


Elekta – Q3 report and Transformation update
2015/16

Tomas Puusepp
President and CEO

Håkan Bergström
Chief Financial Officer

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Q3 year to date - summary

Emerging markets affected by weak economic development

Order bookings below plan and decreased 6*%
Emerging markets decreased 9*%

Net sales decreased 2*%

EBITA increased by 17% to SEK 855** M

Cash flow from operating activities improved 97% to SEK 311 M

Net working capital reduced to 8% (17) of sales***

Adjusted outlook and update of transformation program

*Based on constant exchange rates
**Before non-recurring items of SEK -139 M (-2) and adjusted for bad debt losses of SEK 107 M (28)
***Rolling 12-months

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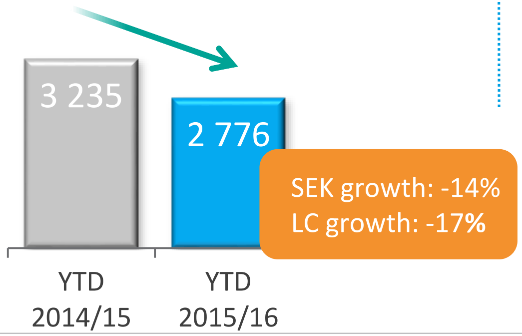
Order bookings – growth momentum in two regions

Europe, Middle East and Africa

Significant decline in Russia, Eastern Europe and in parts of the Middle East

Challenging comparison – EUR 16 M order from Turkey MOH last Q3



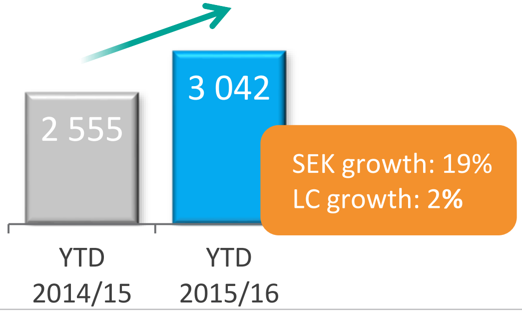
North and South America

USA: modest growth in line with market

Strong performance in Canada

Latin America

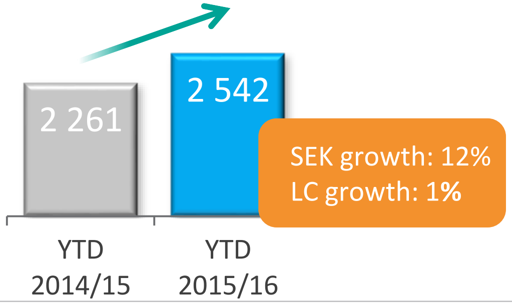
- Good momentum in most countries
- Weak market in Brazil



Asia Pacific

Continued good development in Australia and China

Declining markets in Japan and Southeast Asia



Leksell Gamma Knife® new systems - order bookings -56*% YTD

Leksell Gamma Knife® new systems

- Good pipeline of new systems - but taking longer time
  - Emerging markets: weak economic environment for high end specialized equipment
  - Icon awaiting regulatory approval (China, Japan, Canada)
  - Awaiting NRC approval in US
  - Market introduction to oncology segment taking longer time than expected

Icon upgrades on track

- Excellent feedback from early adopters

*Based on constant exchange rates

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Strong growth in our core linear accelerator business

Elekta Linear Accelerators – order bookings +10*% YTD

- Gaining market share globally
- Continued success of Versa HD™
  - Rapid leaf speeds and high dose delivery
  - Potential to deliver SBRT/SRS in a standard time slot

*Based on constant exchange rates

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Transformation program

- June 2015 Elekta announced a transformation program to create a leaner company with improved financial efficiency, higher margins and strong cash flow
- YTD we have realized cost reductions of SEK 80 M
- During our efforts we have identified further areas for improvement
  - Net working capital to below 5% of net sales by FY 2016/17
  - Cost reductions of SEK 700* M - raised from SEK 450 M with full effect from FY 2017/18
- Additional restructuring cost needed for the transformation is estimated to be approximately SEK 550 M and will be charged as a non-recurring item in future periods

Target to reach an EBITA margin of 20 percent in fiscal year 2017/18 unchanged

**Base year 2014/15, excluding currency effects*




Financial update

Håkan Bergström

CFO

Financial performance – Q3 FY 15/16

Net sales: SEK 7,614 M *(6,984)*, decreased 2%*

- Low volumes of Leksell Gamma Knife
- Temporarily low deliveries in Europe
- Continued good growth in Services

EBITA: SEK 855** M *(733)*

- One-off costs: SEK -139 M (-2) related to transformation and legal costs
- Bad debt of SEK 107 M (28). Primarily Russia and Latin America

Gross margin: 40% *(39)*

- Improved revenue mix with higher share of services

R&D expenditures: SEK 1,053 M *(1,037)*

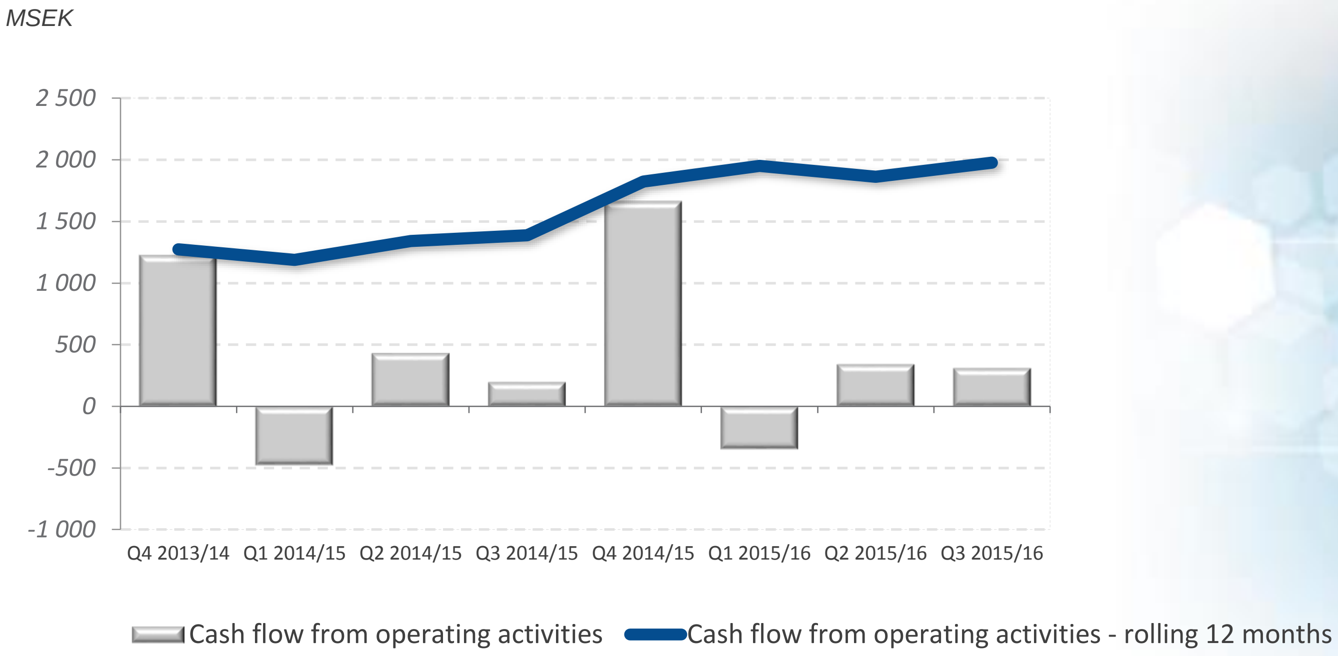
- Representing 14% (15) of net sales
- Amortization of capitalized R&D increased by SEK 79 M

Operating expenses

- Decreased 2***%
- Head count reduction: 155

**Based on constant exchange rates*
***Before non-recurring items of SEK -139 M (-2) and adjusted for bad debt losses of SEK 107 M (28)*
****Based on constant exchange rates and excluding amortizations and bad debt losses*

Improvement in cash flow generation



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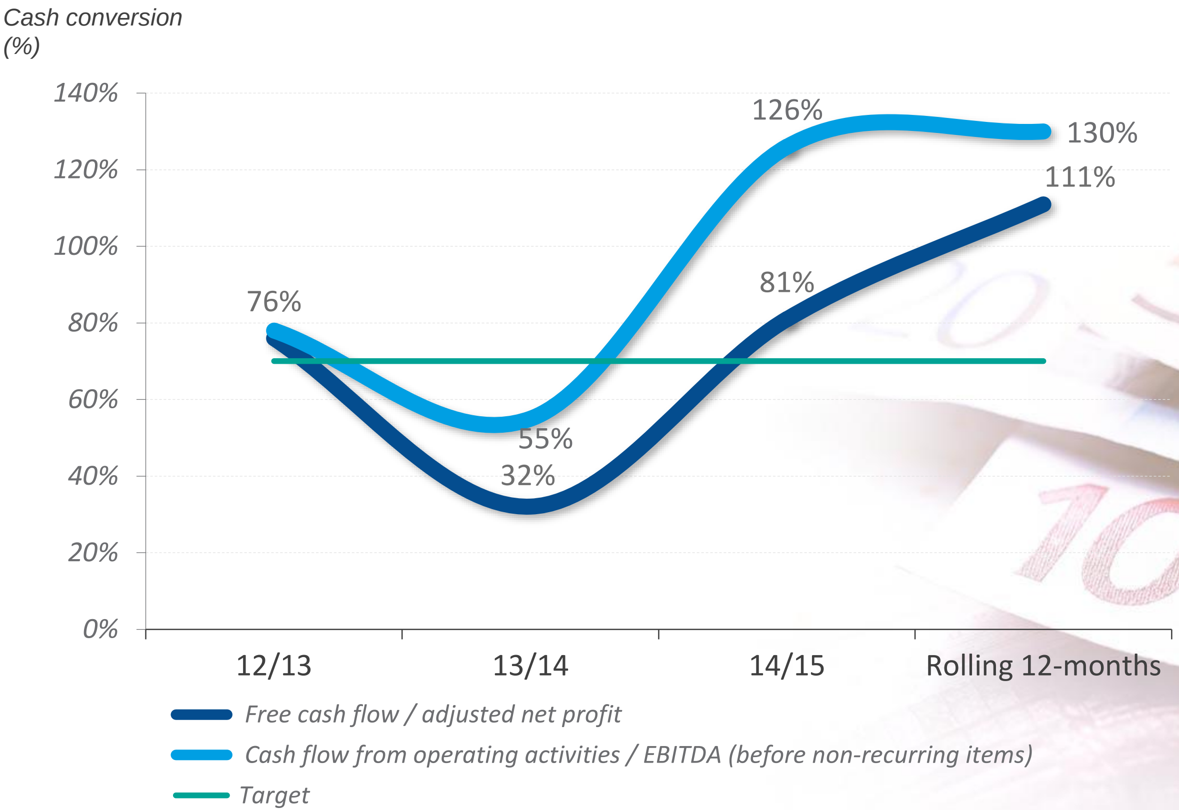
Cash conversion above target of >70%



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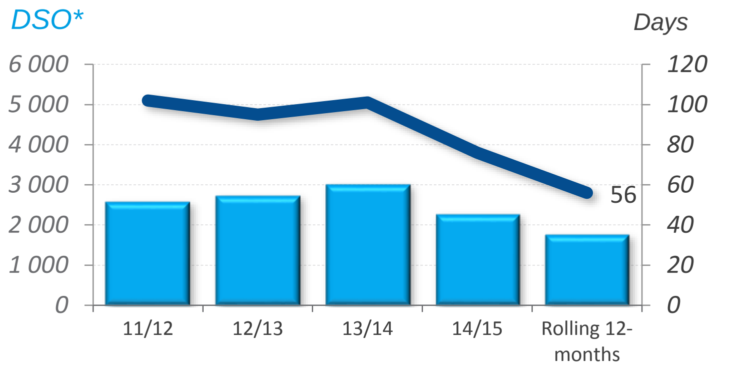
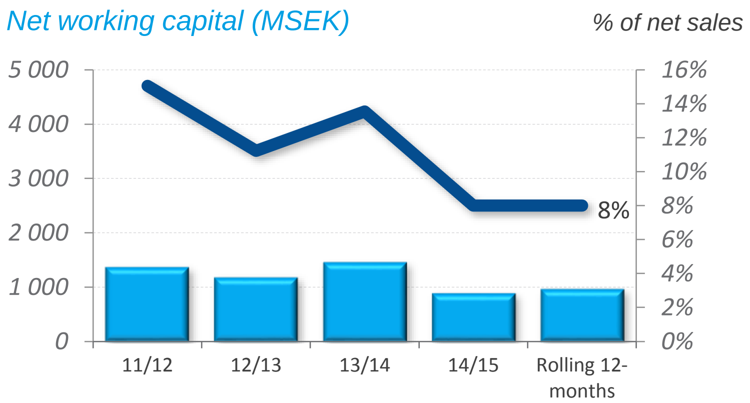
Net working capital to be further improved





DSO* improved to 56 (83) days

- North and South America -42 (-32)
  - Improvement mainly related to a favorable product mix with a relative high level of software sales
- Europe, Middle East & Africa 132 (176)
  - Lowered DSO due to decrease in accounts receivable
- Asia Pacific 97 (87)
  - Increase in accrued income (China)

Net working capital at 8% to sales

- Lower accounts receivable

*DSO calculation based on: Accounts receivables, Accrued income, Advances from customers, Prepaid income

Transformation program: net working capital ratio to sales below 5%

- Net working capital will be reduced to below 5% of net sales by end of next FY (2016/17) with a more efficient produce to order process
  - Historically we have accepted to take orders late in the quarter and ship in the same quarter. To manage these shipments we pre-produce
- This has led to high levels of inventory of finished goods and components
  - We will change this practice and only produce to customer order without allowing for pre-produced equipment
- The change will result in a temporary lower production and shipment volume during H1 2016/17. This is a one-off effect impacting net sales of some SEK 500 M in H1 2016/17. This will result in:
  - Reduced need for components in inventory
  - Minimized risk for having finished goods in inventory
- We estimate that the inventory will be structurally reduced with ca SEK 500 M from current levels

Transformation: savings target increased to SEK 700* M

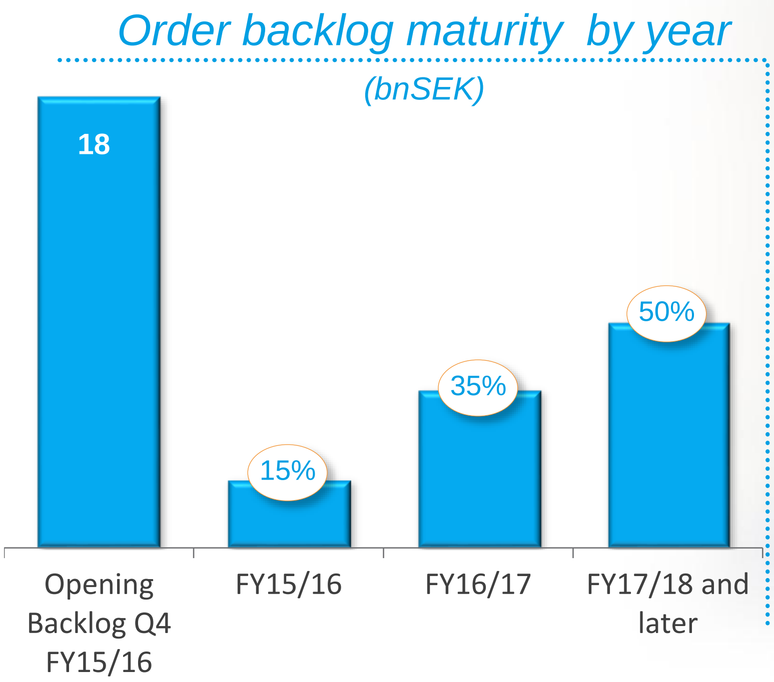
Transformation program expanded, leading to additional savings:

- Increased financial management and control
- Shared Service Centre to reduce G&A cost
- Efficiency improvement in “produce to order process”
- Consolidation of sales offices
- Optimization of marketing spend
- Ongoing program for material cost reduction

*Base year 2014/15, excluding currency effects

Order backlog

Visibility of future revenue



Q3 Order backlog

SEK ~2.7 bn from backlog expected as revenue in Q4

xx% = *Forecasted share of current order backlog to be revenue recognized in year*

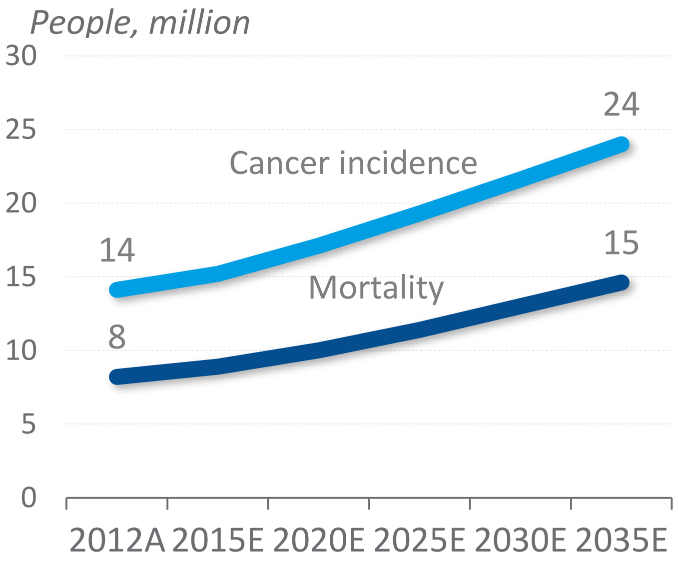


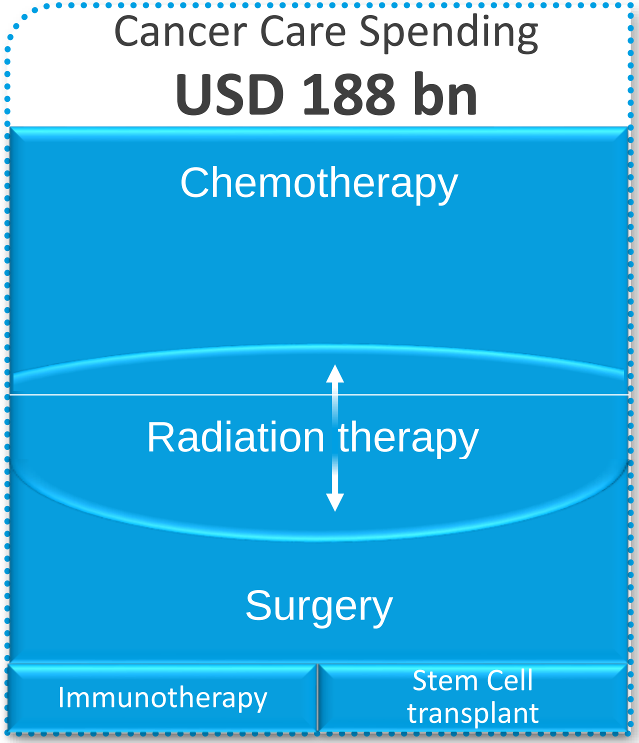

Tomas Puusepp

CEO

Need for cancer care unchanged

Cancer growth





WHO forecast of new cancer, excluding melanoma

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Growth perspective

Mid-term

- Mature markets offer stable low single digit growth
- Continued growth in China
- Service and software growth from the installed base

Long-term

- Cancer incidence growth and retreatments
- Increased utilization of radiotherapy
- Closing the gap in emerging markets
- Improved world economy and political stability

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Atlantic investment on track for launch in 2017

Planning	*Ambition*
Delivery of all consortium systems	During 2016
Regulatory approvals - CE Mark, 510(k)	During 2017
Launch and taking commercial orders	2017
Total orders during ramp up *(until 2019)*	75
Expected market price	USD 8-10 M

700 MUSD order opportunity until 2019

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Updated fiscal year 2015/16 outlook

Updated

2015/16

Slightly negative growth in net sales for fiscal year 2015/16*

Improved EBITA** margin

- Cost reductions
- Product mix improved
- Growth in service

2016/17

Improved EBITA margin

- Growth in service
- Cost reductions
- Positive Y/Y EBITA effect of ca 250 MSEK expected on FX for FY 2016/17

Working capital reduction

** Based on constant exchange rates*
*** Base year 2014/15, adjusted for non-recurring items*

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