



ELEKTA AB (publ)

Interim report May 1 1999 – July 31 1999

- Operating loss, excluding items affecting comparability, amounted to SEK 57 M (73).
- Loss before taxes, excluding items affecting comparability, amounted to SEK 68 M (89) equal to an improvement of SEK 21 M.
- Negotiations concerning IGS are well advanced.
- A proposal regarding strengthening of the capital structure of the Group will be presented in the near future.

Elekta is a world-leading supplier of systems and clinical solutions for precise radiation of cancer and minimally invasive neurosurgical treatment of brain and spinal disorders. Elekta's treatment methods contribute to gentle and effective care with better clinical results, fewer complications and shorter periods of hospitalization.

Change in accounting principles

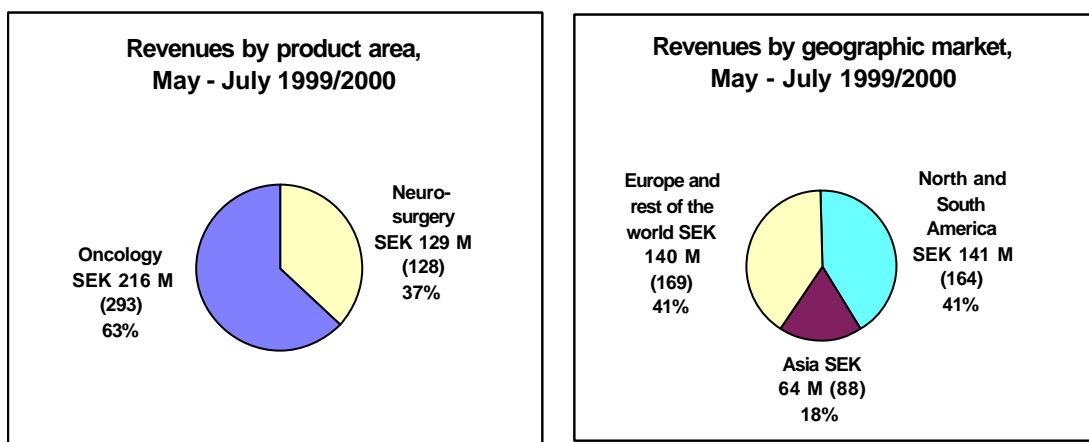
The production and sale of a new generation of the Gamma Knife has commenced. The new product generation, Model C, incorporates a higher degree of standardization, makes the sales process more uniform and reduces project lead-times. This means that the sale of the Gamma Knife to a less degree has the character of a unique project. As percentage-of-completion no longer is considered to reflect the income recognition in a correct way, Elekta is now, in order to provide a more accurate recognition, switching over to income recognition on delivery. As a result, shareholders' equity at April 30, 1999 was reduced by SEK 224 M, which corresponds to the Gamma Knife projects that were recognized as income but which had not been delivered on April 30, 1999. To keep comparability all key figures from last year have been recalculated in accordance with the new principle. The operating result before items affecting comparability during the first quarter was a loss of SEK 57 M (loss: 73) in accordance with the income recognition on delivery method and a loss of SEK 66 M (loss: 97) in accordance with the percentage-of-completion method.



Accordingly, revenues from all Elekta products are now recognized as income on delivery. To a great extent, sales and earnings during a reported period are marked by the rate of delivery of linear accelerators and the Gamma Knife. The rate of delivery may vary sharply from one period to another.

Net sales

The Elekta Group's net sales amounted to SEK 345 M (421). The decline in sales was due to a lower rate of delivery for linear accelerators.



Result

An operating loss of SEK 57 M (loss 19) was reported. Excluding items affecting comparability, the operating loss amounted to SEK 57 M (loss: 73), an improvement of SEK 16 M. The main reasons for the improvement were lower operating expenses and a better gross margin.

The loss was due to a lower rate of delivery for linear accelerators and the fact that only 3 (3) Gamma Knives were delivered during the first quarter. Image Guided Surgery, IGS, operations account for a charge of SEK 7 M on the result of total operations.

Strategically important investments in research and development continued during the first quarter and amounted to SEK 33 M (48). These investments are expensed as incurred and corresponded to 10% (11) of net sales.

Net financial items amounted to a negative SEK 11 M (16). This included net interest expense of SEK 14 M (13), of which negative SEK 12 M refers to the convertible debenture loan. Participations in associated companies resulted in profit of SEK 1 M (0) and currency exchange differences SEK 2 M (negative3).



The loss before taxes was SEK 68 M (loss: 35) and the loss after taxes SEK 69 M (loss: 36).

Net income per share amounted to a loss of SEK 6.58 (loss: 3.45).

Order bookings and order backlog

Orders were signed for 1 (2) Gamma Knife during the first quarter. The order backlog at July 31, 1999 included 21 orders for the Gamma Knife. The Group received its largest order to date in the Image Guided Surgery, IGS, segment, when American military hospitals placed an order worth USD 3.2 M.

The number of signed orders for linear accelerators during the first quarter is on level with a year earlier.

The Group's order backlog at July 31, 1999 was SEK 1,496 M, compared with SEK 1,539 M on April 30, 1999.

Image Guided Surgery, IGS

With the aim of resolving problems in the IGS operations, negotiations are under way with various parties regarding the IGS operations. Negotiations are well advanced and are expected to be completed during 1999.

Fixed assets and investments

Investments in intangible and tangible fixed assets amounted to SEK 0 M (0) and SEK 4 M (12), respectively.

Amortization/depreciation of intangible and tangible fixed assets amounted to SEK 8 M (12) and SEK 10 M (11), respectively.

In June, Elekta exercised an option to acquire an additional 6,110 shares in AB Motala Verkstad for SEK 2.6 M, increasing the shareholding from 48,5 to 58,7 percent. The shareholding is categorized as a current asset, since Elekta intends to sell the holding.

Liquidity and financial position

Liquid assets at July 31, 1999 amounted to SEK 147 M compared with SEK 159 M on April 30, 1999.

Cash flow before investments and divestments amounted to SEK 33 M (neg: 110). Cash flow after investments and divestments amounted to SEK 29 M (268). The main reason for the positive cash flow during the period was a reduction in working capital.



Net debt – interest-bearing liabilities less liquid assets – amounted to SEK 426 M at July 31, 1999, compared with SEK 442 M on April 30, 1999. The amount of SEK 426 M includes a convertible debenture loan in an amount of SEK 417 M. Liquid assets plus lines of credit granted but not utilized amounted to SEK 152 M at July 31, 1999, compared with SEK 160 M on April 30, 1999. A total of SEK 64 M (Apr. 30, 1999: 5) of the bank balances has been pledged to cover guarantees for customer advances received.

The net debt/equity ratio was a multiple of 1.84 on July 31, 1999, compared with 1.41 on April 30, 1999.

Capital structure and financing

Elekta will shortly present a proposal aiming at strengthening the Group's capital structure. This proposal will be addressed at an extraordinary shareholders' meeting.

Elekta's operations are focused on capital intensive healthcare products with a strong focus on research and development. During the ongoing restructuring and consolidation of the medical technology industry, Elekta needs a strong capital base. The change in accounting principle from percentage-of-completion to recognition on delivery for the Gamma Knife operations lead to an immediate decrease of the Group's equity and thereby the equity/assets ratio.

With this as a background a strengthened equity/assets ratio and a good liquidity is needed.

Employees

The average number of employees was 822 (867). The number of employees at the end of the period was 814, compared with 862 on April 30, 1999.

Parent Company

The Parent Company's operations comprise Group management, joint Group functions and financial management. The Parent Company's loss after net financial items was SEK 31 M (profit: 1). The average number of employees was 14 (18).

Future prospects

The effects of restructuring measures are becoming noticeable in the form of lower operating expenses, increased productivity and a positive cash flow. This trend of improvement is expected to continue and result in improved result during the 1999/2000 fiscal year. The restructuring of operations continues and is expected to result in satisfactory profitability within two years.



Financial information

The six-month interim report will be published on December 14, 1999.

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More information about Elekta is available at www.elekta.com



INCOME STATEMENT

SEK M	May - Jul 1999	May - Jul 1998	Aug - Jul 1998/99	May - April 1998/99
Net revenues	345	421	1,711	1,787
Operating expenses	- 369	- 446	-1,780	-1,857
R&D expenses	- 33	- 48	-137	-152
Items affecting comparability		54	-40	14
Operating loss	- 57	- 19	-246	-208
Financial net	- 11	- 16	-37	-42
Income before taxes	- 68	- 35	-283	-250
Taxes	- 1	- 1	-6	-6
Net income	- 69	- 36	-289	-256
CASH FLOW				
Operating cash flow	-53	- 90	- 120	-157
Change in working capital	86	- 20	140	34
Kassaflöde före investeringar	33	-110	20	-123
Investments and disposals	-4	378	- 22	360
Cash flow after investments and disposals	29	268	-2	237
BALANCE SHEET				
SEK M	31 Jul 1999	31 Jul 1998		30 April 1999
Intangible fixed assets	453	521		465
Tangible fixed assets	81	98		88
Financial fixed assets	9	23		15
Inventories	290	307		265
Other current assets	759	995		879
Liquid assets	147	139		159
Total assets	1,739	2,083		1,871
Shareholders' equity	232	533		313
Provisions	87	169		100
Convertible debenture loan	417	398		412
Other interest-bearing liabilities	156	127		189
Interest-free liabilities	847	856		857
Total shareholders' equity, provisions and liabilities	1,739	2,083		1,871

Due to changed accounting principles in the Gamma Knife operations historical data have been recalculated to get comparability



E L E K T A

KEY FIGURES

	3 months May - July 1998/99	6 months May - Oct 1998/99	9 months May - Jan 1998/99	12 months May - Apr 1998/99	3 months May - Jul 1999/2000
Net revenues, SEK M	421	823	1,163	1,787	345
Items affecting comparability, SEK M	54	54	54	14	
Operating loss, SEK M	-19	-43	-134	-208	-57
Operating margin	-5%	-5%	-12%	-12%	-17%
Profit margin	-8%	-8%	-14%	-14%	-20%
Shareholders' equity, SEK M	533	492	370	313	232
Capital employed, SEK M	1,058	1,090	1,015	914	805
Net debt, SEK M	386	503	458	442	426
Equity/assets ratio	26%	25%	19%	17%	13%
Net debt/equity ratio	0.72	1.02	1.24	1.41	1.84
Return on shareholders' equity 1)					-74%
Return on capital employed 1)					-22%

PER SHARE DATA

	Quarter 1 1998/99	Quarter 2 1998/99	Quarter 3 1998/99	Quarter 4 1998/99	Quarter 1 1999/2000
Net income					
before conversion, SEK	-3.45	-3.49	-9.51	-7.90	-6.58
after full conversion, SEK	-1.55	-1.51	-5.58	-4.62	-3.64
Shareholders' equity, SEK					
before conversion, SEK	50.75	46.91	35.21	29.86	22.10
after full conversion, SEK	59.37	57.09	49.56	46.29	41.40
Average number of shares					
before conversion (000s)	10,497	10,497	10,497	10,497	10,497
after full conversion (000s)	15,681	15,681	15,681	15,681	15,681
Number of shares at closing					
before conversion (000s)	10,497	10,497	10,497	10,497	10,497
after full conversion (000s)	15,681	15,681	15,681	15,681	15,681

1) Based on rolling 12 months.

Due to changed accounting principles in the Gamma Knife operations historical data have been recalculated to get comparability

This interim report has not been reviewed by the Company's auditors.