Annual Report 2018/19

We are Precision. Radiation. Medicine.

Elekta

CONTENTS

COMPANY PRESENTATION

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 70–71. Elekta undertakes no obligation to publicly update or revise any forwardlooking statements, whether as a result of new information, future events or otherwise, except as required by law or stock exchange regulation.

ELEKTA 2018/19:
GOOD GROWTH AND STRONG ORDER PIPELINE

2018/19 was a successful year for Elekta. Previous year's sales growth was outperformed with contributions from all business lines and regions. The revised EBITA margin target was reached and is expected to improve further.

Elekta Unity's excellence was underlined from our pioneering customers. In addition to Elekta Unity, our newest software solution, MOSAIQ® Plaza and our upgraded treatment planning system Monaco® HD, received a lot of attention.

All business lines contributed to the sales growth, both in solutions and services. The software business developed well, especially in North America. Leksell Gamma Knife® also had a strong development, coming close to the strongest year of its history. Gross order intake increased by 8 percent for the fiscal year.

Moving forward we continue to have a positive view of the market in all regions.

In the fiscal year 17 Elekta Unity orders were booked and 45 systems are now booked in total globally. Further regulatory approvals and clinical studies will facilitate the ramp-up of Elekta Unity's commercialization.

Note that growth numbers until page 13 is generally based on constant exchange rates.

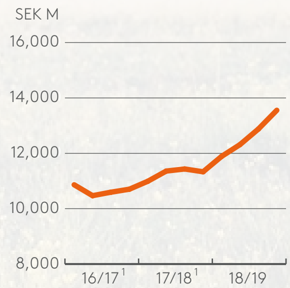
+8%
growth in gross order intake

+10%
growth in net sales

18.3%
EBITA margin

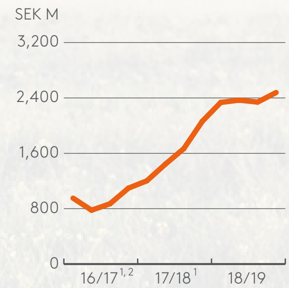
+6%
growth in installed base

NET SALES
rolling 12 months



1) Calculations 16/17 and 17/18 are based on IAS18.

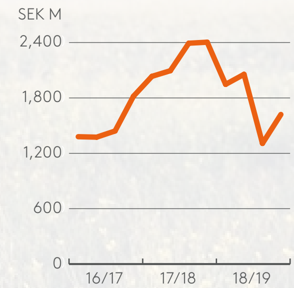
EBITA
rolling 12 months



1) Calculations 16/17 and 17/18 are based on IAS18.

2) Including items affecting comparability

CASH FLOW
from operating activities
rolling 12 months



Who we are

Global leaders in precision radiation medicine

Elekta has a global team of experts devoted to driving change and delivering state-of-the-art treatment solutions to fight cancer and neurological disease.

To us, this means working as one and following through on what we say. We also keep thinking forward, challenging current conventions through our leadership precision radiation medicine.

Customer centricity our core
To fulfill our commitment to both patients and customers, we prioritize local presence around the globe. With around 3,800 employees and an installed base in more than 120 countries, close proximity to our customers is key. At Elekta we strive to develop strong local partnerships whilst ensuring we harness our global strength and capabilities. This is how we generate value for our customers, ultimately helping clinics and hospitals to improve and save the lives of more patients.

120
countries with sales

4,300
installed base of treatment systems

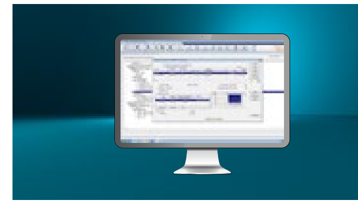
3,800
employees globally

10%
share of net sales invested in R&D

Elekta team at our office in Crawley, United Kingdom.


Linac portfolio


Neuro solution portfolio


Software solutions


Brachytherapy portfolio


MR radiation therapy


Service and support

State-of-the-art treatment solutions

Elekta's understanding of how radiation treatment is practiced in the clinical environment is fundamental to how we develop and deploy our treatment solutions.

Our innovations, developed in close collaboration with leading researchers and clinics, have resulted in precision-driven solutions for various forms of radiation therapy of cancer and treatment of neurological conditions, as well as information systems that augments and personalizes cancer care.

Production precision instrumental to our offering

Delivering precise and durable treatment solutions that can be adapted to our customers' clinical environments requires intelligent and efficient production and assembly processes. Through Elekta's development and assembly sites in the US, China and Europe, each component of our treatment solutions is produced to order. Strong strategic partnerships, streamlined logistics and decades of experience in conducting global operations with customers across the globe also provides Elekta with a competitive advantage in the market.

Read more on pages 12–21.


High-precision installation at customer site of one of Elekta Unity systems.

Cancer remains a global concern

Elekta's strategy combines the perspectives of creating conditions for profitable and sustainable growth with fighting the global burden of cancer.

The cancer burden is rising globally, exerting significant strain on populations and health systems at all income levels. In late 2017, world governments made a commitment to further invest in cancer control as a public health priority, passing the World Health Assembly Resolution. In principle, this strategic framework shall work towards universal health coverage, ensuring access to optimal cancer care for all people because health is a basic human right.

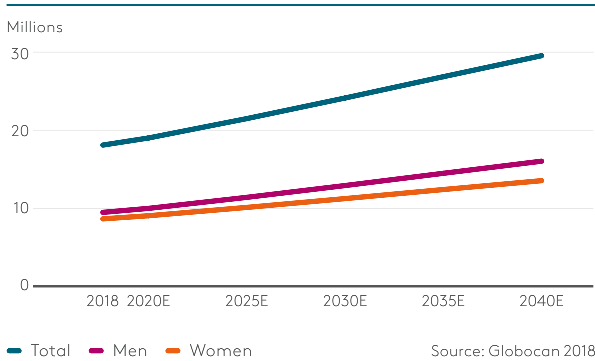
At Elekta, we are using our knowledge and experience from developing precision radiation medicine to drive access to radiation therapy. It is our firm belief that every person and community should get the best possible care. This is why we work together with healthcare providers to develop market leading treatment solutions that meet our customers' specific requirements.

Devoted to fighting cancer

Elekta is a company comprised of a global team of experts devoted to driving change and delivering state-of-the-art treatment solutions to fight cancer and neurological disease. To us, this means working as one and following through on what we say. We also keep thinking forward, challenging current conventions through leadership precision radiation medicine.

To realize our ambitions, we carefully select collaborations with people and organizations who not only complement us strategically, but who share our commitment to the bigger picture.

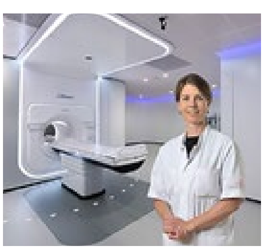
NUMBER OF NEW CANCER CASES



Source: Globocan 2018

In 2018 more than 18 million new cancer cases were diagnosed, a figure that is expected to grow by 63 percent until 2040.

Our promise: Truly patient-centric care



Driving access of radiation therapy globally
With the increased global cancer burden, radiation therapy remains an underutilized treatment method in both mature and developing markets. Elekta is working relentlessly to share our knowledge about the benefits of precision radiation medicine, as research confirms radiation therapy would benefit patient outcomes in well over 50 percent of cancer cases globally.

In addition to anchoring the advantages of radiotherapy in relation to other modalities, Elekta prioritizes making treatment solutions available in more parts of the world. Customized offerings, including a more cost-efficient linear accelerator tailored to infrastructure in developing markets, is one of several concepts that will benefit patients. According to Lancet Oncology, the leading global forum for developments in oncology, increased access to radiation therapy would save millions of lives at the same time as the global cost for cancer would be substantially reduced.

Elekta's mission to Fight Cancer is prioritized in our corporate responsibility

Fight Cancer

Our commitment to fight cancer is of vital importance to Elekta, as it is the core of our business and thereby also one of our sustainability focus areas. It represents one of our most pivotal material corporate responsibility risks and opportunities that Elekta is facing throughout our value chain. Driving global access to cancer treatment remains our top priority, whilst making treatments simpler, automated and affordable.

Read more on pages 33–34.

After nine months of clinical experience and over 200 patients treated, I'm certain that Elekta Unity will fundamentally revolutionize radiation therapy."

Leading the next paradigm shift in precision radiation medicine

With solid financials, a strong order pipeline and a portfolio of state-of-the-art treatment and software solutions, Elekta is better positioned than ever. We are now focusing on growth and continuing to pioneer the development of our industry.

When I started as CEO at Elekta I looked forward to contributing to Elekta's remarkable track record as the leading innovator in the industry. However, there were clearly areas in need of attention. With a significantly strengthened leadership team, new optimized processes and refocused efforts to bring our innovative MR-linac to the market, we have now successfully executed our turnaround. I am convinced that the launch of our Precision Radiation Medicine strategy was another important step on our journey. Anchored in Elekta's history, Precision Radiation Medicine defines the future of our industry:

Precision: A future where our solutions hit the target precisely, sparing healthy tissue and reducing side effects for better patient outcomes.

Radiation: A future where our core competence in radiation can help even more patients in need, wherever they are, with optimized and tailored solutions.

Medicine: A future where our software alone can help to improve survival rates in cancer by being smart and supportive to help clinicians all around the world to provide the highest standard of care.

Truly customer and patient-centric

One of the main reasons Elekta has been the innovation frontrunner for almost five decades is our strategic collaboration with clinical partners and our focus on patients. Based on this, we as a company dare to bet on our innovation capabilities and develop true firsts in the market. Elekta Unity is a great example of this. It's a masterpiece of precision radiation medicine, and the first system in the world that combines a state-of-the-art 1.5 Tesla MRI scanner, providing real-time imaging, and a best-in-class linear accelerator to deliver radiation therapy. Strategic collaboration with the Elekta MR-linac Consortium, comprising experts from leading cancer centers around the world, was integral to this groundbreaking device.

Elekta Unity is now commercially available in over 30 markets and awaiting regulatory clearance in China and many others. After nine months of clinical experience and over 200 patients treated, I'm certain that Elekta Unity will fundamentally revolutionize radiation therapy. With the MOMENTUM program, we are building a robust body of real-world clinical evidence, together with key consortium members. Strong clinical outcomes from a patient perspective and an efficiency perspective for clinics and healthcare systems will support reimbursement discussions going forward. By the end of April, 45 Elekta Unity systems had been ordered globally and with our strong pipeline, I am convinced that we will both reach our mid 2020 target of 75 systems ordered, and see a growing demand going forward supported by strong clinical data.

Software that improves workflow and outcomes

Elekta Unity isn't our only focus area, however. Our digital solutions are also changing how cancer is treated. Big data and artificial intelligence are at the center of healthcare digitization and can help cure patients through better and more individualized treatments. Elekta is driving this change with software solutions that automate processes, increase productivity, reduce costs and facilitate treatments. This is key in a world where radiation therapy is becoming more sophisticated, often part of increasingly complex treatment modalities, demanding a growing need for standardization. Our solutions such as MOSAIQ® Plaza and Smart Clinic, both launched during the year, are designed to meet this need and have already generated positive customer feedback.

+10%

net sales growth

Making quality treatment accessible for all

Although these and similar advanced treatment technologies are available, access is unequally distributed. Emerging markets in particular are significantly underserved today. We strive to enable the potential to quickly implement advanced treatment techniques and adopt the highest standards of care to both mature markets and emerging markets, with their need for trained oncologists. I am excited about a new cost-efficient and workflow-optimized solution that we plan to release in the short term that we expect will address many of the needs we see in developing countries today. Elekta has a history of supporting global access to care and a strong position in emerging markets. I'm convinced that our innovations, combined with determined efforts to enable access to training and education, will help more people around the world to receive high quality cancer treatment.

Securing sustainable value

In a stakeholder dialogue performed during the year, access to healthcare was ranked the highest among Elekta's prioritized sustainability areas, which is not surprising as fighting cancer is our core business. Imbedding a sustainability perspective in all aspects of our operations is crucial for long-term profitability, creating value and being attractive not only to investors, but also for customers and society at large. It is therefore fundamental that we continue to support the principles of the UN Global Compact and, as a leading player, make responsible choices and maintain the highest ethical standards. The corporate responsibility section in this report constitutes our annual Communication on Progress. During the year, we strengthened our corporate responsibility governance by establishing a high-level steering committee, comprised of the Chairman of the Board, five members of our Executive Management team and myself. Ensuring commitment from the top will help us grow and continue to lead the industry.

Solid foundation for further growth

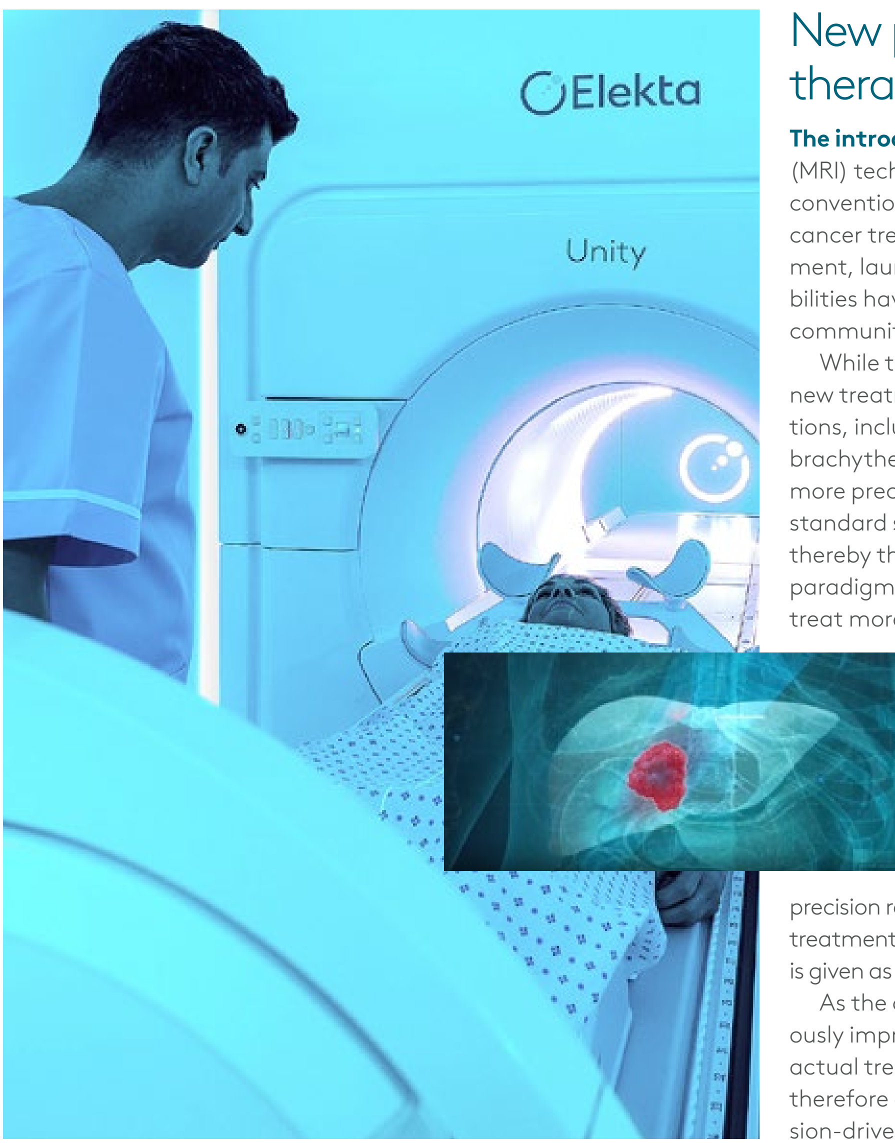
Our leading position is dependent on delivering solid financials in order to continue investing in innovative solutions for our customers. The radiation therapy market is currently estimated to grow by six to eight percent annually. We closed this year with good growth, both in net sales and orders. I'm especially satisfied that we could report this growth at the same time as we changed our revenue recognition policy and optimized our supply chain, avoiding unnecessary warehousing. It's satisfying that all business lines and regions contributed to the growth. Consequently, we outperformed our net sales growth target while delivering on the revised profitability guidance by reporting an EBITA margin of more than 18 percent. Together with a strong balance sheet with negative working capital and a low net debt, we have a very good basis for further growth.

The future of our industry lies in precision radiation medicine and we have a clear strategy to continue as the innovation leader in our field. Employee engagement, customer focus and strategic collaborations will ensure we continue to develop and refine our offering so that more people have access to the treatment solutions they need. I'm grateful for the high level of dedication and all the work our Elekta team shows every day. As I like to say: We are here until cancer isn't.

Richard Hausmann,
President and CEO

Global developments driving the shift towards

Precision Radiation Medicine



New paradigm in radiation therapy treatment

The introduction of magnetic resonance imaging (MRI) technology to radiation therapy challenged convention and has provided new opportunities in cancer treatment. Following Elekta Unity's development, launch and commercial deployment, its capabilities have been acknowledged by the oncology community.

While the integration of new technology creates new treatment possibilities, current treatment solutions, including stereotactic radiosurgery and brachytherapy systems, are continuously becoming more precise. Radiation therapy is driven by the new standard set by integrating MR technology, and thereby the entire therapy sphere is entering a new paradigm. In practice, this means clinicians can now treat more types of metastatic tumors with precision radiation.

In addition to addressing new forms of tumors, the higher level of precision in radiation therapy also means safer and more efficient treatment of patients. With less harm to surrounding healthy tissue, radiation oncologists can re-treat patients with better effect. In entering the era of precision radiation, a further hypofractionation of treatment can be achieved, where precision radiation is given as a single or a few high ablative doses.

As the oncology informatics systems are continuously improving, so does the ability to augment the actual treatment. Several global developments are therefore converging, driving the shift towards precision-driven radiation oncology.

Immensely accurate AI-supported treatment enhances precision

Further sophistication of both hardware and software technology contribute to the continued digitalization in healthcare. As the industry is able to harness ultrafast computing and apply it to real-time treatment plans and dosimetry, it has significant consequences for how radiation treatment can be delivered and augmented.

In practice, this means e.g. algorithms are developed to utilize AI-based automated contouring to enhance precision and efficiency in radiation delivery even further. The enhanced capabilities in automating both treatment planning and delivery contributes to simpler, faster and more standardized yet personalized treatment of patients. We are moving towards individualized radiation treatment based on insights from a global, and partly self-learning ecosystem.

Sensor modules based on artificial intelligence are also enhancing the precision of the treatment systems' performance, understanding and learning from how clinical treatment is conducted, being able to predict maintenance requirements. This means treatment systems are proactively calibrated correctly, increasing uptime, which means clinicians are able to help save even more patients' lives.

In the not so distant future, enhanced genetic profiling means we will already know how to treat the patient, even before they are diagnosed.

Affordable and accessible precision radiation medicine

Recent years' continued development of radiation treatment solutions, with increased reliability, standardization of systems in combination with improved methods for education and training of radiation clinicians, lowers the threshold for investments in growth markets. As the global population and average life expectancy increases, so does the demand for new capacity, both in terms of advanced systems and standardized solutions.

The industry's advancement means it is now possible to drive the buildout of precision radiation treatment capacity in markets where infrastructure is still scarce. Today's turnkey solutions, ease of installation, intelligent automation based on local requirements and affordability is now being achieved at a larger scale. Supported by efficient education and training methods, we are experiencing a shift towards precision radiation medicine being adopted in new markets across the globe.

Delivering the experience of tomorrow, today

Precision-driven treatment solutions lie at the core of what we do at Elekta. To further our competitive edge, we focus on the full treatment spectrum, addressing the challenges critical to saving more lives.

Elekta's strategy provides the framework for our pursuit of profitable and sustainable growth. Guidance and financial targets for the coming fiscal years include net sales development and EBITA margin expansion.

	Scenario FY 19/20	Scenario FY 20/21, 21/22, 22/23
Net sales	8–10%	8–10%
EBITA margin	~19%	>20% with expansion of up to 200 basis points in the end of the period

Strategic priorities

Growth lead by Elekta Unity, the continued drive of Elekta Digital across our portfolio and the advancement of our services – whilst making quality treatment accessible for all. These four strategic priorities dictate how we strive to generate value and help clinicians save more lives.

Grow with Elekta Unity in the lead

Drive Elekta Digital across our portfolio

Make quality treatment accessible for all

Advance and grow Elekta services

At Elekta, we deliver on our promises by focusing efforts where it matters. Driven by true commitment to our customers and patients, we address issues in care critical to realize our strategic priorities.

Involving and partnering with the patient

As the patient becomes increasingly involved in decisions regarding their treatment, Elekta continues its focus on patient engagement. In addition to enhancing the radiation treatment experience, Elekta's engagement tools enhances the flow of communication between patients and care teams, extending our customers' practice beyond the clinic walls. We are working to provide new ways to document and share information, keeping patients involved in their own care and capturing progress reports essential to clinical decision making.

Making advanced treatment agile and simple

Elekta's vision of future cancer care, based on data-driven patient treatment, forms the basis for our focus on innovative and advanced software. We are developing with user- and patient-centricity in focus, prioritizing smart interface design while relying on advanced back-end algorithms and functionality. Our software solutions are not only specifically designed to support clinicians through the entire patient journey, but also tailored to today's digital environment. Through our understanding of the clinical workflows, our systems are robust and mobile, with secure access from portable devices for efficient patient treatment.

Helping clinics provide personalized treatment

Every patient's medical condition is unique and in constant change during treatment process. Advancements in the ability to act on genetic, diagnostic and patient reported information means care can become more personalized. This requires treatment solutions and systems that are better and more precise. In the field of information systems, Elekta integrates data-driven recommendations, in which details about a patient's health and disease are combined with information used to optimize the treatment sessions.

Automate for enhanced treatment efficiency

National healthcare authorities and its clinics need to ensure efficient and qualitative cancer care at a reasonable cost. The automation of more links in the clinical workflow is therefore an issue which can help clinicians save more patients' lives. Our current focus is on enhancing digital systems to automate image guidance processes. Elekta is providing digital solutions that improve clinical workflows, are fully connected to underlying systems, and provide secure and available data in real time.

Ensuring system uptime through proactive support

In addition to providing state-of-the-art precision in our treatment solutions, we must ensure maximum system availability and ease of use. Elekta's efforts in delivering proactive support throughout the entire lifecycle is therefore a strategic priority. With our customers and patients in mind, we continue to invest in our service and support capabilities. Using continuous performance analysis, remote monitoring and updating, and capabilities to fine-tune and optimize the functionality of the treatment systems, we are working to create conditions for the best possible patient care.

Quality treatment for all

Industry advancement and Elekta's presence in developing regions means it is now possible to drive the buildout of precision radiation treatment capacity in markets where infrastructure is still scare. Through precise yet standardized systems supported by efficient education and training, Elekta strives to deliver quality treatment for everyone.

Leveraging innovation to create stakeholder value

Elekta's market leading expertise means we are able to create an offering of precision radiation medicine-based treatment solutions and deploy them in the marketplace. Through our core business we are also able to generate significant customer and patient value, whilst contributing to positive societal impact across the globe.

Decades of experience in challenging convention within the field of radiation therapy, whilst continuing our high pace of innovation, research and development, means Elekta is uniquely positioned in the market. We have reached several important milestones, exemplified by the recently deployed and revolutionary MR-linac system Elekta Unity, which will continue to contribute to Elekta's long-term growth and profitability. At the same time, our offering is continuously expanded and enhanced to not only drive revenue, but to deliver the most efficient treatment solutions in the market.

Our efforts to continuously become even better in the execution of our strategy means we can also aid sustainable development, continue to create employment in new markets and drive further technological breakthroughs.

Based on our continuous and thorough analysis and adaption to Elekta's external environment, we strive to generate multidimensional value through sound business strategy. In addition to our shareholders, customers, patients and employees, it is of vital importance for us to deliver value to suppliers, regulators, NGOs and society as a whole.

Oncology informatics

Innovative software solutions for the entire care and treatment spectrum

MOSAIQ® Plaza

The suite of software combines the features clinics need to ensure the best experience for their patients. MOSAIQ Plaza includes e.g.:

- Mobile oncology workflow management Elekta SmartClinic
- Multi-disciplinary team messaging Care Collaboration
- Speech-enabled dictation and automation Voice Automation
- Oncology business intelligence MOSAIQ® Oncology Analytics
- Virtual patient support Patient Portal
- Comprehensive treatment planning Monaco HD

Treatment solutions

Advanced treatment system with high-precision radiation therapy

MR radiation therapy

Elekta's recently launched innovation Elekta Unity, with the aim to enable significantly improved treatment of the most common types of cancer.

Linac portfolio

Our established and high-performing portfolio of linear accelerators provide the most common form of radiation therapy.

Neuro portfolio

Elekta's radiosurgery system, Leksell Gamma Knife®, enables non-invasive treatment of tumors and other serious neurological conditions.

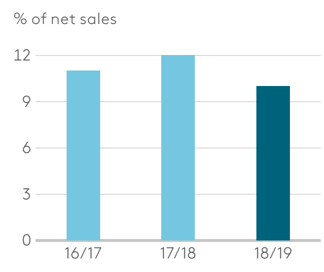
Brachytherapy portfolio

Elekta's system for internal radiation therapy applied adjacent to the tumors, particularly effective in treating, for example, prostate cancer and cervical cancer.

1,386

R&D expenditure, SEK M

INVESTMENTS IN RESEARCH AND DEVELOPMENT



Innovation-driven quest to save more lives

Elekta represents a longstanding and strong tradition of innovation – and will continue to do so in the future. Our innovation efforts are essential for us to both help clinics improve the lives of patients, attract the right capabilities and so we can be more commercially successful.

We are working with several parallel initiatives, with Elekta Unity as the latest proof of our capacity in innovation. For 2018/19 as a whole, Elekta's R&D expenditure totals approximately 1,400 million SEK, equal to ten percent of net sales. It is through innovation that we can drive cancer care forward, create value for our customers, strengthen our market positions and generate value for our shareholders.

Service and support

Extended product life cycle with proactive service and support

Elekta provides various types of life cycle support and life cycle service that offer our customers enhanced performance through better long-term planning of maintenance and modernization, greater product safety and reduced costs for the clinic as a whole. Our offering in service and support is built on proactivity, both in terms of the services we provide and how we organize our support activities.

With Elekta Care™ as the support hub, we provide local contact persons and specialist clinical expertise that is available 24 hours a day to support Elekta's customers throughout the treatment system's entire life cycle. Together with Elekta Care, we offer a broader ecosystem of service and support services:

- Predictive support with Elekta IntelliMax® provides integrated and connected sensors that proactively identify servicing needs in the treatment system
- Training services and guidance supports oncology nurses and the clinic's other key roles in system functionality and practical operation of the treatment system
- Logistics services and spare-part management for quick and flexible handling of any adjustments to the treatment system's components
- Field service with Elekta's certified technicians on site at the customer's facility and in the clinical environment

Guidance and navigation

In the following section of Elekta's annual report you can read more about our comprehensive offering of oncology informatics, treatment solutions, and service and support.

As guidance and a navigational aid, please follow the simplified schematic of our offering, found in the top right corner of each section.

For more information about our products and services, visit elekta.com.

Oncology informatics

Innovative software for the entire treatment spectrum

At Elekta, we develop intelligent oncology informatics systems with a two-pronged purpose; helping clinicians improve patient outcomes while driving healthcare productivity.

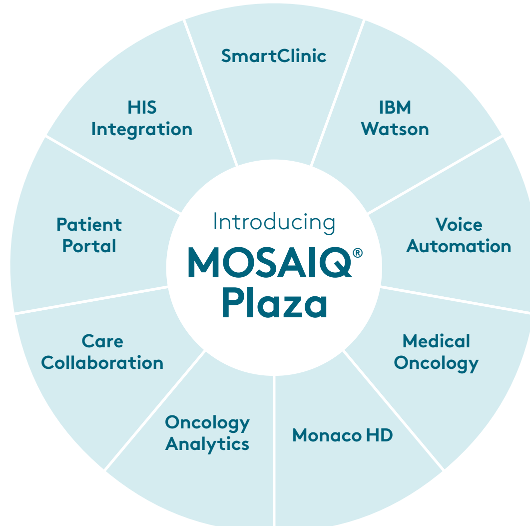
Seamless online treatment adaptation, imaging and guidance while the patient is undergoing treatment and real-time analysis of relevant decision-making data is possible due to the increased sophistication of oncology informatics. Today, interaction and closer integration between intelligent software and treatment hardware is making radiation therapy even more precise.

Oncology informatics continues to play an important role in how we treat cancer and neurological conditions. Software enables, augments and maximizes the potential of the treatment solution. It also helps to address the growing need to personalize cancer care, understanding the patient's specific conditions to adopt a more tailored approach to each treatment.

As one of the market's leading innovators, Elekta designs and develops oncology informatics systems increasing precision at two levels; further enhanced beam precision in treatment, as well as more precise personalized treatment by removing uncertainties.

Real-time data on the go

Competitive radiation oncology clinics are conducting more complex treatments per unit of time than ever before. In order to enhance workflow orientation, Elekta is combining key features of oncology informatics. The recently launched Elekta SmartClinic is an intuitive game-changer, enabling process visualization and automated streamlined care coordination with fewer clicks and mobility, designed with clinical partners and made for MOSAIQ.



MOSAIQ® Plaza[1]

Combines the features clinics need to ensure the best experience for their patients. Includes:

- Multi-disciplinary team messaging through Care collaboration
- Speech-enabled dictation and automation through Voice automation
- Oncology business intelligence enabled by MOSAIQ® oncology analytics
- Virtual patient support with Patient portal
- Comprehensive treatment planning via Monaco HD

1) MOSAIQ Plaza and its associated elements are not available in all markets.

SmartClinic – mobile oncology workflow management

The game-changing new feature of MOSAIQ Plaza, enabling:

Enhanced visibility: see patient details and end-to-end care needs at a glance

Intuitive design: navigate through the system quickly and efficiently with fewer clicks

Increased mobility: access the information you need wherever you are

Fully configurable: customize views and workflows to meet your specific needs

Addressing workflow efficiency

The challenge for national healthcare authorities is to ensure efficient and high-quality cancer care at a reasonable cost. Additionally, as the number of treatable types of cancer continues to increase, the clinical complexity grows as well. Elekta therefore works in close collaboration with customers to develop oncology informatics solutions that help clinics streamline their workflows. Acknowledging the significant gains in treatment efficiency that can be achieved through intelligent informatics systems, Elekta develops software solutions designed to function in all types of clinical environments. Our customer-centric approach to radiation treatment means we can help clinics automate repetitive tasks in the workflow, enabling clinicians to help save more patients' lives and reduce their burnout.

Standardization through smart personalized protocols

Today's sophisticated informatics systems, capable of analyzing vast amounts of data at speed, means we are able to protocolize more radiation treatment. Essentially, protocolization is a form of standardization, a precursor to personalization where a patient's precise condition determines the scope, scale and procedure for treatment. Many protocols are derived from large studies with specific patient populations, where clinical judgement functions as a confirmation in determining if a patient is appropriate for a suggested treatment protocol. Now, algorithms are facilitating self-learning identification of specific indicators which means the correct protocol can be applied, thus reducing variation in clinical oncology care by reducing subjectivity in the decision-making. In our efforts to help clinicians save more patients' lives, Elekta is working to facilitate further evidence-based protocolization.

Towards a single workspace

Elekta's strategy of precision radiation medicine means that we work towards a future where everyone can benefit from precise and individually tailored radiation therapy treatment. Our newest software solution offering, MOSAIQ Plaza, is developed for delivery of complex treatment regimens while ensuring seamless workflow and automation including mobility. MOSAIQ Plaza is a patient-centric, integrative solution that functions as a hub for patient treatment.

The recently launched MOSAIQ Plaza will form the foundation for how clinicians see the full scope of a patient's treatment, in detail. It will promote and ensure faster solutions to market and, increase significantly value proposition for our informationsystem via interoperability and dataflow. As the industry is continuing to shift towards value-based healthcare, Elekta's informatics platform can help clinics improve the whole spectrum of radiotherapy.

In 2019, Elekta SmartClinic was launched, an intuitive game-changer, enabling process visualization and automated streamlined care coordination with fewer clicks and portability, designed by Elekta with clinical partners and made for MOSAIQ. Read more about how our customers are utilizing the full experience of MOSAIQ on page 28.

MR radiation therapy

New standard for personalized radiotherapy

After 10 months of clinical practice, feedback from our Elekta Unity pioneer customers is very promising. By facilitating smooth first-time installations and increasing the base of clinical evidence, the paradigm shift in radiotherapy continues.

Elekta Unity is the only system available that delivers high-dose radiation beams and simultaneously provides real-time, high-resolution anatomical and biological MRI. The real-time visualization during treatment provides the ability to reshape the radiation dose based on the shape, size and position of the tumor, thereby minimizing the impact on surrounding healthy tissue. Elekta Unity precision may also expand opportunities to treat tumors that were previously hard to irradiate due to motion or position close to radiation-sensitive organs such as the kidney, heart or stomach.

Elekta Unity is important for Elekta and we expect the technology to eventually become the standard of care within precision radiation medicine, with an addressable market of 3,000 to 4,000 systems.

Promising feedback from pioneer customers

In 10 months of clinical practice, more than 2,500 fractions have been delivered to treat more than 230 patients across 10 clinical sites, with a total of 13 separate anatomical groups. Excellent technical performance with almost no down-time, symmetry in dose delivery and good, real-time imaging quality are some of the remarks received so far from our pioneer customers. Our continued focus on facilitating smooth installations and providing proper education and training to our pioneering customer needs is vital for continued success.

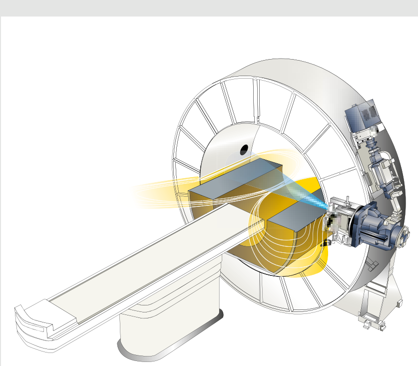
Our market is growing

As Elekta Unity is the only high-field system on the market that enables clinicians to see what they treat while the treatment is taking place, interest has been substantial. To date orders for 45 Elekta Unity systems have been placed. Our target is to have 75 orders placed before the end of the first half of calendar year 2020. Getting the technology cleared for commercial sales and clinical use in more countries is at top of our agenda, as we strive to make Elekta Unity available to as many patients as possible. In June 2018, Elekta Unity was CE-marked for clinical use in Europe, followed by a 510(k) premarket notification from the FDA in December, clearing the technology for commercial sales and clinical use in the United States. During 2019 to date, Elekta Unity also received clearance from Canada and Japan. Hence, regulatory is to date cleared in more than 35 countries.

Designed for comfort

In October 2018, Elekta won the prestigious Human Factors and Ergonomics Society Stanley H. Caplan User-Centered Product Design Award 2018 for Elekta Unity. The reward is a recognition of our efforts spent to consider the needs of the patients and healthcare professionals. Already at start we had a clear vision, which guided our design of the Elekta Unity to make the treatment – for patients of all shapes and sizes – as comfortable as possible. This vision was based on a global research exercise that involved observing 360 clinical treatment sessions, along with more than 50 in-depth interviews.

This is just one of the many prizes that Elekta Unity has been awarded.



How it works

The MR-linac system is installed in a radiation-proof bunker environment and is carefully calibrated by radiation physicists from Elekta and the clinic. High-resolution MR images are generated before, during and after and are used as decision-making data to optimize the therapy. A precise and exact treatment combination with radiotherapy and MR offers the potential to deliver a high dose of radiation to the tumor while sparing, to a very large degree, the surrounding healthy tissue due to visualization of the tissue being treated.

Key features:

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

Read more at unity.elekta.com

Elekta Unity

"The prospect of more accurately delivering radiation therapy with fewer side effects gives Elekta Unity the potential to fundamentally change cancer radiation therapy."

Christopher Schultz, MD, FACR, FASTRO, Professor and Chairman at the Froedtert & MCW Clinical Cancer Center.

In January 2019, radiation oncologists at the Froedtert & the Medical College of Wisconsin, treated their first patient, a 47-year old woman from Fond du Lac, with Elekta Unity. The patient's cancerous liver tumor, which could not be seen with standard CT-guided treatment, was clearly visible on Elekta Unity MRI images, which allowed the position and shape of the tumor to be verified as treatment was precisely delivered.

Clinical evidence to improve patient outcomes

Elekta Unity has the potential to transform how clinicians treat cancer. However, as a transformative approach, clinical implementation also needs clinical evidence in addition to novel hardware and software systems. By increasing the base of clinical evidence, treatments are enabled to be optimized for specific tumor types and to address the unique anatomy and tumor biology of each patient. At the ESTRO Annual Conference in April 2019, Elekta Unity was featured in record-breaking 60 abstracts, whereof founding members of the Elekta MR-linac Consortium presented 50 abstracts and new collaborators from an ever-growing number of world-class cancer centers presented 10 abstracts. The abstracts is a clear indication of our customers' intense work, which will enable us to continue transforming patient care in more markets.

Study to learn from every patient treated

In the beginning of 2019, the international MR-linac Consortium also announced the launch of the MOMENTUM study, designed to generate data that enable safe, fast and, above all, 'evidence-based' introduction of magnetic resonance radiation therapy (MR/RT) into clinical practice. The study is focusing on building a robust body of real-world clinical evidence and insights made possible by the technology, with the aim to convert the data into guidance on how to improve outcomes for cancer patients. To date, approximately 100 patient treatments have been enlisted in the MOMENTUM clinical trial.

Linac portfolio

Versatile, all-in-one radiation therapy

Elekta's portfolio of linear accelerators is continuously developed to further enhance treatment precision and efficiency. The versatility and accuracy of the system means shorter treatment times and the potential to treat a broad spectrum of tumor types.

Through our leading position in precision radiation treatment, Elekta has contributed to anchor the benefits of linear accelerator technology. With an installed base, amounting to more than 4,300 systems globally, linear accelerators are utilized in both established and developing markets. Elekta's versatile linac system can treat a wide range of tumor types, including brain and spine, head and neck, breast, lungs and prostate cancers.

Quality in high demand

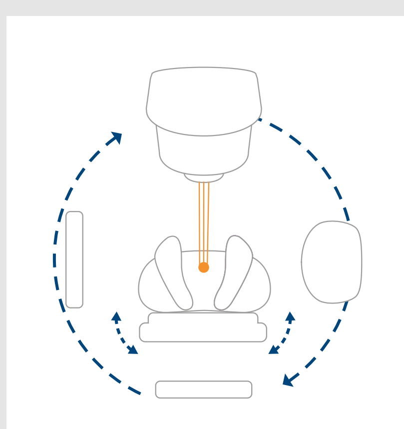
Customer demand continues to develop and evolve, with qualitative image-guided radiation treatment in high demand in all markets. As the capabilities of the linac systems are continuing to improve, customers are realizing the potential of modern treatment systems working together with advanced software. Enhanced diagnostics are also contributing to a better understanding of the state of the patient at the point of treatment, which is an important facilitator in treatment planning. It helps our customers deliver more precise patient treatment, through the utilization of our linac's online adaptive treatment solutions.

The continuously improved precision of our most advanced linac systems are also driving a demand for hypofractionation capabilities. Elekta's Versa HD™ combined with the Monaco treatment planning solution is one of the strongest systems available. By leveraging up to six times more modulation capability, dose resolution is further optimized to allow safe escalation of doses and complex stereotactic treatment to be delivered in standard treatment slots of 15 minutes or less. As patients are living longer and the number of patients being re-treated are increasing, hypofractionation helps clinicians deliver high quality treatment at pace, with minimal side effects to the patient.

Helping clinics be more efficient

Elekta focuses on delivering customer value through both high-precision treatment systems and intelligent solutions to make clinical workflows more efficient. Our continuous developments of our linac portfolio includes software updates to leverage the radiation treatment capabilities. We are also working together with customers to improve the treatment experience from a clinical perspective, making complex treatment simple by automating steps in the clinical workflow.

To further improve the efficiency for our customers, Elekta offers a market-leading oncology informatics system that seamlessly integrates with the various units and treatment systems used in clinics. The comprehensive solutions also include Elekta Care with Elekta IntelliMax®, which is used to remotely analyze the system's status and ensure maximum clinical availability through proactive service and predictive maintenance.



How it works

The linear accelerator produces a beam of radiation that is actively shaped and aimed at the patient's tumor with high precision and in accordance with a calculated, individually adapted treatment plan. Using alternating current voltage, the electrons accelerate to high speeds and are aimed at the target to deliver a significant dose of radiation to the tumor, with minimal impact to the surrounding healthy tissue. The linear accelerator also includes an integrated imaging system for visualization and positioning of the tumor target.

Neuro portfolio

Personalized micro precision

As the undisputed pioneer in the field of stereotactic radiosurgery, Elekta has a unique position to manage. By focusing on integrated immobilization, workflow and imaging, we continue to facilitate flexible and personalized treatment plans.

Elekta's stereotactic radiosurgery systems offer safe, efficient and cost-effective treatment of serious neurological conditions. This advanced form of treatment is minimally invasive, thus typically requires no convalescence or rehab for the patient, who can usually be treated and go home the same day. Today, 100,000 patients receives treatment with one of Elekta's systems every year.

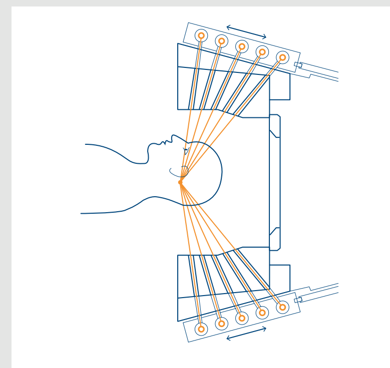
Precision radiation medicine by definition

The Leksell Gamma Knife® system has been constantly refined during the last 50 years and the sixth generation, the Icon™, is the most precise stereotactic system for brain available. The exceptional precision, targeting radiation within 0.15 mm, makes it particularly suitable for neurological conditions, where surgery and chemotherapy are more difficult to perform. Technology features such as integrated imaging, automatic dose evaluation and a frameless alternative, enables more personalized treatment plans. Icon also gives clinicians the option of delivering fractionated radiosurgery, allowing tailored treatments for each patient with less side effects, often on an outpatient basis.

Uncompromised precision in neuroimaging and treatment

Elekta's next-generation system for target localization and coordinate referencing for precision neurosurgery, Leksell® Vantage™, is in clinical use in several key markets. The system's innovative metal-free head frame and MR/CT accessories enables frame-based imaging without artifacts or distortion as well as stereotactic coordinate referencing at decimal digits.

Increased clinical flexibility and personalized delivery to each patient – without sacrificing precision and accuracy, are at top of our agenda when we continue our innovation journey. We are dedicated to develop the best tools for treating serious neurological conditions, and by expanding clinical capabilities and operational efficiency – always with the patient in mind – we allow more clinics to build and offer an intracranical radiosurgery program.



How it works

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 toward an area of the brain. Advanced imaging and a system for motion control enables real-time adaptive treatment. The accuracy offered by frame-based or frameless immobilization ensures that the correct dose of radiation hits the right target volume to be treated each time again.

Brachytherapy portfolio

Precision radiation inside the tumor

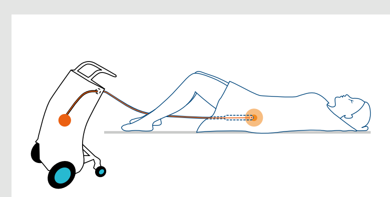
With 60 per cent of the global market for high-dose brachytherapy, Elekta continues to develop cutting edge solutions within the field of internal radiation, as an indispensable part of radiation therapy.

Brachytherapy is a highly targeted form of radiotherapy where a small radiation source is temporarily placed at different positions for different times, inside or adjacent to the area that requires treatment. It is commonly used to treat cancers of the cervix, prostate, breast and skin but can be used to treat tumors in several other areas of the body as well. Due to the small size and versatility of the system, high-dose brachytherapy provides a cost efficient and accessible treatment for oncology clinics around the world.

Education advance successful use
Brachytherapy is suited as a single modality or in combination with other treatments such as external beam radiation therapy or surgery. Due to high level of precision and short treatment times, the side effects for the patients and risk of damage to surrounding, healthy tissue are minimized.

In addition to developing technology and software so that the procedure continuously gets faster, simpler and safer, proper education and training is crucial to empower clinicians. Elekta is the initiator of the world's largest brachytherapy educational resource platform, Brachy Academy, with the aim to advance successful use.

World-leading innovator
Today two out of three patients receiving brachy are treated with Elekta brachytherapy solutions. Altogether, Elekta's brachytherapy system represents the market's most comprehensive offering in the field. The product portfolio includes Esteya® for skin cancer, Flexitron® treatment system, Oncentra® treatment planning software, and the broadest range of applicators for precise and simple treatment in the industry.



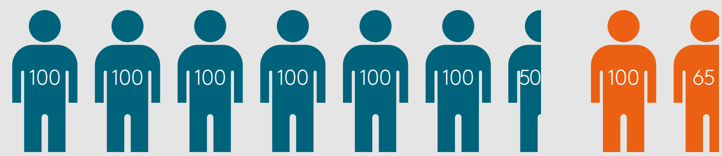
How it works

A radioactive isotope, in the form of a very small seed (usually iridium-192), is carefully and temporarily placed inside or directly adjacent to the cancer tumor using the treatment system's after-loader. The radiation dose is high close to the source, but this rapidly decreases, and with its short range the radiated area can be precisely limited. This makes it possible to deliver an effective dose of radiation that destroys cancer cells in just a few treatments. Specifically developed software is used to plan the treatment and the radiation of the tumor.

Service and support

Digitalization transforming customer care

By providing high quality service and support solutions, we enable our customers to maximize the value of their radiotherapy system investments and create conditions for them to give patients the best possible care.



More than **650** field service engineers and **165** support specialists based in regional Elekta Care™ Support Centers providing remote assistance

= 100 people

As a leading provider of advanced medical equipment, we know that delivering high quality aftermarket services is essential, especially in times of increased efficiency requirements and capacity increases. Elekta's service and support division is core to our business as it follows our customer throughout the lifecycle and currently comprises about 38 (39) percent of total revenue. Strengthening our service and support throughout the entire lifecycle of products is a prerequisite for increased customer satisfaction, loyalty and trust. Additionally, by providing innovative learning programs and customized consulting services, we also give our customers the skills and knowledge they need to provide the best possible patient care.

Comparable metrics improve our quality

Customers all around the world should get the same service, regardless of market. During the year we have coordinated and aligned Elekta's main service processes globally. We have also established standardized and comparable metrics in order to streamline our own service quality evaluations. By measuring for example Mean-Time to Resolution we can find best practices and share knowledge and expertise across our organization, for example within the spare-part management field.

Committed to providing the best customer care

Elekta Care™ is our services program designed to support customers throughout the entire lifecycle. Backed by a global support network, with unique expertise and vast experience, we continuously develop and improve our comprehensive program — including proactive service and support, education and training and consultative services. One example during the year, was the launch of a new and improved customer portal, Elekta Care Community™, an online gateway to personalized content. The rationale behind the transformation was customer feedback obtained from, among other things, customer focus groups. A major improvement with the new portal is the ability for users to educate themselves, by sharing knowledge among their peers and gaining access to the global network of Elekta experts.

Digitalization as a transformer

Big data, AI and digital tools offer new service models and solutions that can improve service and support. Over 80 percent of our global-installed base of linear accelerators is for example connected to Elekta IntelliMax® – our remote system support. IntelliMax provides securely controlled remote connection that monitors our customers systems and predicts, detects, and corrects issues before they arise. Advantages include maximized clinical availability, minimized costs, and – most importantly – reduced risk of disruption for the patient. During the fall 2018, Elekta IntelliMax was also extended to our MOSAIQ® oncology information system, enabling support and problem resolution to be done on a proactive rather than reactive basis, often before the customer even knows the issue exists.

Personalized learning journeys

Recognizing that learning needs are unique for every clinic, our Elekta Care Learning programs are designed for personalized flexibility. We offer training webinars, professional networks as well as learning centers, enabling customers to craft a blended learning, based on their specific needs. During 2018, we launched "learning journeys", role- and solution oriented rather than product oriented programs. The learning journeys are built in certifiable blocks with a focus on both devices and software, giving personnel in the clinical environment a more relevant and targeted knowledge.

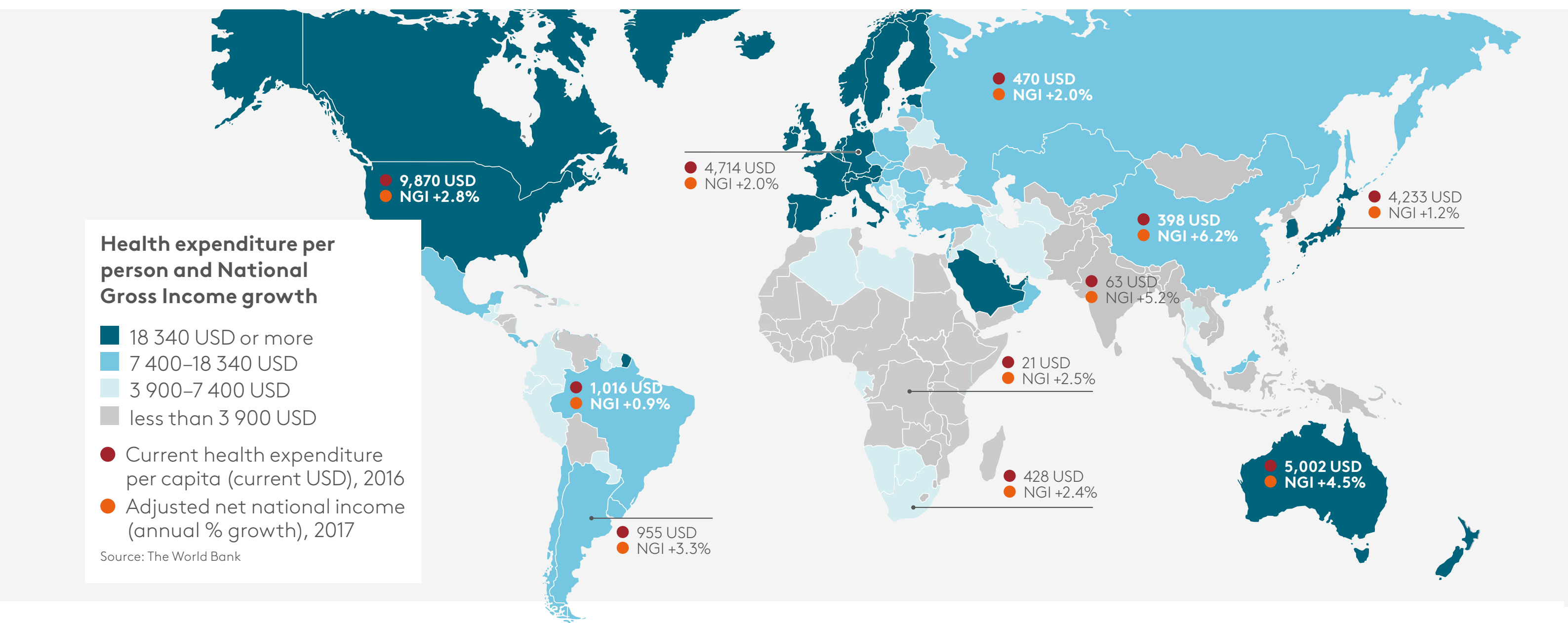
Opportunities in a steadily growing market

Lack of radiation treatment capacity continues to drive demand for efficient treatment solutions. Underlying economic fundamentals and an increasing average life expectancy also contribute to long-term market growth. However, significant regional differences and scarcity of infrastructure in developing market means the market is fragmented.

With sales in more than 120 markets across the globe, Elekta strives to develop treatment solutions for customers in all markets. Our three main regions are different in character and conditions vary significantly in their underlying markets.

Large parts of the world still lack infrastructure and access to treatment. In low-income countries, it is not unusual for less than 10 percent of the population to have access to radiation therapy, while research confirms radiotherapy can treat more than 50 percent of cancer cases.

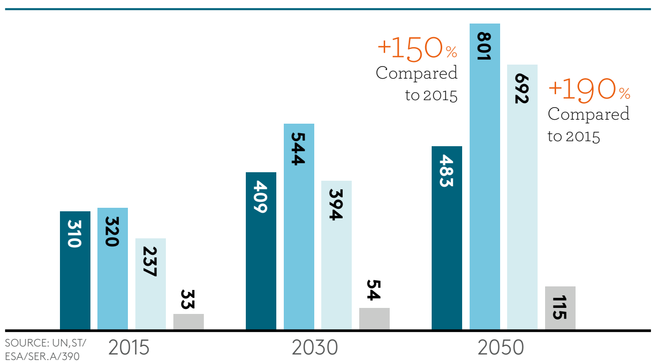
Issues of reimbursement structures, with healthcare authorities dictating how radiation treatment shall be financed, still affects investment sentiment. Even though total health expenditure per person and national gross income continues to rise over time, regulation and the further adoption of radiation treatment for more types of cancer remain important in expanding the global market.



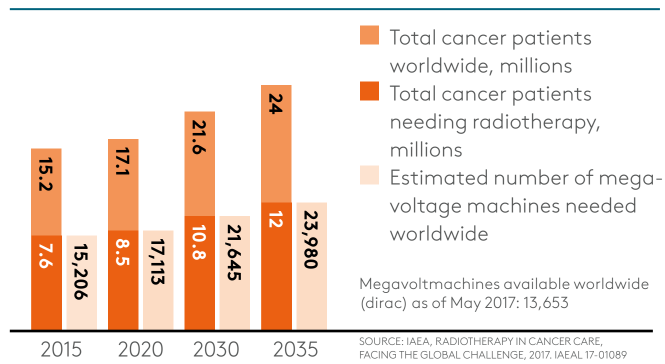
Average life expectancy continues to increase

As a majority of the world's population today live in countries where income levels are below average, rapidly increasing life expectancy in these regions affect access to radiation therapy. Even though the global installed base of treatment systems steadily increases, most are found in high-income countries. There is thus a significant need to increase the installed base, particularly in developing regions of the world.

AGE 60+, EXPECTED NUMBER, 100 MILLIONS



ESTIMATED NUMBER OF MEGAVOLTAGE MACHINES NEEDED



NORTH AND SOUTH AMERICA

Continued expansion in the world's largest market

The finalization of organizational changes and improved process management has continued to improve performance in the region. Now, Elekta is further expanding its addressable market, tailoring our offer to new customers across North and South America.

Market

As the world's single largest market for radiation therapy, the North American market is of strategic importance to Elekta. It is characterized by a high penetration of treatment solutions, services and after-market business. Opportunities are still prevalent, and the market is expected to continue to grow due to increasing patient volumes.

Ongoing consolidation of private healthcare providers and hospitals means the competitive landscape continues to be tough, with certain customers adopting longer buying cycles for new treatment solutions. Regulatory reimbursement structures are still under review, albeit with limited effect on customer behavior.

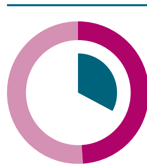
The South American market still lacks significant radiation therapy capacity, contributing to a positive long-term market outlook. Increased activity amongst private sector customers in key markets continue to drive demand in the region.

ELEKTA´S MARKET POSITION

24%

market share of linear accelerator orders

NET SALES



Performance and activities

Elekta's North and South American division continued to deliver a strong performance for the year as a whole, particularly in North America. In December of 2018, we received 510(k) clearance for the Elekta Unity treatment system in the US. Since then, the system has been approved for commercial sale in Canada.

During the fiscal year of 2018/19, Elekta is expanding its addressable market, securing accounts in both the urological and veterinarian fields. In addition to maintaining a majority of our installed base, strategically important wins include Cooper, Providence, US Oncology, University of Texas South West (UTSW), Allegany Hospital Group, Memorial Sloan Kettering, American British Cowdray Hospital (ABC), Mexico City and Alberta Cancer Center in Canada. Order intake in the region increased by 7 percent for the year, corresponding to –1 percent based on constant exchange rates. North America had good growth, especially in the second half of the year, whereas the market conditions in South America were challenging.

CHARACTERISTICS

NORTH AMERICA

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

SOUTH AMERICA

- Growing need for efficient and high-quality cancer care
- Rapidly aging population
- A combination of private and public care providers

EUROPE, MIDDLE EAST AND AFRICA

Confirming our leading position

With the MR-linac system Elekta Unity approved for commercial sale in Europe, our position of strength improves further. During 2018/19, Elekta secured several deals of strategic importance.

Market

In developing countries, access to radiation therapy and other forms of advanced cancer treatment is fragmented and scarce. The Western European market is experiencing growth, both due to an aging installed base in need of replacement, and investment in new capacity. Here, demand is driven by the increasing number of cancer cases in combination with earlier diagnosis capabilities. For Europe, the central region and its underlying markets the Czech Republic, Croatia, Poland and Hungary, is growing rapidly through both public and private sector investments.

The Eastern European markets are smaller yet showing positive signs of activity. The resources for cancer treatment are less advanced and many countries rely on national programs to expand and modernize care. This means demand can fluctuate over time. In Africa, only a small percentage of the population have access to radiation therapy, implying significant long-term opportunities for growth.

ELEKTA´S MARKET POSITION

44%

market share of linear accelerator orders

NET SALES

Performance and activities

Our performance for 2018/19 was strong, both in terms of new orders and revenue growth. Driven by the need to replace and aging installed base, we secured double-digit order growth in several mature European markets, including Germany, France, Netherlands, Spain and Italy.

The recently CE-market MR-linac system, Elekta Unity, has created a lot of interest from potential customers. During the year, Elekta received the 6th Elekta Unity order in the Netherlands. We are now planning installation to our first private customer in the market.

Elekta's software solutions continue to perform well, both in Europe and in the Middle East and Africa. For the region as a whole, oncology informatics growth and revenue increased by more than 100 percent compared to the previous year.

Focused efforts from the region's service and support division also contributed to our strong result, delivering double-digit order growth and significantly improved revenue from after-market sales.

Consolidating 2018/19 results for EMEA as a whole, order intake increased by 25 percent, corresponding to 18 percent based on constant exchange rates. Carrying the sales momentum forward, we have created a solid funnel for new business opportunities going into 2019/20.

CHARACTERISTICS

WESTERN EUROPE

- Interest and demand for new technology, particularly in improving clinical efficiency
- Predominately public markets, with a steadily growing private sector
- Need for replacement investments and modernization of installed base
- Increasing demand for service and support

EASTERN EUROPE

- Less developed resources for cancer care, even if many countries have national programs for expansion and modernization of radiation therapy
- Russia: Widespread need for increased capacity, dependent on domestic economic conditions and political priorities

MIDDLE EAST AND AFRICA

- Turkey: Growing emerging market, mainly driven by private investments in capacity and capability
- Middle East: Need for increased capacity. Both private and state financed hospitals drive demand
- Africa: Small proportion of the population have access to radiation therapy and advanced cancer care. Substantial long-term potential

ASIA PACIFIC

Strong presence in an fast growing region

Significant opportunities still exists in the fast-growing Asia Pacific region. Through strong local presence and a continued focus on comprehensive treatment solutions, Elekta is leveraging our strong market position.

Market

The Chinese market continues to be characterized by growth and strong underlying economic fundamentals. Accounting for 45 percent of the region's total market, China determines the pace of development for the region as a whole. With recently revised targets set by the government for radiation treatment capacity, incentives for increased investments are expected to stimulate the market further.

The long-term need for bolstered cancer care will remain high in the region due to increasing average life expectancy and greater economic prosperity. For Asia Pacific markets outside China, capacity for new radiation treatment is steadily expanded. For mature markets in the region, an increasing percentage of older installed systems are reaching the end of the lifecycles, driving demand for service and support as well as future replacement investments.

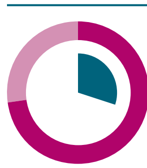
For 2018/19, high-growth markets include China, India, South Korea and Vietnam. The Japanese market, which has developed sluggishly in recent years, is starting to become more active.

ELEKTA'S MARKET POSITION

42%

market share of linear accelerator orders

NET SALES



Performance and activities

We are continuing to be active in the Chinese market, which is one of Elekta's most important markets globally. During the fiscal year of 2018/19, order intake in China increased by 17 percent, corresponding to an increase of 8 percent based on constant exchange rates. Our performance in other markets in the region varied, with strong results in Thailand, Indonesia and Australia, while the investment activity in the Japanese market only increased some.

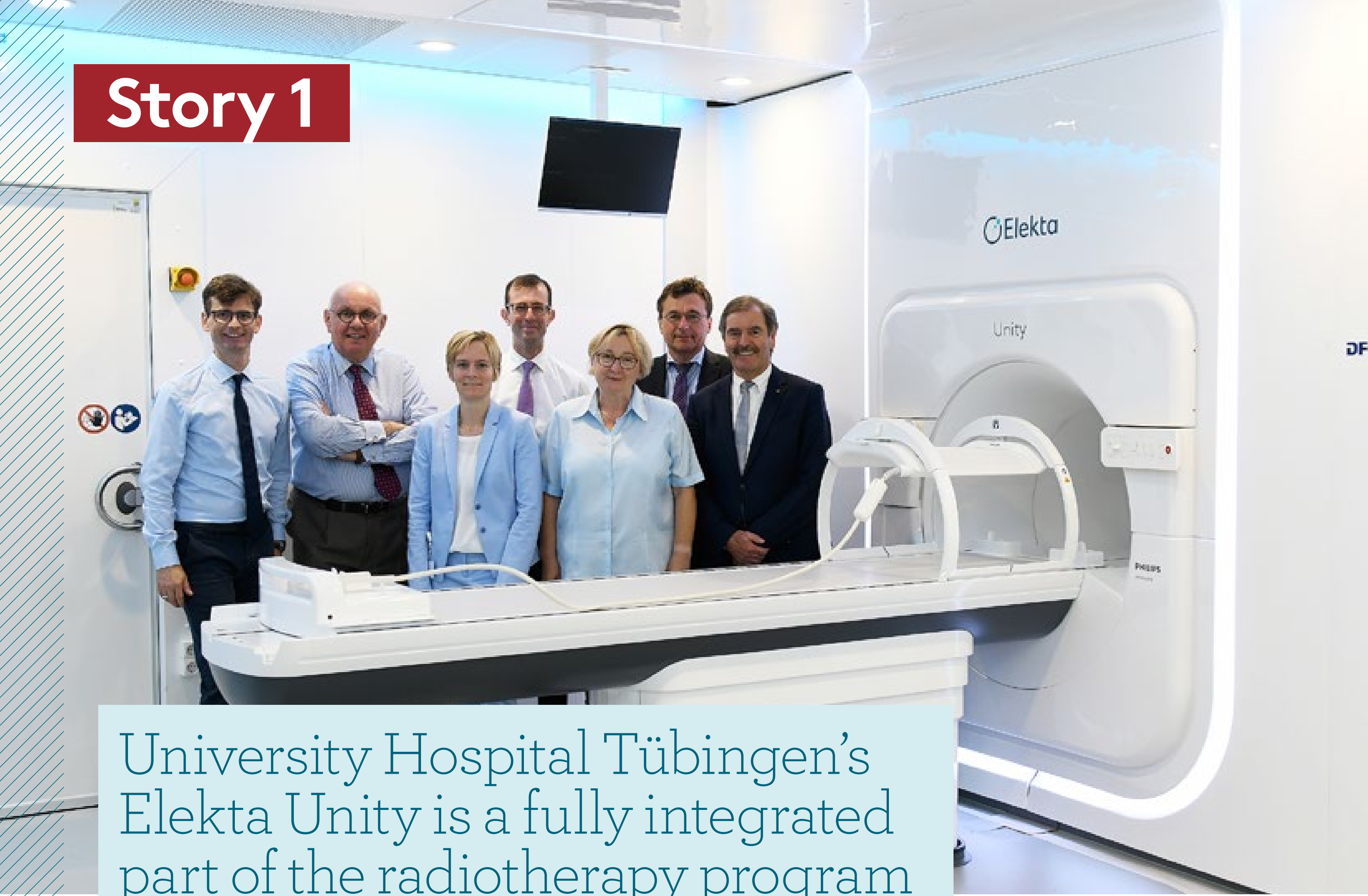
In the Asia Pacific region, our employees are continuing to develop strategic relationships in important markets. The relationship-driven nature of business in the region means we are working to accommodate the continued demand for comprehensive solutions, whilst catering to specific requirements for individual markets and customers.

CHARACTERISTICS

ASIA PACIFIC

- Includes 60 percent of the global population, but less than 30 percent of the world's linear accelerators. Rapidly increasing life expectancy, improving economic prosperity and more effective diagnostics are driving long term development of demand for specialized healthcare
- China: Elekta's second largest market after the US. Elekta is the clear market leader. Growth in both public and private sectors. Focus is primarily on expansion of capacity. However, replacement investments are becoming more prevalent
- Japan: Mature and developed market, in areas oversaturated and focused on replacement investments. Slow market development during a number of years, but good long-term 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 healthcare systems with high capacity for cancer care. Quick to adopt new technology
- India: Radiation therapy and other types of specialized healthcare mainly offered in the private sector. Growing market still lacking significant capacity. Public sector investments expected to increase in the long term

Story 1



University Hospital Tübingen's Elekta Unity is a fully integrated part of the radiotherapy program

> "We're now taking advantage of the exceptional image quality of Elekta Unity to enhance and expand online adaptive protocols."
>
> Professor Dr Daniel Zips at the University Hospital Tübingen.

Germany's University Hospital Tübingen began treating patients with the Elekta Unity magnetic resonance radiation therapy (MR/RT) system in September 2018, and, since January 2019, has employed the system to treat eight to 10 patients per day. Elekta Unity, the world's first high field MR-linac, enables physicians to deliver radiation to a tumor while simultaneously visualizing the lesion with high quality MR images. This combination permits clinicians to see both tumors and surrounding healthy tissue at any time during radiation delivery and adapt the treatment accordingly.

The impetus to acquire Elekta Unity was based initially on the Department of Radiation Oncology's research goals, which focus on biological response-based individualization of treatments using imaging biomarkers, according to Professor Dr. Daniel Zips, Medical Director at the hospital's Comprehensive Cancer Center (CCC) Tübingen-Stuttgart. University Hospital Tübingen is the first center in Germany to install Elekta Unity.

"Our grant application proposal was to investigate the integration of functional MR in adaptive, individualized radiotherapy," he says. "Elekta Unity is the technology that will allow us to further our research in this area, because it is the only system capable of providing online, real-time, diagnostic quality MR imaging within the treatment workflow to allow daily biological response-based radiotherapy."

By early May 2019, the medical center had used Elekta Unity for a diverse array of clinical indications, including oligometastatic tumors below the diaphragm (e.g., liver, pancreas, lymph nodes, bone with soft tissue component), in addition to prostate, rectal, partial breast and head-and-neck cancers. More than 40 patients have been treated.

"For these cases, Elekta Unity has provided better visibility of the target and clinical structures in situations where high soft tissue contrast is needed," Professor Zips observes. "Equally important is that the system provides a real-time, integrated imaging workflow for adapting radiotherapy. Before installing Elekta Unity, we already had adaptive protocols in place for certain anatomies, such as prostate and head-and-neck, using offline MRI. We're now taking advantage of the exceptional image quality of Elekta Unity to enhance and expand online adaptive protocols."

Story 2

Elekta – leading the market in China

China has always been very important to Elekta ever since we first entered the market 37 years ago. The past year has seen us secure our market leadership while strengthening partnerships within the country. This is particularly significant given that the Chinese government indicated it will finance what some analysts consider its largest radiation therapy investment in history: over 1,000 new radiotherapy systems.

Elekta's leading position was confirmed by being the only radiation therapy company to present at the first China International Import Expo (CIIE) 2018, in November. Anming Gong, Executive Vice President Region China, said that Elekta's ambition at the event was to generate greater awareness of radiation therapy from the government, experts and hospitals in cancer treatment and support the industry grow. Elekta used the event to launch Elekta Unity and Leksell Gamma Knife Icon to the Chinese market and to sign letters of intent with approximately 60 hospitals and organizations from all over China.

Elekta Unity continues to generate great interest in China. Shandong Cancer Hospital in Jinan City is one of the sites that has come furthest in the required clinical trials. Earlier this year, as it used Elekta Unity to treat its first patient, a woman with metastatic breast cancer. These clinical trials are one of several steps in the process that Elekta follows to gain China Food and Drug Administration (CFDA) approval and enable healthcare providers in the country to offer Elekta Unity to their patients.

Meanwhile, Elekta Beijing Medical Systems (EBMS) Co. Ltd., our largest production, research and development, and distribution center outside of Europe, has produced and shipped advanced linear accelerators such as Elekta Synergy® to centers in 11 countries around the world, including Japan, Australia, New Zealand, China and Indonesia in region APAC, as well as to hospitals in Germany, France, Spain, Italy and Slovakia.

Another milestone this year was the inauguration of the Elekta Radiation Therapy Academy. This coincided with the 2019 Elekta User Meeting and Summit on Precision Radiation Medicine for Chinese customers, with over a thousand users and hospital representatives in attendance. The RT Academy will support China's comprehensive development of the country's radiotherapy industry and its need to train more radiotherapy personnel.

In a country where over 10 thousand people a day are diagnosed with cancer[1], radiation therapy has an undeniable role. Elekta will continue to meet this need and remain a vital part in improving access to quality treatment throughout China.

1) According to statistics from the China National Cancer Center in 2015.

Story 3

Innovative provider GenesisCare relies on MOSAIQ to keep the radiotherapy workflow flowing

As the largest provider of cancer services in Australia, the UK and Spain, quality, access and efficiency are top priorities for GenesisCare. With locations in 31 centers across five states in Australia, and another 30 in Europe, GenesisCare treats more than 2,500 radiotherapy patients each day. A seamless treatment journey demands a comprehensive patient management information system that centralizes patient data in radiation oncology, medical oncology and – a new field of medicine at GenesisCare – theranostics, into a single user interface, accessible by multi-disciplinary teams across multiple locations.

To satisfy these oncology information system (OIS) requirements, GenesisCare has been using Elekta's MOSAIQ since 2007. "The system has been specifically designed for radiation and medical oncology, so it allows doctors to log in to a single system and can see everything they need to see," says Denise Hunt, GenesisCare's Head of IT for Oncology in Australia.

Since 2017, GenesisCare centers in the Australian state of Queensland have been evolving and implementing care pathways for radiotherapy patients, enabling the healthcare system to provide evidence-based care guidelines through automation. A care pathway is the end-to-end process starting with the patient's referral to GenesisCare, right through to follow-up after treatment.

"The care pathway includes all components in between, not just the treatment protocol," Hunt explains. "The IQ Scripts functionality in MOSAIQ gives us the ability to automate all the tasks and activities associated with a care pathway. Today, we are using a single, generic care pathway for the common tasks and activities associated with radiotherapy patients, and we are also designing tumor-specific care pathways and will implement those in the next six to 12 months."

According to Maria Marney, GenesisCare Clinical Applications Specialist, the organization's new treatment focus areas , including delivering high quality care for people with non-melanoma skin cancer, will benefit from the automated MOSAIQ workflow.

"We're partnering with dermatologists to deliver modern radiotherapy for skin cancer," she says. "The whole workflow is automated in MOSAIQ and standardized across all the GenesisCare centers in Australia. It also enables us to better track clinical outcomes for patients participating in a skin cancer registry, so we can continually improve the care we provide.""

Ultimately, MOSAIQ automation has condensed GenesisCare's "see, plan, treat" workflow to deliver more rapid access to treatment for patients, according to Hunt.

"We're always trying to reduce the time between different stages of the patient's treatment journey and automating the workflow with MOSAIQ has been critical in making that happen," she says.

What we do matters
How we do it matters more than ever

Elekta's business model is to develop, manufacture and market innovative solutions for precision radiation medicine as well as to provide services for the installed base. While pursuing our business we must be mindful of how our operations affect various stakeholders and the environment. It is our responsibility to continuously aim at minimize negative impact and maximize value creation throughout our value chain.

FY 18/19 – a year of reflection and looking ahead

To "Focus where it matters" applies to our strategy for Corporate Responsibility as much as to our broader company strategy. Our operations touch upon a range of sustainability topics, but if we want our sustainability efforts to have real impact we must understand and identify the issues most material to our operations. This year we have strengthened our materiality assessment, by engaging a broader group of key stakeholders and by deepening the dialogue with them. We also raised employee awareness and engagement by communicating a movie we made, together with a survey, about our Corporate Responsibility Program and the challenges and opportunities we meet with regard to sustainability.

Furthermore, we decided on a clear pathway for our sustainability reporting and aim to report in accordance with GRI Standards on core level in two years' time.

Elekta as global corporate citizen

Our commitment to sustainability and corporate responsibility is guided by the leading global standards:

- We have been a signatory of the United Nations Global Compact since 2017
- We adhere to the United Nations Guiding Principles on Business and Human Rights
- We make sure to follow the OECD Guidelines for Multinational Enterprises (as well as its associated due diligence guidance for responsible business conduct)
- We aim to contribute to Agenda 2030 and the United Nations' Sustainable Development Goals. We have developed our Corporate Responsibility Program around 8 of these goals

Another way we make sure we contribute to, and are up to date with, a global sustainability agenda is by being active members in networks and industry associations working on sustainability, such as the UN Global Compact (Sweden), Swedish Leadership for Sustainable Development (headed by SIDA) and Swedish Medtech's forum for sustainability affairs.

Contributing to the Sustainable Development Goals

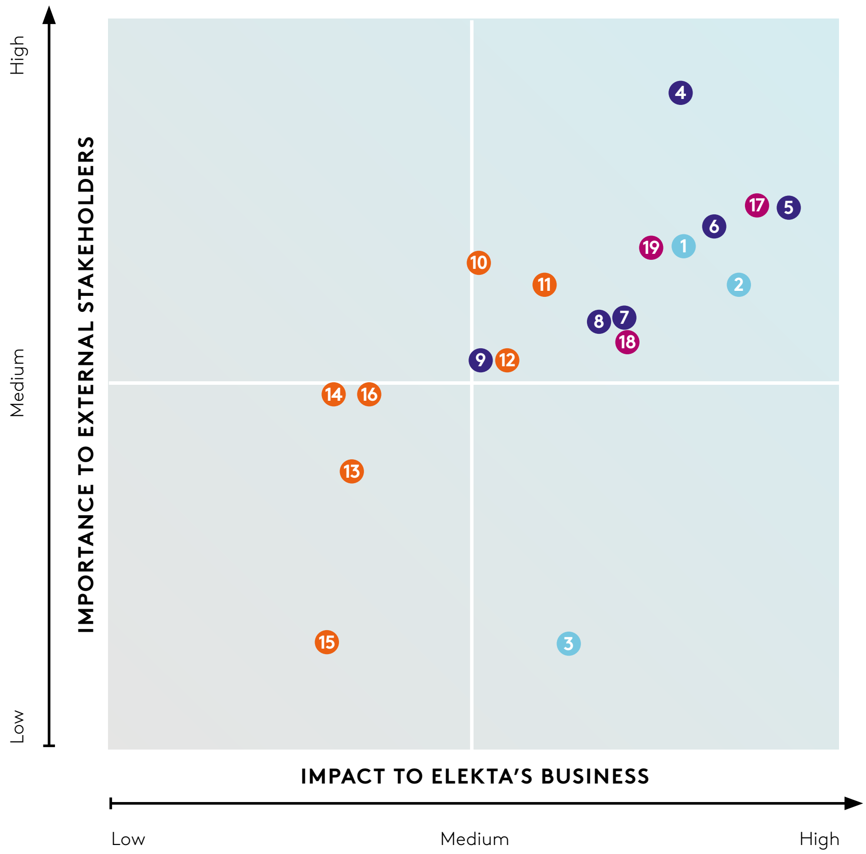
Elekta has great potential to contribute in particular to eight of the Sustainable Development Goals. Strengthening Good Health and Wellbeing (Goal 3) is where we have the most notable impact to contribute. Our fundamental business model is to improve, prolong and save the lives of people with cancer and brain disorders.

The targets of specific relevance under each goal are:
3.4, 4.4, 5.1, 5.5, 8.5, 8.7, 9A, 9B, 12.4, 12.5, 12.6, 12.7, 16.5, 17.6, 17.9, 17.16, 17.17

Setting priorities – stakeholder engagement and materiality assessment

This year we invigorated our assessment of the most important sustainability issues for our industry and our specific business, by engaging a broader group of key stakeholders. We surveyed a larger group of investors with a 100 percent response rate. The survey was also sent to our 3,800 employees as well as our Executive Management and their direct reports. We asked our stakeholders to rank various sustainability issues and individual topics based on how material they are in relation to our business and their impact on sustainable development. Each issue were to be assigned a score 1–3 in the ranking. We included input from relevant networks/NGOs as well as general external stakeholder priorities of the medical supplies sector, e.g. the SASB materiality map. Finally, we analyzed the results and discussed in the Corporate Responsibility Steering Committee how the raised issues align with our

Materiality assessment



Fight Cancer
1 Innovation and R&D
2 Quality and product recalls
3 Access to healthcare and philantrophy

Business Ethics
4 Competition and bid-rigging
5 Anti-corruption compliance
6 Privacy and data security
7 Effective corporate governance and board oversight
8 Export control and safe trading
9 Tax Management

Sustainable Sourcing
10 Supply chain and labor rights
11 Hazardous waste in own operations
12 Traceability and conflict minerals
13 Waste and water in own operations
14 CO_2 emissions and energy use
15 Environmental impact in supply chain
16 Life cycle and reuse of materials

People in Focus
17 Health and safety
18 Employee satisfaction
19 Diversity and inclusion

All the topics shown in this diagram are important in our responsibility work.
Those in the top right corner of the diagram are most important to our business and sustainable development.

priorities and opportunity to contribute to a sustainable development. The outcome of this year's mapping exercise is shown in the graph above. Matters pertinent to access to healthcare/ quality and safety, came out high in both external and internal stakeholder groups. Business ethics and integrity, e.g. anti-corruption, privacy protection etc., also ranked high. The employee survey showed that topics pertinent to quality, innovation and R&D as well as employee satisfaction were ranked somewhat higher than they were among external stakeholders. Corporate governance and board oversight were on the other hand typically rated higher among external stakeholders. The results essentially confirmed the priorities identified earlier, but the assessment enabled us to identify with more certainty the issue clusters having the most impact. Going forward, we will expand even further the group of stakeholders and continuously work to ensure we focus where it matters.

Our four focus areas: the Elekta Corporate Responsibility Program

On the basis of our assessment of the sustainability issues that are most material to Elekta's business, we have divided our Corporate Responsibility Program into four different focus areas:

Fight Cancer	Business Ethics
Sustainable Sourcing	People in Focus

Fight Cancer is the essence of our business. In the framework of our corporate responsibility strategy this means that we partner up with leading organizations around the world to strengthen the quality of patient care and to improve the access to healthcare in underserved parts of the world.

Read more on pages 33–34.

Business Ethics is not just about compliance with national and international law and regulatory frameworks. It is about building a culture supporting everyone at, or working for Elekta, in taking the right decisions in the daily work.

Read more on pages 35–38.

Sustainable Sourcing is about utilizing the potential of having a global supply chain and ensuring that the suppliers we work with also keep with the highest ethical business standards, respect the rights of the workers and minimize negative impact on environment.

Read more on pages 39–41.

People in Focus is where it all begins. Our employees are our most important assets. As an employer, we strive to build a sustainable workplace that supports professional and personal growth and wellbeing. Our global People Agenda aims to leverage the full potential of our employees.

Read more on pages 42–46.

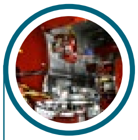
Responsibility across the entire value chain

Product development

Safety aspects, from installation to handling and use, comprise an integral part of the development process. Focus moving forward is continued development of innovative and energyefficient products, which help clinics reduce energy consumption.

Suppliers

Elekta currently procures direct materials from about 600 suppliers. Most salient risks are labor related and sourcing of conflict minerals.



Manufacturing

Elekta has three production units of our own: one in China, one in the Netherlands and one in the UK. All facilities are certified in accordance with the ISO 14001 environmental management system.

Transportation

Transport and travel account for a significant portion of Elekta's environmental impact. A Group-wide logistics platform is used to reduce the volume of transportation and packaging and to streamline the delivery of spare parts.

Sales

Working with external distributors and agents means strict demands on internal strategies and processes to counter the risk of corruption. Increased need for robust procedures when dealing with healthcare professionals and public authorities.

Usage

Our core business directly contributes to the Sustainable Development Goals by providing better access to cancer treatments. It is crucial that the products provide a high level of safety during use. Elekta offers in-depth training on how the products work and should be used.

Corporate responsibility governance: How does it work?

Successful integration and effective management of our Corporate Responsibility Program requires having committed leadership, clear direction and a robust governance structure. At Elekta we maintain the following principles for corporate responsibility governance.

1. Commitment begins at the top.
Acting responsibly is key for long-term success and continued profitability. Therefore, corporate responsibility needs to be high on our agenda. In order to fully integrate and implement our program to corporate responsibility, we have a cross-functional and high-level steering committee for Corporate Responsibility convening at least three times a year. It is comprised of the CEO, the Chairman of the Board as well as five members of the Executive Management (including functions such as Compliance and Integrity, Procurement, HR, Communications, Finance). The work of this group streamlines the process of implementing relevant actions and targets throughout the different functions, business units and business lines in our organization, as well as measuring results. This in turn enables us to better communicate our efforts and increase engagement among our important stakeholders including employees, customers and investors.

2. Strong coordination and consistent follow up.
The Compliance and Integrity function at Elekta is responsible for developing the company's Corporate Responsibility Program. The program is managed by the Senior Vice President Chief Compliance and Integrity Officer (since 2018 member of the Executive Management team) together with the Corporate Responsibility Manager.

3. Integration and alignment with core business strategy.
Corporate responsibility must be part of the processes and operations of the entire business and directly linked to the primary business goals. Corporate responsibility governance structures that align with and complement the existing business model and organizational structures are more successful and prevent creating redundant or competing structures.

4. Bottom up ownership and engagement.
In order for a corporate responsibility governance structure to be successful it must be flexible enough to allow for idea's and inspiration that can come from all parts of the organization. By allowing employees to be part of the corporate responsibility thinking we stimulate bottom up ownership and engagement.

The ethical principles in our Elekta Code of Conduct are all cornerstones in building a sustainable company for the future. The Code applies to everyone working for and on behalf of Elekta; employees, consultants, controlled companies, distributors and agents. For more information on our policies and Code of Conduct, see page 36.

Fight Cancer

1.5
million patients treated every year with an Elekta solution

~1,000
training sessions of medical professionals at Elekta Care Learning Centers.

Global access to cancer treatments

We are committed to ensuring everyone with cancer in the world has access to, and benefits, from efficient radiotherapy treatments. Making treatments simpler, automated and more affordable, is one step along the way.

Why is this important?

For us, Precision Radiation Medicine means delivering globally accessible, precise and personalized radiation therapy that targets the tumor and protects the patient. We work systematically to engage clinics and researchers and collaborate through consortiums and partnerships to make this a reality all over the world. Elekta Unity is one example, where we through an industrial-academic partnership managed to develop a cutting-edge radiotherapy system that enables clinicians to see what they treat while the treatment is taking place. Our strategic approach to involve users at an early stage for new innovations like this, has proved to be very successful.

Even though high-quality cancer treatments are available, access is unequally distributed and lack of proper cancer care is still a major problem in several regions. 95 percent of all radiotherapy equipment is available to only 20 percent of the world's population. There is an estimated deficiency of around 5,000 radiotherapy machines in low- and middle-income countries and more than 30 countries are currently without even one single radiotherapy service. More than 50 percent of all cancer patients will require radiotherapy, but in low- and middle-income countries only 30 percent of cancer patients receives the care they urgently need.

There is also a shortage of trained and qualified personnel in many parts of the world, which hinders expansion, since radiotherapy must be planned and performed by specialists. Generally speaking, one important aspect of increasing global access is to create awareness of clinical advantages of radiotherapy, in order to encourage acceptance and adoption of radiotherapy treatments in more countries.

For any supplier it is a fundamental prerequisite to be able to ensure the quality and safety of the products and services offered. This is particularly important for a provider of advanced medical equipment, such as Elekta. Radiation therapy solutions involve the delivery of high doses of radiation, which could cause serious harm if not performed correctly.

How are we contributing?

Access for all

We want to play a key role to better serve all markets:

- **Adapting products and offerings** to the demands and opportunities of different markets is in constant focus at Elekta. Operating our high-technology equipment requires qualified and experienced clinicians (radiation oncologist, radiation therapists, medical physicists etc.) To accommodate the needs of our customers in emerging and growth markets, our focus over the last year has been to develop solutions that are smarter and more user-friendly, and that requires less experience of the clinicians that operate them, without it imperiling the clinical or operational excellence of the cancer care. In the final stages of developing an advanced and innovative system that guides the clinicians, we hope to be able to offer such a solution during the year to come.

- **Enabling access to education** and training is essential since trained personnel is a prerequisite for effective prevention, early detection and adequate treatment of cancer. Our Elekta Care Learning Centers in Cape Town, Beijing, and Atlanta, offer training to professionals and enable easier access to training in the regions. Here, clinicians can learn more about the use of linear accelerators, oncology information systems and treatment planning systems. During the year, close to a thousand training sessions of customer's medical professionals were performed at Elekta Care Learning Centers.
- **Collaborating through global** partnerships is crucial if we are to develop the best solutions together with our stakeholders. Our strategic collaboration in the research project that resulted in Elekta Unity is one example.
- **Offering financing solutions** is one enabling factor in emerging markets, where the financing of our products is often a limiting factor. During the year we have increased our cooperation with the Swedish Export Credit Corporation (SEK), the Swedish Export Credit Agency (EKN) and various leasing companies, in order to develop and offer financing solutions for customers in need.

Quality and safety is fundamental

Quality and safety in all our products and offerings as well as in our business operations is a prerequisite in order to succeed in our mission to fight cancer. Product safety is a top priority and permeates our entire operations. The goal is to meet the highest possible safety standards for all products, for customers and patients, as well as for the company's own installation and service employees. Elekta's products are developed, manufactured, marketed, sold and serviced in accordance with quality-controlled processes.

Corporate giving

Each year, Elekta makes significant contributions to support training & education, public awareness, patient support, research and scientific advancement. The Corporate Giving Committee decides on corporate giving activities, following our policy on sponsorships and reflecting the company's commitment to doing business with the highest ethical standards and in compliance with all applicable laws.

Our approach to corporate giving is to engage in initiatives that involves local stakeholders, put the patient in focus and involve our employees. We also add particular emphasis on disadvantaged and underserved patient populations. A few examples of our initiatives during the year:

- We are a proud sponsor of Union for Cancer Control (UICC), who strives to unite and support the cancer community to reduce the global cancer burden, promote greater equality, and to ensure cancer control continues to be a priority in the world health and development agenda
- We regularly donate to and partner with organizations such as the Swedish Cancer Society, Radiating Hope and the Radiation Oncology Institute with the aim of advancing global cancer research and awareness
- During 2019 we will also complete the installation of our linac donation via IAEA to Jordan's Al Bashir Hospital, reinforcing Jordan's ability to treat the influx of Syrian refugees and of course its own citizens with advanced precision radiation medicine

As a medical device manufacturer, Elekta must comply with strict and comprehensive international legal requirements and product-safety standards. Naturally, Elekta is certified with ISO 9001 (quality management systems) and ISO 13485 (design and manufacture of medical devices). Quality management systems are reviewed by both internal and third-party auditors and certified by external regulatory bodies and authorities that conduct regular inspections.

Elekta contributes to gentler and more effective treatment options for patients, which may also reduce the need for hospitalization and thereby lower costs for healthcare.

Business Ethics

2,150
employees trained in
Ethical Blindness workshops

Celebrating being one of the 2019 world's **most ethical companies**

Business ethics and preventing corruption

Corruption is a considerable obstacle to sustainable development. Elekta makes it a top priority to combat corruption and bribery and other unethical business practices. We implement effective best-practice guidance and anti-bribery programs with an emphasis on values and behavior.

Why is this important?

Unethical business such as corrupt or anti-competitive behavior is detrimental to a sustainable economic and social development. Such practices can also have a substantial negative impact on innovation, customers and ultimately the well-being of patients.

As we strive for our equipment to be available to as many patients as possible worldwide, we may be operating in countries with higher exposure for corruption and unethical behavior. The healthcare sector is particularly vulnerable to corruption due to the close interaction with those in charge of government funds. A high level of interaction with healthcare professionals calls for detailed guidelines on business practices that need to be free from even the suggestion of improper influence. We cooperate with a variety of business partners selling our solutions to customers in more than 120 countries, many of which are considered to be at high risk of corruption by e.g. Transparency International. Working with distributors and agents places a large responsibility on us to select partners that uphold a high standard of ethical conduct and to develop and maintain efficient compliance programs.

How are we working with this?

We have a robust compliance program to detect, prevent and mitigate unethical behavior in all our business activities. This includes:

1 Top level commitment

The Board of Directors has overall responsibility for the implementation of an effective anti-bribery and corruption compliance program. SVP Chief Compliance & Integrity Officer reports to the board at least four times a year on risks, programs and ongoing issues and investigations. For more information on the Compliance function and its interaction with the Board of Directors, see the Corporate Governance Report on page 54.

Our CEO demonstrates commitment through genuine engagement and regular communication to employees on expected behavior.

2 Risk assessments

We identify our biggest risks through systematic risk assessments where high-risk geographies with strategic importance to Elekta are prioritized.

Compliance program: preventing corruption whilst strengthening business ethics

Our compliance program consisting of nine main activities designed to strengthen business ethics and prevent corruption.

3 Compliance organization

The Board of Directors has assigned the SVP Chief Compliance & Integrity Officer autonomy and resources for the day-to-day management of the program, with functional reporting to the President and CEO.

4 Practical and accessible policies and procedures

Our Code of Conduct and Group-wide Anti-Corruption Policy are cornerstones in building and maintaining personal integrity across the company and protecting our reputation. The updated Code of Conduct was launched in 2015 and has since been revised to include a new CEO statement tying the letter and spirit of the Code to our corporate values.

The Anti-Corruption Policy provides guidance to employees and business partners, primarily in various interactions with healthcare providers and professionals. Local Anti-Corruption Supplements have been developed for certain countries where we have identified a need for more detailed and stricter guidelines than the general standards set forth in the global Anti-Corruption Policy.

The Code is available in 11 languages and is further elaborated by a number of corporate policies emanating from the Board of Directors, the President and CEO, which are continuously kept updated. These include the following:

- Anti-Corruption Policy
- Conflicts of Interest
- Fair Competition
- Privacy
- Confidential Information
- Insider trading
- Export Control
- People Policy

5 Communication and training

We strive to make Code of Conduct training as relevant and engaging as possible for employees and business partners. Our Code of Conduct training focusing on psychology of decision and includes ethical dilemmas and real-life case scenarios.

To provide hands-on and easily available guidance on the main corporate policies, monthly training videos dedicated to a specific topic are published internally. To ensure a wide distribution and that the policies are understood and practiced by all employees, this material is embedded in a mandatory Code of Conduct e-training course.

The Code of Conduct training is supplemented with cus-

Why do good people make bad decisions?

Our foundational Code of Conduct training draws from a concept developed by Professor Guido Palazzo and 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 dilemmas and real-life cases and scenarios.

tomized anti-corruption training to both Elekta employees and business partners. We also provide customized anti-bribery and corruption training in-person, focusing on the risk employees are facing in their day to day job.

6 Third party risk management

To manage third party representative risk, we have strict requirements on completion of an automated risk-based due diligence on all third-party intermediaries and the inclusion of compliance with laws language in all representative agreements. The compliance-with-laws-clause sets forth clear expectations on business conduct and provides audit rights.

7 Interactions with healthcare professionals

Representing one of our biggest risk, we have clear guidelines in our anti-corruption policies on interactions with healthcare professionals. These guidelines are aligned with codes that have been developed together with peers in leading industry associations. Such cooperation and alignment is key for the creation of a binding framework for ethical business conduct between the medical device industry and healthcare professionals.

8 Detect and respond

To facilitate employee reporting of any violations of the Code of Conduct, Elekta has established a global whistleblower tool that can be used to anonymously report any suspected violations. All cases reported are followed up internally by the SVP Chief Compliance and Integrity Officer and reported to the board at regular intervals.

Employees are encouraged to report misconduct openly or by using our interactive Integrity Line run by an independent third party for purposes of anonymous reporting. In 2018/19, five cases of alleged violations of law or our Code of Conduct were reported through the Elekta Integrity Line, directly to Compliance or our specific compliance e-mail address or through other channels. A majority of the cases reported were related to conflicts of interest. All relevant cases are being reviewed and followed up with appropriate remediation measures.

9 Monitoring and continuous improvement

To ensure the effectiveness of a compliance program, audits need to be performed to uncover any possible gaps in the program, its implementation and the local requirements. Compliance specific audits are supplemented with audits performed by the Internal Audit function.

Findings from audits are used in improving both, local and global programs.

Key developments during the past year

Our compliance program has reached a level of maturity whereby we are now in position to measure its effectiveness through thorough risk assessments. The aim of the risk assessments is to identify any gaps our compliance program might have in a specific region and to implement actions to mitigate such deficiencies. Such risk assessment are conducted as workshops together with the relevant regional management and external support. These risk assessments are supported with specific compliance audits we have included in the scope of audits performed by the internal audit function.

In the beginning of last year, the Code of Conduct training had reached all Elekta employees allowing us to focus on providing more customized trainings based on employees' role and risk profile whilst maintaining Code of Conduct training as a part of employee orientation programs and continuing the development of engaging e-learnings. The launch of Elekta Leadership Programs has also given us an opportunity to include compliance as an integrated component of training to Elekta managers and future leaders.

We were also able to provide face to face training to our distributors in some of the higher risk regions. With the implementation of Elekta Third Party Risk Management program we are sending a clear message to our representatives of Elekta's expectations on business conduct. Phase 1 of the Third Party Risk Management Program involves compliance due diligence on all commercial intermediaries using automated Compliance Desktop software. Phase 2 expands the scope of the Program to include any companies interacting with government officials on Elekta's behalf. Such companies can include registration agents and customs brokers to name a few.

An ethics survey was sent out to all Elekta employees to gauge the organization's perception on whether we truly live our values. A majority of the respondents felt that Elekta senior management genuinely promote a culture of compliance and integrity and that actions would be taken should they report a violation of Elekta Code of Conduct.

One of the world's most ethical companies

Elekta was identified as one of the world's most ethical companies in 2019, according to the Ethisphere Institute. Ethisphere awarded 128 international companies, judged on rigorous criteria across five categories covering the quality of their ethics and compliance programs, organizational culture, corporate citizenship and responsibility, governance, and leadership and reputation. The honorees are recognized for their critical role in influencing and driving positive change in the business community. Elekta is one of only two medical device companies to receive the award.

Performance and outlook

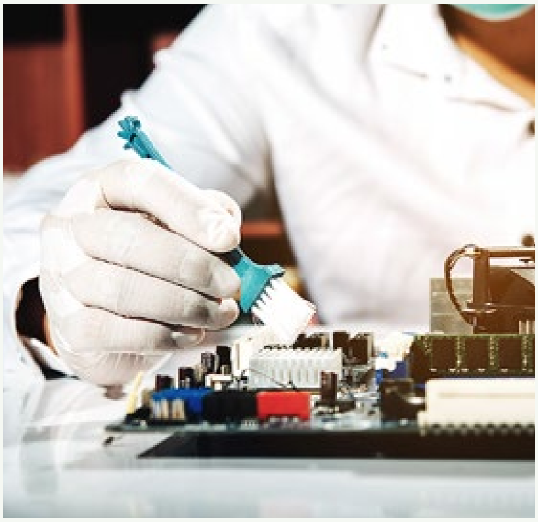
Goals communicated 2017/18	Achievements 2018/19	Status	New goals 2019/20
Risk assessments			
Anti-Bribery and Corruption Risk Assessment workshops to be conducted in Regions Middle East, Africa and China.	Focus on further enhancing the risk assessment for North America with external expertise. The scope for in-depth risk assessments in Middle East, Africa and China has been set and the project has been resourced.	→	Finalize Anti-Bribery and Corruption risk assessment for Regions Middle East, Africa (now also including India) and China.
Competition law risk assessment (during 2019).	High-risk areas have been selected following an initial risk assessment. The scope for in-depth risk assessment of selected areas has been set.	→	Develop and implement enhanced competition law compliance program based on result of in-depth risk assessment.
Third-Party Risk Management Compliance Desktop Due diligence for Phase 2 intermediaries (governmental officials and other non-sales intermediaries).	Identified the (types of) intermediaries included in the scope of Phase 2.	→	Audit adherence to Third-Party Risk Management Program. Benchmark Third-Party Risk Management Program. Complete Phase 2 deployment and initiate Phase 3 (high-risk third party product suppliers).
Communication and training			
90% of all employees to receive Code of Conduct and Ethical Blindness Training.	Development of the concept for next-generation training "Leading with Integrity".	✓	Evaluate "Leading with Integrity" training and set plan with targets for completion. Develop "Compliance Ambassador Program" and "Compliance Day Initiative".
90% of employees to complete Part 2 Code of Conduct Training.	Goal revised: Instead of launch part 2, refresh a new Code of Conduct e-learning in conjunction with new organization.	✗	90% of employees to complete refreshed new Code of Conduct Training.
E-learning for distributors rolled out.	Goal postponed due to opportunity to train distributors face to face during the year.	✗	Roll-out E-learning for distributors with targets for completion.
Detect and respond			
Re-launch all-employee Ethics Survey to measure employee perception of tone at the top and culture of compliance and integrity.	Launched all-employee first-generation ethics survey to get a baseline for development of key integrity questions.	→	New Ethics Survey to be launched subsequent to launch of new organization.
Embed Compliance and Integrity audits into internal audits (where feasible).	Achieved.	✓	Continue including Compliance components in feasible internal audits.
Assess effectiveness of Elekta's Reporting Violations Policy (incl. Elekta Integrity Line).	Ethics survey addressed employee perception of speak-up culture.	→	Re-launch a transparency & openness campaign and improve the response rate for this question.

→ Ongoing on track → Ongoing not on track ✓ Achieved ✗ Not achieved

Sustainable Sourcing

100%
completed training in sustainable sourcing for procurement staff globally

Circular economy projects successfully launched



Building sustainable supply chains

While Elekta's products contribute to relieve the suffering of patients, we must ensure we do no harm to any lives or to the environment during the process of manufacturing them. The decisions we make on who we source from and how we work with them can have profound implications. Our suppliers are thus crucial partners for our success as a company.

To follow internationally proclaimed human rights and environmental rules and regulations, to maintain the highest ethical business standards, to respect the rights of the workers and minimizing negative impact on environment, are all preconditions for doing business with Elekta.

Why is this important?

Human and labor rights

Our most salient human rights risk relates to labor rights in the manufacturing and sourcing of conflict minerals. There is a risk that workers in our supply chain work excessive overtime, lacks freedom of association, experience forced labor or have low wages. Some of our products contain, to a smaller extent, minerals such as cobalt and tungsten. These minerals are often mined in high-risk or conflict-affected areas and there might be modern slavery-like working conditions connected to their extraction.

As the majority of our suppliers of direct materials do not operate in countries with known high exposure for adverse human rights impact, our biggest risks in this regard are located further upstream in our supply chain. Elekta therefore places a strong emphasis on suppliers to ensure their sub-suppliers comply with the requirements of the Supplier Code of Conduct.

Environmental protection

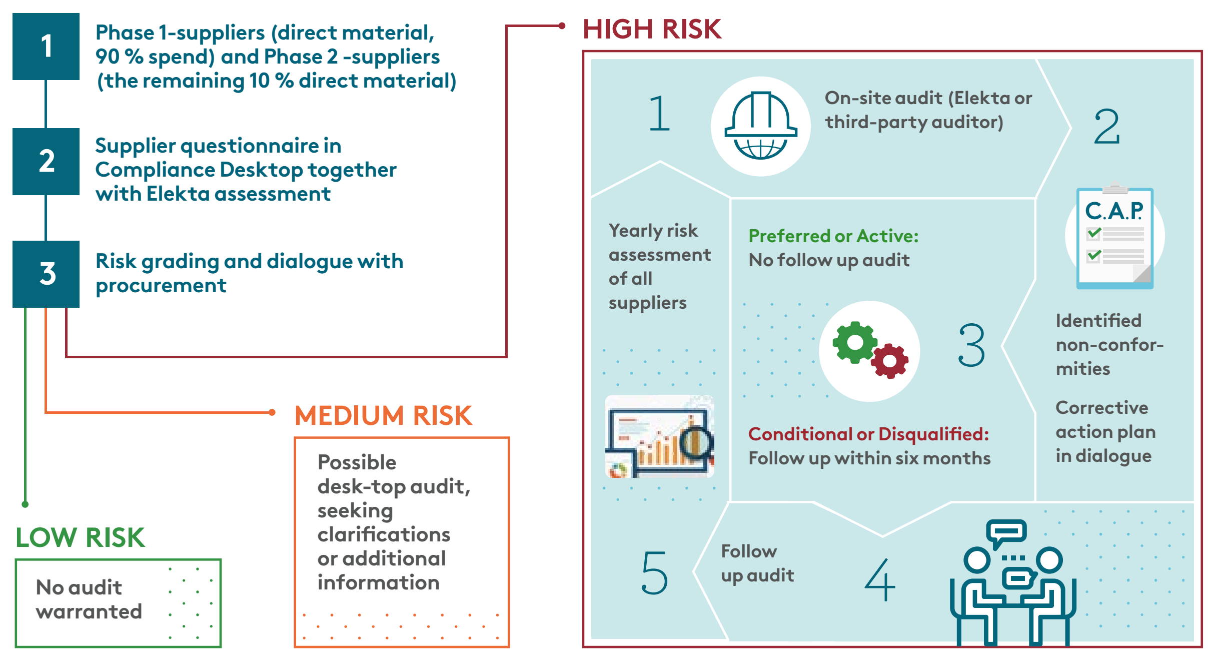
On the environmental side our most prominent risks are suppliers who specialize in heavy manufacturing processes, coating systems, chemical deposition and metallurgical casting resulting in potential waste and hazardous chemical disposal.

How are we working with this?

Human and labor rights

Our commitment to human rights and labor rights is set out in the Elekta Code of Conduct, which is applicable to everyone working for and on behalf of Elekta, including suppliers and business partners. The Code of Conduct prohibits any form of forced, compulsory or child labor and proclaims the right to fair wages including time to rest, overtime compensation and holidays. In 2017, we developed a new Supplier Code of Conduct, see elekta.com, which presents more specific requirements on Elekta suppliers, in all markets and jurisdictions. The Supplier Code of Conduct includes more detailed requirements on human rights and labor rights, but also regarding sourcing of conflict minerals, business ethics, and environmental protection. Under the Supplier Code of Conduct, all Elekta suppliers are required to set the same requirements for their suppliers. We work to ensure that

Sustainable Sourcing Program



messaging of these policies is consistently distributed throughout our business and our supply chains.

Last year we launched a Sustainable Sourcing Program (see figure above). Suppliers are required to answer a Supplier Assessment Questionnaire (consisting of 90 questions) to show how well they understand and comply with the Elekta Supplier Code of Conduct. The answers to the questionnaire indicate the risk category of each supplier. Our approach is always cooperation and continuous improvement, regardless of risk scoring. We will engage with suppliers and provide guidance when necessary to close non-conformities and improve results. Ending a business relationship is a last resort and only an option if the supplier is not willing to improve.

The Sustainable Sourcing Program also functions as our due diligence procedure to identify and mitigate risks related to modern slavery and human trafficking in our supply chain (see the Elekta Modern Slavery and Human Trafficking Statement, see elekta.com). Elekta's procurement function is responsible for implementing the Supplier Code of Conduct and the Sustainable Sourcing Program, with support from the Corporate Responsibility Manager.

Environmental protection

At Elekta, we are committed to continuously reduce the environmental impact of all operations and of our products and solutions and, naturally, to be compliant with applicable laws, regulations and standards regarding the environment. To accomplish this, all our sites have local environmental management systems that are certified with ISO 14001. The task to improve our environmental performance, is further facilitated by having a groupwide Environmental Policy and a groupwide, cross-functional coordination team. Through our Supplier Code of Conduct, we ask the same of our suppliers as we do of ourselves.

Elekta strives to continuously reduce carbon related greenhouse gas emissions and publishes detailed information about the Company's climate impact and carbon emissions within the framework of the Carbon Disclosure Project (CDP). The absolute majority of our emissions are Scope 3, mainly indirect upstream emissions caused by purchasing components used in our products, transportation of such goods and business travel. For more detailed information on our emissions, visit cdp.net.

Key developments during the past year

There are many initiatives for the environment, and for making Elekta a more environmentally sustainable company, around our organization. For example, during the past year, we moved the die casting of heavy iron parts in our Leksell Gamma Knife (LGK) to Sweden from China, which resulted in significant decrease in CO_2 emissions. Furthermore, two projects to refurbish and re-use materials for the LGK was successfully implemented during the year. One project regards

Circular economy of the linacs

In January 2019 two mechanical engineers working in Crawley, England, initiated a large-scale, recycle-project for our linear accelerators (linacs). The idea is to take back linacs which have reached end-of-life, and refurbish high environmental impact assemblies so that they can be reused and reassembled into new linacs. The project is still in its early phases, but with strong support from the top (CEO and Executive Management), and the establishment of a cross-functional working group, the project has great potential. We aim for it to be implemented as soon as possible.

the computer from which the LGK is controlled (a Machine Control Unit, MCU). Instead of just being decommissioned at the end of its life-cycle, the MCU is now returned to the supplier, which refurbish it, and can then be reused by other customers needing this computer. The other project regards the reuse of the tungsten collimator (the device that narrows the beams) for the LGKs. The body of tungsten may be returned to the supplier for verification and reused for collimators in new LGKs. In this context, we will during the coming year expand to assess if there are other main components in the radiation unit we can circulate into new LGKs. We will in this aspect not limit ourselves to only the actual components, but include also the packaging of them. We are running a study for reuse of packaging material for the main Gamma Knife components. The intention is to improve box quality, enabling circulation of packaging back to suppliers for reuse many times. There are several other projects with a circular economy mindset taking form within the Elekta, not least the project for linacs (see text box).

We believe that forming close relationships with relevant third-party vendors is a crucial step to accelerate and support the implementation of the Sustainable Sourcing Program. Since 2019 we are members of the Responsible Minerals Initiative and are working with them to trace the source of all minerals in our products. We are also collaborating with the Red Flag Group (providing the web-based Compliance Desktop® application) and Intertek (acting as third-party auditor).

Performance and outlook

Goals communicated 2017/18	Achievements 2018/19	Status	New goals 2019/20 and beyond
Supplier Code of Conduct training to procurement staff.	Sustainable Sourcing training provided to all procurement staff globally.	Ongoing on track	On-going. Training will be provided continuously as relevant (e.g. new recruits or updates of the Code).
Due diligence and risk-grading of Phase 1 suppliers.	Over 70% of all Phase 1 suppliers completed questionnaire and risk assessed.	Ongoing on track	On-going. Phase 2-suppliers (remaining number of direct material suppliers) to complete Compliance Desktop questionnaire in FY 2019/20. Expand Sustainable Sourcing Program to include all relevant indirect material suppliers.
Conduct on-site audits of identified high-risk suppliers.	Audits with the few identified high-risk suppliers not performed per end of FY, but planned for Q1 FY 19/20.	Ongoing not on track	On-going. Conduct desk-top audits of medium risk suppliers by FY 19/20.
Member of Responsible Minerals Initiative (RMI) and focus on determining source countries of minerals used in our products.	Since 2019 we are members of the Responsible Minerals Initiative and with their help set out to trace the source countries of minerals in our products.	Ongoing on track	Continue to determine source countries of minerals used in Elekta products.
Assess feasibility of introducing a take-back program (circular economy).	Two circular economy projects have been successfully implemented for the Leksell Gamma Knife. A project for refurbishing linacs has also initiated.	Ongoing on track	Set a coordinated global strategy for circular economy initiatives, including recycling and packaging, and continue to drive forward the projects already initiated, during FY 19/20.
Aim at reducing our environmental impact (emissions to air and water and avoidance of environmentally hazardous material where possible).	In scope 3, we have reduced somewhat our relative emission figures for FY 18/19 compared to FY 17/18. In scope 2, our figures have been halved, mainly due to a switch to a market-based calculation method. For more detailed information, visit cdp.net.	Ongoing on track	Continue to reduce our environmental impacts, such as emissions to air but also hazardous material and waste.

Ongoing on track · Ongoing not on track · Achieved · Not achieved

People in Focus

120

new managers trained in the Model Manager Program

Substantial improvement in **employer brand**

Sustainable workplace driving innovation

Our 3,800 employees are our most valuable resource. Without their engagement, ideas and competencies, we wouldn't be able to innovate new, state-of-the-art cancer treatment solutions.

Why is this important?

Elekta's long-term success as a company depends on many parameters, but one of which the most important is our ability as an employer.

Attracting and retaining qualified employees, are indispensable for us to keep our successful position as innovator of cancer treatments. If we do not have competent personnel, our long-term success as provider of high-technology medical equipment would be jeopardized. There is an ever-increasing competition for the most qualified employees, which requires more of the employer. Having a robust talent management and competence development, competitive remuneration packages and wellbeing opportunities are crucial for any employer today. In addition, the employees of today and of tomorrow, also look for employers that proactively takes a corporate responsibility and contributes to a sustainable development.

We believe that a diverse workforce and an inclusive and respectful work environment are essential components of a thriving innovative and sustainable business. As a global company we want, and need, to attract employees from a wide range of backgrounds and cultures to better understand and match our customer's needs in different countries.

Some of our production sites involve operating heavy machinery and handling radioactive materials, which could cause serious damage if not carried out correctly. Hence, the health, wellbeing and safety of employees, as well as other stakeholders, are important aspects of our corporate responsibility and a prerequisite for our continued success. Discrimination, harassment or bullying at the workplace jeopardize the health and wellbeing of our employees, contravenes the success in a company and are obviously not tolerated in any form.

How are we working with this?

Our aim is to create a culture and workplace where employees can grow professionally as well as personally.

During the past year, our Human Resources function, headed by the Executive Vice President, Human Resources, placed focus on initiatives supporting strategy implementation as well as the overall employee experience. In addition, targeted leadership programs were rolled-out and activities strengthening gender diversity were implemented.

Building a responsible workplace

Our approach is embedded in policies as well as core processes, guiding managers and employees in our daily business operations.

Our Group-wide People Policy summarizes our approach as employer and is based on internationally proclaimed

human rights and labor rights standards: the Universal Declaration of Human Rights, the International Labour Organization Declaration on Fundamental Principles and Rights at Work, and the principles of the United Nations Global Compact. The Human Resources function is responsible for the maintenance, training and monitoring of the policy as well as for investigating reports of potential violations. Managers in relevant functions are responsible for ensuring that the policy is implemented in their line organizations and that employees and contract workers in relevant areas of responsibility are familiar with and follow the standards set forth.

Naturally, Elekta complies with national labor legislation in all markets. All employees have the right to join a trade union and to bargain collectively in accordance with local laws and applicable conventions. We recognize the challenges this approach poses in countries where collective bargaining is not applied.

People Agenda supporting strategy implementation

Elekta's global People Agenda was launched in 2017 and aims at leveraging the full potential of our employees in executing our overall company strategy. The agenda is based on four cornerstones:

Leadership – our leaders' capability of driving the development of a sustainable corporate culture where all units cooperate to create the best solutions for the company.

Sustainable people pipeline – actively developing and growing our people to evolve the business, and a talent pipeline to secure future growth of the organization.

Reward – implementing reward systems that support achievement of our corporate goals and the desired leadership behavior.

Organizational capability – identify required capabilities to realize our corporate strategy.

The People Agenda applies to all business operations. Local Human Resources functions are responsible for implementing the agenda, as well as addressing local Human Resources issues based on national regulations and laws or specific needs.

Nurturing competence and talent development

In today's rapidly changing world, continuous competence development is crucial. Elekta employees are provided with a personal development plan. This year we are focusing on upgrading the process for personal performance and talent development.

Our leaders play an essential role in driving our continued transformation. During the past year, leadership programs on different levels gathered around 200 leaders from different functions. In selecting participants, a balanced gender and geographical representation is one of the key components.

One of the programs, the Elekta Model Entrepreneur Program, is a customized one-year program aiming to support managers in developing their capabilities to drive change and encourage commitment among employees. This program also supports the company's international outlook by strengthening cross-functional cooperation and supporting managers in developing their intercultural skills and sensitivities. In 2018/19, 20 leaders participated in this program.

To secure the pipeline of future leaders, we have a Model Leader Program. Altogether, 30 future leaders took part in this program during 2018/19. Further, we have a Model Manager program tailored for new managers to learn how to become a more effective manager. Participants on the Model Manager Program will learn and practice with tools and approaches that should, when successfully applied, increase team communication, productivity and engagement. 120 newly become managers participated in this program during 2018/19.

During the past year, leadership programs on different levels gathered around 200 leaders from different functions.

Diversity and inclusion for future growth

Our Diversity and Inclusion Policy clarifies our commitment to creating and maintaining a diverse and inclusive workplace. In supporting our approach, we focus on gender, age, sexual orientation, disability, and nationality, ethnicity and culture. Progress is evaluated against clear targets and reported annually.

At the end of the year, 29 percent (30) of all employees were women. In business-critical positions the number of women accounted for 19 percent (22). Our long-term goal is to increase the underrepresented gender (today female) in these positions to 30 percent by 2021/22. This goal is also supported by our Recruitment procedure, which states that all candidates (internal or external) applying for a posted vacancy are to be evaluated and considered fairly. This procedure is applicable to all HR and hiring managers of all Elekta entities.

Gender pay gap reviews of comparable roles within the company are conducted locally based on local regulations and legal requirements. In March 2019, Elekta UK conducted a pay review of all employees. The results concluded that our mean gender pay gap was 6.35 percent. This represents an improvement from 2017, whereby the gap was recorded as 9.84 percent. In addition, this outcome is encouraging in comparison to the official figure published by the UK Government in 2018, stating a national 17.9 percent gap. To reach our long-term target of equal pay for equal work in Elekta as a whole, we are planning to develop a global definition and method for assessing gender pay gaps from a diversity perspective during 2019/20.

Health, wellbeing and safety of employees

We are committed to ensuring a safe work environment throughout our operations, preventing workplace accidents, injuries and illnesses. As stipulated in the Code of Conduct, and in our People policy, everyone with a job that requires specific safety instructions and protection will receive all necessary training prior to starting the work and the workplace must be equipped with adequate protection materials and tools. Local working environment committees, consisting of local environmental, health & safety specialists, are responsible for continuous monitoring and mitigation of health and safety risks at our manufacturing sites. Workplace accidents are followed up by collecting data from production sites involving manual manufacturing work.

In 2018/2019, the total number of reported accidents from local sites decreased to in total 11 (23 if you include the non-work-related accidents). These accidents occurred at our production sites in Crawley and were all of minor gravity, none of which resulted in a lost working day. Regardless, Elekta's goal is to reduce the number of work-related accidents to zero by 2022. To support this zero-vision, we are planning to develop a Group-wide work environment policy, including processes for implementation, as a first step.

Measuring employee experience

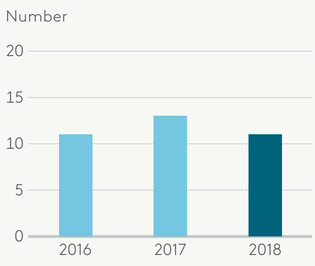
To better understand our impact as a company and employer, we are conducting a Group-wide employee engagement survey on a regular basis. This survey includes a range of indices, including measuring the Elekta's employer brand and employees' loyalty.

The latest comprehensive survey was conducted in October 2018 and a "pulse" survey followed in April 2019. More than 80 percent of employees participated in the 2018 survey, mirroring the engagement in our future development. Compared to the previous survey, Elekta's employer brand has strengthened as a result of targeted measures, aiming to develop the brand to a level on or above benchmark. During the year, much attention was focused to improve the overall Elekta experience. For example, we held local workshops in all teams which outlined specific actions plan that have been implemented. A Value Proposition project was launched to thoroughly analyze how Elekta's unique resources can match with current/future employee expectation and based on this, how a clear and strategic value proposition for employees can be implemented. Together with other activities this has resulted in a significantly increased Net Promoter Score (NPS) in the 2018 Employee Engagement Survey compared to the survey in 2017, and even more in the Pulse 2019 survey.

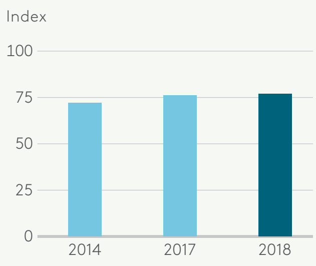
According to the employee engagement survey, the overall Engagement Index was also strengthened compared to the previous year, now exceeding benchmark. Furthermore, the Leadership Index saw positive development from an already strong position.

Our long-term goal is to reach an NPS of 20 by 2021/22 – an ambitious target, well beyond benchmark at 9. At Elekta we have a relatively low overall attrition rate of 8 percent but we can see rather large regional differences. Our ambition going forward is to maintain this low level and lower it even more down to 7 percent for FY 22/23 and also put effort in to even out regional differences.

WORKPLACE ACCIDENTS



EMPLOYEE ENGAGEMENT



Health and safety at Elekta's Crawley manufacturing site

We employ around 100 people at the manufacturing site in Crawley, England, where our linacs are assembled, tested and quality assured. The main health and safety (H&S) risks at this site are radiation/magnetic hazards when testing accelerators, as well as general safety risks in a factory environment when dealing with heavy machinery. These risks are managed daily through the implementation of Safe Systems of Work, Risk Assessments, and continuous training of employees for all activities undertaken, in line with H&S best practice and full UK legislation.

In July 2018, a Health, Safety and Environmental (HSE) manager, was appointed and supports Manufacturing leadership with Risk Assessments and Safe Systems of Work, to ensure all employees and visitors are not exposed to potential risks. The HSE manager chairs the UK H&S committee made up of both employees and leadership, to review and drive H&S excellence across the organization.

During the year, amongst other things, the UK health and safety policy has been reviewed, updated and signed by the UK Managing Director/Chief Operating Officer.

An updated accident, incident and near miss procedure was also implemented.

During the year, Health, Safety & Environmental awareness training was also rolled out to all staff, via Elekta's online staff Learning Management System. The training modules include; Fire Safety, Office Safety, Display Screen Equipment, Slips/Trips/Falls, Manual Handling, and Environmental Awareness. 100percent target will be achieved by the end of Q1 2019/20.

Over the last three years, there have been no incidents which has resulted in a lost working day or a reportable incident to the local Health & Safety Executive.

Performance and outlook

Goals communicated 2017/18	Achievements 2018/19	Status	New goals 2019/20 and beyond
Health and safety			
Minimize work place accidents.	No work-related accidents reported from Beijing Veneendal or Stockholm. 2018 number of accidents in Crawley significantly lower than 2017.	Ongoing on track	Zero vision of workplace accidents by 2022. Strive for healthy work environment globally, incl work-life balance, by e.g. developing a global work environment policy with processes for its implementation, and managing long term sick-leave numbers.
Diversity and inclusion			
Increased focus on improving the gender balance in management positions.	Yearly Succession Planning. Diversity is in focus when selected leadership program participants.	Ongoing on track	Increase female/underrepresented gender representation at critical business positions/manager level from today's 19% to 30% by 2021/22.
Narrowing the Gender Pay Gap (UK).	2019 mean pay gap reduced to 6,35% (from 9,84 % the previous year).	Ongoing on track	Continue to narrow the gender pay gap globally and by FY 19/20 have developed a definition and method for assessing gender pay gaps from a diversity perspective, within Elekta globally, with the long term aim to have equal pay for equal work.
Promote a geographically and culturally diverse workforce.	We have implemented measures to identify gaps.	Ongoing on track	On-going target.
Employee experience and talent development			
Improve overall employee experience based on results from employee engagement survey (e.g. employer brand, employee engagement, strengthened communication throughout the organization).	Activities to improve the overall Elekta experience, such as the Value Proposition project, has resulted in a significantly increased NPS score in the 2018 Employee Engagement Survey compared to 2017.	Ongoing on track	Increase the NPS to 15 by 2019/20 and to 20 by 2021/22. Reduce personal turnover rate to 7% by 2022/23 globally.

Ongoing on track Ongoing not on track Achieved Not achieved

Auditor's report on the statutory sustainability report

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 statutory sustainability report for the financial year 1 May 2018– 30 April 2019 on pages 29–46 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 RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and 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 opinion.

Opinion

A statutory sustainability report has been prepared.

Stockholm, July 8, 2019

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

Johan Engstam
Authorised 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

Corporate governance report 2018/19

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 2018/19 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 2018/19. 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

Elekta continues to support the development of global cancer care, focusing on the needs of health care providers and patients. Our success is a result of our closeness to customers and a deep understanding of the different technical, economic and social conditions for cancer care throughout the world. Elekta translates this understanding into research and development, resulting in value-driven products and innovations. Today, with improved visualization and greater precision, more types of cancer can now be treated by radiation therapy. This puts radiation therapy in the center of all forms of cancer care. Our development of Elekta Unity is a major clinical breakthrough in radiation therapy. We are convinced that clinicians will experience significant reductions in complications using MR-guided radiation therapy. This is of critical importance in cancer care and for patient safety.

During this year, the board has focused on our strategy, product development and future product strategies, in particular our software strategy. We have devoted more time to developing our growth and strategic agenda and have continued to enhance our corporate governance. We also visited China to review this important market and the development of our strategy. It has been a very productive year for the board.

A board, of course, always has to handle and consider risks and control issues, and we will continue to strengthen our risk control systems going forward. Elekta is uniquely positioned to contribute to the UN's sustainable development goals. We are now accelerating our work to strengthen our global sustainability footprint.

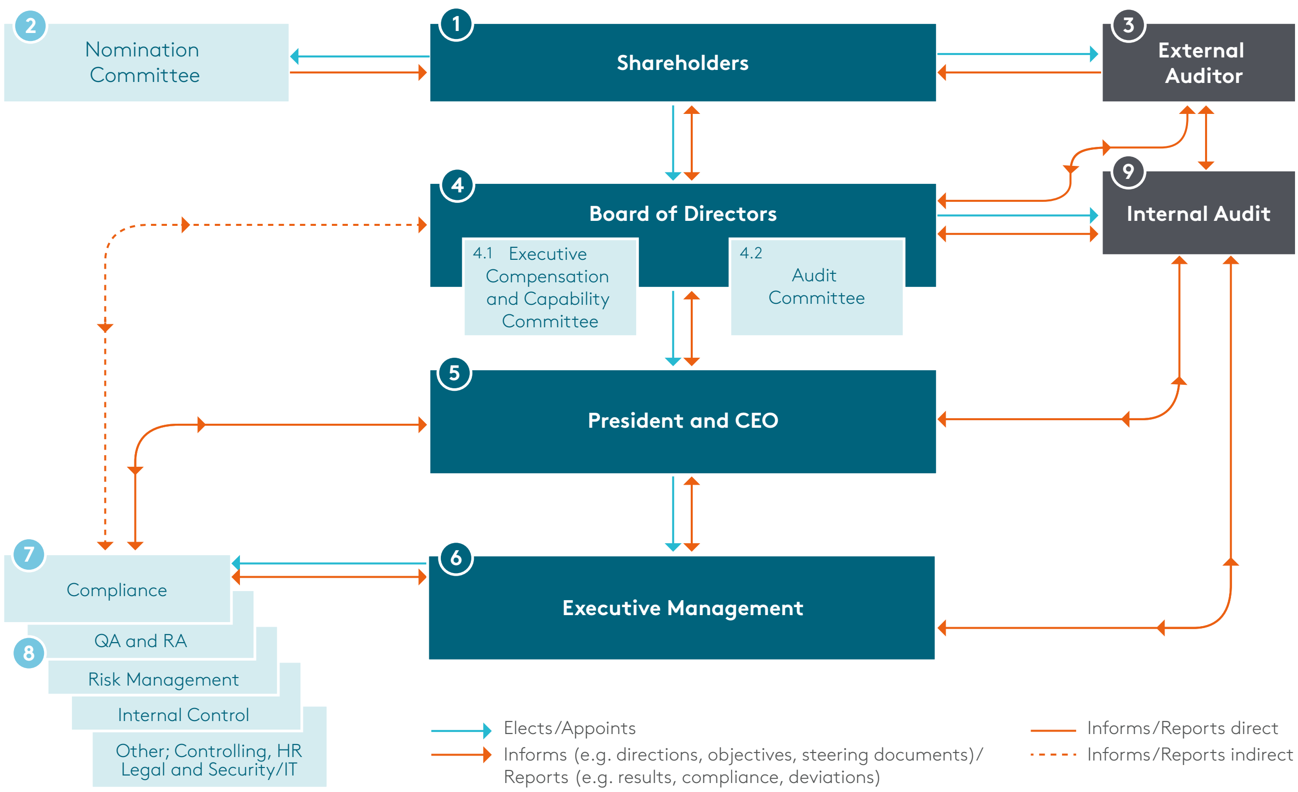
Elekta's Board is well connected within our industry, markets and customers. We support our management and drive good leadership governance, adding value to the organization. Most of all, I appreciate the strategic views, the open atmosphere and the engagement that we have in our Board discussions. This enables all of us to contribute the best to Elekta, our shareholders and other stakeholders as well as to the further development of global cancer care.

We have a fantastic team at Elekta, from all over the world, doing their utmost to help clinicians fight cancer every day. The board is very proud of Elekta's achievements. Together, we will ensure that Elekta is here until cancer is not. For this we thank you all!

Laurent Leksell
Chairman of the board

Elekta's governance structure

As per April 30, 2019



1 Shareholders

Ownership structure

At the end of the fiscal year, Elekta AB had 24,809 shareholders, of whom 92 percent were domiciled in Sweden. 51 percent of the total number of registered shares in Elekta AB were at the same date owned by Swedish shareholders. On April 30, 2019, the largest shareholder was Laurent Leksell with companies, with 30.5 percent of the votes. Read more about the share and shareholders on pages 62–63.

Shares and votes

Elekta AB's B share is listed on Nasdaq Stockholm. On April 30, 2019, 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 are 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 62–63.

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 62.

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 are 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.

2018 annual general meeting of shareholders

The 2018 annual general meeting of shareholders was held in Stockholm on August 30, 2018. The meeting was attended by 429 shareholders, either personally or by proxy, corresponding to approximately 67 percent of the votes in the Company. All members of the board of directors were present at the meeting. The following was resolved at the 2018 annual general meeting of shareholders:

- A dividend payment of SEK 1.40 per share to shareholders to be divided into two separate payments of SEK 0.70 each
- Discharge from liability of the members of the board of directors as well as the President and CEO Richard Hausmann for management of the company in the 2017/18 fiscal year
- Adoption of fees to the board of directors totaling SEK 5,165,000 (5,010,000), of which SEK 1,165,00 (1,130,000) to the chairman of the board of directors and SEK 500,000 (485,000) to each of the other external members of the board of directors, as well as remuneration for board committee work of a total SEK 965,000 (755,000), of which SEK 110,000 (110,000) to the chairman of the executive compensation and capability committee and SEK 75,000 (75,000) to each of the other members of the committee, and SEK 225,000 (225,000) to the chairman of the audit committee and SEK 135,000 (135,000) to each of the other members of the committee
- Re-election of members of the board of directors. Annika Espander Jansson, Laurent Leksell, Caroline Leksell Cooke, Johan Malmquist, Tomas Puusepp, Wolfgang Reim, Jan Secher and Birgitta Stymne Göransson. Cecilia Wikström was elected as a new member of the board of directors. 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 the share-based long-term incentive program, Performance Share Plan 2018, to be offered to about 180 key employees of the Group
- Authority for the board of directors for acquisition and transfer of own shares (the board's proposal for transfer of own shares due to Performance Share Plan 2018 was rejected)

Further information regarding the annual general meeting 2018, including the minutes, is available at www.elekta.com. No other general meetings of shareholders were held during the 2018/19 fiscal year.

2019 annual general meeting of shareholders

The 2019 annual general meeting of shareholders will be held in Stockholm, Sweden, at Moderna Museet on August 22, 2019 at 2:00 pm. More information regarding the 2019 annual general meeting of shareholders is available at www.elekta.com.

2 Nomination committee

Procedure for appointment of nomination committee

The 2018 annual general meeting of shareholders resolved that the nomination committee for the 2019 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. The assessment of which shareholders that are the largest shall be based on Euroclear Sweden's shareholder statistics as of the last banking day in 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. No remuneration would be paid to the members of the nomination committee.

The work of the board of directors including some important agenda items in 2018/19

Board meeting (May)
- Year-end report
- Meeting with auditors and review of external audit report for the full year
- Report from the audit committee
- Review and approval of budget fiscal year 2018/19 incl. financial targets

Board meeting (July)
- 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 board meetings (August)
- Interim report Q1
- AGM
- Inaugural board meeting
- Adoption of working instructions for board, committees and the President and CEO
- Report from the audit committee
- Report from the executive compensation and capability committee

Board meeting (October)
- Review of strategy plan
- Update and discussion on the business operations in China, Japan and India

2018 | MAY | JUNE | JULY | AUGUST | SEPTEMBER | OCTOBER

EXAMPLE OF THE BOARD'S FOCUS AREAS

FOCUS AREA NO. 1

Elekta's software offering

During the year the board has discussed the strategic plan of the software offering to provide the best and most ease of use systems. Elekta's treatment planning system is increasingly integrated in the hardware solution and the oncology informatic system includes a number of features, either based on own developments, partnership or acquisitions to support the efficiency of treating cancer.

FOCUS AREA NO. 2

Mergers & acquisitions

To gain complementary technology Elekta can acquire or close partnership within strategic areas. During this year Elekta made three acquisitions, all linked to software and quality assurance. In addition to these acquisitions the board has reviewed the procedures for an acquisition and the follow up program to secure a successful integration.

Composition of the nomination committee for the 2019 annual general meeting of shareholders

The composition of the nomination committee for the 2019 annual general meeting of shareholders was announced in a press release on November 15, 2018. The nomination committee for the 2019 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
- Tomas Flodén – appointed by AMF and AMF Funds
- Filippa Gerstädt (replacing Pontus Dackmo as per February 18, 2019) – appointed by Nordea Funds
- Caroline Sjösten – appointed by Swedbank Robur Funds

The nomination committee has appointed Laurent Leksell as chairman of 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 2019 annual general meeting of shareholders

The nomination committee is tasked with making proposals to the annual general meeting of shareholders including proposals for a chairman of the annual general meeting of shareholders, number of directors, fees to the directors including fees for committee work, chairman of the board of directors, members of the board of directors, appointment of external auditor and remuneration to the external auditor and a procedure for appointing the nomination committee.

The nomination committee held four meetings prior to the 2019 annual general meeting of shareholders. The nomination committee has applied the corporate governance code, section 4.1, as diversity policy when preparing its proposal for board composition. Out of the eight proposed board members, three are women and five men, meaning that the percentage of women is 38 (44) percent.

An evaluation of the board of directors' work, expertise, composition and independence of its members is performed annually and initiated by the chairman of the board of directors, partly to assess the preceding year, partly to identify areas for development for the board of directors. During the 2018/19 fiscal year the evaluation was performed with support from an external company. The conclusion is presented to the nomination committee by the chairman of the board. The nomination committee has, through the audit committee's chairman, obtained the audit committee's recommendation as regards election of auditor.

The nomination committee's complete proposals for the 2019 annual general meeting of shareholders are presented in the notice convening the 2019 annual general meeting of shareholders and a reasoned statement explaining the nomination committee's proposal for the board of director's composition is posted on Elekta's website in connection with the issuance of the notice of the 2019 annual general meeting.

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 lasting until the end of the next annual general meeting of shareholders.

External auditor and auditor in charge

The 2018 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 elected auditor in charge of MedCap AB, Tobii, Astra Zeneca AB, Oasmia Pharmaceuticals AB, Ericsson AB, NCAB Group AB and NextCell Pharma. He has no assignments in any other company that affect his independence as the auditor in charge of Elekta AB.

Board meeting

- Interim report Q2
- Report from the audit committee

Board meeting

- Interim report Q3
- Report from the executive compensation and capability committee
- Report from the audit committee
- Report from HR
- Report from Regulatory

NOVEMBER	DECEMBER	2019	JANUARY	FEBRUARY	MARCH	APRIL

FOCUS AREA NO. 3

The Chinese market

Elekta has a strong footprint in the strategically important and growing Chinese market. One of the board's meeting was held in China to carefully review the structure of the operations in the country as well as analyze and plan the strategic actions.

FOCUS AREA NO. 4

The revitalization of Elekta's leadership development

The board acknowledges that Elekta's leadership strength is important for the company's success. During the year, there has been a focus on leadership development, on strengthening the people pipeline by launching a company-wide talent identification review and conducting a succession planning for all business critical positions, including a high focus on the diversity aspect.

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 examination of the corporate governance and the Corporate Responsibility Report.

Work during the year

PwC has performed the audit of Elekta for the 2018/19 fiscal year, based on a risk-based external audit plan, resulting in the unqualified auditor's report and statement, which are available on pages 116–118 and at www.elekta.com.

According to the audit committee's guidelines, 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, 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 2018/19 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 2018/19 fiscal year are reported in Note 10.

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 lasting 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 ten 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, Annika Espander Jansson, Caroline Leksell Cooke, Johan Malmquist, Tomas Puusepp, Wolfgang Reim, Jan Secher, Birgitta Stymne Göransson and Cecilia Wikström. 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 six of the nine members of the board have been deemed independent in relation to the Company, the executive management and major shareholders. These six members are: Annika Espander Jansson, Johan Malmquist, Wolfgang Reim, Jan Secher, Birgitta Stymne Göransson and Cecilia Wikström.

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 continuously 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 2018/19 fiscal year, the board held seven minuted meetings. Attendance at board meetings is shown on pages 58–59. These meetings are normally held at Elekta's head office in Stockholm, but are at times held at other locations where Elekta has offices or facilities. 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 2018/19, is described 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. The chairman of the board of directors may be chairman of the committee. Other members appointed by the general meeting of shareholders 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, Annika Espander Jansson, Wolfgang Reim and Cecilia Wikström. Attendance at committee meetings and independence are shown on pages 58–59. The President and CEO and the Executive Vice President Human Resources also attend the committee's meetings. The Vice President of Compensation & Benefits 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 ECCC 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 2018/19 fiscal year, the executive compensation and capability committee held four 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
- Review and decisions regarding Short Term Incentive target outcome for 2017/18
- Preparation and decision on short-term incentive targets for 2018/19
- Preparation and proposal for a new long-term incentive program for 2019/20 for Executive Management and 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
- Succession planning and reviews of management succession plans for senior management levels and other Group-critical positions
- Monitoring and reviewing launched leadership programs and employee surveys
- 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 two members of the board with at least one having accounting or audit competency. The majority of the committee members are to be independent of the Company and its executive management. The committee's members cannot be employed by the Company. 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 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 Birgitta Stymne Göransson, who is also the chairman of the committee, Caroline Leksell Cooke, Johan Malmquist and Jan Secher. Participation at committee meetings as well as independence of the members are 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 associate 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 2018/19, the audit committee held six minuted meetings where the two extraordinary meetings were held in relation to the proposal process for the provision of external audit services. Attendance at committee meetings is shown on pages 58–59. The most important agenda items at the meetings were:

- Review of year-end report and annual report for 2018/19 as well as interim reports for 2018/19
- Review of accounting principles
- Monitoring of the performance of the global internal control framework
- Review of charter for the internal audit function
- Approval of internal audit plan
- Review and follow-up of internal audit reports
- Selected business performance reviews
- Review of external audit plan
- Review of external audit reports
- Evaluation of the external audit
- Proposal process for the provision of external audit services
- Evaluation and approval of 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 is President and CEO of Elekta AB. More information about Richard Hausmann is provided in the presentation of the executive management on page 60. Remuneration of the President and CEO is described in Note 7.

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. These include 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, 2019, Elekta's executive management comprised the President and CEO, the Chief Financial Officer ("CFO"), the Chief Operating Officer ("COO"), Chief Marketing and Sales Officer ("CMSO"), Chief Strategy Officer ("CSO"), Chief Technology Officer ("CTO"), the Execute Vice President Global Services, the Executive Vice President Region North and Central America, the Executive Vice President Region China, the Executive Vice President Region Europe East and West, the General Counsel and Executive Vice President, the Executive Vice President Human Resources, the Executive Vice President Corporate Communications and Public Affairs, and the Senior Vice President Chief Compliance & Integrity Officer. During the 2018/19 fiscal year, the roles Executive Vice President Region Europe East and West and Senior Vice President Chief Compliance & Integrity Officer have been appointed as members of the executive management. A presentation of the executive management as per July 8, 2019 is provided on page 60. As of June 3, 2019, the executive management has been extended to represent the full business matrix consisting of business lines, regions and support functions. Remuneration of the executive management is described in Note 7.

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 and Integrity function is headed by the Elekta Group's Chief Compliance and Integrity 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. The compliance function also monitors the implementation of a program to ensure compliant personal data processing within the Group. In addition, Compliance is responsible for the overall strategy and coordination of the areas of sustainability which are material for Elekta. Elekta's Chief Compliance and Integrity Officer reports functionally to the CEO 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:

- Risk assessments to further strengthening the compliance program to prevent corruption and clarifying regulations for Elekta's interaction with healthcare professionals. This year, an in-depth risk assessment by outside counsel was carried out in North America
- Identifying risks and proposing action plans for the processing of personal data
- 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 that 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
- Advising on matters that fall within the scope of responsibility of the Compliance and Integrity function
- An initial risk assessment of competition law risks pertaining to Elekta's business with the aim to further strengthen the competition law compliance program
- Internal investigations including the preparation of proposed measures in consultation with management and the board of directors
- Continuing Elekta's sustainability work with four distinct focus areas, as well as in close cooperation with the responsible directors to identify risks and set targets

Reporting to the board

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.

Elekta's Chief Compliance and Integrity Officer presents the progress of the risk-based compliance program at each quarterly meeting of the board of directors 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. Elekta's Chief Compliance and Integrity Officer is present at each ordinary meeting with the audit committee.

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 Regulatory Affairs, respectively.

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 management 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 Regulatory Affairs both report to the Executive Vice President and General Counsel.

Work during the year

- Ensuring product approval for regulatory market entry
- Implementation of internal audits
- Managing inspections from different authorities and organizations, resulting in continued certification
- Interacting with authorities in different regulatory forums and representation in different industry associations in discussions with authorities worldwide
- Managing implementation of the new Medical Devices Regulation in Europe (MDR)
- Participation in the single audit program MDSAP
- Re-certification to ISO 13485:2016

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 coordination
- 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, 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 subset 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 a 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 (product lifecycle management, customer relationship management and supply chain 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 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 (RACMs) 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 (RACMs) 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 RACMs 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 as well as 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 status of effective design and operating effectiveness of the globally defined minimum internal control requirements over financial reporting documented in RACMs
- 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 appendices 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 RACMs, 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 2018/19

During the fiscal year 2018/19, the performed activities have primarily focused on review of timeliness and quality of internal control performance, improvement of management reporting regarding adherence to the internal control framework as well as ongoing internal control improvements. In addition, the implementation of the internal control framework in some small sized group companies has been completed and the implementation in the few remaining companies that have been included in the group has been initiated and is currently being implemented. Annual update of the internal control framework has been performed according to plan as well as annual sign-off by management. Information relating to the results of the independent reviews were addressed at the meetings of the audit committee and subsequently followed up by the board. Work on risk management framework has continued as planned.

Activities in the fiscal year 2019/20

During the 2019/20 fiscal year, focus will continue to be on reviews of timeliness and quality of internal control performance and also increase efficiency and centralization of control performance. Furthermore, implementation of internal control framework in remaining entities will be completed and any new entities included continuously. Work on risk management framework will continue according to plan.

Board of directors




	Laurent Leksell	Annika Espander Jansson	Caroline Leksell Cooke	Johan Malmquist
First elected:	1972	2015	2017	2015
	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 audit committee
Attendance:	7/7 4/4	7/7 4/4	6/7 3/4	7/7 4/4
Total fees:	1,165,000 110,000	500,000 75,000	500,000 135,000	500,000 135,000
Year of birth:	1952	1964	1981	1961
Education:	MBA and PhD from Stockholm School of Economics, Sweden	Bachelor of Science in Chemistry from Uppsala University/University of Michigan, and MBA in International Business Management from Uppsala University, Sweden	BSc Degree Stockholm University, studied marketing at Wharton School at the University of Pennsylvania and at Columbia Business School	BSc Degree Stockholm School of Economics, Sweden
Independence:	Independent of the Company and the executive management, not 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, not 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 and Stockholm School of Economics Board member: International Chamber of Commerce (ICC)	Board member: Lifco AB, Esperio AB and Asperia AB	Board chairman: Bonit Invest S.A./N.V Board member: Leksell Social Ventures' investment committee	Board chairman: Getinge AB Tingstad AB, Arjo AB Board member: Mölnlycke Health Care AB, Dunkerstiftelserna, Chalmers University of Technology Foundation, Trelleborg AB and Stena Adactum AB
Holdings in Elekta AB: (own and closely related parties as per April 30, 2019)	14,980,769 A-shares 8,056,624 B-shares	8,000 B-shares	182,308 B-shares	20,000 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	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). CEO and Founder of Asperia AB	Extensive experience in the areas of digital strategy, communication and technology and is currently responsible for major international business in the role as industry manager at Google	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

				
Tomas Puusepp	**Wolfgang Reim**	**Jan Secher**	**Birgitta Stymne Göransson**	**Cecilia Wikström**
2013	2011	2010	2005	2018
■ Member of the board	■ 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 ■ Chairman of the audit committee	■ Member of the board ■ Member of the executive compensation and capability committee
■ 7/7	■ 7/7 ■ 4/4	■ 7/7 ■ 4/4	■ 7/7 ■ 4/4	■ 7/7 ■ 4/4
■ 500,000	■ 500,000 ■ 75,000	■ 500,000 ■ 135,000	■ 500,000 ■ 225,000	■ 500,000 ■ 75,000
1955	1956	1957	1957	1965
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 of Sciences and Doctor of Physics from the Federal Institute of Technology ETH in Zurich	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	Master of theology from Uppsala University
Not independent of the Company and the executive management, independent of 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	Independent of the Company and the executive management and independent of the major shareholders
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, DORC B.V. and Amann Girrbach AG Board member: GN Store Nord A/S.	Board chairman: Peak Management AG Board Member: IKEM (Innovation and Chemical Industries in Sweden) from May 2016 and The European Chemical Industry Council from October 2014	Board chairman: MAG Interactive AB and BCB Medical Oy Board member: Pandora AS, Rhenman & Partners Asset Management AB, Midsona AB and Fryshuset Foundation	Board member: Beijer Alma AB (publ) and Örebro University
600,000 B-shares	17,500 B-shares	28,800 B-shares	6,100 B-shares	–
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	Independent consultant focusing on the medical technology industry. From 1986 to 2006 CEO of Dräger Medical AG. At Siemens from 1986 until 2000, as CEO of the Ultrasound Division (1998–2000) and President of the Special Products Division (1995–1998)	President and CEO of Perstorp Holding 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 McKinsey, Gambro and Åhléns	Member of the European Parliament for the Liberal Party; M.P. in the Swedish Parliament for the Liberal Party; Priest within the Swedish Church during the last 25 years, among others as Cathedral Chaplain and Perpetual Curate; Senior Consultant at Michael Berglund Chefsrekrytering; Author of leadership books, of which one became the Best Leadership Book of 2004.

Executive management (as per July 8, 2019)

Richard Hausmann
Year of birth: 1960
Role: President and CEO
Employed since: 2016
Holdings[1]**:** 37,500 B-shares
Education: Doctorate in Physics from Regensburg University, Germany

Gustaf Salford
Year of birth: 1977
Role: Chief Financial Officer (CFO)
Employed since: 2009
Holdings[1]**:** 2,100 B-shares
Education: MSc in Business Administration, Stockholm School of Economics

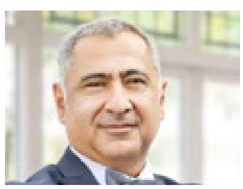
EXECUTIVE MANAGEMENT BUSINESS LINES

John Lapré
Year of birth: 1964
Role: President Brachy solutions and Interim President Neuro solutions
Employed since: 2011 (Nucletron 2009)
Holdings[1]**:** 5,250 B-shares
Education: MSc in Human Nutrition and Physiology, and PhD in Toxicology from Wageningen University

Sukhveer Singh[2]
Year of birth: 1974
Role: President Oncology Informatics solutions
Employed since: 2019
Holdings[1]**:** –
Education: MBA in Strategy, Marketing & Health Policy from Kellogg School of Management and MSc Computer Science from Illinois Institute of Technology

Maurits Wolleswinkel
Year of birth: 1971
Role: President Linac solutions
Employed since: 2011
Holdings[1]**:** 5,000 B-shares
Education: MSc in Mechanical Engineering from Delft University of Technology, and MSc in General Management from Nyenrode University

Renato Leite
Year of birth: 1972
Role: EVP Europe East and West
Employed since: 2018
Holdings[1]**:** –
Education: MSc Biomedical Engineering, COPPE/UFRJ, Rio de Janeiro; BSc Mechanical Engineering, Federal University of Rio de Janeiro; Advanced Business Management, Babson College, Massachusetts



Habib Nehme[3]
Year of birth: 1964
Role: EVP India, Middle East and Africa
Employed since: March 2018
Holdings[1]**:** –
Education: Master in Biomedical Engineering, University of Technology of Compiègne, France, Electrical Engineering degree, Jesuits Saint Joseph University of Beirut and a Marketing degree, business school of HEC–Paris.

EXECUTIVE MANAGEMENT REGIONS

Peter Gaccione
Year of birth: 1959
Role: EVP North and Central America
Employed since: 1997
Holdings[1]**:** –
Education: BS Electronic Engineering

Anming Gong
Year of birth: 1964
Role: EVP China
Employed since: 2009
Holdings[1]**:** –
Education: MSc Biomedical Engineering, Huazhong University of Science and Technology, Wuhan, China

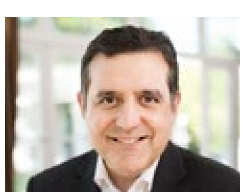
EXECUTIVE MANAGEMENT SUPPORT FUNCTIONS

Paul Bergström
Year of birth: 1974
Role: EVP Global Services
Employed since: 2017
Holdings[1]**:** –
Education: MSc Electrical Engineering, Royal Institute of Technology, Stockholm

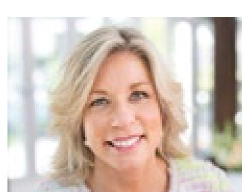
Jonas Bolander
Year of birth: 1966
Role: General Counsel and EVP
Employed since: 2001
Holdings[1]**:** 200 B-shares
Education: Master of Laws from Stockholm University

Oskar Bosson
Year of birth: 1976
Role: EVP Corporate Communications and Public Affairs
Employed since: 2018
Holdings[1]**:** 1,425 B-shares
Education: MSc Molecular Biotechnology Engineering and Bachelor Business and Economics, Uppsala University

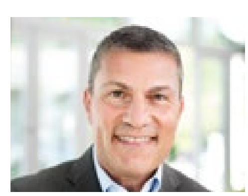
Caroline Mofors
Year of birth: 1972
Role: SVP Chief Compliance and Integrity Officer
Employed since: 2014
Holdings[1]**:** –
Education: Master of Laws and Master Degree in Litigation, Arbitration and Alternative Dispute Resolution from University of Paris II, Panthéon-Assas, France



Ioannis Panagiotelis
Year of birth: 1972
Role: Chief Marketing and Sales Officer (CMSO) and Interim President MR-linac solutions
Employed since: 2017
Holdings[1]**:** –
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



Karin Svenske Nyberg
Year of birth: 1966
Role: EVP Human Resources
Employed since: 2017
Holdings[1]**:** –
Education: MSc Chemical Engineering, Royal Institute of Technology, Stockholm, and Behavioural Science, Stockholm University



Steve Wort
Year of birth: 1963
Role: Chief Operating Officer (COO)
Employed since: 1991
Holdings[1]**:** –
Education: Senior Executive Programme, London Business School; Post Graduate Diploma in Management, Southbank University, London

1) Own and closely related parties
2) Started at Elekta in June 2019
3) Member as of June 2019

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 financial year May 1, 2018 – April 30, 2019 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 8, 2019

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

Johan Engstam
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

Strong share price performance

Elekta B-shares have been listed on the NASDAQ Stockholm since 1994. Total number of registered shares on April 30, 2019 was 383,568,409, whereof treasury shares amounted to 1,541,368 series B-shares. Total trading in Elekta shares on NASDAQ Stockholm during the period May 1, 2018 – April 30, 2019 amounted to 347.6 million shares (374.1), corresponding to 91 percent (98) of the total number of shares. Market capitalization on April 30, 2019 amounted to SEK 41,466 M (36,660), an increase by 13 percent.

DISTRIBUTION OF SHARES APRIL 30, 2019

			Percentage of	
Class of share	**No. of shares**	**No. of votes**	**capital**	**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 26 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 2018/19, the board proposes, in accordance with the Company's dividend policy, a total dividend of SEK 1.80 (1.40) per share. Total dividend amounts to approximately SEK 688 M (535) and 57 (49) percent of net profit for the year. The board also proposes the dividend to be divided into two payments. See page 72 for more information on dividend.

The board intends to propose to 2019 Annual General Meeting a 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.

Share program

The annual general meetings in 2009–2018 have resolved to adopt share programs, called performance share plans. Performance share plan 2015/18, resolved by the annual general meeting in 2015, was concluded during the year. Outstanding programs as per April 30, 2019 were performance share plan 2016/19, 2017/20 and 2018/21 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 2016/17–2018/19, 2017/18–2019/20 and 2018/19–2020/21 respectively. The scope of performance share plans 2016/19, 2017/20 and 2018/21 are summarized in the tables below. See Note 7 for more information on the plans.

SHARE PROGRAM

	2016/19	**2017/20**	**2018/21**
Originally designated number of shares	280,386	272,379	530,799
Share price used for calculation of theoretical value, SEK	77	84	100
Allotment of share	2019-09-14	2020-09-14	2021-09-14
Number of shares as of April 30, 2019	155,770	272,379	528,925

Under the performance share plan 2016/19, the performance targets are measured and earned by one-third each financial year from 2016/17 until 2018/19. The results for the 2016/19 financial year are shown in the following table.

OUTCOME OF SHARE PROGRAM 2016/19

	2018/19			Allocation of performance shares
Financial target	**Minimum,%**	**Maximum,%**	**Actual, %**	**Outcome, %**
Average annual percentage growth in earnings per share	103	132	106	32
Total allocation of performance shares				**49,846**

OWNERSHIP STRUCTURE APRIL 30, 2019

Shareholding, No. of shares	**No. of shareholders**	**Percentage of shareholders**	**No. of shares**	**Percentage of share capital**	**Average No. per shareholder**
1–500	16,471	65.6%	2,472,933	0.6%	150
501–1,000	3,321	13.2%	2,720,706	0.7%	819
1,001–10,000	4,584	18.3%	13,439,592	3.5%	2,932
10,001–100,000	540	2.1%	15,077,936	3.9%	27,922
100,001–	194	0.8%	349,857,242	91.3%	1,803,388
Total	**25,110**	**100.0%**	**383,568,409**	**100.0%**	**15,276**

Source: Euroclear Sweden

MAJOR SHAREHOLDERS APRIL 30, 2019

		Percentage of	
Owner	**No. of shares**	**capital**	**votes**
Fourth Swedish National Pension Fund	25,395,693	6.6%	4.9%
AMF Insurance & Funds	25,045,458	6.5%	4.8%
Laurent Leksell and companies	23,037,393	6.0%	30.5%
T. Rowe Price	17,575,877	4.6%	3.4%
Swedbank Robur Funds	16,332,292	4.3%	3.2%
Nordea Funds	12,532,402	3.3%	2.4%
Alecta Pension Insurance	10,940,000	2.9%	2.1%
Vanguard	9,687,255	2.5%	1.9%
Baillie Gifford & Co	9,459,320	2.5%	1.8%
Second Swedish National Pension Fund	8,977,046	2.3%	1.7%
Other	224,585,673	58.5%	43.3%
Total	**383,568,409**	**100.0%**	**100.0%**

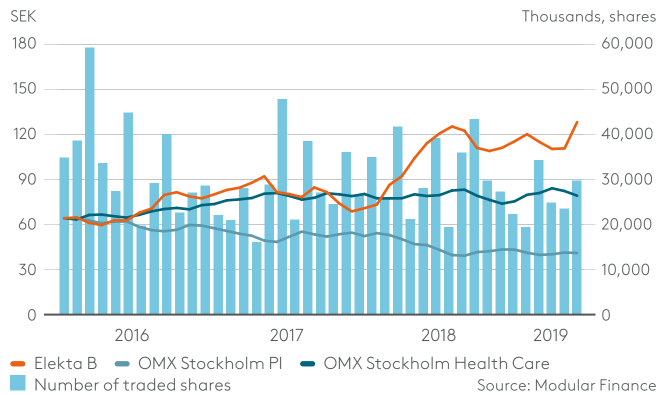
Source: Modular Finance

The table above lists the 10 largest known shareholders in Elekta AB as of April 30, 2019. Foreign ownership was approximately 46 (50) percent.

CHANGE IN SHARE CAPITAL UNTIL APRIL 30, 2018

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



Source: Modular Finance

DATA PER SHARE

	2014/15	2015/16	2016/17	2017/18	2018/19
Earnings per share					
before dilution, SEK	1.45	0.36	0.33	3.53	3.14
after dilution, SEK	1.45	0.36	0.33	3.53	3.14
Cash flow per share					
before dilution, SEK	1.78	1.00	2.69	3.79	2.48
after dilution, SEK	1.78	1.00	2.69	3.79	2.48
Shareholders' equity per share					
before dilution, SEK	17.41	16.79	17.73	18.29	20.36
after dilution, SEK	17.41	16.79	17.73	18.29	20.36
Dividend, SEK	0.50	0.50	1.00	1.40	1.80[1]
Share price, Elekta series B, April 30, SEK	78.00	58.70	92.45	99.46	112.50
Market capitalization, April 30, SEK M	29,740	22,382	34,076	36,660	41,466
Lowest share price, SEK	66.10	51.60	57.50	66.12	91.85
Highest share price, SEK	95.05	78.70	93.15	99.74	131.35
Average number of shares					
before dilution, 000's	381,287	381,288	381,306	382,027	382,027
after dilution[2], 000's	381,287	381,288	381,306	382,027	382,027
Number of shares, April 30[3]					
before dilution, 000's	381,287	381,288	382,027	382,027	382,027
after dilution, 000's	381,287	381,288	382,027	382,027	382,027

1) Proposed dividend
2) Number of shares used in the calculation of earnings per share in accordance with IAS 33
3) Number of registered shares at closing excluding treasury shares (1,541,368 per April 30, 2019)

Financial calendar

Interim report, Q1 May–July 2019/20	August 22, 2019
Annual General Meeting	August 22, 2019
Interim report, Q2 May–October 2019/20	November 28, 2019
Interim report, Q3 May–January 2019/20	February 20, 2020
Year-end report 2019/20	May 29, 2020

Five year review and key figures

INCOME STATEMENT

SEK M	2014/15[1]	2015/16[1]	2016/17[1]	2017/18	2018/19
Net sales	10,839	11,221	10,704	11,573	13,555
Operating expenses excl. amortization and depreciation	–9,390	–10,164[2]	–9,451[3]	–9,053	–10,916
Depreciation	–146	–165	–156	–151	–162
EBITA	**1,303**	**892**	**1,097**	**2,369**	**2,477**
Amortization	–366	–469	–499	–524	–781
EBIT / Operating result	**937**	**423**	**598**	**1,845**	**1,696**
Financial net	–221	–234	–258	–164	–116
Profit before tax	**716**	**189**	**340**	**1,681**	**1,580**
Taxes	–158	–44	–214	–333	–382
Profit for the year	**558**	**145**	**126**	**1,348**	**1,198**
Attributable to:					
Parent Company shareholders	552	137	125	1,348	1,198
Non-controlling interests	6	8	1	0	0

1) Calculation based on IAS18
2) Including items affecting comparability amounting to SEK –598 M
3) Including items affecting comparability amounting to SEK –518 M

CASH FLOW

SEK M	2014/15[1]	2015/16[1]	2016/17[1]	2017/18	2018/19
Operating flow	1,299	709	767	2,357	2,256
Changes in working capital	524	461	1,051	47	–636
Cash flow from operating activities	**1,823**	**1,170**	**1,819**	**2,404**	**1,621**
Continuous investments	–956	–774	–774	–816	–658
Cash flow after continuous investments	**867**	**396**	**1,045**	**1,589**	**962**
Short-term investments	–	–	–	–83	38
Acquisition of operations	–188	–12	–18	–58	–54
Cash flow from investing activities	–1,144	–786	–792	–957	–674
Cash flow after investments	**679**	**384**	**1,027**	**1,447**	**946**
Cash flow from financing activities	186	–1,303	–55	–367	–1,473
Cash flow for the year	**865**	**–920**	**972**	**1,080**	**–527**

1) Calculation based on IAS18

BALANCE SHEET

SEK M	2015-04-30[1]	2016-04-30[1]	2017-04-30[1]	2018-04-30	2019-04-30
Intangible assets	8,174	8,210	8,704	9,175	9,301
Tangible fixed assets	881	803	795	895	957
Financial assets	371	364	308	261	508
Deferred tax assets	224	281	375	350	402
Inventories	1,297	1,135	936	2,560	2,634
Receivables	6,972	6,375	6,450	5,978	6,144
Short-term investments	–	–	–	83	45
Cash and cash equivalents	3,265	2,273	3,383	4,458	4,073
Total assets	**21,184**	**19,441**	**20,950**	**23,760**	**24,064**
Shareholders' equity	6,646	6,412	6,774	6,987	7,779
Interest-bearing liabilities	6,033	4,950	5,272	5,344	4,558
Interest-free liabilities	8,505	8,079	8,905	11,429	11,727
Total shareholders' equity and liabilities	**21,184**	**19,441**	**20,950**	**23,760**	**24,064**

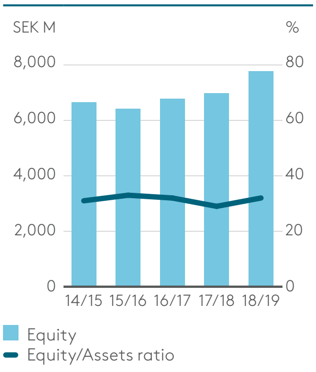
1) Calculation based on IAS18

KEY FIGURES

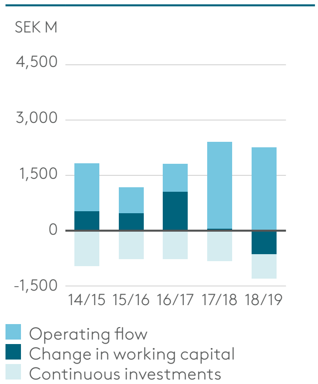
	2014/15[1]	2015/16[1]	2016/17[1]	2017/18	2018/19
Gross order intake, SEK M	12,825	13,821	14,064	14,493	16,796
Net order intake, SEK M	11,907	12,880	n/a	n/a	n/a
Order backlog, SEK M	17,087	18,239	22,459	27,974	32,003
Operating margin, %	9	4	6	16	13
Profit margin, %	7	2	3	15	12
Shareholders' equity, SEK M	6,646	6,412	6,774	6,987	7,779
Capital employed, SEK M	12,678	11,360	12,046	12,331	12,337
Net debt, SEK M	2,768	2,677	1,889	803	439
Equity/Assets ratio, %	31	33	32	29	32
Net debt/EBITDA ratio, multiple	1.91	2.53	1.51	0.32	0.17
Interest cover ratio, multiple	6.7	4.4	6.0	15.5	16.9
Return on shareholders' equity, %	9	2	2	22	17
Return on capital employed, %	9	4	5	17	15
Investments in tangible and intangible assets, SEK M	982	874	681	861	660
Depreciation and amortization, SEK M	–512	–634	–655	–675	-943
Operational cash conversion, %	126	111	145	95	61
Average number of employees	3,679	3,677	3,581	3,702	3,798

1) Calculation based on IAS18

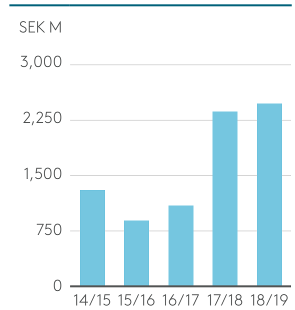
EQUITY AND
EQUITY/ASSETS RATIO



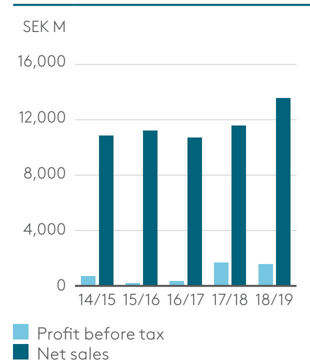
CASH FLOW AFTER
CONTINUOUS INVESTMENTS

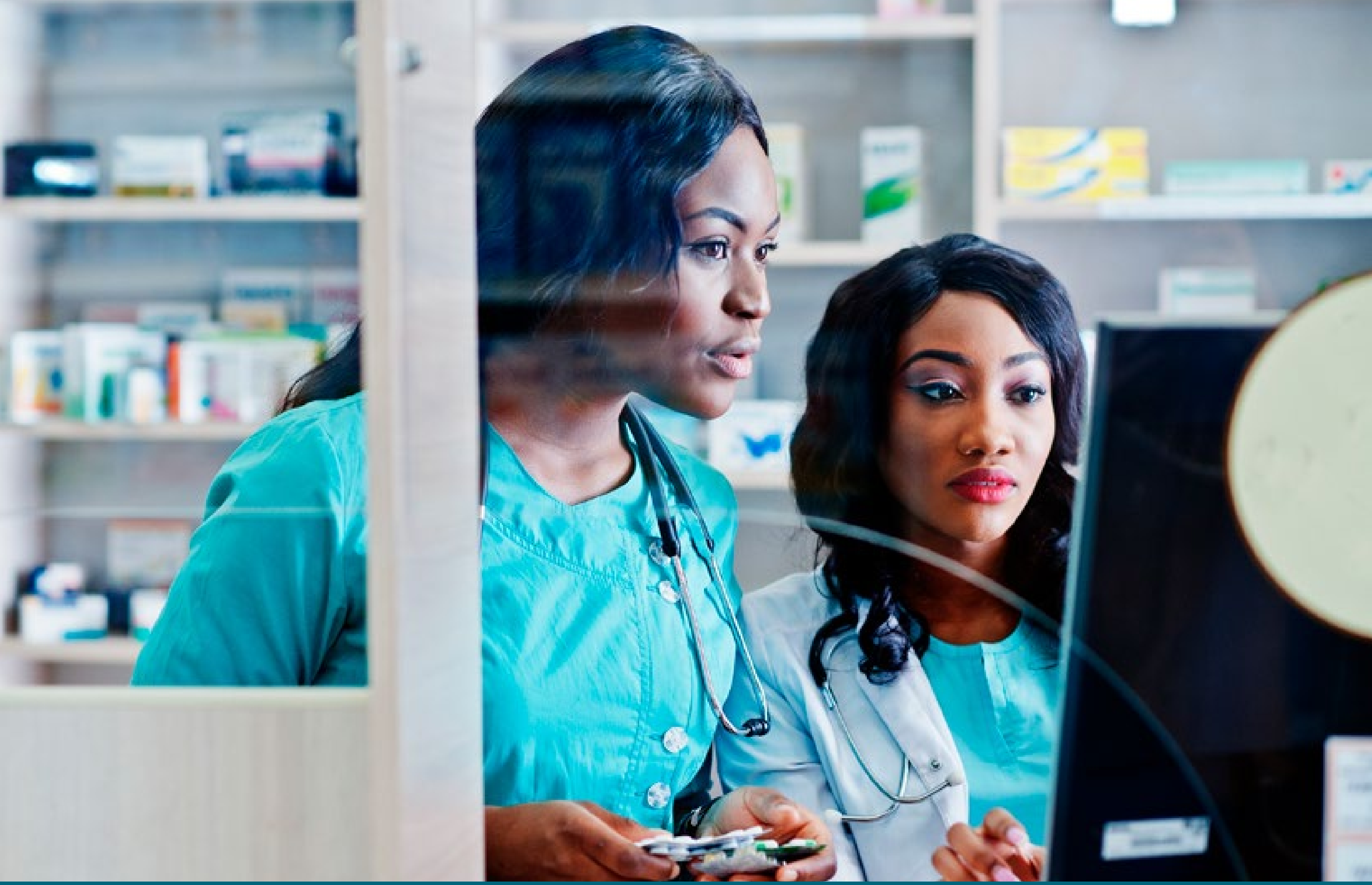


EBITA



NET SALES AND
PROFIT BEFORE TAX





Content financial information

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 2018/19, covering the period May 1, 2018 – April 30, 2019. 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 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

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.

A complete radiation therapy program includes various technologies in Elekta's product portfolio. 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 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 suppliers of radiation therapy solutions. For the emerging markets, Elekta is the largest supplier.

From a competitive perspective there are also various companies addressing specific segments within radiation therapy. Companies, such as Accuray with its radiosurgery solutions, Bebig with its brachytherapy products, Viewray with its MR linac 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.

Financial targets and guidance

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. For the fiscal year 2019/20 Elekta expects the following outlook:

- Net sales growth of 8–10 percent, based on constant exchange rates
- EBITA margin of around 19 percent

On a mid-term basis, for the fiscal years 2020/21 to 2022/23, Elekta expects the following scenario:

- Net sales growth of 8–10 percent, based on constant exchange rates
- EBITA margin of >20 percent with expansion of up to 200 basispoints in the end of the period

The financial year 2018/19

- Gross order intake amounted to SEK 16,796 M (14,493), an increase of 16 percent in SEK and 8 percent based on constant exchange rates
- Net sales increased 17 percent to SEK 13,555 M (11,573), or 10 percent based on constant exchange rates
- EBITA increased by 5 percent to SEK 2,477 (2,369), including a positive effect of SEK 70 M related to a divestment during the fiscal year
- The EBITA margin was 18.3 percent (20,5)
- Operating result was SEK 1,696 M (1,845)
- Profit for the year amounted to SEK 1,198 M (1,348)
- Earnings per share amounted to SEK 3.14 (3.53) before/after dilution
- Cash flow from operating activities amounted to SEK 1,621 M (2,404), representing an operational cash conversion of 61 percent (95)
- Cash flow after continuous investments amounted to SEK 962 M (1,589)
- The Board of Directors proposes a dividend of SEK 1.80 (1.40) per share for 2018/19 to be divided into two payments

Order intake and order backlog

Gross order intake increased by 16 percent and 8 percent based on constant exchange rates. The order backlog was SEK 32,003 M on April 30, 2019, compared with SEK 27,974 M on April 30, 2018. 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 –945 M (–1,444) and translation differences of SEK 1,763 M (493) relating to the revaluation of the order backlog at closing rates.

GROSS ORDER INTAKE

SEK M	2018/19	2017/18	Change, %
North and South America	5,049	4,720	7
Europe, Middle East and Africa	6,739	5,389	25
Asia Pacific	5,008	4,384	14
Group	**16,796**	**14,493**	**16**

Market comments

North and South America

Gross order intake in the region increased by 7 percent to SEK 5,049 M (4,720), corresponding to a 1 percent decrease based on constant exchange rates. North America had good growth in the US. During the year Elekta Unity received commercial approval both in the US and in Canada, and order intake included three orders of Elekta Unity from the region. South America had challenging market conditions with decreasing demand in most markets. Net sales increased by 16 percent to SEK 4,501 M (3,888), corresponding to an increase of 8 percent based on constant exchange rates. Both North and South America showed good net sales growth. The contribution margin in the region amounted to 38 percent (39).

The US market growth is primarily driven by service and software and replacement investments of currently installed linear accelerators. Hospital consolidation continues and is driving the market towards more comprehensive solutions and larger projects, as well as longer lead times for purchasing decisions. South America has a significant need for high-quality, cost-effective cancer care. At the same time, economic development continues to be volatile, resulting in low investments in new equipment.

See page 23 for more information on region North and South America.

Europe, Middle East and Africa

Gross order intake in the region increased by 25 percent to SEK 6,739 M (5,389) and increased by 18 percent based on constant exchange rates. Order intake was good in the whole region. The strongest performers were Southern Europe and the Netherlands as well as Africa. The CE-clearance for Elekta Unity in Europe supported an order intake of 10 Elekta Unity during the year. Net sales increased by 14 percent to SEK 4,956 M (4,345), corresponding to an increase of 9 percent based on constant exchange rates. Deliveries increased to e.g. Algeria, Romania, Italy and Sweden. The contribution margin in the region amounted to 35 percent (36).

The growth in established markets is mainly driven by upgrading the installed base to new systems and aftermarket service, but also investments to expand radiation therapy capacity. The emerging markets have a need to increase the capacity.

See page 24 for more information on region Europe, Middle East and Africa.

Asia Pacific

Gross order intake in the region increased by 14 percent to SEK 5,008 M (4,384), corresponding to a 6 percent increase based on constant exchange rates with strong growth in China, Thailand, Indonesia and Australia. During the year 4 Elekta Unity was ordered from the region. Net sales increased by 23 percent to SEK 4,098 M (3,340), corresponding to an increase of 16 percent based on constant exchange rates. The increase was mainly related to strong revenue growth in China, South Korea and Australia. The contribution margin in the region amounted to 32 percent (31).

Elekta continue to leverage the market leading position in China and see high activity levels linked to the linac procurement plan to be realized in the coming year. The South East Asia markets had good growth, while the Japanese market was picking up and showed some low-digit growth.

In the region there is a long-term need for expanding cancer care and the markets are generally underserved in terms of radiation therapy capacity.

See page 25 for more information on region Asia Pacific.

Net sales

Net sales increased by 17 percent to SEK 13,555 M (11,573), equivalent to an increase of 10 percent based on constant exchange rates. The increase was driven by good growth in all regions, except South America.

NET SALES

SEK M	2018/19	2017/18	Change, %
North and South America	4,501	3,888	16
Europe, Middle East and Africa	4,956	4,345	14
Asia Pacific	4,098	3,340	23
Group	**13,555**	**11,573**	**17**

Earnings

Gross margin was 41,9 percent (43,7). Operating expenses increased by 20,8 percent, mainly related to investments in the commercialization of Elekta Unity, Elekta Digital and the sales organization. Selling and administrative expenses amounted to SEK 2,335 M (2,156), corresponding to 17 percent (19) of net sales.

EBITA amounted to SEK 2,477 M (2,369) representing a margin of 18,3 percent (20,5).

The effect from changes in exchange rates was approximately SEK 85 M (160), including hedges. Operating result was SEK 1,696 M (1,845), corresponding to an operating margin of 13 percent (16). The operating result included 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 –116 M (–164). The improvement was mainly related to lower interest expenses as result of the decrease of interest-bearing liabilities and lower costs of non-reocurring items. Profit before tax amounted to SEK 1,580 M (1,681) and tax amounted to SEK –382 M (–333), representing a tax rate of 24 percent (20). The higher tax rate was a consequence of a one-off effect, mainly due to new accounting principle in combination with the product mix. Profit for the year amounted to 1,198 M (1,348).

Earnings per share amounted to SEK 3.14 (3.53) before/after dilution. Return on shareholders' equity amounted to 17 percent (22) and return on capital employed amounted to 15 percent (17).

Investments and depreciation

Continuous investments were SEK 658 M (816). Investments in intangible assets amounted to SEK 458 M (642) and were mainly related to ongoing R&D programs. The decrease was related to a lower level of capitalized development costs due to a higher proportion of R&D projects in an early phase. Investments in tangible assets amounted to SEK 202 M (219). Amortization of intangible assets and depreciation of tangible fixed assets amounted to a total of SEK 943 M (675).

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, increased by 3 percent (13) and amounted to SEK 1,386 M (1,348), equal to 10 percent (12) of net sales. Costs related to the R&D function amounted to SEK 1,592 M (1,095). Capitalization and amortization of development costs in the R&D function decreased to a net of SEK –206 M (252). Capitalization amounted to SEK 453 M (637) and amortization to SEK 660 M (385). The increase in amortization is related to the CE marking of Elekta Unity.

Cash flow

Cash flow from operating activities decreased by SEK 783 M to SEK 1,621 M (2,404). Cash flow after continuous investments decreased to SEK 962 M (1,589). Operational cash conversion was 61 percent (95). The decline in cash flow was due to increased levels of net working capital.

See pages 80–81 for more information on the consolidated cash flow.

Financial position

Cash and cash equivalents and short-term investments amounted to SEK 4,119 M (4,541) and interest-bearing liabilities amounted to SEK 4,558 M (5,344). Thus, net debt amounted to SEK 439 M (803). Net debt in relation to EBITDA was 0.17 (0.32).

A USD 50 M loan was repaid from the USPP loan according to the maturity plan on May 6, 2019. The EUR 50 M loan with Swedish Export Credit Corporation matured on November 12, 2019, and simultaneously a new two year loan was agreed with them in the amount of SEK 500 M. In addition, on January 11, 2019, Elekta AB made an early repayment of USD 50 M of the USPP loan with maturity 2021.

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 142 M (– 4). The translation difference in interest-bearing liabilities amounted to SEK 129 M (54). Shareholder's equity was affected by exchange rate differences amounting to SEK 243 M (475).

See pages 76–77 for more information on the consolidated balance sheet.

Employees

The average number of employees during the year was 3,798 (3,702). The number of employees on April 30, 2019 totaled 3,897 (3,716). Value added per average employee amounted to SEK 1,429 T (1,448).

Significant events during the year

Elekta Unity receives CE mark

In June, 2018, Elekta Unity received CE mark, clearing the technology for commercial sales and clinical use in Europe.

Received U.S. FDA 510(k) clearance for Elekta Unity

In December, 2018, Elekta announced that it received a 510(k) premarket notification from the U.S. Food and Drug Administration, clearing the technology for commercial sales and clinical use in the United States.

Elekta Unity received Medical Device License from Health Canada

In March, 2019, Elekta announced that its Elekta Unity received a Medical Device License from Health Canada, clearing the technology for commercial sales in Canada.

MOMENTUM program launched

In February, 2019, the MOMENTUM program was launched, a program focusing on building a robust body of real-world clinical experience and insights made possible by this technology. Information gained through the MOMENTUM program will guide the use of MR/RT to improve outcomes of cancer patients.

Acquisition of quality assurance expert Acumyn

Elekta announced in July, 2018, that it has acquired the Canadian quality assurance expert Acumyn, a stand-alone 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.

Investment in iRT Systems to offer improved quality assurance

In April, 2019, Elekta announced the acquisition of a minority stake in the German company, iRT Systems GmbH, in order to improve its quality assurance (QA) offering to clinics and hospitals around the world.

Elekta Partnership agreement with RTsafe for delivery of safe and efficient stereotactic cancer treatments

In March, 2019, Elekta and RTsafe announced that they have entered into an agreement under which Elekta will be the distributor of innovative 3D printed PseudoPatient™ phantoms and remote dosimetry services, simplifying the implementation of complex therapeutic treatment techniques.

Divestment of MEG business to York Instruments

In July, 2018, Elekta announced that it has sold its MEG business to York Instruments, a subsidiary of Croton Healthcare, LLC. This divestment follows Elekta's strategic decision to prioritize its treatment solutions and oncology informatics portfolio.

ZAP lawsuit filed by Elekta

In April, 2019, Elekta filed a patent infringement lawsuit against ZAP Surgical Systems Inc. Elekta claims the company is violating a patent on Elekta's design for a rotatable treatment system.

humediQ arbitration

humediQ GmbH has initiated a new arbitration against Elekta group companies. The hearing in the arbitration is tentatively scheduled to October 2019. Elekta is of the opinion that the claims overall lack merit and will defend itself.

Best Medical lawsuit

Best Medical International Inc. filed a patent lawsuit against Elekta group companies. After a first assessment Elekta believes that the claims overall lack merit and will defend itself. It is expected that it will take years before any final ruling is made in the case.

Significant events after year-end

Elekta Unity approved in Japan

In May, 2019, Elekta announced that its Elekta Unity has been approved for clinical use in Japan.

Sustainability

Elekta AB has prepared a Corporate Responsibility Report in accordance with Chapter 6 Section 11 of the Swedish Annual Accounts Act. The Corporate Responsibility Report is attached to this Annual Report and is presented on pages 29–46.

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 with relevant ISO 9001 and ISO 13485 standards.

IT

Through a long-term commitment to progressive cloud technologies, Elekta IT has been able to deliver a full suite of global business solutions that meet our current and future business requirements. Regular dialogue with our customers and business process leaders has led to an advanced roadmap that has resulted in a second-generation Customer Relationship Management (CRM) solution to support the further digitalization of the Elekta business. The fact that this new system will use strong AI capabilities and can be accessed anywhere in the world and with fully mobile functionality, means that we can rapidly respond to the needs of our customers' and provide them with the support that they need for their existing solutions and new requirements. This journey of digital transformation has enabled Elekta to develop new insights into the operational performance of our clinical solutions. By connecting our IntelliMax remote management system directly into the CRM system, this provides our regional organizations real-time information about the installed solutions in each of our markets.

With the increased digitalization of our ecosystem, comes the responsibility for Elekta to protect not only our business, but to work closely with our customers, suppliers and partners to ensure that cyber security is front of mind for all of us. Elekta IT has invested in a new digital surveillance solution to monitor all key components of the IT environment to provide a 24/7 operation center with the reporting and alerting needed to rapidly assess any incident and its associated risk. Having already established this service for our own business, Elekta IT is working with our customers to strengthen the cyber security posture of our solutions as they are installed into clinical service. By hosting our software on highly secure cloud infrastructure services, we can ensure that the most stringent security policies are available to all of our customers using Elekta Cloud Services. This will be particularly valuable in some emerging markets where we can assist our customers with the burden of operational IT services within their clinics and rapidly deploy the most progressive cyber security solutions available under our Elekta Digital roadmap.

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 healthcare 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 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 23 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, short-term investments, 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 42 percent (44).

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 21 M (20). 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 5 M (14).

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 624 M (598) inclusive of dividends from subsidiaries of SEK 783 M (725). Total assets amounted to SEK 11,506 M (12,044) of which shares in subsidiaries amounted to SEK 2,439 M (2,239) and receivables from subsidiaries amounted to SEK 5,829 M (5,879). Cash and cash equivalents and short-term investments at year-end amounted to SEK 2,986 M (3,708). Shareholders' equity amounted to SEK 2,898 M (2,823). Interest-bearing liabilities amounted to SEK 8,487 M (9,118), of which SEK 3,934 M (3,793) constituted liabilities to subsidiaries. The average number of employees during the year was 37 (36). The number of employees on April 30, 2019 was 38 (36). For further information refer to the Parent Company's financial reports and the accompanying notes.

Shares

The total number of registered shares on April 30, 2019 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 April 30, 2019, 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 62–63 for more information on Elekta's share.

Dividend and proposal to repurchase shares

For 2018/19, the board proposes a dividend of SEK 1.80 (1.40) per share to be divided into two payments. Total proposed dividend amounts to approximately SEK 688 M (535) and 57 percent (49) of the group net profit for the year. The board intends to propose to the 2019 Annual General Meeting a renewal of the board's authorization to decide on the acquisition of a maximum number of own shares so that, after the acquisition, the company holds no more than 10 percent of the total number of outstanding shares in Elekta AB.

APPROPRIATION OF PROFIT

Amounts in SEK	April 30, 2019
Distributable shareholders' equity of the Parent Company	
Premium reserve	656,609,561
Retained earnings	1,269,343,176
Profit for the year	624,461,564
Total	**2,550,414,301**
The Board of Directors and the President and CEO propose:	
to be distributed to the shareholders, a total dividend of SEK 1.80 per share[1)]	687,648,674
and that the remaining amount be carried forward	1,862,765,627
Total	**2,550,414,301**

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 Parent Company's equity includes SEK 47 M pertaining to assets and liabilities measured at fair value in accordance with Chapter 4 Section 14 a of the Swedish Annual Accounts Act. The equity ratio and liquidity 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 (29), 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 22, 2019 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 below-stated guidelines in individual cases where specific reasons or requirements exist. The guidelines in the following proposal are unchanged compared to the guidelines which were proposed by the Board of Directors and approved by the Annual General Meeting in 2018.

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 annual Incentive/ bonus. 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 goals for the variable salary component are established annually by the board to sustain the business strategy and objectives. Other KPIs may be used to drive focus on non-financial objectives of particular interest.

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 or annually.

If performance related financial goals within the variable salary plan exceeding 100 percent of the target, there is the opportunity for additional compensation for over performance. The annual incentive entails a potential to earn a maximum of 200 percent of the target variable salary component. Accordingly, the maximum payout level for the sum of the variable salary component is capped at a 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 aspects 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 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 in 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, during specific circumstances, to be entitled to severance payment equal 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 is 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	2018/19	2017/18
Net sales	6	13,555	11,573
Cost of products sold		–7,875	–6,517
Gross profit		**5,680**	**5,056**
Selling expenses		–1,296	–1,208
Administrative expenses		–1,039	–949
R&D expenses		–1,592	–1,095
Other operating income and expenses		23	0
Exchange rate differences		–80	42
Operating result	5–11	**1,696**	**1,845**
Income from participations in associates	13	3	–7
Financial income	13	66	67
Financial expenses	13	–186	–225
Exchange rate differences	13	2	1
Profit before tax		**1,580**	**1,681**
Income taxes	16	–382	–333
Profit for the year		**1,198**	**1,348**
Profit attributable to:			
Parent Company shareholders		1,198	1,348
Non-controlling interests		0	0
Earnings per share:			
Earnings per share before dilution, SEK		3.14	3.53
Earnings per share after dilution, SEK		3.14	3.53
Average number of shares before dilution, thousands		382,027	382,027
Average number of shares after dilution, thousands		382,027	382,027

Consolidated statement of comprehensive income

SEK M	Note	2018/19	2017/18
Profit for the year		**1,198**	**1,348**
Other comprehensive income			
Items that will not be reclassified to the statement of income:			
Remeasurements of defined benefit pension plans	28	–1	–19
Tax	16	1	5
Total items that will not be reclassified to the statement of income		**–1**	**–14**
Items that subsequently may be reclassified to the statement of income:			
Revaluation of cash flow hedges	3	–101	–5
Translation differences from foreign operations		243	475
Tax	16	19	2
Total items that subsequently may be reclassified to the statement of income		**161**	**472**
Other comprehensive income, net		**160**	**458**
Total comprehensive income		**1,358**	**1,806**
Comprehensive income attributable to:			
Parent Company shareholders		1,358	1,806
Non-controlling interests		0	0

Comments on the consolidated income statement

Net sales

Net sales increased 17 percent to SEK 13,555 M (11,573), corresponding to 10 percent increase based on constant exchange rates.

	Net sales, SEK M	Change, %[1)]	Operating result, SEK M
Q1	2,819	10	238
Q2	3,330	6	393
Q3	3,320	14	311
Q4	4,086	12	755
Full year 2018/19	**13,555**	**10**	**1,696**

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

Earnings

Gross margin was 41.9 percent (43.7). The decline was mainly due to product mix and price pressure on existing linac platform, especially in mature markets. EBITA amounted to SEK 2,477 M (2,369), representing a margin of 18.3 percent (20.5). The effect from changes in exchange rates was approximately SEK 85 M (160) including hedges.

Operating result decreased by 8 percent and amounted to SEK 1,696 M (1,845). This operating result included a positive effect of SEK 70 M related to a divestment in the first quarter, reported as part of the other operating income and expenses. Operating margin was 13 percent (16).

Research and development expenditures before capitalization of development costs increased by 3 percent to SEK 1,386 M (1,348) equal to 10 percent (12) of net sales. Capitalization of development costs and amortization of capitalized development costs amounted to net SEK –208 M (229), of which SEK –206 M (252) relates to the R&D function. The negative outcome this year was due both to higher amortization as a consequence of the CE marking of Elekta Unity and lower capitalized R&D costs due to a higher share of R&D projects in an early phase. Capitalization within the R&D function amounted to SEK 453 M (637) and amortization to SEK 660 M (385).

The change in unrealized exchange rate effects from effective cash flow hedges amounted to SEK –101 M (–5) and is reported in other comprehensive income. Closing balance of unrealized exchange rate effects from effective cash flow hedges in shareholders' equity was SEK –70 M (33) 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 –116 M (–164). The improvement was mainly related to lower interest rates as a result of refinancing in the previous year.

Income before tax amounted to SEK 1,580 M (1,681). Tax expense amounted to SEK –382 M (–333) or 24 percent (20). The higher tax rate was a consequence of a one-off effect, mainly due to new accounting principle in combination with the product mix. Profit after tax amounted to SEK 1,198 M (1,348).

RESULT OVERVIEW

SEK M	2018/19	2017/18
Operating result/EBIT	**1,696**	**1,845**
Amortization:		
Capitalized development costs	664	408
Assets relating business combinations	117	116
EBITA	**2,477**	**2,369**

Consolidated balance sheet

SEK M	Note	April 30, 2019	April 30, 2018	May 1, 2017
ASSETS				
Non-current assets				
Intangible assets	17	9,301	9,175	8,704
Tangible fixed assets	18	957	895	795
Shares in associated companies	20	57	42	22
Other financial assets	3, 21	451	219	285
Deferred tax assets	16	402	350	466
Total non-current assets		**11,167**	**10,681**	**10,272**
Current assets				
Inventories	22	2,634	2,560	2,320
Accounts receivable	23	3,455	3,402	3,726
Accrued income		1,401	1,160	851
Current tax assets	16	158	177	191
Derivative financial instruments	3	72	170	92
Other current receivables	24	1,059	1,068	936
Short-term investments	25	45	83	0
Cash and cash equivalents	25	4,073	4,458	3,383
Total current assets		**12,897**	**13,080**	**11,498**
Total assets		**24,064**	**23,760**	**21,770**
EQUITY AND LIABILITIES				
Equity				
Parent Company shareholders:				
Share capital	26	192	192	192
Contributed funds		812	812	812
Reserves		1,217	1,057	585
Retained earnings		5,556	4,926	3,972
Parent Company shareholders, total		**7,778**	**6,987**	**5,562**
Non-controlling interests		1	0	0
Total equity		**7,779**	**6,987**	**5,562**
Non-current liabilities				
Long-term interest-bearing liabilities	27	3,558	4,369	5,272
Deferred tax liabilities	16	587	511	553
Long-term provisions	28	188	158	142
Other long-term liabilities	3	55	63	33
Total long-term liabilities		**4,388**	**5,102**	**5,999**
Current liabilities				
Short-term interest-bearing liabilities	27	1,000	975	0
Accounts payable		1,427	1,132	1,000
Advances from customers		4,883	5,316	5,211
Prepaid income	29	2,170	1,990	1,875
Accrued expenses	30	1,661	1,662	1,477
Current tax liabilities	16	166	107	111
Short-term provisions	28	188	186	205
Derivative financial instruments	3	94	46	48
Other current liabilities		308	257	281
Total current liabilities		**11,897**	**11,671**	**10,208**
Total equity and liabilities		**24,064**	**23,760**	**21,770**

For information about assets pledged and contingent liabilities see Note 32 and 33 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 2019 and 30 April 2018 respectively are presented in the table on page 85.

Assets and capital employed

The Group's total assets increased by SEK 304 M to SEK 24,064 M (23,760). Fixed assets totaled SEK 10,258 M (10,598) of which goodwill amounted to SEK 5,914 M (5,607).

Current assets, excluding cash and cash equivalents and short-term investments, increased by SEK 240 M to SEK 8,778 M (8,539). Accounts receivable, accrued income and inventories increased by 5 percent (3). Inventory value in relation to net sales was 19 percent (22).

Cash and cash equivalents and short-term investments decreased by SEK 422 M to SEK 4,119 M (4,541) at year-end, totaling 17 percent (19) of total assets. Of total bank balances SEK 8 M (8) were pledged primarily for commercial guarantees.

The Group's capital employed increased to SEK 12,337 M (12,331).

Liabilities and shareholders' equity

Interest-free liabilities and provisions increased by SEK 298 M to SEK 11,727 M (11,429). Interest-bearing liabilities totaled SEK 4,558 M (5,344). Net debt amounted to SEK 439 M (803). Total equity was SEK 7,779 M (6,987). Return on shareholders' equity amounted to 17 percent (22) and return on capital employed amounted to 15 percent (17). Net debt/EBITDA ratio was 0.17 (0.32) and equity/assets ratio was 32 percent (29).

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. 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 3,455 M (3,402) as per 30 April, showing an increase of 2 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 334 M (170) as per 30 April and are included in "Other financial assets" in the balance sheet and specified as "Contractual receivables" in Note 21.

Customer advances represent projects for which invoiced amounts exceed revenue recognized. Advances from customers amounted to SEK 4,883 M (5,316) as per 30 April, a decrease of SEK 433 M.

WORKING CAPITAL

SEK M	April 30, 2019	April 30, 2018
Working capital assets		
Inventories	2,634	2,560
Accounts receivable	3,455	3,402
Accrued income	1,401	1,160
Other operating receivables	1,059	1,068
Sum working capital assets	**8,548**	**8,191**
Working capital liabilities		
Accounts payable	1,427	1,132
Advances from customers	4,883	5,316
Prepaid income	2,170	1,990
Accrued expenses	1,661	1,662
Short-term provisions	188	186
Other current liabilities	308	257
Sum working capital liabilities	**10,638**	**10,543**
Net working capital	**–2,089**	**–2,352**
Percent of net sales	–15%	–20%

Net working capital amounted to SEK –2,089 M (–2,352) at year-end, corresponding to –15 percent (–20) 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, 2017		**192**	**812**	**559**	**26**	**3,972**	**5,562**	**0**	**5,562**
Profit for the year		–	–	–	–	1,348	1,348	0	**1,348**
Remeasurements of defined benefit pensions plans		–	–	–	–	–19	–19	–	**–19**
Cash flow hedges		–	–	–	–5[1]	–	–5	–	**–5**
Translation differences from foreign operations		–	–	475	–	–	475	–	**475**
Tax relating to components of other comprehensive income	16	–	–	–	2	5	7	–	**7**
Other comprehensive income		–	–	475	–3	–14	458	–	**458**
Total comprehensive income		**–**	**–**	**475**	**–3**	**1,334**	**1,806**	**0**	**1,806**
Dividend		–	–	–	–	–382	–382	–	**–382**
Incentive programs		–	–	–	–	2	2	–	**2**
Tax effect incentive programs		–	–	–	–	0	0	–	**0**
Transactions with the shareholders, total		**–**	**–**	**–**	**–**	**–380**	**–380**	**0**	**–380**
Closing balance April 30, 2018		**192**	**812**	**1,034**	**23**	**4,926**	**6,987**	**0**	**6,987**
Opening balance May 1, 2018		**192**	**812**	**1,034**	**23**	**4,926**	**6,987**	**0**	**6,987**
Opening balance adjustment due to IFRS 9		–	–	–	–	–39	–39	–	**–39**
Profit for the year		–	–	–	–	1,198	1,198	0	**1,198**
Remeasurements of defined benefit pensions plans		–	–	–	–	– 1	– 1	–	**– 1**
Cash flow hedges		–	–	–	–101[1]	–	–101	–	**–101**
Translation differences from foreign operations		–	–	243	–	–	243	0	**243**
Tax relating to components of other comprehensive income	16	–	–	–	19	0	19	–	**19**
Other comprehensive income		–	–	243	–82	–1	160	0	**160**
Total comprehensive income		**–**	**–**	**243**	**–82**	**1,197**	**1,358**	**0**	**1,358**
Acquisitions of non-controlling interest		–	–	–	–	0	0	0	**0**
Dividend		–	–	–	–	–535	–535	0	**–535**
Incentive programs		–	–	–	–	6	6	–	**6**
Tax effect incentive programs		–	–	–	–	0	0	–	**0**
Transactions with the shareholders, total		**–**	**–**	**–**	**–**	**–529**	**–529**	**0**	**–529**
Closing balance April 30, 2019		**192**	**812**	**1,277**	**–59**	**5,556**	**7,778**	**1**	**7,779**

1) Of which transferred to the income statement in 2018/19: SEK –58 (90)

Comments on changes in consolidated equity

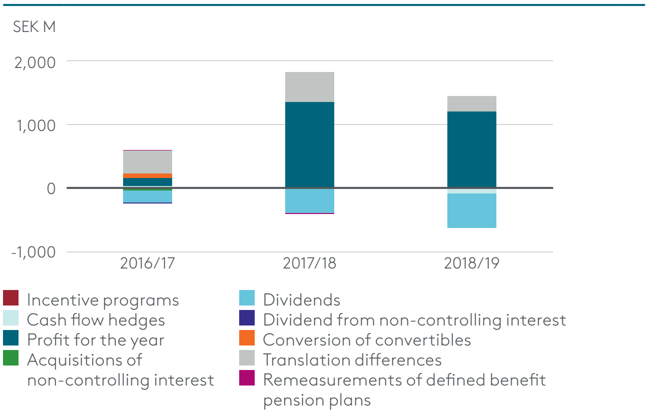
In 2018/19 Elekta paid a total dividend of SEK 535 M. The dividend payment has affected equity through a reduction of retained earnings.

The total number of shares in Elekta as of April 30, 2019, amounted to 383,568,409 of which 14,980,769 A-shares and 368,587,640 B-shares. See Note 26 for more information on share capital.

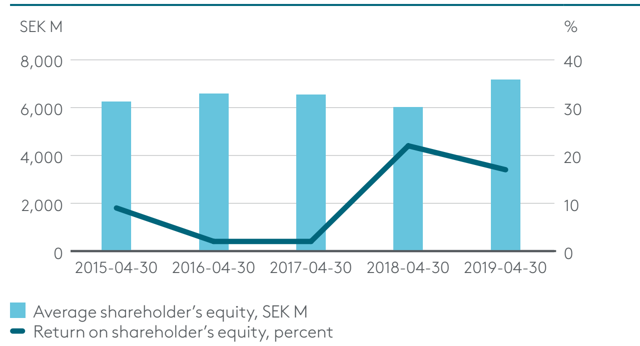
Total equity includes equity of foreign subsidiaries. Translation is performed at closing rate and the translation difference is reported in the translation reserve via other comprehensive income. The translation difference amounted to SEK 243 M (475) in 2018/19. Shareholders' equity in foreign currency 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 1,277 M (1,073) 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 2018/19 the change in the hedge reserve was SEK –82 M (–3) after tax and the closing balance of the hedge reserve was SEK –58 M (23).

CHANGES IN CONSOLIDATED EQUITY



CONSOLIDATED EQUITY AND RETURN



Consolidated cash flow statement

SEK M	Note	2018/19	2017/18
Operating activities			
Profit before tax		1,580	1,681
Non-cash items:			
Depreciation	8, 17, 18	943	675
Interest net	34	91	96
Other non-cash items etc.	34	21	254
Operating cash flow before interest and tax		2,635	2,706
Interest received		66	67
Interest paid		–175	–165
Income taxes paid	16	–269	–250
Operating cash flow		2,256	2,357
Increase (–)/decrease (+) in inventories		–20	–125
Increase (–)/decrease (+) in operating receivables		–367	–21
Increase (+)/decrease (–) in operating liabilities		–249	192
Change in working capital		–636	47
Cash flow from operating activities		**1,621**	**2,404**
Investing activities			
Investments in intangible assets	17	–458	–642
Investments in machinery and equipment	18	–201	–212
Sale of fixed assets		0	38
Increase in long-term receivables		0	0
Decrease in long-term receivables		0	0
Continuous investments		–658	–816
Cash flow after continuous investments		**962**	**1,589**
Business combinations	34, 36	–91	–45
Divestments		92	–
Short-term investments		38	–83
Investments associates		–58	–17
Repayments from partnerships	20	3	4
Cash flow from investing activities		**–674**	**–957**
Cash flow after investments		**946**	**1,447**
Financing activities			
Borrowings	34	500	15
Repayment of debt	34	–1,438	–
Acquisition of non-controlling interest		0	–
Dividend		–535	–382
Cash flow from financing activities		**–1,473**	**–367**
Cash flow for the year		**–527**	**1,080**
Change in cash and cash equivalents during the year			
Cash and cash equivalents at the beginning of the year		4,458	3,383
Cash flow for the year		–527	1,080
Exchange rate differences		142	–4
Cash and cash equivalents at the end of the year	25	**4,073**	**4,459**

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 77.

The operating cash flow (cash flow from operating activities exclusive of change in working capital) amounted to SEK 2,256 M (2,357), a decrease of SEK 101 M compared with the preceding year.

Cash flow from operating activities decreased to SEK 1,621 M (2,404). The decline in cash flow was due to increased levels of net working capital.

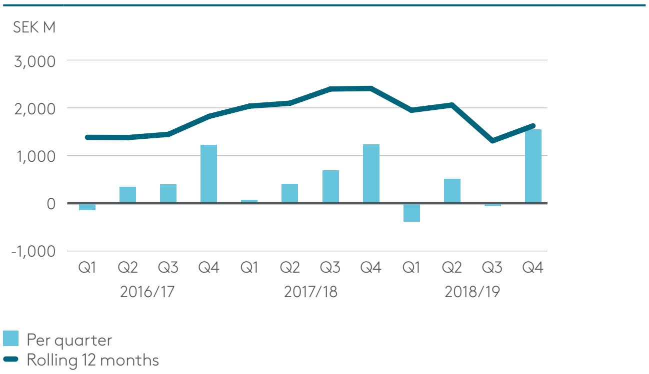
Cash flow from investing activities amounted to SEK –674 M (–957) including investments in intangible assets of SEK –458 M (–642).

Cash flow after continuous investments decreased by SEK 627 M to SEK 962 M (1,589).

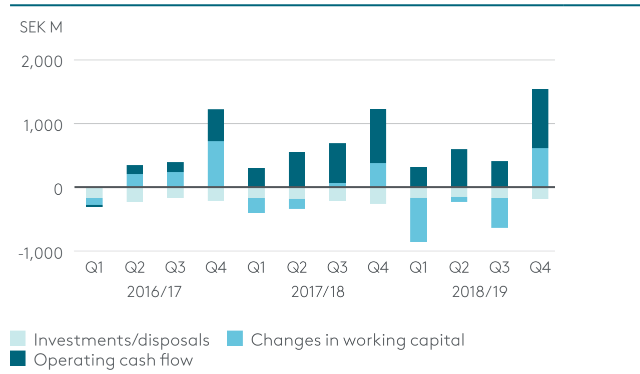
Cash flow after investments amounted to SEK 946 M (1,447), including payments relating to business combinations of SEK –91 M (–45).

Cash flow from financing activities amounted to SEK –1,473 M (–367).

CASH FLOW FROM OPERATING ACTIVITIES



SPECIFICATION OF CASH FLOW AFTER CONTINUOUS INVESTMENTS



Financial statements – Parent Company

Income statement – Parent Company

SEK M	Note	2018/19	2017/18
Administrative expenses		–145	–86
Operating result		**–145**	**–86**
Income from participations in Group companies	12	783	725
Income from participations in associated companies	13	–5	–14
Interest income and similar items	14	192	212
Interest expenses and similar items	14	–191	–177
Exchange rate differences		2	1
Appropriations		–14	–
Profit before tax		**621**	**661**
Income taxes	16	3	–63
Profit for the year		**624**	**598**

Statement of comprehensive income – Parent Company

SEK M	2018/19	2017/18
Profit for the year	**624**	**598**
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	**624**	**598**

Balance sheet – Parent Company

SEK M	Note	April 30, 2019	April 30, 2018
ASSETS			
Non-current assets			
Intangible assets	17	60	68
Shares in subsidiaries	19	2,439	2,239
Shares in associated companies	20	6	–
Receivables from subsidiaries		2,393	2,411
Other financial assets	21	81	14
Deferred tax assets	16	3	0
Total non-current assets		**4,983**	**4,732**
Current assets			
Receivables from subsidiaries		3,436	3,468
Other current receivables	24	102	137
Short-term investments	25	45	83
Cash and cash equivalents	25	2,941	3,625
Total current assets		**6,524**	**7,312**
Total assets		**11,507**	**12,044**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	192	192
Statutory reserve		156	156
Restricted equity		**348**	**348**
Premium reserve		657	657
Retained earnings		1,893	1,818
Unrestricted equity		**2,550**	**2,475**
Total equity		**2,898**	**2,823**
Untaxed reserves		**14**	**–**
Long-term provisions	28	**12**	**9**
Long-term interest-bearing liabilities	27	3,553	4,366
Long-term liabilities to subsidiaries	27	–	39
Total long-term liabilities		**3,579**	**4,414**
Current liabilities			
Short-term interest-bearing liabilities	27	1,000	959
Short-term liabilities to subsidiaries	27	3,934	3,754
Short-term provisions	28	0	0
Other current liabilities	31	95	94
Total current liabilities		**5,029**	**4,807**
Total equity and liabilities		**11,507**	**12,044**

Cash flow statement – Parent Company

SEK M	Note	2018/19	2017/18
Operating activities			
Profit before tax		621	661
Interest net	34	–21	–48
Other non-cash items etc.	34	–51	–245
Interest received		192	211
Interest paid		–190	–162
Income taxes paid	16	0	0
Operating cash flow		**551**	**417**
Increase (–)/decrease (+) in operating receivables		251	234
Increase (+)/decrease (–) in operating liabilities		2	–24
Change in working capital		253	188
Cash flow from operating activities		**804**	**627**
Investing activities			
Investments in subsidiaries	34	–44	–74
Divestments of subsidiaries	34	92	–
Short-term investments	25	38	–83
Increase (–)/decrease (+) in long-term receivables		–78	786
Cash flow from investing activities		**8**	**629**
Cash flow after investments		**812**	**1,256**
Financing activities			
Borrowings		–	412
Repayment of debt		–954	–
Dividend		–535	–382
Cash flow from financing activities		**–1,489**	**30**
Cash flow for the year		**–677**	**1,286**
Change in cash and cash equivalents during the year			
Cash and cash equivalents at the beginning of the year		3,625	2,479
Cash flow for the year		–677	1,286
Exchange rate differences		–8	–140
Cash and cash equivalents at the end of the year	25	**2,941**	**3,625**

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, 2017	**192**	**156**	**657**	**1,601**	**2,606**
Profit for the year	–	–	–	598	**598**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	**–**	**–**	**–**	**598**	**598**
Dividend	–	–	–	–382	**–382**
Incentive programs	–	–	–	1	**1**
Transactions with the shareholders, total	**–**	**–**	**–**	**–381**	**–381**
Closing balance April 30, 2018	**192**	**156**	**657**	**1,818**	**2,823**
Opening balance May 1, 2018	**192**	**156**	**657**	**1,818**	**2,823**
Opening balance adjustment due to IFRS 9	–	–	–	–17	**–17**
Profit for the year	–	–	–	624	**624**
Other comprehensive income	–	–	–	–	**–**
Total comprehensive income	–	–	–	**624**	**624**
Dividend	–	–	–	–535	**–535**
Incentive programs	–	–	–	3	**3**
Transactions with the shareholders, total	**–**	**–**	**–**	**–532**	**–532**
Closing balance April 30, 2019	**192**	**156**	**657**	**1,893**	**2,898**

Notes

Note 1 Essential 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 8, 2019. 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 22, 2019.

The most important accounting principles applied in the preparation of the financial reports are set out below and, where applicable, in the following notes. 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, 2019, 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 short-term investments, derivatives and contingent considerations, which are recognized at fair value.

New and revised IFRS applied from May 1, 2018

The following amended standards were effective January 1, 2018 and have been applied from May 1 2018.

- IFRS 9 Financial Instruments
  IFRS 9 is a new standard on accounting for financial instruments and replaces IAS 39. The standard comprises of classification, valuation and impairment of financial instruments as well as hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 and Elekta has implemented the new standard as of May 1, 2018, for more information see Note 39.
- 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. The standard is effective for annual reporting periods beginning on or after January 1, 2018 and Elekta has implemented the new standard as of May 1, 2018, for more information see Note 39.

New and revised IFRS not yet applied

- 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 recognized from interest on lease liabilities in the income statement. 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 January 1, 2019 and Elekta will implement the new standard as of May 1, 2019. For more information see note 39.

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.

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 are reported on separate lines within the operating result. These have been identified as important to distinguish from operating revenue and costs directly related to functions in order to ease comparability over time.

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.

Cash flow statement

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

EXCHANGE RATES

		Average rate		Closing rate	
Country	**Currency**	**2018/19**	**2017/18**	**April 30, 2019**	**April 30, 2018**
Australia	AUD	6.542	6.429	6.700	6.556
Canada	CAD	6.854	6.495	7.063	6.746
China	CNY	1.339	1.262	1.412	1.368
Euroland	EUR	10.378	9.811	10.640	10.509
United Kingdom	GBP	11.778	11.103	12.306	11.942
Hong Kong	HKD	1.151	1.062	1.212	1.104
Japan	JPY	0.081	0.075	0.085	0.079
USA	USD	9.028	8.302	9.510	8.664

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, intra-group 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 and short-term investments 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.

Note 2 Financial risk management

Accounting principles

See note 3 for accounting principles relating to financial instruments.

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, 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. Highly forecasted transaction exposure hedging is on the basis of expected net sales and hedging is conducted 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, currently no outstanding net investment hedges.

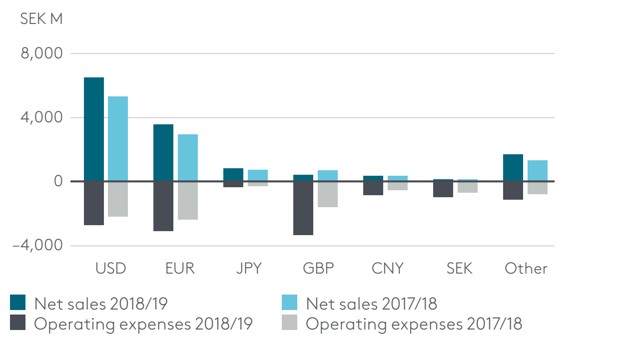
Based on the year's income, expense and currency structure (transaction exposure) a general change of one percentage point in the SEK exchange rate against other currencies would affect Group net profit and shareholders' equity by approximately +/– SEK 21 M (20), exclusive of hedging effects. The table 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, 2019	April 30, 2018
USD	39	28
EUR	5	3
JPY	5	5
GBP	–29	–17
CNY	–5	–3
Other currencies	6	4

The Group's net sales and operating expenses by currency for 2018/19 are shown in the following diagram.

NET SALES AND OPERATING EXPENSES PER CURRENCY



Interest-rate risk

Interest-rate risk refers to the risk that changes in the interest rate level negatively affect Elekta's earnings.

Elekta's policy is to reduce the interest-rate risk through the use of loans, investments and derivatives. Hedging is carried out in order to reduce impact on result from interest rate movements and is never to exceed the amount and maturity of the underlying exposure. 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 5 M (14), 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, 2019, interest-bearing liabilities totaled SEK 4,558 M (5,344), of which SEK 6 M (3) pertained to financial leasing. The average fixed interest term was 0.9 years (1.1) and the weighted average interest rate, taking interest rate derivatives into account, was 2.3 percent (2.5). See Note 27 for more information on interest-bearing loans.

Credit risk

Credit risk arises via financial credit risk related to cash and cash equivalents, short-term investments, derivative instruments and balances at banks and financial institutions as well as through credit exposure vis-à-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 normally 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.

The majority of the subsidiary financing goes through internal loans from the parent company, therefore there is a credit risk originating from these. The opening balance of expected credit losses in the parent company amounted to SEK 17 M and the closing balance of expected credit loss reservation FY 2018/19 was SEK 24 M, the increase was mainly due to higher loans to Great Britain.

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 2018/19 the provision for bad debts amounted to SEK 229 M. See Note 23 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 usually 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, 2019, available cash and cash equivalents and short-term investments amounted to SEK 4,111 M (4,533), or 30 percent (39) of net sales. In addition, Elekta had SEK 2,128 M (2,100) 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

	April 30, 2019					April 30, 2018				
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 27)	1,104	3,251	512	–	4,867	1,098	1,185	3,018	444	5,745
Finance leases (Note 27)	–	5	–	–	5	0	3	–	–	3
Accounts payable	1,427	–	–	–	1,427	1,132	–	–	–	1,132
Derivative financial instruments – outflow, gross	4,101	356	–	–	4,457	5,452	207	–	–	5,659
Derivative financial instruments – inflow, gross	–2,228	–352	–	–	–2,580	–2,057	–201	–	–	–2,258
Other liabilities	308	55	–	–	363	257	63	–	–	320
Total	**4,712**	**3,315**	**512**	**–**	**8,539**	**5,882**	**1,257**	**3,018**	**444**	**10,601**

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.

NET DEBT/EBITDA RATIO

	Note	**April 30, 2019**	**April 30, 2018**
Interest-bearing liabilities	27	4,558	5,344
Cash and cash equivalents and short-term investments	25	–4,119	–4,541
Net debt		**439**	**803**
EBITDA		2,639	2,520
Net debt/EBITDA ratio		0.17	0.32

The net debt/EBITDA ratio was 0.17 compared to 0.32 to prior fiscal year. See Note 27 for more information on interest-bearing liabilities.

Note 3 Financial instruments

Accounting principles

From May 2018 Elekta applies IFRS 9 "Financial Instruments", that replaces IAS 39. The new standard comprises classification, measurement and impairment of financial instruments as well as hedge accounting. The effects have been limited for Elekta and relates to the introduction of expected credit losses. See note 23 for further information about credit losses. Regarding classification and measurement Elekta identified excess liquidity investment such as money market funds and tradeable securities to be hold in a portfolio managed on a fair value basis and are therefore classified as financial asset at fair value through profit and loss, and trade receivables that might be sold are now, according to IFRS 9, valued at fair value through other comprehensive income. The application of hedge accounting according to IFRS 9 did not result in any financial effects.

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 if the Company transfer substantially all the risks and rewards of ownership. 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.

Financial assets are initially recognized at fair value plus transaction costs, except for those financial assets carried at fair value through profit or loss. Related transaction costs are expensed in the income statement.

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, 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.

Subsequent measurement of the financial asset, after the initial recognition at fair value, is based on what business model the Company have for managing the asset and the cash flow characteristics of the asset. For debt instruments there are three measurement categories with the following characteristics.

- Amortized cost; assets held with the intention for collection of contractual cashflows and the cashflow represent solely payments of principal and interest.
- Fair value through other comprehensive income; assets held with the intention for collection of contractual cashflow and for selling it, and the cashflow represent solely payments of principal and interest.
- Fair value through profit and loss; all financial assets that do not meet the criteria for amortized cost or fair value through other comprehensive income.

Equity instruments, instrument that evidences a residual interest in the asset of an entity after deduction of all its liabilities, are measured at fair value through profit and loss.

The financial liabilities are classified into following measurement categories:

- fair value through profit and loss; liabilities held for trading
- amortized costs; liabilities not held for trading

Financial assets measured at amortized cost.

Assets are classified in this category when the intention is to hold the asset for collection of contractual cashflows and the cashflow represent solely payments of principal and interest.

In this category assets are measured at amortized cost using the effective interest method, less any provision for impairment. Interest income and gains and losses is recognized in the income statement. The category includes for example accounts receivables as well as cash and bank.

Accounts receivable

Since the anticipated life of accounts receivable is short, reporting is based on the amounts expected to be received, without discounting in accordance with the method for amortized cost. Impairment loss on accounts receivable is recognized in operating profit. See note 2 and 23 for further information about credit risk and impairment policies.

Cash and cash equivalent

Cash and cash equivalent comprise cash and bank balances with financial institutions and short-term investments with an original maturity of less than three months. Cash and bank are reported at amortized cost, while the short-term investments in money market funds is measured at fair value through profit and loss.

Financial assets measured at fair value through other comprehensive income (FVOCI)

When the intention of the financial asset is to hold the asset for collection of contractual cashflow and for selling it, and the cashflow represent solely payments of principal and interest, the asset is classified into this category. The assets are measured at fair value with changes in fair value recognized in other comprehensive income (OCI), except for effective interest, impairment gains and losses and foreign exchange gains and losses which are recognized in the income statement. When the financial asset is derecognized, the cumulative gain or loss in OCI is reclassified to the financial income statement.

In this category Elekta has classified account receivables that may be sold. For Elekta it is only in a few countries where account receivables are subject for factoring.

As the sold account receivables are derecognized close to them being issued, there are no material differences between fair value and amortized cost.

Financial assets measured at fair value through profit and loss (FVPL)

All financial assets that do not meet the criteria for amortized cost or FVOCI are measured as FVPL. Assets are classified to this category when the intention is to sell in 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. Financial derivatives and short-term investments in tradeable securities as well as money market funds, were assigned to this category during the year.

Equity investments are classified as FVPL but as non-current assets.

Impairment

Financial assets carried at amortized cost and FVOCI are assessed for impairment based on expected credit losses. The expected credit loss allowance is based on historical credit loss experience, current conditions and forward-looking economic conditions.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company applies the simplified approach to measuring expected credit losses on accounts receivables, meaning a use of a lifetime expected loss allowance. See note 23 for more information about impairment on accounts receivables.

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.

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

The group applies the hedge accounting requirements of IFRS 9. 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. For derivatives designated and qualified as hedging instruments, the method of recognizing the fair value gains or losses depends on the nature of the item being hedged.

The Group documents, at the inception of the hedge, the relationship between hedged item and financial derivative instrument, as well as its risk management objective and strategy. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in off-setting the changes in fair values or cash flows of hedged items based on the following hedging criteria's.

- There is an economic relationship between the hedged item and the hedging instrument
- The effect of credit risk does not dominate the value changes that result from that economic relationship and
- The hedge ratio of the hedging relationship is consistent with risk management strategy.

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, 2019	
SEK M	**Note**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS			
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments – non-hedging		70	70
Short-term investments	25	45	45
Current investments classified as cash equivalents	25	1,716	1,716
Equity instruments	21	60	60
Financial assets measured at amortized cost:			
Other financial assets	21	451	451
Accounts receivable	23	3,399	3,399
Other receivables	24	474	474
Cash and bank	25	2,357	2,357
Financial assets measured at fair value through other comprehensive income:			
Accounts receivable hold to collect and sell	23	56	56
Derivatives used for hedging purposes:			
Derivative financial instruments – hedging		2	2
FINANCIAL LIABILITIES			
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments – non-hedging		25	25
Other liabilities (contingent considerations)		2	2
Financial liabilities measured at amortized cost:			
Long-term interest-bearing liabilities	27	3,558	3,573
Short-term interest-bearing liabilities	27	1,000	1,000
Accounts payable		1,427	1,427
Other liabilities		361	361
Derivatives used for hedging purposes:			
Derivative financial instruments – hedging		72	72

Accounting principles applied until 30 April 2018

Until 30 April 2018, IAS 39 was applied. Comparative information has not been restated.

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, 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 inten-

Note 3 Financial instruments, cont.

tion 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. Financial derivatives and short-term investments in tradeable securities were 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.

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.

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, 2018	
SEK M	**Note**	**Carrying amount**	**Fair value**
FINANCIAL ASSETS			
Financial assets measured at fair value through profit or loss:			
Derivative financial instruments – non-hedge accounting		111	111
Short-term investments	25	83	83
Loan receivables and accounts receivable:			
Other financial assets	21	219	219
Accounts receivable	23	3,402	3,402
Other receivables	24	371	371
Cash and cash equivalents	25	4,458	4,458
Derivatives used for hedging purposes:			
Derivative financial instruments – hedge accounting		59	59
FINANCIAL LIABILITIES			
Financial liabilities measured at fair value through profit or loss:			
Derivative financial instruments – non-hedge accounting		27	27
Other liabilities (contingent considerations)		20	20
Financial liabilities measured at amortized cost:			
Long-term interest-bearing liabilities	27	4,369	4,372
Short-term interest-bearing liabilities	27	975	975
Accounts payable		1,132	1,132
Other liabilities		300	300
Derivatives used for hedging purposes:			
Derivative financial instruments – hedge accounting		26	26

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, 2019				April 30, 2018			
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	–	70	–	70	–	111	–	111
Short-term investments	45	–	–	45	83	–	–	83
Current investments classified as cash equivalents	1,716	–	–	1,716	–	–	–	–
Equity instruments	58	–	2	60	–	–	–	–
Derivatives used for hedging purposes:								
Derivative financial instruments – hedge accounting	–	2	–	2	–	59	–	59
Total financial assets	**1,819**	**72**	**2**	**1,893**	**83**	**170**	**–**	**253**
FINANCIAL LIABILITIES								
Financial liabilities at fair value through profit or loss:								
Derivative financial instruments – non-hedge accounting	–	25	–	25	–	27	–	27
Contingent considerations	–	–	2	2	–	–	20	20
Derivatives used for hedging purposes:								
Derivative financial instruments – hedge accounting	–	72	–	72	–	26	–	26
Total financial liabilities	**–**	**97**	**2**	**99**	**–**	**53**	**20**	**73**

Financial instruments, level 1

The fair value of tradeable securities are reported based on quoted prices on an active market.

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

SEK M	**2018/19**	**2017/18**
Contingent considerations		
Opening balance May 1	20	77
Payments	–16	–45
Reversals	–1	–13
Revaluations	0	1
Translation differences	0	0
Closing balance April 30	**2**	**20**

Note 3 Financial instruments, cont.

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, 2019				April 30, 2018			
SEK M	**Nominal**	**Asset**	**Liability**	**Hedge reserve after tax**	**Nominal**	**Asset**	**Liability**	**Hedge reserve after tax**
Currency derivatives:								
Cash flow hedges	3,103	2	25	–62	1,899	59	26	23
Non-hedge accounting	3,255	70	72	–	4,694	111	27	–
Currency derivatives, total	**6,358**	**72**	**97**	**–62**	**6,593**	**170**	**53**	**23**

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 –58 M (90) during the year, of which SEK –3 M (1) was related to the ineffective portion.

CASH FLOW HEDGES OUTSTANDING

		Q1 19/20		Q2 19/20		Q3 19/20		Q4 19/20		20/21		2018-04-30		
Currencies	**Currency**	**Amount**	**Exchange rate**	**Amount**	**Exchange rate**	**Amount**	**Exchange rate**	**Amount**	**Exchange rate**			**Amount**	**Term**	**Exchange rate**
EUR/GBP	EUR	–	–	–	–	–	–	–	–	–	–	2 M	9 mon	0.914
EUR/SEK	EUR	–	–	3 M	10.11	10 M	10.41	19 M	10.52	19 M	10.61	29 M	4–24 mon	10.113
JPY/GBP	JPY	–	–	200 M	0.007	100 M	139.175	200 M	143.597	–	–	800 M	6–18 mon	0.007
JPY/SEK	JPY	–	–	100 M	0.078	400 M	0.080	700 M	0.084	–	–	900 M	5–21 mon	0.075
USD/GBP	USD	45 M	0.752	58 M	0.753	43 M	0.755	41 M	0.758	3 M	0.746	132 M	2–18 mon	0.752
USD/SEK	USD	7 M	8.364	15 M	8.560	19 M	9.120	18 M	9.141	5 M	9.147	34 M	3–14 mon	8.354

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 2019, 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

	2019/20				2020/21			
SEK M	**Q1**	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Expected result from cash flow hedges	–27	–18	–13	–8	–1	–1	0	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

	2018/2019					2017/2018				
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	72	–	72	–59	13	170	–	170	–43	127
Financial liabilities	97	–	97	–84	13	53	–	53	–43	10

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 4 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 statements, 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, see Note 6
- valuation of accounts receivable, see Note 23
- calculation of deferred taxes, see Note 16
- impairment testing of goodwill, see Note 17
- calculation of provisions, see Note 28

Estimates and assessments are continually reassessed.

Note 5 Segment reporting

Accounting principles

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.

Information on other non-current assets (intangible assets) per country cannot be disclosed as the necessary information is not available. See Note 17 for information on goodwill per region. For information regarding tangible fixed assets per country see Note 18.

SEGMENT REPORTING

	North and South America		Europe, Middle East and Africa		Asia Pacific		Other/ Group-wide[2]		Group total	
SEK M	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Net sales[1]	4,501	3,888	4,956	4,345	4,098	3,340	–	–	13,555	11,573
Operating expenses	–2,793	–2,375	–3,207	–2,783	–2,807	–2,294	–	–	–8,807	–7,452
Contribution margin	**1,707**	**1,513**	**1,749**	**1,562**	**1,291**	**1,046**	**–**	**–**	**4,748**	**4,121**
Contribution margin, %	38%	39%	35%	36%	32%	31%				
Global costs							–3,052	–2,276	–3,052	–2,276
Operating result	**1,707**	**1,513**	**1,749**	**1,562**	**1,291**	**1,046**	**–3,052**	**–2,276**	**1,696**	**1,845**
Income participations in associated companies							3	–7	3	–7
Financial income							66	67	66	67
Financial expenses							–186	–225	–186	–225
Exchange rate differences							2	1	2	1
Income before tax	**1,707**	**1,513**	**1,749**	**1,562**	**1,291**	**1,046**	**–3,167**	**–2,440**	**1,580**	**1,681**
Income tax							–382	–333	–382	–333
Profit for the year	**1,707**	**1,513**	**1,749**	**1,562**	**1,291**	**1,046**	**–3,549**	**–2,773**	**1,198**	**1,348**
Net sales per product type										
Solutions[3]	2,192	1,877	3,224	2,831	2,977	2,346	–	–	8,394	7,054
Service	2,308	2,011	1,731	1,514	1,122	994	–	–	5,161	4,519
Total	**4,501**	**3,888**	**4,956**	**4,345**	**4,098**	**3,340**	**–**	**–**	**13,555**	**11,573**
Depreciation/Amortization	–385	–194	–527	–440	–32	–41	–	–	–943	–675
Investments	384	369	235	451	42	41	–	–	660	861

1) Which of net sales, internal SEK 7,529 M (6,248)

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

Note 6 Net sales

Accounting principles

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. The equipment, installation, software, and services are distinct performance obligations excluding the software that is integrated in the hardware.

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 recognition 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 relative 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 is recognized as contract asset and are amortized over the time when the related revenue is recognized.

The timing for 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.

Treatment solutions

Elekta sells treatment solutions including hardware, software and service. Main hardware products 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, installation services and warranties. Most bundled deals include at least one device, software licenses, installation, service, training and one-year standard warranty that is included in the price. There is a possibility for an extended warranty in some contracts that is considered as a service contract. 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.

Hardware products

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 products

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 contracts

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.

Estimates and assessment

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.

Net sales for the year amounted to SEK 13,555 M (11,573). Accrued income amount to SEK 1,401 M (1,160). Accounts receivable amounted to SEK 3,455 M (3,402). For more information on accounts receivable see Note 23.

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.

NET SALES BY COUNTRY

SEK M	2018/19	2017/18
Sweden	200	45
USA	3,472	3,117
China	1,605	1,272
Japan	847	785
Germany	652	564
Italy	527	391
United Kingdom	481	604
India	405	390
Australia	352	234
France	347	416
Canada	330	266
Spain	325	276
Netherlands	269	259
Republic of Korea	264	144
Other countries	3,479	2,810
Total	**13,555**	**11,573**

Note 7 Salaries, other remuneration and social security costs

Accounting principles

Remuneration paid to employees in the form of wages/salary, paid vacation, etcetera is accounted for as it is earned.

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 obligationare 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.

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

	Group		Parent Company	
SEK M	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Salaries and remunerations:				
Board and Managing directors	126	127	27	33
Other employees	2,973	2,808	37	26
Total salaries and other remunerations	**3,099**	**2,935**	**65**	**59**
Social security costs:				
Pension costs	254	231	13	12
Other social security costs	374	348	26	20
Total social security costs	**627**	**579**	**38**	**32**
Total salaries, other remuneration and social security costs	**3,727**	**3,514**	**103**	**91**

Bonuses included in the above salaries and other remunerations paid to the boards and the Managing directors of subsidiaries amounted to SEK 36 M (38), and SEK 4 M (4) in the Parent Company. Total pension costs amounted to SEK 254 M (231) of which SEK 16 M (14) concern defined benefit pension plans. Pension costs in the Parent Company amounted to SEK 13 M (12) of which the total amount related to defined contribution pensions plans. For further information regarding defined benefit pension plans see Note 28.

Remuneration to the board of directors

The AGM resolved the adoption of fees to the board of directors totaling SEK 6,130,000 (5,765,000), of which 6,130,000 (5,603,000) were paid. The fees were distributed in accordance with the table below.

FEES FOR THE BOARD OF DIRECTORS

	April 30, 2019			April 30, 2018		
SEK Thousands	**Regular remuneration**	**Remuneration compensation committee**	**Remuneration audit committee**	**Regular remuneration**	**Remuneration compensation committee**	**Remuneration audit committee**
Chairman:						
Laurent Leksell	1,165	110	–	1,130	110	–
Members:						
Luciano Cattani	–	–	–	485	75	–
Tomas Puusepp	500	–	–	323	–	–
Cecilia Wikström	500	75	–	–	–	–
Wolfgang Reim	500	75	–	485	–	–
Jan Secher	500	–	135	485	–	135
Birgitta Stymne Göransson	500	–	225	485	–	225
Annika Espander Jansson	500	75	–	485	–	135
Johan Malmqvist	500	–	135	485	75	–
Caroline Leksell Cooke	500	–	135	485	–	–
Total	**5,165**	**335**	**630**	**4,848**	**260**	**495**

Note 7 Salaries, other remuneration and social security costs, cont.

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 22, 2019 are presented on pages 72. The proposed guidelines are unchanged compared to those proposed by the board of directors and approved by the AGM on August 30, 2018. The executive management for 2018/19 was comprised of a total of 13 people, of whom six are located in Sweden and the other seven in the Netherlands, the UK, the US and China. The tables below display remunerations and other benefits to the executive management in 2018/19 and 2017/18 respectively.

REMUNERATION AND OTHER BENEFITS TO EXECUTIVE MANAGEMENT DURING THE YEAR 2018/19

SEK Thousands	Fixed remuneration	Variable remuneration	Severance pay	Share-based compensation	Other benefits	Pension costs	Total
President and CEO	7,984	4,437	–	2,346	6	1,894	**16,666**
Other senior executives resident in Sweden (6)	13,102	5,330	–	2,760	584	2,952	**24,727**
Other senior executives resident abroad (7)	24,047	10,304	–	3,525	1,481	1,044	**41,215**
Total senior executives	**45,132**	**20,070**	**–**	**8,631**	**2,070**	**5,889**	**82,607**

REMUNERATION AND OTHER BENEFITS TO EXECUTIVE MANAGEMENT DURING THE YEAR 2017/18

SEK Thousands	Fixed remuneration	Variable remuneration	Severance pay	Share-based compensation	Other benefits	Pension costs	Total
President and CEO – Richard Hausmann	6,720	4,035	–	808	545	2,712	**14,820**
Other senior executives resident in Sweden (4)[1]	10,940	4,046	461	382	744	2,648	**19,220**
Other senior executives resident abroad (7.5)[1]	20,190	8,917	7,484	1,549	1,517	2,181	**41,838**
Total senior executives	**37,850**	**16,998**	**7,945**	**2,739**	**2,806**	**7,541**	**75,879**
Member of the board/Previous President and CEO – Tomas Puusepp	5,077	–	–	–	87	1,590	**6,754**

1) Average number of persons receiving renumeration during the year. More information about changes to the executive management team are presented on page 60.

Variable remuneration pertains to the bonus for the 2018/19 and 2017/18 fiscal years respectively, partly paid quarterly during each fiscal year and partly paid in the year after.

Share based payment

As per April 30, 2019, Elekta has three outstanding share programs. The share program performance share plan 2015/18, which was outstanding as per April 30, 2018, has expired during the year.

The total number of shares that may be allotted under the share programs is 957,074 (738,574) 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 dilution to occur 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 (2), whereof social security amounted to SEK 2 M (0). See page 62 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 2015/18, resolved by the AGM in 2015, expired during the year. For information on the program see the annual report 2017/18 page 97. Outstanding programs as per April 30 2019 were performance share plan 2016/19, 2017/20 and 2018/21 respectively. The performance share plans cover approximately 8 (2016/119), 11 (2017/20) and 180 (2018/21) 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:

- A performance share award shall entitle a participant to receive, subject to the terms and conditions set forth in the performance share plans 2016, 2017 and 2018 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 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 financial targets for performance share plan 2017 are defined as average annual percentage growth rate in earnings per share (EPS) during the fiscal year 2017/18 until the fiscal year 2019/20, versus EPS for the fiscal years 2016/17. Under performance share plan 2017/20 the maximum number of shares will be allotted if the annual average EPS growth is at or exceeds 154 percent, no allotment of shares will occur if the annual average EPS growth is below 109 percent and allotment of shares between annual average EPS growth 109 and 154 percent is linear.

The financial targets for performance share plan 2018 are defined as average annual percentage growth rate in earnings per share (EPS) during the fiscal year 2018/19, versus EPS for the fiscal year 2017/18. Under performance share plan 2018/21 the maximum performance level requires that 2018/19 EPS is at least 32 per cent higher than 2017/18 EPS. If the maximum performance level is reached or exceeded, the allocation will amount to (and will not exceed) the maximum number of performance shares. If performance is below the maximum level but above the minimum level, a proportionate allocation of shares will be made. No allocation will be made if performance is below the minimum level. The allotment of shares between minimum and maximum level is linear.

The terms of the performance share programs 2016, 2017 and 2018 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 14, 2019, September 14, 2020 and September 14, 2021, 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, 2019, there were no material obligations to settle in any other way than through shares.

SHARE PROGRAM

	2015/18	2016/19	2017/20	2018/21
Originally designated number of shares	289,284	280,386	272,379	530,799
Share price used for calculation of theoretical value SEK[1]	56	77	84	100
Allotment of shares	2018-09-16	2019-09-14	2020-09-14	2021-09-14
Number of shares as of April 30, 2018	216,963	249,232	272,379	–
Granted during the year	–	–	–	530,799
Cancelled/Expired during the year	–216,963	–93,462	–	–1,874
Released during the year	–	–	–	–
Number of shares as of April 30, 2019	**–**	**155,770**	**272,379**	**528,925**

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 8 Depreciation/amortization

	Group	
SEK M	**2018/19**	**2017/18**
Cost of products sold	46	52
Selling expenses	132	137
Administrative expenses	65	62
R&D expenses	700	424
Total	**943**	**675**

Note 9 Operating leases

Accounting principles

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. The Group has mainly operating lease. There are few finance leases. See Note 18.

	Group	
SEK M	**2018/19**	**2017/18**
Leasing fees paid during the year	256	229
Nominal value of agreed future leasing fees:		
Due for payment within 1 year	229	238
Due for payment after 1 year but within 5 years	628	585
Due for payment after more than 5 years	602	613
Total	**1,459**	**1,436**

Leasing fees paid by the Parent Company during the year amounted to SEK 308 K (585). Future leasing fees due for payment within one year amount to SEK 281 K (396), after 1 year but within 5 years SEK 99 K (342).

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

Note 10 Remunerations to auditors

SEK M	Group 2018/19	Group 2017/18	Parent Company 2018/19	Parent Company 2017/18
Group auditor (PwC)				
Audit engagements	12	12	5	5
Audit-related services	0	1	–	0
Tax consultancy	0	1	–	–
Other services	1	0	1	0
Total Group auditor	**13**	**14**	**6**	**5**
Other auditors				
Audit engagements	0	0	–	–
Tax consultancy	5	7	1	1
Other services	1	0	–	–
Total other auditors	**6**	**7**	**1**	**1**
Total	**19**	**21**	**6**	**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.

Of fees for audit engagements SEK 5 M pertains to PwC Sweden, of other services SEK 1 M pertains to PwC Sweden.

Note 11 Expenses by nature

In the income statement costs are broken down by function. Operating expenses amount to SEK 11,859 M (9,728). Below, operating expenses are broken down by nature:

SEK M	Group 2018/19	Group 2017/18
Products, materials and consumables	5,263	4,053
Personnel costs	3,898	3,566
Depreciation and amortization (Notes 8, 16 and 17)	943	675
Operating lease fees (Note 9)	256	229
Other expenses	1,499	1,205
Total	**11,859**	**9,728**

Note 12 Income from participations in Group companies

SEK M	Parent Company 2018/19	Parent Company 2017/18
Dividends from subsidiaries	605	410
Group Contribution	138	315
Divestment of shares in subsidiaries	40	–
Total	**783**	**725**

Note 13 Net financial items

SEK M	Group 2018/19	Group 2017/18
Income from participations in associates	8	7
Write-down loan in associates	–5	-14
Income from participations in associates	**3**	**–7**
Interest income, external	65	66
Other financial income	1	1
Financial income	**66**	**67**
Interest expenses, other external loans	–156	–163
Other financial expenses	–29	–62
Financial expenses	**–186**	**–225**
Exchange rate differences on financial instruments	**2**	**1**
Net financial items	**–116**	**–164**

Note 14 Interest income, interest expense and similar items

SEK M	Parent Company 2018/19	Parent Company 2017/18
Interest income from subsidiaries	139	159
Interest income, external	53	53
Interest income and similar items	**192**	**212**
Interest expenses to subsidiaries	–20	–10
Interest expenses, other external loans	–153	–153
Other financial expenses	–18	–14
Interest expenses and similar items	**–191**	**–177**

Note 15 Appropriations and untaxed reserves

	Parent Company			
	Appropriations		Untaxed reserves	
SEK M	2018/19	2017/18	2018/19	2017/18
Tax allocation reserve	-14	–	14	–
Total	**-14**	**–**	**14**	**–**

Note 16 Taxes

Accounting principles

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.

Estimates and assessments

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 184 M (162), whereof assets SEK 402 M (350) and liabilities SEK 587 M (511).

INCOME TAXES

	Group		Parent Company	
SEK M	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Current taxes	–331	–206	–	–
Current tax adjustments for prior years	–22	–38	–	–
Deferred taxes	–28	-89	3	–63
Total	**–382**	**–333**	**3**	**–63**
Swedish tax	22%	22%		
Effect of other tax rates for foreign companies	4%	1%		
Change in tax legislation	0%	–5%		
Tax, current and deferred, related to prior years	1%	2%		
Other	–3%	0%		
Tax rate	**24%**	**20%**		

CURRENT TAX, NET (LIABILITY +/RECEIVABLE –)

	Group		Parent Company	
SEK M	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Opening balance, May 1	–71	–80	–16	–21
Business combinations	–1	–	–	–
Reclassifications	–11	24	–	–
Adjustment for prior years	23	38	–	–
Current tax for the year	331	206	–	–
Paid taxes	–269	–257	–1	5
Translation differences	6	–1	–	–
Closing balance, April 30	**8**	**–71**	**–17**	**–16**

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, 2019**	**April 30, 2018**	**April 30, 2019**	**April 30, 2018**	**April 30, 2019**	**April 30, 2018**
Loss carry-forwards	145	52	–	–	145	52
Untaxed reserves	0	–	0	–1	0	–1
Intangible assets	1	0	–756	–749	–755	–749
Tangible fixed assets	22	20	–44	–46	–22	–26
Financial assets/liabilities	16	5	–10	–31	6	–27
Other assets	250	393	–27	–27	223	366
Other liabilities	226	238	–7	–15	219	223
Deferred tax assets/tax liabilities	**660**	**708**	**–844**	**–869**	**–184**	**–162**
Offsetting	-258	–358	258	358	–	–
Net deferred tax assets/tax liabilities	**402**	**350**	**–587**	**–511**	**–184**	**–162**

Note 16 Taxes, cont.

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

SEK M	Group, net	Parent Company, net
Opening balance May 1, 2017	-87	63
Business combinations	0	–
Reclassifications	13	–
Adjustment for prior years	–7	–
Change in tax legislations	66	–
Deferred taxes for the year	–154	–63
Deferred taxes charged in other comprehensive income	7	–
Translation differences	0	–
Closing balance April 30, 2018	**–162**	**0**
Business combinations	0	–
Reclassifications	0	–
Adjustment for prior years	9	–
Change in tax legislations	0	–
Deferred taxes for the year	–37	3
Deferred taxes charged in other comprehensive income	19	–
Translation differences	–14	–
Closing balance April 30, 2019	**–184**	**3**

The Group has tax loss carry forwards of approximately SEK 349 M (300) 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.

TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	Group		Parent Company	
SEK M	2018/19	2017/18	2018/19	2017/18
Revaluation of defined benefit pension plans	0	5	–	–
Revaluation of cash-flow hedges	19	2	–	–
Total	**19**	**7**	**–**	**–**

Note 17 Intangible assets

Accounting principles

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

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.

Estimates and assessment

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 5,914 M (5,607).

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, 2018	5,610	4,389	1,638	1,045	12,682	91	91
Reclassifications	–	8	–	–	8	–	–
Business combinations	82	–	–	–	82	–	–
Purchases/Capitalization	–	456	–	2	458	–	–
Divestments/Disposals	0	–9	–	–31	–40	–	–
Translation differences	213	258	39	47	557	–	–
Accumulated acquisition value April 30, 2019	**5,905**	**5,103**	**1,677**	**1,063**	**13,748**	**91**	**91**
Accumulated amortization May 1, 2018	–3	–2,089	–623	–792	–3,507	–24	–24
Reclassifications	–	0	–	–	0	–	–
Divestments/Disposals	–	0	–	31	31	–	–
Amortization for the year	–	–664	–94	–24	–781	–7	–7
Translation differences	12	–132	–24	–44	–189	–	–
Accumulated amortization April 30, 2019	**9**	**–2,886**	**–741**	**–829**	**–4,447**	**–31**	**–31**
Carrying amount April 30, 2019	**5,914**	**2,217**	**936**	**233**	**9,301**	**60**	**60**
Accumulated acquisition value May 1, 2017	5,389	3,726	1,530	1,006	11,651	91	91
Reclassifications	–13	0	13	0	–	–	–
Purchases/Capitalization	–	637	–	5	642	–	–
Divestments/Disposals	–	–47	–	–	–47	–	–
Translation differences	234	73	95	34	436	–	–
Accumulated acquisition value April 30, 2018	**5,610**	**4,389**	**1,638**	**1,045**	**12,682**	**91**	**91**
Accumulated amortization May 1, 2017	–1	–1,696	–502	–748	–2,947	–16	–16
Reclassifications	–	0	–	0	–	–	–
Divestments/Disposals	–	47	–	–	47	–	–
Amortization for the year	–	–408	–92	–24	–524	–8	–8
Translation differences	–2	–32	–29	–20	–83	–	–
Accumulated amortization April 30, 2018	**–3**	**–2,089**	**–623**	**–792**	**–3,507**	**–24**	**–24**
Carrying amount April 30, 2018	**5,607**	**2,300**	**1,015**	**253**	**9,175**	**68**	**68**

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 456 M (637) for the year whereof capitalization of development costs within R&D represented SEK 453 M (637).

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, 2019	April 30, 2018
North and South America	2,083	1,918
Europe, Middle East and Africa	2,041	1,972
Asia Pacific	1,789	1,716
Total	**5,914**	**5,607**

Note 17 Intangible assets, cont.

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 2019 (2018) 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 18 Tangible fixed assets

Accounting principles

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, see Note 17 for impairment principles. See Note 9 for operating lease.

TANGIBLE FIXED ASSETS

SEK M	Machinery etc for production	Equipment, tools and installations	Finance lease equipment	Buildings	Total
Accumulated acquisition value May 1, 2018	288	1,559	10	224	2,081
Reclassifications	–2	–21	0	–1	–24
Purchases	36	154	3	9	201
Divestments/Disposals	–6	–73	–2	–3	–83
Translation differences	6	67	0	5	78
Accumulated acquisition value April 30, 2019	**323**	**1,687**	**11**	**233**	**2,254**
Accumulated depreciation May 1, 2018	–195	–919	–6	–67	–1,186
Reclassifications	0	15	–	–	16
Divestments/Disposals	5	71	2	3	80
Depreciation for the year	–23	–125	–1	–12	–162
Translation differences	–4	–40	0	–2	–46
Accumulated depreciation April 30, 2019	**–216**	**–998**	**–6**	**–78**	**–1,298**
Carrying amount April 30, 2019	**107**	**689**	**5**	**156**	**957**
Accumulated acquisition value May 1, 2017	270	1,372	5	205	1,852
Reclassifications	1	–2	5	–4	0
Purchases	19	192	1	7	219
Divestments/Disposals	–11	–52	–1	–	–64
Translation differences	9	49	0	16	74
Accumulated acquisition value April 30, 2018	**288**	**1,559**	**10**	**224**	**2,081**
Accumulated depreciation May 1, 2017	–174	–826	–5	–53	–1,057
Reclassifications	0	–2	–1	3	0
Divestments/Disposals	6	51	1	–	58
Depreciation for the year	–21	–117	–1	–12	–151
Translation differences	–6	–25	0	–5	–36
Accumulated depreciation April 30, 2018	**–195**	**–919**	**–6**	**–67**	**–1,186**
Carrying amount April 30, 2018	**93**	**640**	**4**	**157**	**895**

TANGIBLE FIXED ASSETS BY COUNTRY

SEK M	2018/19	2017/18
Sweden	66	62
United Kingdom	463	429
China	150	132
Netherlands	105	93
USA	99	102
Other countries	74	77
Total	**957**	**895**

Note 19 Shares in subsidiaries

	Parent Company	
SEK M	**2018/19**	**2017/18**
Opening balance May 1	2,239	2,222
Adjusted purchase price	–	–35
Divestments	–44	–
Shareholder contributions	244	52
Closing balance April 30	**2,439**	**2,239**

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 Solutions AB	559157-5286	Stockholm, Sweden	50,000	100.0	200
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	49
Elekta BMEI (Beijing) Medical Equipment Co., Ltd	91110114400615135X	Beijing, China	0	100.0	230
Elekta China Investment Co., Ltd	91310115MA1K47TB2R	Shanghai, China	1	100.0	44
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	Athens, 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, South Korea	1311111-0259	Seongnam-si, South Korea	473,879	100.0	15
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	87
Elekta Medical SA de CV	EME140919G49	Mexico City, Mexico	50	100.0	25
Elekta sp.Z.O.O	KRS 0000538192	Warsaw, Poland	2,000	100.0	104
Elekta Company Limited	106810452	Hanoi, Vietnam	1	100.0	2
Elekta Business Services sp.Z.O.O	KRS 000567549	Warsaw, 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	4
RRTS Unipessoal Lda	514185155	Lisbon, Portugal	0	100.0	13
Total					**2,439**

Note 20 Shares in associates

Accounting principles

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.

SHARES IN ASSOCIATES

	Group		Parent Company	
SEK M	**2018/19**	**2017/18**	**2018/19**	**2017/18**
Opening balance May 1	42	22	–	–
Investments	6	17	6	–
Participations in income of associates (Note 13)	8	7	–	–
Dividends etcetera	–3	–4	–	–
Translation differences	4	–1	–	–
Closing balance April 30	**57**	**42**	**6**	**–**

Note 21 Other financial assets

	Group		Parent Company	
SEK M	**April 30, 2019**	**April 30, 2018**	**April 30, 2019**	**April 30, 2018**
Participations in other companies	60	3	58	–
Derivative financial instruments	0	0	–	–
Loan receivables	14	14	–	–
Contractual receivables	334	170	–	–
Other non-current receivables	43	32	23	14
Total	**451**	**219**	**81**	**14**

Note 22 Inventories

Accounting principles

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.

INVENTORIES

	Group	
SEK M	**April 30, 2019**	**April 30, 2018**
Components	299	227
Work in progress	76	48
Finished goods	2,259	2,285
Total	**2,634**	**2,560**

Impairment of inventories during the year amounted to SEK 88 M (67). In the income statement this is reported as cost of products sold.

Note 23 Accounts receivable and contract assets

Estimates and assessment

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. Accounts receivable amounted to SEK 3,455 M (3,402) including expected credit losses of SEK 229 M (152). See Note 2 for further information regarding the credit risk in accounts receivable. See Note 3 for accounting principles. From 1 May 2018 Elekta applies the simplified approach for measuring expected credit losses for accounts receivables and contract assets, in accordance to IFRS 9. For all account receivables overdue more than 90 days and with a value of more than SEK 1 M an individual evaluation is made and when necessary a specific provision is applied. For all non-due and overdue receivables not covered by a specific provision a general provision is calculated based on region and aging. The general provision is calculated as a percentage of the receivable and the percentage used is based on historical loss experience, current conditions and forward-looking economic conditions for each region. As of April 30, 2019, the general provision is SEK 77 M and the specific provision amounted to SEK 152 M. Final write off of a receivable is done when no further actions are taken to collect on the receivable and probability of collection is deemed to be zero, e.g. bankruptcy.

The contract asset relates to unbilled work in progress and are considered to have the same risk characteristics as non-due accounts receivables. An individual evaluation is made for contract assets over 180 days and with a value of more than SEK 5 M.

Contract assets amounted to SEK 1,401 M (1,160) including expected credit losses of SEK 11 M (10).

CREDIT RISK ANALYSIS OF ACCOUNTS RECEIVABLE

	2019-04-30			2018-04-30		
SEK M	Gross	Reserv	Total	Gross	Reserv	Total
Not due	1,902	–2	1,900	2,281	–1	2,280
Overdue 1–30 days	474	–1	473	330	0	330
Overdue 31–60 days	216	–1	215	185	0	185
Overdue 61–90 days	189	–4	185	166	–1	166
Overdue > 90 days	901	–221	680	592	–151	441
Total accounts receivables, net	**3,684**	**–229**	**3,455**	**3,555**	**–152**	**3,402**

CREDIT RISK ANALYSIS OF ACCOUNTS RECEIVABLE MEASURED AT FAIR VALUE THROUGH OTHER COMPRENCIVE INCOME

SEK M	Gross	Provision	Total
Not due	38	0	38
Overdue 1–30 days	18	0	18
Overdue 31–60 days	0	0	0
Overdue 61–90 days	–	–	–
Overdue > 90 days	–	–	–
Total accounts receivables, net	**56**	**0**	**56**

PROVISION FOR BAD DEBT ACCOUNTS RECEIVABLE

SEK M	2018/19	2017/18
Opening balance May 1	–152	–121
Adjustment due to IFRS 9	–25	–
Provisions	–71	–53
Reversals	1	2
Realized loss	35	26
Reclassification from contract assets	–10	–
Translation differences	–6	–6
Closing balance April 30	**–229**	**–152**

PROVISION FOR BAD DEBT CONTRACT ASSETS

SEK M	2018/19
Opening balance May 1	–10
Adjustment due to IFRS 9	–24
Provisions	0
Reversals	14
Reclassification to accounts receivable	10
Translation differences	0
Closing balance April 30	**–11**

Note 24 Other current receivables

	Group	
SEK M	**April 30, 2019**	**April 30, 2018**
Prepayments to suppliers	100	72
Other receivables	473	371
Prepaid expenses	485	626
Total	**1,059**	**1,068**
	Parent Company	
SEK M	**April 30, 2019**	**April 30, 2018**
Derivative financial instruments	61	109
Current tax assets	17	16
Other receivables	12	1
Prepaid expenses	12	11
Total	**102**	**137**

Note 25 Cash and cash equivalents and short-term investments

	Group		Parent Company	
SEK M	**April 30, 2019**	**April 30, 2018**	**April 30, 2019**	**April 30, 2018**
Current investments classified as cash equivalent	1,716	2,707	1,716	2,707
Short-term investments	45	83	45	83
Cash and bank	2,357	1,751	1,225	918
Total	**4,119**	**4,541**	**2,986**	**3,708**

Available cash and cash equivalents and short-term investments amounted to SEK 4,111 M (4,533) which is cash and cash equivalents and short-term investments reduced by bank balances included in assets pledged. See Note 32.

Note 26 Equity

Number of shares in Elekta AB (publ)	A-shares	B-shares	Total	Share capital
Number of shares May 1, 2017	14,980,769	368,587,640	383,568,409	191,784,205
Conversion of convertible loan	–	–	–	–
Number of shares April 30, 2018	**14,980,769**	**368,587,640**	**383,568,409**	**191,784,205**
of which treasury shares	–	1,541,368	1,541,368	
Number of shares May 1, 2018	14,980,769	368,587,640	383,568,409	191,784,205
Conversion of convertible loan	–	–	–	–
Number of shares April 30, 2019	**14,980,769**	**368,587,640**	**383,568,409**	**191,784,205**
of which treasury shares	–	1,541,368	1,541,368	

APPROPRIATION OF PROFIT

Amount to be paid to the shareholders	SEK 687,648,674
Amount to be carried forward by the Parent Company	SEK 1,862,765,627
Total non-restricted equity of the Parent Company	**SEK 2,550,414,301**

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 535 M, corresponding to SEK 1.40 per share. At the AGM on 22 August, 2019, a dividend of SEK 1.80 per share for the year 2018/19 – a total sum of approximately SEK 688 M will be proposed. The average number of shares before and after dilution during the year, rounded to the nearest thousand, was 382,027 thousand (382,027). The number of repurchased shares on April 30, 2019, 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 dilution to occur and this was not the case at the closing date.

For more information on the Elekta share, see pages 62–63.

Note 27 Interest-bearing liabilities

	Group		Parent Company	
SEK M	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018
Bond loan	1,998	1,997	1,998	1,997
Liabilities to credit institutions	2,555	3,344	2,555	3,328
Liabilities to subsidiaries	–	–	3,934	3,793
Finance lease liabilities	6	3	–	–
Total	**4,558**	**5,344**	**8,487**	**9,118**
Maturity term structure, external loans				
< 1 year	1,000	975	1,000	959
> 1 year < 3 years	3,084	999	3,079	1,000
> 3 year < 5 years	475	2,937	475	2,941
> 5 years	–	433	–	433
Total	**4,558**	**5,344**	**4,553**	**5,333**

SPECIFICATION BY CURRENCY

	Liability amount		SEK M	
Currency	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018
Swedish kronor, SEK M	2,500	2,000	2,498	1,997
US dollar, USD M	100	202	949	1,746
Euro, EUR M	0	50	0	525
British Pound, GBP M	90	90	1,106	1,072
Polish Zloty, PLN M	2	1	5	3
Brazilian real, BRL M	0	0	0	0
South African rand, ZAR M	1	–	1	–
Total			**4,558**	**5,344**

FIXED INTEREST TERM INCLUDING EFFECTS OF DERIVATIVES

	April 30, 2019	April 30, 2018
< 1 year	1,000	975
> 1 year < 3 years	3,084	999
> 3 year < 5 years	475	2,937
> 5 years	–	433
Total	**4,558**	**5,344**

Note 28 Provisions

Accounting principles

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.

Pensions

Pensions are reported either as defined contribution plans or as defined benefit plans. 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.

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.

Estimates and assessment

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 376 M (344).

PROVISIONS

	Group		Parent Company	
SEK M	**April 30, 2019**	**April 30, 2018**	**April 30, 2019**	**April 30, 2018**
Restructuring reserve	3	19	0	0
Warranty provisions	102	83	–	–
Other provisions	84	84	0	0
Short-term provisions	**188**	**186**	**0**	**0**
Provision for pensions	149	127	–	–
Other provisions	39	31	12	9
Long-term provisions	**188**	**158**	**12**	**9**

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 254 M (231) of which SEK 16 M (14) relate to defined contribution pension plans (see Note 7).

PENSION COSTS, DEFINED BENEFIT PENSION PLANS

	Group	
SEK M	**2018/19**	**2017/18**
Current service cost	–14	–14
Interest expense	–4	–3
Interest income	2	2
Actuarial gains (+) and losses (–)	–1	–19
Total pension costs defined benefit plans	**–17**	**–33**
whereof reported in: the income statement	–16	–14
other comprehensive income	–1	–19

DEFINED BENEFIT PENSION PLANS

	Group	
SEK M	**April 30, 2019**	**April 30, 2018**
Defined benefit obligation, funded plans	148	122
Fair value of plan assets	–125	–99
Provision for pensions, funded plans	**23**	**23**
Defined benefit obligation, unfunded plans	126	104
Provision for pensions, unfunded plans	**126**	**104**
Pension provision for defined benefit plans, net	**149**	**127**

Note 28 Provisions, cont.

MOVEMENT IN PROVISION FOR PENSIONS

	Group	
SEK M	**2018/19**	**2017/18**
Opening balance:		
Defined benefit obligation	226	181
Fair value of plan assets	–99	–88
Provision for pensions May 1	**127**	**93**
Pension costs	17	33
Contributions/Repayments	–5	3
Benefit payments	–4	–2
Change in provision plan	10	–6
Translation differences	4	6
Closing balance:		
Defined benefit obligation	274	226
Fair value of plan assets	–125	–99
Provision for pensions April 30	**149**	**127**

MAIN ACTUARIAL ASSUMPTIONS (WEIGHTED AVERAGE)

	Group	
	April 30, 2019	**April 30, 2018**
Discount rate	1.3%	1.5%
Future salary increases	1.9%	1.8%

MOVEMENT IN PROVISIONS

	Group			Parent Company
SEK M	**Restructuring reserve**	**Warranty provisions**	**Other provisions**	**Other provisions**
Opening balance May 1, 2017	117	69	68	64
Provisions	46	100	89	0
Reversals	–13	–48	–34	–35
Provisions utilized during the year	–130	–43	–10	–22
Translation differences	–1	5	2	2
Closing balance April 30, 2018	**19**	**83**	**115**	**9**
Provisions	–	151	31	3
Reversals	–	–74	–1	0
Provisions utilized during the year	–17	–61	–23	0
Translation differences	1	3	0	–
Closing balance April 30, 2019	**3**	**102**	**122**	**12**

In the consolidated accounts, other provisions mainly refer to project related provisions. In the Parent company, contingent considerations are reported as provisions and amount to SEK 0 M (0).

Note 29 Customer contract related balances and order backlog

SEK M	Group 2018/19	2017/18
Contract assets		
Income not invoiced	1,411	1,170
Doubtful INI	–11	–10
Total	**1,401**	**1,160**
Contract liabilities		
Advances from customer	4,883	5,316
Prepaid service income	2,096	1,539
Other prepaid income	74	451
Total	**7,053**	**7,306**

The increase in contract assets and decrease in contract liabilities was mostly due to country mix.

REVENUE RECOGNIZED IN THE PERIOD

SEK M	Group 2018/19	2017/18
Revenue recognized in the year relating to the opening balance of the contract liability balance	4,685	5 550

Order backlog was SEK 32,003 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 1,763 M. According to current delivery plans, current order backlog is expected to be recognized as follows: approximately 35 percent in 2019/20, 25 percent in 2020/21 and 40 percent thereafter.

Note 30 Accrued expenses

SEK M	Group April 30, 2019	April 30, 2018
Reserve for additional project costs	536	539
Accrued commission costs	100	85
Accrued vacation pay liability	171	155
Accrued social costs	50	57
Accrued interest expenses	28	47
Other items	777	779
Total	**1,661**	**1,662**

Note 31 Other current liabilities

SEK M	Parent Company April 30, 2019	April 30, 2018
Accounts payable	17	7
Accrued expenses (see below)	54	69
Derivative financial instruments	15	13
Other liabilities	9	5
Total	**95**	**94**
Accrued expenses		
Accrued vacation pay liability	4	4
Accrued social costs	3	2
Accrued interest expenses	28	47
Other items	20	16
Total	**54**	**69**

Note 32 Assets pledged

SEK M	Group April 30, 2019	April 30, 2018
Bank balances	8	8
Total	**8**	**8**

Collateral pledged for contingent liabilities.

Note 33 Contingent liabilities

	Group		Parent Company	
SEK M	April 30, 2019	April 30, 2018	April 30, 2019	April 30, 2018
Guarantees	83	34	1,320	1,305
Total	**83**	**34**	**1,320**	**1,305**

Guarantees consist of mainly advance payment guarantees and performance guarantees. Also parental guarantees and bid bonds are common.

Note 34 Cash flow statement

SEK M	Group 2018/19	Group 2017/18	Parent Company 2018/19	Parent Company 2017/18
Interest net				
Interest income	–65	–66	–191	–211
Interest expenses	156	163	173	163
Total	**91**	**96**	**–18**	**–48**
Other non-cash items				
Participations in profit/loss of associated companies, after tax	–6	7	–	14
Write-down of loan	5	14	5	–
Result from divestments/disposals of fixed assets	–70	6	–48	–
Cost of incentive programs	6	2	–	–
Group contribution	–	–	–178	–315
Unrealized exchange rate effects etc	60	187	177	55
Other items	26	38	–7	1
Total	**21**	**254**	**–51**	**–245**
Business combinations				
Purchase price	–75	–	–44	–
Contingent considerations	–16	–45	–	–22
Divestments	92	–	92	–
Shareholder contributions	–	–	–	–52
Total	**1**	**–45**	**48**	**–74**

More information on business combinations is presented in Note 36.

CHANGES IN NET LIABILITIES RELATED TO FINANCING ACTIVITIES

SEK M	Opening balance	Cash flow	Non-cash changes: Other	Non-cash changes: Foreign exchange movements	Closing balance
Bond loans	1,997	–	1	–	1,998
Short-term loans	0	–	–	–	–
Financial leases liabilities	3	–	2	1	6
Liabilities to credit institutes	3,344	–938	3	17	2,555
Total	**5,344**	**–938**	**6**	**18**	**4,558**

Note 35 Related party transactions

Transactions between Elekta AB and its subsidiaries are shown in Notes 12, 14 and 27. These transactions are eliminated upon consolidation. Sales to associated companies amounted to SEK 32 M (28), receivables from associated companies amounted to SEK 43 M (25) and costs related to associated companies amounted to SEK 0 M (3).

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 7.

Note 36 Business combinations

2018/19

On April 9, 2019, Elekta announced the acquisition of a minority stake (20%) in the German Company, iRT Systems GmbH, in order to improve its quality assurance (QA) offering to clinics and hospitals around the world. The acquisition price consisted of a fixed amount of approximately SEK 6 M.

Elekta announced on July 27, 2018, that it has acquired 100 percent of 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. The acquisition price consisted of a fixed amount of SEK 68 M. According to the purchase price allocation goodwill amounted to SEK 82 M based on the full variable amounted the acquisition price. Elekta will be able to enhance its Quality Assurance capabilities and offering for its oncology treatment solutions. The acquired goodwill is not tax deductible. Transaction costs amounted to approximately SEK 2 M and were reported as other operating expenses in the consolidated income statement. At the time of acquisition equity amounted to SEK –14 M.

On July 19, 2018, Elekta announced that it has sold its MEG business to York Instruments, a subsidiary of Croton Healthcare, LLC. This divestment follows Elekta's strategic decision to prioritize its treatment solutions and oncology informatics portfolio. The purchase price received amounted to SEK 92 M. Transaction costs amounted to approximately SEK 4 M.

An amount of SEK 16 M (45) of contingent considerations related to acquisitions in previous years has been paid out.

2017/18

No business combinations were entered into during the year. An amount of SEK 45 M (24) of contingent considerations related to acquisitions in previous years has been paid out.

Note 37 Average number of employees

	Men		Women		Total	
	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18
Parent Company	18	18	19	18	37	36
Subsidiaries:						
Sweden	153	147	82	74	235	221
USA	562	582	288	284	850	866
Great Britain	493	507	159	154	652	661
China	416	319	185	251	601	570
The Netherlands	172	170	38	41	210	211
Poland	63	48	96	87	159	135
Germany	111	118	32	32	143	150
Japan	99	77	23	25	122	102
India	97	89	7	7	104	96
Canada	63	58	22	15	85	73
Italy	56	55	15	16	71	71
France	53	52	15	14	68	66
Australia	43	39	12	10	55	49
Brazil	41	35	13	14	54	49
Spain	40	39	9	9	49	48
Hong Kong	33	31	14	15	47	46
Turkey	13	29	34	11	47	40
Mexico	29	27	4	4	33	31
South Korea	19	17	4	3	23	20
Singapore	17	12	6	4	23	16
Austria	15	15	6	6	21	21
Russia	15	12	5	3	20	15
South Africa	10	8	3	2	13	10
Belgium	11	11	1	2	12	13
Greece	9	9	3	3	12	12
Czech Republic	8	10	3	3	11	13
Portugal	8	9	3	3	11	12
New Zealand (branch)	7	5	2	2	9	7
Algeria	1	3	8	1	9	4
Vietnam	7	6	1	–	8	6
Switzerland (branch)	3	3	2	1	5	4
Finland	–	25	–	7	–	32
Total average number of employees	**2,684**	**2,582**	**1,114**	**1,120**	**3,798**	**3,702**

Specification men/women among board of directors and executive management

During the financial year, the board of directors of Elekta AB consisted of 56 percent (67) men. The executive management consisted of 85 percent (91) men.

Note 38 Events after the reporting period

In May, 2019, Elekta announced that its Elekta Unity has been approved for clinical use in Japan.

Note 39 Effects from changed accounting standards

Effects of new accounting standards

IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial instruments are effective for annual reporting periods beginning on or after January 1, 2018 and Elekta will apply the new standards from May 1, 2018. For IFRS 15 Elekta has decided to apply the full retrospective method with restatement of the prior year comparative period. IFRS 9 will be applied retrospectively and as permitted by the standard the comparative period will not be restated. The net balance effect from the transition to IFRS 15 will be reported in equity and is estimated to 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 will affect the opening balance of fiscal year 2018/19 and the impact on equity is estimated to 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 will primarily depend on the number of treatment solutions that are 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.

The following schedule presents the estimated transition effects on equity and other balance sheet items from the implementation of IFRS 15 and IFRS 9.

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
Other financial assets	285	–	285	219	–	219	219	0	219
Current assets									
Inventories	936	1,384	2,320	1,121	1,455	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	0	1,068
Total assets	**20,950**	**820**	**21,770**	**22,457**	**1,319**	**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	–46	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**	**1,319**	**23,760**	**23,760**	**–39**	**23,721**

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. IFRS 15 introduces a new core principle which requires the expected amount of revenue to be recognized when control over goods and services is transferred to the customer, instead of when risks and rewards are transferred which is the requirement under current standards.

The new standard introduces a five-step model that should be applied to all contracts with customers in order to establish how and when to recognize revenue:

1. Identify contracts with customers.
2. Identify the separate performance obligations.
3. Determine the transaction price of the contract.
4. Allocate the transaction price to each of the separate performance obligations.
5. Recognize the revenue as each performance obligation is satisfied.

An important amount of judgments is required when applying these steps to a contract in order to define performance obligations, transaction price, revenue allocation and timing of revenue recognition.

Allocation of the transaction price to performance obligations

A significant part of Elekta's revenue is derived from bundled deals, in which devices, software and service are included in the same contract. IFRS 15 gives clear guidance on how to allocate the transaction price to identified deliverables (performance obligations) in a bundled contract. According to the standard the allocation should be based on stand-alone selling prices and any discount should be proportionally distributed amongst the various performance obligations. A stand-alone-selling price is the price an entity charges for goods or services when the entity sells it separately in similar circumstances to similar customers. If goods or services are not sold separately the stand-alone selling price must be estimated. As part of the implementation of IFRS 15 a reassessment has been made of stand-alone selling prices and the allocation of discounts to the components included in bundled contracts. The effects vary between contracts and markets but the general impact is that under IFRS 15 more revenue will be allocated to devices and software and less revenue will be allocated to service compared with the previous allocation model. The reallocation of revenue will result in some revenue being recognized earlier as the point in time for revenue recognition of equipment and software occurs before recognizing revenue relating to the service component. The new allocation model will only affect revenues included in bundled deals as stand-alone sales are not affected by the revenue allocation model.

Timing for revenue recognition of treatment solutions

Under IFRS 15 revenue recognition should occur at the time of transfer of control to the customer. The assessment of control transfer should consider indicators such as transfer of risk and rewards, rights to payment, customer acceptance, physical possession and transfer of legal title. For the sale of devices in a standard bundled deal, Elekta considers the transfer of control to occur when the device is ready for installation at the customer's site. At this point in time the risk and rewards are usually transferred, Elekta has the right to payment and the customer has gained physical possession of the device. Contractual terms may vary and therefore judgement must be applied when assessing the indicators of transfer of control. Under the previous standard revenue was recognized when risks and rewards were transferred to the customer, which is usually at the time of shipment under a standard contract. The impact of the transition to IFRS 15 is that revenue recognition for devices included in a standard bundled deal is postponed.

The financial impact reported in equity on transition relates primarily to devices that have been shipped but are not yet ready for installation at the customer's site at the transition date.

For software sales, control is considered to be transferred when the licenses are made available to the customer which is usually at the acceptance of the software. For a large part of the software licenses this is in line with revenue recognition under the previous standard. However, certain software licenses that were considered being part of the devices under the previous standard are considered to be separate performance obligations under IFRS 15, and as a result the timing of the revenue recognition has changed under IFRS 15 to be aligned with revenue recognition for other software licenses.

Based on the assessment performed, Elekta has identified the areas where the new standard requires changes to accounting policies, internal processes, procedures, systems and controls. Changes have been implemented from May 1, 2018 in order to comply with the new standard.

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	–1,342	–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**	**5,055**
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**	**198**	**247**	**58**	**305**	**308**	**34**	**342**	**544**	**–42**	**502**	**1,099**	**249**	**1,348**
Total comprehensive income for the period	**–265**	**199**	**–66**	**409**	**58**	**467**	**312**	**34**	**346**	**1,124**	**–42**	**1,082**	**1,581**	**249**	**1,830**
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
Adjusted EBITA	187	243	430	509	76	585	502	43	545	918	–55	863	2,116	307	2,423
Adjusted EBITA margin	9%	–	17%	18%	–	20%	18%	–	20%	25%	–	25%	19%	–	21%

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	414	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	1,654	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**

IFRS 9 Financial instruments

IFRS 9 is a new standard on accounting for financial instruments which replaces IAS 39 Financial instruments. The standard comprises classification, measurement and impairment of financial instruments as well as hedge accounting. The financial effects from the transition to IFRS 9 for Elekta are limited and relate to the introduction of an expected credit loss model for impairment of financial assets to replace the previously used incurred loss model. The new model mainly has an effect on the calculation of bad debt losses as the new standard requires a provision for expected losses to be made for all financial receivables, including those that are not yet due. With the new model the provision for bad debt and bad debt losses will increase or decrease based on the outstanding value of financial assets as an expected loss will be calculated for all outstanding amounts based on historical experiences and expectations about the future. The financial effect from the application of the new model for calculation of bad debt

Note 39 Effects from changed accounting standards, cont.

losses mainly affects the value of trade receivables and accrued project income and is presented in the schedule on page 110.

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 will be classified as financial assets at fair value through profit or loss.

Trade receivables within the group 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 selling 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 will be applied in accordance with IFRS 9 and Elekta has confirmed that existing hedging relationships will qualify for hedge accounting under the new standard. 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 will not result in any financial effects at the transition date.

Effects of future accounting standards

IFRS16 is a new standard on accounting for leases which replaces IAS 17 and the associated interpretation statements IFRIC 4, SIC-15 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. For Elekta, the major effect from implementing the new standard relate to operating leases for premises. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019 and Elekta will apply the new standard from 1 May 2019.

The standard requires all lease arrangement to be recognized in the balance sheet with a few exceptions for short-time leases and low-value leases. This recognition is based on the view that the lessee has a right to use an asset for a specific period of time and a simultaneous obligation to pay for that right.

Elekta has decided to apply IFRS 16 with the modified retrospective approach and as permitted by the standard the comparative period will not be restated, instead an adjustment on the opening balance will show the cumulative effect. The lease liabilities will be measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate at transition date. Right-of-use assets will be recognized based on the amount equal to the related lease liability.

IFRS 16 permit to use some practical expedients. Elekta will apply the following practical expedients when applying IFRS 16 at transition date:

- Operating leases with a remaining lease term of less than 12 months as at May 1, 2019, will be accounted for as short-term leases. Short-term leases and operating leases of low-value will not be recognized on the balance sheet at transition date.
- Initial direct costs will be excluded from the measurement of the right-to-use asset at the date of initial recognition.
- Hindsight will be used in determining the lease term for contracts containing options to extend or terminate the lease.

Under the new standard the present value of lease obligations will be measured and reported as a non-current asset and interest-bearing liability in the Balance Sheet. The asset is adjusted with prepaid rents and received incentives. The incentives are currently reported as liabilities in the Balance Sheet and are accrued over the lease period. In the Income Statement, lease payments currently reported as an operating expense within operating result will be replaced with depreciation and interest expenses. This change means that total assets and operating profit will increase, which will affect various key indicators. The cash flow from operations will increase related to the amortization of the lease liability, the amortization will instead be shown in the cash flow from financing activities.

PRELIMINARY EFFECTS FROM IFRS 16 ON CONSOLIDATED BALANCE SHEET

SEK M	Reported Apr 30, 2019	Adj. IFRS 16	Adjusted May 1, 2019
Right-of-use asset	0	1,180	1,180
Other assets	24,064	–20	24,044
Total assets	**24,064**	**1,160**	**25,224**
Total equity	7,779	0	7,779
Long term lease liability	0	1,020	1,020
Short term lease liability	0	200	200
Other liabilities	16,285	–60	16,225
Total equity and liabilities	**24,064**	**1,160**	**25,224**

According to the current standards, IAS 17, there is distinction between operating and finance lease arrangement, where operating leases is not recognized in the Balance Sheet. The value of undiscounted future lease fees is disclosed in note 9, amounted to SEK 1,459 M. The preliminary lease liability to be recognized in the Balance Sheet 1 May 2019 amounts to SEK 1,220 M. The difference is mainly related to the discounting effect of the liability as the liability is calculated as the net present value for the future payments, while the amount disclosed in note 9 is not discounted in accordance to IAS 17. Increases of the payments due to index and extension- and terminate options included in the lease liability does also explain the difference, together with the exclusion of lease payments related to low-value assets and short-term leases from the Balance Sheet. Those payments are expensed on straight-line basis in the income statement.

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 8, 2019

Laurent Leksell
Chairman of the board

Annika Espander Jansson
Member of the board

Cecilia Wikström
Member of the board

Caroline Leksell Cooke
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 8, 2019
PricewaterhouseCoopers AB

Johan Engstam
Authorized Public Accountant

Auditor's report

Unofficial translation.

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 1 May 2018 to 30 April 2019. The annual accounts and consolidated accounts of the company are included on pages 67–115 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 parent company as of 30 April 2019 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 2019 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 adopt the income statement and balance sheet for the parent company and the group.

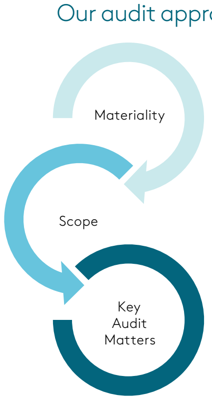
Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Our audit approach



Overview

- Overall materiality level: SEK 80 million, which is equivalent to 5% of income before taxes.
- Revenue from the sale of machines and contracts containing both machines, software and services is to be reported in the correct amounts and in the correct period
- Valuation of accounts receivable and accrued income

Audit scope

The Elekta Group undertakes the sale of machines for radiation therapy and related software, as well as of maintenance and support services. The operations are undertaken in subsidiaries located all over the globe, whereby the largest markets are in the US and China.

Elekta's revenue recognition is dependent on the contract terms stipulating the point in time at which the control are transferred to the client and on their payment capacity, and the terms often imply that invoicing and payment take place at a point in time differing from the point in time at which the related revenue recognition takes place. Sales in new markets can imply new clients or contractual terms impacting the point in time at which a sale can be reported. Client agreements can also contain a combination of machine, services and software which can be complicated to report. The installations are also determined according to when the clients want to have the products installed and a major portion of the sales takes place at the end of Elekta's fourth quarter, and a delay in reporting into the following financial year can have a major impact on the accounts. Overall, this implies that the reporting of sales and accounts receivables is dependent on management's assessments of the clients' payment capacity and on the stipulations of the contract terms.

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 year's audit of the consolidated accounts included, in addition to the Parent Company, the subsidiaries in Sweden, England, US, The Netherlands, Germany, China including Hong Kong, Italy and Japan. The audit is executed via an ongoing basis throughout the year for these subsidiaries, and a number of companies report in conjunction with the second quarter, and the audit of the annual book closing was at 30 April 2019. These subsidiaries represent nearly 80% of Elekta's total net sales. It should also be noted that the majority of the companies within Elekta are subject to statutory audits.

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 consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. 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 level	SEK 80 million (70 million)
How we determined it	5 % of income before taxes
Rationale for of the materiality benchmark applied	We chose income before tax as the benchmark as we believe that this is the value most often applied by users in comparing group results and as it is a generally accepted benchmark. The level of 5% is used in auditing standards as an applicable quantitative materiality threshold.

KEY AUDIT MATTER	HOW OUR AUDIT ADDRESSED THE KEY AUDIT MATTER
Revenue from the sale of machines and contracts containing machines, software and services is to be reported in the correct amounts and in the correct period.	
Elekta's reported revenue and income refers to the sale of machines, software and services. A significant portion of revenue refers to the sale of machines. The reporting of these amounts is dependent on management's assessments of contract conditions in terms of when the control is transferred to the purchaser. Many of Elekta's products and services are sold on a stand-alone basis but are often included in bundle deals, which are arrangements where equipment, software and services may be included in the same contract. These goods and services (performance obligations) occur at different stages and the transaction price is allocated between these different obligations under IFRS 15. The allocation of the transaction price, including any discount, to the various performance obligations in a contract is performed based on the estimated stand-alone selling prices for the goods and services identified as performance obligations. The revenue for the performance obligations is subsequently recognized as each obligation is satisfied. Machines are installed in accordance to the contractually agreed upon installation date determined together with the client and it is usual that the revenue referring to the machine is recognized at this point in time. The portion of the revenue relating to software and is reported after the technical approval has been received from the client. Invoicing occurs at fixed points according to what has been agreed with the client. Normally invoicing occurs: upon signing of the agreement, after delivery to customer, and upon acceptance by the customer. This implies that the point in time of revenue recognition is usually not the same as the point in time of invoicing to and payment from the client. As a result of this inherent complexity in revenue recognition and the estimations and assessments made by company management, we have deemed that revenue from sales of systems comprises a key audit matter. For accounting principles and disclosures, refer to Note 6 and 39 in the Annual Report for 2018/19	In performing our audit, we have evaluated Elekta's processes and controls regarding revenue recognition in order to obtain an understanding of how these function and where any possible errors might arise. Our evaluation has focused on the approval of new client agreements, the model for the allocation of revenue in the various parts of the agreements and on the controls in order to ensure that the sales are reported in the correct periods. This mapping has been done in order to ensure that we focus our substantive procedures appropriately. After our evaluation, we tested selected key controls and executed substantive procedures including, amongst other things: • Testing of controls related to in revenue recognition. • Analysis of revenue reported during the year compared with expected revenue and revenue reported last year. • Examination of a selection of new, major contracts and sales against contract terms and Elekta's guidelines to assess the revenue recognition. • On a random sample basis, testing against proof of installation start to ensure that revenue was reported in the correct periods and in the correct amounts. • Evaluation of Elekta's accounting principles and the note disclosures regarding revenue recognition. The result of these audit procedures resulted in no material observation.
Valuation of accounts receivable and accrued income	
Accounts receivable and accrued income are significant items in the balance sheet and the valuation of these items is impacted by management's assessments of clients' payment capacity. The payment terms vary between countries and clients. Credit periods vary between the markets and clients. In certain markets, partial payments are made based on events, such as order receipt, delivery and the client's approval of the installation. In other markets, full payment is made after the finalization of the installation or in conjunction with approval. Invoiced amounts are reported as accounts receivables while reported revenues which are yet to be invoiced are reported as accrued income. Sales in new markets imply new clients and the premises for securing these clients can imply a high risk of having clients with a weaker payment capacity or willingness to pay. As a result of the major component of estimations and assessments undertaken by company management, we have deemed that the valuation of accounts receivable and accrued income comprises a key audit matter in the audit. For accounting principles and disclosures refer to Note 23 and 39 in the Annual Report for 2018/19.	In our audit, we evaluated Elekta's processes and controls regarding overdue accounts receivables and accrued income in order to obtain an understanding as to how they function and where any possible errors might arise. Our evaluation has focused on the follow-up of older receivables and on management's assessment of the clients' payment capacity and on the valuation of the reported accounts receivables and accrued income. This evaluation has been done in order to ensure that we focus our substantive procedures appropriately. After our mapping we executed substantive procedures including, amongst others: • Analysis of older accounts receivables and accrued income, and of the reported provision for doubtful debts, in order to be able to independently evaluate the value of the receivables. • On a random sample basis, confirmation of outstanding accounts receivables directly with the clients. We also examined a selection of receivables against payments received after year-end. • Evaluation of Elekta's accounting principles and the Note disclosures presented regarding accounts receivables and accrued income. The result of these audit procedures resulted in no material observation.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above SEK 10 million as well as misstatements below that amount that, in our view, warranted 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 1–46, 62–65 and 119–124. 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 intend 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. 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 1 May 2018 to 30 April 2019 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' 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 fulfill 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 Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

PricewaterhouseCoopers AB, Torsgatan 21, 113 97 STOCKHOLM, was appointed auditor of Elekta AB (publ) by the general meeting of the shareholders on the 30 August 2018 and has been the company's auditor since the 4 September 2012.

Stockholm 8 July 2019

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

Johan Engstam
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.

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.

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.

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.

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 pre-paid 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
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/EBITDA ratio
Net debt in relation to EBITDA.

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

Alternative performance measures

Reconciliation of non-IFRS 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 APM:s used by Elekta are defined on page 119. See below for comments on how APM:s are used by Elekta and, when applicable, reconciliations to the IFRS financial statements.

Gross order intake

Gross order intake represents the new orders that have 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
2018/19 vs 2017/18								
Change based on constant exchange rates	–1	–40	18	977	6	282	8	1,219
Currency effects	8	369	7	373	8	342	7	1,084
Reported change	**7**	**329**	**25**	**1,350**	**14**	**624**	**16**	**2,303**
2017/18 vs 2016/17								
Change based on constant exchange rates	9	422	4	210	2	105	5	737
Currency effects	–5	–218	2	101	–4	–191	–2	–308
Reported change	**5**	**204**	**6**	**311**	**–2**	**–86**	**3**	**429**

NET SALES

	North and South America		Europe, Middle East and Africa		Asia Pacific		Total	
	%	SEK M	%	SEK M	%	SEK M	%	SEK M
2018/19 vs 2017/18								
Change based on constant exchange rates	8	295	9	375	16	524	10	1,194
Currency effects	8	318	5	236	7	235	7	788
Reported change	**16**	**613**	**14**	**611**	**23**	**758**	**17**	**1,982**
2017/18 vs 2016/17								
Change based on constant exchange rates	–2	–95	22	763	7	203	8	871
Currency effects	–4	–174	2	73	–5	–142	–2	–243
Reported change	**–6**	**–269**	**24**	**836**	**2**	**61**	**6**	**629**

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	2014/15	2015/16	2016/17	2017/18	2018/19
Operating result/EBIT	937	423	598	1,845	1,696
Amortization:					
Capitalized development costs	236	326	380	408	664
Assets relating business combinations	130	143	119	116	117
Depreciation	146	165	156	151	162
EBITDA	**1,449**	**1,057**	**1,253**	**2,520**	**2,639**

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.

Operating income (EBIT) and operating margin

Operating income or EBIT (earnings before interest and taxes) is part of Elekta's 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, 2015	April 30, 2016	April 30, 2017	April 30, 2018	April 30, 2019
Total assets	21,184	19,441	20,950	23,760	24,064
Deferred tax liabilities	–732	–690	–778	–511	–587
Long term provisions	–259	–140	–142	–158	–188
Other long-term liabilities	–20	–73	–33	–63	–55
Accounts payable	–1,262	–1,122	–1,000	–1,132	–1,427
Advances from customers	–2,165	–1,943	–2,531	–5,316	–4,883
Prepaid income	–1,673	–1,648	–1,874	–1,990	–2,170
Accrued expenses	–1,789	–1,817	–1,875	–1,662	–1,661
Current tax liabilities	–119	–93	–111	–107	–166
Short-term provisions	–99	–347	–231	–186	–188
Derivative financial instruments	–162	–50	–48	–46	–94
Other current liabilities	–225	–157	–281	–257	–308
Capital employed	**12,678**	**11,360**	**12,046**	**12,331**	**12,337**

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	2014/15	2015/16	2016/17	2017/18	2018/19
Profit before tax	716	189	340	1,681	1,580
Financial expenses	259	285	271	225	186
Profit before tax plus financial expenses	**975**	**474**	**611**	**1,905**	**1,766**
Average capital employed (last five quarters)	11,230	12,039	11,668	11,194	12,010
Return on capital employed, %	9	4	5	17	15

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	2014/15	2015/16	2016/17	2017/18	2018/19
Profit for the year	552	137	125	1,348	1,198
Average shareholders' equity excluding non-controlling interests (last five quarters)	6,260	6,587	6,541	6,015	7,167
Return on shareholders' equity, %	9	2	2	22	17

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	2014/15	2015/16	2016/17	2017/18	2018/19
EBITDA	1,449	1,057	1,253	2,520	2,639
Interest expenses	217	240	209	163	156
Interest cover ratio, multiple	6.7	4.4	6.0	15.5	16.9

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	2014/15	2015/16	2016/17	2017/18	2018/19
Cash flow from operating activities	1,823	1,170	1,819	2,404	1,621
EBITDA	1,449	1,057	1,253	2,520	2,639
Operational cash conversion, %	126	111	145	95	61

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 79.

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	2014/15	2015/16	2016/17	2017/18	2018/19
Accounts receivable	4,207	3,301	3,726	3,402	3,455
Accrued income	1,895	2,126	1,640	1,160	1,401
Advances from customers	–2,165	–1,943	–2,531	–5,316	–4,883
Prepaid income	–1,673	–1,648	–1,874	–1,990	–2,170
Net receivable from customers	**2,264**	**1,836**	**961**	**–2,744**	**–2,198**
Net sales	10,839	11,221	10,704	11,573	13,555
Number of days	365	365	365	365	365
Net sales per day	30	31	29	32	37
Days sales outstanding (DSO)	76	60	33	–87	–59

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 is used by management to track the debt evolvement and to analyze the leverage and refinancing need of the Group.

NET DEBT

SEK M	2014/15	2015/16	2016/17	2017/18	2018/19
Long-term interest-bearing liabilities	4,958	3,065	5,272	4,369	3,558
Short-term interest-bearing liabilities	1,075	1,885	0	975	1,000
Cash and cash equivalents and short-term investments	–3,265	–2,273	–3,383	–4,541	-4,119
Net debt	**2,768**	**2,677**	**1,889**	**803**	**439**

NET DEBT/EBITDA RATIO

SEK M	2014/15	2015/16	2016/17	2017/18	2018/19
Net debt	2,768	2,677	1,889	803	439
EBITDA	1,449	1,057	1,253	2,520	2,639
Net debt/EBITDA ratio, multiple	1.91	2.53	1.51	0.32	0.17

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	2014/15	2015/16	2016/17	2017/18	2018/19
Shareholders' equity	6,646	6,412	6,774	6,987	7,779
Total assets	21,184	19,441	20,950	23,760	24,064
Equity/assets ratio, %	31	33	32	29	32

Elekta®

Elekta offices

Elekta AB
Box 7593
SE – 103 93
Stockholm, Sweden
T +46 8 587 254 00
F +46 8 587 255 00

Europe, Middle East, Africa
T +46 8 587 254 00
F +46 8 587 255 00

North America
T +1 770 300 9725
F +1 770 448 6338

Latin America, South America
T +55 11 5054 4550
F +55 11 5054 4568

Asia Pacific
T +852 2891 2208
F +852 2575 7133

Japan
T +81 3 6722 3800
F +81 3 6436 4231

China
T +86 10 8012 5012
F +46 8 587 255 00

elekta.com

/elekta

@elekta

/company/elekta

© 2019 Elekta AB (publ) All marks identified as a trademark (™) or a registered trademark (®) are the property of the Elekta Group. All rights reserved. No part of this document may be reproduced in any form without written permission from the copyright holder.

Production: Elekta's Investor Relations and Finance Team, in cooperation with Springtime-Intellecta. Photo: Sandra Birgersdotter, Elekta, Getty Images, Karoline Glasow, Johnér/caiaimage, Mats Lundqvist and Shutterstock.