



# Interim Report

NINE MONTHS  
ENDED JANUARY 31, 2003

## 2002/03



ELEKTA

# Interim report

## Nine months ended January 31, 2003

- Operating profit improved sharply, by SEK 102 M, to SEK 235 M (133) and the operating margin rose to 12 (7) percent.
- Cash flow after investments was positive, amounting to SEK 180 M (neg: 61).
- Order bookings increased by 7 percent to SEK 2,212 M (2,076).
- Net sales increased by 6 percent to SEK 2,037 M (1,913).
- Net sales of after-market products and services increased by 11 percent, to SEK 605 M (545), and accounted for 30 (28) percent of the Group total.
- Earnings per share after dilution improved by 60 percent to SEK 4.82 (3.00).

Despite a generally weak economy and the prevailing currency situation, Elekta's operating profit increased strongly. The trend in the international healthcare market continues to be positive and the demand for Elekta's products and treatment methods for cancer and neurological disorders remains strong.

Elekta's strategy is to further develop its role as a systems supplier and to continuously add new solutions and services that develop the customers value chain.

As a result of an increasingly older population and improved diagnostic methods, the number of detected cancer cases is rising. The development of treatment methods for cancer is focusing increasingly on high-precision radiation treatment. Elekta is currently the second-largest supplier in the world, and the largest in Europe, of solutions for high-precision radiotherapy of cancer, notably using Intensity Modulated Radiation Treatment (IMRT). IMRT makes it possible to adapt the radiation dose more precisely to the tumor's three-dimensional shape and specific radiation sensitivity, without damage to healthy tissue, thereby improving the patient's treatment result and quality of life. The market has rapidly accepted IMRT as a clinically and financially effective method of improved cancer care.

The need for non-invasive radiation surgery is growing. Today, approximately 235 of each million persons suffer from the type of brain disease that is suitable for radiation surgery using the Leksell Gamma Knife®. The areas of illness in which radiation surgery is rising

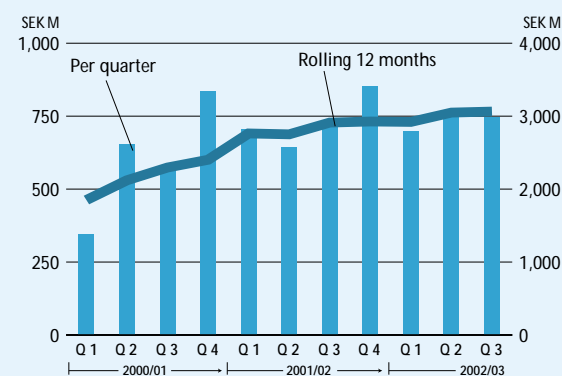
sharply are certain metastases in the brain and functional disorders such as severe facial pain and, in the future, epilepsy. Radiation using the Leksell Gamma Knife is characterized by the high quality of care provided and its cost-effectiveness, as well as being very patient-friendly.

### Order bookings and backlog

Order bookings increased by 7 percent, to SEK 2,212 M (2,076). With unchanged exchange rates between the years, the order bookings would have increased by 15 percent. Orders for oncology products rose by 14 percent, to SEK 1,583 M (1,385) and orders for neurosurgery products declined by 9 percent, to SEK 629 M (691).

Order bookings during the third quarter of the fiscal year rose 2 percent, to SEK 746 M (732). With unchanged exchange rates the increase would have been circa 12 percent.

### ORDER BOOKINGS



Calculated on a rolling 12-month basis, order bookings rose 5 percent, to SEK 3,063 M.

Order bookings exceeded net sales but the Group's order backlog was affected due to the weakening of, primarily, the US dollar. As of January 31, 2003, the order backlog amounted to SEK 2,263 M, compared with SEK 2,317 M at April 30, 2002.

Increased investments in cancer care in Europe

Order bookings in Region Europe, including the Middle East and Africa, increased 21 percent, to

## Order bookings

SEK M	Quarter 3 2002/03	Quarter 3 2001/02	9 months 2002/03	9 months 2001/02	Rolling 12 months	Change, %
Europe, Middle East, Africa	359	277	1,008	836	1,279	17
North and South America	243	348	760	828	1,179	1
Japan	29	31	141	145	213	-21
Asia excl. Japan	115	76	303	267	392	2
Group	746	732	2,212	2,076	3,063	5
of which						
Oncology	549	527	1,583	1,385	2,099	14
Neurosurgery	197	205	629	691	964	-10



SEK 1,008 M (836). There was a strong increase in orders for oncology products. Substantial investments in the development of cancer care are being made in the Netherlands, the UK and France.

Stable demand in North America

Orders booked in North and South America declined by 8 percent and amounted to SEK 760 M (828). The US dollar has declined by 12 percent in relation to the Swedish krona, compared with the preceding year. Based on an unchanged exchange rate, order bookings increased 4 percent. Order bookings for oncology products increased by one percent. University hospitals and others show great interest in Elekta's recently launched product platform SYNERGY™ for image guided radiation of cancer. Order bookings for neurosurgery products were stable but lower compared with the preceding fiscal year.

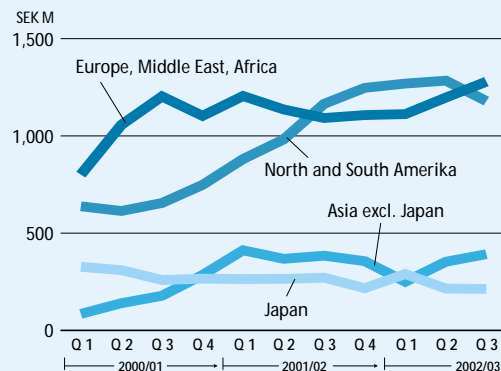
Continued weak trend in Japan

The market is characterized by the continuing weak economy in Japan. A certain improvement is expected in the fourth quarter, since investment decisions in the healthcare field in Japan are generally made during the latter part of Elekta's fiscal year. Order bookings in Japan amounted to SEK 141 M (145).

Continued favorable demand in Asia

Order bookings in Asia amounted to SEK 303 M (267), an increase of 13 percent. In particular, a strong increase in orders for neurosurgery products was noted. Orders for two Leksell Gamma Knife units were signed in Taiwan and Elekta is the market leader within oncology in Taiwan. A substantial order for oncology products from Hong Kong has also been signed.

ORDER BOOKINGS ROLLING 12 MONTHS PER MARKET



## Income statement

SEK M	3 months Nov-Jan 2002/03	3 months Nov-Jan 2001/02	9 months May-Jan 2002/03	9 months May-Jan 2001/02	12 months Feb-Jan 2002/03	12 months May-April 2001/02
Net sales	678	681	2,037	1,913	2,862	2,738
Cost of products sold	-419	-407	-1,297	-1,184	-1,811	-1,698
Gross income	259	274	740	729	1,051	1,040
Selling expenses	-87	-102	-258	-269	-356	-367
Administrative expenses	-74	-88	-205	-216	-304	-315
R&D expenses	-38	-31	-99	-95	-148	-144
Exchange differences in operation	28	0	57	-16	66	-7
Operating result	88	53	235	133	309	207
Financial net	2	6	1	12	3	14
Income after financial items	90	59	236	145	312	221
Taxes	-33	-18	-83	-51	-110	-78
Minority	2	-6	4	0	6	2
Net income	59	35	157	94	208	145
Earnings per share before dilution, SEK	1.86	1.09	4.93	3.04	6.55	4.66
Earnings per share after dilution, SEK	1.82	1.07	4.82	3.00	6.38	4.56

## Cash flow

Operating cash flow	87	71	236	184	317	265
Change in working capital	-49	-134	-36	-235	71	-128
Cash flow before investments	38	-63	200	-51	388	137
Investments and disposals	-6	-2	-20	-10	-34	-24
Cash flow after investments and disposals	32	-65	180	-61	354	113
External financing	240	7	241	-9	240	-10
Change in liquid assets	266	-64	401	-64	567	102

## Balance sheet

SEK M	Jan 31, 2003	Jan 31, 2002	April 30, 2002
Intangible fixed assets	389	395	388
Tangible fixed assets	79	89	87
Financial fixed assets	21	20	22
Inventories	262	300	269
Other current assets	1,200	1,266	1,234
Liquid assets	937	370	536
Total assets	2,888	2,440	2,536
Shareholders' equity	1,397	1,234	1,272
Minority	0	8	6
Provisions	79	64	90
Other interest-bearing liabilities	255	40	35
Interest-free liabilities	1,157	1,094	1,133
Total shareholders' equity, provisions and liabilities	2,888	2,440	2,536

## Changes in shareholders' equity

SEK M	Jan 31, 2003	Jan 31, 2002	April 30, 2002
Opening balance	1,272	678	678
Changed accounting principles		209	209
Conversion of debentures		229	229
Option premiums and warrants exercised	21	3	6
Translation differences	-53	21	5
Net income	157	94	145
Closing balance	1,397	1,234	1,272

## Key figures

	12 months May–Apr 1999/2000	12 months May–Apr 2000/01	12 months* May–Apr 2000/01	12 months May–Apr 2001/02	9 months Maj–Jan 2001/02	9 months Maj–Jan 2002/03
Order bookings, SEK M	1,877	2,402	2,402	2,927	2,076	2,212
Net sales, SEK M	1,789	2,160	2,160	2,738	1,913	2,037
Items affecting comparability, SEK M	19	—	—	—	—	—
Operating result, SEK M	–37	92	92	207	133	235
Operating margin, %	–2	4	4	8	7	12
Profit margin, %	–4	3	3	8	8	12
Shareholders' equity, SEK M	576	678	887	1,272	1,234	1,397
Capital employed, SEK M	905	959	1,178	1,313	1,282	1,652
Equity/assets ratio, %	31	33	39	50	51	48
Return on shareholders' equity, % **	–22	10	5	13	12	16
Return on capital employed, % **	–3	12	10	19	19	23

\* Restated for new accounting principles for taxes. \*\* Based on rolling 12 months.

## Per share data

	12 months May–Apr 1999/2000	12 months May–Apr 2000/01	12 months* May–Apr 2000/01	12 months May–Apr 2001/02	9 months Maj–Jan 2001/02	9 months Maj–Jan 2002/03
Earnings per share before dilution, SEK	–4.24	2.21	1.52	4.66	3.04	4.93
Earnings per share after dilution, SEK	–1.17	2.70	1.89	4.56	3.00	4.82
Cash flow per share before dilution, SEK	2.30	8.11	8.11	3.64	–1.98	5.63
Cash flow per share after dilution, SEK	3.13	7.90	7.90	3.63	–1.88	5.51
Shareholders' equity per share						
before dilution, SEK	20.68	24.33	31.84	40.03	38.93	43.37
after dilution, SEK	24.90	28.43	35.03	39.89	38.85	43.19
Interest on converted debentures						
net after tax, SEK M	45	24	17	3	3	—
Average number of shares						
before dilution, 000s	18,263	27,854	27,854	31,048	30,819	31,951
after dilution, 000s	27,787	31,662	31,662	32,504	32,410	32,677
Number of shares at closing						
before dilution, 000s	27,854	27,854	27,854	31,765	31,705	32,206
after dilution, 000s	31,662	31,662	31,662	33,084	33,084	32,988

\* Restated for new accounting principles for taxes.

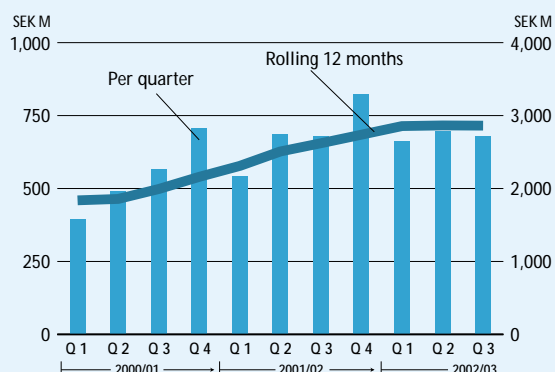
## Accounting principles

Application of RR15, the Swedish Financial Accounting Standards Council's new recommendation regarding intangible assets resulted in a change of accounting principles for Elekta, which has previously expensed all research and development expenditures. Elekta's application of the new rules mean that very high demands are placed before any expenditures for development shall be reported as an asset. For example, the technical functionality of a new product must be proven before expenditures for this development are reported as an asset. The transition rules for this recommendation mean that no retroactive adjustment is made.

Otherwise, the accounting principles applied are the same as those used in Elekta's most recent year-end report. This interim report was prepared in accordance with Recommendation RR20 on Interim Reports, issued by the Swedish Financial Accounting Standards Council.



## NET SALES



## Net sales

Consolidated net sales increased by 6 percent, to SEK 2,037 M (1,913). Exchange-rate movements had a negative impact of 9 percent on net sales. Net sales of oncology products increased by 13 percent, to SEK 1,446 M (1,279), and neurosurgery products declined by 7 percent, to SEK 591 M (634). Net sales of after-market products and services increased by 11 percent, to SEK 605 M (545), and accounted for 30 (28) percent of the Group total.

Net sales during the third quarter of the fiscal year amounted to SEK 678 M (681).

Calculated on a rolling 12-month basis, net sales increased by 9 percent, to SEK 2,862 M.

## Result

Operating profit improved by SEK 102 M, to SEK 235 M (133). The improvement was attributable to increased volume and productivity, primarily in the oncology sector. The operating margin improved to 12 percent (7). Calculated on a rolling 12-month basis, the operating margin was 11 percent.

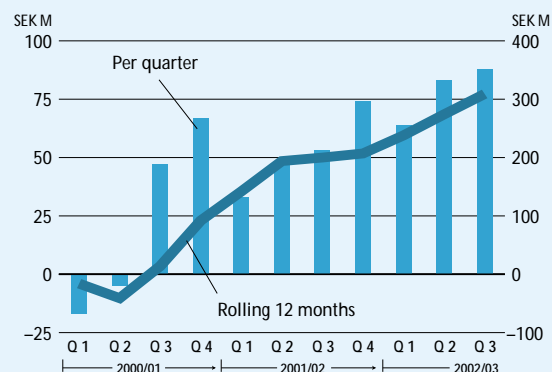
The strong currency changes during the period have only marginally affected the operating profit. Elekta hedges its contracted net flows using forward contracts over an 18-months period. With unchanged exchange rates between the years net sales had increased by 17 percent and gross margin had been unchanged, 38 percent.

Investments in research and development increased by 34 percent, to SEK 127 M (95), equal to 6 (5) percent of net sales. In accordance with Recommendation RR15 of the Swedish Financial Accounting Standards Council, SEK 29 M has been capitalized for certain specific projects while the remainder has been expensed. Amortization of capitalized development amounts to SEK 1 M. See Accounting principles on page 5.

Net financial expense amounted to SEK 1 M (12), including net interest income of SEK 6 M (interest expense: 1). Earnings from participations in associated companies in an amount of SEK 8 M (10) and exchange rate losses amounting to SEK 13 M (gain: 3) were included.

Profit after net financial items improved by 63 percent to SEK 236 M (145). Profit after taxes increased to SEK 157 M (94).

## OPERATING RESULT



Earnings per share during the nine-month period amounted to SEK 4.93 (3.04) before dilution and to SEK 4.82 (3.00) after dilution.

The return on equity amounted to 16 (12) percent and the return on capital employed to 23 (19) percent.

## Investments and depreciation

Investments in intangible and tangible fixed assets amounted to SEK 56 M (19). Amortization/depreciation of intangible and tangible assets amounted to SEK 46 M (47).

## Net sales

SEK M	Quarter 3 2002/03	Quarter 3 2001/02	9 months 2002/03	9 months 2001/02	Change, %	12 months 2001/02
Europe, Middle East, Africa	251	304	780	835	-7	1,195
North and South America	257	198	847	571	48	877
Japan	59	98	125	209	-40	303
Asia excl. Japan	111	81	285	298	-4	363
Group	678	681	2,037	1,913	6	2,738
of which						
Oncology	479	436	1,446	1,279	13	1,848
Neurosurgery	199	245	591	634	-7	890

### Liquidity and financial position

Cash flow before investments was strong and amounted to SEK 200 M (neg: 51). Cash flow after investments and divestments amounted to SEK 180 M (neg: 61).

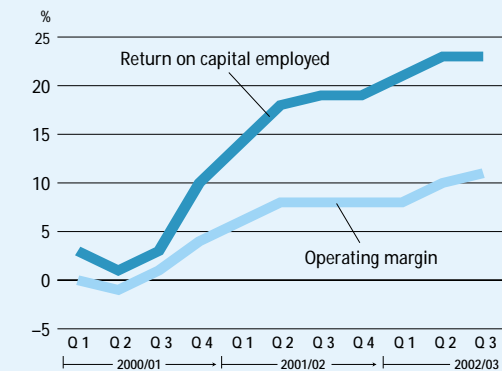
Liquid assets as of January 31, 2003 amounted to SEK 937 M, compared with SEK 536 M on April 30, 2002. SEK 67 M of Elekta's bank balances was pledged, primarily in the form of guarantees for customer advances received.

Interest-bearing liabilities amounted to SEK 255 M, compared with SEK 35 M on April 30, 2002. In December 2002, Elekta assumed a long-term loan of USD 27 M from NIB Nordic Investment Bank to increase future freedom of action.

The equity/assets ratio was 48 percent.

During the first nine months of the year 441,075 new Series B shares were subscribed through the exercise of warrants allotted within the framework of Elekta's established stock options program. As of February 11, the total number of Elekta shares was 32,221,442.

#### OPERATING MARGIN AND RETURN ON CAPITAL EMPLOYED ROLLING 12 MONTHS



### Patent dispute

In the ongoing patent dispute in the US, Elekta has appealed the judgment in a lower court and issued a surety bond of USD 25 M, corresponding to the amount of damages ordered in the lower court. The counterparty has not issued any objection to the amount of the bond, but the judge has not definitively ruled on the amount. The likelihood that the judge will change the amount is currently considered minimal. Elekta estimates that the appeal process will take two to three years.

In the preceding year, Elekta reserved SEK 20 M for anticipated costs of patent disputes during the 2002/03 fiscal year. On January 31, 2003, SEK 6 M of this reserve remained, which is expected to cover costs for the fourth quarter.

### Company acquisition

Elekta has in accordance with a press release March 10, 2003 signed an agreement to acquire the shares in the magnetoencephalography (MEG) company, Neuromag Oy



of Helsinki, Finland for an amount of approximately EUR 4 million. The acquisition of Neuromag is expected to contribute positively to Elekta's earnings per share during fiscal year 2003/04.

### Employees

The average number of employees in the Group was 997 (898). The number of employees at the end of the period was 1,023 compared with 989 as of April 30, 2002.

### Parent Company

The Parent Company's operations comprise management of the Group, Groupwide functions and financial management. The average number of employees was 16 (13).

Following approval by the District Court to implement a decision by the Annual General Meeting on September 30, 2002, the share premium reserve was reduced by SEK 900 M through a transfer to an unrestricted reserve.

### Future prospects

Elekta assesses that, even given the present currency situation, net sales for the 2002/03 fiscal year will be somewhat higher than in the preceding fiscal year. The operating margin for the full 2002/03 fiscal year is estimated to remain at the present level.

### Financial information

The report on operations for the 2002/03 fiscal year will be released on June 18, 2003.

STOCKHOLM MARCH 11, 2003

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*The Company's auditors have not reviewed this interim report.*



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