

Three months ended July 31, 2004



Interim Report

Interim report Three months ended July 31, 2004

- **Profit after taxes rose with 32 percent to SEK 54 M (41). Earnings per share before dilution increased to SEK 1.74 (1.26) and after dilution to SEK 1.73 (1.24).**
- **Operating profit increased by 42 percent to SEK 75 M (53) and the operating margin was 10 percent (9).**
- **Cash flow after investments was negative SEK 112 M (neg: 24) mainly as a result of increased tied up working capital.**
- **Order bookings amounted to SEK 688 M (835), a decline with 18 percent compared to the strong first quarter last year. At fixed exchange rates, the Group's order bookings declined 16 percent.**
- **Order backlog remains at a high level and was on July 31, 2004 at SEK 2,717 M, compared with SEK 2,728 M on April 30, 2004.**
- **Net sales rose 17 percent to SEK 717 M (615). At fixed exchange rates, net sales increased 18 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 market for Elekta's products and treatment methods continues to develop positively and Elekta is continuously strengthening its market position.

Mainly as a result of higher average age and improved diagnostics, cancer is becoming an increasingly common disease. 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.

Radiation therapy is an important weapon in the fight against cancer and it is estimated that every other patient diagnosed with cancer is treated with radiation therapy sometime during the course of the disease – either as part of a radical therapy for curative purposes, or for palliative treatment to reduce 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 is a world-leading supplier of equipment for intensity modulated radiation treatment (IMRT) and leads the development of new advanced technology for image guided radiation therapy (IGRT). Elekta is the only supplier with IGRT systems in clinical operations, which make it possible during the treatment process to

acquire high-resolution 3D CT images of the patient's internal organs. This 3D visualization (VolumeView™) makes it possible to follow the movement of organs in the body during treatment and to use radiation therapy to treat tumor diseases with very high precision. Elekta's system of image guided radiation therapy, Elekta Synergy®, also offers advanced two-dimensional visualization in single-frame images (PlanarView™) and in sequential images (MotionView™).

Elekta has taken further steps in the development of advanced treatment methods and has combined its world-leading expertise within high-precision radiation with its 30 years of experience with stereotaxy and image guidance. In May 2004 the new system, Elekta Synergy® S, for stereotactic radiation therapy was launched.

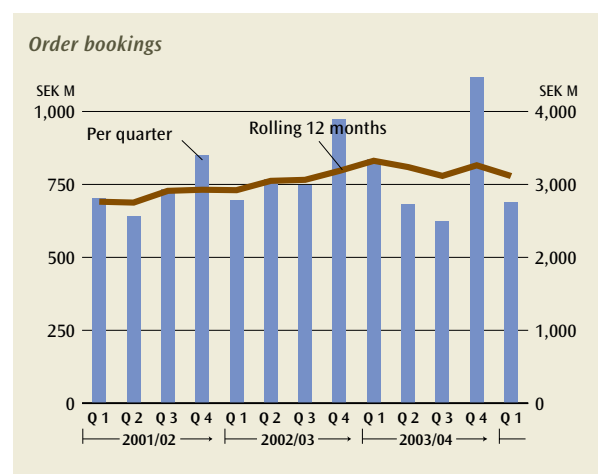
The introduction of Elekta Synergy® S with integrated highly accurate technology for ultra precise patient positioning, localization and radiation delivery together with advanced image guided radiation therapy, opens new possibilities for higher radiation doses during fewer treatment sessions.

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 benign and malignant brain tumors, vascular malformations as well as functional disorders.

In May 2004 the Leksell Gamma Knife® 4C was launched, which facilitates a more simplified and more efficient treatment flow and enhance precision through new, integrated image treatment possibilities. The new version of Leksell GammaPlan® 4C provides the users a previously unattainable possibility to integrate images from various image sources and as a result achieve higher treatment precision and improved treatment results.

Order bookings and order backlog

The total market for Elekta's products amounts to well over SEK 20 billion and is estimated to be growing by



Order bookings

SEK M	3 months 2004/05	3 months 2003/04	Change %	Rolling 12 months	Change %
Europe, Middle East, Africa	288	367	-22	1,397	1
North and South America	229	283	-19	1,011	-12
Japan	85	89	-4	225	-32
Asia excl. Japan	86	96	-10	482	5
Group	688	835	-18	3,115	-6
of which					
Oncology	432	592	-27	2,171	-4
Neurosurgery	256	243	5	944	-12

5 to 10 percent annually. The market for equipment for radiation therapy is growing fastest in the US and Asia. In the US and also in Europe, growth is being fueled by demand for new and more precise treatment methods such as IMRT and IGRT. Elekta has a leading position in IMRT and is pioneering IGRT. The demand for Elekta's products remains strong within oncology as well as neurosurgery, however with substantial business volume variations between individual quarters.

Compared with the strong first quarter 2003/04, order bookings declined by 18 percent to SEK 688 M (835). Order bookings for oncology products were to some extent impacted by the very strong fourth quarter 2003/04 and declined by 27 percent to SEK 432 M (592). Order bookings for neurosurgery products rose 5 percent to SEK 256 M (243). At fixed exchange rates, the Group's order bookings declined 16 percent, oncology was down 26 percent and order bookings for neurosurgery rose 8 percent.

Order bookings for the rolling 12 months declined by 6 percent to SEK 3,115 M.

The order backlog at July 31, 2004 amounted to SEK 2,717 M, compared with SEK 2,728 M on April 30, 2004.

Market comments

Europe including the Middle East and Africa

Order bookings in Europe, including the Middle East and Africa, amounted to SEK 288 M (367), a 22 percent decline compared to the strong first quarter last fiscal year. At fixed exchange rates, total order bookings for the region declined 22 percent and for oncology products by 26 percent.

Elekta's position on the European market is strong. The need for additional capacity for radiation therapy of cancer is substantial in most countries in Europe, where in comparison to the US the number of inhabitants per radiation therapy equipment in many cases is more than double. Many countries are continuing with current major investment programs for improved cancer care, including UK and France. Orders sprung from such programs, tend to coincide in time and are thus contributing to quarterly order intake variations.

North and South America

Order bookings in North and South America declined by 19 percent and amounted to SEK 229 M (283). At fixed exchange rates, order bookings for the region fell 15 percent. At fixed exchange rates order bookings for oncology declined by 36 percent, which in part is explained by the strong preceding quarter. Order bookings for neurosurgery rose 15 percent, based on fixed exchange rates.

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.

Radiation therapy as well as Gamma Knife® surgery are clinical activities with high effectiveness and efficiency for US hospitals and surveys indicate increased future investments in these areas.

Japan

Order bookings in Japan declined by 4 percent to SEK 85 M (89). At fixed exchange rates, order bookings were down 6 percent.

Elekta holds a strong position on the Japanese market. A relatively high penetration of the Leksell Gamma Knife® in Japan provides for a continued favorable demand for upgrades and after-market sales. This demand is expected to increase as a result of the authorities' approval of the Leksell Gamma Knife® C 1.2 that was announced in March 2004.

Asia

Order bookings in Asia, excluding Japan, declined by 10 percent to SEK 86 M (96). At fixed exchange rates, order bookings were down by 7 percent.

Demand for Elekta's equipment has developed favorably, with major interest shown by countries with strong economies in the region. The need for equipment for the treatment of tumor-related diseases is substantial in most Asian countries, and Elekta holds a strong market position.

After-market

The order intake for Elekta's products for the after-market, including service, amounted to SEK 246 M (264).

Income statement

SEK M	3 months May-Jul 2004/05	3 months May-Jul 2003/04	12 months Aug-Jul 2003/04	12 months May-Apr 2003/04
Net sales	717	615	3,002	2,900
Cost of products sold	-447	-387	-1,843	-1,783
Gross income	270	228	1,159	1,117
Selling expenses	-93	-82	-386	-375
Administrative expenses	-60	-59	-292	-291
R&D expenses	-54	-42	-230	-218
Exchange differences in operation	12	8	77	73
Operating result	75	53	328	306
Result from participations in associated companies	3	5	6	8
Interest income	5	7	25	27
Interest expenses	-3	-3	-16	-16
Financial exchange differences	-1	0	-1	0
Income after financial items	79	62	342	325
Taxes	-25	-21	-81	-77
Net income	54	41	261	248
Earnings per share before dilution	1.74	1.26	8.11	7.63
Earnings per share after dilution	1.73	1.24	8.12	7.63

Cash flow

Operating cash flow	90	70	392	372
Change in working capital	-194	-84	-34	76
Cash flow from operating activities	-104	-14	358	448
Investments and disposals	-8	-10	-83	-85
Cash flow after investments	-112	-24	275	363
External financing	3	7	-306	-302
Change in liquid assets	-105	-19	-22	64

Balance sheet

SEK M	July 31, 2004	July 31, 2003	Apr 30, 2004
Intangible fixed assets	368	402	372
Tangible fixed assets	138	89	134
Financial fixed assets	17	17	16
Inventories	340	292	311
Receivables	1,208	1,084	1,092
Liquid assets	1,046	1,068	1,151
Total assets	3,117	2,952	3,076
Shareholders' equity	1,482	1,496	1,413
Minority	177	70	158
Interest-bearing liabilities	230	248	231
Interest-free liabilities	1,228	1,138	1,274
Total shareholders' equity, provisions and liabilities	3,117	2,952	3,076

Change in shareholders' equity

SEK M	July 31, 2004	July 31, 2003	Apr 30, 2004
Opening balance	1,413	1,445	1,445
Changed accounting principle*	-2	—	—
Option premiums and warrants exercised	4	11	26
Redemption of shares	—	—	-312
Translation differences	13	-1	6
Net income	54	41	248
Closing balance	1,482	1,496	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	3 months May–Jul 2003/04	3 months May–Jul 2004/05
Order bookings, SEK M	2,402	2,927	3,186	3,262	835	688
Net sales, SEK M	2,160	2,738	2,781	2,900	615	717
Operating result, SEK M	92	207	323	306	53	75
Operating margin, %	4	8	12	11	9	10
Profit margin, %	3	8	11	11	10	11
Shareholders' equity, SEK M	887	1,272	1,445	1,413	1,496	1,482
Capital employed, SEK M	1,178	1,313	1,697	1,644	1,744	1,712
Equity/assets ratio, %	39	50	49	46	51	48
Return on shareholders' equity, % ²⁾	5	13	17	17	17	17
Return on capital employed, % ²⁾	10	19	22	20	21	21

¹⁾ Return 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	3 months May–Jul 2003/04	3 months May–Jul 2004/05
Earnings per share						
before dilution, SEK	1.52	4.66	7.29	7.63	1.26	1.74
after dilution, SEK	1.89	4.56	7.14	7.63	1.24	1.73
Cash flow per share						
before dilution, SEK	8.11	3.64	8.99	11.14	–0.74	–3.60
after dilution, SEK	7.90	3.63	8.81	11.14	–0.73	–3.59
Shareholders' equity						
before dilution, SEK	31.84	40.03	44.79	45.49	45.95	47.66
after dilution, SEK	35.03	39.89	44.58	45.49	45.84	50.03
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	32,354	31,071
after dilution, 000s	31,662	32,504	32,694	32,585	32,811	31,159
Number of shares at closing,						
before dilution, 000s	27,854	31,765	32,256	31,066	32,554	31,093
after dilution, 000s	31,662	33,084	32,988	31,066	32,954	31,853

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. Dilution in 2004/05 refers to warrants program 2001/2004.

Exchange rates

Country	Currency	Average rate			Closing rate		
		May–Jul 2004/05	May–Jul 2003/04	Change %	Jul 31, 2004	Jul 31, 2003	Change %
Europe	1 EUR	9.156	9.155	0	9.233	9.183	1
Great Britain	1 GBP	13.717	12.982	6	13.908	13.070	6
Japan	100 JPY	6.842	6.725	2	6.855	6.740	2
United States	1 USD	7.544	7.938	–5	7.663	8.103	–5

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	3 months 2004/05	3 months 2003/04	Change %	12 months 2003/04
Europe, Middle East, Africa	274	273	0	1,319
North and South America	237	209	13	868
Japan	87	46	89	303
Asia excl. Japan	119	87	37	410
Group	717	615	17	2,900
of which				
Oncology	494	414	19	1,876
Neurosurgery	223	201	11	1,024

For rolling 12 months order bookings rose 4 percent to SEK 1,069 M.

In July, Elekta commenced installations of Elekta IntelliMax™, the new and unique Intelligent Device Management (IDM)-system which creates a continuous and safe, internet-based connection between Elekta's linear accelerators and the company's service centers.

The system maximizes customers' clinical availability and performance and at the same time have a potential to improve efficiency and quality of Elekta's international service operations.

Net sales

Consolidated net sales increased 17 percent to SEK 717 M (615), mainly as a result of increased volumes. At fixed exchange rates, net sales were up 18 percent.

Net sales for oncology products increased by 19 percent to SEK 494 M (414). Net sales of neurosurgery products increased 11 percent to SEK 223 M (201).

Net sales of after-market products and services declined by 2 percent to SEK 222 M (225) corresponding to 31 percent (37) of consolidated net sales.

Result

Operating profit rose by 42 percent to SEK 75 M (53), due mainly to increased sales volumes and increased efficiency. The operating margin was 10 percent (9).

The gross margin rose to 38 percent (37).

Investments in research and development rose by 24 percent to SEK 56 M (45), corresponding to 8 percent (7) of net sales. Capitalization/amortization had a positive impact of SEK 2 M (pos: 3) on profit.

Year-on-year exchange rate movements had an adverse impact of approximately SEK 9 M on operating profit, mainly by an increase in the GBP rate and a decline in the USD rate against the SEK. Elekta hedges contracted net flows and part of expected net flows over a rolling 18-month period through forward contracts. Unrealized exchange gains, compared with currency exchange rates on July 31 for forward contracts that were not revalued in the balance sheet, amounted to SEK 26 M.

Net financial items amounted to income of SEK 4 M (9).

Net interest income declined due to lower interest income to SEK 2 M (4). Earnings from participations in associated companies amounted to SEK 3 M (5) and financial exchange rate differences to a loss of SEK 1 M (0).

Profit after net financial items totaled SEK 79 M (62). Tax expenses on the period's profits have been calculated at SEK 25 M, or 32 percent. Profit after taxes amounted to SEK 54 M (41).

Earnings per share increased with 38 percent to SEK 1.74 (1.26) before dilution and SEK 1.73 (1.24) after dilution.

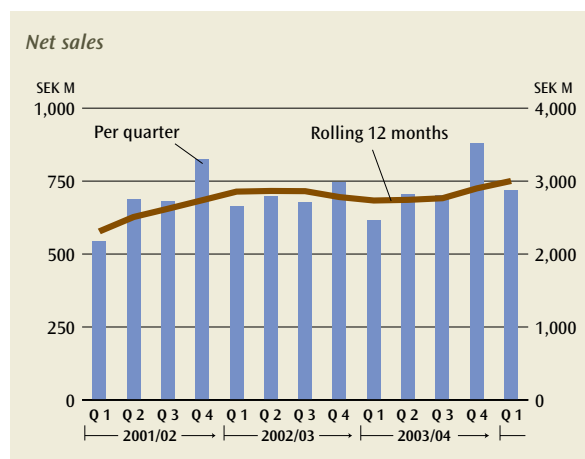
Return on equity amounted to 17 percent (17) and the return on capital employed was 21 percent (21).

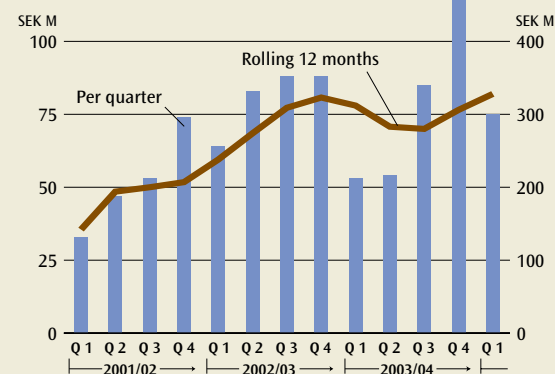
Investments and depreciation/amortization

Investments in intangible and tangible fixed assets amounted to SEK 19 M (18). Amortization/depreciation of intangible and tangible fixed assets totaled SEK 26 M (18).

Liquidity and financial position

Cash flow from operating activities was a negative SEK 104 M (neg: 14). Tied up working capital was low on April 30, 2004 when operating liabilities exceeded operating receivables by SEK 29 M. During the first quarter tied up working capital rose mainly through increased receivables and lower interest-free liabilities. Cash flow after



Operating result

investments was a negative SEK 112 M (neg: 24).

Liquid funds on July 31, 2004 totaled SEK 1,046 M, compared with SEK 1,151 M on April 30, 2004. SEK 59 M of the bank balances held was pledged, primarily for commercial guarantees.

Interest-bearing liabilities amounted to SEK 230 M, compared with SEK 231 M at the start of the 2004/05 fiscal year.

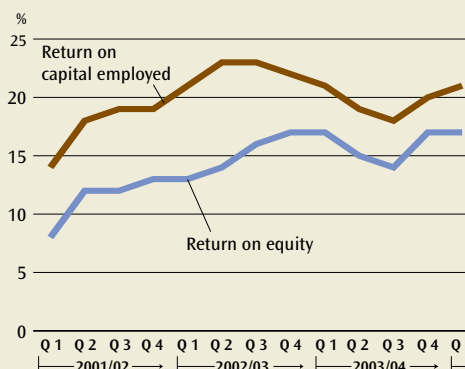
The equity/assets ratio was 48 percent.

During the first quarter of Elekta's fiscal year, 26,900 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 July 31 was 31,093,154.

Employees

The average number of employees in the Group amounted to 1,187 (1,085).

The number of employees at the end of the period was 1,197, compared with 1,170 on April 30, 2004.

Earnings ratio**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: 4). The average number of employees was 18 (16).

Future prospects for fiscal year 2004/05

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

Net sales growth for the first 6 months is expected to be in line with the Group's financial target 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 targets.

Financial information

The six-month interim report for May-October 2004 will be published on December 14, 2004.

STOCKHOLM SEPTEMBER 21, 2004

ELEKTA AB (PUBL)

Laurent Leksell,
President

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



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