ELEKTA

ELEKTA AB (publ)

Preliminary report May 1, 1998 – April 30, 1999

- The pretax loss was SEK 140 M (252).
- Net sales for comparable units were SEK 1,884 M (1,555), an increase of 21%
- A new product program for radiation oncology, Elekta Precise Treatment System, was introduced.
- A new generation of the Leksell Gamma Knife, Model C, was launched.

This is Elekta

Elekta is a world-leading supplier of systems and clinical solutions for precision radiotherapy of cancer and minimally invasive neurosurgical treatment of disorders in the brain and spine. A new interesting indication is treatment of facial pain. Elekta's treatment methods contribute to gentle, effective care that offers improved clinical results, fewer complications and shorter periods of care.

Operations in brief

The 1998/99 fiscal year was marked by the implementation of the restructuring program initiated and launched during autumn 1997, as well as by the continuing weak healthcare market in Europe and Asia, excluding Japan. The U.S. and Japan markets continue to develop positively.

During the year, the integration of two business areas Oncology and Neuroscience commenced in an effort to utilize future synergy effects both on earnings and costs. A joint sales and service organization was established in Europe. In the U.S., three operating units within Elekta were integrated to form a single organization with its head office in Norcross, Atlanta. Joint global functions in IT and marketing communications have been established. Operations in Asia, excluding Japan, were considerably restructured in order to adapt to the continuing weak market in the wake of the economic crisis in Asia. To increase affinity and efficiency within Elekta, a personnel development program – Elekta Values – was introduced.

Product launches

During the year, Elekta introduced a new product program for radiation oncology, Elekta Precise Treatment System, which has received clearance by the FDA for marketing in the U.S. The system permits advanced and precise treatment, including the use of intensity modulated radio therapy, IMRT. Elekta Precise also includes a completely new and advanced treatment table used in patient fixation during radiotherapy.

At the end of February, Elekta launched its new generation of the Leksell Gamma Knife, model C, which has been received with great interest. The new product generation enhances the potential to optimize radiation doses, broadens the application area and shortens treatment times. The new modular version opens up the market to smaller hospitals and clinics. Furthermore existing equipment can be upgraded to the new version. The first shipments are scheduled for the end of 1999. In the beginning of June 1999, Elekta received clearance from the FDA for marketing the new product generation of the Leksell Gamma Knife in the U.S.

Cooperation

A number of cooperation programs were started during the period, notably in the area of cancer treatment. In Europe, an agreement has been concluded with GE Medical Systems for the marketing of its CT simulation system for radiotherapy of cancer. An agreement was signed with the German company, Nexus, covering the marketing of its integrated information system for patient data and scheduling and billing routines for cancer radiotherapy. An agreement was also signed with the Dutch company, Nucletron, involving the manufacture of a therapy simulator developed in cooperation with Elekta. Elekta will also have the opportunity to distribute Nucletron's products in the area of brachia therapy.

In the image guided surgery area, IGS, Elekta has commenced cooperation with the Swiss company, Medivision Advanced Support System, which specializes in orthopedics and spinal surgery. In May 1999, an agreement was signed covering the exchange of technical information with Zeiss, which permits the integration of Elekta's image guided surgery systems with Zeiss' operating microscope.

Order bookings and order backlog

The Group's order backlog amounted to SEK 1,184 M (1,066) at April 30, 1999.

The market in Europe and Asia, excluding Japan, for Elekta's neuroscience products remained weak during the year. The U.S., however, showed favorable growth and Japan continued to be stable. During the fourth quarter, orders were signed for 7 (6) Gamma Knifes, of which three were for the U.S., two for Japan, one for Latin America and one for Europe. Over twelve months, 19 (19) new Gamma Knife orders were signed, of which 10 (8) are destined for the U.S., 5 (8) for Japan, 1 (1) for Asia, 2 (0) for Africa (the Middle-East) and 1 (2) for Europe. During 1998/99, 14 Gamma Knifes were delivered compared with 17 the previous year.

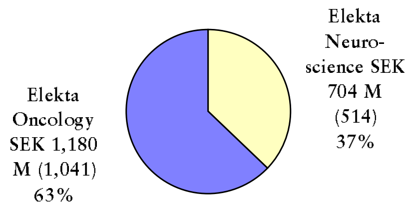
Order bookings for oncology operations progressed positively. Elekta is currently the market leader in Europe. In the U.S., Elekta is the third largest supplier after Varian and Siemens. Among other developments, a three-year agreement was signed with the University of Pittsburgh Medical Center, UPMC Health Systems, valued at USD 10 M for the delivery of linear accelerators for eight hospitals in northwestern U.S. The agreements also encompass development cooperation, which will result in new technology with higher precision in radiotherapy of cancer. In Asia, Elekta is expanding its oncology operations and the company has commenced the development of its own distribution organization in Japan for oncology products.

Net sales

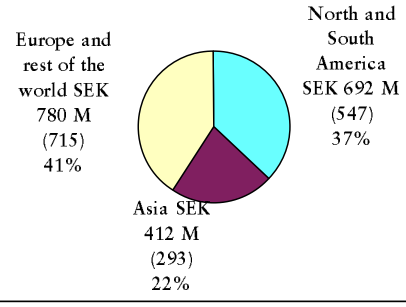
The Group's net sales amounted to SEK 1,884 M (1,852). Net sales for comparable units increased SEK 329 M, or 21 percent. SEK 43 M of the sales improvement is a result of currency development.

A notable success during the year was the sale of four magneto encephalograpic instruments (MEG), in Japan with a total value of more than SEK 100 M. These systems, which are manufactured by Finnish Company Neuromag, are distributed by Elekta in Asia and are used in studies of brain functions and diagnostics, particularly for functional disorders such as epilepsy.

Net revenues by business area, May - April 1998/99



Net revenues by geographical market, May - April 1998/99



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Result

Elekta incurred an operating loss of SEK 100 M (208), an improvement of SEK 108 M compared with the preceding period. The improvement in result compared with the preceding year is primarily attributable to the result in Gamma Knife operations. For comparable units excluding items affecting comparability, the operating loss was SEK 153 M (210).

The image guided surgery (IGS) product area reported unsatisfactory performance and posted charges against earnings in an amount of SEK 106 M. Efforts to find various forms of cooperation and alliances in the market in order to solve income and cost problems in the IGS area are continuing with undiminished efforts and are expected to be finalized during calender year 1999. External advisers have been engaged in this work.

The gross result for operations was affected by the product mix and developments in various geographic markets. Margins for Elekta oncology products remained under pressure in Europe, primarily in Germany and Italy. However, a certain improvement was noted at the end of the fiscal year. In addition, several orders taken over from Philips, which carried a slim margin, were delivered during the year. The result for the preceding year was positively affected by the completion of the delivery of a single large order to Russia for SEK 130 M with good margins. The order encompassed both the delivery of components and technical expertise for the development of cancer care in Russia.

The four MEG systems sold during the year in Japan and distributed by Electa offer lower margins than Elekta's own products.

The strategically important and considerable investments in R&D continued during the year and amounted to SEK 152 M (158). These investments are expensed as incurred and corresponded to 8 percent (9) of net revenues.

The agreement with the Philips' Radiation Therapy division from 1997 stipulated a three-year take over of Philips' operations. The take-over was accelerated and finalized as early as the end of the 1998/99 fiscal year. Of the Group's restructuring costs for the period, SEK 46 M was booked against the restructuring reserve set up in connection with the acquisition of Philips' Radiation Therapy, which amounted to SEK 7 M on April 30, 1999.

During 1998/99, surgical products for ultrasound and cryosurgery as well as implants and disposable articles for hydrocephalus, which constituted the product range of the Elekta Surgical Instrument business area, were sold. The capital gain of SEK 23 M, and the gain of SEK 30 M from the sale of Elekta's former building in Crawley, were reported as items affecting comparability.

Net financial expense amounted to a negative SEK 40 M (44). This included interest expense of SEK 55 M (52) of which negative SEK 40 M refers to convertible debenture loan. The result of participations in associated companies, totaled a negative SEK 7 M(positive 11), and exchange differences SEK 22 M (negative 3).

The loss before taxes amounted to SEK 140 M (252).

The loss after taxes was SEK 148 M (262).

The loss per share was SEK 14.08 (24.96).

Fixed assets and investments

Investments in intangible and tangible fixed assets amounted to SEK 1 M (17) and SEK 34 M (56), respectively.

Amortization of intangible fixed assets and depreciation of tangible fixed assets amounted to SEK 45 M (53) and SEK 45 M (72), respectively.

Under terms of its agreement with Philips, Elekta has received SEK 39 M in compensation for new large orders from customers in Eastern Europe that were not signed before June 30, 1998. Of this amount, SEK 7 M has been reserved for necessary restructuring, following which goodwill has been amortized in the amount of SEK 32 M.

Liquidity and financial position

Elekta's liquid assets amounted to SEK 159 (176) M on April 30, 1999.

Cash flow, after investments and divestments, amounted to SEK 235 M (-219). The sale of Surgical Instruments and the property in Crawley are included in an amount of SEK 354 M.

Cash flow from operations during the third and fourth quarter was positive and amounted during the fourth quarter to SEK 11 M. This is primarily due to the reduction in working capital as a result of a number of internal projects designed to improve internal cash flow and reduce capital employed. The positive cash flow during the year was used to amortize bank loans. Interest-bearing liabilities excluding the convertible loan amounted to SEK 189 M (823).

In June 1998 Elekta issued convertible debentures with preferential rights for the Company's shareholders. The issue, which was fully subscribed, was effected at 85 percent of the nominal amount, SEK 467 M. It provided the Group with of SEK 375 M net.

Net loan debt – interest-bearing liabilities less liquid assets – amounted to SEK 442 M (647) on April 30, 1999. The amount includes convertible loans amounting to SEK 412 M. Elekta's total available credit – liquid assets plus lines of credit granted but not utilized – amounted to SEK 160 M (203) on April 30, 1999.

The Company's net debt/equity ratio as of April 30, 1999 was a multiple of 0.77 (0.90),

Currency exposure

The sale of the company's products is conducted primarily in USD, JPY and currencies within the euro bloc. Costs are primarily denominated in GBP and SEK. The sales companies have income and costs in local currencies. Cash flow exposure is concentrated to Britain and Sweden and is reduced through forward hedging. Forward hedging is done on the basis of contracted and forecast net flows over a rolling 12-month period.

Employees

The average number of employees was 866 (1,161). The number of employees at the close of the period was 862. Since 1997 the number of employees has decreased from 1241 to 862.

An incentive program for the employees is in preparation to be introduced.

Parent Company

Parent Company operations comprise Group management and joint Group functions, as well as financial management. The Parent Company incurred a loss of SEK 93 (152) M after financial items. The average number of employees was 18 (18).

Future prospects

The impact of restructuring programs in 1998/99 will materialize in the form of improved earnings during the 1999/2000 fiscal year. The result for the first quarter is expected to be better than last year but will still show a loss. The restructuring program of business operations is continuing and is expected to result in satisfactory profitability within two years.

Proposed dividend

The Board of Directors proposes that no dividend be paid for the 1998/99 financial year.

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Annual General Meeting

The Annual General Meeting will be held on Wednesday September 22, 1999 at 3:00 p.m. at the Museum of Medical History at Karolinska Hospital, Stockholm, Sweden.

Financial reports

The three-month interim report will be issued on September 22, 1999.

Stockholm, June 15, 1999

ELEKTA AB (publ)

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INCOME STATEMENT

SEK M	May - April 1998/99	May - April 1997/98
Net sales	1,884	1,852
Cost of products sold	-1,301	-1,197
Gross income	583	655
Selling expenses	- 324	- 471
Administrative expenses	- 258	- 277
R&D expenses	- 152	- 158
Items affecting comparability	53	34
Exchange gains in operation	- 2	9
Operating loss	**- 100**	**- 208**
Financial net	- 40	- 44
Income before taxes	**- 140**	**- 252**
Taxes	- 8	- 10
Net income	**- 148**	**- 262**

CASH FLOW

Operating cash flow	-86	-136
Change in working capital	-39	-7
Cash flow before investments	**-125**	**-143**
Investments and disposals	360	-76
Cash flow after investments and disposals	**235**	**-219**

BALANCE SHEET

SEK M	30 April 1999	30 April 1998
Intangible fixed assets	504	616
Tangible fixed assets	88	292
Financial fixed assets	11	20
Inventories	227	383
Receivables	1,037	930
Liquid assets	159	176
Total assets	**2,026**	**2,417**
Shareholders' equity	576	722
Provisions	100	198
Convertible debenture loan	412	
Other interest-bearing liabilities	189	823
Interest-free liabilities	749	674
Total shareholders' equity, provisions and liabilities	**2,026**	**2,417**

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KEY FIGURES

	1994/95	1995/96	1996/97	1997/98	1998/99
Net revenues, SEK M	699	816	1,112	1,852	1,884
Operating loss, SEK M	75	50	-18	-208	-100
Operating margin	11%	6%	-2%	-11%	-5%
Profit margin	12%	8%	-3%	-14%	-7%
Shareholders' equity, SEK M	512	522	952	722	576
Caital employed, SEK M	533	564	1,653	1,545	1,177
Net debt, SEK M	- 151	3	461	647	442
Equity/assets ratio	66%	64%	34%	30%	28%
Net debt/equity ratio	0.00	0.01	0.48	0.90	0.77
Return on shareholders' equity	17%	10%	-7%	-31%	-23%
Return on capital employed	18%	13%	-1%	-12%	-5%
Per share data					
Net income					
before conversion, SEK	9.46	5.84	-5.70	-24.96	-14.08
after full conversion, SEK	9.46	5.84	-5.70	-24.96	-6.39
Shareholders' equity,					
before conversion, SEK	60.55	61.71	90.73	68.80	54.84
after full conversion, SEK	60.55	61.71	90.73	68.80	63.01
Average number of shares					
before conversion (000s)	8,238	8,461	8,631	10,497	10,497
after full conversion (000s)	8,238	8,461	8,631	10,497	15,681
Number of shares at closing					
before conversion (000s)	8,461	8,461	10,497	10,497	10,497
after full conversion (000s)	8,461	8,461	10,497	10,497	15,681