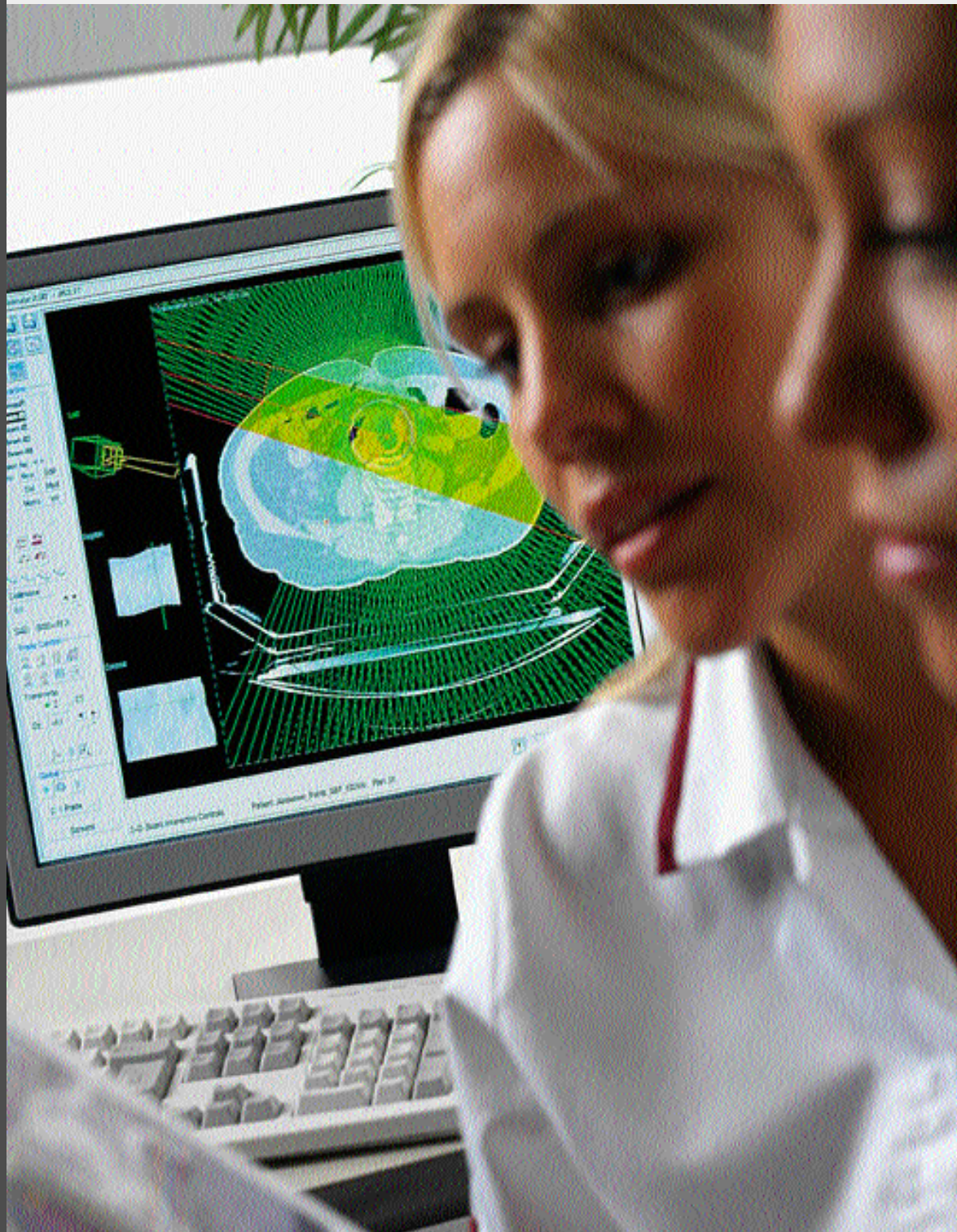


# Elektá Annual Report 2003/04







# Advanced and innovative clinical solutions for treatment of cancer and brain disorders

Elekta is an international medical-technology Group, developing the world's most advanced clinical solutions for high precision radiation treatment of cancer and for non- or minimally invasive treatment of brain disorders.

Elekta's systems and solutions are used at over 2,000 hospitals around the world to treat cancer and to diagnose and treat brain disorders, including tumors, vascular malformations and functional disorders.

By developing clinical solutions through close collaborative relationships with clinical partners in research and advanced product development, Elekta is addressing the healthcare systems' need for reduced hospitalization costs and also the patients' wish for less traumatic treatment options. All of Elekta's solutions employ non-invasive or minimally invasive techniques and are therefore clinically effective, gentle on the patient and cost-effective.

Elekta was founded in 1972 by the late Lars Leksell, professor of neurosurgery at the Karolinska Hospital. The company was listed on Stockholmsbörsen (Stockholm Stock Exchange) in 1994. During fiscal year 2003/04, sales amounted to SEK 2,900 M, with 1,170 employees at fiscal year end.

More than 95 percent of Elekta's sales are outside Sweden. The primary markets for Elekta's products are Europe and North America, followed by Asia and Japan. The head office is located in Stockholm, Sweden, and regional offices are located in Crawley, UK; Atlanta, USA; Hong Kong and Kobe, Japan. Elekta has subsidiaries in 16 countries.

Elekta conducts extensive research and development with around 250 qualified team members involved in the product creation process at the company's research centers in Sweden, the UK, USA and Finland.

More information about Elekta is available at [www.elekta.com](http://www.elekta.com).

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## Financial information

Annual General Meeting	September 21, 2004
3-month interim report	September 21, 2004
6-month interim report	December 14, 2004
9-month interim report	March 9, 2005
Year-end report	June 15, 2005
Annual Report 2004/05	September 2005

## Other information

For further information about Elekta, please visit [www.elekta.com](http://www.elekta.com) or contact Peter Ejemyr, Group Vice President Corporate Communications, Phone: +46-8-587 254 00, e-mail: [peter.ejemyr@elekta.com](mailto:peter.ejemyr@elekta.com).

## Regulatory status of products

This document presents the complete product portfolio of Elekta. Certain products or functionality described may be works in progress or pending regulatory approval for certain countries.

# Elekta's operations 2003/04

## Results from operations during the year

- Profit after taxes increased to SEK 248 M (234). Earnings per share before dilution increased to SEK 7.63 (7.29) and after dilution to SEK 7.63 (7.14).
- Operating profit amounted to SEK 306 M (323) and the operating margin was 11 percent (12).
- Cash flow after investments rose sharply to SEK 363 M (288).
- Order bookings rose 2 percent to SEK 3,262 M (3,186). At fixed exchange rates, order bookings increased 12 percent.
- The order backlog as of April 30, 2004 amounted to SEK 2,728 M (2,411), a record high level.
- Net sales rose 4 percent to SEK 2,900 M (2,781). At fixed exchange rates, net sales increased 14 percent.

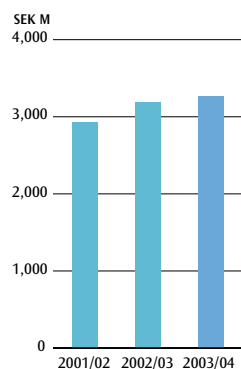
### Key data

	2001/02	2002/03	2003/04
Order bookings, SEK M	2,927	3,186	3,262
Net sales, SEK M	2,738	2,781	2,900
Operating profit, SEK M	207	323	306
Operating margin	8%	12%	11%
Return on capital employed	19%	22%	20%
Cash flow after investments, SEK M	113	288	363
Equity/assets ratio	50%	49%	46%
Earnings per share after dilution, SEK	4.56	7.14	7.63

## Significant events during the fiscal year 2003/04

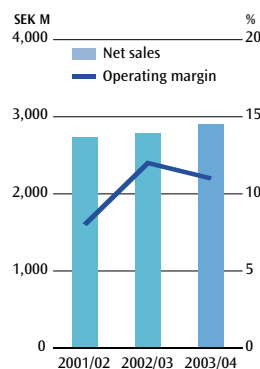
- In fiscal year 2003/04, Elekta consolidated its position as the world's second largest supplier of products for radiation treatment of cancer. Order bookings in oncology increased by 9 percent and Elekta continues to strengthen its market position.
- During the year, Elekta established itself as the technology leader in radiation therapy by launching the world's first systems for image guided radiation therapy (IGRT) and stereotactic radiation therapy (SRT). These systems will increase the opportunities for using radiation therapy for cancer through accurate localization of the tumor using a new three-dimensional imaging system.
- In June 2003, Elekta's IGRT system – Elekta Synergy® – was released for clinical use in Europe and the first patients were treated by the Netherlands Cancer Institute at the Antoni van Leeuwenhoek Hospital in Amsterdam, The Netherlands.
- In October 2003, at the American Society for Therapeutic Radiology and Oncology (ASTRO) annual meeting, Elekta Synergy® was successfully launched on the US market and in the same month, the US Food and Drug Administration (FDA) granted 510(k) pre-market clearance.
- In May 2004, at the annual meeting of the American Association of Neurological Surgeons (AANS) in Orlando, Florida, USA, Elekta introduced Elekta Synergy® S, the next generation of technological advancement in stereotactic radiation therapy. This system is designed for challenging

### Order bookings



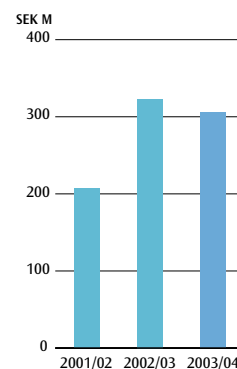
Order bookings in 2003/04 amounted to SEK 3,262 M, up 2 percent. At fixed exchange rates, order bookings increased 12 percent.

### Net sales and operating margin



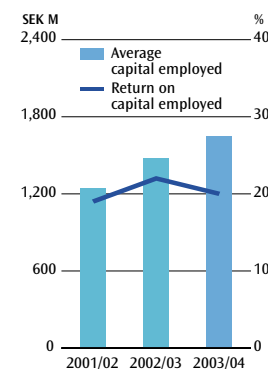
Despite a significant currency impact, net sales rose 4 percent to SEK 2,900 M. (Up 14 percent in local currencies). Operating margin for the fiscal year was 11 percent.

### Operating profit



Operating profit declined slightly, affected strongly by currency movements (neg. SEK 115 M) and capitalization/amortization of development costs (neg. SEK 45 M).

### Capital employed and return on capital employed



Return on capital employed decreased due to an increase in the average amount of capital employed. This will gradually decline as the share redemption in 2004 will affect the average.

extracranial indications, such as lung cancer, liver cancer and spinal tumors.

- Also at AANS in May 2004, Elekta introduced Leksell Gamma Knife® 4C, the most recent version of Elekta's successful radiosurgery system for treatment of brain disorders. With new features, Leksell Gamma Knife® 4C is designed to improve workflow, increase accuracy and provide integrated imaging capabilities offering an unprecedented ability to integrate images from multiple sources in order to achieve the most accurate treatment capability ever.

- During the year, Elekta in the US continued to sign preferred provider contracts with large Group Purchasing Organizations (GPOs), which in a significant way further strengthens Elekta's market position on the US market.

- In September 2003, the United States Court of Appeals for the Federal Circuit vacated the September, 2002 judgment entered against Elekta after a trial in the United States District Court for the Southern District of California. The appeals court's decision absolved Elekta of all liability and ruled that the District Court had erred because none of the Elekta products infringed the patents of the opponent.

- At the Annual General Meeting in September 2003, the shareholders approved the proposal to redeem each 17th share in Elekta for a cash payment of SEK 165 per share. 97.4 percent of the maximum number of shares were tendered for redemption and in March 2004, SEK 311.5 M was paid out to the holders of the redemption shares.

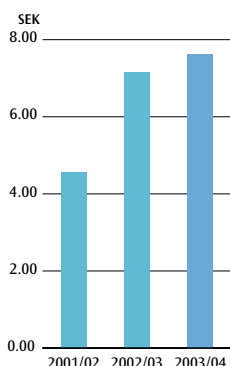


#### Significant events after the end of the fiscal year

- In June 2004, Elekta started operations of its new subsidiary in Australia, Elekta Pty Limited, seizing the opportunity to fully realize the potential in the growing markets for both radiation therapy and neurosurgery systems in Australia and New Zealand.

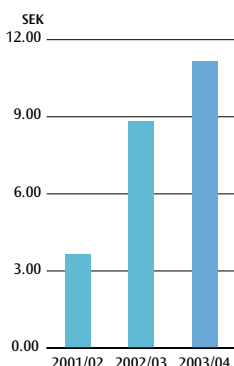
- In June 2004, the Board of Directors announced a proposal to the Annual General Meeting on September 21, 2004, to authorize repurchase of a maximum of 10 percent of the shares outstanding in Elekta AB.

#### Earnings per share



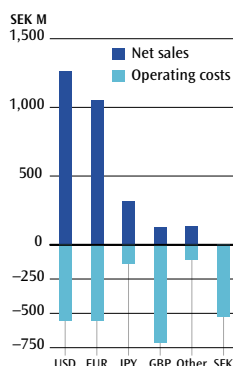
Earnings per share after dilution through outstanding warrants increased by 7 percent to SEK 7.63 (7.14).

#### Cash flow per share



Elekta continues to generate a strong positive cash flow and cash flow per share after dilution rose to SEK 11.14.

#### Currency exposure



Elekta's sales are primarily in USD and EUR. Costs for oncology products are primarily in GBP, while costs for neurosurgery products are mainly in SEK.

#### Financial objectives

	Objectives for fiscal years 2001/02–03/04	Results 2003/04
Operating margin, %	8–10	11
Sales growth in local currency, %	10–15	14
Return on capital employed, %	>15	20
Equity/assets ratio, %	>40	46

During the 2003/04 fiscal year, Elekta achieved or exceeded all financial objectives. For financial objectives for 2004/05–2006/07, please see page 6.



# “...Elekta's product portfolio is now stronger than ever before...”

**The 2003/04 fiscal year was in several respects an eventful year for Elekta. It also gives me great satisfaction to be able to report that we met or exceeded all of our financial objectives during the past fiscal year.**

Elekta is a stable, growing company, and our efforts to deliver value while achieving sustained and profitable growth have yielded results.

Order bookings showed a positive trend during the 2003/04 fiscal year, reaching a total of SEK 3,262 M, a 12-percent increase in local currencies. The order backlog at the close of the fiscal year amounted to a record high of SEK 2,728 M.

Despite substantial negative exchange rate movements – with the US dollar weakening by 15 percent against the Swedish krona, for example – we managed to increase profit after tax to SEK 248 M (234) and earnings per share (after dilution) to SEK 7.63 (7.14). Operating profit amounted to SEK 306 M and the operating margin to 11 percent, exceeding the target of 8–10 percent.

Net sales totaled SEK 2,900 M, a 14-percent increase in local currencies, which is in line with our target of 10–15 percent.

The return on capital employed amounted to 20 percent for the fiscal year, exceeding the target figure of at least 15 percent.

Elekta's balance sheet is strong, and the equity/assets ratio at the close of the fiscal year amounted to 46 percent, which also exceeded the target figure of at least 40 percent.

Looking ahead, we anticipate that increasing volumes, combined with improved gross margins – especially within the service sector – will allow us to aim for higher profitability. Accordingly, we have increased the profitability objective to 10–12 percent on a rolling 12-month basis. We have also raised

the objective for return on capital employed and are now aiming to exceed 20 percent. The objectives for sales growth and the equity/assets ratio remain unchanged.

## **Successful focus on new products**

It is also very satisfying to report that as a result of our focus on research and development of new products over the past few years, Elekta today has an extremely strong product portfolio.

We are continuing to increase our market shares and establish Elekta as the most innovative and clinically focused supplier of equipment for treating cancer and brain disorders.

During the 2003/04 fiscal year, it became increasingly evident that Elekta is the company that is clearly leading the development process toward advanced new methods for radiation treatment of cancer.

During autumn 2003 we launched Elekta Synergy®, the world's first system for image guided radiation therapy (IGRT). By integrating high-resolution three-dimensional X-ray with our linear accelerator, Elekta has become the first supplier to make it possible to really – at the time of treatment – visualize the tumor or organ that is to be irradiated. This substantially improves the ability to deliver the radiation dose with high precision to the area that is to be treated and reduce the risk of irradiating healthy tissue.

## **A revolution for radiation therapy**

While the development of clinical applications for IGRT is only just beginning, I am personally convinced that within a few years' time, this will revolutionize the way in which advanced and ambitious clinics handle radiation therapy of cancer. There is a high level of interest in Elekta Synergy®, and order bookings for this group of products have exceeded our expectations.

In addition, Elekta has already taken

the next step toward even more sophisticated radiation therapy of cancer. By combining our world-leading expertise in the field of high-precision radiation and IGRT with our more than 30 years' experience of stereotactic applications, we have created Elekta Synergy® S. This system, which we launched in May 2004, is specially adapted for demanding applications in high-dose stereotactic irradiation of small targets close to critical structures.

Elekta is also continuing to reap success in the field of neurosurgery, and Leksell Gamma Knife® remains the most clinically effective and cost-efficient method for non-invasive treatment of brain disorders. We have now delivered more than 200 units, and in May of this year we launched Leksell Gamma Knife® 4C, yet another new generation of this system with substantial improvements that make the work process more efficient and open up new possibilities, particularly in the area of handling patient images.

In summary, we can affirm that Elekta's product portfolio is stronger now than ever before. In all areas, our products are completely unique, world-leading or highly competitive compared with those of our competitors.

## **Aggressive investments in R&D**

At the same time, our pipeline of future products and new functionality is stronger than ever before. In both radiation therapy and radiosurgery, we are focusing aggressively on research and development and will continue to launch products and solutions that improve clinical results, make things easier for patients and enhance the efficiency of medical care. Accordingly, we plan to maintain our investment in R&D over the next few fiscal years at around 8 percent of sales.

Maintaining high quality and a high speed in product development is our first corporate priority. We also



plan to prioritize a continued focus on developing our service operations in terms of capacity, competence and reliability, as well as profitability. We can already confirm that our efforts have borne fruit. The profitability of our service operations shows a favorable trend, and the feedback received from customers has also been highly positive. As our third corporate priority, we will continue with our internal efforts to strengthen and make more efficient our business and management processes, with particular emphasis on *'time to market'*, *'time to customer'* and *'installed base management'*. We now have well-established processes in all of these areas, and we plan to invest in IT support during the year to further enhance our work efficiency.

### **Strong position for continued profitable growth**

Many factors indicate continued future growth in those markets where Elekta is active. We are well-positioned to benefit from and contribute to this growth. The number of people who contract cancer is increasing rapidly, and one in three persons is affected at some time in their life. Half of all cancer

patients need radiation therapy at some time to cure or control their illness. Radiation therapy is also a cost-effective alternative, compared with other methods that exist for treating cancer. Developments are proceeding rapidly also in radiosurgical treatment of brain disorders,

and we note that the indications currently treated with Leksell Gamma Knife® are becoming more established and that treatment of new indications is developing. The need for radiosurgery still considerably exceeds availability in all parts of the world, particularly in Europe, which is suffering from a major shortage of capacity for treatment using Leksell Gamma Knife®.

To stimulate development in magnetoencephalography (MEG), both clinically and in terms of market growth, Elekta has initiated the formation of an international network of research centers for Elekta Neuromag™. As a market leader in MEG systems, Elekta is assuming responsibility for speeding up the transition of this technology from the research lab to routine clinical use and plans to install Elekta Neuromag™, through various types of research and cooperation agreements, at clinics that show interest and possess appropriate expertise.

We are also working to broaden Elekta's operations geographically, and in June 2004 we established a subsidiary in Australia. Looking to the future, we can see that parts of Eastern Europe, Asia, the Middle East and

South America are all regions where advanced medical care is sought after, and where economic development is positive in many areas.

### **Strong financial position**

Elekta's financial position remains strong. In accordance with our dividend policy, Elekta's Board of Directors has decided to propose to the Annual General Meeting that the Board be given a share repurchase mandate corresponding to 10 percent of the number of shares outstanding. Decisions to repurchase shares would then be made on an ongoing basis during the year based on the share price trend and Elekta's financial position, profitability trend and investment needs.

Our strong financial position also prompts frequent inquiries regarding possible acquisitions. Our aim is to continue making strategic acquisitions of operations and technologies that are compatible with our present product portfolio and R&D activities.

### **Outlook**

Against the background of our strong product portfolio and as a consequence of Elekta's increasingly strong position in the market, I look forward with confidence to the 2004/05 fiscal year and anticipate growth and profitability in line with our financial objectives.

In conclusion, I would like to take the opportunity to express my gratitude to our customers, suppliers and partners and, in particular, to warmly thank each and all of Elekta's employees for their goal-oriented and highly competent work during another successful year.

STOCKHOLM, AUGUST 20, 2004

Laurent Leksell, PhD (Economics),  
President

# A company with a vision...

**...by working together we can fight serious disease and enhance quality of life!**

At the corporate level, Elekta manages its operations by formulating the company's vision, mission, strategy, values, financial objectives and corporate priorities. In an organization in which responsibility for both profitability and operations in general is decentralized, these statements provide guidance for managers and employees who have to make decisions in their daily work.

In the vision:

*"We believe that by working together we can fight serious disease and enhance quality of life"*

...the spirit that pervades Elekta is reflected, as well as the pride that Elekta's employees take in their work.

The summarized mission statement:

*"To always be the first choice"*

...encompasses the endeavor to be the company that patients, healthcare professionals, employees, shareholders and other stakeholders first think of when they seek treatment, a supplier, employment or an investment opportunity.

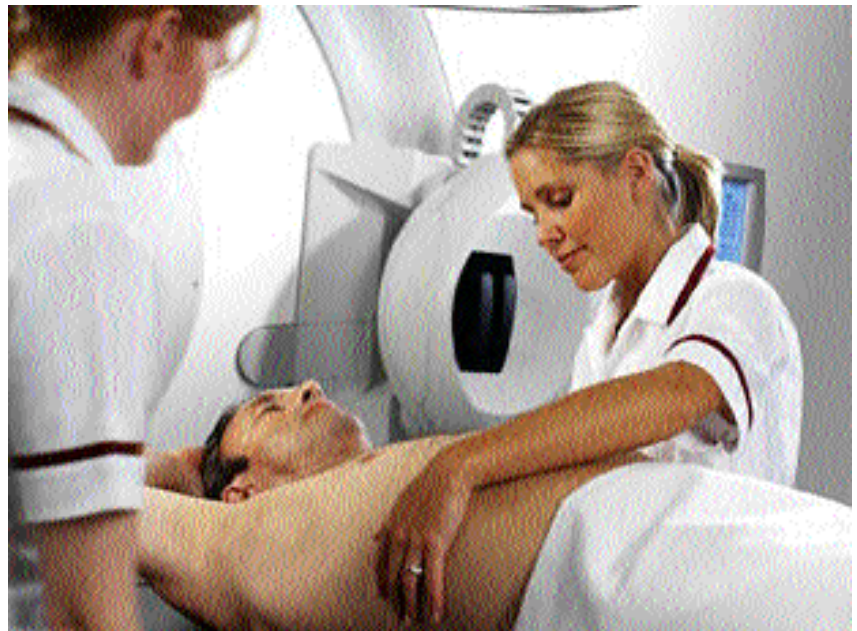


## Elekta Values

Elekta's decentralized organization and decision processes give each manager and employee considerable scope in making decisions regarding his or her work. While this implies a large degree of freedom, it also places substantial demands on Elekta's employees. The five *Elekta Values* function as support for decision making and as general

guidelines in the daily internal and external work.

- *Long-term Customers*
- *Trust and Reliance*
- *Stretch Boundaries*
- *Careful with Resources*
- *Speed and Performance*



## Strategy

Elekta's strategy is to provide clinically effective and cost-efficient solutions and services for improved management of cancer and brain disorders aimed at enhanced quality of life through:

- Progressive and pioneering technology for precise radiation and minimally invasive techniques
- Excellence in customer service and support
- Operational proficiency based on Elekta Values

## Financial objectives

Elekta's goal is to deliver sustainable, profitable growth and the company has established the following financial objectives for the three fiscal years 2004/05 to 2006/07:

- Sales growth of 10–15 percent in local currency
- Operating margin of 10–12 percent on a rolling 12-month basis
- Return on capital employed exceeding 20 percent
- Equity/assets ratio exceeding 40 percent



## Corporate priorities

Each year, Elekta establishes a number of corporate priorities intended primarily to guide improvement work during the fiscal year. Each function then adapts its priorities and plans to contribute to these overall priorities.

### Corporate priorities for 2004/05

#### 1. Speed and performance in product creation

To enable Elekta to continue growing profitably, it is critically important that the company continues to develop and launch innovative and clinically effective products and solutions at a rapid pace and in line with customer expectations. Working in close cooperation with clinical research partners and various user groups, Elekta will therefore continue to focus on all strategically important development projects and continue to invest in enhancing opportunities.

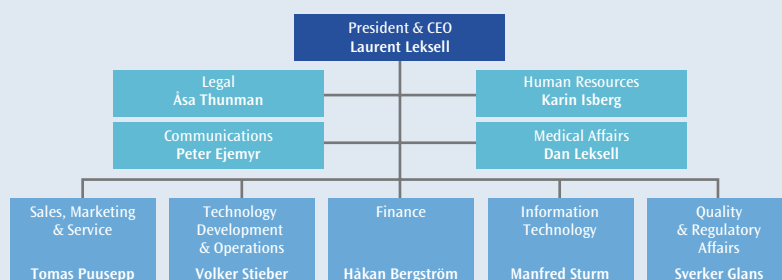
#### 2. World class service operations

Providing best-in-class service and support is an increasingly important competitive tool in the medical technology market. Elekta is therefore continuing its successful program to become the world-leader in terms of capacity, capabilities, reliance as well as financial performance of the technical service operations.

#### 3. Efficient business and management processes as support to increased internal effectiveness

Continually improving and raising the efficiency of operations is an important means of competition in today's business world. Elekta is therefore striving to strengthen the business processes by continuous improvement but also breakthrough activities and reengineering efforts in the business process.

## Integrated organization



Elekta develops and markets innovative solutions and advanced equipment for use within oncology and neurosurgery. There are many similarities and synergies between these two therapeutic fields with respect to technology, product development, the advancement of knowledge and customer support.

Traditionally, radiation therapy of cancer and radiosurgical treatment of brain disorders have developed separately but in parallel. Today, the development of cancer treatment methods is progressing very rapidly and the

exchange of experience and technology is increasing. The application of new techniques, such as conformal radiation therapy, intensity modulated and image guided radiation therapy, as well as stereotactic applications, is driving this development.

This is reflected in Elekta's operations and in the way the company has chosen to structure its organization with integrated research and product development, as well as an integrated organization for sales, marketing and customer support.

## The history of Elekta

The history of Elekta started with the vision of one man, seeing the need for less traumatic solutions for brain surgery. During the 1940s, Lars Leksell developed the stereotactic frame, to be able to position surgical instruments into the brain with great precision. In 1951 this equipment was used for the first time to direct beams of X-rays into the brain through the intact skull.



Elekta's founder, Professor Lars Leksell.

As of today, millions of patients all over the world have received minimally or non-invasive treatments using Elekta's solutions for neurosurgery and radiation oncology.

### A few of the milestones in the history of Elekta so far are:

- 1949** Introduction of Leksell Stereotactic System® prototype
- 1953** Introduction of first iso-centric based linear accelerator
- 1968** Introduction of first Leksell Gamma Knife® prototype for clinical research
- 1972** Elekta Instrument AB founded
- 1983** Elekta establishes first foreign subsidiary in the US
- 1986** First commercial delivery of Leksell Gamma Knife®
- 1990** Delivery of first clinical Multileaf Collimator (MLC)
- 1994** Elekta AB listed on the Stockholm Stock Exchange
- 1997** Elekta acquires Philips radiation therapy division
- 1998** Introduction of Elekta Precise Solutions including a Digital Accelerator with integrated Multileaf Collimator
- 1999** Introduction of Leksell Gamma Knife® C, with Automatic Positioning System™
- 2002** Elekta becomes the second largest supplier in the world of equipment for radiation treatment of cancer. Elekta starts manufacturing in subsidiary in China
- 2003** Launch of Elekta Synergy®, the world's first solution for image guided radiation therapy (IGRT)  
Acquisition of Neuromag Oy
- 2004** Launch of Elekta Synergy® S and Leksell Gamma Knife® 4C



**Elekta has evolved from a small family run business into an international medical-technology Group, with global operations, developing the world's most advanced clinical solutions for radiation therapy and neurosurgery.**

With wholly owned subsidiaries in all major markets in the world and several

each employee's performance, Elekta strives to maximize each employee's possibility to fulfill his or her potential. Individual development plans are linked to the company's budget, business strategies and priorities as well as provide company-internal career paths for all professions.

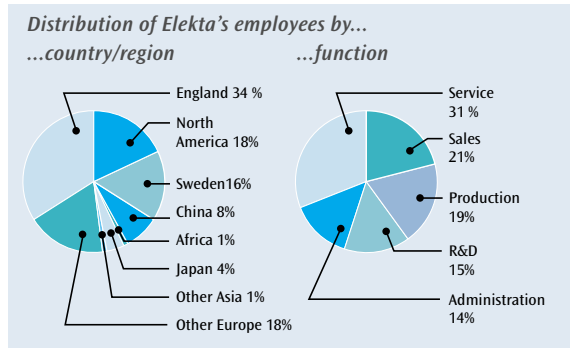
Each manager is responsible for ensuring that this "Performance Management Process" is completed and followed up and for continuously supporting and stimulating employees during the year in accordance with the established plans. Each employee participates actively in establishing his or her goals.

ducted within the spirit of Elekta's Mission, Vision and Values.

Elekta offers its employees challenging and stimulating work assignments. The company's organization and culture result in a working environment in which short, fast and informal decision paths encourage a delegated, responsible and results oriented approach to decision making.

### Cost efficient quality manufacturing

Striving for cost efficiency and top quality, Elekta's manufacturing strategy for products and systems is to make widespread use of sub-suppliers and thus attain maximum flexibility. For many years, production of Leksell Gamma Knife® has been performed by sub-suppliers in Sweden. The production of Elekta's equipment for radiation therapy takes place in Elekta's production plant in Crawley in the UK. This is where critical components are manufactured and assembled and where final testing takes place. In addition, through its subsidiary in Shanghai, Elekta has made a strategic investment in production and purchasing of components in China. This is where all of Elekta's advanced patient tables for linear accelerators are manufactured.



research and development centers in both Europe and in the United States, Elekta has a mature and well scaled organization with each unit focusing on its functional duties across product lines.

### A growing number of employees

During 2003/04 the number of Elekta employees increased from 1,073 to 1,170, due to additions in product creation, and as a result of an increased sales volume. With an adequate and highly skilled organization now in place, Elekta foresees a reduced head-count expansion rate during the fiscal year 2004/05.

Elekta's requirement for highly skilled experts in medicine, physics, mechanics, electronics, logistics, sales, marketing, service, administration and many other areas, requires Elekta to be competitive on the labor market, by offering attractive working conditions and challenging responsibilities.

With an extensive program for annual planning and follow-up of

### Global challenges and stimulating work

Elekta is a company with operations throughout the world conducting business in widely different cultures, traditions and legal frameworks. This places substantial demands on Elekta to conform to each country's laws and regulations and to take into consideration ethnic and cultural differences, while ensuring that all business is con-

### Elekta's offices and subsidiaries



# Advanced weapons in the fight against serious disease

Elekta develops and markets a complete range of innovative treatment solutions and advanced equipment for use within radiation oncology and neurosurgery. The company offers disease-specific treatment methods based on a unique competence in neurosurgical treatment, stereotactic applications and advanced methods in radiation therapy.

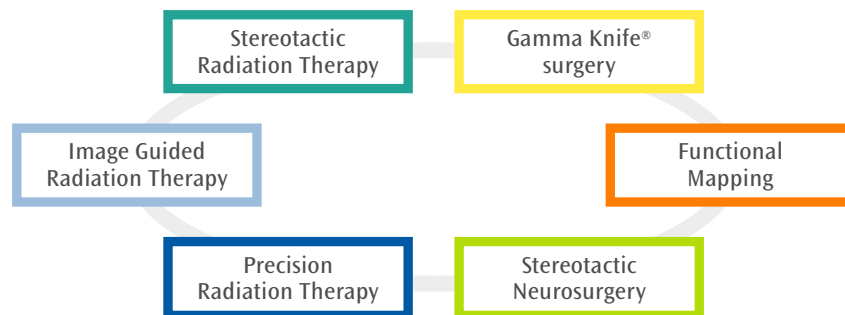
Structured in six different solution classifications, Elekta's systems and solutions address radiotherapists' and neurosurgeons' needs for advanced treatments and diagnostic solutions.

These solutions build the Elekta brand and represent clinically effective and cost efficient treatment solutions for cancer and brain disorders. They are used for both diagnostic and therapeutic purposes, providing the utmost of accuracy and precision.

Almost all of Elekta's treatment solutions are non-invasive, in the sense that no surgical incisions are required. This means that the treatments that can be offered require shorter recovery periods compared to other treatment methods. They represent a gentler alternative for the patient with improved quality of life. In addition, the reduced demand for aftercare minimizes the need for healthcare services, thus saving valuable resources.

## Dedicated solutions

Elekta offers treatment solutions that combine health-economy and quality of care in a positive way – a win-win situation. The company's research and product development is a result of a long-term relationship with customers and is driven by their needs. Elekta meets the customers' needs by offering different dedicated clinical solutions in Precision Radiation Therapy, Image Guided Radiation Therapy, Stereotactic Radiation Therapy, Gamma Knife® surgery, Stereotactic Neurosurgery and Functional Mapping.





# Precision Radiation Therapy

## *Precision guiding principles for future innovations*

**The trend in radiation therapy is towards increasingly refined treatment methods. The goal is to achieve higher precision, with higher doses in the target area and less exposure to surrounding healthy tissue.**

Precision and accuracy (the ability to hit a defined target, and reliably repeat the process) are at the core of all Elekta products for the practice of radiation therapy and radiosurgery – and they provide the guiding principle behind all future innovations.

Elekta offers the only fully digitally controlled linear accelerators, which among other benefits enable active remote monitoring, managing and service to ensure smoother patient flows. Elekta Precise™ offers a complete system for radiation therapy, which has been specifically designed to be easily integrated with other systems. The system also supports advanced radiation therapy techniques such as intensity modulated radiation therapy (IMRT).

### **Leading the way in IMRT**

Technical development in radiation therapy is advancing rapidly. A key development in this area is IMRT. This method is a development from conformal radiation therapy, a three-dimensional technique using multiple fixed beams of radiation or sequential multiple arc rotational beams to limit the dose to critical organs and healthy tissue. With the IMRT technique the beam intensity is also varied (modulated) across the treatment field. Rather than being treated with a single, large, uniform beam, the patient is treated with many very small beams; each of which can have a different intensity. This advance recognizes that tumors are not spherical but can have complex shapes, which require increasing levels of precision in their treatment.

By initiating an international IMRT Consortium, as early as 1995, consisting of nine highly renowned centers of radiation therapy, Elekta

has been a pioneer in clinical and technical solutions for IMRT. This multi-center cooperation, which is still continuing, has resulted in a large number of scientific articles and has provided Elekta with advanced knowledge that forms the foundation for current and future product development. Today Elekta is a leading supplier of the new IMRT technology.

## **A complete product portfolio**

In addition to offering the advanced linear accelerators Elekta Precise™ and Elekta Synergy®, Elekta also supplies a range of accessory products for more efficient treatment and workflow.

The unique OmniWedge™ combines the use of a universal wedge, virtual wedge and open field to produce a wedged field in any orientation and allows the user to achieve a precise fit without wedge orientation becoming a limiting factor.

Elekta also offers iViewGT™, an advanced portal imaging system which can register the patient's position in relation to the radiation field during treatment.

PrecisePLAN® is a solution for three-dimensional and IMRT dose planning. This is one of a number of Elekta solutions that integrate and thereby increase efficiency in the planning of cancer treatment.

Desktop Pro™ is the integrated linear accelerator recording and verification control system which simplifies the department's administration of patient, clinical and treatment data.

The network software solution, PreciseNET™, integrates the entire workflow within the hospital from activities in the radiation therapy department to the hospital's information management and archiving tools.

Elekta's philosophy of providing an open systems architecture, also facilitates integration of Elekta's solutions with third party software and equipment. Elekta is driving the development of innovative solutions that are setting new standards in treatment efficiency.



## Cancer – a global problem

The global burden of cancer continues to increase all over the world. There are over 6 million cancer deaths annually. Each year, conservative estimates suggest that more than 10 million new cases of cancer are diagnosed and over 22 million people worldwide have cancer.

Primarily due to an increased average age and improved diagnostics, the number of new cases are increasing at approximately 5 percent annually. Worldwide, 12 percent of humans die from cancer and in industrialized countries, more than one in four will die as a result of this disease. Cancer statistics are unfortunately very unreliable in many parts of the world, but even with these – probably understated – figures it is clear that cancer is emerging as a major problem globally, both in more developed and less developed countries.

At the same time, development has resulted in increasingly improved cancer diagnostic methods so that the cancer is often detected early and the possibilities of successful treatment has improved accordingly. The continuously improving treatment methods also contribute to significantly higher survival rates. One result of this is that the number of recurrences of cancer and the number of cases in which the same patient develops a new cancer later in life are increasing.

### Radiation therapy in the fight against cancer

Depending on type of tumor, cancer is normally treated with radiation therapy, chemotherapy, surgery or a combination of these.

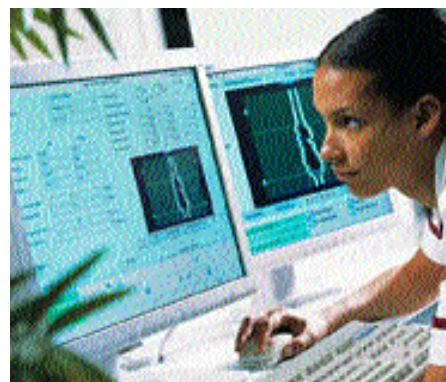
It is estimated that half of all patients who are diagnosed with cancer would benefit from radiation therapy at some stage of their illness. This could be either as part of radical therapy with curative intent or as a palliative treatment for pain or other associated symptoms.

New advanced methods, such as image guidance and stereotactic applications, are expected to increase the role of radiation therapy in the future. These advancements and also innovations in surgery and chemotherapy are expected to render more cancers treatable and thus even further increase the clinical demand for radiation therapy in the future.

Of the three normal treatment methods for cancer, radiation therapy is often the least traumatic to the patient and at the same time the significantly most cost-efficient.

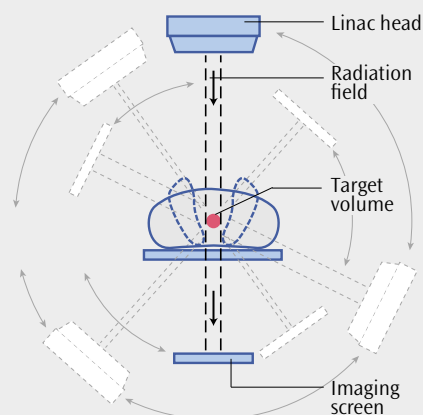
Radiation therapy is almost always conducted with the use of a linear accelerator. Approximately half of the installed base of linear accelerators is in the United States. All other parts of the world – also developed countries – are lacking in linear accelerator capacity, resulting in unwanted waiting lists or in patients not receiving the required treatment in time.

Source: WHO – World Cancer Report 2003



### Radiation therapy with the linear accelerator

In the absolute majority of cases, radiation therapy is given as fractionated treatment, meaning that the patients receive a daily dose of radiation five days a week for six to seven weeks. At each daily treatment, the radiation beam from the head of the linear accelerator is rotated around the patient at different angles so that the entire tumor receives an optimal radiation dose.



The geometry and intensity of the radiation field is adjusted to the tumor's size and shape and also to the type of cancer that is treated. The treatment beam is shaped with a multi-leaf collimator that functions much like the aperture on a camera.

Prior to the treatment itself, the tumor's location and shape are identified using various radiological methods, such as conventional X-rays, magnetic resonance imaging (MRI), computerized tomography (CT) or positron emission tomography (PET).

# Image Guided Radiation Therapy

## *Inspiring clinical confidence*

Today's more advanced methods in radiation therapy makes it possible to deliver conformal and intensity modulated radiation fields. This makes it increasingly important to address the uncertainty that comes from the motion of internal organs, as well as the uncertainty in repeating and maintaining the set-up of the patient at each treatment session.

Elekta Synergy® is the first linear accelerator with integrated equipment for high resolution 3D imaging. Until the introduction of Elekta Synergy®, the delivery of radiation therapy had to rely on assumptions about target location based on historical data which could be a week old or even older at the time of treatment.

### **Minimize side effects**

Elekta Synergy® enables visualization of soft tissue detail in any area of the body. This provides two positive effects on patient outcomes. Firstly, the potential to minimize side effects from radiation by reducing the margins previously used to account for uncertainties concerning target dimen-

sions, location and movement. Secondly, the potential to adopt dose escalation and hypofractionation, meaning the delivery of the total dose in just a few fractions. This requires an assurance that the target volume is in the right position, something that is acquired by taking a 3D image at the time of treatment and thus assuring that the right volume is irradiated.

### **Optimized work flow**

VolumeView™ is the unique Elekta software package that enables 3D image reconstruction at the time of treatment and delivers image quality that allows differentiation of soft tissues and thereby determination of the target's size, shape and location in relation to critical structures. These data can then be compared with the original planning scan on which the treatment plan was based. If the tumor is no longer where it was or has changed shape or size, then the treatment table can be controlled remotely and/or the treatment plan or multileaf collimator settings can be modified as appropriate.

It is not unlikely for tumors to move

during treatment (for example a lung tumor during respiration). To adjust for this and set appropriate margins, another unique Elekta software package can be used called MotionView™ (sequential imaging) and/or the patient's breathing can be momentarily halted with the use of the Active Breathing Coordinator™ from Elekta.

### **Advanced development**

The development of Elekta Synergy® is the result of massive research efforts by the Elekta Synergy® Research Group. Forming the core of the growing research group were the four world-leading hospitals; Princess Margaret Hospital (Toronto, Canada), William Beaumont Hospital (Royal Oak, Michigan, USA), Christie Hospital (Manchester, UK) and the Netherlands Cancer Institute at the Antoni van Leeuwenhoek Hospital (Amsterdam, the Netherlands). From the autumn of 2004, this group will be expanded to include Thomas Jefferson University (Philadelphia, USA).

These leading cancer centers are making significant progress in validating the clinical capabilities of IGRT and in developing the workflow infrastructure that will transform Elekta Synergy® into a standard equipment at leading cancer clinics.

### **Elekta is leading the development**

Elekta Synergy® was successfully introduced to the market in October 2003, consolidating Elekta's position as the thought leader in the radiation therapy market and the fore-runner in IGRT.

Elekta Synergy® is a state-of-the-art digital linear accelerator, equipped with an integrated solution for high resolution, three dimensional images of the patient's soft tissue taken in the treatment position at the time of treatment. The system can operate in PlanarView™ (2D images), MotionView™ (sequential images) and VolumeView™ (3D images). These images make it possible to see also soft tissue such as tumors and sensitive organs. By directly addressing the challenges of organ motion and set-up errors, Elekta Synergy® promises to revolutionize the way radiation therapy is implemented.





REPRINT FROM WAVELENGTH JOURNAL:

## Netherlands Cancer Institute among first to use Elekta Synergy® system clinically

In July, 2003, the Netherlands Cancer Institute (NKI) at the Antoni van Leeuwenhoek Hospital (Amsterdam, Holland) became one of the first to use Elekta Synergy® to image and treat patients. Clinicians used this revolutionary treatment platform's integrated X-ray Volume Imaging (XVI) and flat panel detection technology to produce images of pathology in patients with head and neck cancer and with prostate cancer.

Months before the Netherlands Cancer Institute began exploring the potential of its new Elekta Synergy® system — delivered in December 2002 — the treatment machine was functioning diligently as one of the center's eight Elekta linear accelerators, treating its share of the center's 350-400 daily patients. In late January 2003, however, NKI physicists and Elekta representatives began working together, integrating and testing the kV imaging and flat panel detector components that would complete the platform's transformation into Elekta Synergy®. The new treatment system's capabilities are tailor-made for NKI's long-standing research and interest in the geometrical aspects of radiotherapy, including tumor delineation, organ motion and set-up error.

### First results impressive

On July 9, 2003, NKI used Elekta Synergy® to acquire XVI images of two head and neck cancer patients and one prostate cancer patient, becoming the first center to image patients on the new treatment platform.

"The head and neck images were quite striking, because we could very nicely see the anatomy — how that changed compared to the planning CT scan for the flex of the neck, which under normal circumstances is not visualized at all with 2-D portal imaging," says Marcel van Herk, Ph.D., NKI physicist.

"I was very impressed with the first images from the head and neck patients, as we could clearly see the normal anatomy and very good soft tissue contrast. Excellent images were obtained, particularly in the non-axial planes," agrees Professor Harry Bartelink, M.D., head of the radiotherapy department at NKI.

"Eventually, we also acquired some phenomenal images of the upper abdomen in gastric cancer patients. Elekta Synergy® will help us learn about the motion of organs and what kind of dose is delivered to normal tissues."

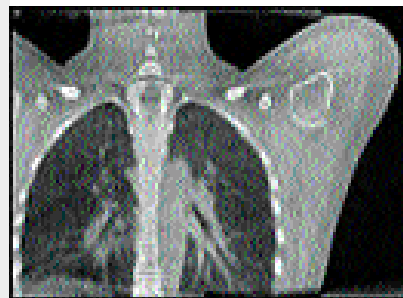
### Immediate correction for organ movement

"We have developed a method for high-speed automatic localization of the prostate, using the Elekta Synergy® images, which is designed to provide immediate correction for organ movement," says Prof. Bartelink. "We're quite happy with it. Prostate localization is performed using gray-value registration of a region of interest defined in the planning CT. No delineation of the XVI data is required, yet this automatic method seems to rival manual localization."

The clinical workflow of Elekta Synergy® is similar to that of conventional radiotherapy, Dr. van Herk observes. The same diagnostic imaging modalities are employed for planning, but instead of creating a DRR with the planning data — and sending it to the portal imaging database, followed by portal imaging — the Elekta Synergy® workflow has clinicians send the CT data set and planning information to the XVI database. Clinicians then compare this CT data with previously acquired Elekta Synergy® images.

"Elekta Synergy® will enable us to focus our radiation much more accurately on the tumor target than has been possible in the past," Prof. Bartelink says. "This will allow us to reduce treatment fields as well as the volume of radiation that receives the highest dose. This will result in two benefits. First, it will decrease normal tissue complications and second, it will enable us to increase the radiation dose to higher levels so that we can achieve higher cure rates. Together with the new smart drugs emerging from molecular biology, we certainly have an opportunity to combine them with this more accurate radiotherapy modality to further reduce toxicity."

This page is a (shortened) reprint from Wavelength Journal, Volume 8, No.1, March 2004, with permission from Professor Harry Bartelink, NKI



X-ray image from Elekta Synergy®, showing the lung area with details of the bronchitis in the lung and abnormal cell growth around the neck and shoulder.

*"Elekta Synergy® will enable us to focus our radiation much more accurately on the tumor target than has been possible in the past."*



As of June 2004, NKI had used Elekta Synergy® to perform 600 scans of 100 patients, including prostate, head and neck, lung, breast, stomach and bladder disease sites.



Professor Harry Bartelink, M.D., Head of the Radiotherapy Department, the Netherlands Cancer Institute in Amsterdam.

# Stereotactic Radiation Therapy

## *Bridging the gap between radiation therapy and radiosurgery*

To support the continuing advancement of radiation therapy, Elekta has combined its world-leading knowledge of high-precision radiation, with its more than 30 years experience in stereotaxy and image guided techniques into Elekta Synergy® S. Taking this step beyond image guidance and incorporating even more precise techniques of positioning, localization and immobilization, this development promises to enable increased dose escalation and fewer treatment sessions.

Stereotactic radiation therapy utilizes a system of three-dimensional coordinates in order to locate a pre-determined target for treatment. Stereotactic technique can use either an external, three-dimensional frame fixed directly to an immobilized patient, use image guidance technology or use a combination of both. The primary benefit of this method is its ability to locate and treat small targets with great precision, anywhere in the body.

### **World leader in stereotactic treatment methods**

Elekta has over 30 years experience of stereotactic techniques through its use in the practice of stereotactic neurosurgery with Leksell Stereotactic System® and radiosurgery with Leksell Gamma Knife®.

The development of Elekta Synergy® S is a result of Elekta's commitment to cross-fertilize the areas of radiation therapy and neurosurgery and bridging the gap between Leksell Gamma Knife® and the linear accelerator.

The greater accuracy offered by stereotactic methodology facilitates hypofractionation, meaning radiation treatment given in only a few fractions, which is a key objective of stereotactic radiation therapy. The improved localization and patient positioning combined with organ stabilization through the use of Stereotactic Body Frame®,

and Active Breathing Coordinator™, enables conformal treatments such as IMRT, dose escalation and hypofractionation to be performed with greater precision, promising clinical benefits for precision treatment of several types of cancers.

### **From head to toe**

Externally applied coordinate frames are highly appropriate for targets such as the brain where organ location can be directly related to the skull. But these techniques encounter limitations when used outside the head. This is why the imaging capabilities developed for Elekta Synergy® can be combined with Elekta's existing stereotactic expertise to develop new clinical solutions.

Elekta's system for stereotactic radiation therapy integrates the most advanced beam shaping, stereotactic target localization and organ motion control. Taking the next step from the multileaf collimator (MLC), Elekta Synergy® S allows fine resolution beam shaping, using the latest in advanced collimator systems.

### **The ideal complement to Leksell Gamma Knife®**

The combination of Elekta Synergy® S with dedicated fixation and referencing products results in a clinically meaningful stereotactic solution for the localization and hypofractionation of targets from head to toe. For single fraction intra-cranial treatment, Leksell Gamma Knife® is the unchallenged gold standard. These dedicated solutions complement each other and are tailored to be "best in class" for their respective applications.

Following the first installation of Elekta Synergy® S at the University Klinik, in Würzburg, Germany in the autumn of 2004, Elekta Synergy® S promises to open up exciting new possibilities in the treatment of small targets located close to critical structures. Certain components of Elekta Synergy® S are works in progress and not currently (August 2004) available for sale or distribution in the United States.





### Working with clinical partners to shift the paradigm of treatment

By working closely with advanced users in the international Leksell Gamma Knife® Society, the IMRT consortium and the Elekta Synergy® Research Group, Elekta is facilitating the advancements and the stretching of clinical boundaries.

In this tradition, Elekta has initiated the Paradigm Research Group, collaborating with advanced hospitals using stereotactic radiation therapy to jointly develop methods and treatment protocols and practices to support Elekta's customers.



Above: By using Active Breathing Coordinator™, it is possible to stop the patients breathing – and thereby the organ movements – for a few seconds during which the cancer tumor is irradiated by the linear accelerator. These short breathing intermissions are facilitating higher precision and contributes to lower dose to adjacent tissue.



Above: Elekta Synergy® S combined real time imaging with the unique, fully integrated Beam Modulator™ which shapes the treatment beam with high resolution. The system is adapted for demanding applications outside the brain, where the aim is to increase the dose, avoid irradiation healthy tissue and reduce the number of treatment sessions.



# Gamma Knife® surgery

## *The unchallenged gold standard in radiosurgery*

**In treating brain disorders, the quest for precision and perfection must always be foremost.**

Leksell Gamma Knife® produced a revolution in neurosurgery when the method was introduced over 35 years ago.

At the time it was considered experimental. Today it is a standard of care for neurosurgery, with thousands of published papers on treatment efficacy, improved quality of life for patients and cost efficiency, among other things. The method, that is unique and has become indispensable, has been further refined over the years and in 2004, Elekta introduced the fourth generation of Leksell Gamma Knife®.

Stereotactic radiosurgery, also referred to as Gamma Knife® surgery, is a non-invasive method for treating brain disorders.

It is defined as the delivery of a single, high dose of radiation to a small and critically located intracranial volume through the intact skull. The extreme precision of Leksell Gamma Knife® makes it possible to administer a high radiation dose to the diseased area, without the risk of damaging healthy tissue.

Leksell Gamma Knife® is used for treatment of vascular malformations, benign tumors, metastases and other malignant tumors, as well as functional disorders.

### **New generation**

For over 30 years, the design of Leksell Gamma Knife® has been driven by Elekta's concern for delivering solutions for the best possible surgical outcomes and quality of life improvements.

Now Elekta takes Gamma Knife® surgery even further, recently introducing Leksell Gamma Knife® 4C, the fourth generation of this proven method rendering the process of non-invasive

treatment of brain disorders even more successful and time-effective.

The new features in Leksell Gamma Knife® 4C are designed to improve workflow, increase accuracy and provide integrated imaging capabilities. The integrated imaging, powered by Leksell GammaPlan® 4C, offers users an unprecedented ability to integrate images from multiple sources to achieve the most accurate treatment capability ever. This latest generation is designed to facilitate pre-surgical planning and post-operative follow-up by co-registration of image studies from CT, MRI, PET and MEG.



### **Leksell Gamma Knife® Society**

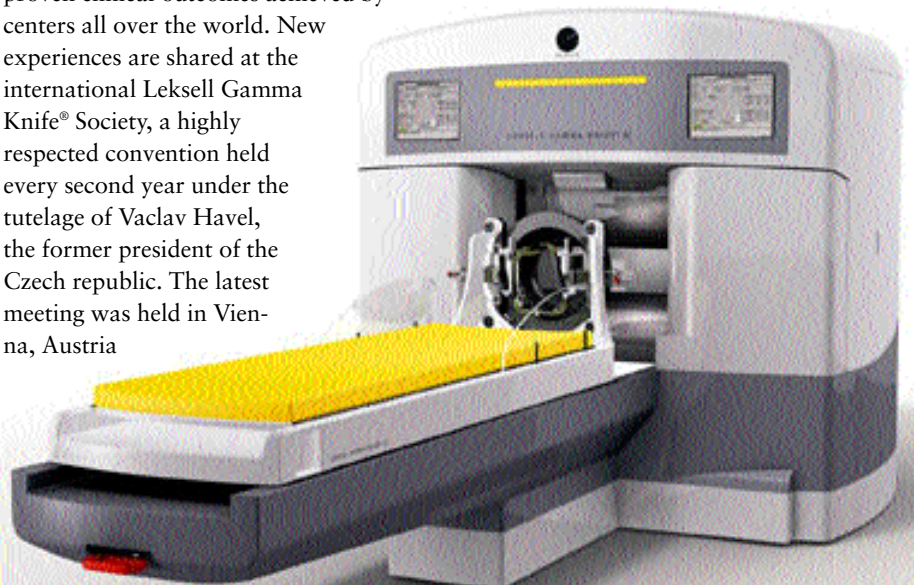
The driving force behind Gamma Knife® surgery is the unsurpassed and proven clinical outcomes achieved by centers all over the world. New experiences are shared at the international Leksell Gamma Knife® Society, a highly respected convention held every second year under the tutelage of Vaclav Havel, the former president of the Czech republic. The latest meeting was held in Vienna, Austria

in May 2004 and gathered more than 400 neurosurgeons and other medical professionals from around the world. Among many others, a study was presented, giving new hope in the battle against glaucoma (cataracts) and showing that Gamma Knife® surgery can reduce the main symptoms in advanced glaucoma even when conventional therapy fails.

### **Patients' preferred choice**

Gamma Knife® surgery has many advantages. The risk of complications, as compared to open surgery, is minimal. Normally, the treatment takes less than an hour and is performed without general anesthesia. The patient often leaves the hospital the same day. There is no need for expensive post-operative care and convalescence is minimal. When available, Gamma Knife® surgery is the patient's preferred choice.

To date, over 300,000 patients around the world have undergone Gamma Knife® surgery and each year more than 35,000 patients receive this treatment. In June, 2004, there were 202 Leksell Gamma Knife® units installed around the world.



REPRINT FROM DEVINE MEDIA, INC

## Leksell Gamma Knife® gives Trigeminal Neuralgia patient new lease on life

Trigeminal neuralgia is a nerve disorder that attacks its victims with intense, stabbing, electric shock-like pain in the areas of the face. Debbie Williams, 49 of Carteret, NJ, USA, knows the pain all too well. "It felt like someone was taking a high voltage electric wire and shoving it into your mouth."

The pain was pervasive, affecting all areas of her life. "I couldn't really do anything because all I could think about was if I were to move a certain way, or bite down, or even brush my teeth, I would feel this pain. It was horrible." She recalls that at the time she had a newborn niece that she couldn't hold because she would have to risk a fidgeting infant hitting her in the face and the subsequent pain.

"It had started out rather mild, then by the time I was ready for surgery, I was nearly ready to slit my own throat," Williams says facetiously.

It used to be that traditional brain surgery to move the nerve was the only way to successfully treat trigeminal neuralgia. Williams' mother and aunt had both battled trigeminal neuralgia and her mother had opted for the surgery. With it came almost two months of being out of commission, double vision, and the threat of losing control over her facial muscles. It wasn't a method Williams felt comfortable with, but luckily there was still one more option. When she had exhausted all medicinal avenues, her doctor recommended Gamma Knife® surgery.

"I'd gone to The New Jersey Neuroscience Institute for other surgery some time before. They were first on my list to see if they offered Gamma Knife® surgery." They did. And within two weeks her Gamma Knife® surgery was scheduled.

Her neurologist, Dr. Joseph Landolfi, Medical Director of NJNI's Gamma Knife® Program promised that during the procedure she'd barely know what was happening. "And he was right," said Williams. Other than the mild pressure of the halo that serves to guide the radiation beams, the surgery was uneventful. So much so that Williams jokes about having falling asleep during the procedure to the technician teasing her about her snoring.

One overnight stay and that was it. Back to everyday life just one day later. Three months

after her surgery, Williams was off medication and free of pain. That was over four years ago.

"What is remarkable about Gamma Knife® technology is that it's noninvasive and usually done in a single day. Patients can go home the day of treatment or the next morning and there are usually no long-term effects from Gamma Knife® treatment. The technology removes the trauma, risks and side effects generally associated with open surgery or standard radiation therapy," said Dr. Landolfi.

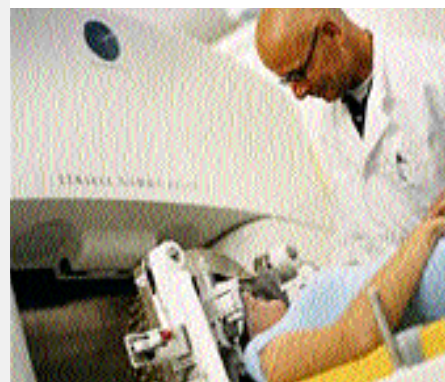
Landolfi explains, "Gamma Knife® surgery focuses 201 radiation beams, simultaneously directed at a precise target defined by a patient's MRI. At the site where the 201 beams converge, enough radiation is generated to destroy a tumor or a lesion deep within the brain. The beams are focused with such precision that radiation is delivered only to the target, sparing surrounding healthy tissue, blood vessels and nerves."

There are 86 centers in the US that offer Gamma Knife® radiosurgery and The New Jersey Neuroscience Institute (NJNI) at JFK Medical Center in Edison is the only center in the state of New Jersey.

The New Jersey Neuroscience Institute at JFK Medical Center is a comprehensive facility designed exclusively for the diagnosis, treatment, and research of complex neurological and neurosurgical disorders in adults and children. Services offered at the Institute include programs in spine and brain tumors, dizziness and balance disorders, epilepsy, sleep memory problems/dementia, cerebral palsy, stroke, and spasticity and movement disorders. As a department of Seton Hall University's School of Graduate Medical Education, NJNI serves as the clinical setting for SHU's residency training in neurology.

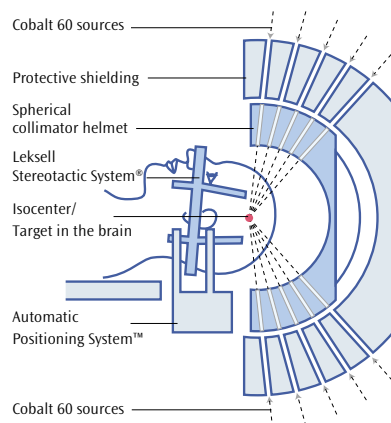
This page is a (shortened) reprint from Devine Media, Inc, with the permission of Dr. Joseph Landolfi at The New Jersey Neuroscience Institute.

Note: This article is a representation of case studies or experiences reported to the company by physicians who have used the product. The intended use of Leksell Gamma Knife® is radiation of intracranial structures. All statements of clinical efficacy above, is made by the treating physician.



### Radiosurgery with Leksell Gamma Knife®

With very few exceptions radiosurgery with Leksell Gamma Knife® is given in one single fraction, meaning that the full radiation dose is given in one treatment session.



During the treatment, 201 radiation beams from Cobalt 60 sources converge with high accuracy on the target to be treated.

The hemispherical collimator helmet focuses the beams of radiation onto the surgical target. The patient's head is held in place using Leksell Stereotactic System®.

The beams converge in what is called an isocenter where the cumulative radiation intensity becomes extremely high. Each individual beam has low intensity and therefore does not affect the tissue through which it passes on its way to the target.

By moving the patient's head in relation to the beams' isocenter, the radiation dose can be optimized in relation to the shape and size of the target. In treatments using Leksell Gamma Knife® C, these minimal movements are accomplished using the Automatic Positioning System™ (APS).



# Stereotactic Neurosurgery

## *Continuously setting new standards*

Elekta's founder, the late professor of neurosurgery Lars Leksell, developed over 50 years ago a new method for brain surgery that was less traumatic and entailed less risk to the patient. The result was the so called stereotactic frame, or Leksell Stereotactic System®. This frame provides a three-dimensional reference system which allows the surgeon to very accurately localize and treat the pathological area with great precision.

### **Continued leadership**

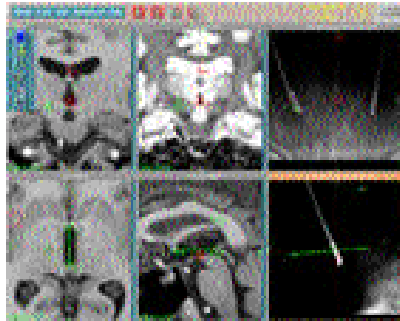
Elekta is still leading the way by setting new standards and today occupies a frontline position in stereotactic surgery. Elekta has the largest installed base of stereotactic systems with over 1,000 neurosurgical departments worldwide using these systems for both diagnostic and therapeutic procedures.

Elekta's system for stereotactic neurosurgery is characterized by simplicity, versatility and accuracy. The products are easy to use, easy to learn and have an optimized design in a sophisticated, yet simple way. The versatility is demonstrated both by the wide range of supported applications and the freedom of choice that it offers the neurosurgeon. The unsurpassed accuracy is obtained through the solid fixation to the skull, the positioning of the instrument with the arc and dedicated instruments for a wide range of applications.

In contrast to conventional cranial surgery, minimally invasive surgery only requires a small burr hole, making the procedure less traumatic and significantly increasing the speed of patient recovery.

### **Leksell Stereotactic System®**

The core system within Stereotactic Neurosurgery is Leksell Stereotactic System®, a three-dimensional reference system which allows the surgeon to accurately localize and treat the pathological area with high accuracy. The



system is used for diagnostic – such as biopsies – as well as therapeutic procedures for treatment of functional disorders and of deep-seated targets, hard to reach with conventional surgery.

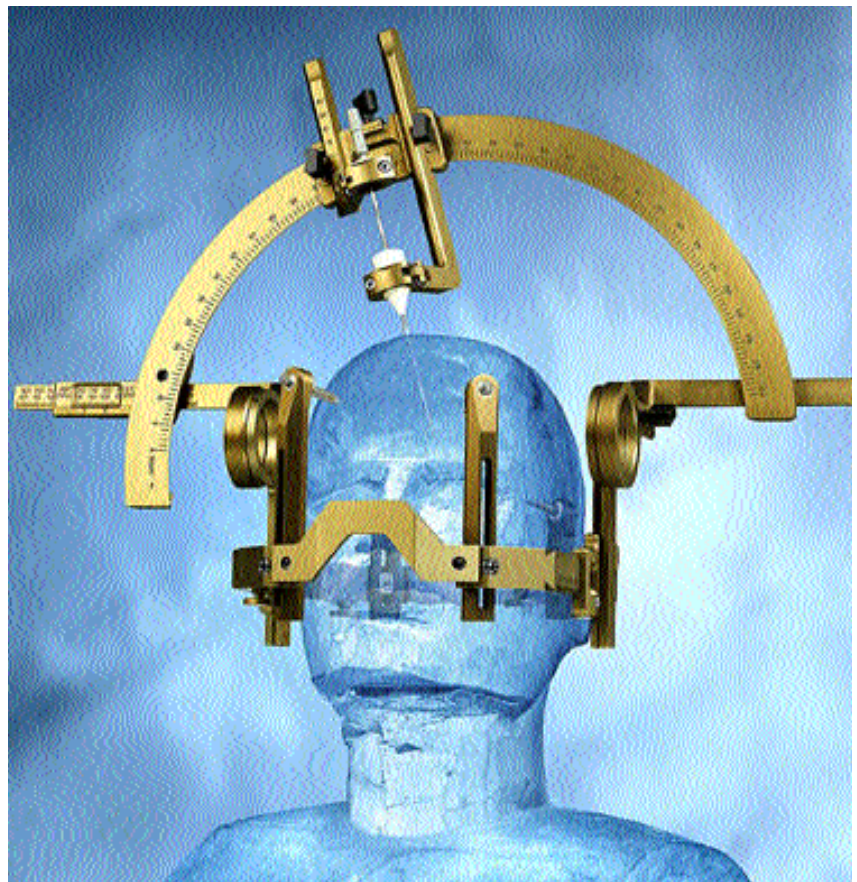
Leksell Stereotactic System® is also a vital component for Leksell Gamma Knife® and enables within this system a highly precise, non-invasive, radio-surgical treatment.

Together with two other major components, Leksell SurgiPlan® for pre-operative planning and Leksell® Neuro Generator for lesioning and stimulation, Leksell Stereotactic System® constitutes one integrated system.

### **Continuous developments**

Elekta recently launched Elekta MicroDrive™ as a fully integrated part of Leksell Stereotactic System®, designed to find the optimal electrode position for treatment of certain functional disorders.

To create a protective barrier against antibiotic resistant staphylococci and more serious diseases, like HIV and Creutzfeldt-Jakob Disease, Elekta has developed components such as disposable biopsy needles and fixation screws.







## Brain disorders

The brain is arguably the most complex organ in the human body. Disorders in the brain are often very critical and have a strong negative impact on the patient's quality of life. At the same time, brain disorders are often very hard to treat without affecting or risking the patient's functionality.

Tumors that occur in the brain can be divided into two groups, benign and malignant. Among benign tumors, acoustic tumors, meningiomas and pituitary adenomas are notable, as they can become life threatening if they are not treated in time.

Malignant brain tumors are classified as primary tumors and secondary metastases. The latter originate from primary cancer tumors in other parts of the body. The incidence of primary brain tumors is about 1,000 per million people. Some 24 percent of all patients with cancer develop metastases to the brain and brain metastases have become the most common indication for Gamma Knife® surgery.

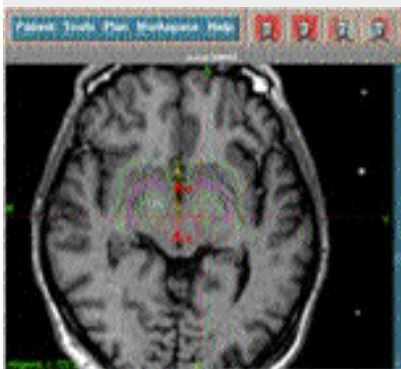
Vascular malformations in the brain, which are called arteriovenous malformations (AVM), are often congenital. As a rule, they are not diagnosed until they have already caused brain

hemorrhage. AVMs have for many years been successfully treated with Leksell Gamma Knife®.

Functional brain disorders are diagnosed by observing symptoms such as the Parkinsonian tremor or epileptic seizures. Elekta is currently focusing on such disorders as facial pain (trigeminal neuralgia), epilepsy and Parkinson's disease.

Epilepsy afflicts about one percent of the world's population. In 10 percent of these cases the disorder cannot be adequately controlled with medication. Many of these patients are candidates for Gamma Knife® surgery.

Elekta supports clinical research aimed at demonstrating that Leksell Gamma Knife® can be used to treat this large group of epilepsy patients. Elekta is also working to change the currently resource intensive and invasive diagnosis of epilepsy. With the help of magnetoencephalography (MEG), localization of epileptogenic zones can be done non-invasively. Elekta believes that MEG technology can be used in conjunction with Leksell Gamma Knife® for a totally non-invasive treatment of epilepsy, making a significant contribution to the management of epileptic patients around the world.



# Functional Mapping

## *Brain mapping for functional insight and improved surgical outcomes*

**A large number of people suffer from different types of functional disorders. Prior to both surgery and other treatments within the brain, it is critical to document the anatomy of the specific patient as well as the function of each structure in that patient.**

Functional brain disorders are diagnosed by observing symptoms such as seizures from epilepsy or the tremor resulting from Parkinson's disease.

In 2003 Elekta acquired the Finnish company Neuromag Oy. This was an addition well suited to Elekta's product portfolio and research activities. It was also based on extensive Elekta experience as a sole distributor of Neuromag systems in Japan for ten years.

### **Sophisticated diagnostic system**

Elekta Neuromag™ is a magnetoencephalograph (MEG), a highly sophisticated diagnostic system, which registers nerve cell activity in the brain in real time. MEG technology provides a non-invasive registration of nerve cell activity by measuring the intensity of

very weak magnetic fields generated by electrical activity in the brain.

This diagnostic tool increases the ability to understand and to improve treatment of functional disorders. It also provides information about the location of eloquent centers in preparation for Gamma Knife® surgery and conventional, open surgery.

### **New applications**

Around the world, researchers are developing clinical MEG routines. The list of new applications is steadily growing and includes pre-surgical mapping for neurosurgery as well as MEG-MRI integration to enhance the accuracy of surgical navigation and planning of open surgery and radiation treatments.

For patients with drug-resistant focal epilepsy, surgery is an increasingly common alternative and MEG is proving useful for locating epileptogenic zones in relation to other functionally important cortical regions.

Ongoing research and development in other areas include cerebrovascular

disease and mild brain trauma; psychiatric disorders, such as schizophrenia and depression; learning disorders, such as dyslexia; as well as normal cognitive functions underlying memory and language. Elekta Neuromag™ is an ideal tool for future research within psychology and neurology. Elekta is currently focusing on research programs for non-invasively locating epileptogenic zones.

### **Great potential**

MEG technology can potentially be used to localize functional targets prior to Gamma Knife® surgery, as well as conventional neurosurgery. Compared with other preoperative registration methods, MEG is superior with respect to both the time required and its 3D resolution, since activity of the brain is measured directly and in real time.

Non-invasive, real-time brain mapping and monitoring is considered as one of the most exciting developments in neuroscience today.





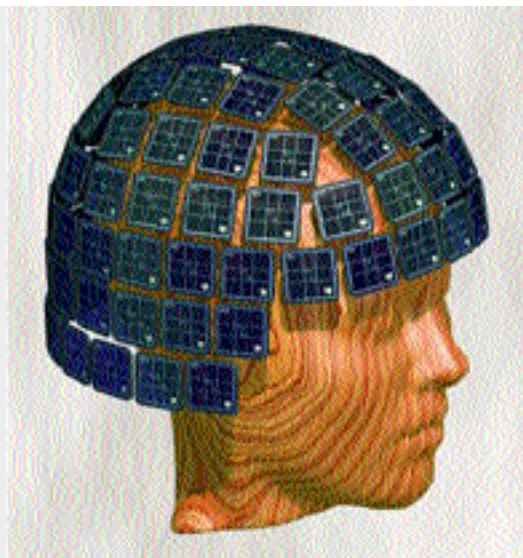
## *International network of Elekta Neuromag™ research centers*

Throughout Elekta's history, the company has successfully worked in close cooperation with its customers and users to stimulate clinical advancements and exchange of results and ideas.

Following this tradition, in June, 2004, Elekta announced the establishment of an international network of research centers with Elekta Neuromag™.

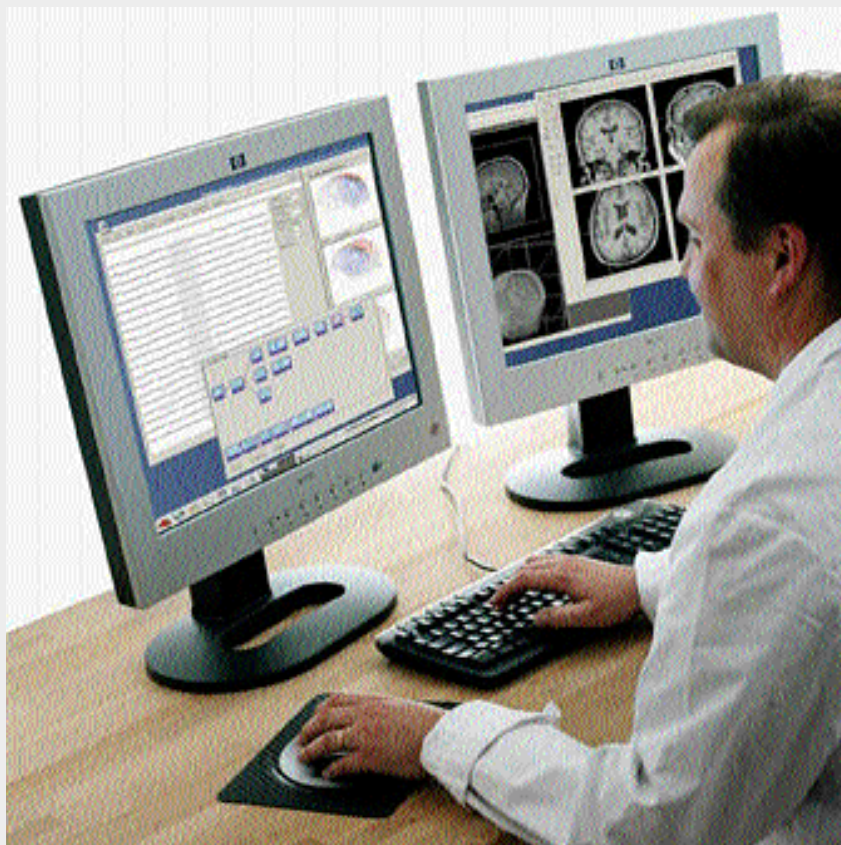
Being the market leading manufacturer of MEG systems, Elekta will speed up the ongoing translocation MEG technology from research applications to mainstream clinical use.

Together with interested and qualified neurological and neurosurgical, as well as neurophysiological and psychiatric departments worldwide, Elekta will install Elekta Neuromag™ based on various research and collaborative agreements. Elekta regards this as a clinical research and market development investment that will be ongoing for a number of years. These investments support the development and growth of Elekta's clinical solutions, particularly in minimally invasive neurosurgery.



The detector array of Elekta Neuromag™ system comprises triple-sensor elements that are evenly distributed over the entire head. The size and extent of the detector array ensure that activities from even the most peripheral areas, such as frontal and temporal lobes and the cerebellum can be acquired with high precision.

Dual screens allow simultaneous display of raw data and analysis, for example in localizing functional targets.





# Global sales on a growing market

The market for Elekta's products and solutions within radiation oncology and neurosurgery is growing continuously, with an estimated total growth of approx 5-10 percent per year, an effect of both increased volumes, higher technology content and increasing average sales price.

During the 2003/04 fiscal year, Elekta's order bookings in local currency rose 12 percent and net sales in local currency rose 14 percent. Exchange rate movements during the year, however, meant that order bookings and net sales in SEK, rose by 2 and 4 percent respectively.

Elekta offers its products, solutions and services all over the world. Marketing and sales take place via a sales and service organization divided into four regions.

## Market value and market shares

The total world market for Elekta's products amounts to between USD 3 and 4 billion and is estimated to be growing by 5 to 10 percent annually. The market for equipment for radiation

therapy is growing fastest in the US and Asia. In the US and also in Europe, growth is being fueled by demand for new and more precise treatment methods such as IMRT and IGRT. Elekta has a leading position in IMRT and is pioneering IGRT.

The global market for radiation therapy is dominated by three international manufacturers: Elekta, Varian Medical Systems and Siemens Medical Solutions. Elekta has continued to increase its market share and is now the world's second largest supplier. Elekta has a greater share of new sales than its share of the installed base in all markets.

Within Gamma Knife® surgery, Elekta has no direct competitors. However, Leksell Gamma Knife® is in certain instances competing with other, less accurate and less clinically proven treatment methods.

The total market for magnetoencephalography (MEG) systems, where Elekta Neuromag™ is the market-leading equipment, is difficult to assess since the technology is in a transitional stage from being primarily a research tool to becoming a routinely used clinical method.

## Europe, Middle East and Africa

### KEY FIGURES 2003/04

Order bookings:	SEK 1,476 M	(+13%)
	in local currency:	(+16%)
Net sales:	SEK 1,319 M	(+29%)
Regional office:	Crawley, UK	
Regional manager:	Gerry van Oortmarssen	

Elekta's operations in Europe, including the Middle East and Africa, developed well during the 2003/04 fiscal year, and Elekta has a strong position in Europe. In local currency, order bookings increased by 16 percent.

The European market for equipment for radiation therapy treatment of cancer continued to develop favorably. Several countries, including the UK, Italy and France, are continuing their investment programs to improve cancer treatment.

The radiosurgery market in Europe continues to show slow development. However, during the period orders were booked for Leksell Gamma Knife® in Italy, Russia, and Turkey. New installations were carried out in Turkey, France, Croatia and Romania.

Elekta is working to strengthen its presence in new markets, primarily in the Middle East and in the East European countries that recently have become members of the EU.

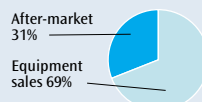
## After-market

### Elekta Lifecycle Services

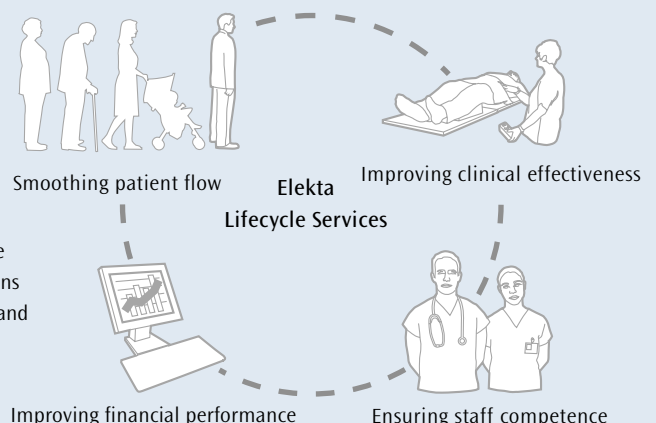
The market for Elekta's products and services for the after-market developed favorably during 2003/04 both in terms of volume and profitability. Order intake for the year increased by 13 percent to SEK 1,087 M.

Net sales of after-market products and services increased 14 percent to SEK 900 M, corresponding to 31 percent (28) of consolidated net sales.

Supplying advanced equipment for radiation therapy and neurosurgery is a commitment for continuous improvement during the full lifetime of the product.



Providing the best quality care to patients is priority number one for everyone involved in healthcare. High standards are set and expected for all personnel and equipment. Supplying capital equipment with extremely high demands for up-time and a life span of 10-30 years, expectations for service, support, upgrades and reloads are very high. Elekta is committed to exceeding these expectations on a daily basis with Elekta Lifecycle Services.



## North and South America

### KEY FIGURES 2003/04

Order bookings:	SEK 1,065 M	(-7%)
	in local currency:	(+8%)
Net sales:	SEK 868 M	(-25%)
Regional office:	Atlanta, GA, USA	
Regional manager:	Anthony G. DeCarolis	

In recent years, Elekta has greatly strengthened its position in the American market. During the 2003/04 fiscal year, order bookings increased by 8 percent. Due to the considerable weakening of the USD, however, total order bookings declined when translated to SEK.

Within oncology, Elekta continues to increase its market share in number of sold units. The US market for equipment for radiation therapy is largely driven by the demand for more advanced treatment methods and interest in Elekta's unique clinical solutions for 3D image guided radiation therapy is high in the US market.

Reduced access to third-party financing during fiscal year 2003/04 did affect order bookings and deliveries of Leksell Gamma Knife® adversely. During the year however, Elekta established cooperation with new sources for financing.

Sales activities in South America are handled within Elekta by the company's European organization.

## Japan

### KEY FIGURES 2003/04

Order bookings:	SEK 229 M	(-30%)
	in local currency:	(-23%)
Net sales:	SEK 303 M	(+35%)
Regional office:	Kobe, Japan	
Regional manager:	Stephen Otto	

Japan has been one of Elekta's most important markets for many years, and the company's position is strong in neurosurgery.

After a very strong increase in 2002/03 (+68 percent), order bookings in 2003/04 declined by 30 percent in local currencies.

Elekta's sales in Japan are predominantly within neurosurgery. The large installed base in this area ensures significant future business opportunities and profitable growth in the after-market segment. This demand is expected to increase as a result of the authorities' approval of Leksell Gamma Knife® C 1.2 that was announced in March 2004.

Elekta's organization in Japan also administers sales of Leksell Gamma Knife® in other parts of Asia.

Interest for magnetoencephalography (MEG) is considerable in Japan, and work is in progress at several leading research centers to develop clinical methods and routines.

## Asia (excl. Japan)

### KEY FIGURES 2003/04

Order bookings:	SEK 492 M	(+21%)
	in local currency:	(+43%)
Net sales:	SEK 410 M	(+8%)
Regional office:	Hong Kong	
Regional manager:	Gilbert Wai	

Elekta continues to strengthen its position in Asia, and order bookings in local currencies increased by 43 percent during 2003/04.

Demand for Elekta's equipment has developed favorably, with major interest shown by countries with strong economies in the region. The need for equipment for the treatment of tumor-related diseases is very substantial in most Asian countries.

Elekta holds a strong market position in the region. China is the world's third largest market for medical technology, and Elekta has been active in the country since 1978. Today, China is the third largest market for Elekta, in terms of net sales.

Elekta's organization in Hong Kong also handles sales of radiation therapy products in other parts of Asia.

Elekta Lifecycle Services include the industry's most comprehensive support programs, designed to ensure smoother patient flow, improve clinical effectiveness and competitiveness, ensure adequate staffing and competence and improve financial performance. These products and services are designed to deliver equipment performance that meets or exceeds original specifications for the life of the equipment.

One example of Elekta's long-term commitment to customers is the extensive training activities that Elekta has been conducting for many years, which are unique in the industry. These courses are intended for clinical users of Leksell Gamma Knife®, Leksell Stereotactic System® and linear accelerators. Participants are

primarily neurosurgeons, oncologists and hospital physicists, as well as doctors with related specialties, such as neurologists and otologists.

### Real time remote monitoring

To further enhance speed and performance in Elekta's service operations, an intelligent device management system – Elekta IntelliMax™ – was introduced during the summer of 2004, making it possible to remotely monitor Elekta's linear accelerators.

Elekta is the only company providing fully digitalized and controlled radiation therapy equipment. This means they can provide rich, detailed operational data that conventional linear accelerators can not. With Elekta

IntelliMax™, real-time monitoring detects any deviation so that informed, proactive service and management actions can be taken quickly to radically decrease downtime and eliminate the need for service interruptions. Previously, two out of three service calls have been "no parts required" problems. Elekta IntelliMax™ systems can now help identify and solve these problems remotely without taking equipment out of service for inspection.

Since the installed base of Elekta's products is growing rapidly, Elekta Lifecycle Services is becoming increasingly important, not least as a tool to further enhance customer loyalty.

# Responsible business and operations

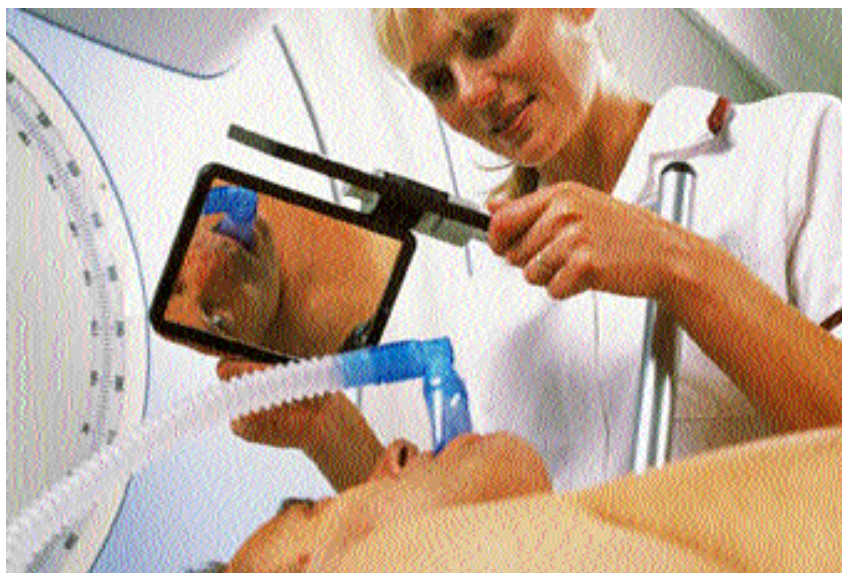
For a global company in the healthcare industry, conducting business and operations in a manner that is socially, environmentally and financially responsible is an increasingly important requirement to attract customers, employees and investors.

All Elekta managers and employees (“professionals”) as well as the company’s suppliers, consultants, agents and distributors (“partners”) are expected to observe high standards of business and personal ethics while performing their duties in their work with Elekta.



Based on the principles set out in Elekta’s Vision, Mission and Values, the “*Elekta Code of Conduct*” sets out the main ethical principles which Elekta expects all professionals and partners to comply with and uphold in the business conducted for and with Elekta, forming an important building block in creating a strong and reputable Elekta brand in support of long term sustainable market presence and growth of its business.

Without replacing each individual’s responsibility to exercise his/her good judgment in each particular situation, the Code of Conduct specifies the demands in aspects of Elekta’s business and operations.



## Fair employment practices

Everyone who works (directly or indirectly) for Elekta should be entitled to his or her basic human rights. Elekta does not accept the use of child labor, forced or compulsory labor or illegal workers.

Elekta is also committed to abiding by local employment laws in all countries where the company is active and expects all Elekta professionals and partners to also do so.

No employee should be discriminated against because of age, race, gender, religion, sexual orientation, marital status, social origin, political opinion or ethnic background.

All employees with the same experience and qualifications should receive equal pay for equal work and have equal opportunities based on merits and qualifications or similar work-related criteria.

## Safe workplace conditions

Elekta is firmly committed to ensuring the health, safety and welfare of its employees, and expects each Elekta professional and partner to respect and to contribute to this goal in all business activities within or with Elekta.





### Environmental responsibility

Elekta's business shall comply with applicable environmental laws and regulations and fulfill the terms of Elekta Environmental Policy, which specifies the requirements for Elekta's operations to, wherever possible, minimize adverse effects on the environment.

The EU environmental agenda is set out in its "*Sixth Community Environment Action Programme*". Legislation remains central to meeting its objectives although there remains room for credible industry-led schemes. Similar environmental legislation is appearing around the globe. Elekta participates in government consultations and in the committee work of national and international standardization bodies producing the supporting standards.

From August 2005, all producers of electrical and electronic equipment in the EU will be required to take back certain decommissioned equipment for environmentally sensitive disposal. Elekta is well prepared to meet these requirements.

Commencing July 1, 2006 most electrical and electronic products must comply with the prescriptions and maximum concentration levels of specified hazardous substances. Even though medical devices are not within the scope of this directive Elekta will progressively incorporate compliant electronic parts when ever practical.

The EU is committed under the Kyoto protocol to reduce its emissions of carbon dioxide by eight percent by 2010. Folksam – a Swedish insurance company – publishes its annual Climate Index in order to encourage corporations to assess their contribution to the EU objective. Elekta is stated to have a low impact on the environment and was awarded an excellent five star rating for the index published in 2003. However an increase in number of employees and the subsequent increase in travel is expected to reduce the rating for 2004.



### Product safety

Elekta's Quality Policy aims to ensure that all Elekta Products are safe and meet all legal standards for health and safety for anyone who may come into contact with them. All Elekta professionals and partners are also responsible for setting quality objectives to ensure continual improvement within this area.

### High standards of business and personal ethics

Elekta professionals and partners are never allowed to offer, promise, give, receive or demand a bribe or any other undue advantage to obtain or retain business. Remuneration to representatives or agents will be appropriate if for legitimate services performed only.

Elekta professionals and partners shall apply good business ethics in their business activities, and shall refrain from entering into any kind of anti-competitive arrangements.

### Supporting local communities and medical professionals

With initiatives taken both on a Group level and by local management, Elekta professionals are encouraged to support charitable causes in the local community and on a wider scale, in particular when there is a connection to diseases that are treated with equipment from the company.





Elekta also have an extensive program for sponsoring clinical research and user groups. One way in which this takes place is through the extensive sponsorship commitments that the company makes toward a number of specialist organizations. Examples include Elekta's contributions to the American Association of Neurosurgeons (AANS), the American Society for Therapeutic Radiology and Oncology (ASTRO), the European Society for Therapeutic Radiology and Oncology (ESTRO), the Japanese Society for Therapeutic Radiology and Oncology (JASTRO), the Congress of Neurosurgery (CNS), the American Association of Physicists in Medicine (AAPM) and the American College of Medical Physics.

Furthermore, Elekta dedicates extensive resources to supporting specially selected research efforts at university hospitals around the world. These research projects primarily contribute to expanding clinical application areas for Elekta's products but also to developing new technology and new methods for non-invasive radiation treatment of cancer and brain disorders.

#### **Disclosure practices**

Elekta abides to all relevant laws, regulations as well as internationally recognized standards of accounting in order to ensure correctness and transparency and give a fair picture of Elekta's activities, structure, financial situation and performance. Elekta also aims at integrity in all communications in order to ensure timely and accurate reporting of financial information as well as other relevant information on its business to the public.



# Prudence in Corporate Governance

Following Swedish regulations, recommendations and standard practice, Elekta strives for a corporate governance regime that is fair, transparent and manageable.

## Board of Directors

Elected by the Annual General Meeting (AGM), held in Stockholm in September each year, the Board of Directors determines the goals and strategy of Elekta, secures that the company has an efficient management review and control the company's development and financial situation.

The Board of Directors consists of six members. A presentation of these members appears on page 55.

At present, five of the six members of the Board are independent in relation

to the company and major shareholders. Regularly in Board meetings to report on matters in their respective areas.

## Nomination Committee

Nominations to the Board of Directors are made by the Nomination Committee, comprising of not less than five of the largest shareholders who together and under the leadership of the Board Chairman shall develop a proposal for members of the Board to be submitted to the AGM. The names of members of the Nomination Committee are publicly announced.

Every new Board member in Elekta receives a thorough introduction to the company and as a rule visits at least two of the company's major sites.



to the company and major shareholders. Two of the six have been members of the Board for more than eight years. No Board member is above the age of 70.

At the board meeting following election on September 22, 2003, Akbar Seddigh was reelected Chairman of the Board.

During fiscal year 2003/04, the Board held 8 (7) recorded meetings. Elekta's General Counsel acted as secretary.

As part of its work, the Board of Directors visits major Elekta units in various parts of the world. During the year, a Board meeting was held in the US in conjunction with one of the major medical conferences.

During the year representatives of Group management and other man-

agement employees have participated regularly in Board meetings to report on matters in their respective areas. Prior to nomination of new board members, the Chairman conducts an evaluation of the work of the Board and each individual member. This forms a basis for discussion in the Nomination Committee.

## Auditing

In Elekta, all Board members have the commitment and competence to address auditing issues and the full Board deals with accounting and auditing issues at its regular meetings. Elekta's external auditors present their observations from the annual audit and their views on the control and monitoring system, and report on and discuss the Group's accounting principles, in at least one meeting per fiscal year.

## Annual General Meeting

Notice to attend the AGM is announced at the earliest six and at the latest four weeks before the meeting. All relevant documentation to the AGM is available at the corporate head office and on Elekta's website.

Invitation to the AGM is sent to all registered shareholders together with the Annual Report. Shareholders can give notice of participation through mail, fax or e-mail.

The AGM is held in the Swedish language and all documentation is presented in Swedish.

## Executive Compensation Committee

Elekta's Executive Compensation Committee (ECC) consists of at least three members of the Board, normally the Chairman of the Board, the CEO and one independent Board member. The Group VP Human Resources acts as secretary to the Committee.

The purpose of the Committee is to provide transparency in the decision process for all issues related to compensation of executive staff within Elekta as well as equity related incentives throughout the Elekta organization. The objective of the Committee is to achieve maximum shareholder and customer value through ensuring fairness and internal equity, while maintaining market competitiveness, of the structure, scope and level of executive compensation in Elekta.

ECC provides the Board with recommendations regarding principles for formulating the Group's compensation system and remuneration to senior executives and senior managers. The recommendations cover formulation of the bonus system, distribution between fixed and variable remuneration as well as the size of any salary increases. The ECC also proposes criteria for assessing performance of senior executives and senior managers, which are discussed and decided by the Board. The entire Board, excluding the President, decides on remuneration to the President.







# Board of Directors' report\*

## Operations

Elekta is the market leader in equipment for radiosurgery and stereotactic treatment of brain disorders and the world's second largest supplier of radiation equipment for the treatment of cancer.

The markets for Elekta products and treatment methods continue to develop positively and Elekta is successively strengthening its market position. Through successful product development, Elekta has established a modern and competitive portfolio of innovative and complete clinical solutions within:

- Precision Radiation Therapy
- Image Guided Radiation Therapy
- Stereotactic Radiation Therapy
- Gamma Knife® surgery
- Stereotactic Neurosurgery
- Functional Mapping

Elekta is a world-leading supplier of equipment for precision treatment of cancer and brain disorders and leads the development of new and advanced technology for intensity modulated radiation therapy (IMRT) and image guided radiation therapy (IGRT) for treatment of tumor diseases. Elekta is the only supplier with IGRT systems in clinical operation, which makes it possible during treatment to take high-resolution 3D CT images of the patient's internal organs. This 3D visualization (Volume View™) makes it possible to follow movements of organs during treatment and to treat tumor diseases with very high precision. Elekta's system also offers advanced two-dimensional visualization in still images (PlanarView™) and sequential images (MotionView™).

Interest in image guided radiation therapy is high in Europe as well as the US, mainly among larger hospitals. Elekta's IGRT system – Elekta Synergy® – is approved by the authorities in Europe and the US. Elekta's order bookings have developed well in this area.

During May 2004, Elekta Synergy® S, a new, highly advanced solution for stereotactic precision radiation therapy in the whole body, was launched. This new, unique technology opens new possibilities for higher radiation doses during fewer treatment sessions as well as new treatment methods.

Leksell Gamma Knife® is the predominant and most advanced method for stereotactic radiosurgery of the brain and development toward expanded areas of application is continuing at a steady pace. The method is fully established for treatment of both malignant and benign tumors, as well as for vascular malformations. In addition, use of radiosurgery is increasing for the treatment of functional disorders, including trigeminal neuralgia, epilepsy and Parkinson's disease. Research is also being conducted with the objective of evaluating other application areas, such as eye diseases.

Leksell Gamma Knife® 4C, the fourth generation of Elekta's world-unique equipment for radiosurgery treatment of brain diseases, was also launched in May 2004. The improvements introduced in Leksell GammaKnife® 4C simplify the treatment flow and enhance precision through new, integrated image processing capabilities. The new version of Leksell GammaPlan® 4C provides the users previously unattainable capabilities for integrating images from various image sources, such as CT, MRI and PET and as a result achieve improved treatment precision and treatment results.

## Order bookings and order backlog

Order bookings rose 2 percent to SEK 3,262 M (3,186). Oncology products increased 9 percent to SEK 2,331 M (2,143) and neurosurgery products declined 11 percent to SEK 931 M (1,043). At fixed exchange rates, the Group's order bookings rose 12 percent, oncology products increased strongly by 19 percent, while order bookings for neurosurgery products were at the same level as last year.

Demand for Elekta's products remained strong in both oncology and neurosurgery. Order bookings for neurosurgery products are affected by the availability of third-party financing. During the year, one large financial provider, servicing the healthcare sector, ceased its operations, which made it more difficult to find financing for medical equipment, mainly in the US. This has during parts of the year negatively affected the order intake for Leksell Gamma Knife®.

### Order bookings

SEK M	2003/04	2002/03	change, %
Europe, Middle East, Africa	1,476	1,310	13
North and South America	1,065	1,141	-7
Japan	229	328	-30
Asia excl. Japan	492	407	21
Group	3,262	3,186	2
of which:			
Oncology products	2,331	2,143	9
Neurosurgery products	931	1,043	-11

\* In addition to these pages, the Board of Directors' report includes the comments on financial results and position provided in conjunction with the income statement, balance sheet, changes in shareholders' equity and statement of changes in financial position on pages 35, 37, 39 and 41.

During the fourth quarter, Elekta established broad cooperation with new financing sources and as of fiscal year 2004/05 will in cooperation with these financiers offer full-coverage financial solutions for its customers.

The order backlog at April 30, 2004 amounted to SEK 2,728 M (2,411), a record high level.

### Market comments

#### Europe, Middle East and Africa

Order bookings in Europe, including the Middle East and Africa, rose 13 percent to SEK 1,476 M (1,310). At fixed exchange rates, total order bookings for the region rose 16 percent and for oncology products by 11 percent.

Demand in the European market for Elekta products continues to develop favorably and Elekta's position on the European market remains strong. Interest for Elekta's solutions for IMRT and Elekta's unique technology for image guided radiation therapy (IGRT) is considerable among leading cancer clinics. The need for additional capacity for radiation therapy of cancer is substantial in most countries in Europe. Many countries are continuing with current major investment programs for improved cancer care, including the UK, Italy and France.

#### North and South America

Order bookings in North and South America declined 7 percent and amounted to SEK 1,065 M (1,141), a result of the weakening of the USD against the SEK. The USD weakened 15 percent against the SEK compared with the rate for 2002/03. At fixed exchange rates, order bookings in the region rose 8 percent. Order bookings for oncology increased strongly by 21 percent, while neurosurgery declined 9 percent, calculated at fixed exchange rates.

Interest in Elekta's unique clinical solutions for 3D image guided radiation therapy – Elekta Synergy® and Elekta Synergy® S – is high in the American market, primarily among larger clinics.

#### Japan

Order bookings in Japan declined 30 percent to SEK 229 M (328). At fixed exchange rates, order bookings were down 23 percent.

Elekta holds a strong position on the Japanese market. A relatively high penetration of Leksell Gamma Knife® in Japan provides for a continued favorable demand for upgrades and after-market sales. This demand is expected to increase as a result of the authorities' approval of Leksell Gamma Knife® C 1.2 that was announced in March 2004.

Interest in equipment for magnetoencephalography – Elekta Neuromag™ – is high in Japan, with a number of leading research centers working on developing clinical methods and procedures. This equipment has now also been assigned fixed compensation levels within the Japanese healthcare system.

#### Asia

Order bookings in Asia, excluding Japan, rose 21 percent to SEK 492 M (407). At fixed exchange rates, order bookings increased 43 percent.

Demand for Elekta's equipment has developed favorably, with major interest shown by countries with strong economies in the region. The need for equipment for the treatment of tumor-related diseases is very substantial in most Asian countries, and Elekta holds a strong market position.

#### After-market

Order bookings for Elekta's after-market products developed favorably during the fiscal year and amounted to SEK 1,087 M (966).

With the rapid expansion of the installed base of Elekta products, the importance of after-market products and services becomes greater. For this reason, Elekta introduced a new global organization for service and after-market sales, as well as new systems. During 2003/04, order bookings and profitability increased noticeably.



#### Net sales

SEK M	2003/04	2002/03	change, %
Europe, Middle East, Africa	1,319	1,019	29
North and South America	868	1,160	-25
Japan	303	224	35
Asia excl. Japan	410	378	8
Group	2,900	2,781	4
of which:			
Oncology products	1,876	1,937	-3
Neurosurgery products	1,024	844	21

#### Net sales

Consolidated net sales increased 4 percent to SEK 2,900 M (2,781). At fixed exchange rates, net sales were up 14 percent, which is in line with Elekta's financial objective of 10-15 percent.

Net sales for oncology products declined 3 percent to SEK 1,876 M (1,937). Net sales of neurosurgery products increased 21 percent to SEK 1,024 M (844).

#### Result

Operating profit declined by SEK 17 M to SEK 306 M (323). Exchange rate movements affected operating profit negatively by approximately SEK 115 M. A lower capitalization of ongoing development projects and higher amortization of capitalized development affected operating profit negatively by SEK 45 M compared with last fiscal year. The operating margin was 11 percent (12).

Net financial items amounted to income of SEK 19 M (expense: 6), including net interest income of SEK 11 M (7). Earnings from participations in associated companies amounted to SEK 8 M (11), including a loss of SEK 2 M on a divestment. The amount includes financial currency exchange differences of SEK 0 M (loss: 24).

Profit after net financial items totaled SEK 325 M (317). Profit after taxes amounted to SEK 248 M (234).

Earnings per share amounted to SEK 7.63 (7.29) before dilution and SEK 7.63 (7.14) after dilution. The 2001/2004 warrants program had no dilution impact.

#### Investments and amortization/depreciation

Investments in intangible and tangible fixed assets amounted to SEK 99 M (78). A new test facility was built in the UK and companies in Sweden and Italy moved to new premises during the year, which increased investments.

Amortization/depreciation of intangible and tangible fixed assets totaled SEK 88 M (68).

#### Liquidity and financial position

Cash flow from operating activities amounted to SEK 448 M (361). Cash flow after investments amounted to SEK 363 M (288).

Liquid funds totaled SEK 1,151 M (1,087). Of the bank balances held, SEK 76 M was pledged, primarily for commercial guarantees.

Interest-bearing liabilities amounted to SEK 231 M (252).

The equity/assets ratio was 46 (49) percent.

#### Redemption of shares and reduction of share capital

The Annual General Meeting on September 22, 2003 voted to approve the Board's proposal to redeem every 17th share held for SEK 165 in cash. According to the final count, 1,887,713 shares were registered for redemption, corresponding to 97.4 percent of the maximum number of shares that were redeemable under this offer. SEK 311.5 M was transferred to Elekta's shareholders at the end of March 2004.

#### Sensitivity analysis

Elekta's gross margin, defined as net sales less costs of products sold, can vary substantially from one period to another, depending on delivered projects, product mix, geographical mix and currency movements. Margins on products that Elekta only distributes are lower than the margins on proprietary products. Also the margin between proprietary products varies. During the year, Elekta had a gross margin of 39 percent (37).

Elekta's net sales for the coming 12-month period are determined mainly by the current order backlog. Delays in delivery dates are relatively common but can be offset by orders with shorter delivery time that are received during the year.

Most of Elekta's costs are incurred in SEK and GBP, while revenues are denominated mainly in USD, EUR and JPY. With present income and expense structure a general change of one percentage point in the value of the SEK relative to the other currencies affects Group income by approximately SEK 8 M. Over the short term, the effects of currency movements are offset by hedging. Hedging is based on contracted and a portion of expected net flows over a rolling 18-month period. The scope is determined by the Group's currency risk assessment.

### Transition to IFRS

As of the 2005/06 fiscal year, Elekta will prepare reports in accordance with the International Financial Reporting Standards (IFRS, formerly IAS).

Elekta is monitoring the development of IFRS continuously and assessing the differences in comparison with the Swedish Financial Accounting Standards Council's recommendations in order to adapt its accounting to the new rules. Based on what is currently known, the greatest difference with respect to the principles applied in this annual report will be:

- Reporting of defined benefit pension plans, etc. in accordance with IAS 19
- Reporting of financial instruments in accordance with IAS 39
- Reporting of goodwill in accordance with IFRS 3

The Swedish Financial Accounting Standards Council's recommendation RR29 Employee Benefits, which corresponds to IAS 19, will be applied for the 2004/05 fiscal year. The change of accounting principle entailed by RR29 will result in an insignificantly greater pension liability than that reported in Elekta's year-end report for 2004. The transition will be reported in accordance with RR5 such that the accumulated effect, with consideration taken to the tax effect, will be reported as an adjustment item in equity on the opening date.

The change to IAS 39 Financial Instruments will not take place until the 2005/06 fiscal year. One consequence of IAS 39 is that the requirements to qualify for hedge accounting will increase. A project group is currently reviewing the effects of this recommendation on Elekta's accounts.

The transition to IFRS 3 Company Acquisitions and Mergers will not take place until the 2005/06 fiscal year. The recommendation stipulates that goodwill may no longer be amortized straightline. Instead, an annual review will be mandatory to determine if a write-down is necessary.

### Research and development

Elekta conducts extensive research and development with the objective of maintaining and advancing its position as a leading player in the company's market and product areas. During the year, SEK 210 M, corresponding to 7 percent of net sales, was invested in the following areas:

- Developing minimally invasive and cost-efficient technologies within neurosurgery for diagnosing and treating brain disease. Intensive R&D efforts are made to transfer Elekta's many years of experience in stereotaxy and radiosurgery to radiation therapy for cancer in the whole body, thus achieving significant clinical success through higher precision radiation.
- Developing products and methods for the treatment of cancer with higher precision and improved clinical results, such as IMRT and IGRT. Elekta's R&D undertakings involve both software applications and new equipment, and the company has a world-leading position in image guided radiation therapy where high-resolution 3D X-ray images are integrated with treatment equipment in order to achieve a more efficient radiation of tumor tissue while shielding adjacent healthy tissue from damage.
- Within the R&D operations, clinical research is also conducted in close collaboration with leading neurosurgery and oncology centers around the world.

### IT

The use of IT support is being increased in all operating areas. Elekta has continued its investment in efficient communications and systems solutions in order to be able to handle these information needs. The IT architecture is being continuously expanded to support business processes, productivity and competitiveness.

### Quality

Elekta works determinedly to develop and ensure the quality of all processes within the Group. The quality-control program also ensures that all relevant requirements set by public authorities are met. All of Elekta's development and production units are certified in accordance with applicable ISO 9000 and EN 46000 standards. Elekta conducts regular audits to ensure that the Group meets the requirements that various supervisory authorities have established for companies in the field of medical technology.

## Employees

The average number of employees in the Group increased by 125, primarily in product creation and as a result of increased volumes, and amounted to 1,136 (1,011).

The number of employees at fiscal year-end was 1,170 (1,073).

Added value per employee amounted to SEK 902,000 (987,000).

## Parent Company

Parent Company operations comprise Group management, joint Group functions and financial management. The Parent Company's profit after net financial items amounted to SEK 22 M (11). The average number of employees was 17 (15).

## Patent dispute

On October 30, 2003, the United States Court of Appeals for the Federal Circuit announced its ruling to deny the petition for reconsideration of its ruling of September 22, 2003 filed by Medical Instrumentation and Diagnostics Corporation (Midco), Elekta's counterparty in the US patent dispute.

As a result, the ruling by the United States Court of Appeal, which among other findings, determined that none of Elekta's products infringed the Midco patents and in which Elekta was freed from all liability, remains valid.

It is possible for Midco to submit further appeals. Midco has also threatened to file a new suit against Elekta. In Elekta's opinion, it is improbable that Midco will be able to prevail in any claims based on the patents in question.

## Financial objectives for the fiscal years 2004/05–2006/07

Elekta has the objective to deliver sustainable profitable growth and the company has established the below financial objectives for the 3 fiscal years 2004/05 to 2006/07.

- Annual sales growth of 10 to 15 percent in local currency
- Operating margin of 10 to 12 percent over a rolling 12-month period
- Return on capital employed exceeding 20 percent
- Equity/assets ratio exceeding 40 percent

## Future prospects

Demand for Elekta's products and clinical solutions remains high. The order backlog is at a high level.

For full-year 2004/05, Elekta expects its growth and operating margin to be in line with the Group's financial objectives.

## Dividend policy and proposal to repurchase shares

According to Elekta's dividend policy, the goal is to distribute 20 percent or more of net profit in the form of dividend, share repurchases or comparable measures. The dividend policy is based on Elekta's financial position, expected profitability trend and growth potential, as well as investment needs.

As a result of the dividend policy as well as the company's strong financial position and current capital structure, the Board of Directors has decided to propose to this year's Annual General Meeting that the Board be granted authorization to repurchase at the most 10 percent of outstanding shares in Elekta AB. Decisions to repurchase shares will be taken continuously during the year based on the share's price trend, Elekta's financial position, profitability trend and investment needs.



# Income statement

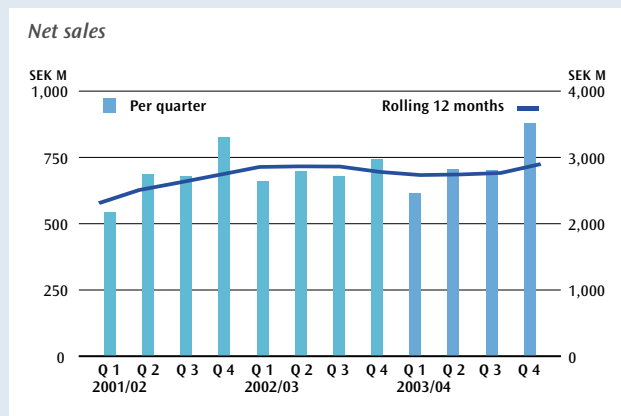
SEK M	Note	GROUP		PARENT COMPANY	
		2003/04	2002/03	2003/04	2002/03
Net sales	3	2,900	2,781	—	—
Cost of products sold		–1,783	–1,758	—	—
<b>Gross profit</b>		<b>1,117</b>	<b>1,023</b>	—	—
Selling expenses		–375	–356	—	—
Administrative expenses		–291	–285	–65	–56
R&D expenses		–218	–148	—	—
Currency exchange differences in operations		73	89	—	—
<b>Operating profit/loss</b>	21–24	<b>306</b>	<b>323</b>	<b>–65</b>	<b>–56</b>
Income from participations in Group companies	4	—	—	54	53
Income from participations in associated companies	5	8	11	–5	—
Interest income	6	27	22	34	31
Interest costs and similar profit/loss items	6	–16	–15	–10	–9
Financial currency exchange differences		0	–24	14	–8
<b>Profit after financial items</b>		<b>325</b>	<b>317</b>	<b>22</b>	<b>11</b>
Appropriations	7	—	—	–7	—
Taxes	8	–77	–88	–6	13
Minority shares		—	5	—	—
<b>PROFIT FOR THE YEAR</b>		<b>248</b>	<b>234</b>	<b>9</b>	<b>24</b>
Earnings per share before dilution, SEK		7.63	7.29		
Earnings per share after dilution, SEK		7.63	7.14		
Average number of shares before dilution, 000s		32,585	32,019		
Average number of shares after dilution, 000s		32,585	32,694		

## Comments on the income statement

### Net sales

The Group's net sales increased by 4 percent to SEK 2,900 M (2,781). At fixed exchange rates, net sales increased by 14 percent, which was in line with Elekta's financial objective of 10 to 15 percent. The number of delivered linear accelerators and Leksell Gamma Knife® units increased during the year. Net sales in the after-market segment increased by 14 percent to SEK 900 M (791) and accounted for 31 percent (28) of consolidated net sales.

	Net sales SEK M	Change %	Operating result, SEK M	Operating margin, %
Q 1	615	-7	53	9
Q 2	706	1	54	8
Q 3	700	3	85	12
Q 4	879	18	114	13
Full year 2003/04	2,900	4	306	11



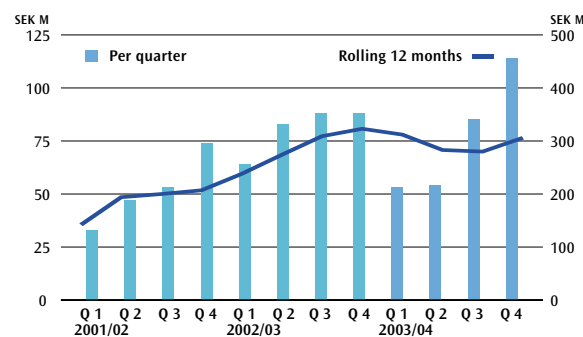
### Result

Operating profit declined by SEK 17 M to SEK 306 M (323). Exchange rate movements had a negative effect of some SEK 115 M on operating profit. Lower capitalization of development projects and increased amortization of capitalized development affected profit adversely by SEK 45 M, compared with the preceding fiscal year. The operating margin was 11 percent (12).

The gross margin increased to 39 percent (37) as a result of improved efficiency, the product mix and increased profitability in service operations.

Purchasing of products, materials and consumables comprise the largest single cost item, accounting for 46 percent of the Group's total operating expenses. The second largest item is personnel costs at 29 percent.

### Operating result



Investments in research and development increased by 13 percent to SEK 210 M (185), corresponding to 7 percent (7) of net sales. The Swedish Financial Accounting Standard Council's recommendation RR15 (IAS 38), which stipulates that certain development costs must be capitalized, results in increased volatility in the result depending on the phase to which various development projects have progressed. Capitalization and amortization had a negative effect of SEK 8 M (positive 37). SEK 8 M (41) was capitalized for specific projects, while the remainder was expensed. Amortization of capitalized development projects amounted to an expense of SEK 16 M (expense: 4).

Exchange rate differences in operations amounted to SEK 73 M (89), of which SEK 95 M was attributable to hedging contracts. Elekta hedges contracted net flows and a portion of anticipated net flows over a rolling 18-month period. On April 30, 2004, the unrealized exchange rate gain from futures that was not included in the balance sheet was SEK 27 M (51).

Net interest income improved by SEK 4 M to SEK 11 M (7).

Profit after net financial items improved by SEK 8 M to SEK 325 M (317).

Tax expenses on profits for the year were calculated to SEK 103 M or 32 percent. Tax expenses for the year were positively affected by adjustment of taxes for previous years. Of tax expenses totaling SEK 77 M, SEK 24 M was deferred tax.

Profit for the fiscal year amounted to SEK 248 M (234).

# Balance sheet

SEK M	Note	GROUP		PARENT COMPANY	
		Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Intangible fixed assets	9	372	408	—	—
Tangible fixed assets	10	134	83	—	—
Financial fixed assets	11	16	16	970	974
<b>Total fixed assets</b>		<b>522</b>	<b>507</b>	<b>970</b>	<b>974</b>
Inventories	12	311	258	—	—
Deferred tax assets	8	84	88	4	16
Receivables	13	1,008	1,022	193	305
Current investments	14	155	224	155	224
Cash and bank		996	863	217	252
<b>Total current assets</b>		<b>2,554</b>	<b>2,455</b>	<b>569</b>	<b>797</b>
<b>TOTAL ASSETS</b>	3	<b>3,076</b>	<b>2,962</b>	<b>1,539</b>	<b>1,771</b>
Share capital		155	161	155	161
Restricted reserves		267	200	98	76
Unrestricted reserves		743	850	892	1,142
Profit for the year		248	234	9	24
<b>Total shareholders' equity</b>	15	<b>1,413</b>	<b>1,445</b>	<b>1,154</b>	<b>1,403</b>
<b>Untaxed reserves</b>	7	—	—	7	—
Deferred tax liabilities	8	40	12	—	—
Other provisions	16	118	98	7	—
<b>Provisions</b>		<b>158</b>	<b>110</b>	<b>7</b>	—
Interest-bearing liabilities	17	231	252	273	295
Interest-free liabilities	18	1,274	1,155	98	73
<b>Total liabilities</b>		<b>1,505</b>	<b>1,407</b>	<b>371</b>	<b>368</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>3,076</b>	<b>2,962</b>	<b>1,539</b>	<b>1,771</b>
Assets pledged	19	76	125	42	93
Contingent liabilities	20	109	92	217	242



## Comments on the balance sheet

### Assets and capital employed

The Group's total assets increased by SEK 114 M to SEK 3,076 M (2,962). At the end of the fiscal year, the Group's fixed assets amounted to SEK 522 M (507). Investments totaled SEK 99 M.

Current assets excluding liquid funds increased by SEK 35 M to SEK 1,403 (1,368). Accounts receivable, accrued revenues for projects and inventories increased by a total of 6 percent. Accounts receivable and accrued revenues for projects corresponded to 85 days' (100) net sales. The value of inventories in relation to net sales was 11 percent (9).

Liquid funds increased by SEK 64 M to SEK 1,151 M (1,087) and amounted to SEK 37 percent (37) of the total assets at the end of the fiscal year. Of the Group's bank deposits, SEK 76 M (78) was pledged, primarily for commercial guarantees.

The value in SEK of the Group's net foreign assets amounted to SEK 757 M (671).

The Group's capital employed declined to SEK 1,644 M (1,697). The capital turnover ratio was 0.9 (1.0).

### Liabilities and shareholders' equity

Interest-bearing liabilities declined by SEK 21 M, of which SEK 14 M was attributable to translation to SEK of loan in USD to hedge net investments in the US. Liquid funds exceeded interest-bearing liabilities by SEK 920 M.

Interest-free liabilities increased by SEK 119 M, while provisions increased by SEK 48 M. Operating liabilities exceeded operating receivables by SEK 29 M.

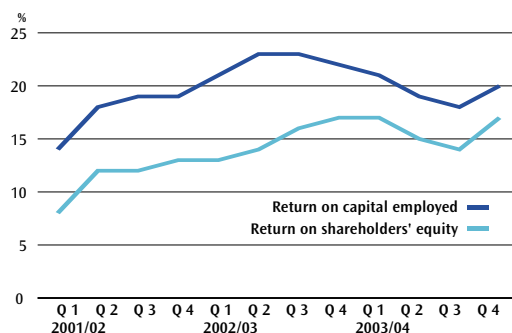
After share redemption totaling SEK 311.5 M, shareholders' equity amounted to SEK 1,413 M (1,445).

The Group's equity/assets ratio was 46 percent (49) at the end of the fiscal year.

Return on shareholders' equity amounted to 17 percent (17), while return on capital employed was 20 percent (22).

Earnings ratios are based on earnings over a 12-month period divided by average capital calculated on a five-point average, that is, April, July, October, January and April. The estimated full effect of the redemption of shares is an increase of the return on capital employed of about 2 percentage points.

Earnings ratio



# Changes in shareholders' equity

Group, SEK M	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance May 1, 2002	159	1,282	-169	1,272
Exercise of warrants	2	20	—	22
Translation difference	—	—	-95	-95
Translation differences on hedging instruments	—	—	12	12
Transfer between restricted and unrestricted equity	—	-1,102	1,102	0
Profit for the year	—	—	234	234
<b>Closing balance April 30, 2003</b>	<b>161</b>	<b>200</b>	<b>1,084</b>	<b>1,445</b>
Exercise of warrants	4	22	—	26
Redemption of shares	-10	—	-302	-312
Translation difference	—	—	-8	-8
Translation differences on hedging instruments	—	—	14	14
Transfer between restricted and unrestricted equity	—	45	-45	0
Profit for the year	—	—	248	248
<b>Closing balance April 30, 2004</b>	<b>155</b>	<b>267</b>	<b>991</b>	<b>1,413</b>

Parent Company, SEK M	Share capital	Premium reserve	Unrestricted reserve	Retained earnings	Total
Opening balance May 1, 2002	159	956	—	198	1,313
Transfer from restricted to unrestricted equity	—	-900	900	—	0
Exercise of warrants	2	20	—	—	22
Group contribution received after tax	—	—	—	44	44
Profit for the year	—	—	—	24	24
<b>Closing balance April 30, 2003</b>	<b>161</b>	<b>76</b>	<b>900</b>	<b>266</b>	<b>1,403</b>
Exercise of warrants	4	22	—	—	26
Redemption of shares	-10	—	-302	—	-312
Group contribution received after tax	—	—	—	28	28
Profit for the year	—	—	—	9	9
<b>Closing balance April 30, 2004</b>	<b>155</b>	<b>98</b>	<b>598</b>	<b>303</b>	<b>1,154</b>



## Comments on the statement of changes in shareholders' equity

During the 2003/04 fiscal year, 698,125 B shares were subscribed through the exercise of warrants within the framework of the established option programs.

Through redemption of 1,887,713 shares, SEK 311.5 M was transferred to Elekta's shareholders in March 2004.

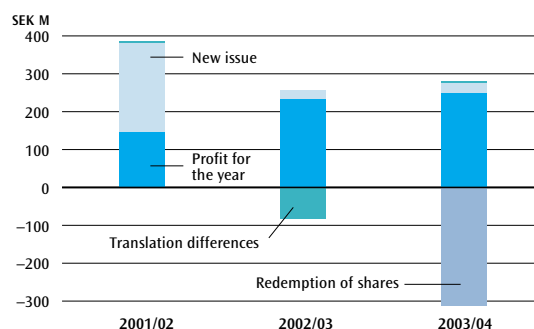
On April 30, 2004, the total number of shares was 31,066,254.

Elekta's balance sheet is strong and equity/assets ratio was 46 percent at fiscal year-end, exceeding the financial objective of at least 40 percent.

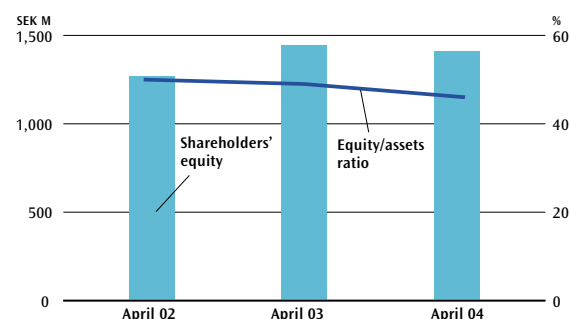
Foreign currencies included in shareholder's equity are translated to SEK at the fiscal year-end rate. Translation differences are reported directly against consolidated shareholders' equity. Shareholders' equity in foreign currency is hedged when, after individual assessment, it is deemed suitable. The long-term loan in USD raised December 2002 is being used to hedge net investments in the American subsidiaries.

In January 2003 the Parent Company got the approval from the district court to carry out a decision made at the Annual General Meeting of September 2002 to reduce the premium reserve by SEK 900 M through transfer to unrestricted reserve.

*Changes in shareholders' equity*



*Shareholders' equity*



# Changes in financial position

SEK M	GROUP		PARENT COMPANY	
	2003/04	2002/03	2003/04	2002/03
Profit for the year	248	234	9	24
Depreciation and writedowns charged against these results	88	72	—	—
Participation in profit/loss of associated companies, after tax	–9	–10	—	—
Result from divestments of fixed assets	4	—	5	—
Capitalized development	–8	–41	—	—
Appropriations	—	—	7	—
Minority shares	—	–5	—	—
Taxes unpaid	49	65	6	–13
<b>Operating flow</b>	<b>372</b>	<b>315</b>	<b>27</b>	<b>11</b>
Increase (-)/ decrease (+) in current receivables	6	–59	123	90
Increase (-)/ decrease (+) in inventories	–49	–24	—	—
Increase (+)/ decrease (-) in interest-free liabilities	98	92	20	21
Increase (+)/ decrease (-) in provisions	21	37	7	—
<b>Change in working capital</b>	<b>76</b>	<b>46</b>	<b>150</b>	<b>111</b>
<b>Cash flow from operating activities</b>	<b>448</b>	<b>361</b>	<b>177</b>	<b>122</b>
Investments in shares and participations	—	–2	–1	–46
Repayments from partnerships	6	8	—	—
Increase (-)/ decrease (+) in long-term receivables	—	1	—	53
Investments in intangible assets	–7	–5	—	—
Investments in machinery and equipment	–84	–32	—	—
Acquisition of subsidiary*	—	–43	—	—
<b>Investments and divestments</b>	<b>–85</b>	<b>–73</b>	<b>–1</b>	<b>7</b>
<b>CASH FLOW AFTER INVESTMENTS</b>	<b>363</b>	<b>288</b>	<b>176</b>	<b>129</b>
Borrowings	—	224	—	222
Repayment of debt	–7	–14	–22	—
New issues, warrant premiums, redemption of shares and group contribution	–295	22	–258	66
Minority	—	–1	—	—
<b>External financing</b>	<b>–302</b>	<b>231</b>	<b>–280</b>	<b>288</b>
Change in liquid funds during the year excl. translation differences	61	519	–104	417
Translation differences on liquid funds	3	32	—	—
<b>Change in liquid funds during the year</b>	<b>64</b>	<b>551</b>	<b>–104</b>	<b>417</b>
Liquid funds at the beginning of the year	1,087	536	476	59
<b>Liquid funds at year-end</b>	<b>1,151</b>	<b>1,087</b>	<b>372</b>	<b>476</b>
<b>*Acquired operations 2002/03</b>				
Fixed assets		36		
Operating assets		24		
Liquid funds		1		
Provisions		–2		
Interest-bearing liabilities		–9		
Interest-free liabilities		–6		
<b>Purchase price paid</b>		<b>44</b>		
Liquid funds in acquired company		–1		
<b>Effect on Group's liquid funds</b>		<b>43</b>		

## Comments on the statement of changes in financial position

A statement of changes in financial position is intended to describe the ability of a business to generate funds. Elekta's cash flow is primarily used to finance market growth, strategic research projects and investments. Based on income statement and balance sheet items translated at average rates, the analysis shows the Group's net flows during the year.

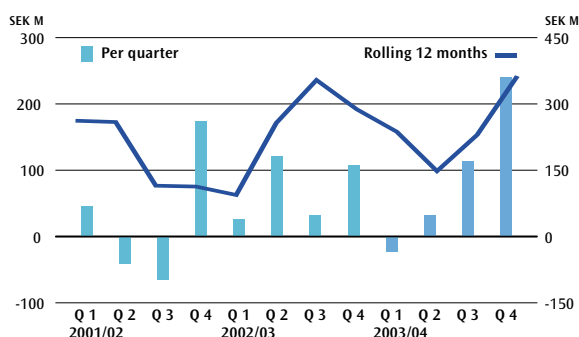
Elekta reported a positive cash flow for the year, primarily as a result of strong profitability. Profit for the fiscal year, adjusted for items that did not affect cash flow, resulted in operating flow of SEK 372 M, an improvement of SEK 57 M, compared with the preceding year.

Despite volume growth in the business, tied-up working capital was reduced by SEK 76 M. Cash flow from operating activities increased by SEK 87 M to SEK 448 M.

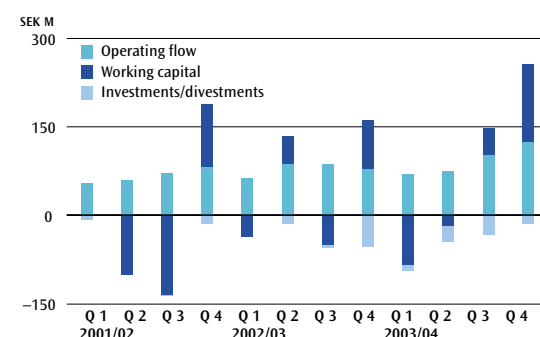
Cash flow from investments and divestments was negative in an amount of SEK 85 M (neg. 73). Cash flow after investments increased by SEK 75 M to SEK 363 M.

Elekta's project-based operations affect the cash flow as well as orders received and net sales. Payment flows from projects generally occur in connection with order receipt, delivery and acceptance, generating considerable fluctuations in the amount of working capital tied up during the year.

*Cash flow after investments*



*Cash flow after investments*





# Notes

## NOTE 1 ACCOUNTING PRINCIPLES

Elekta's financial statements have been prepared in accordance with the Annual Accounts Act and the recommendations and statements issued by the Swedish Financial Accounting Standards Council.

### Consolidated accounts

Elekta's financial statements include all companies in which the Parent company directly or indirectly holds more than 50 percent of the shares' voting rights as well as companies in which the Group exerts a decisive influence in another manner. The consolidated accounts have been prepared in accordance with the purchase accounting method.

The income statements and balance sheets of foreign subsidiaries have been translated in accordance with the current method. This means that all items in the income statements have been translated at the average rate for the fiscal year, while assets and liabilities in the balance sheets have been translated at the fiscal year-end rate. Translation differences have been reported directly against consolidated shareholders' equity.

### Exchange rates

Country	Currency	Average rate			Closing rate		
		May–Apr 2003/04	May–Apr 2002/03	Change, %	Apr 30 2004	Apr 30 2003	Change, %
Canada	1 CAD	5.741	5.911	–3	5.575	5.695	–2
Euro	1 EUR	9.125	9.169	0	9.138	9.115	0
Great Britain	1 GBP	13.184	14.145	–7	13.550	13.050	4
Hong Kong	1 HKD	0.992	1.166	–15	0.983	1.050	–6
Japan	100 JPY	6.895	7.517	–8	6.930	6.860	1
United States	1 USD	7.717	9.096	–15	7.658	8.195	–7

Long-term financing of subsidiaries is considered to represent an increase in the Parent Company's net investment in a subsidiary. In the consolidated accounts, taking the tax effect into account, exchange gains and losses in the Parent Company have been reported against translation differences in shareholders' equity.

### Associated companies

Associated company accounting is applied for share investments in companies in which the Group owns more than 20 percent and less than 50 percent of the voting rights, or otherwise has a significant influence. Associated company accounting is applied in accordance with the equity method.

### Income recognition

Income from all Elekta products is recognized upon delivery of the products and significant risks and benefits associated with ownership of the products are transferred to the purchaser.

### Taxes

Deferred tax is calculated and reported in accordance with the balance sheet method. In accordance with this method, deferred tax is calculated based on the difference between the taxable value and the reported value of assets and liabilities. Loss carry-forwards that arise are treated as deferred tax assets in those cases in which it is probable that these will be utilized. Valuation is based on the anticipated tax rate for the immediately following year in each country.

Reported tax expense includes current tax, changes in deferred tax receivables/liabilities and taxes on participations in the earnings of associated companies.

### Intangible assets

#### 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 on an immediate basis. Identifiable costs for the development of new products are capitalized to the extent that these are considered to provide future financial benefits. In other instances, development expenditures are expensed as they are incurred. Costs for development reported for a period in the income statement are never capitalized during future periods. Capitalized expenditures are depreciated on a straightline basis from the time when the asset begins to be used or is produced commercially and during the estimated useful life of the asset. The amortization period is 3–5 years.

### Patents and licenses

For acquired patents and licenses, the acquisition value is reported as an asset, which is amortized, on a straight-line basis during the asset's estimated useful life, which varies between 5–15 years.

### Goodwill

Goodwill is defined as the value by which the acquisition price exceeds the market value of the net assets acquired by the Group in connection with a company acquisition or asset-transfer transaction. Goodwill is amortized over a period of five years, with the exception of goodwill attributable to the acquisition in January 1997 of Philips Radiation Therapy, which is being amortized over 20 years. This acquisition is strategically important for the further development of Elekta's business in the areas of cancer treatment and neurosurgery. As a result of the acquisition, Elekta is the only company that can offer a complete range of advanced clinical solutions for both radiosurgery and radiation therapy.

### Tangible assets

Tangible assets acquired by Group companies are reported at their historic acquisition value, less accumulated depreciation and any write-downs. Assets in acquired companies are reported at the market value applying on the acquisition date after deduction for subsequent accumulated depreciation. Machinery and equipment is depreciated on a straightline basis during its economic life of between 3 and 5 years. Installations and improvements on other parties' property are depreciated during the period of the lease agreement.

### Leasing

The leasing of fixed 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 financial leasing. The leased asset is reported as a fixed asset and the corresponding obligation to pay a leasing fee is reported as an interest-bearing liability. The leasing 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 other assets of the same type. If any uncertainty exists about whether the asset will be taken over at the end of the leasing period, the asset is depreciated during the leasing period, if this is shorter.

The leasing of assets, for which the lessor, for all practical purposes, is considered the owner, is classified as operational leasing. The leasing fee is expensed on a straight-line basis over the leasing period.

### Inventories

Inventories are valued at the lower of acquisition value and fair value.

### Receivables

Receivables are shown in the amounts expected to be received.

## NOTE 1 ACCOUNTING PRINCIPLES CONT.

### Receivables and liabilities in foreign currency and hedging

Receivables and liabilities in foreign currency are valued at fiscal year-end exchange rates.

Hedging of future flows in foreign currencies affect earnings concurrently with the reporting of the hedged receivables and liabilities in the balance sheet. Hedging transactions are then valued at the fiscal year-end exchange rate and the revaluation is shown in the operating result.

Currency loans for hedging investments in foreign net assets are valued at the fiscal year-end rate. Exchange rate differences are eliminated from the income statement and, with tax effects taken into account, are reported directly against shareholders' equity and are thus offset against the translation differences that arise when translating the subsidiaries' balance sheets into SEK.

### Liquid funds

Liquid funds comprise cash and bank balances and current investments. To a certain extent, current investments consist of interest-bearing securities with terms of more than three months. However, such investments refer to securities with high liquidity, which can easily be transformed into liquid funds.

### 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 a payment demand is expected to make good the obligation. A further condition is that it is possible to make a reliable estimate of the amount that will be paid.

### Pensions

The greater part of Elekta's pension commitments is 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, which is matched by the fees paid. Elekta has defined benefit pension plans for certain employees in a few countries. Provisions and annual costs attributable to defined benefit plans are reported in the consolidated income statements and balance sheets based on the application of local regulations for individual countries. Recommendation RR29 (IAS 19) "Employee benefits" will be applied in 2004/05. The opening liability for defined benefit plans will be established and the difference in relation to the closing reported liability will be reported against shareholders' equity in accordance with RR29 and RR5 (IAS 8), with estimated tax taken into account.

### 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 based on historic statistics, with known changes being taken into account in regard to product quality, repair costs and similar items.

### Market value for financial assets and liabilities

The market value of financial assets and liabilities is based on current market listings at year-end. The market value of other financial assets and liabilities, in which the market value is not given, is considered to correspond to the book value.

## NOTE 2 FINANCIAL RISK MANAGEMENT

As a result of its international operations, Elekta is exposed to various financial risks, such as interest and exchange rate risk.

Financial risks are handled within the framework of a finance policy established by the Board of Directors. The Group's financial risks are compiled and followed up continuously in order to ensure compliance with the finance policy.

### Liquidity and financing risk

The liquidity and financing risk pertains to the risk that the Company will not be able to cover its payment obligations due to insufficient liquid funds or difficulties in obtaining external financing.

In an effort to reduce the liquidity risk, Elekta endeavors to maintain readily available funds equal to at least 10 percent of net sales. On April 30, 2004, such available funds amounted to SEK 1,075 M (1,009), which substantially exceeded the established target. In addition to its available funds on April 30, 2004, Elekta had SEK 76 M (78) invested as collateral for issued bank guarantees.

### Interest risk

The interest risk pertains to the risk that changes in interest rates will adversely affect Elekta's earnings. The Group's policy is to normally maintain short periods of fixed interest for its investments and liabilities.

During 2003/04, Elekta's business generated a positive cash flow. At year-end, liquid funds accounted for 37 percent (37) of the Group's total assets and were invested for an average fixed interest term of 42 days.

Liquid funds were invested so as to obtain a return equivalent to the interest on government securities in the Swedish money market.

On April 30, 2004, the gross loan liability amounted to SEK 231 M (252), of which SEK 12 M (18) pertained to financial leases. The average fixed interest term was 522 days.

### Exchange rate risks

As a result of its international operations and structure, Elekta has considerable exposure to exchange rate fluctuations. This pertains to currency flows in different currencies – transaction exposure – and the translation of foreign subsidiaries' profits and net assets into SEK – translation exposure.

### Transaction exposure

The Group's products are sold mainly in USD, EUR and JPY. Its costs are mainly in GBP and SEK. The sales companies' revenues and expenses are in local currencies. The proportion of invoiced sales in foreign currency exceeds 95 percent of the Group's total invoicing.

Elekta's policy is to hedge the exchange rate risk associated with commercial flows by using futures or options, the extent of which is determined by the Group's estimation of the exchange rate risk in accordance with the Group's established policy. Hedging with futures is conducted on the basis of contract net flows plus part of the expected net flows over a rolling 18-month period. Hedging is carried out to secure the profit on the existing order backlog and to reduce the effects of short-term fluctuations in currency markets. During 2003/04, exchange rate gains on futures

## NOTE 2 FINANCIAL RISK MANAGEMENT CONT.

amounted to SEK 95 M (59). On April 30, 2004, outstanding future contracts that were concluded in order to reduce the Group's transaction exposure corresponded to SEK 929 M (market value SEK 29 M).

The future rate is used for the translation of hedged receivables and liabilities. The below currency futures pertaining to sales of USD, JPY and EUR have not been revalued in the balance sheet. The unrealized exchange rate difference compared with the exchange rates on April 30, 2004 is SEK 27 M (51).

### Outstanding, not revalued futures at April 30, 2004

Currency pair	Amount	Maturity	Exchange rate
MJPY/SEK	606	12–18 months	7.28317
MUSD/SEK	43	1–18 months	7.85840
MEUR/SEK	7	5–15 months	9.21237
MEUR/GBP	8	4–12 months	0.71138
MUSD/GBP	34	1–18 months	1.69549

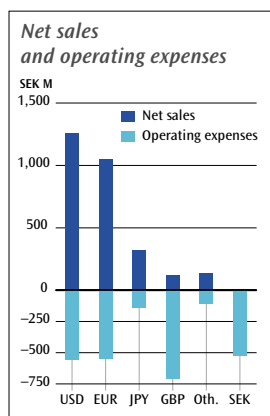
### Exposure affecting Group profits

With present income and expense structure a general change of one percentage point in the value of the SEK relative to the other currencies affects Group income by approximately SEK 8 M. Futures-based hedging limits the short-term effect of exchange rate movements.

The Group's net sales and operating expenses in 2003/04 are shown in the diagram to the right.

### Translation exposure

The Group's consolidated earnings and shareholders' equity are exposed to changes in exchange rates. Consolidated earnings are normally not hedged. Shareholders' equity in foreign currency is hedged when, after individual assessment, it is deemed suitable. At present, the long-term



loan in USD is being used to hedge net investments in the American subsidiaries.

### Credit risks

#### Financial credit risk

Exposure occurs when surplus liquidity is invested, and in the handling of the Group's financial risks. Elekta's finance policy includes special counterparty regulations in which the maximum credit exposure and the lowest credit rating for various counterparties are specified. An objective is that counterparties should have a minimum credit rating from Standard

& Poor's/Moody's of A/A (long) and A-2/P-2 (short). Elekta invests its liquidity solely in liquid instruments with a low credit risk, such as corporate paper with K-1 ratings.

### Customer financing

Elekta's customers often require some form of financing solution when investing in capital-intensive equipment. As the market for medical technology equipment has grown, Elekta has developed various forms of financing solutions. Elekta offers both traditional financing forms – through, for example, export credits or various leasing products – and more sophisticated “fee-for-use” arrangements. Customer financing is arranged through banks, leasing companies and other external parties, such as development banks and international aid agencies.

## NOTE 3 SEGMENT REPORTING

Elekta's business operations are confined to a single operating segment, namely treatment methods for cancer and brain disorders. This operating segment is the primary segment. The secondary segment is geographical areas.

### Secondary Segment

Group, SEK M	NET SALES		GROSS INVESTMENTS		ASSETS APRIL 30	
	2003/04	2002/03	2003/04	2002/03	2004	2003
Europe, Middle East, Africa	1,319	1,019	86	63	2,528	2,397
North and South America	868	1,160	4	7	338	376
Japan	303	224	2	2	135	118
Asia, excl. Japan	410	378	7	6	75	71
<b>Total</b>	<b>2,900</b>	<b>2,781</b>	<b>99</b>	<b>78</b>	<b>3,076</b>	<b>2,962</b>

Sales figures are based on the country in which the customer is located. Assets and investments are reported where the assets are located.

## NOTE 4 INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	PARENT COMPANY	
	2003/04	2002/03
Dividends from subsidiaries	65	53
Capital contribution to subsidiaries	-11	—
<b>Result from participations in Group companies</b>	<b>54</b>	<b>53</b>



## NOTE 5 INCOME FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK M	GROUP		PARENT COMPANY	
	2003/04	2002/03	2003/04	2002/03
Income from participations in associated companies	8	12	—	—
Disposal of shares in associated company	–2	—	–5	—
Internal profit eliminations for products sold	2	–1	—	—
<b>Result from participations in associated companies</b>	<b>8</b>	<b>11</b>	<b>–5</b>	<b>—</b>

## NOTE 6 INTEREST INCOME, INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

SEK 17 M (23) of the Parent Company's interest income of SEK 34 M (31) was received from Group companies.

Parent Company's interest expense and similar profit/loss items amounted to SEK 10 M (9), of which SEK 1 M (2) pertained to Group companies.

## NOTE 7 APPROPRIATIONS AND UNTAXED RESERVES

Parent Company, SEK M	APPROPRIATIONS		UNTAXED RESERVES	
	2003/04	2002/03	Apr. 30, 2004	Apr. 30, 2003
Tax allocation reserve	–7	—	7	—
<b>Total</b>	<b>–7</b>	<b>—</b>	<b>7</b>	<b>—</b>

## NOTE 8 TAXES

SEK M	GROUP		PARENT COMPANY	
	2003/04	2002/03	2003/04	2002/03
Current taxes	–52	–22	–5	—
Deferred taxes	–24	–65	–1	13
Participations in taxes of associated companies	–1	–1	—	—
<b>Total taxes</b>	<b>–77</b>	<b>–88</b>	<b>–6</b>	<b>13</b>
Tax expenses:	24%	28%		
Swedish tax	28%	28%		
Effect of other tax rates for foreign companies	4%	7%		
Non-deductible amortization of goodwill	2%	1%		
Changes in tax legislation		–6%		
Tax related to prior years	–8%	–1%		
Other	–2%	–1%		

### Deferred tax receivables and deferred tax liabilities

Deferred tax receivables (assets) and tax liabilities in the balance sheet are attributable to the following:

Group, SEK M	Apr. 30, 2004	Assets	Liabilities	Net
Loss carry-forwards		67	—	67
Untaxed reserves		—	–25	–25
Intangible fixed assets		5	–54	–49
Tangible fixed assets		11	—	11
Financial fixed assets		1	–5	–4
Other assets		18	–4	14
Operating liabilities/Provisions		40	–10	30
<b>Deferred tax assets/tax liabilities</b>		<b>142</b>	<b>–98</b>	<b>44</b>
Offsetting		–58	58	0
<b>Net deferred tax assets/tax liabilities</b>		<b>84</b>	<b>–40</b>	<b>44</b>

## NOTE 8 TAXES CONT.

### Deferred tax asset

SEK M	Group net	Parent Company net
Opening balance May 1, 2003	76	16
Adjustment for prior years	27	—
Deferred taxes for the year	–51	–1
Deferred taxes charged against shareholders' equity	–5	–11
Translation differences	–3	—
<b>Closing balance April 30, 2004</b>	<b>44</b>	<b>4</b>

### Current tax liability

SEK M	Group	Parent Company
Opening balance May 1, 2003	9	—
Adjustment for prior years	1	—
Current tax for the year	51	5
Paid taxes	–28	0
Translation differences	–1	—
<b>Closing balance April 30, 2004</b>	<b>32</b>	<b>5</b>

## NOTE 9 INTANGIBLE FIXED ASSETS

SEK M	Capitalized development	Patents & licenses	Goodwill	Total
Acquisition value May 1, 2003	41	36	535	612
Purchases	8	1	6	15
Sales/disposals	–2	–24	0	–26
Translation differences	0	0	8	8
<b>Acquisition value April 30, 2004</b>	<b>47</b>	<b>13</b>	<b>549</b>	<b>609</b>
Accumulated amortization May 1, 2003	–4	–33	–167	–204
Sales/disposals	2	24	0	26
Amortization for the year	–18	–1	–37	–56
Translation differences	0	0	–3	–3
<b>Accumulated amortization April 30, 2004</b>	<b>–20</b>	<b>–10</b>	<b>–207</b>	<b>–237</b>
<b>Residual value according to plan April 30, 2004</b>	<b>27</b>	<b>3</b>	<b>342</b>	<b>372</b>

## NOTE 10 TANGIBLE FIXED ASSETS

SEK M	Machinery etc. for production	Equipment, tools and installations	Finance lease equipment	Total
Acquisition value May 1, 2003	45	282	53	380
Purchases	6	78	0	84
Sales/disposals	—	–14	—	–14
Translation differences	1	4	1	6
<b>Acquisition value April 30, 2004</b>	<b>52</b>	<b>350</b>	<b>54</b>	<b>456</b>
Accumulated depreciation May 1, 2003	–35	–228	–34	–297
Sales/disposals	—	12	—	12
Depreciation for the year	–3	–25	–4	–32
Translation differences	–1	–3	–1	–5
<b>Accumulated depreciation April 30, 2004</b>	<b>–39</b>	<b>–244</b>	<b>–39</b>	<b>–322</b>
<b>Residual value according to plan April 30, 2004</b>	<b>13</b>	<b>106</b>	<b>15</b>	<b>134</b>

## NOTE 11 FINANCIAL FIXED ASSETS

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Participations in Group companies	—	—	711	710
Receivables from Group companies	—	—	251	251
Participations in associated companies	12	12	8	13
Other long-term receivables	4	4	—	—
<b>Total financial fixed assets</b>	<b>16</b>	<b>16</b>	<b>970</b>	<b>974</b>

## PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

SEK M	GROUP	PARENT COMPANY	
	Associated companies	Associated companies	Group companies
Opening balance May 1, 2003	12	13	710
Investments	—	—	1
Sales/repayments	–8	–5	—
Participations in income of associated companies	9	—	—
Translation differences	–1	—	—
<b>Closing balance April 30, 2004</b>	<b>12</b>	<b>8</b>	<b>711</b>

## PARTICIPATIONS IN GROUP COMPANIES

Company	Corp. reg. No.	Domicile	No. of shares & participations	Proportion of shares & votes, %	Book value, SEK M
Elekta Instrument AB	556492-0949	Stockholm, Sweden	1,000,000	100.0	50
Elekta Instrument SA	3033/1984	Geneva, Switzerland	500	100.0	57
Elekta Neuromag Oy	0756256-7	Helsinki, Finland	1,832	100.0	44
Elekta KK	65 820	Kobe, Japan	2,000	100.0	0
Elekta Holding Limited	2699176	Crawley, UK	22,810,695	100.0	276
Elekta Holdings US Inc.	58-1876545	Norcross, USA	6,020	100.0	221
Elekta Canada Inc.	R889657862	Toronto, Canada	1	100.0	0
Elekta Asia Ltd	502 493	Hong Kong	81,022,160	100.0	13
Elekta SA	B 414 404 913	Paris, France	2,500	100.0	4
Elekta Medical SA	A-818 867 31	Madrid, Spain	10,000	100.0	3
Elekta GmbH	HRB 63500	Hamburg, Germany		100.0	5
Elekta Vermögensverwaltung GmbH	HRB 56005	Hamburg, Germany		100.0	0
Elekta Oncology Systems GmbH	166018w	Innsbruck, Austria	1	100.0	3
Elekta S.A./N.V.	HRB 613 484	Zaventem, Belgium	250	100.0	1
Elekta BV	17 097 384	Best, Netherlands	40	100.0	0
Elekta Holding BV	33 292 546	Best, Netherlands	40	100.0	0
Elekta S.p.A.	02723670960	Monza, Italy	500,000	100.0	34
Elekta (Pty) Ltd		Pretoria, South Africa	1	100.0	0
<b>Total participations in Group companies</b>					<b>711</b>

## PARTICIPATIONS IN ASSOCIATED COMPANIES

Company	Corp. reg. No.	Domicile	No. of shares & participations	Proportion of shares & votes, %	Book value, SEK M
AB Motala Verkstad	556031-3503	Motala, Sweden	29,960	49.9	6
Miscellaneous participations					6
<b>Total participations in associated companies</b>					<b>12</b>

The book value in the Parent Company of AB Motala Verkstad is SEK 8 M.



## NOTE 12 INVENTORIES

SEK M	GROUP	
	Apr. 30, 2004	Apr. 30, 2003
Components	52	43
Work in progress	84	69
Finished goods	175	146
<b>Total inventories</b>	<b>311</b>	<b>258</b>

## NOTE 13 RECEIVABLES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Accounts receivable	609	556	—	—
Receivables from Group companies	—	—	133	245
Receivables from associated companies	1	1	1	1
Other receivables	96	103	44	49
Prepaid expenses and accrued income	292	325	13	7
<b>Maturities of less than 1 year</b>	<b>998</b>	<b>985</b>	<b>191</b>	<b>302</b>
Accounts receivable	8	34	—	—
Receivables from associated companies	2	3	2	3
<b>Maturity of more than 1 year</b>	<b>10</b>	<b>37</b>	<b>2</b>	<b>3</b>
<b>Total receivables</b>	<b>1,008</b>	<b>1,022</b>	<b>193</b>	<b>305</b>

The Prepaid expenses and accrued income item in the consolidated balance sheet includes accrued income of SEK 240 M (258) for projects.

## NOTE 14 CURRENT INVESTMENTS

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Money market fund	155	—	155	—
Commercial paper	—	224	—	224
<b>Total current investments</b>	<b>155</b>	<b>224</b>	<b>155</b>	<b>224</b>

## NOTE 15 SHAREHOLDERS' EQUITY

### Translation differences in the Group Shareholders' Equity

SEK M	Apr. 30, 2004	Apr. 30, 2003
Opening balance	5	88
Translation differences for the year	6	–83
<b>Closing balance</b>	<b>11</b>	<b>5</b>

Number of shares in Elekta AB (publ)	Series A shares	Series B shares	Total
Number of shares May 1, 2002	1,187,500	30,577,167	31,764,667
Exercise of warrants		491,175	491,175
<b>Number of shares April 30, 2003</b>	<b>1,187,500</b>	<b>31,068,342</b>	<b>32,255,842</b>
Exercise of warrants		698,125	698,125
Redemption of shares		–1,887,713	–1,887,713
<b>Number of shares April 30, 2004</b>	<b>1,187,500</b>	<b>29,878,754</b>	<b>31,066,254</b>

The par value of the share is SEK 5. One Series A share entitles the holder to 10 votes and one Series B share to one vote. For additional information on Elekta shares, see pages 58–60.

## NOTE 16 OTHER PROVISIONS

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Provision for pensions	23	9	7	—
Warranty provisions	64	59	—	—
Other provisions	31	30	—	—
<b>Total other provisions</b>	<b>118</b>	<b>98</b>	<b>7</b>	<b>—</b>
	<b>Warranty provisions</b>	<b>Other provisions</b>		
Opening balance May 1, 2003	59	30		
Provisions/reversals during the year	48	15		
Provisions released during the year	—43	—14		
<b>Closing balance April 30, 2004</b>	<b>64</b>	<b>31</b>		

## NOTE 17 INTEREST-BEARING LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Liabilities to credit institutions	214	229	207	221
Liabilities to Group companies	—	—	66	74
Finance lease liabilities	12	18	—	—
Other interest-bearing liabilities	5	5	—	—
<b>Total interest-bearing liabilities</b>	<b>231</b>	<b>252</b>	<b>273</b>	<b>295</b>
<b>Maturity term structure</b>				
SEK M	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
< 1 year	17	14	66	74
> 1 year < 5 years	173	149	166	133
After 5 years	41	89	41	88
<b>Total</b>	<b>231</b>	<b>252</b>	<b>273</b>	<b>295</b>
<b>Specification per currency</b>				
Currency	Apr. 30, 2004 Amount	Apr. 30, 2004 SEK M	Apr. 30, 2003 Amount	Apr. 30, 2003 SEK M
Pounds sterling, GBP M	0	2	0	4
Euro, EUR M	1	12	1	13
US dollars, USD M	27	210	28	228
Japanese yen, JPY M	100	7	100	7
<b>Total</b>		<b>231</b>		<b>252</b>
<b>Fixed interest term for liabilities to credit institutions incl. derivatives</b>				
SEK M	Apr. 30, 2004	Apr. 30, 2003		
< 1 year	76	82		
> 1 year < 2 years	83	—		
> 2 years < 5 years	55	147		
<b>Total</b>	<b>214</b>	<b>229</b>		

The interest derivatives have a negative market value of SEK 1 M that is not included in the accounts.

## NOTE 18 INTEREST-FREE LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Advance payments by customers	295	331	—	—
Accounts payable	349	338	15	31
Liabilities to Group companies	—	—	64	29
Tax liabilities	32	9	5	—
Accrued expenses and prepaid income	541	440	13	12
Other interest-free liabilities	57	37	1	1
<b>Total interest-free liabilities</b>	<b>1,274</b>	<b>1,155</b>	<b>98</b>	<b>73</b>
<b>Accrued expenses and prepaid income</b>				
Reserve for additional project costs	159	140	—	—
Prepaid income	110	84	—	—
Accrued commission costs	32	24	—	—
Accrued vacation pay liability	49	25	2	1
Accrued social costs	8	20	—	—
Accrued interest expense	3	3	2	2
Other items	180	144	9	9
<b>Total</b>	<b>541</b>	<b>440</b>	<b>13</b>	<b>12</b>

## NOTE 19 ASSETS PLEDGED

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
<i>Collateral pledged for contingent liabilities:</i>				
Bank balances	76	78	42	46
Receivables	—	47	—	47
<b>Total assets pledged</b>	<b>76</b>	<b>125</b>	<b>42</b>	<b>93</b>

## NOTE 20 CONTINGENT LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2004	Apr. 30, 2003	Apr. 30, 2004	Apr. 30, 2003
Guarantees	109	92	59	47
Guarantees for subsidiaries	—	—	158	195
<b>Total contingent liabilities</b>	<b>109</b>	<b>92</b>	<b>217</b>	<b>242</b>

## NOTE 21 NUMBER OF EMPLOYEES

		AVERAGE NUMBER OF EMPLOYEES		OF WHOM WOMEN	
		2003/04	2002/03	2003/04	2002/03
Parent Company		17	15	9	8
Subsidiaries:					
	Sweden	160	137	51	43
	Belgium	7	7	1	1
	England	388	357	73	61
	Finland	25	4	6	1
	France	30	26	4	4
	Hong Kong	14	14	4	4
	Italy	33	30	5	5
	Japan	49	44	8	7
	Canada	6	6	—	—



## NOTE 21 NUMBER OF EMPLOYEES CONT.

		AVERAGE NUMBER OF EMPLOYEES		OF WHOM WOMEN	
		2003/04	2002/03	2003/04	2002/03
Subsidiaries:	China	90	75	23	20
	Netherlands	16	14	2	1
	Switzerland	4	3	1	1
	Spain	22	19	5	4
	South Africa	7	7	2	2
	Germany	53	52	4	4
	US	203	190	57	54
	Austria	12	11	3	3
<b>Total average number of employees</b>		<b>1,136</b>	<b>1,011</b>	<b>258</b>	<b>223</b>

### Specification men/women among Board of Directors and Executive Committee

The Board of Directors is 100 (100) percent men. The Executive Committee is 100 (100) percent men.

### Absence due to illness in the Swedish companies

The total absence due to illness amounts in the Swedish companies to 3 percent, of which men 1 percent and women 5 percent.

Some 45 percent of the absences are long-term. Absence due to illness for the ages 29 years or younger, 30–49 years and 50 years or older are 1, 3 respective 4 percent.

## NOTE 22 WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

		SALARIES AND REMUNERATION TO THE BOARD AND THE PRESIDENT		SALARIES AND REMUNERATION TO OTHER EMPLOYEES	
SEK M		2003/04	2002/03	2003/04	2002/03
Parent Company		6	5	12	11
Subsidiaries:	Sweden	2	1	83	66
	Belgium	1	1	3	3
	England	2	2	174	165
	Finland	1	0	8	1
	France	1	1	7	7
	Hong Kong	5	5	9	12
	Italy	1	1	12	11
	Japan	2	2	34	32
	Canada	0	2	3	1
	China	0	1	9	8
	Netherlands	1	1	10	4
	Switzerland	—	—	2	2
	Spain	1	1	9	8
	South Africa	0	0	3	2
	Germany	1	1	29	28
	US	7	15	123	132
	Austria	1	1	5	4
<b>Total wages, salaries and other remunerations</b>		<b>32</b>	<b>40</b>	<b>535</b>	<b>497</b>
Pension costs, Parent Company		4	3	2	1
Pension costs, subsidiaries		1	2	38	35
Other social security costs, Parent Company		2	2	4	4
Other social security costs, subsidiaries		4	4	96	87
<b>Total wages, salaries, other remuneration and social security costs</b>		<b>43</b>	<b>51</b>	<b>675</b>	<b>624</b>

Bonus payments included in the above Wages, salaries and other remunerations paid to the Boards and the Presidents of subsidiaries amounted to SEK 5 M (8), and SEK 2 M (2) in the Parent Company.

## NOTE 22 WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS CONT.

### Option programs

During the period 1999-2001, senior executives and key personnel within the Elekta Group were annually offered participation in option programs. With the exception of the President, the Board of Directors was not included in these programs.

The option programs are designed in such a manner that options for subscription of B shares (warrants) in Elekta AB (publ) have been issued to a subsidiary. Subsequently, employees in Sweden have been offered to acquire warrants against payment of a market-priced premium based on a valuation in accordance with Black & Scholes model. The warrants are freely transferable and not conditional upon continued employment.

Employees outside Sweden have been allocated employee options free of charge, which provide entitlement to acquire the aforementioned warrant at an exercise price of SEK 0.25 per warrant. The employee options may not be transferred and cannot be used to acquire warrants until after a certain qualification period. Termination of employment during the qualification period means that employee options lapse. No options were allotted during the year.

### Option programs

	2000/2003	2001/2004
Issued warrants	1,100,000	900,000
Expiration date	2003-09-30	2004-09-30
Subscription price*	49 SEK/37 SEK	189 SEK/147 SEK

### Outstanding April 30, 2003

Warrants held by employees	270,675	125,600
Warrants held by subsidiary	671,450	774,400
Employee options	430,050	692,800

### Outstanding April 30, 2004

Warrants held by employees	—	148,000
Warrants held by subsidiary	—	752,000
Employee options	—	638,700

### Exercised during the year

Warrants held by employees	698,125	—
Employee options	427,450	22,400
Employee options expired during the year	2,600	31,700

\* Increased subscription price during the initial term for program 2001/2004 applies through September 30, 2003. The dilution effect and the impact on earnings per share as a result of the option program are shown in the table "Data per share" on page 59.

## REMUNERATION TO SENIOR EXECUTIVES

### Principles

Fees to the Chairman and members of the Board of Directors in accordance with the decision at the Annual General Meeting amounted to SEK 960,000. As decided by the Board, SEK 320,000 was distributed to the Chairman and SEK 160,000 to each of the other external members. The Board has decided that a portion of the fee shall be used to purchase shares in Elekta. No separate fee was paid for committee work.

Remuneration to the President and other senior executives is a basic salary, any bonus (variable remuneration), other benefits and pensions. Other senior executives refer to the executive management, see page 55. Executive management comprises seven persons, of whom four are Swedish citizens and three are foreigners.

The distribution between basic salary and variable salary shall be in proportion to the executive's responsibility and authority. The goal-specified bonus for the President is 60 percent of the basic salary. If goals are exceeded, the bonus is maximized to 150 percent of the goal-specified bonus.

The goal-specified bonus for the other senior executives is between 40–110 percent of basic salary and is similarly maximized to 150 percent of the goal-specified bonus. The variable remuneration is based on the outcome in relation to financial and individually specified goals. Bonus paid to senior executives is not pensionable income.

### Remuneration and other benefits during the year

SEK 000's	Basic salary	Variable remuneration	Other benefits	Pension costs	Total
President	2,843	1,771	62	618	5,294
Other senior executives	9,441	13,522	382	1,261	24,606
Total	12,284	15,293	444	1,879	29,900

### Comments to the table

Variable remuneration pertains to the bonus attributable to the 2003/04 fiscal year, which partly was paid out quarterly during the fiscal year and partly will be paid during 2004/05, and also to a long-term 3-year incentive program that will be paid out in 2004/05. Other benefits relate

to company cars. In addition to the pension costs in the above table, a provision of SEK 3,150,000 was made for the company's contractual pension commitment to the President.

No allotment of financial instruments was made during the year.

## NOTE 22 CONT. WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

### Bonus and options system

Elekta's annual (one-year) bonus system covers executives at Group and operational level. The executives are measured against the annual earnings of the Group and their own areas of responsibility in relation to the budget and individually specified functional goals. If bonus goals are exceeded, the bonus is maximized to 150 percent of the bonus goal.

With the aim of securing the Group's long-term financial goals in terms of growth and operating margin, Elekta as of the 2001/02 fiscal year also initiated a long-term (three-year) bonus system for a limited number of senior executives. The bonus system is based on fulfillment of accumulated operating goals in accordance with the Company's strategic plan during a period of three years. This long-term bonus system resulted in bonuses corresponding to SEK 6,095,000 to three senior executives during 2003/04 being included under "Variable remuneration to other senior executives" above. A comparable bonus system was initiated for the President during 2002/03, under which a bonus will be payable in 2004/05 depending on the achievement of growth and profitability goals.

In addition, the President and other senior executives in the Company hold warrants as shown below:

Program	2001/2004
President	31,800
Other senior executives	110,400
<b>Total</b>	<b>142,200</b>

### Pensions and severance pay

#### Defined benefit pensions

The President is entitled to request retirement at age 60, with remuneration corresponding to 70 percent of basic salary. The pension benefit is secured through insurance.

#### Defined contribution pensions

The other senior executives who are entitled to pensions have defined contribution pension agreements. Retirement for the senior executives who are Swedish citizens is at age 65 and in other instances in accordance with each country's statutory retirement age or by special agreement.

#### Severance pay

In the event that notice is served by the Company, the President is entitled to severance pay of three years' salary, including pension benefits, other remuneration during a 3–4 year period and four times his annual bonus, calculated as the average bonus paid during the most recent three-year period. In addition, the President is entitled to severance pay in the event of own notice of termination of employment as the result of certain more comprehensive ownership changes. The severance pay is irrevocable. Other senior executives have notice periods of 6–12 months.

#### Committees and decision process

During the year, Elekta's Executive Compensation Committee (ECC) provided the Board with recommendations regarding principles for formulating the Group's compensation system and remuneration to senior executives and senior managers. The recommendations covered formulation of the bonus system, distribution between fixed and variable remuneration as well as the size of any salary increases. The ECC also proposed criteria for assessing performance of senior executives and senior managers. The Board has discussed the proposal from the ECC and made decisions based on the recommendation submitted. The entire Board, excluding the President, decided remuneration to the President for the 2003/04 fiscal year. Elekta's ECC comprises the Board Chairman, one independent Board member and the President. The Group Vice President Human Resources participates as presenter and reporter.

## NOTE 23 OPERATING LEASING

The year's leasing costs amounted to SEK 46 M (43). Contracted leasing payments total SEK 45 M for the 2004/05 fiscal year, SEK 143 M for 2005/06–2008/09, and SEK 168 M for subsequent years.

## NOTE 24 FEES AND REMUNERATIONS TO AUDITORS

SEK M	GROUP		PARENT COMPANY	
	2003/04	2002/03	2003/04	2002/03
Audit fees Deloitte & Touche	5	5	2	2
Other remunerations to Deloitte & Touche	1	1	1	—
<b>Total</b>	<b>6</b>	<b>6</b>	<b>3</b>	<b>2</b>



# Appropriation of profit

The Parent Company's appropriatable equity amounts to:

Unrestricted reserve	SEK	597,965,920
Retained earnings	SEK	294,097,271
Profit for the year	SEK	8,704,070
Total appropriatable equity	SEK	900,767,261

The Board of Directors and the President propose that the unappropriated earnings of SEK 900,767,261 be carried forward.

STOCKHOLM AUGUST 20 2004

  
AKBAR SEDDIGH  
Chairman of the Board

  
HANS BARELLA

  
TOMMY H KARLSSON

  
LAURENT LEKSELL  
President

  
CARL PALMSTIERNA

  
MAGNUS SCHMIDT

## Auditor's Report

To the Annual General Meeting of the shareholders of Elekta AB (publ), corporate registration number 556170-4015.

We have audited the annual report, the consolidated financial statements and the accounts and also the administration of the Board of Directors and the President of Elekta AB (publ) for the fiscal year from May 1, 2003 to April 30, 2004. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions


taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the annual report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and provide a correct view of the Company's and Group's earnings and financial position in accordance with generally accepted accounting principles in Sweden.

We recommend that the income statements and the balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

STOCKHOLM AUGUST 20 2004

Deloitte & Touche AB

  
LARS SVANTEMARK  
Authorized Public Accountant

# Board of Directors, Auditor and Executive Committee

## Board of Directors



**AKBAR SEDDIGH**  
Chairman, born 1943

Member of the board since 1998  
Holdings: 1,100 B shares  
Graduate Chemist, Marketing Specialist  
*Other board memberships:*  
Chairman of the board: Artimplant AB, Ortivus AB, Formo Services AB  
Board member: Affärstrategerna, Biolight, et al



**LAURENT LEKSELL**  
President and CEO, born 1952

Member of the board since 1974  
Holdings: 1,187,500 B shares, 1,330,471 B shares and 31,800 warrants (incl. via family and companies)  
PhD Economy



**HANS BARELLA**  
born 1943

Member of the board since 2003  
Holdings: —  
Former President and CEO  
Philips Medical Systems  
*Other board memberships:*  
Board member: Senator Group Consultancy and Investment B.V.



**TOMMY H KARLSSON**  
born 1946

Member of the board since 2001  
Holdings: 550 B shares  
International Management Consultant  
Msc and B.A.  
*Other board memberships:*  
Chairman of the board: MSC S.A., Global Gardening Products S.A., Interdeaninterconnex Inc.  
Board member: Intenia AB, Knurr AG.



**CARL PALMSTIERNA**  
born 1953

Member of the board since 1993  
Holdings: 56,677 B shares  
Managing Partner ABG Sundal & Collier AB  
MBA  
*Other board memberships:*  
Board member: CNS Systems AB, Acta AS, QBrick AB, Preferred Global Health Inc.



**MAGNUS SCHMIDT**  
born 1940

Member of the board since 1998  
Holdings: 2,500 B shares  
International Consult  
MBA  
*Other board memberships:*  
Chairman of the board: Einar Mattsson AB, Fastighets AB Stadshus  
Board member: Upplands Motor Holding AB, TransFargo AB, Sydkraft Energi Trading AB

## Auditor



**LARS SVANTEMARK**  
born 1949  
Authorized Public Accountant,  
Deloitte & Touche AB  
Company auditor since 2000

Lars Svantemark serves, apart from in Elekta, as auditor in Swedish companies Poolia, My Travel, Sita, Nicator Group and CVC Capital Partners. He has previously been auditor in Swedish companies Sandvik and A-Com. He has no auditing positions in any companies related to Elekta's major owners or CEO. Deloitte (formerly Andersen) has served as Elekta's auditor since the Annual General Meeting in 2000.

## Executive Committee



**LAURENT LEKSELL**  
born 1952

**President and CEO**  
Employed since 1974  
Holdings: see above



**HÅKAN BERGSTRÖM**  
born 1956

**Finance**  
Employed since 2001  
Holdings: 11,671 B shares



**SVERKER GLANS**  
born 1944

**Quality and Regulatory Affairs**  
Employed since 1993  
Holdings: 16,613 B shares



**GERRY VAN OORTMARSEN**  
born 1943

**Market Europe**  
Employed since 1997  
Holdings: 31,100 B shares, 31,800 warrants



**TOMAS PUUSEPP**  
born 1955

**Sales, Marketing and Service**  
Employed since 1988  
Holdings: 28,000 B shares, 31,800 warrants



**VOLKER STIEBER**  
born 1934

**Technical Development and Operations**  
Employed since 1997  
Holdings: 31,700 B shares, 31,800 warrants



**MANFRED STURM**  
born 1946

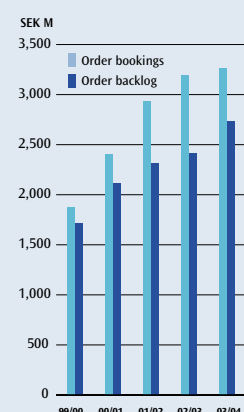
**Information Technology**  
Employed since 1997  
Holdings: 24,848 B shares, 15,000 warrants

# Five year review, key figures and definitions

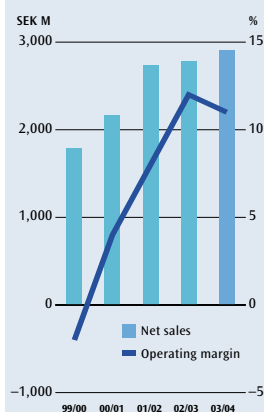
<i>Income statement</i> SEK M	1999/2000	2000/01	2000/01*	2001/02	2002/03	2003/04
Net sales	1,789	2,160	2,160	2,738	2,781	2,900
Operating expenses	-1,845	-2,068	-2,068	-2,531	-2,458	-2,594
Items affecting comparability	19	—	—	—	—	—
<b>Operating result</b>	<b>-37</b>	<b>92</b>	<b>92</b>	<b>207</b>	<b>323</b>	<b>306</b>
Financial net	-32	-23	-23	14	-6	19
<b>Profit/loss after financial items</b>	<b>-69</b>	<b>69</b>	<b>69</b>	<b>221</b>	<b>317</b>	<b>325</b>
Taxes	-8	-10	-29	-78	-88	-77
Minority	—	2	2	2	5	—
<b>Profit/loss for the year</b>	<b>-77</b>	<b>61</b>	<b>42</b>	<b>145</b>	<b>234</b>	<b>248</b>
<i>Cash flow</i> SEK M	1999/2000	2000/01	2000/01	2001/02	2002/03	2003/04
Operating flow	-7	140	140	265	315	372
Changes in working capital	18	128	128	-128	46	76
<b>Cash flow from operating activities</b>	<b>11</b>	<b>268</b>	<b>268</b>	<b>137</b>	<b>361</b>	<b>448</b>
Investments and divestments	31	-42	-42	-24	-73	-85
<b>Cash flow after investments</b>	<b>42</b>	<b>226</b>	<b>226</b>	<b>113</b>	<b>288</b>	<b>363</b>
<i>Balance sheet</i> SEK M	April 30, 2000	April 30, 2001	April 30, 2001*	April 30, 2002	April 30, 2003	April 30, 2004
Intangible fixed assets	437	415	415	388	408	372
Tangible fixed assets	81	94	94	87	83	134
Financial fixed assets	17	12	18	22	16	16
Inventories	255	224	224	269	258	311
Receivables	797	883	1,086	1,234	1,110	1,092
Liquid funds	249	434	434	536	1,087	1,151
<b>Total assets</b>	<b>1,836</b>	<b>2,062</b>	<b>2,271</b>	<b>2,536</b>	<b>2,962</b>	<b>3,076</b>
Shareholders' equity	576	678	887	1,272	1,445	1,413
Minority	—	8	8	6	0	—
Provisions	79	76	76	90	110	158
Convertible debenture loan	216	226	226	—	—	—
Other interest-bearing liabilities	113	47	47	35	252	231
Interest-free liabilities	852	1,027	1,027	1,133	1,155	1,274
<b>Total shareholders' equity, provisions and liabilities</b>	<b>1,836</b>	<b>2,062</b>	<b>2,271</b>	<b>2,536</b>	<b>2,962</b>	<b>3,076</b>

\* Restated for new accounting principle for taxes.

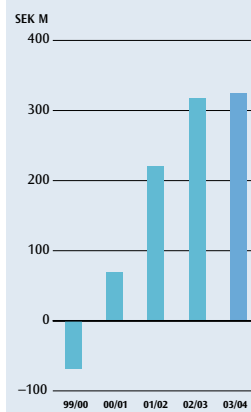
*Order bookings and order backlog*



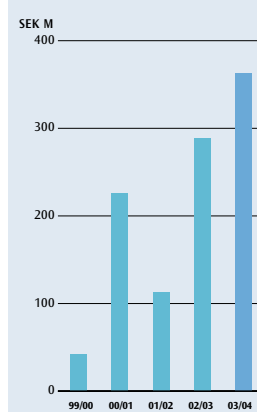
*Net sales and operating margin*



*Result after financial items*



*Cash flow after investments*





Key figures	1999/2000	2000/01	2000/01*	2001/02	2002/03	2003/04
Order bookings, SEK M	1,877	2,402	2,402	2,927	3,186	3,262
Order backlog, SEK M	1,714	2,112	2,112	2,317	2,411	2,728
Operating margin, %	-2	4	4	8	12	11
Profit margin, %	-4	3	3	8	11	11
Shareholders' equity, SEK M	576	678	887	1,272	1,445	1,413
Capital employed, SEK M	905	959	1,168	1,313	1,697	1,644
Net debt, SEK M	80	-161	-161	-501	-835	-920
Equity/assets ratio, %	31	33	39	50	49	46
Net debt/equity ratio, multiple	0.14	-0.23	-0.18	-0.39	-0.58	-0.65
Interest cover ratio, multiple	-0.1	2.6	2.6	12.7	22.8	21.6
Return on shareholders' equity, %	-22	10	5	13	17	17
Return on capital employed, %	-3	12	10	19	22	20
Capital turnover ratio, multiple	1.0	1.2	1.0	1.2	1.0	0.9
Investments in tangible and intangible fixed assets, SEK M	57	50	50	32	78	99
Depreciation, SEK M	-78	-74	-74	-62	-68	-88
Average number of employees	794	807	807	922	1,011	1,136

\* Restated for new accounting principle for taxes.

## Definitions

**Operating margin** Operating profit in relation to net sales.

**Profit margin** Profit after financial items in relation to net sales.

**Capital employed** Total assets less provisions and interest-free liabilities.

**Equity/assets ratio** Shareholders' equity including minority in relation to total assets.

**Net debt** Interest-bearing liabilities less liquid assets.

**Net debt/equity ratio** Net debt in relation to shareholders' equity including minority.

**Interest cover ratio** Profit after financial items plus financial expenses in relation to financial expenses.

**Return on shareholders' equity** Net profit for the year in relation to average shareholders' equity.

**Return on capital employed** Profit after financial items plus financial expenses in relation to average capital employed.

**Capital turnover ratio** Net sales divided by average total assets.

**Average number of employees** Average number of employees based on normal working hours per year.

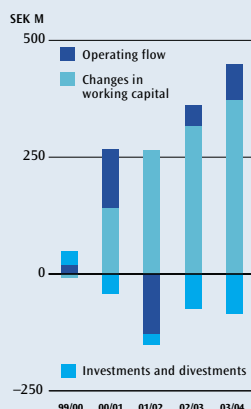
**Earning per share** Net profit for the year in relation to the average number of shares.

**Cash flow per share** Cash flow after investments in relation to the average number of shares.

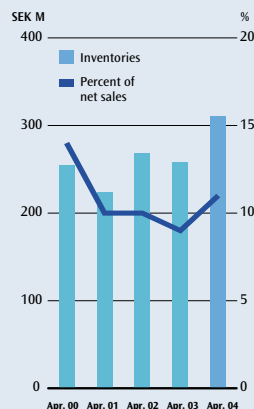
**Shareholders' equity per share** Shareholders' equity in relation to the number of shares at year-end.

**Value added per employee** Operating profit plus salaries, wages and payroll expenses divided by average number of employees.

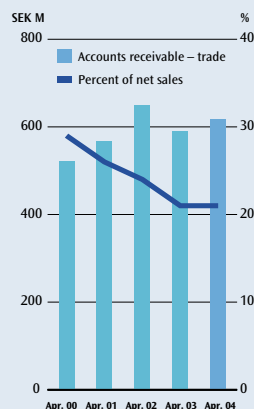
## Cash flow



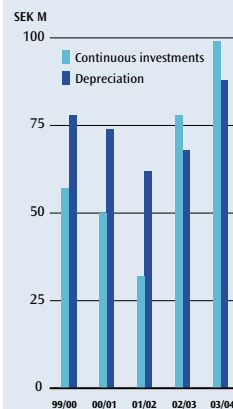
## Inventories



## Accounts receivable – trade



## Continuous investments and depreciation



# The Elekta share

As of June 30, 2004, Elekta's share capital amounts to SEK 155,331,270 distributed among 1,187,500 Series A shares and 29,878,754 Series B shares. One Series A share entitles the holder to 10 votes and Series B shares to one vote each. All shares carry equal rights to participate in the Company's assets and profits. Each share has a par value of SEK 5. In accordance with Section 13 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. At a General Meeting, each shareholder is entitled to exercise unlimited voting rights on the full number of shares that he/she owns or represents

## Stock market trading

Elekta's Series B shares have been listed on the A-List of Stockholmsbörsen (Stockholm Stock Exchange) since 1994. Total trading in Elekta shares on Stockholmsbörsen during the period May 1, 2003 – April 30, 2004 amounted to 33.0 million shares (19.0), corresponding to 101 percent (59) of the total number of shares. The average number of shares traded each day during the period amounted to 134,535 (76,420). The above trading information is based on transactions reported in the SAX system, which means actual trading in Elekta shares was probably higher. Market capitalization at April 30, 2004 amounted to SEK 4,241 M (2,871).

## Dividend policy

Elekta's goal is to provide shareholders with a favorable return and value growth. The goal is to distribute 20 percent or more of net profit in the form of dividends, share repurchases or comparable measures. The dividend decisions are based on Elekta's financial position, earnings trend, growth potential and investment requirements.

Given the Company's strong financial position and current capital structure, the Board of Directors decided to propose to the Annual General Meeting that no dividend be paid for the 2003/04 fiscal year but that it will be authorized to repurchase a maximum of 10 percent of the shares outstanding in Elekta AB. Decisions regarding share repurchases are made on an ongoing basis during a fiscal year, depending on share price development and Elekta's financial position and investment requirements.

## Warrants

Warrants to subscribe for Series B shares in Elekta AB (publ) have been granted to managers and key personnel at Elekta Group. Employees in Sweden have acquired warrants against payment of a market-priced premium based on a valuation in accordance with the Black & Scholes model. Employees outside Sweden have been allocated employee options free of charge, which provide entitlement to acquire warrants. The employee options may not be transferred and cannot be used to acquire warrants until after a certain qualification period. Termination of employment during the qualification period means that employee options lapse.

### Changes in share capital until June 30, 2004

Year	Transaction	Total number of shares	Total share capital, SEK 000s
1994	New issue	7,397,180	36,986
1994	Exercise of warrants	7,897,180	39,486
1997	New issue	9,871,475	49,357
1997	New issue	10,497,451	52,487
1999	New issue	20,994,902	104,975
2000	Offset issue	27,853,617	139,268
2001	Conversion of debentures	31,661,867	158,309
2001	Exercise of warrants	31,678,867	158,394
2002	Exercise of warrants	32,175,142	160,876
2003	Exercise of warrants	32,953,967	164,770
2004	Redemption of shares	31,066,254	155,331

### Ownership structure June 30, 2004

Shareholding No. of shares	No. of shareholders	Percentage of share-holders	No. of shares	Percentage of share-capital	Average number per shareholder
1 – 500	5,581	79.1	858,931	2.8	154
501 – 1,000	696	9.9	562,184	1.8	808
1,001 – 10,000	574	8.1	1,716,600	5.5	2,991
10,001 – 100,000	156	2.2	4,928,879	15.9	31,595
100,001 –	48	0.7	22,999,660	74.0	479,160
<b>Total</b>	<b>7,055</b>	<b>100.0</b>	<b>31,066,254</b>	<b>100.0</b>	<b>4,403</b>

### Warrants program 2001/2004

Warrants	900,000
Outstanding warrants June 30, 2004	786,700
Subscription period	Jan. 1, 2002 – Sept. 30, 2004
Subscription price	until Sept. 30, 2003 = SEK 189, thereafter SEK 147

### Data per share

	1999/2000	2000/01	2000/01*	2001/02	2002/03	2003/04
Earnings per share						
before dilution, SEK	-4.24	2.21	1.52	4.66	7.29	7.63
after dilution, SEK	-1.17	2.70	1.89	4.56	7.14	7.63
Cash flow per share						
before dilution, SEK	2.30	8.11	8.11	3.64	8.99	11.14
after dilution, SEK	3.13	7.90	7.90	3.63	8.81	11.14
Shareholders' equity per share						
before dilution, SEK	20.68	24.33	31.84	40.03	44.79	45.49
after dilution, SEK	24.90	28.43	35.03	39.89	44.58	45.49
Dividend, SEK	—	—	—	—	—	—
Share price, Elekta Series B, April 30, SEK	21.80	62.00	62.00	90.00	89.00	136.50
Market capitalization, April 30, SEK M	607	1,727	1,727	2,859	2,871	4,241
Lowest share price, SEK	18.67	15.50	15.50	57.00	65.00	86.00
Highest share price, SEK	36.70	63.00	63.00	109.50	105.50	158.00
Average number of shares						
before dilution, 000's	18,263	27,854	27,854	31,048	32,019	32,585
after dilution, 000's	27,787	31,662	31,662	32,504	32,694	32,585
Number of shares, April 30						
before dilution, 000's	27,854	27,854	27,854	31,765	32,256	31,066
after dilution, 000's	31,662	31,662	31,662	33,084	32,988	31,066

\* Restated for new accounting principle for taxes.

Dilution 2001/02 and 2002/03 refers to warrants program 1999/2002 and 2000/2003. The data for earlier years were not diluted by warrants. The increase shown 1999/2000 and 2000/01 is from debentures converted 2001.

### Major shareholders June 30, 2004

Shareholder	No. of shares	Percentage of	
		votes	capital
Laurent Leksell with family & companies	2,517,971	31.6	8.1
SEB Aktiefonder	1,179,000	2.8	3.8
Robur Aktiefonder	1,154,949	2.8	3.7
Oppenheimer funds (USA)	700,000	1.7	2.3
Tredje AP-fonden	673,954	1.6	2.2
Skandia	493,033	1.2	1.6
Första AP-fonden	465,000	1.1	1.5
Banque Carnegie Lux funds	442,520	1.1	1.4
Northwestern funds (USA)	436,485	1.0	1.4
Threadneedle Inv Fund	424,875	1.0	1.4
Others	22,578,467	54.1	72.6
<b>Total</b>	<b>31,066,254</b>	<b>100.0</b>	<b>100.0</b>

The proportion of Swedish institutional ownership was approximately 22 percent.  
The proportion of foreign ownership was approximately 59 percent. Source: VPC

### Distribution of shares June 30, 2004

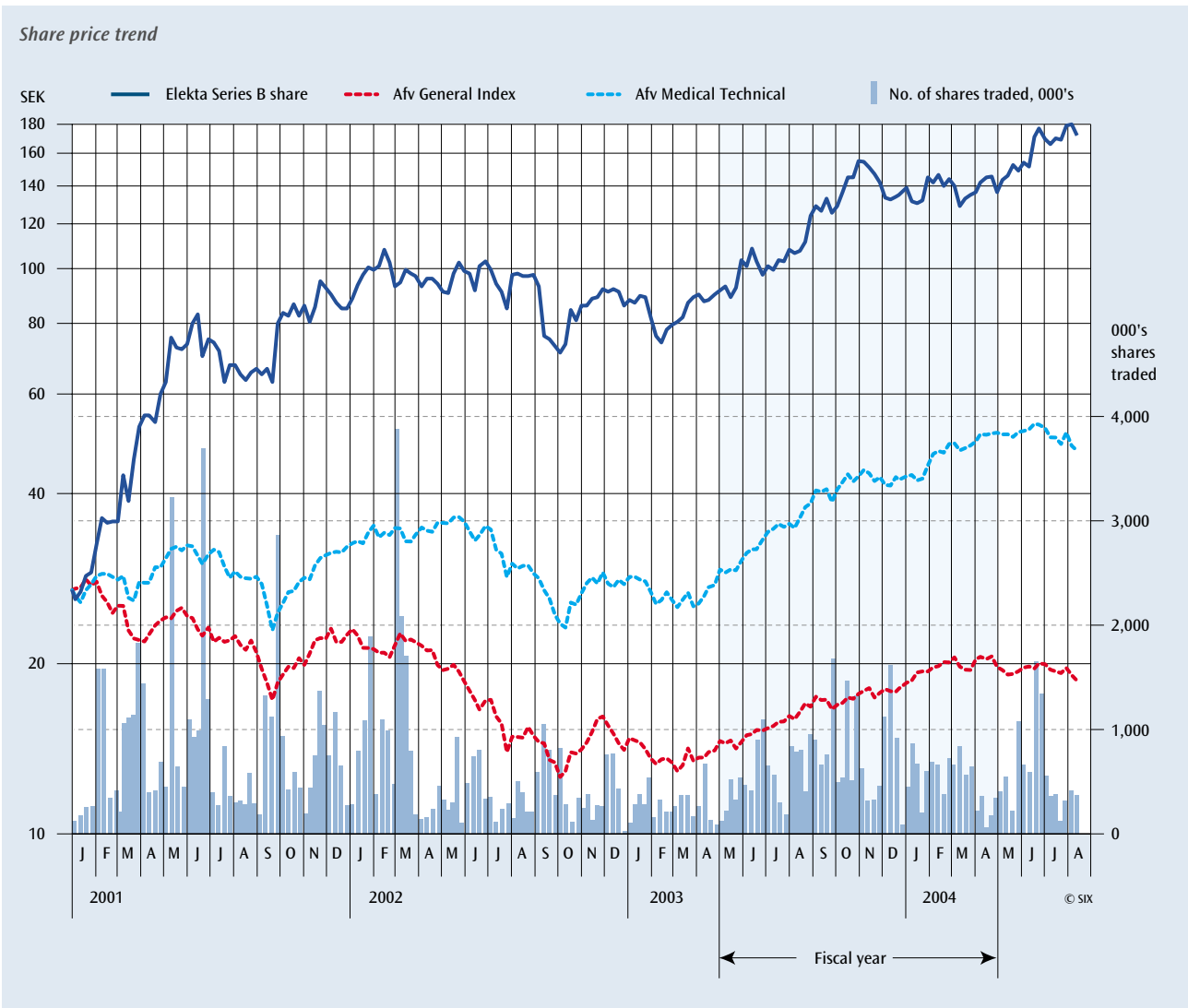
Class of share	No. of shares	No. of votes	Percentage of	
			capital	votes
Series A	1,187,500	11,875,000	3.8	28.4
Series B	29,878,754	29,878,754	96.2	71.6
<b>Total</b>	<b>31,066,254</b>	<b>41,753,754</b>	<b>100.0</b>	<b>100.0</b>

### Distribution of shares after full exercise of warrants

Class of share	No. of shares	No. of votes	Percentage of	
			capital	votes
Series A	1,187,500	11,875,000	3.7	27.8
Series B	30,778,754	30,778,754	96.3	72.2
<b>Total</b>	<b>31,966,254</b>	<b>42,653,754</b>	<b>100.0</b>	<b>100.0</b>

Including not distributed warrants.





# Glossary and readers' guide

## Glossary

AVM	Arteriovenous malformations – vascular malformations in the brain, which are often congenital.
Cancer	Uncontrolled, abnormal growth of cells.
Chemotherapy	Treatment of cancer diseases with the aid of chemicals that eliminate diseased cells.
Computerized tomography (CT)	A radiological method of producing anatomical structures by means of layering, using computer technology.
Epilepsy	Disorder characterized by repeated, sudden disturbances of brain function.
Epileptogenic zones	The areas in the brain from which epileptic seizures emanates.
Fraction	Part of the total radiation dose, delivered at a daily treatment.
Functional disorders	Diseases in the central nervous system
Gamma Knife® surgery	Stereotactic radiosurgery with Leksell Gamma Knife®.
IGRT	Image guided radiation therapy of cancer, where high precision and accuracy is achieved using high resolution three-dimensional X-ray images of the patient's soft tissues at the time of treatment.
IMRT	Intensity modulated radiation therapy of cancer, where instead of than being treated with a single, large, uniform beam, the patient is treated with many very small beams; each of which can have a different intensity.
Incidence	The number of new cases of a disease in a population during a given period.
Invasive	A technique that penetrates the skin, skull, etc. The opposite of non-invasive (bloodless).
Linear accelerator	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.
Metastases	Secondary malignant tumors originating from primary cancer tumors in other parts of the body.
Magnetic resonance imaging (MRI)	Measures the difference in liquid resonance content in various parts of the body with the aid of magnetic fields.
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.
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.
Parkinson's disease	Paralysis, with trembling and shaking as well as muscular rigidity, with a change in movements and posture by the patient.
Positron emission tomography (PET)	A method of obtaining a layered image of organs in the body by means of emitting positrons.
Prevalence	The total number of cases of an illness in a population at a given time.
Radiation therapy	Fractionated ionizing radiation treatment of cancer.
Radiosurgery	Non-invasive surgery in which high a single doses of precise ionizing radiation replaces surgical instruments.
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.
Trigeminal neuralgia	Chronic facial pain, emitting from the trigeminal facial nerve.

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This document is a translation of the original Swedish manuscript.  
If any discrepancy arises between the two versions, the content of the Swedish version takes precedence.

## Fighting serious disease

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