instrument for a net investment in foreign operations. The translation reserve amounted to SEK 574 M (210) at year end.

Cash flow hedges are reported in the hedge reserve via other comprehensive income. Elekta hedges its currency risk in line with the policy established by the Board. The scope of this hedging is determined by the Company's currency risk assessment. Currency hedging is defined on the basis of the expected sales in foreign currency over up to 24 months. Hedging is done to reduce the effects of short-term fluctuations on the currency markets. The hedge reserve includes the effective portion of the accumulated net change in the fair value of cash flow hedging instruments attributable to hedging transactions that have not yet occurred. During 2016/17 the change in the hedge reserve was SEK 27 M (92) after tax and the closing balance of the hedge reserve was SEK 26 M (–2).

CHANGES IN CONSOLIDATED EQUITY



CONSOLIDATED EQUITY AND RETURN



Consolidated cash flow statement

SEK M	Note	2016/17	2015/16
Operating activities			
Profit before tax		340	189
Non-cash items:			
Depreciation	6, 15, 16	655	634
Interest net	32	178	203
Other non-cash items etc.	32	50	147
Operating cash flow before interest and tax		1,222	1,173
Interest received		31	37
Interest paid		–219	–233
Income taxes paid	14	–268	–268
Operating cash flow		767	709
Increase (–)/decrease (+) in inventories		231	80
Increase (–)/decrease (+) in operating receivables		158	350
Increase (+)/decrease (–) in operating liabilities		662	31
Change in working capital		1,051	461
Cash flow from operating activities		**1,819**	**1,170**
Investing activities			
Investments in intangible assets	15	–633	–596
Investments in machinery and equipment	16	–141	–187
Sale of fixed assets		0	14
Increase in long-term receivables		0	–12
Decrease in long-term receivables		0	7
Continuous investments		–774	–774
Cash flow after continuous investments		**1,045**	**396**
Business combinations	32, 34	–24	–24
Divestment of other shares		–	5
Repayments from partnerships	18	6	7
Cash flow from investing activities		**–792**	**–786**
Cash flow after investments		**1,027**	**384**
Financing activities			
Borrowings		1,996	1
Repayment of debt		–1,829	–1,108
Acquisition of non-controlling interest		–21	–
Dividend		–201	–196
Cash flow from financing activities		**–55**	**–1,303**
Cash flow for the year		**972**	**–920**
Change in cash and cash equivalents during the year			
Cash and cash equivalents at the beginning of the year		2,273	3,265
Cash flow for the year		972	–920
Exchange rate differences		138	–72
Cash and cash equivalents at the end of the year	23	**3,383**	**2,273**

Comments on the consolidated cash flow statement

The cash flow statement describes the ability of the operations to generate cash and cash equivalents. Elekta's cash flow is used primarily to finance market growth, strategic research projects and investments. Based on the income statement and balance sheet translated at the average exchange rate, the statement shows the Group's net flows during the year.

Elekta's project-based operations affect cash flow through movements in working capital. Payment flows from projects generally occur in connection with order receipt, delivery and acceptance – mostly not coinciding with revenue recognition – thus generating fluctuations in working capital levels. See also comments on working capital on page 73.

The operating cash flow (cash flow from operating activities exclusive of change in working capital) amounted to SEK 767 M (709), a increase of SEK 58 M compared with the preceding year.

Cash flow from operating activities increased to SEK 1,819 M (1,170). The cashflow improvement was mainly due to positive effects from the transformation program with a reduction of working capital.

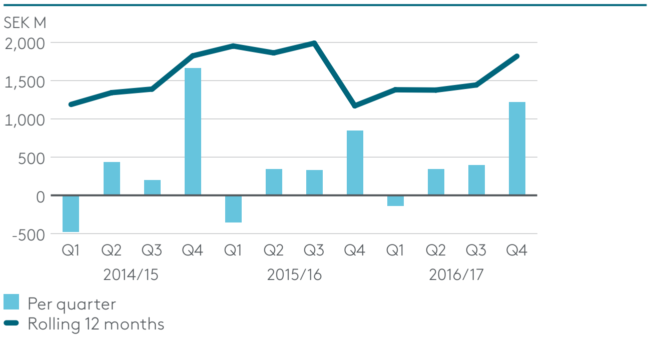
Cash flow from investing activities amounted to SEK –792 M (–786) including investments in intangible assets of SEK –633 M (–596).

Cash flow after continuous investments increased by SEK 649 M to SEK 1,045 M (396) including a negative effect of SEK 575 M from payments related to the transformation program and costs related to legal disputes.

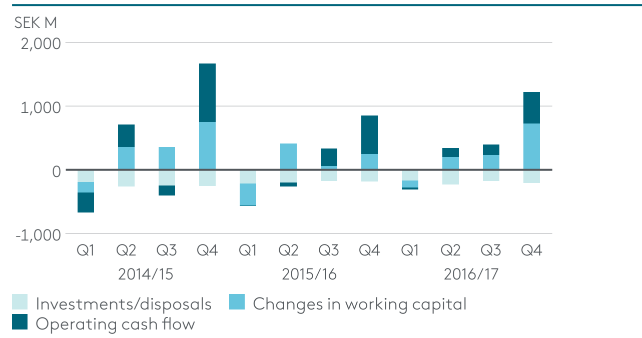
Cash flow after investments amounted to SEK 1,027 M (384), including payments relating to business combinations of SEK –24 M (–24).

Cash flow from financing activities amounted to SEK –55 M (–1,303).

CASH FLOW AFTER CONTINUOUS INVESTMENTS



SPECIFICATION OF CASH FLOW AFTER CONTINUOUS INVESTMENTS



Financial statements – Parent Company

Income statement – Parent Company

SEK M	Note	2016/17	2015/16
Administrative expenses		–108	–98
Operating result before other items affecting comparability	5, 7, 8	**–108**	**–98**
Other items affecting comparability		–11	–22
Operating result		**–119**	**–120**
Income from participations in Group companies	10	268	615
Income from participations in associated	18	–30	–27
Interest income and similar items	12	153	194
Interest expenses and similar items	12	–222	–227
Exchange rate differences		7	4
Appropriations	13	0	43
Profit before tax		**58**	**482**
Income taxes	14	33	21
Profit for the year		**91**	**503**

Statement of comprehensive income – Parent Company

SEK M	2016/17	2015/16
Profit for the year	**91**	**503**
Other comprehensive income		
Items that subsequently may be reclassified to the statement of income:		
Hedge of net investment	–	–
Tax	–	–
Other comprehensive income, net	**–**	**–**
Total comprehensive income	**91**	**503**

Balance sheet – Parent Company

SEK M	Note	April 30, 2017	April 30, 2016
ASSETS			
Non-current assets			
Intangible assets	15	75	83
Shares in subsidiaries	17	2,222	2,129
Shares in associated companies	18	0	0
Receivables from subsidiaries		2,679	2,662
Other financial assets	19	26	73
Deferred tax assets	14	63	29
Total non-current assets		**5,065**	**4,976**
Current assets			
Receivables from subsidiaries		3,870	4,145
Other current receivables	22	31	35
Cash and cash equivalents	23	2,479	1,499
Total current assets		**6,380**	**5,679**
Total assets		**11,445**	**10,655**
EQUITY AND LIABILITIES			
Equity			
Share capital	24	192	192
Statutory reserve		156	156
Restricted equity		**348**	**348**
Premium reserve		657	585
Retained earnings		1,601	1,698
Unrestricted equity		**2,258**	**2,283**
Total equity		**2,606**	**2,631**
Untaxed reserves	13	**–**	**–**
Long-term provisions	26	**36**	**53**
Long-term interest-bearing liabilities	25	5,268	3,063
Long-term liabilities to subsidiaries	25	39	39
Total long-term liabilities		**5,307**	**3,102**
Current liabilities			
Short-term interest-bearing liabilities	25	–	1,872
Short-term liabilities to subsidiaries	25	3,342	2,752
Short-term provisions	26	30	29
Other current liabilities	29	123	216
Total current liabilities		**3,495**	**4,869**
Total equity and liabilities		**11,445**	**10,655**

Cash flow statement – Parent Company

SEK M	Note	2016/17	2015/16
Operating activities			
Profit before tax		57	482
Interest net	32	47	24
Other non-cash items etc.	32	168	78
Interest received		153	195
Interest paid		–229	–228
Income taxes paid	14	–20	–5
Operating cash flow		**176**	**546**
Increase (–)/decrease (+) in operating receivables		459	–412
Increase (+)/decrease (–) in operating liabilities		–83	–13
Change in working capital		376	–425
Cash flow from operating activities		**552**	**121**
Investing activities			
Investments in subsidiaries	32	–84	–24
Increase (–)/decrease (+) in long-term receivables		–4	1
Cash flow from investing activities		**–88**	**–23**
Cash flow after investments		**464**	**98**
Financing activities			
Borrowings		2,587	52
Repayment of debt		–1,887	–1,079
Conversion of convertible loans		72	–
Dividend		–191	–191
Cash flow from financing activities		**582**	**–1,218**
Cash flow for the year		**1,046**	**–1,120**
Change in cash and cash equivalents during the year			
Cash and cash equivalents at the beginning of the year		1,499	2,630
Cash flow for the year		1,046	–1,120
Exchange rate differences		–66	–11
Cash and cash equivalents at the end of the year	23	**2,479**	**1,499**

Changes in equity – Parent Company

	Restricted equity		Unrestricted equity		
SEK M	Share capital	Statutory reserve	Premium reserve	Retained earnings	Total equity
Opening balance May 1, 2015	**192**	**156**	**585**	**1,386**	**2,319**
Profit for the year	–	–	–	503	**503**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	**503**	**503**
Dividend	–	–	–	–191	**–191**
Conversion of convertible loan	0	–	0	–	**0**
Transactions with the shareholders, total	**0**	**0**	**0**	**–191**	**–191**
Closing balance April 30, 2016	**192**	**156**	**585**	**1,698**	**2,631**
Opening balance May 1, 2016	**192**	**156**	**585**	**1,698**	**2,631**
Profit for the year	–	–	–	91	**91**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	**91**	**91**
Dividend	–	–	–	–191	**–191**
Incentive programs	0	–	0	2	**2**
Conversion of convertible loan	0	–	72	–	**72**
Transactions with the shareholders, total	**0**	**–**	**72**	**–189**	**–117**
Closing balance April 30, 2017	**192**	**156**	**657**	**1,601**	**2,606**

Notes

Note 1 Accounting principles

Elekta AB, with corporate registration number 556170-4015, is a Swedish public company with its registered office in Stockholm. The address to the head office is Elekta AB, Box 7593, SE-103 93 Stockholm.

This annual report, including the consolidated financial statements, was signed and approved for publication by the board of directors of Elekta AB on July 10, 2017. The statements of income and the balance sheets, for the Parent Company and the Group, included in the annual report and the consolidated financial statements, are subject to adoption by the annual general meeting on August 23, 2017.

The most important accounting principles applied in the preparation of the financial reports are set out below. Mainly, the same principles are applied for the Parent Company and the Group. The Parent Company's accounting principles deviating from those applied by the Group, or considered important to describe, are stated under a separate heading at the end of this note.

Basis for preparation

Elekta's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) on April 30, 2017, the Swedish Annual Accounts Act and standard RFR 1 of the Swedish Financial Reporting Board. The Parent Company's financial reports have been prepared in accordance with the Swedish Annual Accounts Act and standard RFR 2 of the Swedish Financial Reporting Board.

Measurement basis

Assets and liabilities are recognized at historical cost apart from financial assets and liabilities that are derivatives and contingent considerations, which are recognized at fair value.

New and revised IFRS applied from 1 May, 2016

No new or revised standards with material impact on the financial reports have been applied from 1 May 2016.

New and revised IFRS not yet applied

The following new standards have been published by the IASB but are either not yet effective or not yet adopted by the EU.

- IFRS 9 Financial Instruments
  IFRS 9 is a new standard on accounting for financial instruments and will replace IAS 39. The standard comprise classification, valuation and impairment of financial instruments as well as hedge accounting. The evaluation of the impact from implementing the standard on the financial statements of the Group is ongoing. Areas that will be further evaluated relate to classification of receivables and the effect on the bad debt provision from replacing the incurred loss model currently applied for impairment with an expected loss model. The current assessment is that the implementation of the standard will not have any material impact on the Group's financial position or result. The standard is effective for annual reporting periods beginning on or after 1 January 2018 and Elekta will implement the new standard as of 1 May 2018.
- IFRS 15 Revenue from Contracts with Customers
  IFRS 15 Revenue from Contracts with Customers is a new revenue recognition standard replacing IAS 18 Revenue and IAS 11 Construction contracts. Elekta has evaluated expected effects from implementing the new standard and directional accounting principle decisions have been taken. Based on the analysis performed, a one-time effect is expected to be reported in equity mainly relating to the timing for revenue recognition of treatment solutions. With the present policy, treatment solutions are revenue recognized when risks and rewards are transferred to the customer, which is normally at the time of shipment. According to IFRS 15 revenue recognition should occur at the time of transfer of control to the customer, which according to Elektas assessment is when the treatment solution is ready for installation at the customer's site. As under the present policy, some agreements with customers stipulates terms that will mean that transfer of control occurs at the time of acceptance. The financial impact that will be reported in equity on transition will primarily depend on the number of treatment solutions that are shipped but are not yet ready for installation at the customer site at this point in time. Other less significant financial effects are also expected from the transition, mainly relating to changes in the allocation of the transaction price to various performance obligations. The standard provides a choice of two transition methods and Elekta has tentatively taken a decision to apply the full retrospective method with restatement of comparative periods. The Group is currently performing a more detailed assessment of the impact from the implementation of IFRS 15, both from an operational and financial perspective. This exercise is still ongoing and therefore it is not practicably possible to disclose reliable estimates of the expected financial effects. The standard is effective for annual reporting periods beginning on or after 1 January 2018 and Elekta will implement the new standard as of 1 May 2018.
- IFRS 16 Leases
  IFRS 16 Leases will replace IAS 17 Leases and the related interpretations IFRIC 4, SIC15 and SIC 27. The new standard will affect the accounting for leases in the books of a lessee, whereas the accounting will in all material aspects remain unchanged for lessors. With the new standard there will no longer be a distinction between operating and finance lease. All leases, with the exception of short-term leases and those of minor value, will be recognized in the balance sheet. Depreciation of lease assets must be separately recognised from interest on lease liabilities in the income statement. The evaluation of the effect on the financial statements of the Elekta Group is ongoing. The initial assessment is that the major effect from implementing the new standard will relate to operating lease agreements for offices, factories and warehouses. The standard is effective for annual reporting periods beginning on or after 1 January 2019. Not yet endorsed by the EU.

Other new or revised standards and interpretations, not yet applied, are not considered to have a material impact on the Elekta Group's financial statements.

Consolidated accounts

The consolidated accounts include Elekta AB (the Parent Company) and its subsidiaries. Subsidiaries are all companies in which the Group has a controlling interest. The Group has a controlling interest in a company when it has exposure, or right, to variable returns from its holding in the company and has the ability to use its power over the company to affect the returns. A subsidiary is included in the consolidated accounts from the point in time when the controlling interest is obtained until the point in time when the controlling interest ceases. Intra-group transactions, balance sheet items and unrealized intra-group profits are eliminated in the consolidated accounts.

The acquisition method

The consolidated accounts have been prepared in accordance with the acquisition method, which means that the cost of shares in subsidiaries is eliminated against their equity at the time of acquisition. Acquisition related transaction costs are not included in the cost of the shares but expensed as incurred. The equity in a subsidiary is determined on the basis of the fair value of assets, liabilities and contingent liabilities at the acquisition date. Thus, only the part of the subsidiary's equity which has arisen after the acquisition date is included in the consolidated accounts. In business combinations, where the sum of (i) the cost of shares in subsidiaries, (ii) the value of non-controlling interest and (iii) the fair value of previously held equity interest, exceeds the fair value of the Group's share of acquired identifiable net assets at acquisition, the difference is reported as goodwill. A negative difference, negative goodwill, is recognized immediately as an income in the income statement.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, provisional amounts are reported for the items for which the accounting is incomplete. Such amounts may be adjusted during the measurement period, or new assets or liabilities may be recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date.

Non-controlling interests

In connection with acquisitions of less than 100 percent, when a controlling influence is achieved, non-controlling interests are determined either as a proportional share of the fair value of identifiable net assets excluding goodwill or at fair value. Non-controlling interests are recognized as a separate item in the Group's equity. The Group's profit or loss and every component of other comprehensive income are attributable to the shareholders of the Parent and to non-controlling interests. Losses attributable to non-controlling interests are recognized even if this results in a negative balance. Subsequent acquisitions up to 100 percent and divestments of participations in a subsidiary that do not lead to a loss of controlling influence are recognized as equity transactions.

Translation of foreign subsidiaries

The Group companies prepare their financial statements in their functional currency, i.e. the currency used in the primary economic environment in which they mainly operate. These reports provide the basis for the consolidated accounts which are prepared in Swedish kronor (SEK), which is the functional currency of the Parent Company and the presentation currency. The income statements and balance sheets of foreign subsidiaries have been translated, from their respective functional currency, to the presentation currency of the Group. All items in the income statements have been translated at the average rate for the reporting period, while assets and liabilities in the balance sheets have been translated at the closing rate. Translation differences are reported in other comprehensive income.

Certain long-term financing related to subsidiaries, where a settlement is not considered to take place in the foreseeable future, is considered as an increase in the Parent Company's net investment in the subsidiaries. Taking the tax effect into consideration, exchange gains and losses are reported in other comprehensive income.

Associates

Associates are companies which are not subsidiaries but in which the Group has a significant, but not controlling, interest. This normally means companies in which the holding represents more than 20 percent but less than 50 percent of the voting rights. Associates are reported by use of the equity method. Holdings in associates are initially recognized at cost in the consolidated balance sheet. The carrying amount is adjusted for the share of associates' earnings after the acquisition date. Dividends from associates are reported as a reduction of the carrying amount. Income from participations in associates is a separate line in the income statement.

Segment reporting

Operating segments are reported in accordance with management reporting as reported to the chief operating decision-maker. The chief operating decision-maker is the function that is responsible for allocation of resources and assessment of the operating segments' performance. In Elekta, this function has been identified as the President and CEO who is responsible for and deals with the continuous administration of the Group based on the board's guidelines and instructions. To his aid, he has the executive management. Elekta's President and CEO evaluates business performance from both geographic and product based perspectives. The geographic follow-up is however the main perspective and the product based perspective constitutes a complement to the geographic monitoring and control. It is from the geographic perspective that the business activity is conducted and managed. Evaluation of financial performance is executed for three geographic regions which are Elekta's operating segments:

- North and South America
- Europe, Middle East and Africa
- Asia Pacific

The same accounting principles are applied in the segment reporting as for the Group.

Income statement

Elekta presents its income statement classified by function where the operating expenses are allocated to cost of products sold, selling expenses, administrative expenses and R&D expenses. Exchange rate differences and items affecting comparability are reported on separate lines within the operating result. These items have been identified as important to distinguish from operating revenue and costs directly related to functions in order to ease comparability over time. Items affecting comparability are events or transactions with significant financial effects, which are relevant for understanding the financial performance when comparing income for the current period with previous periods, including restructuring programs, expenses relating to major legal disputes, impairments and gains and losses from acquisitions or disposals of subsidiaries.

Revenue recognition

Elekta's revenue is derived primarily from the sales of hardware and software products, as well as service contracts and services to these products. The revenue is valued at the fair value of the consideration received or receivable, and represents the amounts received for sold products and services, net of sales discounts, returns and value added tax.

Revenue from the sale of products is recognized when all of the following conditions are satisfied:

- The risk and rewards of ownership of the goods has been transferred to the buyer
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue and the related costs can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the entity

The above implies that each contract requires an examination of any circumstances, terms and conditions affecting the transaction.

Revenue from the rendering of service is recognized when the outcome can be estimated reliably and it is probable that the economic benefits associated with the transaction will flow to the entity. When the service is performed by an undetermined number of acts over the specified service period, revenue is recognized on a straight-line basis over the service period.

Bundled deals, where hardware, software products and service may be included in the same deal, are very common. A bundled deal is treated as a project and is supported by a project team that coordinates the delivery and implementation of the products, which can occur at different stages. For bundled deals the total revenue is allocated to its different parts based on their relative fair values. As explained below, methods for revenue recognition are different between hardware products, software products and services.

The timing of revenue recognition often does not coincide with invoicing and payments from customers. Payment terms or conditions for projects differ between regions. In some markets, partial payments will be due upon certain events such as order receipt, delivery and acceptance. In other markets, the entire payment is due upon completion of implementation or acceptance. Amounts invoiced are reported as accounts receivable while revenue recognized amounts not yet invoiced are reported as accrued income.

Hardware products

The risk and rewards related to hardware products are usually transferred to the customer upon shipment or delivery depending on the contracted shipment terms. The hardware products are delivered to comply with the delivery date contracted with the customer. At this point the customer has invested heavily in preparing an appropriate environment in which to accommodate the equipment and will be firmly committed to embarking upon the final stages of the project such as installation and training and this is normally the point in time where the main part of revenue is recognized. Once technical acceptance has been received from the customer the last part of revenue (related to installation and training) is recognized. Hardware products include integrated software components required for the product's essential functionality.

Software products

After completing the implementation of software, or a part thereof, the customer will be presented with a certificate detailing the products delivered which is then signed by the customer. When the customer has signed the certificate, fully or partly, it serves as proof of acceptance. By signing it the customer confirms that the products, services and training have been provided in accordance with the agreement and that the software has been handed over to the customer for clinical use. When Elekta receives the signed certificate, revenue will be recognized given that all conditions for revenue recognition have been met. Many times, the acceptance procedure is performed in steps which also leads to a gradual recognition of revenue.

Service contracts

Service revenue is recognized on a straight-line basis over the contractual term of the arrangement or the expected period during which those specified services will be performed. Maintenance and support agreements on software products are generally renewed on an annual basis. The revenue for maintenance and support will be deferred and amortized over the length of the contract.

Employee benefits

Remuneration paid to employees in the form of wages/salary, paid vacation, etcetera is accounted for as it is earned. Pensions are reported either as defined contribution plans or as defined benefit plans.

Pensions

Most of Elekta's pension commitments are met through ongoing payments to authorities or other independent organizations that administer the pension plans. For these defined contribution pension plans, a pension cost is reported on a continuous basis as the benefits are earned, which normally coincides with the date on which the fees are paid.

Elekta has defined benefit pension plans for certain employees in a few countries. Independent actuaries calculate the magnitude of the obligations in each plan and revalue the obligations of the pension plans each year. The pension costs are estimated using the so-called projected unit credit method in a way that distributes the costs over the employee's working life. These obligations are valued at the present value of the expected future payments. Actuarial gains and losses are reported in other comprehensive income in the period during which they arise.

Share-based compensation

Ongoing share programs are reported according to IFRS 2 Share-based payments and are mainly equity-settled. The conditions of the share programs state that they may be settled in other ways than through shares. This possibility is only applied to a very limited extent and neither cost nor obligation are material amounts.

Accounting for equity-settled share-based compensation programs entails that the instrument's fair value at grant date is recognized in the income statement over the vesting period, with a corresponding adjustment to equity. This leads to an estimated cost, corresponding to the earned portion of the estimated share value at allotment, being charged to profit and loss over the vesting period. At each closing in the vesting period the expected number of vested shares is revised and the impact of any changes over the original estimates are recognized in the income statement, with a corresponding adjustment to equity.

In addition, provisions are made for estimated employer contributions related to the share programs. Calculations are based on a theoretical market valuation where the market value is calculated using Black & Scholes based on the share price on the closing date. For allotted shares, social security expenses are paid on the basis of the market value on the allotment date.

Taxes

The tax expense in the income statement includes all tax that is to be paid or received for the current year, adjustments relating to previous years' current tax, and changes in deferred tax. Deferred tax is calculated and reported in accordance with the balance sheet method. In accordance with this method, deferred tax is calculated on the basis of the temporary differences between the tax bases and the carrying amounts of assets and liabilities. Deferred tax assets relating to loss carry-forwards and other future tax credits are recognized to the extent it is probable that deductions can be made against future profits. Valuation is based on nominal amounts based on the tax rules prevailing in each country and the anticipated tax rate for the following year in each country. Deferred taxes relating to temporary differences attributable to investments in subsidiaries are not recognized in the consolidated financial statements since Elekta AB, in all cases, can control the time of reversal of the temporary differences and it is not considered probable that such a reversal will occur in the foreseeable future. Deferred tax assets and deferred tax liabilities are offset when there is a legal right to do so and when the deferred tax amounts concern the same tax authority. For items recognized in profit or loss, the related tax effects are also recognized in profit or loss. For items recognized in other comprehensive income, related tax effects are also recognized in other comprehensive income.

Intangible assets

Intangible assets contain goodwill, capitalized development costs, customer contracts, customer relationships and other intangible assets. Other intangible assets mainly consist of acquired technology. Amortization of intangible assets is reported in the income statement and allocated to functions as applicable. There are no intangible assets related to manufacturing processes or the like, therefore no amortization is allocated to cost of goods sold.

Goodwill

Goodwill comprises the positive amount by which the sum of (i) the cost of shares in subsidiaries, (ii) the value of non-controlling interest and (iii) the fair value of previously held equity interest exceeds the fair value of the Group's share of acquired identifiable net assets at acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is tested for impairment on an annual basis, or more frequently if indicated. See also section Impairment.

Research and development

Research costs are expensed as they are incurred. In those instances in which it is difficult to distinguish between the research phase and the development phase in a project, the entire project is considered as research and is expensed as incurred. Identifiable costs for the development of new products are capitalized to the extent that these are considered to provide future economic benefits. In other instances, development expenditures are expensed as they are incurred. Costs for development once reported in the income statement are never capitalized in future periods. Capitalized expenditures are amortized on a straight-line basis from the time when the asset is available for use, which normally occurs when it is produced commercially, and during the estimated useful life of the asset. The amortization period is 3–5 years.

Customer relations and other intangible assets

Intangible assets also include technology, brands, customer relations, etcetera. In conjunction with the acquisition of such assets, the acquisition values are reported as assets, which are amortized on a straight line basis over the estimated useful life. Surplus value in acquired order backlog is also reported as other intangible assets.

Amortization periods:

Technology	5–11 years
Brands	6–10 years
Customer relations	10–20 years
Order backlog	0.5–1 year

Tangible assets

Tangible assets acquired by Group companies are reported at cost, less accumulated depreciation and any write-downs. Assets in acquired companies are reported at fair value on the acquisition date after deduction of subsequent accumulated depreciation. Machinery and equipment is depreciated on a straight-line basis during its economic life of between 3 and 5 years. Installations and improvements on third party property are depreciated over the period of the lease agreement.

The residual value of assets and their useful economic lives are reviewed annually and adjusted as required.

Impairment

The carrying amount of a depreciated asset is tested for impairment whenever there are indications that the carrying amount might not be recoverable. If there are indications of impairment, the asset's recoverable amount is calculated. The recoverable amount consists of the higher of the value in use of the asset in operations and the value that would be received if the asset was sold to a third party, the net realizable value. Value in use consists of all incoming and outgoing payments attributable to the asset during the period it is expected to be used in operations, plus the net realizable value at the end of the useful life. If the calculated recoverable amount is less than the carrying amount, impairment is made to the asset's recoverable amount. An impairment loss recognized in previous periods is reversed if the reasons for the impairment no longer exist. However, a reversal will not be higher than the carrying amount would have been if an impairment loss had not been recognized in previous periods.

Goodwill is subject to annual impairment testing even if there are no indications of impairment. The carrying amount of goodwill is allocated to cash generating units. When testing for impairment of goodwill, the assets are grouped in cash-generating units and assessments are made on the basis of these units' future cash flows. Impairment losses on goodwill are not reversed.

All impairment losses, and any reversals of the same, are recognized in the income statement.

Leasing

The lease of tangible assets, for which the Group is essentially responsible for the same risks and benefits as it would be in the case of direct ownership, is classified as finance lease. The leased asset is reported as a fixed asset and the corresponding obligation to pay a lease fee is reported as an interest-bearing liability. The lease payments are distributed between amortization of the liability and financial expense, so that each reporting period is charged with an interest amount corresponding to a fixed interest rate on the reported liability during each period. The leased asset is depreciated in accordance with the same principles that apply to owned assets of the same type. If any uncertainty exists about whether the asset will be taken over at the end of the lease period, the asset is depreciated over the lease period, if this is shorter.

Lease of assets, for which the lessor, for all practical purposes, is considered the owner, is classified as operating lease. The lease fee is expensed on a straight-line basis over the lease period.

Inventories

Inventories are valued in accordance with the 'first in, first out' principle and at the lower of cost and net realizable value. Internal profits arising from deliveries between Group companies are eliminated upon consolidation.

Transactions and balances in foreign currency

Transactions in foreign currency are translated to the respective Group Company's functional currency by use of the currency rate prevailing on the transaction date. Monetary receivables and liabilities in foreign currency are similarly translated by use of the closing day rate. Exchange rate differences arising upon translation, and upon payment of the transaction, are reported in the income statement with the exception of those related to qualified hedge transactions, related to cash flows or net investments, which are recognized in equity under other comprehensive income. Exchange rate gains and losses on operating balance sheet items are recognized in the operating result. Exchange rate gains and losses on loans and investments are recognized as financial items. Non-monetary assets and liabilities carried at historical cost are translated at the exchange rate prevailing on the transaction date.

Financial instruments

A financial asset or a financial liability is reported in the balance sheet when the Company becomes party to the contractual terms and conditions of the instrument. A financial asset is removed from the balance sheet when the contractual rights are realized, fall due, or the Company loses control of them. Spot acquisitions or sales of financial assets are reported on the settlement date, which is the date on which the asset is delivered. Accounts receivable are reported in the balance sheet when the invoice is dispatched.

The fair value of quoted financial assets corresponds to the asset's listed bid price on the closing date. In the absence of such information, a valuation is carried out using generally accepted methods such as the discounting of future cash flows at the quoted market interest rate for the particular maturity.

For short-term loans and investments, the fair value is deemed to comply with the carrying amount in view of the fact that a change in market rate of interest does not have a material effect on the market value.

Financial assets and liabilities are off-set and reported at a net amount in the balance sheet when there is a legal right to net and when the intention is to settle the items using a net amount or simultaneously realize the assets and settle the liability.

Financial assets and liabilities are divided into the following categories in accordance with IAS 39.

Financial assets measured at fair value through profit or loss

Assets are classified in this category when the intention is to sell in the short term. Derivatives with a positive market value are classified in this category unless they are used for hedge accounting. Assets in this category are recognized at fair value and changes in value are recognized in the income statement. Only financial derivatives assigned to this category during the year.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets, which are not derivatives, with fixed or determinable payments, which are not quoted in an active market. The receivables arise when money, goods or services are provided directly to another party without any intention of trading in the receivables. Assets in this category are measured at amortized cost less any provision for impairment. The category include for example accounts receivable as well as cash and cash equivalents.

Accounts receivable

Since the anticipated life of accounts receivable is short, reporting is based on the amounts expected to be received, based on individual assessment of any bad debts, without discounting in accordance with the method for amortized cost. Impairment loss on accounts receivable is recognized in operating profit.

Cash and cash equivalents

Cash and cash equivalents comprise cash and bank balances with financial institutions and short-term investments with an original maturity of less than three months. Cash and cash equivalents are reported at nominal value.

Financial liabilities at fair value through profit or loss

This category includes derivatives with negative fair values that are not used for hedge accounting, financial liabilities held for trading and contingent considerations. Liabilities in this category are measured at fair value with changes in that value recognized in the income statement.

Financial liabilities measured at amortized cost

This category includes financial liabilities that are not held for trading, for example loans and accounts payable. These are recognized initially at fair value, net after transaction costs, and subsequently at amortized cost according to the effective interest method.

Loan liabilities

Loan liabilities are initially reported at fair value, net of transaction costs, and subsequently at amortized cost according to the effective interest method. Loan liabilities carrying a fixed rate of interest that are reported under hedge accounting in line with the method for fair value hedging are valued at market in respect of the interest component. Changes in market value are off-set with changes in value of the hedge instrument in net financial items.

A convertible loan is recognized as a compound financial instrument divided into a liability component and an equity component. Upon initial recognition of the convertible bond, the fair value of the liability component is determined based on the present value of the contractually determined stream of cash flows based on a discount rate determined from the market rate of comparable instruments without the conversion option. Subsequent to initial recognition, the liability component is measured based on its amortized cost, using the effective interest method. The carrying value of the liability component gradually approaches the nominal value of the convertible loan. The gradual increase in the liability component is recognized in the income statement as interest expense and the total interest expense of the convertible loan therefore includes the gradual increase in the liability component as well as the cash coupon. The equity component is calculated as the difference between the nominal value of the convertible loan and the initially recognized liability component. The equity component is carried at a fixed value in shareholders' equity. Transaction costs related to the issue of the convertible loan are distributed between the liability and equity component in proportion to the distribution of the issue proceeds. The transaction costs are included in the calculation of amortized cost, using the effective interest method, and are expensed over the term of the convertible loan.

Hedging of net investments

Loans in foreign currency are reported at closing rate. Exchange rate differences for loans in connection with hedging of net investments in foreign operations are reported in other comprehensive income, with tax effects taken into account, and are thus off-set against the translation differences that arise when translating the subsidiaries' balance sheets into SEK.

Accounts payable

The valuation principle for accounts payable is the amortized cost principle. The expected lifetime for accounts payable is short and thus the payables are reported at nominal value without discounting.

Accounting for derivatives used for hedging purposes

All derivatives are initially and continuously recognized at fair value in the balance sheet. Gains and losses on remeasurement of derivatives used for hedging purposes are recognized as follows. Changes in value relating to cash flow hedges are reported in other comprehensive income and are taken to the income statement as the hedged cash flow affects the income statement. Any ineffective portion of the change in value is reported directly in the income statement.

The result of a revaluation of derivatives used to hedge fair value is reported in the income statement along with changes in the fair value of the receivable or liability exposed to the hedged risk.

Provisions

Provisions are reported when the Group has, or is considered to have, an obligation resulting from an event that has occurred and for which payments are likely to meet the obligation. A further condition is that it is possible to make a reliable estimate of the amount to be paid.

Warranty reserves

Estimated costs for product guarantees are charged against operating costs in conjunction with the income recognition of the products. The estimated costs are established using historic statistics, with known changes taken into account regarding product quality, repair costs etcetera.

Cash flow statement

The cash flow statement is prepared according to the indirect method.

The parent company

The Group's Parent Company, Elekta AB, carries out group management and provides joint group functions and financial management. The Parent Company's revenues consist mainly of dividends from subsidiaries. The most material balance sheet items are shares in subsidiaries, intragroup balances and external loans.

The Parent Company's annual accounts have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and standard RFR 2 of the Swedish Financial Reporting Board. RFR 2 requires the Parent Company, in its annual accounts, to apply all the International Financial Reporting Standards (IFRS) as endorsed by the EU in so far as this is possible within the framework of the Annual Accounts Act and with regard to the relationship between accounting and taxation. RFR 2 states what exceptions from, and additions to, IFRS should be made.

Revenues

The Parent Company's revenues consist mainly of dividends from subsidiaries. Dividends are recognized when the right to receive payment is judged to be firm.

Shares in subsidiaries and shares in associates

Shares in subsidiaries and shares in associates are accounted for at cost less any accumulated impairment losses. Acquisition-related transaction costs are included in the cost of the shares. The recoverable amount of shares in subsidiaries or shares in associates is calculated whenever there is an indication of a reduction in value. Impairment is performed if the recoverable amount is lower than the carrying value. Impairment losses are recognized in the financial net in the income statement.

Financial instruments

Derivative financial instruments are accounted for at fair value. Changes in the fair values of derivative financial instruments are reported in the income statement with the exception of exchange differences related to a monetary item that forms part of a net investment in a foreign subsidiary. Such value changes are recognized in equity under other comprehensive income. Contingent considerations are reported as provisions in the Parent Company.

Group contributions

Group contributions are reported in accordance with RFR 2. Group contributions received and given are recognized as income from participations in Group companies and increase of shares in subsidiaries respectively. The tax effect of group contributions is recognized in the income statement in accordance with IAS 12.

EXCHANGE RATES

		Average rate		Closing rate	
Country	**Currency**	**2016/17**	**2015/16**	**April 30, 2017**	**April 30, 2016**
Australia	AUD	6.546	6.229	6.606	6.149
Canada	CAD	6.610	6.451	6.473	6.436
China	CNY	1.289	1.320	1.282	1.242
Euroland	EUR	9.518	9.328	9.630	9.176
United Kingdom	GBP	11,314	12.670	11,439	11.782
Hong Kong	HKD	1.120	1.087	1.136	1.039
Japan	JPY	0.080	0.071	0.079	0.075
USA	USD	8.694	8.434	8.840	8.059

Note 2 Financial risk management

Financial risk factors

As a result of its operations, the Elekta Group is exposed to a number of financial risks: market risk, credit risk and liquidity risk. The Group's overriding risk management policy focuses on the unpredictability of financial markets and seeks to reduce any potentially unfavorable effects on the Group's financial results.

Risk management is conducted by the Group's finance department, which identifies, evaluates and hedges financial risks. Work is pursued in line with the policies established by the board for overarching risk management and for specific areas such as currency risk, interest-rate risk, credit risk, utilization of derivative instruments and financial instruments that are not derivatives, and the investment of surplus liquidity.

Market risk

Market risk encompasses currency risk, interest-rate risk and price risk. The Group's exposure to and management of currency risk and interest-rate risk are described below. The Group's exposure to price risk is limited and is not described in particular.

Currency risk

Because of its international operations, the Group is exposed to currency risks in the form of transaction exposure and translation exposure. Transaction exposure arises as a result of future business transactions and translation exposure emerges as a result of recognized assets and liabilities in foreign currency as well as net investments in foreign operations. The Group's currency risk mainly arises from currency exposures in US dollars (USD), Euro (EUR), British Pounds (GBP), Japanese Yen (JPY) and Chinese Yuan (CNY).

The Group's net revenue arises primarily in USD, EUR and JPY, while the Group's net expenses largely arise in Swedish kronor (SEK), GBP and CNY. Sales companies primarily have income and expenses in their functional currency while production companies are to a greater extent exposed to currency risk as sales are largely in a currency other than the functional currency. The currency risk that arises from future business transactions and recognized assets and liabilities are managed using derivative contracts based on forecasted net flows and recognized net balances. Elekta's policy is to hedge the exchange-rate risk using forwards or options, the extent of which is determined by the Group's estimation of the exchange-rate risk and in accordance with the Group's established policy. Hedging is conducted on the basis of expected net sales over a period up to 24 months. Each Group company is responsible for quantifying its transaction exposure in particular flow forecasts that then provide the basis for determination of the exposure and decisions on hedging measures. Currency hedging of recognized assets and liabilities in foreign currency is hedged, in accordance with policy, from 50 percent to 100 percent.

Hedging is carried out in order to reduce the effects of short-term fluctuations in currency markets. The Parent Company's direct and indirect holdings in foreign operations entail that net assets in the foreign operations are exposed to currency risk. Such net investments in foreign currency are hedged when viewed as appropriate on an individual basis.

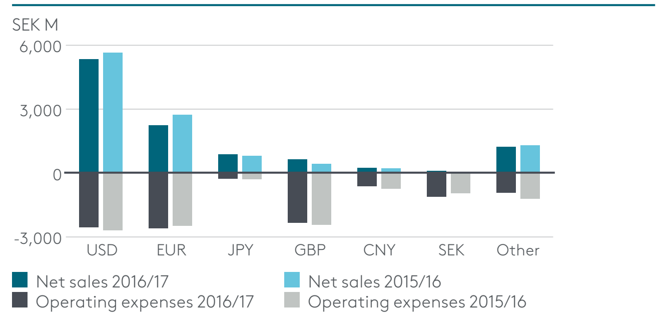
Based on the year's income, expense and currency structure (transaction exposure) a general change of one percentage point in the SEK exchange rate against other currencies would affect Group net profit and shareholders' equity by approximately +/– SEK 10 M (14), exclusive of hedging effects. The table below shows the impact on net income from a 1 percent weakening of the Swedish krona (SEK) in relation to the major currencies.

IMPACT ON OPERATING RESULT OF A 1 PERCENT WEAKENING OF SEK, SEK M

Currency	April 30, 2017	April 30, 2016
USD	28	30
EUR	–4	3
JPY	6	5
GBP	–17	–20
CNY	–4	–5
Other currencies	3	6

The Group's net sales and operating expenses by currency for 2016/17 are shown in the following diagram.

NET SALES AND OPERATING EXPENSES PER CURRENCY



Note 2 Financial risk management, cont.

Interest-rate risk

Interest-rate risk refers to the risk that changes in the interest rate level negatively affect Elekta's earnings, primarily as a result of higher expenses for long-term borrowing, since the Group's interest-rate risk primarily arises through long-term borrowing at variable interest rate.

Elekta's policy is to reduce the interest-rate risk through the use of loans, investments and derivatives. The Group's finance department analyzes exposure to interest-rate risk, whereby refinancing, turnover of existing positions, alternative financing and hedging are taken into account. Based on this, the effect on earnings that a certain change in the interest rate would have is calculated, in which the total change in the interest rate is used for all currencies.

Elekta usually obtains long-term loans at a variable or fixed interest rate based on current market conditions. Conversion to fixed or variable interest rates is done using interest rate derivatives when this is deemed appropriate from a risk management and market perspective. An interest rate swap entails that the Group reaches agreement with another party with the indicated intervals (such as per quarter) to swap the difference between fixed and variable interest amount, estimated on the basis of the contracted nominal amount.

Based on the balance sheet structure at year-end and under the assumption that all other variables were constant, a general change in the interest rate on loans and investments by one percentage point would affect the Group's net result and shareholders' equity by +/– SEK 3 M (7), excluding hedging effects. The impact on the result is mainly attributable to lower/higher interest expense for loans at variable interest rate.

On April 30, 2017, interest-bearing liabilities totaled SEK 5,272 M (4,950), of which SEK 4 M (1) pertained to financial leasing. The average fixed interest term was 1.6 years (2.2) and the weighted average interest rate, taking interest rate derivatives into account, was 2.5 percent (3.0). See Note 25 for more information on interest-bearing loans.

Credit risk

Credit risk arises via financial credit risk related to cash and cash equivalents, derivative instruments and balances at banks and financial institutions as well as through credit exposure vis-á-vis customers and distributors. Credit risk is managed primarily at Group level, but, as regards credit risk in accounts receivable and accrued income, the primary responsibility lies with the individual Group companies. Maximum credit risk is deemed to correspond to the carrying values of the financial assets recognized in the balance sheet.

Financial credit risk

Elekta's finance policy includes special counterparty regulations in which the maximum credit exposure and the lowest credit rating for various counterparties are specified. Only banks and financial institutions that have received the credit rating from Standard & Poor's of – A (long) and A1+ (short) or higher– are accepted. Elekta's liquidity is invested in accordance with the determined policy, with the goal of maintaining high liquidity combined with a low credit risk.

Credit risk in accounts receivable

Credit risk in accounts receivable, including accrued income, are managed primarily by the individual group companies. The credit risk for each new customer is analyzed before the conditions for payment and delivery are offered. A continuous follow up of the credit risk in receivables outstanding and agreed transactions are performed. A risk assessment is conducted continuously of credit worthiness through the observance of the customer's financial position and other influencing factors as well as previous experience. No single customer accounts for 10 percent or more of Elekta's net sales.

A continuous assessment is made of the credit risk in receivables outstanding and at the end of the financial year 2016/17 the provision for bad debts amounted to SEK 121 M. See Note 21 for an analysis of credit exposure in accounts receivable and provision for bad debts.

Liquidity risk

Liquidity risk pertains to the risk of not being able to cover payment obligations due to insufficient cash and cash equivalents or difficulties in obtaining external financing. The operating Group companies draw up cash flow forecasts, which are consolidated centrally. At the Group level, rolling forecasts for the Group's liquidity reserve are observed in order to ensure that the Group has sufficient cash resources to meet the requirements of current operations, while also retaining sufficient scope of unutilized credit facilities.

Excess liquidity in operating Group companies is transferred centrally and is managed by the Group's financial function. Investments are made primarily in interest-bearing accounts, term-limited borrowing, money market instruments, money market funds and tradable securities, depending on which instrument is viewed as having an appropriate term or sufficient liquidity to meet the particular situation. In order to reduce the liquidity risk, Elekta endeavors to maintain readily available funds equal to at least 10 percent of net sales. On April 30, 2017, available cash and cash equivalents amounted to SEK 3,371 M (2,263), or 31 percent (20) of net sales. In addition, Elekta had SEK 1,685 M (1,606) in unutilized credit facilities.

The table below shows the Group's liquidity risk through a maturity analysis regarding financial liabilities (including interest payments as applicable) and derivatives recognized as financial liabilities. The amounts noted in the table are contractual, undiscounted cash flows classified on the basis of the term on the balance sheet date that remains to the agreed maturity date.

MATURITY ANALYSIS: FINANCIAL LIABILITIES

	2017-04-30					2016-04-30				
SEK M	**< 1 yr**	**> 1 yrs < 3 yrs**	**> 3 yrs < 5 yrs**	**> 5 yrs**	**Total**	**< 1 yr**	**> 1 yrs < 3 yrs**	**> 3 yrs < 5 yrs**	**> 5 yrs**	**Total**
Loans (note 25)	–	1,924	2,902	442	5,268	1,991	902	1,026	1,216	5,135
Finance leases (note 25)	4	–	–	–	4	1	–	–	–	1
Accounts payable	1,000	–	–	–	1,000	1,122	–	–	–	1,122
Derivative financial instruments – outflow, gross	4,587	71	–	–	4,658	3,975	7	–	–	3,982
Derivative financial instruments – inflow, gross	–3,140	–70	–	–	–3,210	–3,607	–8	–	–	–3,615
Other liabilities	281	33	–	–	314	157	71	–	–	228
Total	**2,732**	**1,958**	**2,902**	**442**	**8,034**	**3,639**	**972**	**1,026**	**1,216**	**6,853**

Capital management

The primary objective of the Group's capital management is to secure a going concern through maintaining a high creditworthiness and a well-balanced capital structure with the aim of generating return to shareholders and benefits for other stakeholders, and to keep down the costs of capital.

In order to maintain or adjust the capital structure, the Group can change the dividend paid to shareholders, repay capital to shareholders, issue new shares or sell assets to reduce debt.

Elekta's objective is that the net debt/equity ratio is not to exceed 0.5. This key figure is calculated as net debt in relation to total equity. Net debt is calculated as interest-bearing liabilities (short and long term according to the consolidated balance sheet) less cash and cash equivalents.

NET DEBT/EQUITY RATIO

	Note	30 April, 2017	30 April, 2016
Interest-bearing liabilities	25	5,272	4,950
Cash and cash equivalents	23	–3,383	–2,273
Net debt		1,889	2,677
Total equity		6,774	6,412
Total capital		**8,663**	**9,089**
Net debt/Equity ratio		**0.28**	**0.42**

The net debt/equity ratio was 0.28 compared to 0.42 2015/16. See also Note 25 for more information on interest-bearing liabilities.

Financial instruments

The table below presents the Group's financial assets and financial liabilities by measurement category with the carrying amount and fair value per item. Fair value for long-term interest-bearing liabilities has been established by discounting future payment flows at current market interest rate and then converting to SEK at the current exchange rate. For other financial instruments the fair value is estimated to agree with the carrying amount.

FINANCIAL INSTRUMENTS PER CATEGORY

		April 30, 2017		April 30, 2016	
SEK M	Note	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS					
Financial assets measured at fair value through profit or loss:					
Derivative financial instruments – non-hedge accounting		44	44	21	21
Loan receivables and accounts receivable:					
Other financial assets	19	285	285	352	352
Accounts receivable	21	3,726	3,726	3,301	3,301
Other receivables	22	355	355	376	376
Cash and cash equivalents	23	3,383	3,383	2,273	2,273
Derivatives used for hedging purposes:					
Derivative financial instruments – hedge accounting		63	63	27	27
FINANCIAL LIABILITIES					
Financial liabilities at fair value through profit or loss:					
Derivative financial instruments – non-hedge accounting		20	20	17	17
Other liabilities (contingent considerations)		77	77	104	104
Financial liabilities measured at amortized cost:					
Long-term interest-bearing liabilities	25	5,272	5,322	3,065	3,213
Short-term interest-bearing liabilities	25	0	0	1,885	1,984
Accounts payable		1,000	1,000	1,122	1,122
Other liabilities		237	237	90	90
Derivatives used for hedging purposes:					
Derivative financial instruments – hedge accounting		28	28	36	36

Note 2 Financial risk management, cont.

The table below shows how the Group's financial assets and financial liabilities, which are carried at fair value, have been categorized in the fair value hierarchy. The different levels are defined as follows:

- Level 1: Quoted prices on an active market for identical assets or liabilities
- Level 2: Other observable data than quoted prices included in Level 1, either directly (that is, price quotations) or indirectly (that is, obtained from price quotations)
- Level 3: Data not based on observable market data

DISTRIBUTION BY LEVEL WHEN MEASURED AT FAIR VALUE

	April 30, 2017				April 30, 2016			
SEK M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
FINANCIAL ASSETS								
Financial assets measured at fair value through profit or loss:								
Derivative financial instruments – non-hedge accounting	–	44	–	44	–	21	–	21
Derivatives used for hedging purposes:								
Derivative financial instruments – hedge accounting	–	63	–	63	–	27	–	27
Total financial assets	**–**	**107**	**–**	**107**	**–**	**48**	**–**	**48**
FINANCIAL LIABILITIES								
Financial liabilities at fair value through profit or loss:								
Derivative financial instruments – non-hedge accounting	–	20	–	20	–	17	–	17
Contingent considerations	–	–	77	77	–	–	104	104
Derivatives used for hedging purposes:								
Derivative financial instruments – hedge accounting	–	28	–	28	–	36	–	36
Total financial liabilities	**–**	**48**	**77**	**125**	**–**	**53**	**104**	**157**

Financial instruments, level 2

The fair value of financial instruments that are not traded on an active market are determined by means of available valuation techniques. Market information is used when available. The use of corporate-specific information is avoided whenever possible. If all important in-data required for a fair value valuation of an instrument is observable, the instrument is in level 2. Specific valuation techniques used in the valuation of financial instruments include, for example, listed market prices, fair value for interest-rate swaps, calculated as the present value of estimated future cash flows based on observable yield, fair value of currency forward contracts determined through the use of rates for currency foreign exchange contracts on the balance sheet date.

Financial instruments, level 3

The change during the year for instruments at level 3 refers to contingent considerations. Contingent considerations are valued at the fair value based on data available such as conditions set forth in the purchase agreement and current assessments of the estimated fulfillment of the conditions.

MOVEMENTS FINANCIAL INSTRUMENTS LEVEL 3

Contingent considerations	**2016/17**	**2015/16**
Opening balance May 1	104	152
Business combinations	13	–14
Payments	–24	–24
Reversals	–6	–
Revaluations	–10	–5
Translation differences	0	–5
Closing balance April 30	**77**	**104**

Outstanding derivative financial instruments

The Group's derivative financial instruments outstanding at April 30 are presented with nominal amounts and fair values in the table below. The total amount of fair values of assets and liabilities respectively are equivalent to the carrying values recognized in the balance sheet.

DERIVATIVES OUTSTANDING

	April 30, 2017				April 30, 2016			
SEK M	Nominal	Asset	Liability	Hedge reserve after tax	Nominal	Asset	Liability	Hedge reserve after tax
Currency derivatives:								
Cash flow hedges	1,898	63	28	26	954	27	36	–2
Non-hedge accounting	3,737	44	20	–	3,231	21	17	–
Currency derivatives, total	**5,635**	**107**	**48**	**26**	**4,185**	**48**	**53**	**–2**

The table below presents detailed information regarding the Group's outstanding cash flow hedges. Realized results from cash flow hedges have been recognized on the line "Currency rate differences" in the operating result and amounted to SEK –185 M (–132) during the year, of which SEK 1 M (–23) was related to the ineffective portion.

CASH FLOW HEDGES OUTSTANDING

	April 30, 2017				April 30, 2016			
Currencies	Currency	Amount	Term	Exchange rate	Currency	Amount	Term	Exchange rate
EUR/GBP	EUR	–	–	–	EUR	6 M	6–12 mon	0.748 EUR/GBP
EUR/SEK	EUR	2 M	6–6 mon	9.588 EUR/SEK	EUR	5 M	6–12 mon	9.488 EUR/SEK
JPY/GBP	JPY	1,100 M	3–18 mon	0.007 JPY/GBP	JPY	1,300 M	6–15 mon	0.006 JPY/GBP
JPY/SEK	JPY	300 M	6–12 mon	0.082 JPY/SEK	JPY	400 M	6–15 mon	0.071 JPY/SEK
USD/GBP	USD	172 M	2–18 mon	0.785 USD/GBP	USD	72 M	3–18 mon	0.676 USD/GBP
USD/SEK	USD	28 M	3–21 mon	8.770 USD/SEK	USD	18 M	3–12 mon	8.164 USD/SEK

The hedged transactions in foreign currency are estimated to take place in the coming 24 months. Results from the forward exchange agreements recognized in the hedge reserve in other comprehensive income on 30 April 2017, will be accounted for in the income statement in the periods when the hedged transactions will affect the income statement. The estimated future effect from outstanding cash flow hedges are presented in the table below.

OUTSTANDING CASH FLOW HEDGES' ESTIMATED EFFECT ON THE INCOME STATEMENT

	2017/18				2018/19			
SEK M	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Expected result from cash flow hedges	–3	2	14	9	8	7	0	–

Offsetting of financial assets and financial liabilities

Offsetting of financial assets and liabilities consists solely of derivative instruments that are encompassed by legally binding agreements on offsetting.

OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

	2016/2017					2015/2016				
SEK M	Gross amount	Amounts set off in the balance sheet	Net amounts in the balance sheet	Amounts covered by netting agreements but not set off	Net amount	Gross amount	Amounts set off in the balance sheet	Net amounts in the balance sheet	Amounts covered by netting agreements but not set off	Net amount
Financial assets	107	–	107	–42	64	48	–	48	–32	16
Financial liabilities	48	–	48	–42	6	53	–	53	–32	21

In the case of financial assets and liabilities that are subject to legally binding offsetting agreements, each agreement between the company and the counterparties permit net deduction of the relevant financial assets and liabilities if both parties elect to apply net deduction. If both parties are not in agreement regarding net deduction, gross deduction is applied. In the event that one party defaults, the other party is entitled to deduct on a net basis.

Note 3 Estimates and assessments

The preparation of financial statements and application of accounting standards require that management use estimates and assessments. Therefore, they make certain assumptions which are considered reasonable under the prevailing circumstances. Thus, estimates and assessments affect the financial reports and they are frequently based on experience as well as other factors, including expectations of future events. Using other assumptions than those actually applied in the preparation of the financial reports the result can be different and the actual outcome seldom complies with the anticipated result. For Elekta, estimates and assessments are particularly important in revenue recognition, valuation of accounts receivable, calculation of deferred taxes and provisions, and also for impairment testing of goodwill. Estimates and assessments are continually reassessed. Amounts below refer to 30 April 2017 (2016) unless otherwise stated.

Revenue recognition

One of the conditions for revenue recognition is that revenue from the sale of products is recognized when the risks and rewards of ownership of the goods has been transferred to the buyer. The assessment of when these risks and rewards are transferred requires that each contract is examined of the circumstances affecting the transaction. The risk and rewards related to hardware products are usually taken as transferred to the customer upon shipment or delivery depending on the contracted shipment terms. Thus, the main part of revenue is normally recognized upon either shipment or delivery. The timing of revenue recognition often does not coincide with invoicing and payments from customers. Therefore, the assessment of the conditions for revenue recognition being satisfied often forms the basis for amounts recognized as either accounts receivable or accrued income. Amounts invoiced are reported as accounts receivable while revenue recognized amounts not yet invoiced are reported as accrued income. Net sales for the year amounted to SEK 10,704 M (11,221). Accrued income amounted to SEK 1,640 M (2,126). Accounts receivable amounted to SEK 3,726 M (3,301). For more information on accounts receivable see below.

Valuation of accounts receivable

Accounts receivable is one of the most significant items in the balance sheet and is carried at nominal value net after provisions for bad debts. Thus, the provision for bad debts is subject to estimates and assessments. Accounts receivable amounted to SEK 3,726 M (3,301) including bad debt provisions of SEK 121 M (92). See Note 2 for further information regarding the credit risk in accounts receivable and Note 21 for more information on accounts receivable and the provision for bad debts.

Calculation of deferred taxes

Deferred tax assets and deferred tax liabilities are balance sheet items which are subject to estimates and assessments. Deferred tax is calculated on temporary differences between the carrying amounts and the tax values of assets and liabilities. Estimates and assessments affect the recognized deferred tax amounts in the determination of the carrying amounts of the different assets and liabilities, and also through forecasts regarding future taxable profits in those cases where a future utilization of deferred tax assets depends on future taxable profits. Deferred taxes amounted to a net liability of SEK 403 M (409), whereof assets SEK 375 M (281) and liabilities SEK 778 M (690). See Note 14 for more information on deferred taxes.

Provisions

Provisions include uncertainties and entails various judgments. Provisions for guarantees are based on historic statistics, while others, such as provisions for legal disputes and restructuring are based on management's best estimate of the expected outcome. A provision is only reported when an event has occurred for which economic responsibility is probable and when it is possible to make a reliable estimate of the amount to be paid. Total provisions amounted to SEK 373 M (487).

Impairment testing of goodwill

For the Group, the most significant estimates and assumptions are those relating to impairment testing of goodwill. This means that the effect on the financial reports may be considerable if the estimates and assessments made would prove to deviate significantly from the actual outcome. In connection with impairment testing of goodwill the carrying amount is compared with the recoverable amount. The recoverable amount is determined by the higher of an asset's net realizable value and its value in use. Normally, it is not possible to determine the net realizable value. Therefore, the value in use is normally the value being compared with the carrying amount. Thus, each cash generating unit's value in use is calculated in assessing any impairment of goodwill. Calculations are performed through discounting future estimated cash flows. In order to perform the calculations a number of assumptions concerning future circumstances and estimates of parameters are made, for example growth and discount rate. Any adjustments of the assumptions made could have an effect on the carrying amount of the goodwill. Assuming a lower growth rate would lead to a lower recoverable amount. A higher discount rate would also lead to a lower recoverable amount. Goodwill amounted to SEK 5,388 M (5,069). Refer to Note 15 for more information on goodwill and for a description of the impairment test performed, major assumptions made as well as the effects of likely changes to them.

Note 4 Segment reporting

The accounting principles applied in the segment reporting are the same as in the group accounts.

Net sales per country is based on sales to customers in the respective country. There is no individual customers representing more than 10 percent of net sales.

Information on other non-current assets (intangible assets) per country cannot be disclosed as the necessary information is not available. See Note 15 for information on goodwill per region.

NET SALES PER COUNTRY

SEK M	2016/17	2015/16
Sweden	80	26
USA	3,436	3,275
China	953	1,552
Japan	888	811
United Kingdom	557	372
Germany	412	519
Italy	348	524
India	347	272
France	341	323
Australia	258	312
Other countries	3,084	3,235
Total	**10,704**	**11,221**

TANGIBLE FIXED ASSETS PER COUNTRY

SEK M	2016/17	2015/16
Sweden	81	85
United Kingdom	327	320
China	121	122
USA	110	117
Netherlands	87	87
Other countries	69	72
Total	**795**	**803**

	North and South America		Europe, Middle East and Africa		Asia Pacific		Other/ Group-wide[2]		Group total	
SEK M	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Net sales[1]	4,147	4,005	3,444	3,651	3,114	3,565	–	–	10,704	11,221
Operating expenses	–2,600	–2,713	–2,365	–2,763	–2,174	–2,590	–	–	–7,139	–8,066
Contribution margin	**1,547**	**1,292**	**1,079**	**888**	**940**	**975**	**–**	**–**	**3,565**	**3,155**
Contribution margin, %	37%	32%	31%	24%	30%	27%				
Global costs							–2,450	–2,134	–2,450	–2,134
Items affecting comparability							–518	–598	–518	–598
Operating result	**1,547**	**1,292**	**1,079**	**888**	**940**	**975**	**–2,968**	**–2,732**	**598**	**423**
Income participations in associated companies							–17	11	–17	11
Financial income							31	37	31	37
Financial expenses							–271	–285	–271	–285
Exchange rate differences							–1	3	–1	3
Income before tax	**1,547**	**1,292**	**1,079**	**888**	**940**	**975**	**–3,226**	**–2,966**	**340**	**189**
Income tax							–214	–44	–214	–44
Profit for the year	**1,547**	**1,292**	**1,079**	**888**	**940**	**975**	**–3,440**	**–3,010**	**126**	**145**
Net sales per product type										
Solutions[3]	2,075	2,046	2,006	2,284	2,130	2,722	–	–	6,211	**7,052**
Service	2,072	1,959	1,438	1,367	984	843	–	–	4,494	**4,169**
Total	**4,147**	**4,005**	**3,444**	**3,651**	**3,114**	**3,565**	**–**	**–**	**10,704**	**11,221**
Depreciation/ Amortization	–245	–258	–377	–342	–33	–34	–	–	–655	–634
Investments	328	330	323	522	30	22	–	–	681	874

1) Which of net sales, internal SEK 5,476 M (5,183)
2) Within other/group-wide are costs that can not be allocated by segment such as global costs and items affecting comparability. Allocations by segment are not done for financial items and tax
3) The product type solutions includes hardware and software combined as it better reflects the business follow-up. The comparatives have been restated

Note 5 Salaries, other remuneration and social security costs

	Group		Parent Company	
SEK M	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Salaries and remunerations:				
Board and Managing directors	131	123	17	15
Other employees	2,797	2,788	37	28
Total salaries and other remunerations	**2,928**	**2,911**	**54**	**43**
Social security costs:				
Pension costs	225	230	13	16
Other social security costs	330	334	18	14
Total social security costs	**555**	**564**	**31**	**30**
Total salaries, other remuneration and social security costs	**3,483**	**3,475**	**85**	**73**

Bonuses included in the above salaries and other remunerations paid to the Boards and the Managing directors of subsidiaries amounted to SEK 34 M (30), and SEK 1 M (4) in the Parent Company. Total pension costs amounted to SEK 225 M (230) of which SEK 15 M (5) concern defined benefit pension plans. Pension costs in the Parent Company amounted to SEK 13 M (16) of which the total amount related to defined contribution pensions plans. For further information regarding defined benefit pension plans see Note 26.

Note 5 Salaries, other remuneration and social security costs, cont.

Remuneration to the board of directors

According to the resolution by the AGM, fees totaling SEK 5,065,000 (4,955,000) were paid to the Board of Directors. The fees were distributed in accordance with the table below.

FEES FOR THE BOARD OF DIRECTORS

	April 30, 2017			April 30, 2016		
Thousands	Regular remuneration	Remuneration compensation committee	Remuneration audit committee	Regular remuneration	Remuneration compensation committee	Remuneration audit committee
Chairman:						
Laurent Leksell	1,075	90	–	1,075	90	–
Members:						
Luciano Cattani	460	50	–	460	50	–
Siaou-Sze Lien	460	50	–	460	50	–
Tomas Puusepp	–	–	–	–	–	–
Wolfgang Reim	460	–	110	460	–	110
Jan Secher	460	–	110	460	–	110
Birgitta Stymne Göransson	460	–	200	460	–	200
Annika Espander Jansson	460	–	110	460	–	–
Johan Malmqvist	460	50	–	460	50	–
Total	**4,295**	**240**	**530**	**4,295**	**240**	**420**

Remuneration to executive management

The guidelines for remuneration to the executive management, which are proposed by the board of directors for the AGM on August 23, 2017 are presented on pages 68–69. The proposed guidelines are unchanged compared to those proposed by the board of directors and approved by the AGM on September 1, 2016. The executive management for 2016/2017 was comprised of a total of ten people, of whom four are located in Sweden and the other six in the Netherlands, the UK, and the US. The tables below display remunerations and other benefits to the executive management in 2016/17 and 2015/16 respectively.

Two members of Elekta's executive management team has been offered, and has accepted, to participate in an individual performance based incentive scheme extending to 2016/17 and 2017/18. Reported expenses for the scheme was SEK 3.1 M (2.6) excluding social security costs during 2016/17. The requirements for fulfilling the objectives for the scheme, and the related progressive payouts, are regulated in an agreement that has been approved by Elekta's executive compensation and capability committee, ECCC.

REMUNERATION AND OTHER BENEFITS TO EXECUTIVE MANAGEMENT DURING THE YEAR 2016/17

Thousands	Fixed remuneration	Variable remuneration	Severance pay	Share-based compensation	Other benefits	Pension costs	Total
President and CEO – Richard Hausmann[1)]	6,072	2,779	–	1,003	136	1,750	**11,740**
President and CEO – Tomas Puusepp[1)]	425	21	–	–	7	99	**552**
Other senior executives resident in Sweden (4)	10,459	6,776	3,252	1,531	699	2,083	**24,800**
Other senior executives resident abroad (6)	25,109	11,098	4,460	2,059	1,037	1,261	**45,025**
Total senior executives	**42,065**	**20,674**	**7,713**	**4,593**	**1,879**	**5,194**	**82,119**
Member of the board/Previous President and CEO – Tomas Puusepp	4,674	234	6,191	–	79	1,093	**12,272**

1) Richard Hausmann was appointed as President and CEO effective June 10th 2016. He succeeded Tomas Puusepp

REMUNERATION AND OTHER BENEFITS TO EXECUTIVE MANAGEMENT DURING THE YEAR 2015/16

Thousands	Fixed remuneration	Variable remuneration	Severance pay	Share-based compensation	Other benefits	Pension costs	Total
President and CEO – Tomas Puusepp[1)]	5,077	2,403	–	–	178	1,594	**9,252**
President and CEO – Niklas Savander[1)]	–	–	7,032	–	156	1,593	**8,781**
Other senior executives resident in Sweden (5)	9,219	6,116	1,960	–	950	2,352	**20,597**
Other senior executives resident abroad (5)	21,180	9,877	–	–	844	5,393	**37,294**
Total senior executives	**35,476**	**18,396**	**8,992**	**–**	**2,128**	**10,932**	**75,924**

1) Niklas Savander ended his employment May 19th 2015. Tomas Puusepp started his employment May 13th 2015

Variable remuneration pertains to the bonus for the 2016/17 and 2015/16 fiscal years respectively, partly paid quarterly during each fiscal year and partly paid in the year after.

Share based payment

As per April 30, 2017, Elekta has three outstanding share programs. The share program performance share plan 2013/16, which was outstanding as per April 30, 2016, has been concluded during the year.

The total number of shares that may be allotted under the share programs is 1,237,043 (1,794,061) B-shares. The share programs are secured by delivery of shares already held or repurchased by Elekta and, consequently, no new shares will be issued under the share programs. Share programs awarded to employees have a potential dilution effect. However, certain performance targets must be met for the programs to be diluted and this was not the case at the closing date.

The share-related incentive programs are reported in accordance with IFRS 2 Share-based payments. The recognized costs related to the share programs amounted to SEK 6 M (–), whereof social security amounted to SEK 1 M (–). See page 44 for more information.

Share programs

The AGM has for a number of years resolved to adopt share programs called performance share plans. Performance share plan 2013/16, resolved by the AGM in 2013, was concluded during the year. For information on the program see the annual report 2015/16 pages 79–80. Outstanding programs as per April 30 2017 were performance share plan 2014/17, 2015/18 and 2016/19 respectively. The performance share plans cover approximately 147 (2014/17), 10 (2015/18) and 8 (2016/19) key employees of the Group respectively. The performance share plans entitle the participants to obtain, free of charge, B-shares in Elekta upon fulfillment of certain performance requirements.

The main terms of the performance share programs are that:

- A performance share award shall entitle a participant to receive, subject to the terms and conditions set forth in the performance share plans 2014, 2015 and 2016 and applicable award agreements, a number of B-shares based upon the attainment of performance targets over a three year performance period
- Each performance share award shall be subject to forfeiture in the event of termination of employment due to a reason other than death, disability or retirement or failure to attain performance targets over the applicable performance period
- Performance share awards shall be settled through the delivery of shares unless otherwise decided by the board
- The number of shares to be allotted will depend on the degree of fulfillment of financial targets

The financial targets for performance share plan 2014 are defined as the Group's earnings before interest, taxes, amortizations, bad debt losses and items affecting comparability (adjusted EBITA) with 50 percent weight, and the Group's business volume in local currency (sales and orders) with 50 percent weight. The performance targets are measured and shares are earned by one-third each financial year from 2014/2015 until 2016/2017. The financial targets include a minimum level that must be exceeded in order for any allotment to occur, and a maximum level in excess of which no additional allotment will occur. Allotment between the minimum level and maximum level is linear. The board establishes the minimum and maximum level for the respective performance target. The levels that are established and to what extent they have been achieved will be presented at latest when the program ends.

The financial targets for performance share plans 2015 are defined as average annual percentage growth rate in earnings per share (EPS) during the fiscal year 2015/16 until the fiscal year 2017/18, versus EPS for the fiscal years 2014/15. Under performance share plan 2015/18 the maximum number of shares will be allotted if the annual average EPS growth is at or exceeds 41 percent, no allotment of shares will occur if the annual average EPS growth is below 32 percent and allotment of shares between annual average EPS growth 32 and 41 percent is linear.

The financial targets for performance share plans 2016 are defined as average annual percentage growth rate in earnings per share (EPS) during the fiscal year 2016/17 until the fiscal year 2018/19, versus EPS for the fiscal years 2015/16. Under performance share plan 2016/19 the maximum number of shares will be allotted if the annual average EPS growth is at or exceeds 132 percent, no allotment of shares will occur if the annual average EPS growth is below 103 percent and allotment of shares between annual average EPS growth 103 and 132 percent is linear.

The terms of the performance share programs 2014, 2015 and 2016 further state that:

- The performance targets may be adjusted should an event occur that affects the operations of the Company or the number of outstanding Elekta shares or otherwise affecting the performance targets and deemed relevant by the board
- The performance targets will be finally evaluated at the end of the applicable performance period and each participant will receive the number of shares he/she is entitled to according to the participant's award agreement depending on the attainment of the applicable performance targets over the performance period
- The value that a participant can receive in settlement of the performance share award is maximized at 400 percent of the value of the shares at the date of grant of the performance share award
- Potential allotments of shares will take place September 21, 2017, September 16, 2018 and September 14, 2019, respectively

Participants shall at allotment of shares receive compensation for any cash dividends paid during the respective three year performance period.

Before the number of shares to be allotted is finally determined, the board shall examine whether the allotment is reasonable, taking into consideration the Company's financial results and position, conditions on the stock market and other circumstances, and if not, as determined by the board, reduce the number of shares to be allotted to the lower number of shares deemed appropriate by the board. Delivery of shares and dividend compensation in settlement of the performance share award shall be made as soon as practicable following the lapse of the performance period.

The conditions of the share programs state that the right to performance share awards may be settled in other ways than through the delivery of shares. As per April 30, 2017, there were no material obligations to settle in any other way than through shares.

SHARE PROGRAM

	2013/16	2014/17	2015/18	2016/19
Originally designated number of shares	798,000	976,726	289,284	280,386
Share price used for calculation of theoretical value SEK[1]	104	75	56	77
Allotment of shares	2016-09-13	2017-09-21	2018-09-16	2019-09-14
Number of shares as of April 30, 2016	646,328	858,449	289,284	–
Granted during the year	–	–	–	280,386
Cancelled/Expired during the year	–646,328	–166,969	–24,107	–
Released during the year	–	–	–	–
Number of share as of April 30, 2017	**–**	**691,480**	**265,177**	**280,386**

1) Average closing share price of the Elekta class B share on the exchange NASDAQ Stockholm during a period of ten trading days before the day the participants are offered to participate in the program

Note 6 Depreciation/amortization

	Group	
SEK M	**2016/17**	**2015/16**
Cost of products sold	40	68
Selling expenses	128	125
Administrative expenses	69	83
R&D expenses	418	358
Total	**655**	**634**

Note 7 Operating leases

SEK M	Group 2016/17	Group 2015/16
Leasing fees paid during the year	212	198
Nominal value of agreed future leasing fees:		
Due for payment within 1 year	221	190
Due for payment after 1 year but within 5 years	581	593
Due for payment after more than 5 years	658	837
Total	**1,460**	**1,620**

Leasing fees paid by the Parent Company during the year amounted to SEK 455 K (349). Future leasing fees due for payment within one year amount to SEK 260 K (426), after 1 year but within 5 years SEK 176 K (200).

The operating lease contracts are mainly contracts for premises where the business is conducted.

Note 8 Remunerations to auditors

	Group		Parent Company	
SEK M	2016/17	2015/16	2016/17	2015/16
Group auditor (PwC)				
Audit engagements	12	11	4	5
Audit-related services	0	1	0	0
Tax consultancy	4	4	0	0
Other services	2	1	1	1
Total Group auditor	**18**	**17**	**5**	**6**
Other auditors				
Audit engagements	0	0	–	–
Audit-related services	0	–	–	–
Tax consultancy	1	0	–	–
Other services	0	0	–	–
Total other auditors	**1**	**0**	**–**	**–**
Total	**19**	**17**	**5**	**6**

Audit engagements refers to remuneration to auditors for work related to the statutory audit, including audit of the annual report and the accounting records, the administration of the board of directors and the CEO as well as audit consultancy work directly linked to the audit assignment. Audit-related services comprises quality assurance services, including consultancy work driven by observations made in the audit engagement. Other services refers to other services/consultancy work which are not covered by any of the other categories above, e g consultancy work related to internal control and acquisitions.

Note 9 Expenses by nature

In the income statement costs are broken down by function. Operating expenses amount to SEK 10,107 M (10,798). Below, operating expenses are broken down by nature:

SEK M	Group 2016/17	Group 2015/16
Products, materials and consumables	3,958	4,283
Personnel costs	3,482	3,540
Depreciation and amortization (Notes 6, 15 and 16)	655	634
Operating leasing fees (Note 7)	212	198
Other expenses	1,800	2,143
Total	**10,107**	**10,798**

Note 10 Income from participations in Group companies

SEK M	Parent Company 2016/17	Parent Company 2015/16
Dividends from subsidiaries	271	615
Divestment of shares in subsidiaries	–3	–
Total	**268**	**615**

Note 11 Net financial items

SEK M	Group 2016/17	Group 2015/16
Income from participations in associates	**–17**	**11**
Interest income, external	31	37
Other financial income	–	0
Financial income	**31**	**37**
Interest expenses, convertible loan	–67	–69
Interest expenses, other external loans	–142	–171
Other financial expenses	–62	–45
Financial expenses	**–271**	**–285**
Exchange rate differences on financial instruments	**–1**	**3**
Net financial items	**–258**	**–234**

Note 12 Interest income, interest expense and similar items

SEK M	Parent Company 2016/17	Parent Company 2015/16
Interest income from subsidiaries	140	177
Interest income, external	13	17
Interest income and similar items	**153**	**194**
Interest expenses to subsidiaries	–5	–12
Interest expenses, convertible loan	–67	–69
Interest expenses, other external loans	–128	–138
Other financial expenses	–22	–8
Interest expenses and similar items	**–222**	**–227**

Note 13 Appropriations and untaxed reserves

	Parent Company			
	Appropriations		Untaxed reserves	
SEK M	2016/17	2015/16	2016/17	2015/16
Tax allocation reserve	–	43	–	–
Total	**–**	**43**	**–**	**–**

Note 14 Taxes

INCOME TAXES

	Group		Parent Company	
SEK M	2016/17	2015/16	2016/17	2015/16
Current taxes	–253	–180	–	–
Current tax adjustments for prior years	–1	13	–	3
Deferred taxes	40	123	33	18
Total	**–214**	**–44**	**33**	**21**
Swedish tax	22%	22%		
Effect of other tax rates for foreign companies	21%	11%		
Tax, current and deferred, related to prior years	10%	–12%		
Other	10%	2%		
Tax rate	**63%**	**23%**		

The tax rate is high due to impact from low or negative results in entities in jurisdictions having low tax rate.

CURRENT TAX, NET (LIABILITY +/RECEIVABLE –)

	Group		Parent Company	
SEK M	2016/17	2015/16	2016/17	2015/16
Opening balance, May 1	–67	27	–1	8
Reclassifications	5	3	–	–
Adjustment for prior years	1	–13	–	–4
Current tax for the year	253	180	–	–
Paid taxes	–268	–268	–20	–5
Translation differences	–4	4	–	–
Closing balance, April 30	**–80**	**–67**	**–21**	**–1**

Deferred tax assets and deferred tax liabilities

Deferred tax assets/liabilities in the balance sheet are attributable to the following:

Group	Assets (+)		Liabilities (–)		Net	
SEK M	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Loss carry-forwards	132	51	–	–	132	51
Untaxed reserves	–	–	–31	–36	–31	–36
Intangible assets	0	–	–766	–710	–766	–710
Tangible fixed assets	14	14	–43	–56	–29	–42
Financial assets/liabilities	3	4	–7	–4	–4	0
Other assets	164	164	–36	–2	128	162
Other liabilities	187	182	–20	–16	167	166
Deferred tax assets/tax liabilities	**500**	**415**	**–903**	**–824**	**–403**	**–409**
Offsetting	–125	–134	125	134	–	–
Net deferred tax assets/tax liabilities	**375**	**281**	**–778**	**–690**	**–403**	**–409**

DEFERRED TAX ASSETS (+)/LIABILITIES (–), NET

SEK M	Group, net	Parent Company, net
Opening balance May 1, 2015	–508	11
Adjustment for prior years	40	–
Business combinations	–16	–
Deferred taxes for the year	87	18
Deferred taxes charged in other comprehensive income	–27	–
Translation differences	15	–
Closing balance April 30, 2016	**–409**	**29**
Adjustment for prior years	–32	–
Deferred taxes for the year	72	33
Deferred taxes charged in other comprehensive income	–7	–
Translation differences	–27	–
Closing balance April 30, 2017	**–403**	**63**

The Group has tax loss carry forwards of approximately SEK 490 M (240) for which deferred tax assets have not been recognized. These tax loss carry forwards have long or indefinite periods of utilization and are subject to regular assessment of whether it is probable that deductions can be made against future profits.

Note 14 Taxes, cont.

TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Group		Parent Company	
SEK M	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Revaluation of defined benefit pension plans	0	–2	–	–
Revaluation of cash-flow hedges	–7	–25	–	–
Total	**–7**	**–27**	**–**	**–**

Note 15 Intangible assets

	Group					Parent Company	
SEK M	**Goodwill**	**Capitalized development costs**	**Customer relationships**	**Other intangible assets**	**Total Group**	**Other intangible assets**	**Total Parent Company**
Accumulated acquisition value May 1, 2016	5,069	3,083	1,432	946	10,530	91	91
Business combinations	13	–	19	–	32	–	–
Purchases/Capitalization	–	535	–	6	541	–	–
Divestments/Disposals	–2	–	–	–5	–7	–	–
Translation differences	309	108	79	59	555	–	–
Accumulated acquisition value April 30, 2017	**5,389**	**3,726**	**1,530**	**1,006**	**11,651**	**91**	**91**
Accumulated amortization May 1, 2016	–	–1,262	–388	–670	–2,320	–8	–8
Divestments/Disposals	–	–	–	5	5	–	–
Amortization for the year	–	–380	–86	–33	–499	–8	–8
Translation differences	–1	–54	–28	–50	–133	–	–
Accumulated amortization April 30, 2017	**–1**	**–1,696**	**–502**	**–748**	**–2,947**	**–16**	**–16**
Carrying amount April 30, 2017	**5,388**	**2 030**	**1,028**	**258**	**8,704**	**75**	**75**
Accumulated acquisition value May 1, 2015	5,338	2,612	1,271	870	10,091	–	–
Business combinations	–151	–	201	–	50	–	–
Purchases/Capitalization	–	592	–	95	687	91	91
Divestments/Disposals	–	–	–	–	–	–	–
Translation differences	–118	–121	–40	–19	–298	–	–
Accumulated acquisition value April 30, 2016	**5,069**	**3,083**	**1,432**	**946**	**10,530**	**91**	**91**
Accumulated amortization May 1, 2015	–	–977	–314	–626	–1,917	–	–
Divestments/disposals	–	–	–	–	–	–	–
Amortization for the year	–	–326	–82	–61	–469	–8	–8
Translation differences	–	41	8	17	66	–	–
Accumulated amortization April 30, 2016	**–**	**–1,262**	**–388**	**–670**	**–2,320**	**–8**	**–8**
Carrying amount April 30, 2016	**5,069**	**1,821**	**1,044**	**276**	**8,210**	**83**	**83**

Other intangible assets mainly relates to technology acquired through business combinations. Capitalized development costs comprise capitalized expenditure for research and development as well as other capitalized development costs such as software. Total capitalized development costs amounted to SEK 535 M (592) for the year whereof capitalization of development costs within R&D amounted to SEK 534 M (591).

Impairment testing

Goodwill is tested for impairment every year in order to assure that the carrying amount of each of the Group's cash-generating units is not higher than its recoverable amount. The Group's cash-generating units equal the geographic regions, which also constitute the Group's operating segments. The carrying amount equals capital employed and the recoverable amount for each cash-generating unit is determined based on a calculation of value in use for each unit. The allocation of goodwill to cash-generating units (operating segments) is shown in the following table.

GOODWILL BY SEGMENT

SEK M	**April 30, 2017**	**April 30, 2016**
North and South America	1,841	1,748
Europe, Middle East and Africa	1,908	1,761
Asia Pacific	1,639	1,560
Total	**5,388**	**5,069**

The value in use for each unit is derived from discounted cash flows, based on estimated future cash flows. The estimates are based on the financial budget for the next fiscal year as determined by the executive management, and expected future development up to five years. Assumptions regarding sales volume, sales prices, operating expenses and product mix form the basis for estimated future growth and margin development. Volume assumptions are based on historical outcome, the executive management's expectations on market development, and expected global market growth. Price assumptions are based on current market trends and inflation forecasts. Margin development is based on current margin levels and product mix adjusted for expected price changes and possible changes in the product mix. For periods after five years, the extrapolation of expected cash flows has been assumed to be a prudent 2 percent (2), which is considerably lower than the anticipated industry growth. The cash flows have been discounted using a pre-tax interest rate of 8 percent (8). The interest rate corresponds to the Group's current weighted cost of capital (WACC) and is based on current market assessments.

Impairment testing is performed in April/May every year, after the budget and business plans have been determined by the executive management. The 2017 (2016) test showed that there is no impairment.

Sensitivity analyses have been carried out with regard to the discount rate (risk) and long-term growth with a general reduction in the growth rate after five years of 2 percentage points (2) (implying an assumption of zero growth) and a general increase in the weighted capital cost of 2 percentage points (2). The sensitivity analyses did not demonstrate any impairment.

In addition to the annual impairment test, goodwill is tested whenever there are indications of impairment.

Note 16 Tangible fixed assets

SEK M	Machinery etc for production	Equipment, tools and installations	Finance lease equipment	Buildings	Total
Accumulated acquisition value May 1, 2016	119	1,402	5	191	1,717
Reclassifications	133	–133	–	–	0
Purchases	18	116	–	6	140
Divestments/Disposals	–2	–48	–1	–	–51
Translation differences	2	35	1	8	46
Accumulated acquisition value April 30, 2017	**270**	**1,372**	**5**	**205**	**1,852**
Accumulated depreciation May 1, 2016	–76	–795	–4	–40	–914
Reclassifications	–80	80	–	–	0
Divestments/Disposals	2	41	1	–	44
Depreciation for the year	–19	–125	–1	–11	–156
Translation differences	–1	–27	–1	–2	–31
Accumulated depreciation April 30, 2017	**–174**	**–826**	**–5**	**–53**	**–1,057**
Carrying amount April 30, 2017	**96**	**546**	**0**	**152**	**795**
Accumulated acquisition value May 1, 2015	117	1,336	7	253	1,713
Reclassifications	4	–4	–	–	0
Purchases	9	175	–	3	187
Divestments/Disposals	–3	–47	–1	–56	–107
Translation differences	–8	–59	–1	–9	–77
Accumulated acquisition value April 30, 2016	**119**	**1,402**	**5**	**191**	**1,717**
Accumulated depreciation May 1, 2015	–47	–748	–6	–32	–832
Reclassifications	–25	24	–	–	–1
Divestments/Disposals	3	46	1	–	50
Depreciation for the year	–11	–144	0	–10	–165
Translation differences	4	27	1	2	34
Accumulated depreciation April 30, 2016	**–76**	**–795**	**–4**	**–40**	**–914**
Carrying amount April 30, 2016	**43**	**606**	**1**	**151**	**803**

Note 17 Shares in subsidiaries

	Parent Company	
SEK M	**2016/17**	**2015/16**
Opening balance May 1	2,129	2,142
Investments	13	2
Adjusted purchase price	–	–15
Liquidation	–3	–
Shareholder contributions	83	–
Write-down	–	–
Closing balance April 30	**2,222**	**2,129**

Note 17 Shares in subsidiaries, cont.

Company	Corp. id. no.	Domicile	No. of shares	Interest, %	Carrying amount, SEK M
Elekta Instrument AB	556492-0949	Stockholm, Sweden	1,000,000	100.0	50
Leksell Institute AB	556942-6314	Stockholm, Sweden	50,000	100.0	0
Elekta Neuromag Oy	0756256-7	Helsinki, Finland	1,832	100.0	44
Elekta KK	65 820	Tokyo, Japan	2,000	100.0	36
Elekta Holding Limited	2699176	Crawley, England	22,810,695	100.0	494
Elekta Holdings US Inc.	58-1876545	Norcross, USA	6,020	100.0	432
Elekta Ltd.	R889657862	Montreal, Canada	1	100.0	229
Elekta Asia Ltd	502 493	Hong Kong, S.A.R.	81,022,160	100.0	13
Elekta Instrument (Shanghai) Ltd	310115764250077	Shanghai, China	1	100.0	2
Elekta BMEI (Beijing) Medical Equipment Co., Ltd.	91110114400615135X	Beijing, China	0	100.0	230
Elekta Pty Limited	ACN 109 006 966	Sydney, Australia	1	100.0	1
Elekta Medical System India Private Limited	U33112DL2005PTC139794	New Delhi, India	10,000	100.0	31
Elekta SA	B 414 404 913	Paris, France	2,493	100.0	4
Elekta Medical SA	A-818 867 31	Madrid, Spain	10,000	100.0	3
Elekta GmbH	HRB 63500	Hamburg, Germany	0	100.0	0
Medical Intelligence Medizintechnik GmbH	HRB 14835	Schwabmünchen, Germany	0	100.0	226
Elekta GmbH	FN 166018w	Innsbruck, Austria	1	100.0	3
Elekta Hellas EPE	998 569 196	Aten, Greece	0	100.0	0
Elekta S.A./N.V.	HRB 613 484	Zaventem, Belgium	250	100.0	1
Elekta BV	17 097 384	Best, The Netherlands	40	100.0	0
Elekta S.p.A.	02723670960	Agrate Brianza (MI), Italy	500,000	100.0	66
Elekta Medical Systems Comercio e Servicos para Radiologia, Radiocirurgia e Radioterapia LTDA.	CNPJ 09.528.196/0001-66	Sao Paolo, Brazil	0	100.0	73
Elekta (Pty) Ltd	2000/018814/07	Pretoria, South Africa	1	100.0	0
Elekta Pte Ltd	20090927AZ	Singapore, Singapore	10,000	100.0	0
Elekta Limited, Korea	1311111-0259	Seongnam-si, South Korea	473,879	100.0	16
Elekta Services S.R.O	292 80 095	Brno, Czech Republic	0	100.0	0
Elekta Medikal Sistemler Ticaret A.S.	196757	Istanbul, Turkey	87,900,000	100.0	92
Elekta Medical SA de CV	EME140919G49	Mexico City, Mexico	50	100.0	26
Elekta sp.Z.O.O	KRS 0000538192	Warszaw, Poland	2,000	100.0	134
Elekta Company Limited	106810452	Hanoi, Vietnam	1	100.0	2
Elekta Business Services sp.Z.O.O	KRS 000567549	Warzaw, Poland	1	100.0	1
Elekta SARL Algeria	16236978051	Dely Ibrahim, Algeria	0	49.0	0
Elekta LLC	7704369566	Moscow, Russian federation	0	100.0	0
RRTS Unipessoal Lda	514185155	Lisbon, Portugal	0	100.0	12
Total					**2,222**

Note 18 Shares in associates

	Group		Parent Company	
SEK M	**2016/17**	**2015/16**	**2016/17**	**2015/16**
Opening balance May 1	12	9	–	27
Investments	30	–	30	–
Participations in income of associates (Note 11)	13	11	–	–
Dividends etcetera	–6	–7	–	–
Write-down (Note 11)	–30	–	–30	–27
Translation differences	3	–1	–	–
Closing balance April 30	**22**	**12**	**–**	**–**

Note 19 Other financial assets

SEK M	Group April 30, 2017	Group April 30, 2016	Parent Company April 30, 2017	Parent Company April 30, 2016
Participations in other companies	3	3	–	–
Derivative financial instruments	15	1	–	–
Loan receivables	38	61	–	25
Contractual receivables	185	181	–	–
Other non-current receivables	44	106	26	48
Total	**285**	**352**	**26**	**73**

Note 20 Inventories

SEK M	Group April 30, 2017	Group April 30, 2016
Components	189	165
Work in progress	45	41
Finished goods	702	929
Total	**936**	**1,135**

Impairment of inventories during the year amounted to SEK 83 M (70). In the income statement this is reported as cost of products sold.

Note 21 Accounts receivable

SEK M	Group April 30, 2017	Group April 30, 2016
Accounts receivable, gross	3,847	3,393
Provision for bad debts	–121	–92
Carrying amount	**3,726**	**3,301**
Credit risk analysis of accounts receivable		
Not due	2,384	2,245
Overdue 1–60 days	831	515
Overdue 61–90 days	88	134
Overdue >90 days	423	407
Total accounts receivables, net	**3,726**	**3,301**
Provision for bad debts		
Opening balance May 1	–92	–156
Provisions	–46	–149
Reversals	9	1
Realized loss	12	237
Reclassification	–1	–29
Translation differences	–3	4
Closing balance April 30	**–121**	**–92**

Refer to Note 2 for more information on the Group's credit risks.

Note 22 Other current assets

SEK M	Group April 30, 2017	Group April 30, 2016
Prepayments to suppliers	103	63
Other receivables	355	376
Prepaid expenses	344	302
Total	**802**	**741**

SEK M	Parent Company April 30, 2017	Parent Company April 30, 2016
Derivative financial instruments	7	3
Current tax assets	21	1
Other receivables	1	20
Prepaid expenses	2	11
Total	**31**	**35**

Note 23 Cash and cash equivalents

SEK M	Group April 30, 2017	Group April 30, 2016	Parent Company April 30, 2017	Parent Company April 30, 2016
Current investments	1,828	1,049	1,828	1,049
Cash and bank	1,555	1,224	651	450
Total	**3,383**	**2,273**	**2,479**	**1,499**

Available cash and cash equivalents amounted to SEK 3,371 M (2,263) which is cash and cash equivalents reduced by bank balances included in assets pledged (Note 30).

Note 24 Equity

Number of shares in Elekta AB (publ)	A-shares	B-shares	Total	Share capital
Number of shares May 1, 2015	14,250,000	368,578,775	382,828,775	191,414,388
Conversion of convertible loan	–	272	272	136
Number of shares April 30, 2016	**14,250,000**	**368,579,047**	**382,829,047**	**191,414,524**
of which treasury shares	–	1,541,368	1,541,368	
Number of shares May 1, 2016	14,250,000	368,579,047	382,829,047	191,414,524
Conversion of convertible loan	730,769	8,593	739,362	369,681
Number of shares April 30, 2017	**14,980,769**	**368,587,640**	**383,568,409**	**191,784,205**
of which treasury shares		1,541,368	1,541,368	

PROPOSED DISPOSITION OF EARNINGS

Amount to be paid to the shareholders	SEK 382,027,041
Amount to be carried forward by the Parent Company	SEK 1,875,820,391
Total non-restricted equity of the Parent Company	**SEK 2,257,847,432**

All shares have a par value of SEK 0.50 and provide the holders with equal rights to the Company's assets and earnings. All shares are entitled to dividends subsequently issued. One series A-share entitles the holder to 10 votes and one series B-share to one vote. In accordance with section 12 of the articles of association, series A-shares are subject to right of first refusal. All series A-shares are currently owned by Laurent Leksell via company. The dividend paid out during the financial year amounted to a total sum of SEK 191 M, corresponding to SEK 0.50 per share. At the AGM on 23 August, 2017, a dividend of SEK 1.00 per share for the year 2016/17 – a total sum of approximately SEK 382 M will be proposed. The average number of shares before and after dilution during the year, rounded to the nearest thousand, was 381,306 thousand (381,288). The number of repurchased shares on April 30, 2017, totaled 1,541,368 B-shares (1,541,368). The share program awarded to employees have a potential dilution effect. Certain performance targets must be met for the program to get diluted and this was not the case at the closing date.

For more information on the Elekta share, see pages 44–45.

Note 25 Interest-bearing liabilities

	Group		Parent Company	
SEK M	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Bond loan	1,996	2,605	1,996	2,605
Convertible loan	–	1,872	–	1,872
Liabilities to credit institutions	3,272	472	3,272	458
Liabilities to subsidiaries	–	–	3,381	2,791
Finance lease liabilities	4	1	–	–
Total	**5,272**	**4,950**	**8,649**	**7,726**
Maturity term structure, external loans				
< 1 year	–	1,885	–	1,872
> 1 year < 3 years	2,505	858	2,505	857
> 3 year < 5 years	1,000	998	1,000	998
> 5 years	1,767	1,209	1,763	1,208
Total	**5,272**	**4,950**	**5,268**	**4,935**

SPECIFICATION BY CURRENCY

	Liability amount		SEK M	
Currency	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Swedish kronor, SEK M	2,000	2,894	1,995	2,872
US dollar, USD M	200	200	1,764	1,607
Euro, EUR M	50	50	482	459
British Pound, GBP M	90	–	1,026	–
Polish Zloty, PLN M	3	–	–	–
Brazilian real, BRL M	0	0	–	0
Chinese yuan, CNY M	–	10	–	12
Total			**5,268**	**4,950**

FIXED INTEREST TERM INCLUDING EFFECTS OF DERIVATIVES

	April 30, 2017	April 30, 2016
< 1 year	3,212	3,043
> 1 year < 3 years	737	398
> 3 year < 5 years	882	300
> 5 years	442	1,209
Total	**5,272**	**4,950**

Note 26 Provisions

SEK M	Group April 30, 2017	Group April 30, 2016	Parent Company April 30, 2017	Parent Company April 30, 2016
Restructuring reserve	117	155	2	5
Warranty provisions	95	101	–	–
Other provisions	19	91	28	24
Short-term provisions	**231**	**347**	**30**	**29**
Provision for pensions	93	82	–	–
Other provisions	49	58	36	53
Long-term provisions	**142**	**140**	**36**	**53**

Pension plans

Elekta has defined benefit pension plans for certain employees in a few countries. Most common is however defined contribution plans. Total pension costs for the Group amounted to SEK 225 M (230) of which SEK 210 M (225) relate to defined contribution pension plans (see Note 5).

PENSION COSTS, DEFINED BENEFIT PENSION PLANS

SEK M	Group 2016/17	Group 2015/16
Current service cost	–13	–12
Interest expense	–3	–2
Interest income	1	1
Actuarial gains (+) and losses (–)	1	8
Total pension costs defined benefit plans	**–14**	**–5**
whereof reported in: the income statement	–15	–13
other comprehensive income	1	8

DEFINED BENEFIT PENSION PLANS

SEK M	Group April 30, 2017	Group April 30, 2016
Defined benefit obligation, funded plans	97	83
Fair value of plan assets	–88	–78
Provision for pensions, funded plans	**9**	**5**
Defined benefit obligation, unfunded plans	83	77
Provision for pensions, unfunded plans	**83**	**77**
Pension provision for defined benefit plans, net	**93**	**82**

MOVEMENT IN PROVISION FOR PENSIONS

SEK M	Group 2016/17	Group 2015/16
Opening balance:		
Defined benefit obligation	160	154
Fair value of plan assets	–78	–72
Provision for pensions May 1	**82**	**82**
Pension costs	14	5
Contributions/Repayments	–4	–3
Benefit payments	–5	–3
Change in provision plan	1	–
Translation differences	5	1
Closing balance:		
Defined benefit obligation	181	160
Fair value of plan assets	–88	–78
Provision for pensions April 30	**93**	**82**

MAIN ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	Group April 30, 2017	Group April 30, 2016
Discount rate	1.6%	1.6%
Future salary increases	1.5%	1.5%

Note 26 Provisions, cont.

MOVEMENT IN PROVISIONS

SEK M	Group Restructuring reserve	Group Warranty provisions	Group Other provisions	Parent Company Other provisions
Opening balance May 1, 2015	0	99	155	75
Provisions	156	66	127	–
Reversals	0	–36	–1	–13
Provisions utilized during the year	–	–22	–24	–24
Reclassifications	–	–	–108	45
Translation differences	–1	–6	0	–5
Closing balance April 30, 2016	**155**	**101**	**149**	**77**
Provisions	227	73	38	1
Reversals	–9	–58	–15	–6
Provisions utilized during the year	–257	–23	–102	–13
Reclassifications	–	–	–4	–
Translation differences	1	3	2	5
Closing balance April 30, 2017	**117**	**95**	**68**	**64**

In the consolidated accounts, other provisions mainly refer to provisions related to legal disputes. In the Parent company, contingent considerations are reported as provisions and amount to SEK 55 M (68).

Note 27 Prepaid income

SEK M	Group April 30, 2017	Group April 30, 2016
Prepaid service income	1,529	1,234
Other prepaid income	345	414
Total	**1,874**	**1,648**

Note 28 Accrued expenses

SEK M	Group April 30, 2017	Group April 30, 2016
Reserve for additional project costs	831	884
Accrued commission costs	95	113
Accrued vacation pay liability	154	147
Accrued social costs	45	46
Accrued interest expenses	49	76
Other items	701	551
Total	**1,875**	**1,817**

Note 29 Other current liabilities

SEK M	Parent Company April 30, 2017	Parent Company April 30, 2016
Accounts payable	27	105
Accrued expenses (see below)	74	96
Current tax liabilities	–	–
Derivative financial instruments	18	14
Other liabilities	4	1
Total	**123**	**216**
Accrued expenses		
Accrued vacation pay liability	6	7
Accrued social costs	3	3
Accrued interest expenses	46	76
Other items	19	10
Total	**74**	**96**

Note 30 Assets pledged

COLLATERAL PLEDGED FOR CONTINGENT LIABILITIES

SEK M	Group April 30, 2017	Group April 30, 2016
Bank balances	12	10
Total	**12**	**10**

Note 31 Contingent liabilities

	Group		Parent Company	
SEK M	April 30, 2017	April 30, 2016	April 30, 2017	April 30, 2016
Guarantees	46	40	1,075	1,014
Total	**46**	**40**	**1,075**	**1,014**

Guarantees consist of mainly advance payment guarantees and performance guarantees. Also parental guarantees and bid bonds are common.

Note 32 Cash flow statement

	Group		Parent Company	
SEK M	2016/17	2015/16	2016/17	2015/16
Interest net				
Interest income	–31	–37	–153	–194
Interest expenses	209	240	200	218
Total	**178**	**203**	**47**	**24**
Other non-cash items				
Participations in profit/loss of associated companies, after tax	17	–11	30	–
Write-down of shares in associated companies	–	–	3	27
Write-down of shares in subsidiaries	–	–	–	–
Result from divestments/disposals of fixed assets	3	2	–	–
Cost of incentive programs	–5	–	–	–
Appropriations	–	–	0	–43
Unrealized exchange rate effects etc	32	184	105	59
Other items	3	–28	30	35
Total	**50**	**147**	**168**	**78**
Business combinations				
Purchase price	–31	–	–1	–
Contingent considerations	–24	–24	–	–24
Unpaid part of purchase price	31	–	–	–
Shareholder contributions	–	–	–83	–
Total	**–24**	**–24**	**–84**	**–24**

More information on business combinations is presented in Note 34.

Note 33 Related party transactions

Transactions between Elekta AB and its subsidiaries are shown in notes 10, 12, 19 and 25. These transactions are eliminated upon consolidation. Sales to associated companies amounted to SEK 35 M (25) and receivables from associated companies amounted to SEK 32 M (53).

None of the board members or any of the senior executives has, or has had, any direct or indirect involvement in any business transactions between themselves and Elekta. In addition to this, no other transactions with related parties have occurred. Remunerations and benefits to key personnel in management positions are presented in Note 5.

Note 34 Business combinations

2016/17

On January 31, 2017, Elekta acquired the service business as well as personnel of Portuguese distributor Sociedade Avanco, S. A. (Avanco). The acquisition will bring Elekta closer to its Portuguese customers. Through the transaction Elekta assumed all service contract revenue from Avanco starting on February 15, 2017. The acquisition price consisted of a fixed amount of approximately SEK 25 M and a maximum variable amount of approximately SEK 6 M, which is depending on the achievement of goals set-up for the transferred business. According to a preliminary purchase price allocation goodwill and intangible assets amount to approximately SEK 31 M based on the full variable amount of the acquisition price. The identification and valuation of intangible assets related to customer relationships is ongoing. Elekta consolidates the Avanco business from January 31, 2017. The acquisition is expected to add 0 percent to Elekta's net sales on an annual basis and is expected to be accretive to Elekta earnings per share (EPS). Transaction costs amount to approximately SEK 1 M and is reported as other operating expenses in the consolidated income statement.

During the year an amount of SEK 24 M (24) regarding contingent considerations related to acquisitions in previous years has been paid out.

2015/16

In 2015/16 no acquisitions were carried out. For the acquisitions performed in 2014/15 all purchase price allocations were finalized during 2015/16. The adjustments made in comparison with the preliminary purchase price allocations were mainly relating to finalized valuation of acquired service contracts. Recognised liabilities regarding contingent considerations amounted to SEK 138 M in the final purchase price allocations. During the year an amount of SEK 24 M regarding contingent considerations related to acquisitions in previous years were paid out.

Note 35 Average number of employees

	Men		Women		Total	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Parent Company	16	18	14	14	30	32
Subsidiaries:						
Sweden	143	149	77	84	220	233
USA	654	605	246	344	900	949
Great Britain	512	549	142	160	654	709
China	362	365	168	159	530	524
The Netherlands	174	182	41	48	215	230
Germany	120	140	32	30	152	170
Japan	73	72	21	27	94	99
India	88	88	6	4	94	92
Poland	30	13	45	9	75	22
Italy	56	58	18	20	74	78
Canada	55	54	14	19	69	73
France	50	53	13	14	63	67
Brazil	41	38	14	16	55	54
Hong Kong	32	26	17	18	49	44
Spain	38	38	9	10	47	48
Australia	37	33	9	10	46	43
Turkey	24	24	10	11	34	35
Mexico	26	27	5	5	31	32
Finland	24	22	6	6	30	28
Austria	15	17	6	6	21	23
South Korea	18	18	3	3	21	21
Singapore	12	12	3	4	15	16
Greece	10	9	3	3	13	12
Czeck Republic	9	12	3	2	12	14
Belgium	9	6	2	1	11	7
South Africa	5	7	2	2	7	9
New Zealand (branch)	5	4	1	1	6	5
Vietnam	5	3	–	–	5	3
Switzerland (branch)	3	3	1	2	4	5
Portugal	2	–	1	–	3	–
Russia	1	–	–	–	1	–
Total average number of employees	**2,649**	**2,645**	**932**	**1,032**	**3,581**	**3,677**

Specification men/women among board of directors and executive management

During the financial year, the board of directors of Elekta AB consisted of 67 percent (67) men. The executive management consisted of 95 percent (93) men.

The board of directors and the President and CEO certify that the annual financial report has been prepared in accordance with generally accepted accounting principles and that the consolidated accounts have been prepared in accordance with the international set of accounting standards referred to in Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards, and give a true and fair view of the position and profit or loss of the Parent Company and the Group, and that the management report gives a fair review of the development and performance of the business, position and profit or loss of the Parent Company and the Group, and describes the principal risks and uncertainties that the Parent Company and the companies in the Group face.

Stockholm July 10, 2017

Laurent Leksell
Chairman of the board

Annika Espander Jansson
Member of the board

Luciano Cattani
Member of the board

Siaou-Sze Lien
Member of the board

Wolfgang Reim
Member of the board

Johan Malmquist
Member of the board

Birgitta Stymne Göransson
Member of the board

Jan Secher
Member of the board

Tomas Puusepp
Member of the board

Richard Hausmann
CEO and President

Our audit report was submitted on July 10, 2017
PricewaterhouseCoopers AB

Johan Engstam
Authorized public accountant
Auditor in charge

Camilla Samuelsson
Authorized public accountant

Auditor's report

To the general meeting of the shareholders of Elekta AB (publ), corporate identity number 556170-4015

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Elekta AB (publ) for the financial year 2016-05-01 – 2017-04-30. The annual accounts and consolidated accounts of the company are included on pages 62–105 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 30 April 2017 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 30 April 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

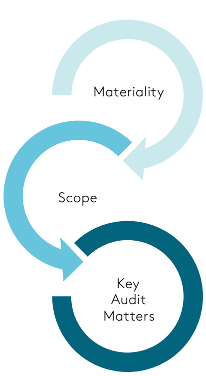
We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach



Overview

Materiality

- We have applied an overall materiality level of SEK 55 million

Audit scope

- The audit included Elekta AB and larger subsidiaries

Key audit matters

- Revenues from the sale of machines, and contracts including machines, software and services should be correctly valued and recognized in the proper period
- Valuation of account receivables and accrued revenues

Audit scope

Elekta is a global company selling solutions including machines and software as well as services around the world. The accounting of those is dependent on the contract terms and conditions stipulating when the risk and rewards are transferred to the customers, their ability to pay, and often the terms and conditions result in the timing of invoicing and receipt of payment differing from revenue recognition. Sales to new markets could imply new customers or contractual terms affecting the point in time at which revenues can be recognized. The customer contracts might include multiple elements, such as machines, services and software which can involve complex accounting treatment. Sales are impacted by the customers' demand for product delivery and a significant portion of sales are recognized late in Elekta's fourth quarter, and a deferral into the next fiscal year could have a significant impact on the financial statements. In summary, this means that the accounting for revenue and receivables is depending on management's judgement, the customers' ability to pay and the terms and conditions of the customer contracts.

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

The current year group audit included the parent company and subsidiaries in Sweden, UK, USA, the Netherlands, Germany, Austria, Brazil, and China including Hong Kong, Spain, Italy, Japan, South Korea, Poland, Turkey, Czech Republic, and South Africa. These entities perform procedures during interim periods, many of them in conjunction with the second quarter, and audit procedures of the year-end closing performed as at 30 April 2017. These entities represent more than 80% of Elekta's total turnover. In addition, the majority of Elekta's subsidiaries have statutory audit requirements.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Group materiality	SEK 55 million
How we determined it	5% of three year average adjusted pre-tax income.
Rationale for the materiality benchmark applied	We selected pre-tax income as the benchmark as we consider this to comprise a common benchmark used by Elekta stakeholders. 5% is, in auditing standards, an acceptable level.

We agreed with the audit committee that we would report to them misstatements identified during our audit which are in excess of SEK 10 million,

Key audit matter	How our audit addressed the key audit matter
Revenue from sale of machines and customer contracts including both machines, software and services is accounted for in the correct value and in the proper period.	
Elekta's revenues and profit are a result of the sale of machines, software and services. A significant portion of total revenues, is attributable to the sale of machines. The accounting of these sales is dependent on management's judgements regarding contract terms and conditions in terms of when the risks and rewards are seen to be transferred to the customer. Sales of multiple element contracts, contracts including both hardware, software and services, is a common business practice within Elekta. Risk and rewards associated with the machines are usually transferred to the customer on delivery or, in accordance with the agreed upon contract terms. Machines are delivered on the date agreed with the customer. Usually, it is at that point in time that the revenue from machines is accounted for. When a customer acceptance test has been received, the remaining revenues from software and installation are recognized. Consequently, the timing of revenue recognition regularly differs from invoicing and payment from customers which can take place before or after the delivery was made. Refer to accounting principles and disclosures on pages 81–82 and footnote 4 in the 2016/17 Annual Accounts.	In our audit, we have evaluated Elekta's process and controls over revenue recognition to obtain an understanding of their functioning and to determine where a potential error could possibly occur. Our evaluation focused on the approval of new customer contracts, multiple element accounting and controls to ensure that revenue is recognized in the proper period. This evaluation was performed to be able to focus our substantive testing on the correct areas. After our evaluation, we performed substantive testing such as: • Analysis of current year revenues against expectation and prior year • Testing of a sample of new large contracts and sales against contract terms & conditions and Elekta's guidelines, to evaluate the revenue model applied • On a sample basis, testing to ensure that revenues were recognized in the proper period and in the correct amount • Assessment of Elekta's accounting principles and the disclosures in the Notes regarding revenue recognition No material observations were made in the audit as a result of our procedures.
Valuation of account receivables and accrued revenues	
Account receivables and accrued revenues represent significant portions of the balance sheet and the valuation of these items is dependent on management's judgements and customer's ability to pay. Payment terms differ between countries and customers. Credit terms vary between markets and customers. In some markets, partial payments are made based on activities such as order receipt, delivery, and customer acceptance of the installation. In other markets, full payment is made after finalizing the installation, or at acceptance. Invoiced amounts are recognized as account receivables while revenue which has been recognized but not invoiced, is accounted for as accrued revenue. Sales in new markets implies new customers and conditions which can result in a higher level of risk of customers with weaker ability or willingness to pay. Refer to accounting principles and disclosures on pages 83–84 and 86 as well as footnote 21 in the 2016/17 Annual Accounts.	In our audit, we have evaluated Elekta's process and controls regarding account receivables and accrued revenues to obtain an understanding of their function and to determine where a possible error could occur. Our evaluation focused on the monitoring of old receivables and on management's assessment of customers' ability to pay and the valuation of the reported account receivables and accrued revenue. This evaluation was performed to be able to focus our substantive testing on the correct areas. After our evaluation, we performed substantive testing such as: • Analysis of older account receivables and accrued revenue, and of the reported provision for doubtful accounts in order to independently evaluate both the collectability as well as the value of the receivables • On a sample basis, we confirmed the account receivables directly with customers. We have also tested a sample of the receivables against payments received subsequent to year end • Assessment of Elekta's accounting principles and the disclosures in the Notes regarding account receivables and accrued revenue No material observations were made in the audit as a result of our procedures.

as well as misstatements below that amount which, in our view, warrant reporting for qualitative reasons.

Key audit matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–61 and 109–114. The board of directors and the managing director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the board of directors and the managing director

The board of directors and the managing director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The board of directors and the managing director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, the board of directors and the managing director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the board of directors and the managing director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The audit committee shall, without prejudice to the board of director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionens website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the board of directors and the managing director of Elekta AB (publ) for the financial year 2016-05-01–2017-04-30 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the auditor's responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the board of directors and the managing director

The board of directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The board of directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The managing director shall manage the ongoing administration according to the board of directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the board of directors or the managing director in any material respect:

- Has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsnämnden's website: www.revisorsinspektionen.se/rn/showdocument/documents/rev_dok/revisors_ansvar.pdf. This description is part of the auditor´s report.

Stockholm the 10 July 2017

PricewaterhouseCoopers AB
Signature on original auditors' report in Swedish[1)]

Johan Engstam Authorized public accountant Auditor-in-charge	Camilla Samuelsson Authorized public accountant

1) This is a translation of the original auditors' report in Swedish. In the event of any differences between the translation and the original statement in Swedish, the Swedish version shall prevail

Glossary

Adaptive radiation therapy
A treatment technique that aims to customize each patient's treatment plan to patient specific variation by evaluating and characterizing the systematic and random variations through image feedback and including them in adaptive planning.

Benign
The term benign is used when describing tumors or growths that do not threaten the health of an individual. Benign is the opposite of malignant.

Brachytherapy
Is also known as internal radiation therapy, involves placing a radiation source in or near the treatment area. This allows very high tumor doses to be achieved, while limiting the impact on surrounding organs. The method is typically used to treat gynecological cancer and prostate cancer, but also breast cancer and certain types of skin cancer.

Cancer
Uncontrolled, abnormal growth of cells.

Chemotherapy
Treatment of cancer diseases with the aid of chemicals that eliminate diseased cells.

Cone beam CT (CBCT)
A CBCT system mounted to a linac or Gamma Knife creates images used for verifying or determining the location of the patient in relation to the treatment beam(s).

Computed tomography (CT)
A radiological method of imaging anatomical structures by means of layering, using computer technology.

Deep brain stimulation (DBS)
A brain 'pacemaker' is implanted to stimulate brain activity and block signals that cause unwanted symptoms present in functional neurological disorders, for example tremor.

Electronic brachytherapy
Type of brachytherapy that uses an X-ray tube to induce radiation. It can deliver radiation to the tumor with a high degree of precision whilst minimizing damage to healthy surrounding tissue. Due to the source of radiation used, electronic brachytherapy can be performed in a room with minimal shielding.

Epilepsy
Disorder characterized by repeated, sudden disturbances of brain function.

External-beam radiation therapy
The most common type of radiation therapy, in which the radiation source is produced by a linear accelerator and delivered by the radiation beam from the linear accelerator head rotated around the patient. By delivering the radiation from various angles, the radiation dose is distributed more evenly in the tumor without excess damage to surrounding healthy tissue.

Fraction
Part of the total radiation dose, delivered at a daily treatment.

Food and Drug Administration (FDA)
Is an agency of the US Department of Health and Human Services. The FDA is responsible for protecting and promoting public health through the regulation and supervision of for example medical devices.

Functional disorders
Diseases in the central nervous system.

Gamma Knife® radiosurgery
Stereotactic radiosurgery with Leksell Gamma Knife®.

Glioblastoma
The most common and most aggressive malignant primary brain tumor. They are usually highly malignant as a large number of tumor cells are reproducing at any given time and are supported by a large network of blood vessels. Glioblastoma often infiltrate with normal healthy brain tissue.

High dose radiation (HDR)
An amount of radiation that is greater than that given in typical radiation therapy. High-dose radiation is precisely directed at the tumor to avoid damaging healthy tissue, and may kill more cancer cells in fewer treatments.

Hypofractionation
A treatment schedule in which the total dose of radiation is divided into large doses and treatments are given once a day or less often.

Image guided radiation therapy (IGRT)
IGRT enables high precision targeting and accuracy using high-resolution multi-dimensional X-ray images of the patient's tissue.

Image guided radiation therapy (IGRT) with magnetic resonance imaging (MRI)
This provides high-quality images of tissue and tumors while treatment is in progress, and also enables adaptation of the radiation dose in real-time. The method is under development in the MR-linac consortium.

Intensity-modulated radiation therapy (IMRT)
IMRT is an advanced type of treatment that uses multiple very small beams of varying intensity rather than a single, large, uniform beam. The radiation can therefore be tailored to the size and shape of the tumor, allowing higher tumor doses while minimizing the impact on healthy tissue.

Incidence
Incidence is the number of new cancer cases arising in a given period in a specified population.

Invasive
A treatment technique that penetrates the skin, skull, etcetera. The opposite of non-invasive (bloodless).

LINC
Elekta's two learning and innovation centers in Atlanta, USA and in Beijing, China. The LINC:s are state-of-the-art facilities that provide Elekta users and employees with an ideal environment for learning.

Linear accelerator (linac)
Equipment for generating and directing ionizing radiation for treatment of cancer.

Magnetoencephalograph (MEG)
Equipment for real time mapping of the function in different parts of the brain, by measuring the magnetic field generated by brain cells activity.

Magnetic resonance imaging (MRI)
Technology used to visualize and differentiate organs and anatomical structures inside the body. It uses non-ionizing radiation and is thus harmless to the patient.

Malignant
Refers to cancerous cells that usually have the ability to aggressively spread, invade and destroy tissue. Opposite to benign.

Meningioma
A type of tumor that develops from the meninges, the membrane that surrounds the brain and spinal cord. Meningiomas are the most common type of primary brain tumors and are often benign.

Metastases
Secondary malignant tumors originating from primary cancer tumors in other parts of the body.

Multileaf collimator
An accessory to the linear accelerator, working like an aperture. With a large number of individually adjustable metal leaves, the treatment beam can be shaped to the size and shape of the target volume.

MR-linac
See image guided radiation therapy (IGRT) with magnetic resonance imaging (MRI).

Neurology
The study of the nervous system and its disorders.

Neurosurgery
Surgery of the brain or other parts of the central nervous system.

Oncology
The study of tumor diseases.

Oncology information system (OIS)
All patient information is collected and accessible in an oncology information system, from diagnosis through treatment and follow-up, so that clinics can deliver the best possible care for every patient. MOSAIQ® is Elekta's world leading oncology information system.

Parkinson's disease
Paralysis, with trembling and shaking as well as muscular rigidity, with a change in movements and posture by the patient.

Prevalence
The prevalence of a particular cancer can be defined as the number of persons in a defined population who have been diagnosed with that type of cancer, and who are still alive at the end of a given year, the survivors. Prevalence of cancers based on cases diagnosed within one, three and five are presented as they are likely to be of relevance to the different stages of cancer therapy, namely, initial treatment (one year), clinical follow-up (three years) and cure (five years). Patients who are still alive five years after diagnosis are usually considered cured since the death rates of such patients are similar to those in the general population.

Proton therapy
A type of external radiation therapy where a particle accelerator is used to direct proton beams at the tumor during treatment. Proton therapy is used for research purposes and to a limited extent for patient care, partly due to its high investment and maintenance costs.

Radiation therapy
Fractionated ionizing radiation treatment of cancer.

Radiosurgery
Non-invasive surgery in which a high, single dose of precise ionizing radiation replaces surgical instruments.

Stereotactic body radiation therapy (SBRT)
SBRT enables accurate delivery of radiation to a tumor and minimizes the radiation dose to surrounding tissue. This enables that small and medium-sized tumors can be treated with higher doses and fewer sessions, known as hypofractionation.

Stereotactic radiosurgery (SRS)
This is typically used to treat tumors and other disorders in the brain. The method involves the delivery of a single high dose, to small and critically located targets in the brain. The method offers very high precision, with a minimum impact on surrounding brain tissue.

Stereotactic radiation therapy (SRT)
Radiation therapy of cancer, where high precision and accuracy is achieved by delivering the radiation based on an external fixed-coordinate system.

Stereotaxy
A technique in which a fixed-coordinate system can determine the location of a point by specifying the coordinates in terms of height, depth and laterally.

Tesla (T)
MRI requires a magnetic field that is both strong and uniform. The field strength of the magnet is measured in teslas (T). The majority of systems operate at 1.5T, even though there are commercial systems available between 0.2–7T.

Treatment planning system
Treatment planning systems provide tools for multimodality image registration, organ and tumor contouring, treatment simulation and plan optimization. Monaco® is Elekta's comprehensive treatment planning system that supports all major treatment techniques.

Tumor
An abnormal mass of tissue that results when cells divide more than they should or do not die when they should. Tumors may be benign (not cancer), or malignant (cancer). Also called neoplasm.

Volumetric modulated arc therapy (VMAT)
VMAT is a more advanced variant of intensity modulated radiation therapy (IMRT). VMAT enables the physician to control the radiation beam, dosage amount and speed of rotation around the patient, which enables faster and more accurate treatment.

Definitions

Average number of employees
Total annual number of paid working hours divided by number of standard working hours per year.

Adjusted EBITA and EBITDA
EBITA and EBITDA adjusted for items affecting comparability and bad debt losses.

CAGR, compound annual growth rate
The mean annual growth rate over a specified period of time longer than a year.

Capital employed
Total assets less interest-free liabilities.

Capital turnover ratio
Net sales divided by average total assets.[1)]

Cash flow per share
Cash flow after investments in relation to the weighted average number of shares.

Contribution margin per region
Net sales less cost of products sold and expenses directly attributable to the respective region.

Days sales outstanding, DSO
The total of accounts receivables and accrued income less advances from customers and prepaid income in relation to twelve months rolling net sales divided by 365.

Earnings per share
Net profit for the year attributable to Parent Company shareholders in relation to the weighted average number of shares (excluding treasury shares).

EBITA
Operating result items plus amortization.

EBITDA
Operating result items plus depreciation and amortization.

Equity/Assets ratio
Total equity in relation to total assets.

Gross orders
Order intake during a period.

Interest cover ratio[2)]
EBITDA in relation to interest expenses.

Items affecting comparability
Events or transactions with significant financial effect, which are relevant for understanding the financial performance when comparing income for the current period with previous period, including restructuring programs, expenses relating to major legal disputes, impairments and gains and losses for acquisitions or disposals of subsidiaries.

Net debt
Interest-bearing liabilities less cash and cash equivalents.

Net Debt/Equity ratio
Net debt in relation to total equity.

Net orders
Order intake during a period adjusted for cancellations, removals of orders and currency effects.

Operational cash conversion
Cash flow from operating activities divided by EBITDA.

Operating margin
Operating result in relation to net sales.

Profit margin
Profit before tax in relation to net sales.

Return on capital employed
Profit before tax plus financial expenses in relation to average capital employed.[1)]

Return on shareholders' equity
Net profit for the year attributable to Parent Company shareholders in relation to average shareholders' equity excluding non-controlling interests.[1)]

Shareholders' equity per share
Shareholders' equity excluding non-controlling interests in relation to the number of shares at year-end (excluding treasury shares).

Value added per employee
Operating profit plus salaries, other remuneration and social security costs and cost of incentive programs divided by average number of employees.

Working capital
Short-term interest-free assets less short-term interest-free liabilities, excluding current tax and derivatives.

1) Average based on the last five quarters
2) New definition. The previous definition was profit before tax plus financial expenses in relation to financial expenses

Alternative performance measures

Reconciliation of non-IFRS measures

With effect July 3, 2016 Elekta has introduced the new European reporting guidelines for Alternative Performance Measures (APMs). APM:s are measures and key figures that Elekta's management and other stakeholders use when managing and analyzing Elekta's business performance. These measures are not substitutes, but rather supplements to financial reporting measures prepared in accordance with IFRS. Key figures and other APM:s used by Elekta are defined on page 111. See below for comments on how APM:s are used by Elekta and, when applicable, reconciliations to the IFRS financial statements.

Gross order intake

From 2016/17 Elekta reports gross order intake. Gross order intake represents the new orders that has been booked during the period and this is in line with industry peers.

Net order intake

Up until 2015/16 Elekta reported net order intake. The difference between gross and net order intake are backlog adjustments and currency effects.

Order backlog

Order backlog represents all orders that have been booked but not yet revenue recognized. Elekta follows the maturity profile of the order backlog when forecasting revenue.

Order and sales growth based on constant exchange rates

Elekta's order intake and sales are, to a large extent, reported in subsidiaries with other functional currencies than SEK, which is the group reporting currency. In order to present order and sales growth on a more comparable basis and to show the impact of currency fluctuations, order and sales growth based on constant exchange rates are presented. The schedules below present growth based on constant exchange rates reconciled to the total growth reported in accordance with IFRS.

GROSS ORDER INTAKE

	North and South America		Europe, Middle East and Africa		Asia Pacific		Total	
	%	SEK M	%	SEK M	%	SEK M	%	SEK M
2016/17 vs 2015/16								
Change based on constant exchange rates	–11	–545	4	193	5	202	–1	–150
Currency effects	2	107	1	61	6	225	3	393
Reported change	**–9**	**–438**	**5**	**254**	**11**	**427**	**2**	**243**
2015/16 vs 2014/15								
Change constant currency effect	2	67	0	5	1	33	1	105
Currency effects	10	451	3	119	9	321	7	891
Reported change	**12**	**518**	**3**	**124**	**10**	**354**	**8**	**996**

NET SALES

	North and South America		Europe, Middle East and Africa		Asia Pacific		Total	
	%	SEK M	%	SEK M	%	SEK M	%	SEK M
2016/17 vs 2015/16								
Change based on constant exchange rates	1	40	–5	–183	–17	–606	–7	–749
Currency effects	3	102	–1	–24	4	155	2	233
Reported change	**4**	**142**	**–6**	**–207**	**–13**	**–451**	**–5**	**–516**
2015/16 vs 2014/15								
Change constant currency effect	–1	–29	–6	–230	–2	–77	–3	–336
Currency effects	11	382	1	54	8	283	7	719
Reported change	**10**	**353**	**–5**	**–176**	**6**	**206**	**4**	**383**

Gross profit and gross margin

Gross profit is the difference between net sales and cost of products sold and is presented on a separate line in the income statement. Gross profit as a percentage of net sales represents gross margin. The Gross margin is used by management to review effects on the income statement from factors such as product mix and price development

EBITDA

EBITDA is used for the calculation of the interest cover ratio and operational cash conversion.

EBITDA

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Operating result/EBIT	2,012	1,727	937	423	598
Amortization:					
Capitalized development costs	109	172	236	326	380
Assets relating business combinations	130	123	130	143	119
Depreciation	110	118	146	165	156
EBITDA	**2,361**	**2,140**	**1,449**	**1,057**	**1,253**

Items affecting comparability

As a result of the implementation of the new guidelines for APMS the previously used term "non-recurring items" has been reviewed and replaced, from the first quarter 2016/17, by the term "items affecting comparability". The classification of revenue or expenses as items affecting comparability is based on management's assessment of the characteristics and also the materiality of the item. Expenses classified as items affecting comparability in this annual report are presented in a schedule on page 71.

EBITA items affecting comparability and bad debt losses (Adjusted EBITA)

EBITA adjusted for items affecting comparability and bad debt losses is used by management to evaluate the business and is considered to assist management and investors in comparing the performance across reporting periods on a consistent basis. Bad debt losses have been excluded as these relate to turbulence in the market that is not expected to occur on a regular basis. For a reconciliation of EBITA adjusted for items affecting comparability and bad debt losses to operating result (EBIT) as presented in the IFRS income statement, see page 71.

Operating income (EBIT) and operating margin

Operating income or EBIT (earnings before interest and taxes) is part of Elektas' long term financial ambitions. The measure is presented in the income statement as Elekta consider it to provide users of the financial statements with a better understanding of the Group's operating performance from a financial perspective. The operating margin shows the operating income as a percentage of net sales.

Capital employed

Capital employed represents the value of the balance sheet net assets that is the key driver of cash flow and capital required to run the business. It is also used in the calculation of return on capital employed.

CAPITAL EMPLOYED

SEK M	April 30, 2013	April 30, 2014	April 30, 2015	April 30, 2016	April 30, 2017
Total assets	16,307	17,892	21,184	19,441	20,950
Deferred tax liabilities	–582	–687	–732	–690	–778
Long term provisions	–121	–131	–259	–140	–142
Other long-term liabilities	–27	–8	–20	–73	–33
Accounts payable	–1,217	–1,295	–1,262	–1,122	–1,000
Advances from customers	–1,292	–1,686	–2,165	–1,943	–2,531
Prepaid income	–1,034	–1,200	–1,673	–1,648	–1,874
Accrued expenses	–1,404	–1,526	–1,789	–1,817	–1,875
Current tax liabilities	–240	–219	–119	–93	–111
Short-term provisions	–68	–169	–99	–347	–231
Derivative financial instruments	–28	–13	–162	–50	–48
Other current liabilities	–182	–215	–225	–157	–281
Capital employed	**10,112**	**10,743**	**12,678**	**11,360**	**12,046**

Return on capital employed

Return on capital employed is a measure of the profitability after taking into account the amount of total capital used unrelated to type of financing. A higher return on capital employed indicates a more efficient use of capital.

RETURN ON CAPITAL EMPLOYED

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Profit before tax	1,800	1,502	716	189	340
Financial expenses	223	231	259	285	271
Profit before tax plus financial expenses	2,023	1,733	975	474	611
Average capital employed (last five quarters)	9,467	10,025	11,230	12,039	11,668
Return on capital employed, %	**21%**	**17%**	**9%**	**4%**	**5%**

Return on shareholders' equity

Return on shareholders' equity measures the return generated on shareholders' capital invested in the company.

RETURN ON SHAREHOLDERS' EQUITY

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Profit for the year	1,340	1,148	552	137	125
Average shareholders' equity excluding non-controlling interests (last five quarters)	4,960	5,553	6,260	6,587	6,541
Return on shareholders' equity, %	**27%**	**21%**	**9%**	**2%**	**2%**

Interest cover ratio

The interest coverage ratio shows how much result that is available to pay interest on outstanding debt.

INTEREST COVER RATIO

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
EBITDA	2,361	2,140	1,449	1,057	1,253
Interest expenses	188	202	217	240	209
Interest cover ratio, multiple	**12.6**	**10.6**	**6.7**	**4.4**	**6.0**

Operational cash conversion

Cash flow is a focus area for management. The operational cash conversion shows the relation between cash flow from operating activities and EBITDA.

OPERATIONAL CASH CONVERSION

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Cash flow from operating activities	1,870	1,275	1,823	1,170	1,819
EBITDA	2,361	2,140	1,449	1,057	1,253
Operational cash conversion, %	**79%**	**60%**	**126%**	**111%**	**145%**

Working capital

In order to optimize cash generation, management focuses on working capital and reducing lead times between orders booked and cash received. A reconciliation of working capital to items in the balance sheet is presented on page 73.

Days sales outstanding (DSO)

DSO is used by management to follow the development of overall payment terms to customers, which have significant impact on working capital and cash flow.

DAYS SALES OUTSTANDING (DSO)

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Accounts receivable	3,192	4,197	4,207	3,301	3,726
Accrued income	1,861	1,699	1,895	2,126	1,640
Advances from customers	–1,292	–1,686	–2,165	–1,943	–2,531
Prepaid income	–1,034	–1,200	–1,673	–1,648	–1,874
Net receivable from customers	**2,727**	**3,010**	**2,264**	**1,836**	**961**
Net sales	10,339	10,694	10,839	11,221	10,704
Number of days	365	365	365	365	365
Net sales per day	28	29	30	31	29
Days sales outstanding (DSO)	**96**	**103**	**76**	**60**	**33**

Net debt

Net debt is important to understand the financial stability of the company. Net debt is used by management to track the debt evolvement and to analyze the leverage and refinancing need of the Group.

NET DEBT

SEK M	2012/13	2013/12	2014/15	2015/16	2016/17
Long-term interest-bearing liabilities	4,340	4,361	4,958	3,065	5,272
Short-term interest-bearing liabilities	212	125	1,075	1,885	0
Cash and cash equivalents	–2,567	–2,247	–3,265	–2,273	–3,383
Net debt	**1,985**	**2,239**	**2,768**	**2,677**	**1,889**

Net debt/equity ratio

Net debt/equity ratio is one of Elekta's financial targets. The level of debt is important to understand the financial stability of the company.

NET DEBT/EQUITY RATIO

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Net debt	1,985	2,239	2,768	2,677	1,889
Shareholders' equity	5,560	6,257	6,646	6,412	6,774
Net debt/equity ratio, multiple	**0.36**	**0.36**	**0.42**	**0.42**	**0.28**

Equity/assets ratio

The equity/assets ratio gives an indication of the financial flexibility and independence to operate and manage variations in working capital needs as well as to capitalize on business opportunities.

EQUITY/ASSETS RATIO

SEK M	2012/13	2013/14	2014/15	2015/16	2016/17
Shareholders' equity	5,560	6,257	6,646	6,412	6,774
Total assets	16,307	17,892	21,184	19,441	20,950
Equity/assets ratio, %	**34%**	**35%**	**31%**	**33%**	**32%**

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