Q1 report
August 23, 2017

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President and CEO

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CFO
Important information

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Highlights Q1 2017/18

Net sales grew +12% in local currency (+15% in SEK)
  • Strong growth in China, Western Europe and emerging markets – delivery volumes are approaching satisfactory levels

Gross margin improved by 1.8 percentage points
  • Higher volumes and leverage on process improvements

EBITA grew +13%; margin unchanged
  • Investments in commercialization of Unity and Elekta Digital
  • Further focus on continuous improvements and cost control

Cash flow improved over SEK 200 M
  • Net working capital at -6% of net sales

Elekta Unity commercialization on track
  • Two orders added to backlog in Q1

We do what we say
  • No non-recurring items, improved business processes and produce-to-installation implemented
Unchanged order intake (+3% in SEK)

Asia Pacific

- Strong performance in Southeast Asia
- Continued growth in China
- Two Elekta Unity in Hong Kong added to backlog
- Japanese market at low levels

Europe, Middle East, and Africa

- Strong growth in Germany, Italy and Spain
- Good development in emerging markets
- Challenging comparison from last year – significant order in Austria (EUR 20 M)

North and South America

- North America - turnaround
- Ongoing improvement program
- Order intake grew 5% in North America (+8% in SEK)
- Stable market. Unchanged reimbursement proposed
- Low volumes in Latin America

*Based on constant exchange rates
Elekta Unity – will revolutionize radiation therapy

• Two systems added to the backlog

• Shipment of first serial produced system to Tübingen initiated

• Expanded consortium
First patients treated and clinical study completed at UMC

“Analysis of the first clinically derived data shows that visibility of the treatment target and simultaneous radiation beam accuracy is excellent and beyond expectations.”
Commercialization on track

- **ESTRO presentation**
  - First patient treated
- **ASTRO September 2017**
- **Target: CE-mark 2017**
- **Target: 510k submission 2017**
- **RSNA November 2017**
Long-term addressable market ~25% of current installed linacs

Phase 1  Academic driven phase
• High-profile clinics.
• ~300-400 units addressable market.

TARGET
75 orders until 2019
16 orders to date

Momentum project - Further clinical research and data - Financial reimbursement/support

Phase 2  Broad scale - clinical adoption driven phase
• Larger mainstream profile, guidelines driven.
• ~3 000 units addressable market.
Our way forward

2016/17
- Year of change and building the foundation for profitable growth
- Produce to order and ship to installation completed

2017/18
- Transformation delivers full effect
- Organization and management in place
- Culture of continuous improvements for lower costs
- Elekta Unity hits the market

2018/19
- Elekta Unity – growth driver
- Significant efficiency improvements
- Further product innovations based on Elekta Digital platform
 Targets for 2017/18

- Growth
- Reach >20% EBITA-margin
- Net working capital <5% to net sales
Financial update

Gustaf Salford, CFO
## Income statement – Q1 2016/17

<table>
<thead>
<tr>
<th>(SEK M)</th>
<th>Q1 2017/18</th>
<th>Q1 2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net sales</td>
<td>2,169</td>
<td>1,882</td>
</tr>
<tr>
<td>COGS</td>
<td>-1,250</td>
<td>-1,118</td>
</tr>
<tr>
<td>Gross margin (%)</td>
<td>42.4%</td>
<td>40.6%</td>
</tr>
<tr>
<td>Selling expenses</td>
<td>-305</td>
<td>-276</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>-248</td>
<td>-215</td>
</tr>
<tr>
<td>R&amp;D expenses</td>
<td>-316</td>
<td>-251</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>-12</td>
<td>33</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td><strong>38</strong></td>
<td><strong>55</strong></td>
</tr>
<tr>
<td>Amortization</td>
<td>139</td>
<td>105</td>
</tr>
<tr>
<td><strong>EBITA</strong></td>
<td><strong>187</strong></td>
<td><strong>166</strong></td>
</tr>
<tr>
<td><strong>EBITA margin (%)</strong></td>
<td><strong>8.6%</strong></td>
<td><strong>8.8%</strong></td>
</tr>
</tbody>
</table>

- Net sales +15%; China, Western Europe and emerging markets
- Gross margin +1.8 percentage points; volume
- Increase in R&D; up SEK 65 M from last year. Investments in Elekta Unity and Elekta Digital
- EBITA grew 13%, flat EBITA-margin; further savings through process excellence
EBITA* bridge compared with last year

EBITA bridge (SEK M)

EBITA Q1 16/17 | Volume | Efficiency & COGS | Unity Selling/R&D | Admin Expenses | Exchange rate differences | Amortization and bad debt | EBITA Q1 17/18
---|---|---|---|---|---|---|---
166 | +117 | +38 | -93 | -33 | -45 | +38 | 187

*Before items affecting comparability and bad debt losses
Strengthened cash flow and cash conversion

**Cash conversion**

<table>
<thead>
<tr>
<th>Rolling 12-months</th>
<th>12/13</th>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>79%</td>
<td>60%</td>
<td>126%</td>
<td>111%</td>
<td>145%</td>
<td>150%</td>
</tr>
</tbody>
</table>

**Cash Flow**

<table>
<thead>
<tr>
<th></th>
<th>Q1 16/17</th>
<th>Q1 17/18</th>
<th>R12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>-37</td>
<td>64</td>
<td>868</td>
</tr>
<tr>
<td>Working Capital</td>
<td>-103</td>
<td>+12</td>
<td>+1 166</td>
</tr>
<tr>
<td>Cash Flow from operating activities</td>
<td>-139</td>
<td>76</td>
<td>2 034</td>
</tr>
<tr>
<td>Continuous investments</td>
<td>-169</td>
<td>-171</td>
<td>-776</td>
</tr>
<tr>
<td>Cash Flow after continuous investments</td>
<td>-308</td>
<td>-95</td>
<td>1 258</td>
</tr>
<tr>
<td>Operational cash Conversion*</td>
<td>-</td>
<td>35%</td>
<td>150%</td>
</tr>
</tbody>
</table>

Note: *Cash flow from operating activities / EBITDA*
Net working capital at -6% of sales

Key working capital assets

Accounts receivables
Accrued income
Inventories

Key working capital liabilities

Customer advances
Prepaid income
Accounts payable

Net working capital as % of sales

-6%

- DSO at 9 days (47)
- Lower accrued income and accounts receivables
SEK ~100 M in currency effect expected for FY 2017/18

**Currency effect in Q1 (SEK M, Y/Y)**
- Effect on net sales: 60
- Effect on expenses: -10
- Exchange rate differences: -12
- Exc. differences last year (reversed): -33

**Estimated effect 2017/18 Y/Y (SEK M)**
- Estimated effect on EBITA (Y/Y) ~100

**Main currency rates vs. last year**

<table>
<thead>
<tr>
<th>Currency</th>
<th>Jul 2016</th>
<th>Jul 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUR/SEK</td>
<td>9,32</td>
<td>9,68</td>
<td>+4%</td>
</tr>
<tr>
<td>USD/SEK</td>
<td>8,30</td>
<td>8,61</td>
<td>+4%</td>
</tr>
<tr>
<td>GBP/SEK</td>
<td>11,66</td>
<td>11,10</td>
<td>-5%</td>
</tr>
</tbody>
</table>
Implementation of IFRS 15 from fiscal year 2018/19

**Income statement**
- Solutions (60% of sales)
  - ~85% at start of installation
  - ~15% on acceptance test
- Timing difference compared with present criteria is estimated to less than 2 months
- No timing change for services (40% of sales)

**Balance sheet – effects at year end 2017/18**
- Accrued income – significantly reduced
- Inventory – increased
- Equity - reduced; but restored during FY 2018/19

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**Revenue recognition under IFRS15 ”linac example”**

<table>
<thead>
<tr>
<th>Order</th>
<th>Production</th>
<th>Shipment</th>
<th>Start of Installation</th>
<th>Acceptance Test</th>
<th>Clinical Go live</th>
</tr>
</thead>
<tbody>
<tr>
<td>IFRS15 85% at start of installation 15% at acceptance</td>
<td>85%</td>
<td>15%</td>
<td>Ship to start of installation average &lt;2 months</td>
<td>85%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Current Rev rec principle

85% 15%
SEK 7 bn estimated to be delivered from backlog this fiscal year

- Recent backlog decline related to currency movements (SEK -1.3 bn)
- SEK ~7 bn expected to be delivered from backlog Q2-Q4
Margin drivers for 2017/18

EBITA bridge from last year (SEK M)

Margin drivers 2017/18 (indicative)

- COGS savings and efficiency initiatives
- Volume growth
- Service growth
- Investments
- Currency

Reach >20% EBITA margin
Focus where it matters.