



# 6 Interim Report

SIX MONTHS ENDED  
OCTOBER 31, 2003

2003/04



ELEKTA

# Interim Report Six months ended October 31, 2003

- **Operating profit declined to SEK 107 M (147) and the operating margin to 8 (11) percent. Based on a rolling 12-month period, the operating margin was 10 percent.**
- **Profit after taxes amounted to SEK 80 M (98). Earnings per share, after dilution, amounted to SEK 2.42 (3.00).**
- **Cash flow after investments amounted to SEK 8 M (148).**
- **Order bookings rose 4 percent to SEK 1,518 M (1,466) and at fixed exchange rates by 14 percent.**
- **Net sales declined 3 percent to SEK 1,321 M (1,359). At fixed exchange rates, net sales rose 8 percent.**
- **Elekta has launched Elekta Synergy™, the world's first treatment system for Image Guided Radiation Therapy.**
- **Elekta has set financial objectives for the fiscal years 2004/05 – 2006/07, raising the objective for operating margin rolling 12 months to 10–12 percent.**

Elekta is the world 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.

Cancer is a disease that is increasing sharply and affects every third person at some stage of their lives. Every second cancer patient requires radiotherapy at some time in order to cure or control the disease. Radiotherapy is also a cost-effective form of treatment, compared with the other methods available for curing or slowing the progress of cancer.

**Introduction of Elekta Synergy™ for image-guided radiotherapy**  
Elekta is a leading supplier of equipment for high-precision radiotherapy of cancer (Intensity Modulated Radiation Treatment, IMRT).

Elekta is also leading the development of image-guided radiotherapy (IGRT). This method addresses the critical issue of organ movement in the body and the exact positioning of the patient at each treatment session. IGRT expands radiotherapy's possibilities and application areas and it is considered that the method could result in clinical improvements in terms of treatment results as well as fewer complications.

Elekta's system for image-guided radiotherapy, Elekta Synergy™, makes it possible to exactly localize a tumor with the help of a new integrated system for three-dimensional high-resolution X-ray images. In July, CE certification was obtained for vital components and Elekta Synergy™ was launched for clinical use in Europe. In late October, the system received clearance (510k) from the US healthcare authority (FDA), which means that Elekta can now initiate marketing and sales of Elekta Synergy™ in the US. Delivery of Elekta Synergy™ will commence during 2004.

## Clinical progress within neurosurgery

There is a growing need both for non-invasive radiosurgery and for minimally invasive stereotactic neurosurgery. Today, some 240 people out of every million suffer from the type of brain disease that is suitable for radiosurgery using Leksell Gamma Knife®. Radiosurgery using Leksell Gamma Knife® is characterized by the high quality of care provided and its cost-effectiveness, as well as being very gentle on the patient. The trend is steadily moving toward expanded areas of application for Leksell Gamma Knife®. In addition to vascular disorders and tumors, major interest is now focusing on the radiosurgical treatment of functional disorders.

## Order bookings and backlog

Order bookings increased 4 percent, to SEK 1,518 M (1,466). Calculated on a rolling 12-month basis, the increase was 6 percent. Orders for oncology products declined by 3 percent to SEK 1,001 M (1,034) and rose for neurosurgery products by 20 percent to SEK 517 M (432). At fixed exchange rates, order bookings for the Group rose 14 percent.

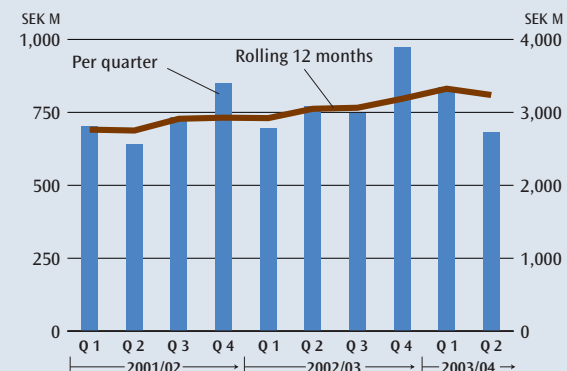
Order bookings during the second quarter amounted to SEK 683 M (769). The comparison between quarters is affected through Elekta receiving in the second quarter of 2002/03 its largest single order in history pertaining to equipment for radiotherapy of cancer in the Netherlands amounting to SEK 160 M.

At October 31, 2003, the order backlog amounted to SEK 2,575 M, compared to SEK 2,411 M at April 30, 2003.

## Market comments

In an economic climate that is generally weak but showing some signs of recovery, Elekta is continuing to develop favorably. The market for Elekta's products and treatment methods for cancer and brain disorders continues to show a positive trend, and Elekta is gradually strengthening its market position. Elekta is well positioned to benefit from and contribute to future growth in these markets.

### Order bookings



## Order bookings

SEK M	Quarter 2 2003/04	Quarter 2 2002/03	Change %	6 months 2003/04	6 months 2002/03	Change %	Rolling 12 months	Change %
Europe, Middle East, Africa	290	356	-19	657	649	1	1,318	10
North and South America	198	243	-19	481	517	-7	1,105	-14
Japan	90	28	221	179	112	60	395	84
Asia excl. Japan	105	142	-26	201	188	7	420	19
<b>Group</b>	<b>683</b>	<b>769</b>	<b>-11</b>	<b>1,518</b>	<b>1,466</b>	<b>4</b>	<b>3,238</b>	<b>6</b>
of which								
Oncology	409	550	-26	1,001	1,034	-3	2,110	2
Neurosurgery	274	219	25	517	432	20	1,128	16

### Continued stable demand in Europe

Order bookings in the Europe region, including the Middle East and Africa, rose 1 percent during the period to SEK 657 M (649). At fixed exchange rates, order bookings for the region increased by 5 percent, while order bookings for oncology products declined by 5 percent. Comparisons with the year-earlier period are affected by the fact that, during the second quarter of fiscal year 2002/03, Elekta received its largest order ever, worth SEK 160 M, for equipment for cancer radiotherapy in the Netherlands.

There is still an urgent need for additional capacity for radiotherapy treatment of cancer in many parts of Europe. Several countries, including the Netherlands, the UK and France, are implementing investment programs to improve cancer care.

The European launch of Elekta Synergy™ took place at the European radiotherapy congress, ESTRO, in September. Market interest is considerable and – already at this early stage – Elekta has received orders for deliveries during 2004.

In certain European countries, there is a high level of interest in stereotactic radiosurgery, and during the second quarter an order was received from Italy for a Leksell Gamma Knife® unit, the fifth such unit to be installed in the country.

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

### Elekta Synergy™ received FDA clearance in North America

Order bookings in North and South America declined by 7 percent during the period and amounted to SEK 481 M (517). At fixed exchange rates, order bookings in the region increased by 10 percent. Order bookings for oncology products increased by 13 percent in local currencies, while neurosurgery products were up 4 percent.

There is considerable interest in Elekta Synergy™ among leading cancer clinics in the US. At the American radiotherapy congress, ASTRO, late in October, Elekta Synergy™ was successfully launched on the US market. There is strong market interest in image-guided radio-

therapy, and since late October, when Elekta Synergy™ received clearance from the FDA, Elekta can market the system also in the US.

Following the launch of Elekta Synergy™ and some delays as a result of customer evaluation of this new technology, order bookings for oncology products in the US is expected to develop positively in the second half of 2003/04.

The interest in IMRT as a clinical method continues to be high. A decision has been made to, effective January 1st 2004, reduce the reimbursement for IMRT treatment of Medicare/Medicaid patients from a high level by about 18 percent for an entire therapy cycle. The new reimbursement levels will continue to support an implementation of IMRT in American cancer care.

Treatment methods based on radiosurgery are already well established in the American market. Elekta's products within both radiosurgery and stereotaxy have an excellent reputation in the US, and there is major interest in the clinical application of Elekta's magnetoencephalography (MEG) equipment. This method has already been assigned reasonable compensation levels by Medicare/Medicaid, particularly for the localization of epileptic foci.

Elekta continues to sign new agreements with major US purchasing organizations. During the period, Elekta signed a preferred provider agreement, applying to all of Elekta's products, with Catholic Health East, a group purchasing organization for a large group of hospitals in 11 states in the eastern US, and an agreement with HealthTrust Purchasing Group for stereotactic radiosurgery and other products in the neurological medicine field for the Group's 900 members. It is expected that these and other similar agreements will have a positive effect on order bookings during the next few years.

### Increased order bookings in Japan

Order bookings in Japan rose 60 percent to SEK 179 M (112). At fixed exchange rates, order bookings were up 74 percent.

The Japanese market is still characterized by the country's continued weak economic development, although signs of a recovery are beginning to appear.

## Net sales

SEK M	Quarter 2 2003/04	Quarter 2 2002/03	Change %	6 months 2003/04	6 months 2002/03	Change %	Rolling 12 months
Europe, Middle East, Africa	308	281	10	581	529	10	1,019
North and South America	197	285	-31	406	590	-31	1,160
Japan	85	45	89	131	66	98	224
Asia excl. Japan	116	86	35	203	174	17	378
Group	706	697	1	1,321	1,359	-3	2,781
of which							
Oncology	456	477	-4	870	967	-10	1,937
Neurosurgery	250	220	14	451	392	15	844

The market for medical-technology equipment is driven by the increased need for high-quality care to serve an increasingly elderly population.

Demand remains favorable for radiosurgery products, including both new Leksell Gamma Knife® units and upgrades and reloads.

Interest in equipment for magnetoencephalography is high in Japan, with a number of leading research centers working on developing clinical methods and procedures. During October, an Elekta Neuromag™ system was delivered to the university in Kyoto, one of the leading neurology centers in Japan.

### Continued favorable demand in Asia

Order bookings in Asia during the period amounted to SEK 201 M (188), up 7 percent. At fixed exchange rates, order bookings rose 26 percent.

The Asian economies are showing signs of recovery, and strong growth is expected in the Chinese market during the next few years.

Demand for Elekta's equipment for both radiotherapy and radiosurgery has developed favorably, with major interest shown by countries with strong economies in the region. There is widespread need for additional equipment for the treatment of tumor-related diseases throughout Asia as a whole, and Elekta holds a strong position in the region.

Elekta produces parts of its systems in China. During the second quarter, Elekta increased its holding in Shanghai Elekta from 80 percent to 100 percent. Elekta plans to expand its production and Group purchasing in China during the next few years.

### Net sales

Consolidated net sales declined 3 percent to SEK 1,321 M (1,359). At fixed exchange rates, net sales rose 8 percent.

Net sales of oncology products declined 10 percent to SEK 870 M (967) and increased 15 percent for neurosurgery products to SEK 451 M (392).

Net sales of after-market products and services increased 5 percent to SEK 436 M (413), and represented 33 percent (30) of consolidated net sales.

Net sales during the second quarter amounted to SEK 706 M (697).

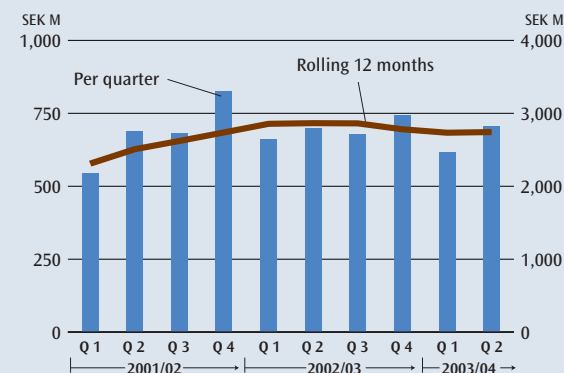
### Result

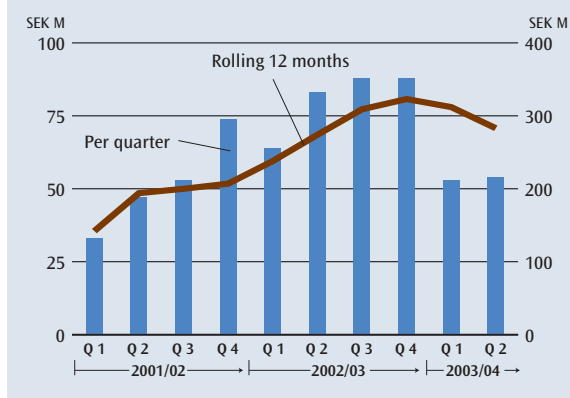
Operating profit declined by SEK 40 M to SEK 107 M (147), due to movements in exchange rates and to the reporting of development projects in compliance with RR15 (IAS 38). The operating margin narrowed to 8 percent (11). The operating margin over a rolling 12-month period amounted to 10 percent.

The gross margin rose to 37 percent (35) as a result of the product mix and improvements in quality, efficiency and profitability in service operations.

Investments in research and development rose 14 percent to SEK 94 M (82), corresponding to 7 percent (6) of net sales. The Swedish Financial Accounting Standards Council's RR15 (IAS 38) recommendation, which advises capitalization of certain development expenses, causes increased earnings volatility, depending on what phase the particular development project has reached. For the first six months, capitalization and amortization, applied in accordance with RR15, impacted profit negatively by SEK 2 M (pos: 21). As recommended by RR15, SEK 5 M (21) was capitalized for certain projects, while the remainder was expensed.

### Net sales



**Operating result**

Amortization of development projects, capitalized as per RR15, amounted to SEK 7 M (-).

The movements in exchange rates compared with the corresponding period in the preceding year impacted operating profit negatively in an amount of approximately SEK 36 M. Elekta hedges contracted net flows and part of expected net flows through forward contracts over a rolling 18-month period. Unrealized exchange-rate gains, compared with currency exchange rates on October 31 for forward contracts that were not reevaluated in the balance sheet, were SEK 57 M.

Operating profit in the second quarter amounted to SEK 54 M (83).

Net financial items amounted to income of SEK 14 M (expense: 1). Interest net is included with an income of SEK 7 M (1). Income from participations in associated companies amounted to SEK 7 M (5), including a write-down of SEK 2 M. Financial currency exchange differences amounted to SEK 0 M (loss: 7).

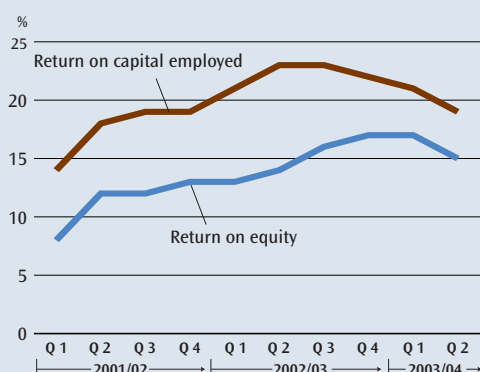
Profit after net financial items totaled SEK 121 M (146). Tax expenses have been calculated at SEK 41 M, corresponding to a rate of 34 percent. Profit after taxes amounted to SEK 80 M (98).

Earnings per share amounted to SEK 2.45 (3.07) before dilution and SEK 2.42 (3.00) after dilution.

Return on equity amounted to 15 percent (14) and the return on capital employed was 19 percent (23).

**Investments and amortization/depreciation**

Investments in intangible and tangible fixed assets amounted to SEK 45 M (39). Amortization/depreciation of intangible and tangible fixed assets totaled SEK 42 M (31).

**Return on shareholders' equity and capital employed****Liquidity and financial position**

Cash flow before investments amounted to SEK 45 M (162). Working capital increased mainly in receivables and inventories. Cash flow after investments and divestments amounted to SEK 8 M (148).

Liquid assets amounted to SEK 1,111 M, compared with SEK 1,087 M on April 30, 2003. Of the bank balances held, SEK 111 M was pledged, primarily in the form of guarantees for commercial guarantees.

Interest-bearing liabilities amounted to SEK 238 M, compared with SEK 252 M at the beginning of the fiscal year.

The equity/assets ratio was 50 percent.

During Elekta's first six months, 298,525 new Series B shares were subscribed through the exercise of allotted warrants within the framework of the established warrants program. Total number of shares at October 31 was 32,953,967.

**Board proposal regarding redemption of shares and reduction of share capital**

The Annual General Meeting on September 22, voted to approve the Board's proposal to redeem every 17th share held for SEK 165 in cash. The registration period for Elekta's offer closed on November 11, 2003. According to the final count, 1,887,713 were registered for redemption, corresponding to 97.4 percent of the maximum number of shares that were redeemable under this offer. Approximately SEK 311.5 M will be transferred to Elekta's shareholders through the offer. It is expected that the redemption amount will be distributed at the end of March 2004.

Trading in redemption shares on the Stockholm Stock Exchange commenced on December 5.

## Income statement

SEK M	3 months Aug-Oct 2003/04	3 months Aug-Oct 2002/03	6 months May-Oct 2003/04	6 months May-Oct 2002/03	12 months Nov-Oct 2002/03	12 months May-Apr 2002/03
Net sales	706	697	1,321	1,359	2,743	2,781
Cost of products sold	-447	-438	-834	-878	-1,714	-1,758
<b>Gross income</b>	<b>259</b>	<b>259</b>	<b>487</b>	<b>481</b>	<b>1,029</b>	<b>1,023</b>
Selling expenses	-100	-93	-182	-171	-367	-356
Administrative expenses	-68	-72	-127	-131	-281	-285
R&D expenses	-54	-33	-96	-61	-183	-148
Exchange differences in operation	17	22	25	29	85	89
<b>Operating result</b>	<b>54</b>	<b>83</b>	<b>107</b>	<b>147</b>	<b>283</b>	<b>323</b>
Result from participations in associated companies	2	4	7	5	13	11
Interest income	6	6	13	8	27	22
Interest expenses	-3	-3	-6	-7	-14	-15
Financial exchange differences	0	-5	0	-7	-17	-24
<b>Income after financial items</b>	<b>59</b>	<b>85</b>	<b>121</b>	<b>146</b>	<b>292</b>	<b>317</b>
Taxes	-20	-28	-41	-50	-79	-88
Minority	0	-2	0	2	3	5
<b>Net income</b>	<b>39</b>	<b>55</b>	<b>80</b>	<b>98</b>	<b>216</b>	<b>234</b>
Earnings per share before dilution	1.19	1.70	2.45	3.07	6.67	7.29
Earnings per share after dilution	1.18	1.67	2.42	3.00	6.56	7.14

## Cash flow

Operating cash flow	76	86	146	149	312	315
Change in working capital	-17	48	-101	13	-68	46
<b>Cash flow before investments</b>	<b>59</b>	<b>134</b>	<b>45</b>	<b>162</b>	<b>244</b>	<b>361</b>
Investments and disposals	-27	-13	-37	-14	-96	-73
<b>Cash flow after investments and disposals</b>	<b>32</b>	<b>121</b>	<b>8</b>	<b>148</b>	<b>148</b>	<b>288</b>
External financing	5	-5	12	1	242	231
Change in liquid assets	43	109	24	135	440	551

## Balance sheet

SEK M	Oct. 31, 2003	Oct. 31, 2002	April 30, 2003
Intangible fixed assets	393	392	408
Tangible fixed assets	102	80	83
Financial fixed assets	17	23	16
Inventories	312	264	258
Receivables	1,169	1,086	1,110
Liquid assets	1,111	671	1,087
<b>Total assets</b>	<b>3,104</b>	<b>2,516</b>	<b>2,962</b>
Shareholders' equity	1,549	1,343	1,445
Minority		2	0
Provisions	137	89	110
Interest-bearing liabilities	238	29	252
Interest-free liabilities	1,180	1,053	1,155
<b>Total shareholders' equity, provisions and liabilities</b>	<b>3,104</b>	<b>2,516</b>	<b>2,962</b>

## Changes in shareholders' equity

SEK M	Oct. 31, 2003	Oct. 31, 2002	April 30, 2003
Opening balance	1,445	1,272	1,272
Option premiums and warrants exercised	26	9	22
Translation differences	-2	-36	-83
Net income	80	98	234
<b>Closing balance</b>	<b>1,549</b>	<b>1,343</b>	<b>1,445</b>

## Key figures

	12 months* May-Apr 2000/01	12 months May-Apr 2001/02	12 months May-Apr 2002/03	6 months May-Oct 2002/03	6 months May-Oct 2003/04
Order bookings, SEK M	2,402	2,927	3,186	1,466	1,518
Net sales, SEK M	2,160	2,738	2,781	1,359	1,321
Operating result, SEK M	92	207	323	147	107
Operating margin, %	4	8	12	11	8
Profit margin, %	3	8	11	11	9
Shareholders' equity, SEK M	887	1,272	1,445	1,343	1,549
Capital employed, SEK M	1,178	1,313	1,697	1,374	1,787
Equity/assets ratio, %	39	50	49	53	50
Return on shareholders' equity, % **	5	13	17	14	15
Return on capital employed, % **	10	19	22	23	19

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

## Data per share

	12 months* May-Apr 2000/01	12 months May-Apr 2001/02	12 months May-Apr 2002/03	6 months May-Oct 2002/03	6 months May-Oct 2003/04
Earnings per share					
before dilution, SEK	1.52	4.66	7.29	3.07	2.45
after dilution, SEK	1.89	4.56	7.14	3.00	2.42
Cash flow per share					
before dilution, SEK	8.11	3.64	8.99	4.65	0.25
after dilution, SEK	7.90	3.63	8.81	4.54	0.24
Shareholders' equity					
before dilution, SEK	31.84	40.03	44.79	42.02	47.00
after dilution, SEK	35.03	39.89	44.58	41.89	47.00
Interest on converted debentures, net after tax, SEK M	17	3	—	—	—
Average number of shares,					
before dilution, 000s	27,854	31,048	32,019	31,859	32,600
after dilution, 000s	31,662	32,504	32,694	32,614	32,954
Number of shares at closing,					
before dilution, 000s	27,854	31,765	32,256	31,967	32,954
after dilution, 000s	31,662	33,084	32,988	33,084	32,954

\* Restated for new accounting principles for taxes.

The increase shown in 2000/01 is from debentures converted 2001. Dilution in the years after refers to warrants program 1999/2002 and 2000/2003.

## Exchange rates

Country	Currency	Average rate			Closing rate		
		May-Oct 2003/04	May-Oct 2002/03	Change %	October 31, 2003	April 30, 2003	Change %
Europe	1 EUR	9.130	9.191	-1	9.044	9.115	-1
Great Britain	1 GBP	13.012	14.483	-10	13.163	13.050	1
Japan	100 JPY	6.868	7.801	-12	7.130	6.860	4
United States	1 USD	7.980	9.507	-16	7.775	8.195	-5

### Patent dispute

On October 30, 2003, the United States Court of Appeals for the Federal Circuit announced its decision to deny the petition from Medical Instrumentation and Diagnostics Corporation (Midco), Elekta's opponent in the U.S. patent dispute, to reconsider its ruling issued on September 22, 2003.

As a result the ruling by the court, 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.

Midco may file a petition for review (certiorari) with the United States Supreme Court. Grant of this remedy is very unusual.

### Employees

The average number of employees in the Group amounted to 1,108 (991). The number of employees at the end of the period was 1,148, compared with 1,073 on April 30, 2003.

### Parent Company

Parent Company operations comprise Group management, joint Group functions and financial management. After net financial items, the Parent Company posted a loss of SEK 8 M (loss: 16). The average number of employees was 16 (15).

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

Elekta has established the financial objectives that shall form the basis of the Group's long-term financial planning for the fiscal years 2004/05 – 2006/07.

The objective for the Group's operating margin has been raised from 8–10 to 10–12 percent over a rolling 12-month period. The operating margin for individual

quarters may deviate from established objectives. The development in currency exchange rates may affect the ability to achieve the objectives during 2004/05.

The objective for the return on capital employed was raised from over 15 percent to over 20 percent.

The objectives of sales growth of 10–15 percent in local currency and equity/assets in excess of 40 percent remain unchanged.

### Future prospects for fiscal year 2003/04

Delivery volumes and, consequently, net sales, are expected to be higher in the second than in the first half of the fiscal year 2003/04.

For the full year 2003/04, Elekta expects a sales growth and an operating margin in line with the Group's financial objectives for the fiscal years 2001/02 – 2003/04, that is sales growth of 10–15 percent in local currency, and an operating margin of 8–10 percent, respectively.

### Financial information

The nine-month interim report will be published on March 10, 2004.

STOCKHOLM, DECEMBER 8, 2003

ELEKTA AB (PUBL)



Laurent Leksell,  
President

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

### Accounting principles

This report has been prepared in accordance with Sweden's Annual Accounts Act and Recommendation RR20 on Interim Reports, issued by the Swedish Financial Accounting Standards Council. The accounting principles and calculation methods applied are the same as those used in the most recent Elekta Annual report.

As of 2003, Elekta applies the Swedish Financial Accounting Standards Council's Recommendation RR 25 on segment accounting. Elekta's business operations are confined to a single operating segment, namely treatment methods for cancer and brain disorders, and reference is therefore made to the income statement and balance sheet in regard to primary segment accounting.



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