

Six months ended October 31, 2004



Interim Report



Interim report Six months ended October 31, 2004

- Profit after tax rose by 43 percent to SEK 114 M (80). Earnings per share increased to SEK 3.65 (2.45) before dilution and SEK 3.65 (2.42) after dilution.
- Operating profit rose by 55 percent to SEK 166 M (107) and the operating margin increased to 11 percent (8). Operating profit for the second quarter improved to SEK 91 M (54).
- Cash flow after investments was negative in an amount of SEK 10 M (positive: 8).
- Order bookings amounted to SEK 1,515 M (1,518). At fixed exchange rates, order bookings rose by 2 percent. Order bookings during the second quarter improved by 21 percent to SEK 827 M (683).
- The order backlog remains at a high level and was SEK 2,666 M on October 31, 2004, compared with SEK 2,728 M on April 30, 2004.
- Net sales rose by 11 percent to SEK 1,466 M (1,321). At fixed exchange rates, net sales increased by 14 percent.

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.

Elekta offers a broad portfolio of world-leading and innovative clinical solutions within:

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

The number of newly diagnosed cancer patients annually is increasing in general by about 5 percent and even more for certain types of cancer, such as prostate cancer. This is a result of higher average age and improved diagnostics.

Radiation therapy is an important weapon in the fight against cancer and it is estimated that half of the patients diagnosed with cancer will need radiation therapy treatment at some time during the course of the illness – either as part of a therapy for curative purposes or for palliative treatment to alleviate pain or other symptoms. New advanced methods, such as image-guided and stereotactic applications, are expected to increase the use of radiation therapy in the future.

Elekta, leading the development of new advanced methods for radiation treatment of cancer, was the first supplier in the world to introduce a system for image-guided radiation therapy (IGRT). Elekta's advanced Elekta Synergy® technology enables high-resolution 3D CT images of the patient's internal organs to be taken during treatment, thus improving the precision and reliability of treatment.

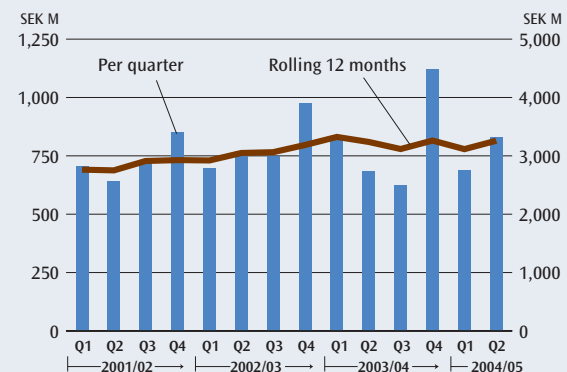
At the annual congresses of the American Society for Therapeutic Radiology and Oncology (ASTRO) and the European Society for Therapeutic Radiology and Oncology (ESTRO), both held in October, Elekta clearly demonstrated its technological lead and clinical experience within IGRT. At both congresses, Elekta was the only manufacturer referred to in the scientific presentations on image-guided radiation therapy, with more than 30 lectures and presentations based on results made possible using Elekta's "4D Adaptive™" solution for IGRT. A bibliography of IGRT using Elekta technology lists 127 presentations and scientific articles, confirming the response that Elekta Synergy® has met worldwide.

In May 2004, Elekta Synergy® S was launched as a system for stereotactic radiation therapy based on Elekta's unique, 30-year experience of image guidance and stereotactic applications. The system combines integrated high-resolution X-ray images and ultra-precision positioning by using patient immobilization and external reference points, known as stereotaxy. Elekta Synergy® S and stereotactic radiation therapy entail new potential for the treatment of smaller tumors close to critical structures in the body and for higher radiation doses and thereby fewer treatment sessions.

Leksell Gamma Knife® is the predominant and most advanced method for stereotactic radiosurgery in the brain, and development toward expanded areas of application is continuing at a steady pace. The method is used today for the treatment of benign and malignant brain tumors, vascular malformations and for radiosurgical treatment of functional disorders.

In May 2004, the new Leksell Gamma Knife® 4C was launched, facilitating a simplified and more efficient treatment flow and enhancing precision through new, integrated image treatment possibilities. The system includes Leksell GammaPlan® 4C planning software, providing users with a previously unattainable possibility

Order bookings



Order bookings

SEK M	Quarter 2 2004/05	Quarter 2 2003/04	Change %	6 months 2004/05	6 months 2003/04	Change %	Rolling 12 months	Change %
Europe, Middle East, Africa	385	290	33	673	657	2	1,492	13
North and South America	269	198	36	498	481	4	1,082	-2
Japan	65	90	-28	150	179	-16	200	-49
Asia excl. Japan	108	105	3	194	201	-3	485	15
Group	827	683	21	1,515	1,518	0	3,259	1
of which								
Oncology	656	409	60	1,088	1,001	9	2,418	15
Neurosurgery	171	274	-38	427	517	-17	841	-25

to integrate images from various image sources and as a result achieve higher treatment precision and improved treatment results.

In September 2004, Leksell Gamma Knife® 4C was approved by the Food and Drug Administration (FDA), allowing the system to be marketed also in the US.

Order bookings and order backlog

The total market for Elekta's products is expected to grow by 5-10 percent annually. Elekta is continually strengthening its market position. The market for radiation therapy equipment is growing most rapidly in the US and in Asia and growth is stimulated by demand for new and advanced precision treatment methods such as IMRT and IGRT.

Demand for Elekta's clinical solutions remains strong. The high value of individual orders and coordination of orders within the framework of healthcare investment programs often lead to large variations in business volumes between individual quarters.

Order bookings totaled SEK 1,515 M (1,518). Order bookings for oncology products rose by 9 percent to SEK 1,088 M (1,001) and neurosurgery products declined by 17 percent to SEK 427 M (517). At fixed exchange rates, the Group's order bookings rose 2 percent, oncology was up 10 percent and order bookings for neurosurgery declined by 13 percent.

Order bookings for the second quarter rose by 21 percent to SEK 827 M (683).

Order bookings for rolling 12 months rose by 1 percent to SEK 3,259 M.

The order backlog on October 31, 2004 amounted to SEK 2,666 M, compared with SEK 2,728 M on April 30, 2004.

Market comments

Europe

Order bookings in region Europe, including the Middle East and Africa, rose by 2 percent to SEK 673 M (657). At fixed exchange rates, total order bookings for the

region rose by 2 percent and order bookings for oncology products rose by 14 percent.

Elekta holds a strong position in the European market. The market growth for radiation therapy is driven by a capacity shortage in the healthcare sector and a shortage of treatment equipment. The number of linear accelerators per capita in many European countries is less than half that in the US. Several countries, including the UK and France, are currently undertaking major investment programs for improved cancer care.

In the UK, several Private Finance Initiatives (PFIs) are also under way. In October, Elekta received an order for the delivery of 10 linear accelerators as part of the largest cancer-care investment ever in the UK.

Order bookings within neurosurgery were down compared with the year-earlier period. Comparison is principally affected by the fact that Elekta received a major individual order for stereotactic neurosurgery equipment from the Middle East during the comparison period.

North and South America

Order bookings in North and South America rose by 4 percent and amounted to SEK 498 M (481). At fixed exchange rates, order bookings for the region rose by 10 percent. Order bookings for oncology rose by 8 percent and neurosurgery rose by 13 percent, calculated on fixed exchange rates.

Order bookings for oncology improved significantly during the second quarter.

The American market is in many ways leading the development and the continued penetration of advanced methods such as intensity modulated and image guided radiation therapy. This is reflected in faster replacement rates and larger investment budgets for radiation therapy clinics. Radiation therapy as well as Gamma Knife® surgery are clinical activities with high effectiveness and efficiency and surveys indicate increased future investments in these areas at US hospitals.

Reimbursement levels for treatments performed using

Income statement

SEK M	3 months Aug-Oct 2004/05	3 months Aug-Oct 2003/04	6 months May-Oct 2004/05	6 months May-Oct 2003/04	12 months Nov-Oct 2003/04	12 months May-Apr 2003/04
Net sales	749	706	1,466	1,321	3,045	2,900
Cost of products sold	-459	-447	-906	-834	-1,855	-1,783
Gross income	290	259	560	487	1,190	1,117
Selling expenses	-99	-100	-192	-182	-385	-375
Administrative expenses	-69	-68	-129	-127	-293	-291
R&D expenses	-53	-54	-107	-96	-229	-218
Exchange differences in operation	22	17	34	25	82	73
Operating result	91	54	166	107	365	306
Result from participations in associated companies	0	2	3	7	4	8
Interest income	5	6	10	13	24	27
Interest expenses	-3	-3	-6	-6	-16	-16
Financial exchange differences	-5	0	-6	0	-6	0
Income after financial items	88	59	167	121	371	325
Taxes	-28	-20	-53	-41	-89	-77
Net income	60	39	114	80	282	248
Earnings per share before dilution	1.91	1.19	3.65	2.45	8.83	7.63
Earnings per share after dilution	1.92	1.18	3.65	2.42	8.86	7.63

Cash flow

Operating cash flow	104	76	194	146	420	372
Change in working capital	12	-17	-182	-101	-5	76
Cash flow from operating activities	116	59	12	45	415	448
Investments and disposals	-14	-27	-22	-37	-70	-85
Cash flow after investments	102	32	-10	8	345	363
External financing	67	5	70	12	-244	-302
Change in liquid assets	156	43	51	24	91	64

Balance sheet

SEK M	Oct 31, 2004	Oct 31, 2003	Apr 30, 2004
Intangible fixed assets	346	393	372
Tangible fixed assets	135	102	134
Financial fixed assets	18	17	16
Inventories	338	312	311
Receivable	1,121	1,169	1,092
Liquid assets	1,202	1,111	1,151
Total assets	3,160	3,104	3,076
Shareholders' equity	1,576	1,549	1,413
Provisions	163	137	158
Interest-bearing liabilities	212	238	231
Interest-free liabilities	1,209	1,180	1,274
Total shareholders' equity, provisions and liabilities	3,160	3,104	3,076
Assets pledged	51	—	76
Contingent liabilities	99	—	109

Change in shareholders' equity

SEK M	Oct 31, 2004	Oct 31, 2003	Apr 30, 2004
Opening balance	1,413	1,445	1,445
Changed accounting principle*	-2	—	—
Option premiums and warrants exercised	74	26	26
Redemption of shares	—	—	-312
Translation differences	-23	-2	6
Net income	114	80	248
Closing balance	1,576	1,549	1,413

* Implementation of RR29 (IAS 19) Employee benefits.

Key figures

	12 months ¹⁾ May–Apr 2000/01	12 months May–Apr 2001/02	12 months May–Apr 2002/03	12 months May–Apr 2003/04	6 months May–Oct 2003/04	6 months May–Oct 2004/05
Order bookings, SEK M	2,402	2,927	3,186	3,262	1,518	1,515
Net sales, SEK M	2,160	2,738	2,781	2,900	1,321	1,466
Operating result, SEK M	92	207	323	306	107	166
Operating margin, %	4	8	12	11	8	11
Profit margin, %	3	8	11	11	9	11
Shareholders' equity, SEK M	887	1,272	1,445	1,413	1,549	1,576
Capital employed, SEK M	1,178	1,313	1,697	1,644	1,787	1,788
Equity/assets ratio, %	39	50	49	46	50	50
Return on shareholders' equity, % ²⁾	5	13	17	17	15	18
Return on capital employed, % ²⁾	10	19	22	20	19	22

¹⁾ Restated for new accounting principles for taxes. ²⁾ Based on rolling 12 months.

Data per Share

	12 months ¹⁾ May–Apr 2000/01	12 months May–Apr 2001/02	12 months May–Apr 2002/03	12 months May–Apr 2003/04	6 months May–Oct 2003/04	6 months May–Oct 2004/05
Earnings per share						
before dilution, SEK	1.52	4.66	7.29	7.63	2.45	3.65
after dilution, SEK	1.89	4.56	7.14	7.63	2.42	3.65
Cash flow per share						
before dilution, SEK	8.11	3.64	8.99	11.14	0.25	–0.32
after dilution, SEK	7.90	3.63	8.81	11.14	0.24	–0.32
Shareholders' equity						
before dilution, SEK	31.84	40.03	44.79	45.49	47.00	49.91
after dilution, SEK	35.03	39.89	44.58	45.49	47.00	49.91
Interest on converted debentures, net after tax, SEK M	17	3	—	—	—	—
Average number of shares,						
before dilution, 000s	27,854	31,048	32,019	32,585	32 600	31,214
after dilution, 000s	31,662	32,504	32,694	32,585	32,954	31,214
Number of shares at closing,						
before dilution, 000s	27,854	31,765	32,256	31,066	32,554	31,567
after dilution, 000s	31,662	33,084	32,988	31,066	32,954	31,567

¹⁾ Restated for new accounting principles for taxes.

The increase shown in 2000/01 is from debentures converted 2001.

Dilution in 2001/02-2003/04 refers to warrants program 1999/2002 and 2000/2003.

Exchange rates

Country	Currency	Average rate			Closing rate		
		May–Oct 2004/05	May–Oct 2003/04	Change %	Oct 31, 2004	Apr 30, 2004	Change %
Europe	1 EUR	9.136	9.130	0	9.061	9.138	–1
Great Britain	1 GBP	13.557	13.012	4	13.005	13.550	–4
Japan	100 JPY	6.798	6.868	–1	6.700	6.930	–3
United States	1 USD	7.480	7.980	–6	7.098	7.658	–7

Accounting principles

This report has been prepared in accordance with the Annual Accounts Act and Recommendation RR20 (IAS 34) Interim Reports, issued by the Swedish Financial Accounting Standards Council. As of the 2004/05 fiscal year, Elekta applies the Swedish Financial Accounting Standards Council's Recommendation RR29 (IAS 19) Employee Benefits. The effect of the transition is marginal. Provision for pensions rose by SEK 3 M and shareholders' equity declined by SEK 2 M. Other accounting principles and calculation methods applied are the same as those used in the most recent Elekta Annual report.

Net sales

SEK M	Quarter 2 2004/05	Quarter 2 2003/04	Change %	6 months 2004/05	6 months 2003/04	Change %	12 months
Europe, Middle East, Africa	307	308	0	581	581	0	1,319
North and South America	260	197	32	497	406	22	868
Japan	44	85	-48	131	131	0	303
Asia excl. Japan	138	116	19	257	203	27	410
Group	749	706	6	1,466	1,321	11	2,900
of which							
Oncology	553	456	21	1,047	870	20	1,876
Neurosurgery	196	250	-22	419	451	-7	1,024

equipment from Elekta are expected to remain largely unchanged in 2005. Radiation therapy treatment of cancer, Gamma Knife® surgery and diagnostic procedures using Elekta Neuromag™ are currently compensated at a reasonable level from Medicare/Medicaid.

Japan

Order bookings in Japan declined by 16 percent to SEK 150 M (179). At fixed exchange rates, order bookings were down 15 percent.

Elekta holds a strong position in the Japanese market, particularly within neurosurgery. A relatively high penetration of Leksell Gamma Knife® in Japan entails a good potential for upgrades and after-market sales.

The market for radiation therapy equipment is currently undergoing change and demand for more advanced linear accelerators with higher energy levels is expected to rise in the future.

Obtaining regulatory approval for new products is a far lengthier process in Japan than in Europe and the US, and the launch of new products thus take longer time to impact on order bookings for Elekta's market region Japan.

Leksell Gamma Knife® C 1.2 was approved for sale in Japan in March 2004 and the Elekta Synergy® platform was approved in October 2004. Approvals for Elekta Synergy® and Leksell Gamma Knife® 4C are expected in 2005.

Asia

Order bookings in Asia, excluding Japan, declined by 3 percent to SEK 194 M (201). At fixed exchange rates, order bookings increased by 1 percent for the region and by 13 percent for oncology products.

The underlying demand for Elekta's products remains strong, particularly from countries with strong economies. Elekta holds a strong market position in the region. The need for equipment for the treatment of tumor-related diseases is very substantial in most Asian countries.

Several countries in the region that currently lack equipment for radiosurgical treatment are showing a clear interest in investing in Leksell Gamma Knife®.

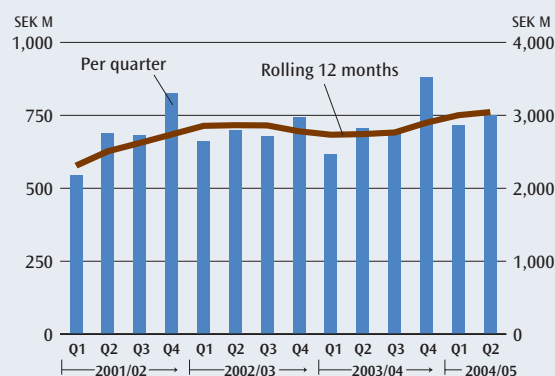
After-market

Order bookings for Elekta's after-market products, including service, amounted to SEK 460 M (543). In the comparison period, more Leksell Gamma Knife® upgrade orders were booked and also a higher number of multi-year service contracts. For rolling 12 months, after-market order bookings declined by 10 percent to SEK 1,004 M.

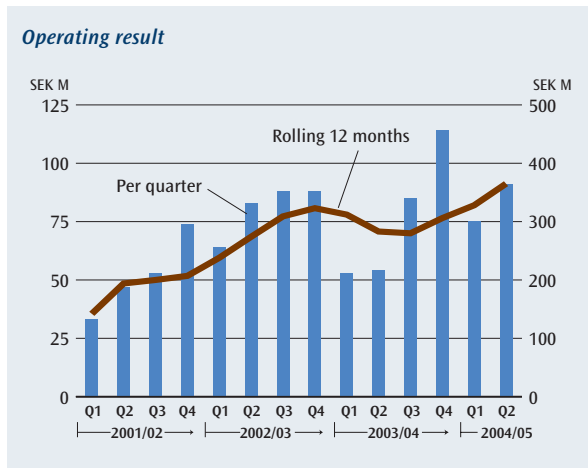
In the US and Europe, installations are continuing of Elekta IntelliMax™, Elekta's unique Intelligent Device Management (IDM) system. Elekta IntelliMax™ creates a continuous and safe Internet-based connection between Elekta's digital linear accelerators and Elekta's service centers, enabling constant monitoring the performance of the linear accelerators.

The system maximizes customers' clinical availability and performance and also provides potential to further improve the efficiency and quality of Elekta's international service operations. Furthermore, Elekta IntelliMax™ meets the specific requirements of care providers, includ-

Net sales



Operating result



ing the current desire by major Group Purchasing Organizations (GPOs) in the US that it should be possible to monitor linear accelerators remotely.

Net sales

Consolidated net sales rose by 11 percent to SEK 1,466 M (1,321), mainly as a result of increased volumes. At fixed exchange rates, net sales were up 14 percent.

Net sales of oncology products increased by 20 percent to SEK 1,047 M (870). Net sales of neurosurgery products declined by 7 percent to SEK 419 M (451).

Net sales of after-market products and services were up 2 percent to SEK 446 M (436), corresponding to 30 percent (33) of consolidated net sales.

During the second quarter, net sales amounted to SEK 749 M (706).

Result

Operating profit rose by 55 percent to SEK 166 M (107), mainly as a result of increased sales volumes and efficiency enhancements. The operating margin was 11 percent (8). For rolling 12 months, the operating margin was 12 percent.

The gross margin was 38 percent (37).

Investments in research and development rose by 14 percent to SEK 107 M (94), corresponding to 7 percent (7) of net sales. Capitalization and amortization were of equal size during the first six months, while earnings were affected negatively by SEK 2 M in the corresponding period previous year.

Year-on-year exchange rate movements had an adverse impact of approximately SEK 24 M on operating profit, mainly due to a strengthening of the GBP rate and a weakening of the USD rate against the SEK. Exchange gains on forward contracts amounting to SEK 29 M are included in the result.

Elekta hedges contracted net flows and part of expected net flows over a rolling 18-month period

Earnings ratio



through forward contracts. Unrealized exchange gains, compared with currency exchange rates per October 31 for forward contracts that were not revalued in the balance sheet, amounted to SEK 31 M.

Net financial items amounted to income of SEK 1 M (14). Net interest income declined to SEK 4 M (7) due to lower interest income. Earnings from participations in associated companies amounted to SEK 3 M (7) and exchange rate differences to a loss of SEK 6 M (0).

Profit after net financial items totaled SEK 167 M (121). The tax expense on profit for the period was calculated at SEK 53 M, or 32 percent. Profit after tax amounted to SEK 114 M (80).

Earnings per share increased by 49 percent to SEK 3.65 (2.45) before dilution and SEK 3.65 (2.42) after dilution.

Return on equity was 18 percent (15) and the return on capital employed was 22 percent (19).

Investments and depreciation/amortization

Investments in intangible and tangible fixed assets amounted to SEK 36 M (45). Amortization/depreciation of intangible and tangible fixed assets totaled SEK 52 M (42).

Liquidity and financial position

Cash flow from operating activities was SEK 12 M (45) for the six-month period and SEK 116 M (59) for the second quarter. After investments, the cash flow was negative in an amount of SEK 10 M (positive: 8).

Liquid funds on October 31, 2004 totaled SEK 1,202 M, compared with SEK 1,151 M on April 30, 2004. SEK 51 M of the bank balances held was pledged, primarily for commercial guarantees.

Interest-bearing liabilities amounted to SEK 212 M, compared with SEK 231 M at the start of the 2004/05 fiscal year.

The equity/assets ratio was 50 percent.

During the first six months of Elekta's fiscal year,

501,200 new Series B shares were subscribed through the exercise of allotted warrants within the framework of the established warrants program. The total number of shares on October 31 was 31,567,454.

Employees

The average number of employees in the Group amounted to 1,194 (1,108).

The number of employees at the end of the period was 1,212, compared with 1,170 on April 30, 2004.

Parent Company

Parent Company operations comprise Group management, joint Group functions and financial management. The Parent Company's loss after net financial items amounted to SEK 8 M (loss: 8). The average number of employees was 17 (16).

Outlook for fiscal year 2004/05

Demand for Elekta's products and clinical solutions remains favorable and the order backlog remains high.

Net sales growth for the period May–January 2004/05 is expected to be in line with the Group's financial objective of 10 to 15 percent in local currency.

For full-year 2004/05, Elekta expects its growth and operating margin to match the Group's financial objectives – sales growth of 10-15 percent in local currency and an operating margin of 10-12 percent.

Financial information

The nine-month interim report for May-January 2004/05 will be published on March 9, 2005.

STOCKHOLM DECEMBER 14, 2004

ELEKTA AB (PUBL)



Laurent Leksell,
President

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



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