Elekta

Interim report May-October 2018/19

Q2
2018/19
November 29, 2018

Second quarter

- Gross order intake amounted to SEK 3,670 M (3,267), an increase of 12 percent in SEK and 2 percent based on constant exchange rates.
- Net sales was SEK 3,330 M (2,903), an increase of 15 percent in SEK and 6 percent based on constant exchange rates.
- EBITA amounted to SEK 601 M (566).
- EBITA margin was 18.0 percent (19.5).
- Operating result was SEK 393 M (440).
- Net income amounted to SEK 284 M (305). Earnings per share was SEK 0.75 (0.80) before/after dilution.
- Cash flow after continuous investments was SEK 367 M (226).
- Strengthened Elekta Unity sales funnel.

May-October

- Gross order intake amounted to SEK 6,844 M (6,005), an increase of 14 percent in SEK and 6 percent based on constant exchange rates.
- Net sales was SEK 6,149 M (5,407), an increase by 14 percent in SEK and 7 percent based on constant exchange rates.
- EBITA amounted to SEK 987 M (987), including a positive effect of SEK 70 M related to a divestment in current period.
- EBITA margin was 16.0 percent (18.2).
- Operating result was SEK 631 M (721).
- Net income amounted to SEK 450 M (504). Earnings per share was SEK 1.18 (1.32) before/after dilution.
- Cash flow after continuous investments was SEK -175 M (131).
- Net debt amounted to SEK 1,290 M (1,936).
- Four Elekta Unity orders were added to the order backlog.

GROUP SUMMARY

SEK M	Q2 2018/19	Q2 2017/18	Change	May - Oct 2018/19	May - Oct 2017/18	Change
Gross order intake	3,670	3,267	2% *	6,844	6,005	6% *
Net sales	3,330	2,903	6% *	6,149	5,407	7% *
EBITA	601	566	6%	987	987	0%
Operating result	393	440	-11%	631	721	-13%
Net income	284	305	-7%	450	504	-11%
Cash flow after continuous investments	367	226	62%	-175	131	n/a
Earnings per share before/after dilution, SEK	0.75	0.80	-6%	1.18	1.32	-11%

*Compared to last fiscal year based on constant exchange rates.

Outlook for fiscal year 2018/19 reiterated:

- Net sales growth of around 7 percent, based on constant exchange rates.
- EBITA margin of around 20 percent.

Richard Hausmann

President and CEO

CEO comment

A solid quarter with inspiring events and significant further improvement potential

Our second quarter came in strong in many aspects, we continued to increase orders and revenue, and cash flow development was positive. I'm also pleased that our software business is accelerating. Margins improved compared to the first quarter and we see significant further improvement potential in the second half. We have continued to build our Elekta Unity sales funnel and shortly after the end of the quarter two new systems were signed and we are in final negotiations on two more. Also, the investment plan in China for the coming years is exciting. Overall, I remain confident about our business and outlook for the full year.

The market remains solid and we saw double digit order growth for both treatment and software solutions, whereas service orders declined in some regions.

Orders were specifically strong in Europe, Middle East & Africa and Asia Pacific. I'm pleased to see that our new management in Europe and MEA is driving for results and have energized their organization. In the Americas, however, orders were weak in the quarter mainly related to a drop in service order intake in the US. As our installed base continues to grow, and with a clear focus on improving service order intake, we expect this to pick up in the second half of the year. Our estimate of the global market growth is approximately 7 percent. We maintain a positive view for all our regions.

Interest in Elekta Unity is firm and our sales funnel has continued to grow in the quarter although no orders were booked. The order process for Elekta Unity is long due to budget cycles and tender processes especially in the European public health sector. Two new agreements were signed in November and we are in final negotiations on two other systems. Our customers continue to give positive feedback on the system and the possibility it offers for more personalized precision radiation medicine for each patient.

Our revenue grew by 6 percent in the quarter (7 percent year to date), driven by a steady flow of installations across our markets, especially in North America, Europe, Middle East and China, as well as service revenue. The gross margin increased from the first quarter to 41.4 percent in the isolated quarter due to increased share of projects in mature markets, Leksell Gamma Knife™ and Brachy installations. This led to an EBITA margin of 18.0 percent in the quarter and 19.2 for the rolling 12-month period. We see further significant improvement potential in both gross and EBITA margin in the second half.

At the ASTRO meeting, I was glad to see the great interest in our solutions with more customer interactions and sales leads than ever before. Our new software suite, MOSAIQ® Plaza, drew a lot of attention with fully booked demos throughout the exhibition, as did Elekta Unity which is pending FDA clearance.

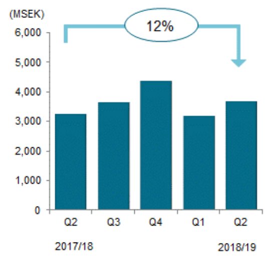
In late October, China's Ministry of Health published a plan for investments in radiation therapy until 2020, with up to 1,400 new linacs to be ordered. Over the years Elekta has invested heavily in China – with both dedicated local R&D and manufacturing teams – and as the local market leader we are well placed to capture a large share of these orders. Our leadership was manifested in the beginning of November, when we were invited to the China International Import Expo in Shanghai as the only radiation therapy company. We signed letters of intent for future cooperation with almost 60 hospitals from all over China during the conference valued at over USD 100 M.

After the quarter Elekta signed a MOU with Australian based GenesisCare. The agreement stretches over 7 years and is worth around USD 60 M.

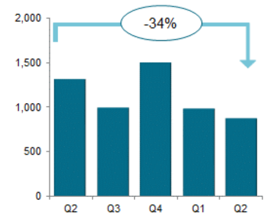
In summary, we see a continued strong market and our outlook for the year is positive and unchanged: we estimate that net sales will grow around 7 percent and that we will achieve an EBITA margin of around 20 percent for our current fiscal year.

Presented amounts and comments refer to the accumulated period 2018/19 and amounts within parentheses indicate comparative values for the equivalent period last fiscal year restated to IFRS 15 unless otherwise stated.

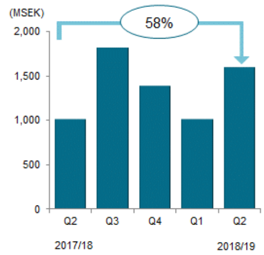
Gross order intake



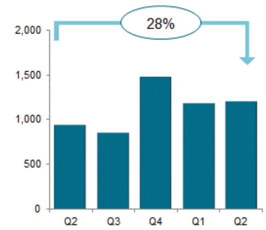
Gross order intake North and South America



Gross order intake Europe, Middle East and Africa



Gross order intake Asia Pacific



Order intake and order backlog

Gross order intake increased 14 percent to SEK 6,844 M (6,005) and increased 6 percent based on constant exchange rates.

GROSS ORDER INTAKE

SEK M	Q2 2018/19	Q2 2017/18	Change*	Change	May - Oct 2018/19	May - Oct 2017/18	Change*	Change	12 months rolling	May - Apr 2017/18
North and South America	875	1,320	-41%	-34%	1,865	2,111	-17%	-12%	4,474	4,720
Europe, Middle East and Africa	1,594	1,007	43%	58%	2,598	1,834	30%	42%	6,152	5,389
Asia Pacific	1,202	940	18%	28%	2,382	2,061	9%	16%	4,705	4,384
Group	3,670	3,267	2%	12%	6,844	6,005	6%	14%	15,332	14,493

*Compared to last fiscal year based on constant exchange rates.

Order backlog was SEK 29,126 M, compared to SEK 27,974 M on April 30, 2018. Order backlog is converted at closing exchange rates which resulted in a positive translation difference of SEK 579 M.

Regional development

North and South America

The U.S. is the world's largest market for radiation therapy. Market growth is primarily driven by service and software as well as upgrading the installed base of treatment systems. A large share of customers is private hospitals.

Elekta's performance in the region was weak in comparison with the strong second quarter last year, down 34 percent (-41 percent in constant currency), mainly related to a drop in service order intake in the U.S. The installed base continues to grow overall however. The feedback from ASTRO was very positive towards Elekta's updated software solution and Elekta Unity, which is pending FDA clearance. Market conditions continued to be challenging in South America.

Europe, Middle East and Africa

The established markets have seen solid growth, mainly driven by upgrading the installed base to new systems and aftermarket services, but also investments to expand radiation therapy capacity. The region's emerging markets are characterized by a significant need for radiation therapy from current low levels.

Elekta's order intake increased by 58 percent in the quarter compared to last year, corresponding to 43 percent based on unchanged exchange rates. The order intake was strong in all product areas, particularly in Italy, Spain and the UK. The Middle East and Africa also showed high order growth.

Interest in Unity continues to be high, strengthening the sales funnel. However, there were no orders signed in this quarter. The order process for Elekta Unity is long due to budget cycles and tender processes in the European public health sector.

Asia Pacific

The region has a significant long-term need for expanding cancer care and the markets are generally underserved in terms of radiation therapy capacity. In China the Ministry of Health has published a plan to invest substantially in radiation therapy over the next three years, with up to 1,400 new linacs to be ordered. Other Asian countries such as Korea and India also show good potential.

Elekta's order intake in the quarter rose by 28 percent, corresponding to 18 percent in unchanged exchange rates. China, where Elekta has substantial production and R&D, showed strong growth in the quarter. In addition, there was good growth in Korea and Vietnam.

Net sales and earnings

Growth was strong in Asia Pacific and Europe, Middle East and Africa, and net sales increased to SEK 6,149 M (5,407) for the first half year, representing a growth of 14 percent or 7 percent based on constant exchange rates.

NET SALES

SEK M	Q2 2018/19	Q2 2017/18	Change*	Change	May - Oct 2018/19	May - Oct 2017/18	Change*	Change.	12 months rolling	Change*	May-Apr 2017/18
North and South America	1,115	969	5%	15%	2,052	1,909	1%	7%	4,031	n/a	3,888
Europe, Middle East and Africa	1,290	1,121	6%	15%	2,292	1,982	8%	16%	4,655	n/a	4,345
Asia Pacific	925	814	6%	14%	1,804	1,516	14%	19%	3,628	n/a	3,340
Group	3,330	2,903	6%	15%	6,149	5,407	7%	14%	12,314	n/a	11,573

*Compared to last fiscal year based on constant exchange rates. Comparable data for 12 months rolling not available due to IFRS15 restatement on quarterly basis starting Q1 2017/18.

Gross margin was 40.3 percent year to date (44.8). The decrease is to a large extent related to unfavorable geographic and project mix. EBITA is unchanged SEK 987 M (987) representing a margin of 16.0 percent (18.2). The rolling 12-month EBITA margin was 19.2 percent.

The effect from changes in exchange rates compared with last year was approximately SEK 70 M including hedges. Operating result was SEK 631 M (721). The operating result includes a positive effect of SEK 70 M related to a divestment in the first quarter, reported as part of other operating income and expenses.

Net financial items amounted to SEK -53 M (-72). Profit before tax amounted to SEK 577 M (650) and tax amounted to SEK -127 M (-145), representing a tax rate of 22 percent (22).

Net income amounted to SEK 450 M (504) and earnings per share amounted to SEK 1.18 (1.32) before/after dilution. Return on shareholders' equity amounted to 20 percent (6**) and return on capital employed amounted to 16 percent (8**).

** Calculation based on IAS18

Expenses and capitalization

Operating expenses increased, mainly related to investments in the commercialization of Elekta Unity, Elekta Digital and the sales organization. R&D expenditure, adjusted for the net of capitalization and amortization of development costs, amounted to SEK 712 M (676), equal to 12 percent (13) of net sales or 11 percent on a 12-month rolling basis.

EXPENSES

	2018/19			2017/18		
SEK M	Q2	Q1	May - Oct	Q2	Q1	May - Oct
Selling expenses	-320	-324	-644	-300	-305	-605
Administrative expenses	-237	-265	-501	-224	-243	-467
R&D expenses	-411	-365	-776	-282	-316	-598
Total	-967	-953	-1,921	-806	-863	-1,669

The net of capitalization and amortization of development costs in the R&D function decreased to SEK -64 M (79). Amortization of capitalized development costs amounted to SEK 297 M (207). The increase is related to the start of amortization following the CE marking of Elekta Unity.

CAPITALIZED DEVELOPMENT COSTS

SEK M	Q2 2018/19	Q2 2017/18	May - Oct 2018/19	May - Oct 2017/18	12 months rolling	May - Apr 2017/18
Capitalization of development costs	104	146	233	274	597	637
of which R&D	104	146	232	273	596	637
Amortization of capitalized development costs	-176	-96	-297	-207	-499	-408
of which R&D	-176	-90	-296	-195	-486	-385
Capitalized development costs, net	-72	50	-64	67	99	229
of which R&D	-72	56	-64	79	110	252

Investments and depreciation

Investments in intangible assets were SEK 235 M (274) and investments in tangible assets were SEK 70 M (111). Amortization of intangible assets and depreciation of tangible fixed assets amounted to a total of SEK 435 M (339).

Cash flow

Cash flow from operating activities was SEK 130 M (478). The operational cash conversion for rolling 12 months was 81 percent. Cash flow after continuous investments was SEK -175 M (131). The decline in cash flow was due to increased levels of net working capital.

CASH FLOW (EXTRACT)

SEK M	Q2 2018/19	Q2 2017/18	May - Oct 2018/19	May - Oct 2017/18	12 months rolling	May - Apr 2017/18
Operating cash flow	592	558	910	865	2,402	2,357
Change in working capital	*-81*	*-155*	*-780*	*-387*	*-346*	*47*
Cash flow from operating activities	512	404	130	478	2,056	2,404
Continuous investments	*-145*	*-177*	*-305*	*-347*	*-773*	*-816*
Cashflow after continuous investments	367	226	-175	131	1,283	1,589
Operational cash conversion	*80%*	*67%*	*12%*	*45%*	*81%*	*95%*

Working capital

Net working capital was SEK -1,628 M corresponding to -13 percent of net sales (-14 per July 31, 2018). Accrued income increased in the quarter, to a large extent due to the Unity launch. The number of shipments in the second quarter were higher than in the first quarter and impacted working capital positively. Inventory levels continue to be somewhat elevated due to the Unity launch.

WORKING CAPITAL

SEK M	Oct 31 2018	Oct 31 2017	Jul 31 2018	Apr 30 2018
Working capital assets				
Inventories	2,463	2,355	2,485	2,560
Accounts receivable	2,982	3,120	3,061	3,402
Accrued income	1,420	1,012	1,004	1,160
Other operating receivables	1,166	1,072	1,103	1,068
Sum working capital assets	8,031	7,558	7,654	8,191
Working capital liabilities				
Accounts payable	1,111	970	841	1,132
Advances from customers	4,652	4,720	4,608	5,316
Prepaid income	1,910	1,774	1,899	1,990
Accrued expenses	1,570	1,510	1,508	1,662
Short-term provisions	157	154	165	186
Other current liabilities	258	230	255	257
Sum working capital liabilities	9,659	9,358	9,276	10,543
Net working capital	-1,628	-1,800	-1,622	-2,352
% of 12 months net sales	-13%	n/a	-14%	-20%

Days Sales Outstanding (DSO) was negative 64 days (negative 75 per July 31, 2018). Asia Pacific was unchanged while increases were seen in North and South America and Europe, Middle East and Africa regions.

DAYS SALES OUTSTANDING (DSO)

SEK M	Oct 31 2018	Jul 31 2018	Apr 30 2018
North and South America	-114	-123	-122
Europe, Middle East and Africa	16	-9	-30
Asia Pacific	-107	-106	-122
Group	-64	-75	-87

Financial position

Cash and cash equivalents and short-term investments amounted to SEK 3,669 M (3,214) and interest-bearing liabilities amounted to SEK 4,958 M (5,149). Net debt amounted to SEK 1,290 M (1,936). Net debt in relation to EBITDA 12 months rolling was 0.51 (0.32 per April 30, 2018).

NET DEBT

SEK M	Oct 31 2018	Oct 31 2017	Jul 31 2018	Apr 30 2018
Long-term interest-bearing liabilities	4,422	4,726	4,341	4,369
Short-term interest-bearing liabilities	536	423	513	975
Cash and cash equivalents and short-term investments	-3,669	-3,214	-3,547	-4,541
Net debt	1,290	1,936	1,307	803

The exchange rate effect from the translation of cash and cash equivalents amounted to SEK 53 M (-78). The translation difference in interest-bearing liabilities amounted to SEK 47 M (-129). Other comprehensive income was affected by exchange rate differences from translation of foreign operations amounting to SEK -26 M (-96).

The change in unrealized exchange rate effects from effective cash flow hedges reported in other comprehensive income amounted to SEK -187 M (38). The closing balance of unrealized exchange rate effects from effective cash flow hedges amounted to SEK -154 M (73) exclusive of tax.

Acquisition of quality assurance expert Acumyn

Elekta announced on July 27, 2018, that it has acquired the Canadian quality assurance expert Acumyn, a stand-alone commercial spin-off of University Health Network, Toronto. This follows an exclusive agreement between Elekta and Acumyn, signed in 2014, to commercialize its integrated Quality Management System, AQUA.

Significant events during the quarter

Pending 510(k) for Elekta Unity with the U.S. FDA

On August 7, 2018, Elekta announced that it submitted a 510(k) application for its Elekta Unity magnetic resonance radiation therapy system to the U.S. FDA. The submission is currently under review. Upon receiving FDA 510(k) pre-market clearance, U.S. healthcare providers will be able to offer Elekta Unity's distinctive real time imaging, planning and treatment to their patients.

Annual General Meeting

On August 30, 2018, the Annual General Meeting of shareholders was held in Stockholm. A dividend of SEK 1.40 was decided upon. Cecilia Wikström was elected as a new Board member.

Capital Markets Day

On September 27, 2018, around 200 participants joined Elekta's Capital Markets Day in Stockholm, live in person or online. The full presentation and webcast are available on https://www.elekta.com/investors/, and include the launch of the updated strategy and long-term financial targets until 2022/23. The targets are sales growth of 8-10 percent (CAGR), and an EBITA margin of 20 percent with an improvement of up to 200 basis points towards the end of the period.

ASTRO 2018 in San Antonio, Texas

During October 21-24, 2018, Elekta participated at the Annual meeting of American Society for Radiation Oncology (ASTRO) in San Antonio, Texas. Among other things, the company introduced MOSAIQ Plaza, Elekta's suite of data-focused integrative oncology software. In addition, Elekta Unity, the company's transformative magnetic resonance radiation therapy (MR/RT) system was featured in 11 abstracts presented at the meeting which reflect the broad array of studies that the Elekta MR-linac Consortium is conducting to generate the clinical evidence that will support optimum use of MR/RT in diverse clinical settings.

Significant events after the quarter

Elekta and GenesisCare signed MoU for Versa HDs and a research partnership

On November 14, 2018, Elekta and GenesisCare announced that they had signed a Memorandum of Understanding (MoU) for Elekta Versa HD™ linear accelerators (linacs) to deliver radiation therapy across GenesisCare's growing network of oncology centers in Australia, the UK, Spain, and soon in China and South East Asia. The agreement is valued at approximately USD 60 million. The MoU includes provisions for Elekta's MOSAIQ® oncology information system (OIS) and Monaco® treatment planning system.

In a separate research agreement, GenesisCare and Elekta agreed on a number of initiatives including specific research into the management of benign disease with low dose radiation therapy regimes.

Two Elekta Unity agreements signed

In November two Elekta Unity agreements were signed with hospitals in China and Australia. Final negotiations are also ongoing regarding two other systems.

Employees

The average number of employees during the period was 3,696 (3,692).

The average number of employees in the Parent Company was 35 (29).

Shares

Total number of registered shares on October 31, 2018 was 383,568,409 of which 14,980,769 were A-shares and 368,587,640 B-shares. On October 31, 2018 1,541,368 shares were treasury shares held by Elekta.

Risks and uncertainties

Elekta's presence in a large number of geographical markets exposes the Group to political and economic risks on a global scale and/or in individual countries. The 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.

The competitive landscape for Elekta is continuously changing. The medical equipment industry is characterized by technological developments and continuous improvements of industrial know-how, resulting in companies launching new products and improved methods for treatment. Elekta strives to be the leader in innovation and offer the most competitive product portfolio, developed in close collaboration with key research leaders in the field. To secure the proceeds of research investments, it is of importance that such new products and new technology 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 carefully monitors intellectual property rights of third parties, but third parties may still direct infringement claims against Elekta which may lead to time-consuming and costly legal disputes as well as business interruption and other limitations in operations.

Elekta sells solutions through its direct sales force and through an external network of agents and distributors. The Company's continued success is dependent on the ability to establish and maintain successful relationships with customers. Elekta is continuously evaluating how to enter new markets, considering both the opportunities and the risks involved. There are regulatory registration requirements with each new market that potentially could delay product introductions and certifications. The stability of the political system in certain countries and the security situation for employees traveling to exposed areas are constantly evaluated. Corruption is a risk and an obstacle for development and growth in some countries. Elekta has implemented a specific anti-corruption policy to guide the business as it aims to be in line with national and international regulations and best practices against corruption as well as third party risk management processes.

Elekta's operations comprise several markets that expose the Group to a vast number of laws, regulations, policies and guidelines regarding, for example, health, security, environmental matters, trade restrictions, competition and delivery of products. Elekta's quality systems describe these requirements, which are reviewed and certified by external supervisory bodies and are regularly inspected by authorities in applicable countries, for example, the US FDA. Noncompliance of, for example, safety regulations can result in delayed or stopped deliveries of products. Changes in regulations and rules might also increase Elekta's costs and delay the development and introduction of new products.

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

Weak economic development and high levels of public debt might, in some markets, mean less availability of financing for private customers and reduced future healthcare spending by governments. Political decisions that could impact the healthcare reimbursement systems also constitute a risk factor. Elekta's ability to commercialize products is dependent on the reimbursement level that hospitals and clinics can obtain for different types of treatments. Alterations in the existing reimbursement systems related to medical products, or implementation of new regulations, might impact future product mix in specific markets.

Elekta's delivery of treatment equipment relies largely on customers' readiness to receive the delivery at site. Depending on contractual payment terms, a delay can result in postponed invoicing and affect 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.

Elekta depends on a number of suppliers for components. There is a risk that delivery difficulties might occur due to circumstances beyond Elekta's control. Critical suppliers are regularly followed up regarding delivery precision and quality of components.

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 operations, Elekta is subject to a number of financial risks primarily related to exchange rate fluctuations. In the short term, the effect of currency movements is reduced through forward contracts. Hedging is conducted on the basis of expected net sales over a period of up to 24 months. The scope of the hedging is determined by the Company's assessment of currency risks. Risk exposure is regulated through a financial policy established by the Board of Directors. The overall responsibility for handling the Group's financial risks and developing methods and guidelines for dealing with financial risks, rests with the executive management and the finance function. For more detailed information regarding these risks, see Note 2 in the Annual Report 2017/18.

The Board of Directors and CEO declare that the undersigned interim report provides a fair overview of the parent company's and Group's operations, their financial position and performance, and describes material risks and uncertainties facing the parent company and other companies in the Group.

Stockholm, November 28, 2018

Laurent Leksell *Chairman of the board*	Birgitta Stymne Göransson *Member of the board*	Wolfgang Reim *Member of the board*
Caroline Leksell Cooke *Member of the board*	Johan Malmquist *Member of the board*	Jan Secher *Member of the board*
Annika Espander Jansson *Member of the board*	Tomas Puusepp *Member of the board*	Cecilia Wikström *Member of the board*
	Richard Hausmann *CEO and President*	

Auditor’s Review Report

Elekta AB (publl). reg. no. 556170-4015

Introduction

We have reviewed the condensed interim financial information (interim report) of Elekta AB (publ) as of 31 October 2018 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the interim financial information in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act, regarding the Group, and with the Swedish Annual Accounts Act, regarding the Parent Company.

Stockholm, November 28, 2018
PricewaterhouseCoopers AB

Johan Engstam
Authorized Public Accountant

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT SEK M	Q2 2018/19	Q2 2017/18	May - Oct 2018/19	May - Oct 2017/18	12 months rolling	May - Apr 2017/18
Net sales	3,330	2,903	6,149	5,407	12,314	11,573
Cost of products sold	-1,953	-1,644	-3,669	-2,987	-7,198	-6,517
Gross income	1,377	1,259	2,480	2,420	5,116	5,056
Selling expenses	-320	-300	-644	-605	-1,248	-1,208
Administrative expenses	-237	-224	-501	-467	-983	-949
R&D expenses	-411	-282	-776	-598	-1,273	-1,095
Other operating income and expenses	-8	-8	57	-13	70	0
Exchange rate differences	-9	-4	14	-16	72	42
Operating result	393	440	631	721	1,754	1,845
Result from participations in associates	3	1	6	3	-4	-7
Interest income	15	16	33	23	76	67
Interest expenses and similar items	-47	-52	-92	-97	-220	-225
Exchange rate differences	0	2	0	-1	2	1
Profit before tax	365	407	577	650	1,609	1,681
Income taxes	-80	-102	-127	-145	-314	-333
Net income	284	305	450	504	1,294	1,348
Net income attributable to:						
Parent Company shareholders	285	305	451	504	1,295	1,348
Non-controlling interests	0	0	0	0	0	0
Earnings per share before dilution, SEK	0.75	0.80	1.18	1.32	3.39	3.53
Earnings per share after dilution, SEK	0.75	0.80	1.18	1.32	3.39	3.53

STATEMENT OF COMPREHENSIVE INCOME SEK M	Q2 2018/19	Q2 2017/18	May - Oct 2018/19	May - Oct 2017/18	12 months rolling	May - Apr 2017/18
Net income	284	305	450	504	1,294	1,348
Other comprehensive income:						
Items that will not be reclassified to the income statement:						
Remeasurements of defined benefit pension plans	-	-	-	-	-19	-19
Tax	-	-	-	-	5	5
Total items that will not be reclassified to the income statement	-	-	-	-	-14	-14
Items that subsequently may be reclassified to the income statement:						
Revaluation of cash flow hedges	-109	-8	-187	38	-229	-5
Translation differences from foreign operations	188	148	-26	-96	545	475
Tax	22	2	36	-8	45	2
Total items that subsequently may be reclassified to the income statement	100	141	-177	-66	361	472
Other comprehensive income for the period	100	141	-177	-66	347	458
Total comprehensive income for the period	384	447	274	438	1,641	1,806
Comprehensive income attributable to:						
Parent Company shareholders	384	447	274	438	1,642	1,806
Non-controlling interests	0	-	0	-	0	0

RESULT OVERVIEW

SEK M	Q2 2018/19	Q2 2017/18	May - Oct 2018/19	May - Oct 2017/18	12 months rolling	May - Apr 2017/18
Operating result/EBIT	393	440	631	721	1,754	1,845
Amortization:						
Capitalized development costs	176	96	297	207	499	408
Assets relating to business combinations	32	30	59	59	116	116
EBITA	601	566	987	987	2,369	2,369

CONSOLIDATED BALANCE SHEET

SEK M	Oct 31 2018	Oct 31 2017	Apr 30 2018
Non-current assets			
Intangible assets	9,224	8,541	9,175
Tangible fixed assets	873	812	895
Financial assets	296	279	261
Deferred tax assets	356	441	350
Total non-current assets	10,749	10,074	10,681
Current assets			
Inventories	2,463	2,355	2,560
Accounts receivable	2,982	3,120	3,402
Accrued income	1,420	1,012	1,160
Current tax assets	178	157	177
Derivative financial instruments	18	155	170
Other current receivables	1,166	1,072	1,068
Short-term investments	47	90	83
Cash and cash equivalents	3,622	3,124	4,458
Total current assets	11,895	11,084	13,080
Total assets	22,645	21,158	23,760
Elekta's owners' equity	6,970	5,816	6,987
Non-controlling interests	0	0	0
Total equity	6,970	5,816	6,987
Non-current liabilities			
Long-term interest-bearing liabilities	4,422	4,726	4,369
Deferred tax liabilities	537	554	511
Long-term provisions	172	165	158
Other long-term liabilities	84	5	63
Total non-current liabilities	5,215	5,450	5,102
Current liabilities			
Short-term interest-bearing liabilities	536	423	975
Accounts payable	1,111	970	1,132
Advances from customers	4,652	4,720	5,316
Prepaid income	1,910	1,774	1,990
Accrued expenses	1,570	1,510	1,662
Current tax liabilities	112	89	107
Short-term provisions	157	154	186
Derivative financial instruments	153	21	46
Other current liabilities	258	230	257
Total current liabilities	10,460	9,892	11,671
Total equity and liabilities	22,645	21,158	23,760

CASH FLOW

SEK M	Q2 2018/19	Q2 2017/18	May - Oct 2018/19	May - Oct 2017/18	12 months rolling	May - Apr 2017/18
Profit before tax	365	407	577	650	1,609	1,681
Amortization and depreciation	246	163	435	339	771	675
Interest net	22	22	39	50	85	96
Other non-cash items	14	4	-29	-13	238	254
Interest received and paid	-7	-5	-44	-51	-91	-98
Income taxes paid	-47	-32	-69	-110	-210	-250
Operating cash flow	*592*	*558*	*910*	*865*	*2,402*	*2,357*
Increase (-)/decrease (+) in inventories	72	-48	30	-103	8	-125
Increase (-)/decrease (+) in operating receivables	-270	-216 *	-2	97 *	-121 *	-21 *
Increase (+)/decrease (-) in operating liabilities	118	109	-807	-381	-234	192
Change in working capital	*- 81*	*-155*	*-780*	*- 387*	*-346*	*47*
Cash flow from operating activities	512	404	130	478	2,056	2,404
Investments intangible assets	-106	-147	-235	-274	-603	-642
Investments other assets	-39	-67	-70	-111	-170	-212
Sale of fixed assets	0	37 *	0	37 *	1 *	38 *
Continuous investments	*- 145*	*-177*	*- 305*	*- 347*	*- 773*	*-816*
Cash flow after continuous investments	367	226	-175	131	1,283	1,589
Increase(-)/decrease(+) in short-term investments	37	-90	36	-90	43	-83
Business combinations, divestments and investments in other shares	-57	-11	-47	-35	-71	-58
Cash flow after investments	347	125	-186	5	1,255	1,447
Cash flow from financing activities	-254	-200	-703	-186	-884	-367
Cash flow for the period	93	-75	-889	-181	371	1,080
Change in cash and cash equivalents during the period						
Cash and cash equivalents at the beginning of the period	3,463	3,158	4,458	3,383	3,124	3,383
Cash flow for the period	93	-75	-889	-181	371	1,080
Exchange rate differences	66	41	53	-78	126	-4
Cash and cash equivalents at the end of the period	3,622	3,124	3,622	3,124	3,622	4,458

** Adjusted for receivables/liabilities relating to investments/sale of fixed assets.*

CHANGES IN EQUITY

SEK M	May - Oct 2018/19	May - Oct 2017/18	May - Apr 2017/18
Attributable to Elekta's owners			
Opening balance	6,987	6,774	6,774
Opening balance adjustment due to IFRS 15 and IFRS 9	-39	-1,212	-1,212
Comprehensive income for the period	274	438	1,806
Incentive programs	14	6	2
Dividend	-267	-191	-382
Total	6,970	5,816	6,987
Attributable to non-controlling interests			
Opening balance	0	0	0
Comprehensive income for the period	0	-	0
Total	0	0	0
Closing balance	6,970	5,816	6,987

Accounting principles

This interim report is prepared, with regard to the Group, according to IAS 34 and the Swedish Annual Accounts Act and, with regard to the Parent Company, according to the Swedish Annual Accounts Act and RFR 2. The accounting principles applied are consistent with those presented in Note 1 of the Annual Report 2017/18, with exception for the accounting policies described below.

New accounting principles

Two new IFRS standards are effective as from January 1, 2018; IFRS 15 *Revenue from Customer Contracts* and IFRS 9 *Financial instruments*, and both these standards are applied since May 1, 2018. For IFRS 15 Elekta applies the full retrospective method and thus the prior year comparative period has been restated. IFRS 9 is applied retrospectively and the comparative period has not been restated.

IFRS 15 Revenue from contracts with customers - revenue recognition

Elekta's revenue is primarily derived from the sales of treatment solutions and oncology informatics including equipment used for radiation therapy, radiosurgery and brachytherapy as well as software products and related services.

Many of Elekta's products and services are sold on a stand-alone basis but are often included in bundled deals, which are arrangements where equipment, software and services may be included in the same contract. A bundled deal is treated as a project which is supported by a project team that coordinates the production, delivery and installation, which can occur at different stages.

In most contracts the transaction price consists of a fixed consideration which is clearly stated in the contract and the products are usually sold without a right of return. In rare cases contracts can include variable consideration for which the value is estimated for revenue allocation purposes.

The allocation of the transaction price, including any discount, to the various goods and services (performance obligations) in a contract is performed based on the estimated stand-alone selling prices for the goods and services identified as performance obligations. As many items included in a bundled deal are also sold on a stand-alone basis, the stand-alone selling prices are based on observable prices in most cases. For items not sold on a stand-alone basis the stand-alone selling prices have been estimated using the best available market and internal data relating to those items.

Costs incurred to obtain a contract consist mainly of commissions, which are recognized at the time when the related revenue is recognized.

The timing for revenue recognition of the goods and services included in a bundled deal depends on their characteristics and when the control of each good or service is transferred to the customer.

Treatment solutions

Elekta sells treatment solutions including devices, software and service. Main devices are Leksell Gamma Knifes, Linear accelerators, MR linacs and Afterloaders. Software licenses consist mainly of Oncology informatics systems (OIS) and Treatment planning systems (TPS). Services include maintenance and support relating to equipment, software, training and installation services. Most bundled deals include at least one device, software licenses, installation, service and training. Revenue recognition for these deals is linked to when control for each identified performance obligation is transferred to the customer, which for a standard contract happens at different stages over a longer period, usually up to six months depending on the geographical market.

Devices

In a standard contract, the control is considered to be transferred when the device is delivered to the customer's site and installation is started. At this time, risk and rewards are transferred, the customer has physical possession of the unit and Elekta has the right to payment for the equipment delivered.

Software

For software licenses control is considered to be transferred and revenue is recognized when the licenses are made available to the customer, which is usually at the time of acceptance of the software.

Service

For service agreements, control is considered to be transferred over time and revenue is recognized on a straight-line basis over the contractual term of the arrangement or the expected period during which the specified services will be performed. Maintenance and support agreements relating to software products are generally renewed on an annual basis. Installation services and training with low values and which span over a limited time are considered non-material and revenue is recognized when the related device reaches the stage of technical acceptance.

Changes to the goods and services included in an arrangement and the amounts allocated to each item could affect the timing and amount of revenue recognition. Revenue recognition also depends on the timing of shipment, readiness of the customer's site, availability of products and for some contracts, customer acceptance terms. If shipments or installations are not made on scheduled timelines or if the products are not accepted by the customer in a timely manner, revenues may differ from expectations.

Revenue recognition does often not coincide with invoicing to, and payments from, customers. Payment terms or conditions for projects may differ between contracts and regions, but in a standard Elekta contract partial payments will be due upon certain events, such as order receipt, shipment and acceptance. In a standard project, amounts invoiced in accordance with an invoicing plan are reported as accounts receivable and as a contract liability included in advances from customers if performance obligations are not yet satisfied and revenue cannot be recognized. Amounts that have been recognized as revenue, but for which Elekta has not yet the right to invoice according to the invoicing plan agreed, are reported as contract assets and included in accrued income. For service contracts the agreed consideration is invoiced and paid in advance in most markets. When there is a contract agreed and invoiced to the customer, Elekta usually has the right to payment even if the performance obligations are still to be satisfied. Therefore, a receivable is accounted for with a corresponding contract liability reported as deferred income.

IFRS 9 - Financial instruments

IFRS 9 comprises classification, measurement and impairment of financial instruments as well as hedge accounting. The financial effects for Elekta from the transition to IFRS 9 are limited and relate to the introduction of an expected credit loss model for impairment of financial assets that replaces the previously used incurred loss model. An expected credit loss is to be calculated for all outstanding amounts based on historical experiences and expectations about the future. The main effect relates to the calculation of bad debt losses, as the provision for expected losses comprises all financial receivables, including those that are not yet due. Applying the expected credit loss model, the provision for bad debt will increase or decrease based on the outstanding value of financial assets. The financial effect from the application of expected credit loss model mainly affects the value of trade receivables and accrued project income and is presented in the schedule below.

IFRS 9 also introduces a new model for classification and related measurement of financial instruments. Elekta has reviewed all financial instruments in order to classify these according to the new standard and the following main categories have been identified:

Excess liquidity investments such as money market funds and tradeable securities are held in a portfolio managed on a fair value basis and are classified as financial assets at Fair Value through Profit and Loss.

Trade receivables are in general held with the objective to collect contractual cash flows and therefore fulfill the requirements for being classified into the Hold To Collect business model with valuation at amortized cost. In some countries Elekta holds trade receivables that may be sold and are managed within a business model with the objective to realize cash flows through both collection of contractual cash flows and sale of the asset. These trade receivables are valued at Fair Value through Other Comprehensive Income.

The reclassification of assets does not result in any material changes in valuation of assets at the transition date.

Hedge accounting is applied in accordance with IFRS 9 and hedging relationships existing at the transition date qualified for hedge accounting under IFRS 9 as well as under the previous standard, IAS 39. In general, IFRS 9, more closely than the previous standard, aligns the hedge accounting rules to the risk management objectives of a company. Elekta applies hedge accounting for the hedging of foreign currency risks and from time to time also for hedging interest rate risks. The application of hedge accounting according to IFRS 9 has no financial effects at the transition date.

Effects from the implementation of IFRS 15 and IFRS 9

The net balance effect from the transition to IFRS 15 was reported in equity with SEK - 987 M as per May 1, 2018 and SEK -1,212 M at the beginning of the comparative year. The transition to IFRS 9 has affected the opening balance of fiscal year 2018/19 and the impact on equity is SEK - 39 M.

The one-time effect reported in equity from the implementation of the standards is mainly relating to IFRS 15 and the timing for revenue recognition of treatment solutions. According to IFRS 15 revenue recognition should occur at the time of transfer of control to the customer, which according to Elekta's assessment is when the treatment solution is ready for installation at the customer's site. Prior to the implementation of IFRS 15, revenue recognition for treatment solutions occurred when risks and rewards were transferred to the customer, which is normally at the time of shipment. The financial impact reported in equity on transition primarily depended on the number of treatment solutions that was shipped but not yet being installed at the customer's site at this point in time. Other less significant financial effects from the transition relate to changes in the allocation of the transaction price to various performance obligations. The effects from the implementation of IFRS 15 and IFRS 9 are further described below.

EFFECTS FROM IFRS 15 AND IFRS 9 ON CONSOLIDATED BALANCE SHEET

	Opening balance 2017/18			Closing balance 2017/18			Opening balance 2018/19		
SEK M	Reported Apr 30, 2017	Adj. IFRS 15	Restated Apr 30, 2017	Reported Apr 30, 2018	Adj. IFRS 15	Restated Apr 30, 2018	Restated Apr 30, 2018	Adj. IFRS 9	Adjusted May 1, 2018
Non-current assets									
Deferred tax assets	375	91	466	267	83	350	350	10	360
Financial assets	308	-	308	261	-	261	261	-	261
Current assets									
Inventories	936	1,384	2,320	1,121	1,439	2,560	2,560	-	2,560
Accounts receivable	3,726	-	3,726	3,402	-	3,402	3,402	-25	3,377
Accrued income	1,640	-789	851	1,601	-441	1,160	1,160	-24	1,136
Other current receivables	802	134	936	846	222	1,068	1,068	-	1,068
Total assets	20,950	820	21,770	22,457	1,303	23,760	23,760	-39	23,721
Total equity	6,774	-1,212	5,562	7,975	-987	6,987	6,987	-39	6,948
Non-current liabilities									
Deferred tax liabilities	778	-225	553	693	-182	511	511	-	511
Current liabilities									
Advances from customers	2,531	2,680	5,211	2,575	2,741	5,316	5,316	-	5,316
Prepaid income	1,874	1	1,875	2,053	-63	1,990	1,990	-	1,990
Accrued expenses	1,875	-398	1,477	1,854	-192	1,662	1,662	-	1,662
Short-term provisions	231	-26	205	201	-15	186	186	-	186
Total equity and liabilities	20,950	820	21,770	22,457	1,303	23,760	23,760	-39	23,721

EFFECTS FROM IFRS 15 RESTATEMENT ON CONSOLIDATED BALANCE SHEET

	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18		
SEK M	Reported	Adj.	Restated	Reported	Adj.	Restated	Reported	Adj.	Restated	Reported	Adj.	Restated
Non-current assets												
Deferred tax assets	290	124	415	310	131	441	260	98	358	267	83	350
Current assets												
Inventories	1,076	1,164	2,240	1,102	1,253	2,355	1,243	1,265	2,508	1,121	1,439	2,560
Accounts receivable	3,032	-	3,032	3,120	-	3,120	3,505	-	3,505	3,402	-	3,402
Accrued income	1,467	-570	897	1,545	-533	1,012	1,177	-408	769	1,601	-441	1,160
Other current receivables	878	148	1,026	917	155	1,072	926	184	1,110	846	222	1,068
Total assets	19,659	866	20,525	20,152	1,006	21,158	20,617	1,139	21,756	22,457	1,303	23,760
Total equity	6,511	-956	5,555	6,734	-919	5,815	7,040	-886	6,154	7,975	-987	6,987
Non-current liabilities												
Deferred tax liabilities	668	-134	534	669	-115	554	593	-138	455	693	-182	511
Current liabilities												
Advances from customers	2,537	2,324	4,861	2,440	2,280	4,720	2,643	2,382	5,025	2,575	2,741	5,316
Prepaid income	1,704	-50	1,653	1,764	10	1,774	1,830	-7	1,823	2,053	-63	1,990
Accrued expenses	1,611	-297	1,314	1,742	-232	1,510	1,688	-197	1,491	1,854	-192	1,662
Short-term provisions	196	-21	175	172	-18	154	140	-15	125	201	-15	186
Total equity and liabilities	19,659	866	20,525	20,152	1,006	21,158	20,617	1,139	21,756	22,457	1,303	23,760

EFFECTS FROM IFRS 15 RESTATEMENT ON CONSOLIDATED INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

	Q1 2017/18			Q2 2017/18			Q3 2017/18			Q4 2017/18			May - Apr 2017/18		
SEK M	Reported	Adj.	Restated	Reported	Adj.	Restated	Reported	Adj.	Restated	Reported	Adj.	Restated	Reported	Adj.	Restated
Net sales	2,169	335	2,504	2,802	101	2,903	2,747	9	2,756	3,614	-205	3,409	11,333	240	11,573
Cost of products sold	-1,250	-92	-1,343	-1,620	-25	-1,645	-1,595	34	-1,561	-2,120	150	-1,970	-6,584	67	-6,517
Gross income	919	243	1,162	1,183	76	1,259	1,153	43	1,196	1,494	-55	1,439	4,748	307	5,056
Operating result	38	243	281	365	76	441	366	43	409	769	-55	714	1,538	307	1,845
Operating margin	*2%*	-	*11%*	*13%*	-	*15%*	*13%*	-	*15%*	*21%*	-	*21%*	*14%*	-	*16%*
Income taxes	0	-44	-44	-84	-18	-102	-25	-9	-34	-166	13	-153	-276	-57	-333
Net income	-1	199	199	247	58	305	308	34	342	544	-42	502	1,099	249	1,348
Total comprehensive income for the period	-265	256	-9	410	37	447	312	32	345	1,123	-101	1,023	1,581	225	1,806
Earnings per share before/after dilution, SEK	0.00	0.52	0.52	0.65	0.15	0.80	0.81	0.09	0.90	1.42	-0.11	1.31	2.88	0.65	3.53
EBITA	177	243	420	491	76	566	491	43	534	903	-55	848	2,062	307	2,369
EBITA margin	*8%*		*17%*	*18%*		*20%*	*18%*		*19%*	*25%*		*25%*	*18%*		*20%*

Exchange rates

Country	Currency	Average rate			Closing rate				
		May - Oct 2018/19	May - Oct 2017/18	Change *	oct 31, 2018	oct 31, 2017	Apr 30, 2018	Change * 12 months	Change **
Euroland	1 EUR	10.374	9.622	8%	10.410	9.722	10.509	7%	-1%
Great Britain	1 GBP	11.710	10.868	8%	11.666	11.037	11.942	6%	-2%
Japan	1 JPY	0.080	0.075	7%	0.081	0.074	0.079	9%	3%
United States	1 USD	8.907	8.346	7%	9.178	8.355	8.664	10%	6%

** October 31, 2018 vs October 31, 2017*

***October 31, 2018 vs April 30, 2018*

For Group companies with functional currency other than Swedish kronor, order intake and income statements are translated at average exchange rates for the reporting period, while order backlog and balance sheets are translated at closing exchange rates.

Segment reporting

Elekta applies geographical segmentation. Order intake, net sales and contribution margin for respective regions are reported to Elekta's CFO and CEO (chief operating decision makers). The regions' expenses are directly attributable to the respective region reported including cost of products sold. Global costs for R&D, marketing, management of product supply centers and Parent Company are not allocated per region. Currency exposure is concentrated to product supply centers. The majority of exchange differences in operations are reported in global costs.

Segment reporting

May - Oct 2018/19

SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total	% of net sales
Net sales	2,052	2,292	1,804	-	6,149	
Regional expenses	-1,373	-1,425	-1,267	-	-4,065	66%
Contribution margin	680	867	537	-	2,084	34%
Contribution margin, %	33%	38%	30%			
Global costs				-1,454	-1,454	24%
Operating result	680	867	537	-1,454	631	10%
Net financial items				-53	-53	
Profit before tax	680	867	537	-1,507	577	

May - Oct 2017/18

SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total	% of net sales
Net sales	1,909	1,982	1,516	-	5,407	
Regional expenses	-1,178	-1,248	-1,037	-	-3,462	64%
Contribution margin	731	735	479	-	1,945	36%
Contribution margin, %	38%	37%	32%			
Global costs				-1,223	-1,223	23%
Operating result	731	735	479	-1,223	721	13%
Net financial items				-72	-72	
Profit before tax	731	735	479	-1,295	650	

May - Apr 2017/18

SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total	% of net sales
Net sales	3,888	4,345	3,340	-	11,573	
Regional expenses	-2,375	-2,783	-2,294	-	-7,452	64%
Contribution margin	1,513	1,562	1,046	-	4,121	36%
Contribution margin, %	39%	36%	31%			
Global costs				-2,276	-2,276	20%
Operating result	1,513	1,562	1,046	-2,276	1,845	16%
Net financial items				-164	-164	
Profit before tax	1,513	1,562	1,046	-2,440	1,681	

12 months rolling

SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total	% of net sales
Net sales	4,031	4,655	3,628	-	12,314	
Regional expenses	-2,570	-2,960	-2,524	-	-8,053	65%
Contribution margin	1,461	1,695	1,104	-	4,261	35%
Contribution margin, %	36%	36%	30%			
Global costs				-2,506	-2,506	20%
Operating result	1,461	1,695	1,104	-2,506	1,754	14%
Net financial items				-146	-146	
Profit before tax	1,461	1,695	1,104	-2,652	1,609	

Elekta's operations are characterized by significant quarterly variations in volumes and product mix, which have a direct impact on net sales and profits. This is accentuated when the operation is split into segments, as is the impact of currency fluctuations between the years.

Net sales by product type

Q2 2018/19 SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total
Solutions	548	863	643	-	2,054
Service	568	427	282	-	1,276
Total	1,115	1,290	925	-	3,330

Q2 2017/18 SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total
Solutions	477	757	563	-	1,797
Service	492	364	251	-	1,106
Total	969	1,121	814	-	2,903

May-Oct 2018/19 SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total
Solutions	925	1,457	1,254	-	3,636
Service	1,127	836	550	-	2,513
Total	2,052	2,292	1,804	-	6,149

May-Oct 2017/18 SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total
Solutions	901	1,266	1,022	-	3,189
Service	1,008	716	494	-	2,218
Total	1,909	1,982	1,516	-	5,407

May- Apr 2017/18 SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total
Solutions	1,877	2,831	2,346	-	7,054
Service	2,011	1,514	994	-	4,519
Total	3,888	4,345	3,340	-	11,573

12 months rolling SEK M	North and South America	Europe, Middle East and Africa	Asia Pacific	Other/ Group-wide	Group total
Solutions	1,901	3,022	2,578	-	7,501
Service	2,130	1,634	1,050	-	4,814
Total	4,031	4,655	3,628	-	12,314

Financial instruments

The table below shows the fair value of the Group's financial instruments, for which fair value is different than carrying value. The fair value of all other financial instruments is assumed to correspond to the carrying value.

SEK M	Oct 31, 2018 Carrying amount	Oct 31, 2018 Fair value	Oct 31, 2017 Carrying amount	Oct 31, 2017 Fair value	Apr 30, 2018 Carrying amount	Apr 30, 2018 Fair value
Long-term interest-bearing liabilities	4,422	4,416	4,726	4,767	4,369	4,372
Short-term interest-bearing liabilities	536	536	423	425	975	975

The Group's financial assets and financial liabilities, which have been measured 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

FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

SEK M	Level	Oct 31, 2018	Oct 31, 2017	Apr 30, 2018
FINANCIAL ASSETS				
Financial assets measured at fair value through profit or loss:				
Derivative financial instruments – non-hedge accounting	2	17	75	111
Short-term investments	1	47	90	83
Derivatives used for hedging purposes:				
Derivative financial instruments – hedge accounting	2	1	82	59
Total financial assets		65	247	253
FINANCIAL LIABILITIES				
Financial liabilities at fair value through profit or loss:				
Derivative financial instruments – non-hedge accounting	2	30	12	27
Contingent consideration	3	3	38	20
Derivatives used for hedging purposes:				
Derivative financial instruments – hedge accounting	2	155	9	26
Total financial liabilities		188	59	73

KEY FIGURES

	May - Apr * 2013/14	May - Apr * 2014/15	May - Apr * 2015/16	May - Apr * 2016/17	May - Apr 2017/18	May - Oct 2017/18	May - Oct 2018/19
Gross order intake, SEK M	n/a	12,825	13,821	14,064	14,493	6,005	6,844
Net sales, SEK M	10,694	10,839	11,221	10,704	11,573	5,407	6,149
Order backlog, SEK M	13,609	17,087	18,239	22,459	27,974	27,974	29,126
Operating result, SEK M	1,727	937	423	598	1,845	721	631
Operating margin, %	16	9	4	6	16	13	10
Profit margin, %	14	7	2	3	15	12	9
Shareholders' equity, SEK M	6,257	6,646	6,412	6,774	6,987	5,816	6,970
Capital employed, SEK M	10,743	12,678	11,360	12,046	12,331	10,965	11,928
Net debt, SEK M	2,239	2,768	2,677	1,889	803	1,936	1,290
Operational cash conversion, %	60	126	111	145	95	45	12
Average number of employees	3,631	3,679	3,677	3,581	3,702	3,692	3,696

	May - Apr * 2013/14	May - Apr * 2014/15	May - Apr * 2015/16	May - Apr * 2016/17	May - Apr 2017/18	May - Oct * 2017/18	May - Oct 2018/19
Return on shareholders' equity, %	21	9	2	2	22	6	20
Return on capital employed, %	17	9	4	5	17	8	16

* Calculation based on IAS18

DATA PER SHARE

	May - Apr * 2013/14	May - Apr * 2014/15	May - Apr * 2015/16	May - Apr * 2016/17	May - Apr 2017/18	May - Oct 2017/18	May - Oct 2018/19
Earnings per share							
before dilution, SEK	3.01	1.45	0.36	0.33	3.53	1.32	1.18
after dilution, SEK	3.00	1.45	0.36	0.33	3.53	1.32	1.18
Cash flow per share							
before dilution, SEK	1.31	1.78	1.00	2.69	3.79	0.01	-0.49
after dilution, SEK	1.24	1.78	1.00	2.69	3.79	0.01	-0.49
Shareholders' equity per share							
before dilution, SEK	16.39	17.41	16.79	17.73	18.29	15.22	18.24
after dilution, SEK	20.32	17.41	16.79	17.73	18.29	15.22	18.24
Average number of shares							
before dilution, 000s	381,277	381,287	381,288	381,306	382,027	382,027	382,027
after dilution, 000s	400,686	381,287	381,288	381,306	382,027	382,027	382,027
Number of shares at closing							
before dilution, 000s **	381,287	381,287	381,288	382,027	382,027	382,027	382,027
after dilution, 000s	400,696	381,287	381,288	382,027	382,027	382,027	382,027

* Calculation based on IAS18.
**Number of registered shares at closing excluding treasury shares (1,541,368 per October 31, 2018).

DATA PER QUARTER

	2016/17 *			2017/18				2018/19	
SEK M	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Gross order intake	3,383	3,653	4,366	2,738	3,267	3,833	4,654	3,174	3,670
Net sales	2,434	2,673	3,715	2,504	2,903	2,757	3,409	2,819	3,330
EBITA	251	266	509	420	566	534	848	386	601
Operating result	140	144	347	281	440	409	714	238	393
Cash flow from operating activities	342	394	1,222	76	403	691	1,235	-381	512

* Calculation based on IAS18

ORDER INTAKE GROWTH BASED ON CONSTANT EXCHANGE RATES

	2016/17			2017/18				2018/19	
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
North and South America, %	4	-6	-19	-6	14	15	10	23	-41
Europe, Middle East and Africa, %	-17	116	-32	-4	-5	-5	28	15	43
Asia Pacific, %	10	2	-5	7	-11	33	-9	2	18
Group, %	-2	34	-20	0	0	9	10	12	2

PARENT COMPANY

INCOME STATEMENT AND STATEMENT OF COMPREHENSIVE INCOME

SEK M	May - Oct 2018/19	May - Oct 2017/18
Operating expenses	-91	-89
Financial net	522	398
Income after financial items	430	309
Tax	12	30
Net income	442	338
Statement of comprehensive income		
Net income	442	338
Other comprehensive income	-	-
Total comprehensive income	442	338

BALANCE SHEET

SEK M	Oct 31, 2018	Apr 30, 2018
Non-current assets		
Intangible assets	64	68
Shares in subsidiaries	2,195	2,239
Receivables from subsidaries	2,389	2,411
Other financial assets	72	14
Deferred tax assets	12	0
Total non-current assets	4,731	4,731
Current assets		
Receivables from subsidaries	2,800	3,468
Other current receivables	49	137
Other short-term investments	47	83
Cash and cash equivalents	2,789	3,625
Total current assets	5,684	7,312
Total assets	10,415	12,044
Shareholders' equity	2,980	2,823
Non-current liabilities		
Long-term interest-bearing liabilities	4,420	4,366
Long-term liabilities to Group companies	39	39
Long-term provisions	9	9
Total non-current liabilities	4,468	4,414
Current liabilities		
Short-term interest-bearing liabilities	520	959
Short-term liabilities to Group companies	2,368	3,754
Short-term provisions	0	0
Other current liabilities	78	94
Total current liabilities	2,967	4,807
Total shareholders' equity and liabilities	10,415	12,044

Alternative performance measures

Alternative Performance Measures (APMs) 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 APMs used by Elekta are defined on www.elekta.com/investors/financials/definitions.php. Definitions and additional information on APMs can also be found on pages 120-122 in the Annual Report 2017/18.

Starting the first quarter of the fiscal year 2018/2019, no items in the income statement are reported as items affecting comparability. Thus, the definition is no longer included in the definitions presented below.

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.

CHANGE GROSS ORDER INTAKE	North and South America		Europe, Middle East, and Africa		Asia Pacific		Group total	
	%	SEK M	%	SEK M	%	SEK M	%	SEK M
Q2 2018/19 vs. Q2 2017/18								
Change based on constant exchange rates	-41	-536	43	434	18	166	2	64
Currency effects	7	90	15	151	10	97	10	338
Reported change	-34	-445	58	585	28	263	12	403
Q2 2017/18 vs. Q2 2016/17								
Change based on constant exchange rates	14	169	-5	-53	-11	-123	0	-7
Currency effects	-4	-54	0	4	-5	-59	-3	-109
Reported change	10	115	-5	-49	-16	-182	-3	-116
May - Oct 2018/19 vs. May - Oct 2017/18								
Change based on constant exchange rates	-17	-353	30	548	9	183	6	378
Currency effects	5	107	12	216	7	138	8	461
Reported change	-12	-246	42	765	16	320	14	839
May - Oct 2017/18 vs. May - Oct 2016/17								
Change based on constant exchange rates	6	121	-5	-94	-2	-43	0	-16
Currency effects	-1	-26	2	42	-2	-39	-1	-23
Reported change	5	95	-3	-52	-4	-82	-1	-39

CHANGE NET SALES	North and South America		Europe, Middle East, and Africa		Asia Pacific		Group total	
	%	SEK M	%	SEK M	%	SEK M	%	SEK M
Q2 2018/19 vs. Q2, 2017/18								
Change based on constant exchange rates	5	46	6	73	6	46	6	165
Currency effects	10	100	9	96	8	65	9	262
Reported change	15	146	15	169	14	111	15	427
Q2 2017/18 vs. Q2 2016/17 *								
Change based on constant exchange rates	2	19	54	385	7	53	19	457
Currency effects	-4	-40	-1	-5	-6	-43	-4	-88
Reported change	-2	-21	53	380	1	10	15	368
May - Oct 2018/19 vs. May - Oct 2017/18								
Change based on constant exchange rates	1	28	8	168	14	207	7	404
Currency effects	6	115	7	142	5	81	6	338
Reported change	7	143	16	310	19	288	14	742
May - Oct 2017/18 vs. May - Oct 2016/17 *								
Change based on constant exchange rates	0	0	45	570	10	126	16	696
Currency effects	-1	-17	1	14	-3	-38	-1	-41
Reported change	-1	-17	46	584	7	88	15	655

'* Calculation based on IAS18

EBITDA

EBITDA is used for the calculation of operational cash conversion and the net debt/EBITDA ratio.

EBITDA

SEK M	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19
Operating result/EBIT	440	409	714	238	393
Amortization:					
Capitalized development costs	96	98	103	120	176
Assets relating business combinations	30	27	30	27	32
Depreciation	36	37	40	41	38
EBITDA	603	571	888	427	639

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. 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.

Return on capital employed

SEK M	Oct 31, 2017 *	Jan 31, 2018 *	Apr 30, 2018	Jul 31, 2018	Oct 31, 2018
Profit before tax (12 months rolling)	683	960	1,681	1,651	1,609
Financial expenses (12 months rolling)	232	231	225	225	220
Profit before tax plus financial expenses	915	1,191	1,905	1,877	1,829
Total assets	20,152	20,617	23,760	21,921	22,645
Deferred tax liabilities	-669	-593	-511	-504	-537
Long-term provisions	-165	-159	-158	-169	-172
Other long-term liabilities	-5	-57	-63	-59	-84
Accounts payable	-970	-962	-1,132	-841	-1,111
Advances from customers	-2,440	-2,643	-5,316	-4,608	-4,652
Prepaid income	-1,764	-1,830	-1,990	-1,899	-1,910
Accrued expenses	-1,742	-1,688	-1,662	-1,508	-1,570
Current tax liabilities	-89	-93	-107	-111	-112
Short-term provisions	-172	-140	-186	-165	-157
Derivative financial instruments	-21	-49	-46	-105	-153
Other current liabilities	-230	-300	-257	-255	-258
Capital employed	11,885	12,103	12,331	11,697	11,928
Average capital employed (last five quarters)	11,765	11,833	11,194	11,367	11,628
Return on capital employed	8%	10%	17%	17%	16%

'* Calculation based on IAS18

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	Q2 2017/18 *	Q3 2017/18 *	Q4 2017/18	Q1 2018/19	Q2 2018/19
Net income (12 months rolling)	382	648	1,348	1,315	1,294
Average shareholders' equity excluding non-controlling interests (last five quarters)	6,604	6,696	6,015	6,271	6,554
Return on shareholders' equity	6%	10%	22%	21%	20%

'* Calculation based on IAS18

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	Q2 2017/18	Q3 2017/18	Q4 2017/18	Q1 2018/19	Q2 2018/19
Cash flow from operating activities	403	691	1,235	-381	512
EBITDA	603	571	888	427	639
Operational cash conversion	67%	121%	139%	-89%	80%

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 4.

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	Oct 31, 2017 *	Jan 31, 2018 *	Apr 30, 2018	Jul 31, 2018	Oct 31, 2018
Accounts receivable	3,120	3,505	3,402	3,061	2,982
Accrued income	1,545	1,177	1,160	1,004	1,420
Advances from customers	-2,440	-2,643	-5,316	-4,608	-4,652
Prepaid income	-1,764	-1,830	-1,990	-1,899	-1,910
Net receivable from customers	461	209	-2,744	-2,441	-2,160
Net sales (12 months rolling)	11,359	11,434	11,573	11,887	12,314
Number of days	365	365	365	365	365
Net sales per day	31	31	32	33	34
Days sales outstanding (DSO)	15	7	-87	-75	-64

"* Calculation based on IAS18

Net debt and net debt/EBITDA ratio

Net debt is important to understand the financial stability of the company. Net debt and net debt/EBITDA ratio are used by management to track the debt evolvement, the refinancing need and the leverage for the Group.

Net debt and net debt/EBITDA ratio

SEK M	Apr 30, 2018	Jul 31, 2018	Oct 31, 2018
Long-term interest-bearing liabilities	4,369	4,341	4,422
Short-term interest-bearing liabilities	975	513	536
Cash and cash equivalents and short-term investme	-4,541	-3,547	-3,669
Net debt	803	1,307	1,290
EBITDA (12 months rolling)	2,520	2,489	2,522
Net debt/EBITDA ratio	0.32	0.53	0.51

Shareholder information

Conference call

Elekta will host a telephone conference at 10:00-11:00 CET on November 29, with president and CEO Richard Hausmann, and CFO Gustaf Salford. To take part in the conference call, please dial in about five minutes in advance.

Swedish dial-in number: +46856642692
UK dial-in number: +442030089804
US dial-in number: +18558315944

The webcast will be through the following link:
http://event.on24.com/wcc/r/1864250-1/A24354D1B35F867BA3C529080E0D4B3C

This is information is such that Elekta AB (publ) is obliged to make public pursuant to the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication by the below mentioned contact persons at 07:30 CET on November 29, 2018.

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Financial calendar

Interim report, Q3 May-January 2018/19	February 22, 2019
Year-end report May-April 2018/19	May 29, 2019

About 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 3,700 people around the world. Headquartered in Stockholm, Sweden, Elekta is listed on NASDAQ Stockholm. www.elekta.com.

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