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## **ELEKTA AB (publ)**

### **Report on operations for the fiscal year ended April 30, 2002**

- Operating profit amounted to SEK 207 M (92), the best ever. Earnings were charged with SEK 53 M in expenses related to the ongoing patent dispute in the U.S.
- The operating margin improved sharply, to 7.6 percent (4.2).
- Operating profit in the fourth quarter amounted to SEK 74 M (67) equal to an operating margin of 9.0 (9.5) percent. Earnings were charged with SEK 32 M in expenses related to the ongoing patent dispute.
- Order bookings rose 22 percent to SEK 2,927 M (2,402).
- Cash flow after investments was positive, amounting to SEK 113 M (226) for the full year and SEK 174 M (176) for the fourth quarter.
- The Group's target operating margin for a rolling 12 months was raised from the current 6–8 percent to 8–10 percent.

Elekta's strategy is to provide clinically expedient and cost-effective solutions and services for the improved treatment of cancer and neurological diseases with the aim of providing a better quality of life.

#### **Market**

Despite the ongoing weakness in the international economy, Elekta's products and treatment methods for cancer and neurological disorders continued to be in heavy demand, particularly in the U.S. and Asia. Elekta has a modern, high-technology product range based on precision radiation in both of these treatment areas.

The development of treatment methods for cancer is focusing increasingly on high-precision radiation treatment. Elekta is a leading supplier of solutions for high-precision radiation using IMRT – Intensity-Modulated Radiation Treatment. IMRT enables the radiation dose to be more precisely adapted to the tumor's three-dimensional shape and specific radiation sensitivity, without healthy tissue being damaged, thereby improving the patient's treatment result and quality of life. The American market particularly has rapidly accepted IMRT as a clinically and financially efficient method of improved cancer care.

Demand for non-invasive radiation surgery is growing. Today, some 235 people out of every million suffer from the type of brain disease that is suitable for radiation surgery using the Leksell Gamma Knife®. The areas of illness in which radiation surgery is rising sharply are certain metastases in the brain, and functional disorders. Radiation surgery

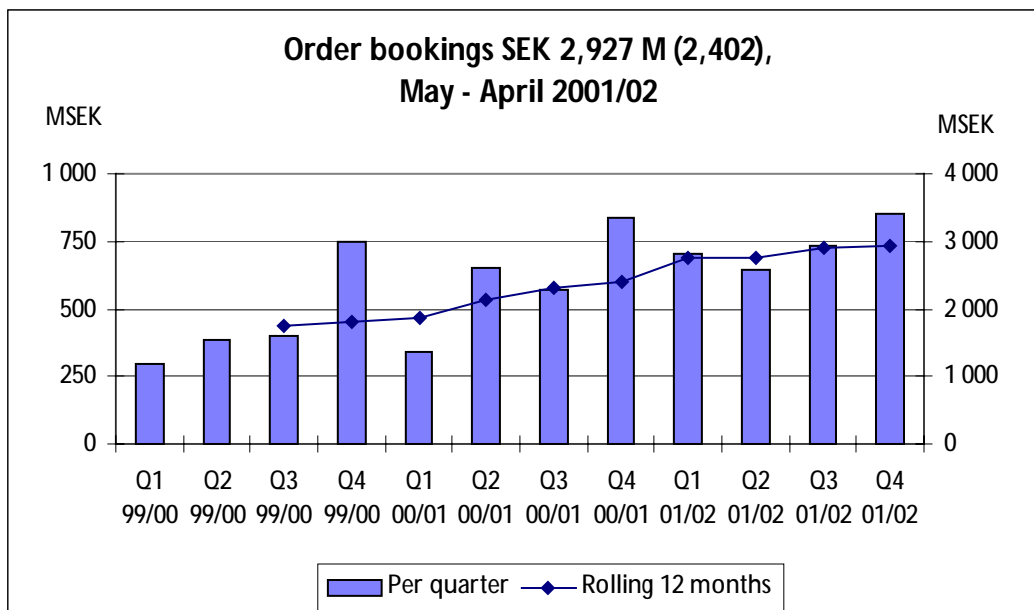


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using the Leksell Gamma Knife is characterized by the high quality of care provided and its cost-effectiveness, as well as being very patient-friendly.

### Order bookings and order backlog

Order bookings, the highest ever, up 22 percent to SEK 2,927 M (2,402). Neurological products rose 23 percent to SEK 1,026 M (836) and oncology products by 21 percent to SEK 1,901 M (1,566). Order bookings during the fourth quarter amounted to SEK 851 M (836).



Group order backlog rose 10 percent and amounted to SEK 2,317 M at April 30, 2002, compared with SEK 2,112 M at April 30, 2001.

| Order bookings              | Quarter 4<br>2001/02 | Quarter 4<br>2000/01 | 12 months<br>2001/02 | 12 months<br>2000/01 | Change     |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|------------|
| Europe, Middle East, Africa | 271                  | 256                  | 1,107                | 1,103                | 0%         |
| North and South America     | 419                  | 337                  | 1,247                | 748                  | 67%        |
| Japan                       | 72                   | 126                  | 217                  | 266                  | -18%       |
| Asia excl. Japan            | 89                   | 117                  | 356                  | 285                  | 25%        |
| <b>Group</b>                | <b>851</b>           | <b>836</b>           | <b>2,927</b>         | <b>2,402</b>         | <b>22%</b> |
| of which                    |                      |                      |                      |                      |            |
| Oncology                    | 516                  | 453                  | 1,901                | 1,566                | 21%        |
| Neurosurgery                | 335                  | 383                  | 1,026                | 836                  | 23%        |

#### *Strong position in Europe*

Order bookings in the region of Europe, including the Middle East and Africa, remained at approximately the same level as the preceding year, namely SEK 1,107 M (1,103). In



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the preceding year, major orders for radiation treatment equipment were placed in the UK to upgrade cancer care, and most of these orders went to Elektra. The British market has now returned to more normal purchasing levels. Elekta is clearly the market-leader in several markets in Europe. Order bookings for neurosurgical products rose significantly in Europe, with orders for Leksell Gamma Knives being received from two new markets. Demand for and the after-market products developed favorably.

*Successful year in North America*

Order bookings for both oncology and neurosurgery developed strongly. This applies both to new sales and to upgrades and service. Order bookings in North and South America rose 67 percent, amounting to SEK 1,247 M (748). Elekta's market share in oncology was considerably strengthened. Operations also demonstrated improved efficiency and productivity.

*Continued weak Japanese economy*

Order bookings in Japan declined due to the economic situation, and amounted to SEK 217 M (266). The market introduction of Elekta's oncology products develops favorably. The large installed base in neurosurgery represents a considerable business opportunity for profitable growth through increased after-market sales.

*Extremely strong growth in Asia*

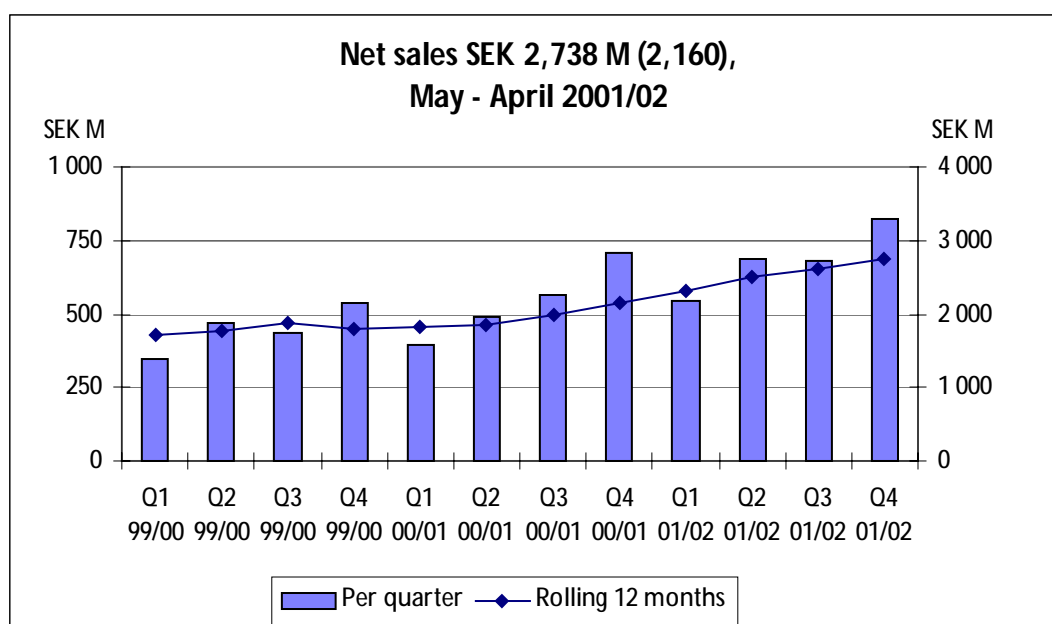
Order bookings in Asia rose 25 percent to SEK 356 M (285). China represents great potential, and Elekta strengthened its market shares substantially. Elekta's strategic investment in production and purchasing of components in China is developing favorably and is expected to reach break-even during the 2002/03 fiscal year. Elekta's presence in China in the form of a majority-owned subsidiary also creates strong potential for long-term market penetration and profitable growth.



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## Net sales

Group net sales rose 27 percent to SEK 2,738 M (2,160), well in excess of the Group's sales growth target of 10–15%. Exchange-rate movements had a positive 7-percent effect on net sales. Net sales increased 7 percent to SEK 890 M (833) for neurosurgical products and 39 percent to SEK 1,848 M (1,327) for oncology products. Net sales of after-market products and services increased 23 percent to SEK 778 M (632), and represented 28 (29) percent of consolidated net sales.



| Net sales                   | Quarter 4<br>2001/02 | Quarter 4<br>2000/01 | 12 months<br>2001/02 | 12 months<br>2000/01 | Change     |
|-----------------------------|----------------------|----------------------|----------------------|----------------------|------------|
| Europe, Middle East, Africa | 360                  | 388                  | 1,195                | 955                  | 25%        |
| North and South America     | 306                  | 179                  | 877                  | 770                  | 14%        |
| Japan                       | 94                   | 89                   | 303                  | 307                  | -1%        |
| Asia excl. Japan            | 65                   | 52                   | 363                  | 128                  | 184%       |
| <b>Group</b>                | <b>825</b>           | <b>708</b>           | <b>2,738</b>         | <b>2,160</b>         | <b>27%</b> |
| of which                    |                      |                      |                      |                      |            |
| Oncology                    | 569                  | 418                  | 1,848                | 1,327                | 39%        |
| Neurosurgery                | 256                  | 290                  | 890                  | 833                  | 7%         |

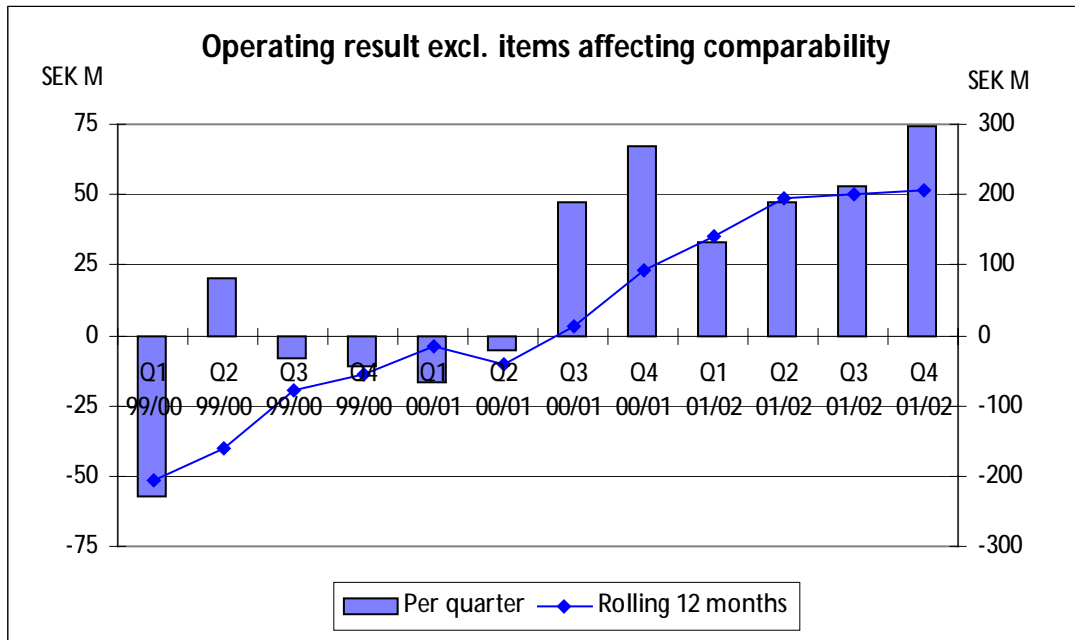
## Result

Operating profit improved by SEK 115 M to SEK 207 M (92). The improvement was primarily attributable to larger volumes and an advantageous product mix. The operating margin improved to 8 percent (4), which is in line with the Group's financial objective of an operating margin of 6-8 percent. Operating profit in the fourth quarter amounted to



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SEK 74 M (67), corresponding to an operating margin of 9 percent (9). Expenses related to the ongoing patent dispute in the U.S. were charged to operating result. These expenses amounted to SEK 53 M, of which SEK 32 M was charged to the fourth quarter.



Investments in research and development increased 13 percent and amounted to SEK 144 M (127). These investments, which are expensed as incurred, corresponded to 5 percent (6) of net sales.

Net financial income amounted to SEK 14 M (expense: 23). This included net interest expenses of SEK 2 M (expense: 35), of which convertible debenture loans accounted for expenses of SEK 5 M (expense: 25). Income from participations in associated companies amounted to SEK 12 M (loss: 1), and foreign exchange differences totaled SEK 4 M (13).

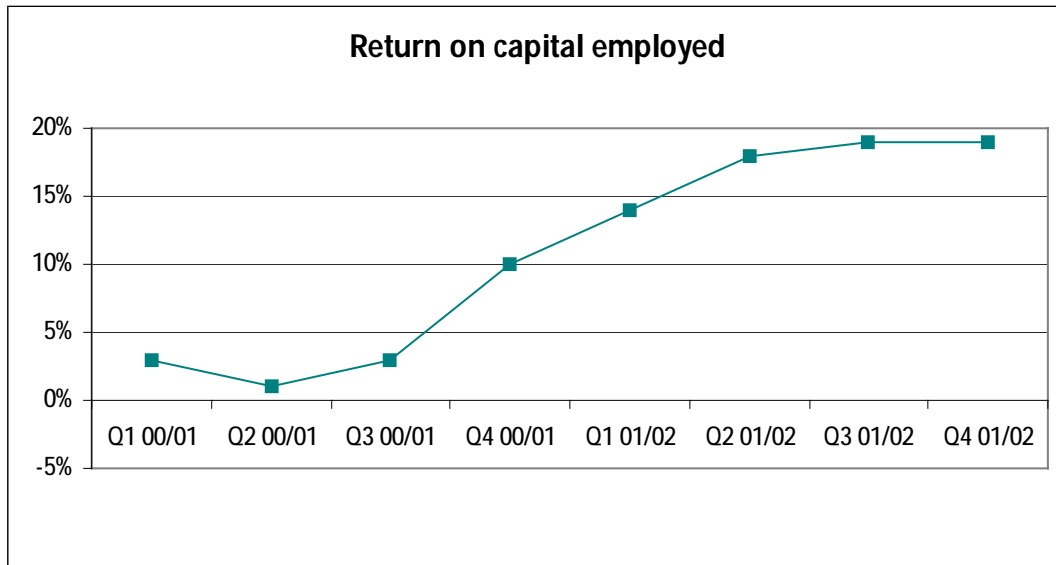
Profit after net financial items improved to SEK 221 M (69). Profit after taxes amounted to SEK 145 M (42).

Earnings per share amounted to SEK 4.66 (1.52) before dilution and SEK 4.56 (1.89) after dilution.

Return on equity amounted to 13 percent (5) and return on capital employed was 19 percent (10), which is well in line with the Group's objective of a return on capital employed exceeding 15 percent.



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### Investments and depreciation

Investments in intangible and tangible fixed assets amounted to SEK 32 M (50). Amortization/depreciation of intangible and tangible fixed assets totaled SEK 62 M (74).

### Liquidity and financial position

Cash flow before investments amounted to SEK 137 M (pos. 268). Cash flow after investments and divestments amounted to SEK 112 M (226). The cash flow was favorable during the fourth quarter, amounting to SEK 174 M (176).

Liquid assets amounted to SEK 536 M on April 30, 2002, compared with SEK 434 M on April 30, 2001. Of the bank balances held, SEK 63 M was pledged, primarily in the form of guarantees for customer advances received.

Other interest-bearing liabilities amounted to SEK 35 M.

The equity/assets ratio was 50 percent. The Group's objective for financial stability is 40 percent.

Convertible debenture loans in a nominal amount of SEK 229 M were converted during the period. The outstanding SEK 4 M was repaid on December 31, 2001. Conversion resulted in 3,808,250 new Series B shares.

During Q3 and Q4, 102,800 new Series B shares were subscribed through executives and key personnel within the Group exercising allotted warrants within the framework of the established warrants program. The total number of shares on June 12, 2002, amounted to 31,785,967.

### Patent dispute



As previously announced, a jury in the United States District Court of California, a first instance court, has entered a verdict against certain companies within the Elekta Group in the amount of approximately USD 17 M. The jury verdict was based on a finding of patent infringement related to a particular software feature in some of Elekta's treatment planning systems. Elekta is still awaiting the judge's ruling in the case. In addition to the amount awarded by the jury, the judge may award compensation for attorneys' fees and interest. Under US law, the judge may also enhance the award up to a maximum of three times the jury verdict.

Elekta does not consider itself liable for any patent infringement and is of the opinion that the jury verdict is incorrect. Elekta intends to vigorously defend itself and protect shareholder value with all appropriate legal means and will appeal an unfavorable judgment to the United States Court of Appeal for the Federal Circuit, the appellate court with nationwide jurisdiction in patent cases. Elekta's opinion, supported by legal counsel in the case, is that an appeal has a strong basis.

During the appeals process, Elekta will be required to issue a surety bond, the size of which will be set by the District Court. Elekta has a facility that, among other things, covers patent infringement, which, in this particular case, can serve as collateral for the surety bond. The facility is limited to USD 20 M. If the Court of Appeals were to uphold the jury verdict, the facility acts as a vehicle for distributing and financing over an extended period of time, any damages awarded up to the limit of the facility.

This patent dispute does not prevent Elekta from delivering any of its products to the U.S. Elekta has no other ongoing disputes of any material importance.

## **Employees**

The average number of employees in the Group rose 14 percent in accordance with the plans for the fiscal year and amounted to 922 (807). The number of employees at the close of the period was 989, compared with 854 on April 30, 2001. The increase in the number of employees is mainly within research and development as well as reinforcement of the marketing and service organizations.

## **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 53 M (25). Dividends from subsidiaries are included in the amount of SEK 80 M (50). The average number of employees was 13 (13).

## **Future prospects**

Due to the positive trend during the fiscal year, Elekta's target for the 2002-2004 period has been changed. The operating margin target has been raised from 6-8 percent on a rolling twelve-month basis to 8-10 percent, excluding costs for the ongoing patent dispute. The operating margin for individual quarters can deviate from this target. Other financial and growth targets remain unchanged for the 2002-2004 period.



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Operating profit in the first quarter of the 2002/03 fiscal year is expected to be on a par with that of the preceding year.

### **Proposed dividend**

The Board does not propose any dividend for the fiscal year 2001/02.

### **Annual General Meeting**

The Annual General Meeting of shareholders in Elekta AB (publ) will be held on Monday September 30, 2002 starting at 3.00 p.m. at Spårvagnshallarna, Birger Jarlsgatan 57, Stockholm.

### **Financial information**

The annual report 2001/02 is accessible at Elekta, Birger Jarlsgatan 53, Stockholm two weeks before the annual general meeting.

A 3-month interim report will be issued on September 30, 2002.

Stockholm June 18, 2002

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### change in accounting principles

The Swedish Financial Accounting Standards Council's new recommendation regarding income tax resulted in a change of accounting principles for Elekta. The income statements and balance sheets for preceding year were adjusted in accordance with the new principles. Loss carry-forwards and other temporary differences, totaling SEK 209 M at April 30, 2001, were reported as a deferred tax receivable, resulting in a corresponding increase in shareholders' equity.

With this exception the same accounting principles have been applied as in Elekta's latest annual report. This interim report has been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 20, Interim reports.

### INCOME STATEMENT

| SEK M  | 3 months<br>Feb - Apr<br>2001/02 | 3 months<br>Feb - Apr<br>2000/01 | 12 months<br>May - Apr<br>2001/02 | 12 months<br>May - Apr<br>2000/01 |
|--|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| Net sales  | 825                              | 708                              | 2,738                             | 2,160                             |
| Cost of products sold                            | -514                             | -446                             | -1,698                            | -1,402                            |
| Gross income                                     | 311                              | 262                              | 1,040                             | 758                               |
| Selling expenses                                 | -98                              | -87                              | -367                              | -320                              |
| Administrative expenses                          | -99                              | -64                              | -315                              | -238                              |
| R&D expenses                                     | -49                              | -44                              | -144                              | -127                              |
| Exchange differences in operation                | 9                                | 0                                | -7                                | 19                                |
| <b>Operating result</b>                          | <b>74</b>                        | <b>67</b>                        | <b>207</b>                        | <b>92</b>                         |
| Financial net                                    | 2                                | -5                               | 14                                | -23                               |
| <b>Income after financial items</b>              | <b>76</b>                        | <b>62</b>                        | <b>221</b>                        | <b>69</b>                         |
| Taxes  | -27                              | -26                              | -78                               | -29                               |
| Minority   | 2                                | 1                                | 2                                 | 2                                 |
| <b>Net income</b>                                | <b>51</b>                        | <b>37</b>                        | <b>145</b>                        | <b>42</b>                         |
| Earnings per share before dilution               | 1.62                             | 1.34                             | 4.66                              | 1.52                              |
| Earnings per share after dilution                | 1.57                             | 1.32                             | 4.56                              | 1.89                              |
| <b>CASH FLOW</b>                                 |                                  |                                  |                                   |                                   |
| Operating cash flow                              | 81                               | 83                               | 265                               | 140                               |
| Change in working capital                        | 107                              | 112                              | -128                              | 128                               |
| <b>Cash flow before investments</b>              | <b>188</b>                       | <b>195</b>                       | <b>137</b>                        | <b>268</b>                        |
| Investments and disposals                        | -14                              | -19                              | -24                               | -42                               |
| <b>Cash flow after investments and disposals</b> | <b>174</b>                       | <b>176</b>                       | <b>113</b>                        | <b>226</b>                        |



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## BALANCE SHEET

| SEK M   | 30 April<br>2002 | 30 April<br>2001 |
|---|------------------|------------------|
| Intangible fixed assets   | 388              | 415              |
| Tangible fixed assets   | 87               | 94               |
| Financial fixed assets  | 22               | 18               |
| Inventories   | 269              | 224              |
| Other current assets  | 1,234            | 1,086            |
| Liquid assets   | 536              | 434              |
| <b>Total assets</b>   | <b>2,536</b>     | <b>2,271</b>     |
| Shareholders' equity  | 1,272            | 887              |
| Minority  | 6                | 8                |
| Provisions  | 90               | 76               |
| Convertible debenture loan  |                  | 226              |
| Other interest-bearing liabilities                                | 35               | 47               |
| Interest-free liabilities   | 1,133            | 1,027            |
| <b>Total shareholders' equity, provisions<br/>and liabilities</b> | <b>2,536</b>     | <b>2,271</b>     |

## CHANGES IN SHAREHOLDERS' EQUITY

| SEK M                                  | April, 30<br>2002 | April, 30<br>2001 |
|--|-------------------|-------------------|
| Opening balance                        | 678               | 576               |
| Changed accounting principles          | 209               | 213               |
| Conversion of debentures               | 229               |                   |
| Option premiums and warrants exercised | 6                 | 2                 |
| Translation differences                | 5                 | 54                |
| Net income                             | 145               | 42                |
| Closing balance                        | 1,272             | 887               |



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| KEY FIGURES                          | 12 months            | 12 months              | 12 months            | 12 months 1)         | 12 months              |
|--------------------------------------|----------------------|------------------------|----------------------|----------------------|------------------------|
|                                      | May - Apr<br>1998/99 | May - Apr<br>1999/2000 | May - Apr<br>2000/01 | May - Apr<br>2000/01 | May - April<br>2001/02 |
| Net sales, SEK M                     | 1,787                | 1,789                  | 2,160                | 2,160                | 2,738                  |
| Items affecting comparability, SEK M | 14                   | 19                     |                      |                      |                        |
| Operating result, SEK M              | -208                 | -37                    | 92                   | 92                   | 207                    |
| Operating margin                     | -12%                 | -2%                    | 4%                   | 4%                   | 8%                     |
| Profit margin                        | -14%                 | -4%                    | 3%                   | 3%                   | 8%                     |
| Shareholders' equity, SEK M          | 313                  | 576                    | 678                  | 897                  | 1,272                  |
| Capital employed, SEK M              | 914                  | 905                    | 959                  | 1,178                | 1,313                  |
| Equity/assets ratio                  | 17%                  | 31%                    | 33%                  | 39%                  | 50%                    |
| Return on shareholders' equity       | -56%                 | -22%                   | 10%                  | 5%                   | 13%                    |
| Return on capital employed           | -17%                 | -3%                    | 12%                  | 10%                  | 19%                    |

1) Restated for new accounting principles for taxes.

| PER SHARE DATA                   | 12 months | 12 months | 12 months | 12 months 1) | 12 months |
|----------------------------------|-----------|-----------|-----------|--------------|-----------|
|                                  | 1998/99   | 1999/2000 | 2000/01   | 2000/01      | 2001/02   |
| Earnings per share               |           |           |           |              |           |
| before dilution, SEK             | -17.09    | -4.24     | 2.21      | 1.52         | 4.66      |
| after dilution, SEK              | -8.13     | -1.17     | 2.70      | 1.89         | 4.56      |
| Cash flow per share              |           |           |           |              |           |
| before dilution, SEK             | 16.25     | 2.30      | 8.11      | 8.11         | 3.64      |
| after dilution, SEK              | 11.33     | 3.13      | 7.90      | 7.90         | 3.63      |
| Shareholders' equity per share   |           |           |           |              |           |
| before dilution, SEK             | 20.96     | 20.68     | 24.33     | 31.84        | 40.03     |
| after dilution, SEK              | 28.19     | 24.90     | 28.43     | 35.03        | 39.89     |
| Interest on converted debentures |           |           |           |              |           |
| net after tax, SEK M             | 47        | 45        | 24        | 17           | 3         |
| Average number of shares         |           |           |           |              |           |
| before dilution, 000s            | 14,957    | 18,263    | 27,854    | 27,854       | 31,048    |
| after dilution, 000s             | 25,624    | 27,787    | 31,662    | 31,662       | 32,504    |
| Number of shares at closing      |           |           |           |              |           |
| before dilution, 000s            | 14,957    | 27,854    | 27,854    | 27,854       | 31,765    |
| after dilution, 000s             | 25,624    | 31,662    | 31,662    | 31,662       | 33,084    |

1) Restated for new accounting principles for taxes.

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