



# Annual Report 2001/02



ELEKTA

# Elekta's operations 2001/02



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## Financial information

Annual General Meeting	September 30, 2002
3-month Interim report	September 30, 2002
6-month Interim report	December 11, 2002
9-month Interim report	March 2003
Preliminary report	June 2003
Annual Report	September 2003

## Other information

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Elekta is a leading international medical-technology company, offering advanced and innovative clinical solutions and services for precision radiation treatment of cancer and non-invasive radiosurgery for the treatment of brain diseases, such as tumors and vascular disorders, as well as diseases of the central nervous system, such as facial pain, epilepsy and Parkinson's. Elekta's solutions are clinically effective, cost-efficient and gentle on the patient.

Elekta was founded in 1972 by the late Professor of Neurosurgery at the Karolinska Hospital, Lars Leksell, and was introduced to the A-List of Stockholmsbörsen (Stockholm Stock Exchange) in 1994.

Elekta had sales of SEK 2,738 M during the 2001/02 fiscal year and the average number of employees was 922.

More than 95 percent of Elekta's sales are outside Sweden. The primary markets for Elekta's products are Europe and North America, followed by Asia and Japan. The head office is located in Stockholm, with regional offices in Crawley, UK; Atlanta, Georgia, US; Hong Kong, China; and Kobe, Japan. There are subsidiaries in 14 countries.





### Results from operations during the year

- Elekta achieved all operational objectives established for the period 2001–2004.
- Operating profit amounted to SEK 207 M (92), the best-ever result. Earnings were charged with SEK 53 M attributable to costs for an ongoing patent dispute in the US.
- The operating margin improved substantially to 7.6 percent (4.2).
- Order bookings were the highest ever and rose by 22 percent to SEK 2,927 M (2,402). Order bookings in the US increased by 67 percent and Elekta's market share within oncology in the US was strengthened considerably. In Europe, Elekta is the clear market leader within oncology in most markets and order bookings for neurosurgery products increased by 43 percent, with Leksell Gamma Knife® orders from two new markets. Order bookings from Asia increased by 25 percent, while Japan's order bookings declined as a result of the economic situation in the country.
- Order backlog grew by 10 percent and amounted to SEK 2,317 M on April 30, 2002, compared with SEK 2,112 M on April 30, 2001.
- Cash flow after investments was positive and amounted to SEK 113 M (226).
- Net sales rose by 27 percent to SEK 2,738 M (2,160), well in excess of the Group's target for sales growth of 10–15 percent.

- Exchange-rate fluctuations had a positive effect of 7 percent on net sales. Net sales for the aftermarket products and services increased by 23 percent and constituted 28 percent of the Group's net sales.

### Significant events during the year

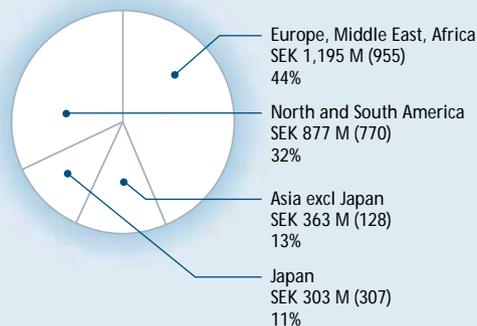
- Elekta's share price performed very positively during the fiscal year, from SEK 62 on April 30, 2001, to SEK 90 on April 30, 2002. During the 2001 calendar year, Elekta was the winner on the Stockholm Stock Exchange, with a rise of 239 percent.
- Elekta assumed the position as the world's second-largest supplier of oncology products. The Group's market position was strengthened in most markets.
- A jury in the US has entered a verdict against Elekta to pay a substantial amount for patent infringement. Elekta intends to appeal an unfavorable judgement. Elekta's opinion is that an appeal has a strong basis.
- Elekta's majority-owned subsidiary in China for the manufacture and purchase of components developed well.
- Elekta's market launch of oncology products in Japan is proceeding according to plan.
- For the second time, Elekta in the UK received the prestigious *Queen's Award for Enterprise – Innovation* from Queen Elizabeth II.

### Key data

Group	2000/01	2001/02
Order bookings, SEK M	2,402	2,927
Net sales, SEK M	2,160	2,738
Operating profit, SEK M	92	207
Operating margin, %	4.2	7.6
Return on capital employed, %	10*	19
Cash flow after investments, SEK M	226	113
Equity/assets ratio, %	39*	50
Earnings per share after dilution, SEK	1.89*	4.56

\* Restated for new accounting principles for taxes

### Net sales, May 2001–April 2002 by geographic area





*"...during the past fiscal year  
Elekta has achieved and, in most cases,  
surpassed its ambitious financial goals..."*

Laurent Leksell, President and CEO

*Leksell Stereotactic System® is a three-dimensional stereotactic localization system, which is attached to the patient's head and is used to facilitate minimally invasive brain surgery.*

# President's comments

Despite the weak international economy, demand for Elekta's products and gentle treatment methods for cancer and brain disorders was favorable, particularly in the US and Asia. The operating profit for the fiscal year was the best ever and totaled SEK 207 M, an improvement of SEK 115 M. Order bookings rose by 22 percent and net sales by 27 percent. Cash flow was positive at SEK 113 M. Elekta has practically no interest-bearing liabilities, with an equity/assets ratio of 50 percent.

It is with great satisfaction that I can state that during the past fiscal year Elekta has achieved and, in most cases, surpassed the ambitious financial objectives that were established for the 2001/02 through 2003/04 fiscal years. After reversing a loss for the 1999/2000 fiscal year into a profit for 2000/01, Elekta has entered a new era, with sustainable and profitable growth as its priority.

## Priorities and goals

During the past fiscal year, Elekta has focused all of its energy to strengthen operations and to achieve the prioritized strategic goals for the past fiscal year. The priorities were to:

- Strengthen our market positions in the US
- Increase market penetration of neurosurgical products in Europe
- Invest in continued build-up of our service and distribution organization in Japan and China
- Continue to increase aftermarket sales and improve profitability in our service operations
- Make long-term investments in research and development within radiosurgery and intensity-modulated radiotherapy of cancer (IMRT)

I am highly satisfied that all of these prioritized goals and measures were fulfilled in such a satisfactory manner.

In June 2001, we also established a number of financial business objectives for Elekta for the three-year period

from 2002 to 2004. The comparison with the results for the 2001/02 fiscal year is very positive:

## Financial objectives 2002–2004 on average

2001/02	Objectives	Results
Revenue growth of	10–15%	27%
Return on capital employed in excess of	15%	19%
Operating margin of	6–8%	8%
Equity/assets ratio of	40%	50%

## How did we fare in the past year?

Net sales, which totaled SEK 2,738 M, rose 27 percent, well above our average growth target for the 2002–2004 period of 10–15 percent. Order bookings, which were the largest ever, increased by 22 percent, amounting to SEK 2,927 M. Operating profit increased strongly and totaled SEK 207 M, an improvement of SEK 115 M, and the operating margin of 8 percent was well in line with our margin target of 6–8 percent.

As a consequence of the improved result, Elekta's share price rose during the fiscal year by 45 percent in a very weak international stock market. The Swedish stock market decreased during the same period with 19 percent.

## USA

One of the year's priorities was to strengthen our market positions in the US. Order bookings rose by 67 percent to SEK 1,247 M. We succeeded beyond our expectations, which has been very important for Elekta's overall result, and geographical mix. The US is the largest and most important market for Elekta. Elekta has been present there since 1983 and has had a very strong position for many years in the area of neurosurgery, with Leksell Gamma Knife® and other neurosurgical products.

We are now strengthening our position in oncology, radiation treatment of cancer, and succeeded during the fiscal year in considerably increasing our market shares. We segmented the

market into a number of dimensions and prioritized geographic markets under growth. We offer our customers complete solutions for technically and clinically advanced systems as well as an extensive portfolio of relevant services with high customer benefit.

## Europe

Elekta holds a very strong position in Europe. We are the clear market leader in oncology in most markets. Order bookings in the Europe region, which also includes the Middle East and Africa, were SEK 1,107 M on approximately the same level as last year. This means that Europe is Elekta's second-largest market after the US. During the preceding fiscal year, very large orders were made in the UK for radiation treatment equipment for the upgrade of cancer care, most of which were secured by Elekta. The UK market has now returned to more normal purchasing levels.

Order bookings for our neurosurgery products rose by 43 percent and we received orders for Leksell Gamma Knife from two new European countries. We installed Sweden's second Leksell Gamma Knife unit at a private hospital, Sophiahemmet, in Stockholm. Elekta's founder, Professor Lars Leksell, conducted his first clinical tests using Leksell Gamma Knife at Sophiahemmet in the 1970s.

However, sales of Leksell Gamma Knife remain sluggish in our three most important markets in Europe, Germany, the UK and France. There are only 24 Leksell Gamma Knife units installed in Europe. This compares with 71 in the US and 38 in Japan. At the end of the fiscal year, however, there were positive signs from France, where the authorities have issued permission for another hospital to procure radiosurgical equipment. The first Leksell Gamma Knife unit in France, which was installed in Marseilles in 1992, has been a major success. Important research efforts have been

## President's comments

conducted within such areas as the radiosurgical treatment of epilepsy.

Our large installed base of systems, primarily within oncology in Europe, constitutes an important opportunity for continued growth of our aftermarket sales, including technical service. Aftermarket sales grew by 27 percent.

### Asia

Our third priority for the fiscal year was to invest in the continued build-up of our service and distribution organization in China and Japan.

Elekta's strategic investment in production and purchase of components in China is proceeding well and we anticipate that our majority-owned subsidiary in China will achieve a break-even result for the current fiscal year. Elekta's presence in China through our manufacturing subsidiary also creates an important new opportunity for long-term market penetration and thereby continued profitable growth, both in new sales and aftermarket sales, including service.

China is the world's third-largest market for medical technology and Elekta has had a presence there since 1978. We therefore regard our continued activity in China as being of major strategic importance and a natural progression of our long-term presence in the growing Chinese market.

Order bookings in the Asia region, excluding Japan, increased by 25 percent and we have considerably strengthened our market share within oncology.

### Japan

Macroeconomic problems in Japan remained an obstacle to growth in this part of the world. Order bookings in Japan declined as a consequence of the economic situation in the country.

For many years, Japan has been one of our most important markets. Sales of Leksell Gamma Knife have been stable and were complemented by



sales of the magnetic encephalographs, which are distributed by Elekta. Magnetic encephalographs are used in research and diagnoses of brain disorders and the number of units sold can vary substantially between fiscal years.

The activity conducted during the year for the market launch of our oncology products proceeded well and as planned.

The large installed base within neurosurgery represents a substantial future business opportunity for profitable growth within the aftermarket segment.

### Service and aftermarket

A goal for the past fiscal year was to increase aftermarket sales and improve the profitability of our service operations. Net sales of the aftermarket products and services rose 23 percent, corresponding to 28 percent of the Group's net sales. Our long-term goal is to achieve 30 percent.

Profitability of our service improved, notably in the US. The geographic prioritization of the US market and the increasing installed base within oncology represents an important prerequisite for continued improvement.

The condition for long-term, profitable growth in the aftermarket builds on Elekta's philosophy of supplying

systems that can be upgraded and modernized with new developments, which are continuously being introduced. This provides our customers with security in that, in the future, they will also be able to work with equipment that is the best available in the market in terms of technical performance, clinical results and cost-efficiency.

Within neurosurgery, the upgrade of Leksell Gamma Knife to the latest design and reloading accounts for a growing percentage of sales.

IMRT, intensity-modulated radiotherapy, enables the radiation treatment of cancer with greater precision, thereby improving treatment results. Elekta is one of the leading suppliers of clinical solutions for this new treatment method and our large installed base of radiotherapy equipment can effectively be upgraded using the new technology.

### Research and development

Elekta is a research-intensive company and our fifth priority for the fiscal year was to make long-term investments in research and development within radiotherapy and intensity-modulated radiation treatment of cancer (IMRT).

We have recruited a large number of development engineers, who will work

with a highly interesting and intense development program under way with a number of new, exciting products emerging. During the coming fiscal year we intend to increase our investments within research and development both in absolute terms and as a percentage of sales.

### New organization

Elekta has decided to introduce a new organizational structure for the 2002/03 fiscal year, aimed at creating favorable conditions for long-term sustainable growth and profitability. The new organization is based on a strong market and customer focus and is based on Elekta's existing regional structure, which is organized as a global sales, marketing and service function. This function is coupled to a common technology development and operations function. The new organization eliminates the product focus that dominated the earlier product-area structure.

With the new functional organization, as an overall goal we want to achieve sustained profitable growth through efficient utilization of capital at all levels of the organization, among other measures, through efficient process control. Through development of competence we are also striving to strengthen our skill and our know-how to become flexible in our utilization of competence within the organization. With the new organization, the focus and result measurement will be based on geographic area and not on product area.

### 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 to pay a substantial amount for patent infringement. We and our legal counsel do not consider ourselves liable for any patent infringement and are of the opinion

that the jury verdict is incorrect. Elekta intends to appeal an unfavorable judgement to the United States Court of Appeal for the Federal Circuit and to vigorously defend itself and protect shareholder value with all legal means.

### Operations 2002/03

The priorities for the 2002/03 fiscal year are as follows:

Improved geographic mix

- Continued expansion and strengthening of market positions in the US
- Strengthened market penetration for neurosurgical products in Europe

Improved product mix

- Continued development of after-market sales in all regions
- Development of the efficiency of service operations

Long-term market expansion and growth

- Continued strengthening of operations and market positions in China
- Capitalize on growth opportunities and expand aftermarket and oncology sales in Japan

Focus on return on capital employed

- Improve processes for "time-to-market" and "time-to-customer" through new organization
- Rationalize control of capital employed and improve control of the Group's payment flows
- Better follow-up of customers' payment terms

### Financial objectives

Against the background of the positive development during the 2001/02 fiscal year, Elekta's financial objectives for the 2002–2004 have been revised.

The operating margin target has been raised from 6–8 percent on a rolling 12-month basis to 8–10 percent, excluding any costs for the ongoing patent dispute in the US. It is important to note, taking into account the

character of operations, that growth and operating margin for individual quarters can deviate from our long-term objectives. Other financial objectives and growth targets remain unchanged for the 2002–2004 period.

### Future prospects

The international business climate is still weak and difficult to assess. Our operations are also affected by changes in currency markets. Despite this, I look forward with confidence to a fiscal year with satisfactory growth and profitability in line with our long-term objectives. We have a modern product portfolio and a well-established international organization, which will become even stronger and more efficient through the planned reorganization. We have highly competent and loyal personnel. We have long-standing customers, with whom we have cooperated with over many years to jointly be able to satisfy increasingly stringent demands on good clinical solutions and cost-efficient care, all the time with the patient and quality of life in focus.

Finally, I would like to thank all of our personnel worldwide for the past year and for the highly positive team effort to which you have all contributed.

STOCKHOLM, AUGUST 22, 2002



Laurent Leksell, PhD Econ  
President



Elekta's vision:

*By working together  
we can fight serious diseases  
and enhance quality of life*

*Installation in Japan of the Elekta Precise Treatment System®  
– with digital linear accelerator, patient table and a registration  
system, iViewGT™, using semiconductor technology.*

# We have a vision

Elekta is a supplier of systems and clinical solutions for the treatment of two of the most serious diseases facing mankind – cancer and neurological disorders in the brain.

The characteristic feature of Elekta's treatment methods is that they are based on radiation and that, as a result, the treatment is non-invasive and gentle on the patient.

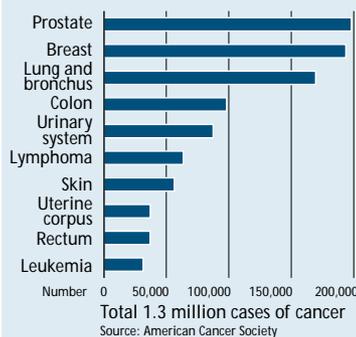
## DISEASES

### Cancer

Cancer is the second most common cause of death in the industrialized world, after cardiovascular diseases. One person in three has cancer at some point in their life. Cancer is an age-related disease – more than 70 percent of those affected by cancer are over 60.

The incidence rate for cancer – the number of new cases – is increasing rapidly, due to a number of factors.

*New cancer cases, estimate, USA 2001*



On average, people live longer, and over the next 10–20 years the age-distribution pattern will change, with a higher proportion of elderly. Improved diagnostic methods is another factor, as more cases of cancer are discovered at an early stage, increasing the chances of successful treatment.

More than 10 million people contracted cancer during 2001, and the incidence of cancer in the industrialized world is growing by 2.5 percent



annually. Estimates indicate that there will be 15 million new cases of cancer a year by 2020.

The prevalence of cancer – the total number of cases at any given point in time – is also increasing, due to the successful treatment of more patients.

The most common forms of cancer are breast cancer in women and prostate cancer in men. Combined with lung cancer and colon cancer, they jointly account for more than half the total number of cancer cases.

Elekta's treatment methods and equipment are central in cancer care. One out of two cancer patient needs radiation therapy to cure or control the disease.

### Neurological diseases in the brain

For 30 years, Elekta has been a pioneer in the radiosurgical treatment of neurological diseases in the brain. These include tumors, vascular malformations and functional disorders.

Both benign and malignant tumors exist. Benign tumors include acoustic neuroma, meningioma and tumors of the pituitary gland. These benign tumors can, however, be life threatening if not treated in time.

Malignant tumors include both

primary brain tumors, which are less common, and secondary metastases, originating in primary cancer tumors in other parts of the body. Cancer tumors in the brain occur in approximately 850 of one million individuals.

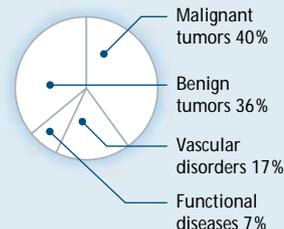
Vascular diseases in the brain are growing increasingly common. Vascular malformations in the brain may result in cerebral hemorrhage if they are not discovered.

The functional brain disorders that Elekta is working on are facial pain, epilepsy, and Parkinson's.

The treatment of facial pain, trigeminal neuralgia, has been increasing strongly, particularly in the US, and with reported favorable results.

### Neurological diseases

More than 180,000 patients have been treated by Leksell Gamma Knife. The treatments are divided between:



## Our vision

Approximately 1 percent of the world's population suffers from epilepsy. Of these, some 70 percent receive medical treatment. For the remainder, traditional surgery or radiosurgery offer promising alternatives. A European research cooperation project on the radiosurgical treatment of epilepsy has recently been completed and the publication of its final report is expected in the near future. Preliminary results have been very promising. A similar research project is under way in the US.

In the long-term, radiosurgical treatment of Parkinson's, a disease that occurs primarily among the elderly, may become an alternative to medication and surgery.

### TREATMENT METHODS

The guiding principle for Elekta's treatment methods, both for cancer and disorders in the brain, is that they should be clinically effective, cost efficient and, last but not least, as gentle as possible on the patient.

#### Radiotherapy for cancer

Current forms of treatments for cancer are radiation, surgery and chemotherapy. Elekta supplies clinical solutions for precision cancer treatment using ionized radiation, known as radiotherapy. This treatment method is the most common, the fastest growing and the most cost-efficient method for the



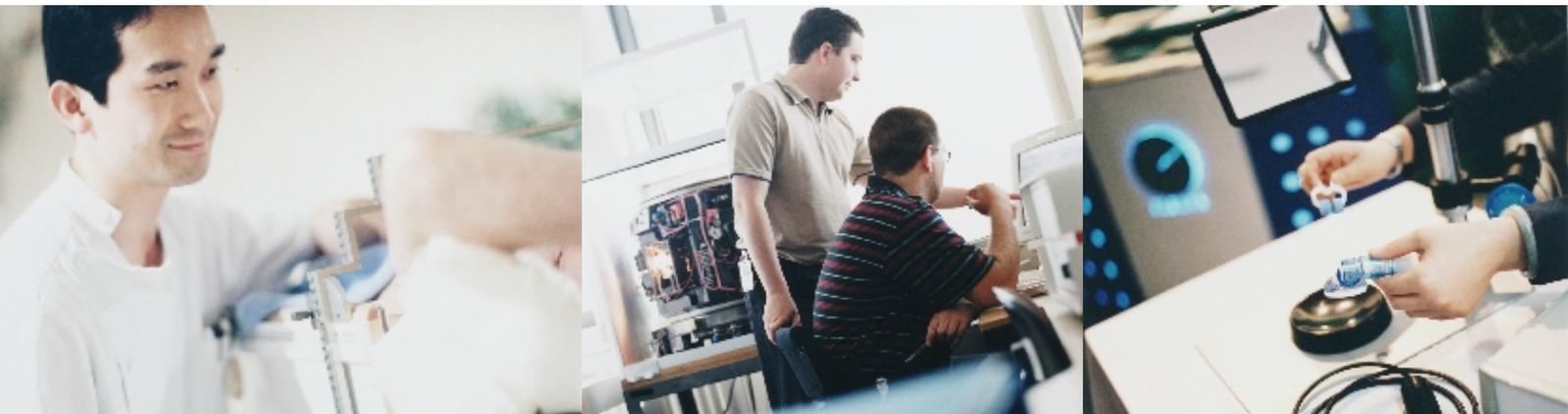
treatment of cancer. More than half of all cancer patients receive radiotherapy as the sole treatment for their cancer or in combination with surgery and/or chemotherapy. Surgery is in general twice as expensive as radiotherapy and chemotherapy is three to five times more expensive.

More precise methods of diagnosis and treatment are continuing to improve the results of radiotherapy for cancer. The goal is to subject only the cancer itself, as accurately as possible, to radiation. Surrounding, healthy tissue is to receive as little radiation as possible.

New methods of diagnosis based on magnetic resonance (MR) imaging,

computer tomography (CT), positron emission tomography (PET) and image-based real-time techniques have contributed to making it possible to identify cancer with greater certainty, at an earlier date and to determine its form, type and position.

Once the position of the cancer tumor in the body has been established, it is important that the position be altered as little as possible between one treatment session and the next. In radiotherapy for cancer, the patient normally receives six weeks of treatment, five days a week. The problem of changes in the cancer tumor's position between treatment sessions can be



solved in several ways. In the radiotherapy of lung cancer, a breathing device developed by Elekta can be used to stop the patient's respiration in a predetermined position during a few seconds while the patient is subjected to radiation. The patient then breathes normally for a short period before breathing is stopped again and a new dose of radiation is administered.

Elekta also supplies a treatment table, which is individually positioned for each patient, enabling the patient to lie in the same position for each treatment session.

The latest development in this field is to register the radiation field in relation to the position of the tumor during the treatment procedure using a solid state detector plate placed beneath the patient's transparent treatment table. Since this is carried out at the time of treatment, it is possible to adjust the positions of the tumor and the radiation field in relation to one another.

The more exactly it is possible to determine the position of the tumor the better the conditions for being able to deliver the radiation dose from the linear accelerator in a dynamic and exact manner.

The development of radiation equipment for cancer is making rapid progress. The latest development with in this field is intensity-modulated

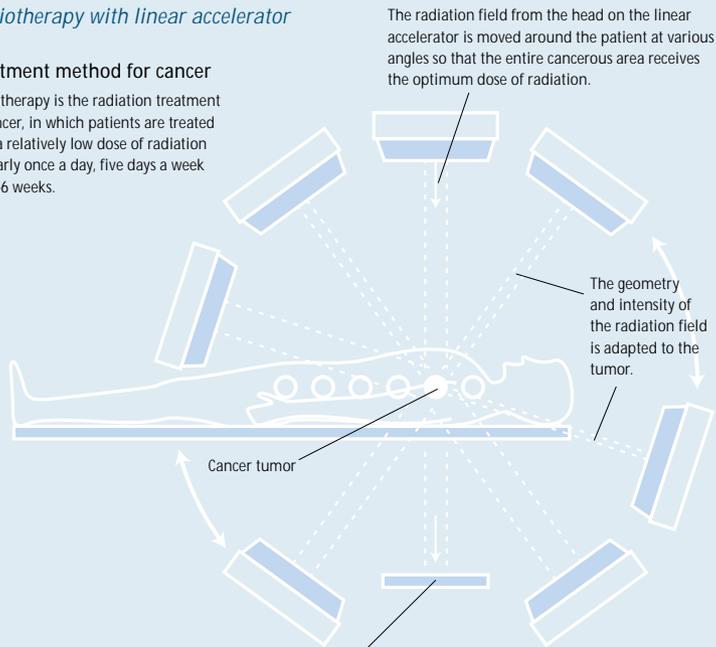


## What is radiotherapy and what is radiosurgery?

### Radiotherapy with linear accelerator

#### Treatment method for cancer

Radiotherapy is the radiation treatment of cancer, in which patients are treated with a relatively low dose of radiation regularly once a day, five days a week for 5–6 weeks.



Elekta's advanced equipment also includes a registration system, which is placed under the transparent patient table. This registers, in real time, the position of the tumor relative to the radiation.

### Radiosurgery with Leksell Gamma Knife

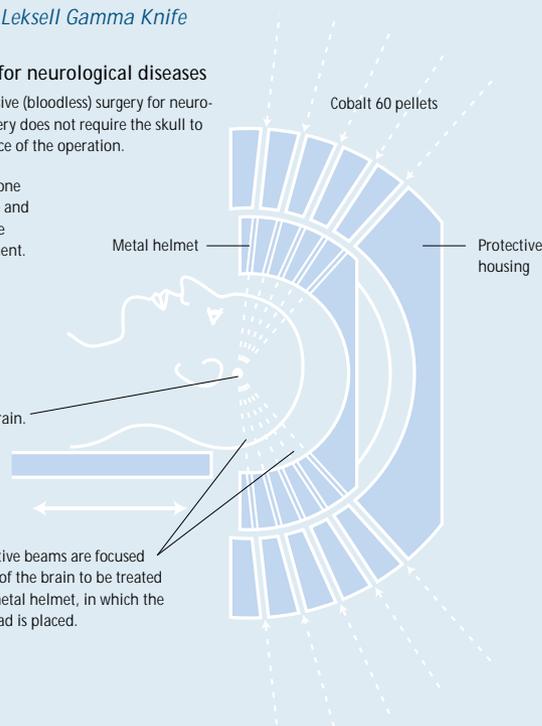
#### Treatment method for neurological diseases

Radiosurgery is non-invasive (bloodless) surgery for neurological diseases. The surgery does not require the skull to be opened for performance of the operation.

The patient is treated on one occasion with a high dose and can normally return home immediately after treatment.

The method facilitates treatment of very small targets deep within the brain.

201 radioactive beams are focused on the area of the brain to be treated through a metal helmet, in which the patient's head is placed.



## Our vision

radiotherapy (IMRT). As is the case of radiosurgery, Elekta is pioneering development of state-of-the-art clinical and technical solutions.

In summary, it can be stated that the greater accuracy with which only the actual cancer tumor can be subjected to radiation, the higher the dose of radiation that can be administered without the risk of damaging healthy tissue. At the same time, the risk for complications is also reduced. Moreover, as a rule higher doses of radiation lead to more effective treatment results.

Currently, about 30 percent of all cancer cases can be cured by radiation, surgery and chemotherapy treatment. This figure is expected to rise to 50 percent within the next 25 years. (Source: WHO, Developing a Global Strategy for Cancer).

### Radiosurgery for diseases in the brain

The founder of Elekta, the late Professor of neurosurgery, Lars Leksell made his first developments of methods for gentler and less risky brain surgery more than 50 years ago. The result was the stereotactic frame, Leksell Stereotactic System®, which today is used in most neurosurgical procedures. The metal stereotactic frame is attached to the patient's head and accompanies the patient both during the diagnostic tests preceding the surgery and during the



actual operation. The frame provides three-dimensional reference points that enable the surgeon to operate with greater precision and less invasively and thereby more gently for the patient. The stereotactic system is also a component in Professor Leksell's subsequent development, Leksell Gamma Knife.

With Leksell Gamma Knife it is possible to use high individual doses of ionized radiation with great precision to treat small, clearly defined targets of unhealthy tissue in the brain. The method is called radiosurgery and is in principle a surgical measure where the radiation dose replaces an open incision. The treatment is non-invasive in contrast with open surgery.

Open surgery involves the risk of complications. In many cases, it is also impossible to surgically treat deep-seated tumors or tumors situated close to sensitive parts of the brain such as the spinal cord or the visual and auditory cortexes. The risk of damaging other parts of the brain is excessive.

Damaged brain cells cannot be regenerated and, as a result, the damage may be permanent.

New and more precise methods for the diagnosis of brain disorders are increasing the clinical possibilities for successfully treating these severe afflictions using radiosurgery. The latest further development of Leksell Gamma Knife hardware and software has led to a considerable increase in the precision and speed of treatment using Leksell Gamma Knife.

### THE MARKET

The total annual global market for Elekta's products for cancer radiotherapy is approximately USD 1.5–2 billion, and this figure is expected to grow by 5–10 percent annually. The most rapid growth is in the US and Asia. In the US, demand for the new, more precise IMRT radiotherapy method has contributed to accelerated growth. Elekta is a leader in this field and a positive trend in the use of IMRT is also foreseen in other markets, both in the form of new sales and in the upgrading of existing equipment.

The global market is dominated by three international manufacturers of which Elekta is the second largest. In Europe, Elekta is the clear market leader in most markets and in the US the company has strengthened its market share considerably and is





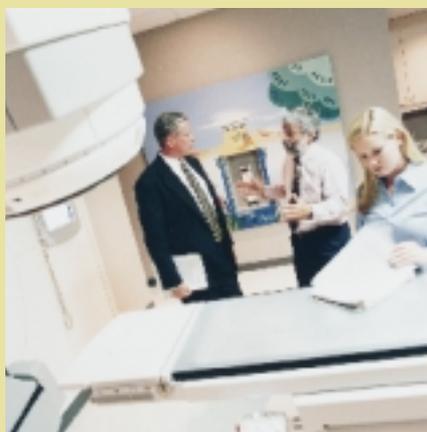
## New cooperation models open new markets

Elekta offers its customers complete treatment solutions for advanced and effective cancer care, along with an extensive portfolio of meaningful services with high customer benefit. In the U.S., Elekta has succeeded in increasing its market shares considerably in cancer radiotherapy using this market strategy.

“Free-standing” clinics for cancer radiotherapy represent a new, high-growth market segment. These relatively compact treatment centers are very open to Elekta’s total solutions – and not just the technology but also a variety of services such as business planning, building planning, financial solutions, training, expertise involving various reimbursement systems and maintenance and service.

Elekta has almost doubled its order bookings in this market segment in the US.

Elekta’s system can also be upgraded with the latest advances in technical and clinical development, making the customer’s investment future proof.

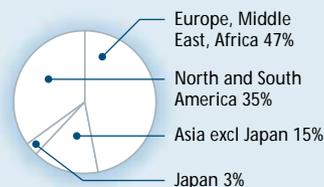


currently the second largest supplier.

In Asia, Elekta has substantially strengthened its market share in cancer radiotherapy and the year’s Japanese market launch of systems for cancer radiotherapy has developed well.

The global market for neurological surgery products, such as Elekta’s Leksell Gamma Knife and Leksell Stereotactic System, is worth approximately USD 400 M annually. Demand for Leksell Gamma Knife continues to grow. Currently, only about 20 percent of patients with brain disorders that can advantageously be treated with radiosurgery have the opportunity to receive treatment with Leksell Gamma Knife.

### Geographic market for oncology



### Geographic market for neurosurgery



The largest numbers of Leksell Gamma Knife units, both in total and in relation to size of population, are in the US and Japan. To date, Europe has significantly fewer units in relation to the number of inhabitants. In general, the alternative to radiosurgery is conventional neurosurgery.

# We strive to always be the first choice

Elekta's mission is to be the company that patients, healthcare providers, employees, shareholders and other investors first think of when seeking treatment, a supplier, employment or an investment opportunity. We should always be their first choice.

## Patients

Patients are becoming increasingly aware of the availability of different treatment methods for various conditions. Channels include different patient organizations. The development of the Internet has made it possible to search internationally for information on new methods of treatment, their clinical results and where treatment can be obtained. Elekta's treatment solutions for radiotherapy for cancer and brain disorders are available at hospitals throughout the world and have been reported to provide favorable clinical results and, in addition, are gentle for the patient.



### Radiosurgery

In radiosurgery of the brain, Leksell Gamma Knife allows procedures to be performed entirely non-invasively, without the need for opening the skull, as is the case with conventional surgery. In many cases, the patient arrives in the morning to prepare for the treatment. A metal frame, Leksell Stereotactic System, is attached to the patient's head with four metal screws and the skin where the frame is attached is locally anesthetized. As the basis for the operation, the final images of the brain are taken with the help of



magnetic resonance imaging or computer tomography. The radiosurgical operation normally takes less than an hour and is carried out completely without anesthesia. The patient can often leave the hospital the same day and return to daily life. To date, 200,000 patients throughout the world have been treated with Leksell Gamma Knife and 25,000 new patients are added each year.

The alternative to treatment with Leksell Gamma Knife is traditional surgery. A surgical intervention involves certain risks. The patient must also remain in the hospital's intensive care unit for several days and in the neurosurgical department for a further 2–3 weeks. The convalescence period may be several more months.

### Radiotherapy

More than half of all cancer patients receive radiation treatment, radiotherapy, which, like radiosurgery with Leksell Gamma Knife, represents a gentle form of treatment for the patient. The treatment normally takes six weeks, five days a week, totaling 30 sessions. Each treatment session takes less than an hour.

Elekta's equipment for cancer radiotherapy, Elekta Precise, offers patients advanced and qualified clinical solutions. Patients treated using Elekta equipment may rest assured that they have access to the very latest technical

and clinical advances in radiotherapy. Developments are moving toward increasingly precise methods of treatment where the radiation dose as precisely as possible targets the cancerous tissue, while the surrounding healthy tissue receives as little radiation as possible. This provides greater prospects that the treatment will be successful and that adverse side effects on healthy

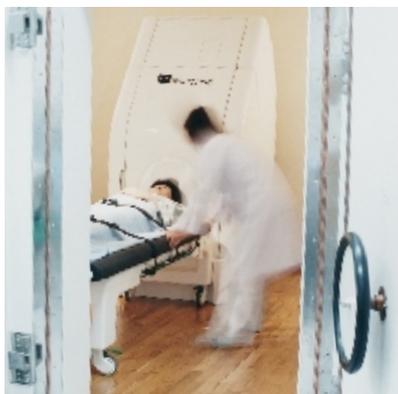


tissue are minimized. As part of the most recent development, intensity modulated radiotherapy (IMRT), Elekta has, in collaboration with a number of prominent hospitals in the US and Europe, developed new and extremely promising clinical solutions involving IMRT in the treatment of, among other areas, breast cancer, which is the most common form of cancer in women.

Elekta's equipment is ergonomically well adapted to both the patient and the staff conducting the treatment. This improves comfort for the patient and makes treatment faster and safer.

## Healthcare sector

Healthcare budgets throughout the world, both public and private, have suffered from cutbacks during recent years. This has made it necessary for the healthcare sector to establish priorities and to become extremely cost conscious. Treatment solutions are sought that are not only clinically effective and appropriate for their purpose but that are also cost-efficient. Patients' demands for the best possible clinical results and for treatment to be as gentle as possible and



available locally are increasingly affecting political decisions on healthcare and the purchase of medical-technology equipment.

Elekta's non-invasive treatment solutions, based on ionized radiation, fulfill these requirements. Normally, radiotherapy for cancer and radio-

surgery for disorders in the brain can be conducted on an outpatient basis without the need for expensive bed care in the hospital. Both treatment methods have been reported to provide highly favorable clinical results. For certain disorders in the brain, there are currently no alternatives to radio-surgery using Leksell Gamma Knife.

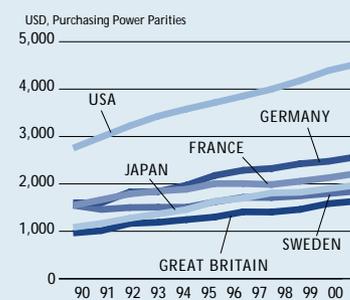
Radiotherapy is definitely the most common form of treatment for cancer and is growing even more important in pace with the introduction of clinical solutions based on the development of improved diagnostic aids and more precise radiation methods, such as IMRT.

Elekta's clinical solutions are also cost-efficient. Treatment using Leksell Gamma Knife is less expensive, both for the healthcare sector, society and, not least, the patient, than open surgical intervention. A radiosurgical treatment can normally be performed in a single day without the need for costly recuperative care. In most cases, the patient's convalescence period is very short. This can be compared with open surgery, where patients normally need several days of intensive care, followed

by 1–2 weeks on a ward and finally several months of convalescence.

The initial investment in a Leksell Gamma Knife unit is SEK 30–40 M. With current patient flows and reim-

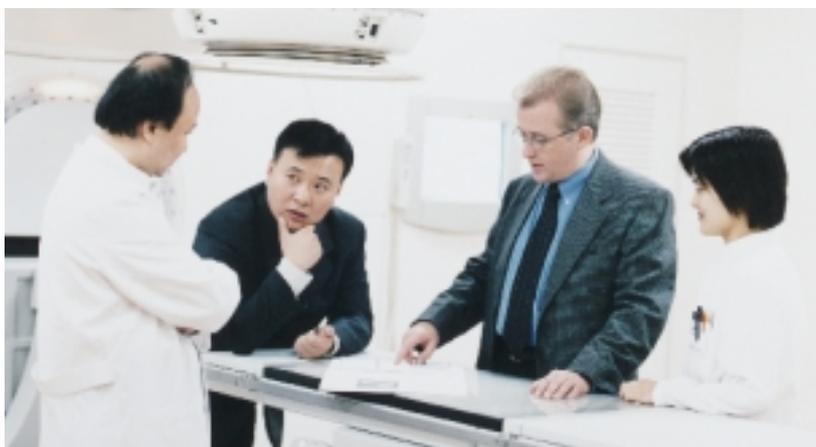
Healthcare expenditures per capita in different countries



bursement levels, that investment is normally regained in less than three years.

Comparing the three different forms of cancer treatment, radiotherapy, surgery and chemotherapy, a program of radiotherapy, with sessions five days a week for six weeks, costs approximately SEK 40,000. Surgery costs about twice as much at SEK 75,000–80,000 and a course of chemotherapy costs approximately SEK 150,000 (source: SBU report, 1996). Thus also from a cost point of view, radiotherapy offers the most effective treatment method for cancer.

Finally, it can be said that both radiosurgery for the treatment of disorders in the brain and radiotherapy for the treatment of cancer are gentle on the patient, offering a better quality of life before, during and after the treatment.



# Our mission

## Employees

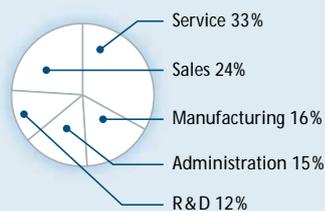
Elekta is a high-technology company, which invests heavily in research and the development of new technologies, including both hardware and software. It is also an international company with operations throughout the world.

We work with large, long-term projects where professional know-how in engineering, medicine, production, economy, training, law, management and communications is of critical importance to the success of the company. Elekta can offer its employees stimulating and exciting tasks.

Elekta is a company in which short, rapid and informal paths in the deci-

### Average number of employees, 2001/02

Total for the Group: 922 persons, of which 131 in Sweden, 205 women and with the following distribution of activities:



sion-making process inspire delegated, responsible decisions. Our employees are also offered opportunities to work abroad during shorter or longer periods.

New organization and reinforced executive committee

Elekta has decided to develop a new organizational structure during the 2002–03 fiscal year with the intention of creating conditions for long-term sustainable growth and profitability. The aim is to strengthen functional coordination and competence, as well as business process proficiency. The new organization builds on a strengthened market and customer focus and is based on Elekta's regional structure, combined into a global sales, marketing and service function. This function is coupled with a strong technical

### Elekta's organization



development and operations function.

The executive committee is reinforced and expanded from the previous four to now include seven individuals.

In the new organization, the responsibility for profitability is strongly decentralized. All responsibility for sales and profits is concentrated to the Sales, Marketing and Service function. The Technical Development and Operations function is measured on performance and cost-efficiency. Both functions are also responsible for their utilization of capital and capital-efficiency.

Elekta wants to strengthen its corporate identity and brands while ensuring the efficient utilization of resources.



With the new organization, we will achieve the following:

- Sustainable profitable growth
- Efficient capital utilization
- Customer focus
- Competitive edge
- Proficiency and competence

The structure itself forms part of the texture of an organization. Another part is how to operate and act within the framework of the structure. All Elekta employees shall strive to:

Live Elekta Values

- Trust and Reliance
- Long-term Customers
- Careful with Resources
- Stretch Boundaries
- Speed and Performance

## Shareholders

Interest in Elekta's operations and its shares increased considerably during the fiscal year. Above all, the number of foreign shareholders has increased.

Several banks and brokers monitor Elekta and write regular reports presenting analyses of the company's development.

In connection with the publication of financial reports, four times annually, Elekta arranges teleconferences with the financial markets and the media. On three or four occasions per year, the financial markets and the media are also invited to information meetings at Elekta in Sweden or at one of Elekta's foreign operations.

Elekta's senior management regularly visits investors both in Sweden and abroad, primarily in Europe and North America. Elekta also makes presentations at a number of international investor conferences.

Elekta has been listed on the Stockholm Stock Exchange A-List, under Others since 1994 and holds its Annual General Meeting in Stockholm at the end of September. During the fiscal year, Elekta's market value rose by 66 percent to SEK 2,859 M at the end of April 2002. The Elekta share price rose



## *Synergism becomes clearly evident among our employees*

The aim of the new functional organization, which is being introduced by Elekta during the 2002/2003 fiscal year, is to strengthen functional coordination and competence as well as business process proficiency. Competence development among employees strengthens their skills and know-how, adding to the flexibility of Elekta's resource utilization throughout the organization.



There are many potential synergies in Elekta's product structure, neurosurgery and oncology. The vast joint expertise in ionized radiation represents a strength that can be utilized in research and development, product planning, design, and installation, as well as in maintenance and service. This contributes to the development of the two major business processes, time-to-market and time-to-consumer. And it makes employees' tasks broader, more interesting and more variable.

It also strengthens Elekta's corporate identity – "One Elekta" for the market and internally.



by 45 percent during the fiscal year in an extremely weak international stock market. During the 2001 calendar year, Elekta was a Stockholm Stock Exchange winner with an increase of 239 percent.

### Quality

Elekta has established a quality policy which implies that Elekta shall:

- Develop and maintain a Quality System that effectively supports the implementation of the strategy, the fulfilment of business objectives and enhanced customer satisfaction
- Comply with all relevant standards, regulations and safety requirements
- Set quality objectives to ensure continual improvements of the quality management system and operational proficiency based on Elekta Values

### Environment

Elekta has an established environmental policy. The company's policy is to be an environmentally responsible organization and to continuously reduce the environmental impact of its activities and products.

Elekta shows a positive climate trend for 2000 and 2001. In an environmental audit conducted by the Folksam insurance company, companies' climate indicators were quantified, that is, their carbon dioxide emissions in relation to sales. Elekta's climate indicators decreased by 40 percent. The reduction is due to the company's efforts to improve energy efficiency by reducing consumption of electricity and fuel and by decreasing the number of business trips. Elekta is also integrating environmental considerations into its procurement of services and products from suppliers.

Folksam's climate evaluation was that Elekta conducts highly approved work on climate issues, receiving Folksam's highest, five-star ranking.

# Our strategy is to provide...

...clinically effective and cost-efficient solutions and services for improved management of cancer and brain disorders – aimed at enhanced quality of life.

Elekta's treatment methods and clinical solutions have always been developed in close cooperation with researchers in medicine and radiophysics and with clinical users throughout the world. This means that the clinical solutions that have been developed are well established among users and physicians and are supported by extensive clinical results.

#### Leksell Gamma Knife Society

A worldwide user group of neurosurgeons with practical experience of radiosurgery, Leksell Gamma Knife Society, has been in existence for many years. The members meet on a regular basis to exchange experiences and the minutes of their annual conferences are published. More than 3,000 scientific articles have been published to document the results of radiosurgery using Leksell Gamma Knife. The most recent meeting, involving nearly 400 participants, was held in Prague in May 2002, and was opened by the President of the Czech Republic, Václav Havel, who donated funds towards the first Leksell Gamma Knife unit in the former eastern block as early as in 1992. It was installed in Prague and is owned by Charta 77, a civil rights association. At this year's meeting, discussions primarily dealt with the treatment of ophthalmic indications and epilepsy. The Na Holmolce hospital in Prague, in collaboration with two other European hospitals, has participated highly actively in a research



project on the radiosurgery of epilepsy using Leksell Gamma Knife. Preliminary results have been extremely promising and the final results are to be published soon.

#### IMRT consortium

In the same spirit, Elekta initiated the formation of an international oncology consortium for the development of intensity modulated radiotherapy (IMRT) as early as 1994. The consortium consists of nine institutions in



Europe and North America. Cooperation within the consortium has generated a significant number of scientific publications and has also provided Elekta with valuable know-how about how the new and highly advanced IMRT treatment methods should be designed. Thanks to the early cooperation with clinical users, Elekta is today a leading supplier of the new IMRT technology, which makes radiotherapy of cancer more precise and thus more effective. Today, nearly all new equipment for cancer radiotherapy is delivered with IMRT. Additionally, to an increasing extent, older equipment is also being upgraded, thus obtaining the same capacity for therapy as new equipment.

#### Scientific council

To further strengthen contacts with clinical developments, Elekta has established a scientific council to the Board of Directors with two interna-



tionally renowned professors of neurosurgery and oncology as members. Consequently, Elekta receives continually advanced assessments of developments within these disciplines.

#### Cost-efficiency

Due to the rising costs of healthcare, it has grown increasingly important for the clinical solutions offered by suppliers to be not only the most favorable from a clinical viewpoint but also the most cost-efficient. Elekta meets such demands in a variety of ways. The cost of the equipment itself is continually reduced through technical development and production rationalization measures. Expanding volumes also contribute to advantages of scale in production.

Elekta's business philosophy is that all equipment delivered is capable of being upgraded as new technology is

developed. Existing installations can thus be furnished with the latest advances in technical and clinical development, enabling them to remain optimally cost-efficient and competitive. This ensures long-term security for our customers in their investment in Elekta's products.

#### Rational planning of treatment

It is also important that all activities surrounding the actual clinical treatment are as integrated as possible. Elekta offers advanced dose planning systems, such as PrecisePLAN® for three-dimensional dose planning in cancer radiotherapy and Leksell GammaPlan® for planning of interventions using Leksell Gamma Knife. Using Elekta's planning and control system, Desktop, staff's access to patient data, clinical data and treatment data is simplified, leaving them with more time for the patient and the actual clinical treatment. Elekta's network solution, PreciseNET™ integrates not only activities within the hospital's radiotherapy unit, such as diagnosis, simulation, treatment and verification, but also the hospital's other information systems for scheduling, invoicing and patient data. Such integration is particularly important in cancer radiotherapy where patients undergo repeated treatment sessions each day for many weeks.

#### ...progressive and pioneering technology for precise radiation based on minimally invasive techniques

Elekta invests an average of about 7 percent of its annual sales in research and development. Two years ago, Leksell Gamma Knife C, a new product generation in radiosurgery, was introduced. Among other new features this refinement of Leksell Gamma Knife offers a completely new function, Automatic Positioning System (APS).

In cancer radiotherapy, Elekta has invested substantially in research and development in IMRT, intensity-modulated radiotherapy of cancer.



#### Radiosurgery

In radiosurgery with Leksell Gamma Knife, 201 radioactive cobalt-60 beams, which are distributed through a spherical metal helmet attached to the patient's head, are focused with great precision on the area in the brain to be treated. The point at which these beams converge is called the isocenter, at which the intensity of the combined radiation dose becomes very high. The intensity of each of the 201 beams is so low that they are able to pass through the brain without affecting tissue until reaching the isocenter where they converge.



## Our strategy is to provide...



In Leksell Gamma Knife, the 201 radioactive cobalt-60 pellets are encapsulated in a radiation protected steel construction, which results in the equipment weighing approximately 18 tons.

During each radiosurgery treatment with Leksell Gamma Knife, the patient normally receives several radiation doses. To effectively radiate a tumor or a vascular malformation, the isocenter of the beams is moved slightly between the radiation doses to provide an optimum dose of radiation. The moving of the isocenter of the radiation dose is achieved by moving the patient's head slightly and with great precision. In treatment using Leksell Gamma Knife C, this minimal movement is achieved with the automatic positioning system, APS. All of the necessary movements of the patient's head are programmed prior to the treatment, which is then



controlled entirely automatically via the computerized APS system. These movements were previously conducted manually by the surgeon between each new isocenter setting. APS provides unmatched precision in the radiosurgery treatment of neurological disorders. APS also results in reduced treatment times, as well as simplified and more secure clinical treatment planning.

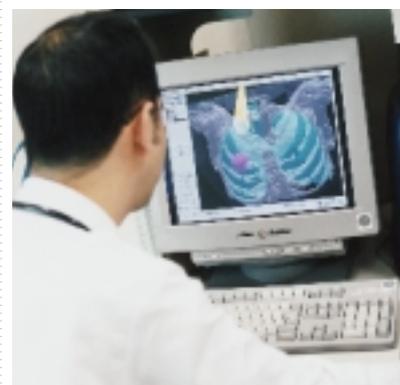
### Radiotherapy

In cancer radiotherapy using a linear accelerator, the patient receives repeated treatment sessions during several weeks. Compared with radiosurgery using Leksell Gamma Knife, where a high dose is used on a single occasion, the radiation doses in radiotherapy are relatively small. The linear accelerator's radiation head can be rotated around the patient, delivering radiation from various angles. This is necessary to avoid subjecting healthy tissue to radiation. Before the treatment commences, a simulation is conducted using normal x-ray radiation. This is done in special simulators, constructed in largely the same way as the actual treatment instrument, the linear accelerator.

Elekta's drive in the field of IMRT has resulted in the Company today holding a strong position in this new and highly promising form of cancer radiotherapy. This advanced technology

Precise Beam™, which increases the precision of radiotherapy in the treatment of cancer, has been developed by Elekta in close cooperation with several leading cancer hospitals in Europe and the US.

IMRT makes it possible to adjust the linear accelerator's radiation dose to the three-dimensional shape and radiation sensitivity of the tumor with greater precision. With the aid of increasingly better image-based diagnosis methods, the beam intensity to various parts of a cancer tumor can be calculated more exactly, making it possible to achieve the optimum clinical result. The various parts of a tumor have different concentration of cancer cells and, consequently, different radiation doses are required. As a result of being able to



deliver doses to the diseased area with increased precision, treatment can be administered more aggressively, without damaging healthy tissue, and with significantly improved results.

In addition to a modern digital linear accelerator system with IMRT technology, the Precise Treatment System™ and the PreciseSIM® simulation system, Elekta offers equipment that makes it possible to more precisely determine and verify a tumor's position between treatment sessions.

Precise Table is an advanced treatment table for highly accurate positioning. It is also very comfortable, both for the patient and the staff performing the treatment.



## *Manufacture where it is best and least costly*

Elekta's manufacturing strategy for its products and systems is to make widespread use of sub-suppliers and thus attain maximum flexibility and the most cost-effective results without having to invest in large, high-cost manufacturing facilities.

The manufacture of Leksell Gamma Knife has been conducted for many years by a Swedish sub-supplier. This process requires expertise in heavy mechanical engineering – the Leksell Gamma Knife unit weighs 18 tons – as well as extremely high mechanical precision. Advanced know-how in software systems is also required.

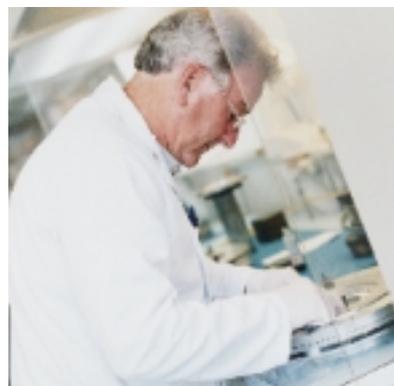
The production of equipment for cancer radiotherapy is conducted in Elekta's manufacturing plant in Crawley in the UK, where systems are assembled and tested prior to shipment. Manufacturing operations here involve only a few key components.

Elekta has carried out a strategic investment in component production and procurement in China through its majority-owned subsidiary in Shanghai. China is the world's third largest market for medical technology and Elekta has been active there since 1978. This investment is a natural progression of the Company's presence in the expanding Chinese market and expands Elekta's supplier base.



Stereotactic Body Frame® is a reference system, individually tailored for each patient, which makes positioning of the patient more precise from one treatment session to the next.

One problem faced by cancer radiotherapy is the fact that the organ being subjected to radiation moves with the patient's breathing. Elekta offers equipment that provides a solution to this, the Active Breathing Coordinator™. With this equipment, breathing is stopped for short intervals while the cancer is subjected to radiation. The position of the target organ is thus more alike for each radiation dose, thus increasing the treatment's precision. The method has been tested in radiotherapy of the liver and the spleen as well as in Hodgkin's disease.



iViewGT™ is a new, advanced registration system based on semiconductor technology instead of X-ray film. During the entire radiation treatment the position of the tumor in relation to the radiation beams can be checked. The semiconductor plate is placed under the transparent patient table and registers the radiation that is delivered from the linear accelerator and which has passed through the patient. If necessary, the position of the radiation field relative to the tumor can be adjusted based on the information provided by the registration system.

# Our strategy is to provide...

## ...excellence in customer service and support

An important competitive factor related to the delivery of advanced medical technology equipment is to constantly provide good service and support to customers using products from Elekta.

### Service

Elekta focuses strongly on the development of its customer service. Geographic coverage is an important factor and Elekta has built out and coordinated its international service network. Through its new, functional organization, which is being implemented, a joint service organization for all products will be introduced. Through the cross-fertilization between various product competencies that is thereby conducted, Elekta's service operations will be made increasingly efficient to the benefit of both Elekta and its customers. Elekta also uses advanced IT solutions increasingly to improve the efficiency of its global service operations.

## Training

A highly significant factor in customer support is training of personnel to handle Elekta's various equipment. Elekta maintains five training centers in Europe, four in the US and one in Asia for users of Leksell Gamma Knife. Neurosurgeons, physicists and oncologists experienced with Leksell Gamma Knife and experts from Elekta participate as teachers and instructors.

The training of personnel who work with Elekta's equipment for radiotherapy of cancer is conducted at Elekta's facility in Crawley, outside London, in the UK.

More than 1,000 students receive training on Elekta's equipment each year.

## Financing

Elekta's clinical solutions are highly cost-efficient. Leksell Gamma Knife normally pays for itself in less than three years. However, lack of capital can sometimes make it difficult to make investments in capital equipment in the healthcare sector. Elekta has good possibilities to assist customers in finding different financial solutions through leasing companies, banks and other associates.

## ...operational proficiency based on Elekta Values

Elekta has a streamlined and strategically focused organization based on a strong market and customer focus, which creates favorable conditions for long-term and sustainable growth and profitability.

Modern information technology has been introduced throughout the Group to enhance internal operations. The Internet and interactive websites facilitate faster and more efficient contact with patients, customers, employees and the stock market.

All of us at Elekta have a sense of our vision – *By working together we can fight serious diseases and enhance quality of life.*





# Financial risk management

Financial risk is handled within the framework of a policy established by the Board of Directors.

## Financing and liquidity risk

Financing and liquidity risk is defined as the risk of not being able to meet current payment obligations due to insufficient liquidity or difficulties in raising external financing. Elekta endeavors to maintain readily available funds equal to at least 10 percent of net sales. On April 30, 2002, available funds amounted to SEK 535 M, which was higher than established targets. In addition to available funds, on April 30, 2002, Elekta had SEK 63 M invested as collateral for bank guarantees issued.

## Interest risk

During the past year, Elekta's business generated a positive cash flow. At year-end, liquid funds accounted for 21 percent of the Group's total assets. Liquid funds invested have generated a return that corresponds to the interest on government securities in the Swedish money market.

On April 30, 2002, the gross loan liability amounted to SEK 35 M, of which SEK 25 M pertained to financial leases.

## Currency risks

As a result of Elekta's international operations and structure, the Group is considerably exposed to exchange rate fluctuations. This concerns both flows in different currencies and translation of foreign subsidiaries' profits and net assets into Swedish kronor.

## Transaction exposure

The Group's products are sold mainly in USD and EUR. Expenses are mainly in GBP and SEK. The revenues and expenses of the sales companies are in local currencies. The Group's net sales and expenses in 2001/02 are shown in the diagram below, which also illustrates the Group's long-term currency sensitivity.

Elekta's policy is to hedge the currency risk in commercial flows using forward contracts or options, where the extent is determined by Elekta's own risk assessment. Hedging is conducted on the basis of contract net flows over a rolling 18-month period. Hedging is carried out to secure the profit on the existing order backlog and to reduce the effects of short-term fluctuations in the currency markets.

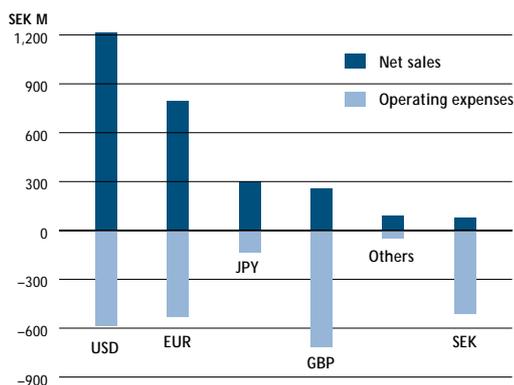
## Translation exposure

Elekta Group shareholders' equity is affected by currency translation differences. In accordance with Elekta's financial policy, no equity hedge is undertaken using futures or other derivatives, since such instruments affect the cash flow at renewal, thus increasing financing and liquidity risk.

## Customer financing

Elekta's customers often require some form of financing solution when investing in capital-intensive equipment. As the market for medical technology equipment has grown, Elekta has developed various forms of financing solutions. Elekta offers both traditional financing forms – through export credits or various leasing products, for example – and more sophisticated “fee-for-use” arrangements. Customer financing is done through banks, leasing companies and other external sources including development banks and foreign aid agencies.

NET SALES AND OPERATING EXPENSES BY CURRENCY



# Board of Directors' Report\*

## Operations

Elekta is a leading international medical-technology company, offering advanced and innovative clinical solutions and services for precision radiation treatment of cancer and for minimally invasive neurosurgical treatment of disorders of the brain. Elekta's solutions are clinically effective, cost-efficient and gentle on the patient. More than 95 percent of the Company's sales are outside Sweden.

## Market trend, order bookings and order backlog

Order bookings were the highest ever, rising 22 percent to SEK 2,927 M (2,402). Orders for neurosurgery products increased 23 percent, to SEK 1,026 M (836), and orders for oncology products rose 21 percent, to SEK 1,901 M (1,566).

The Group's order backlog increased 10 percent and amounted on April 30, 2002 to SEK 2,317 M, compared with SEK 2,112 M on April 30, 2001.

### Europe, the Middle East and Africa

Orders booked in Europe, the Middle East and Africa were SEK 1,107 M (1,103), approximately the same level as the preceding year. During the preceding fiscal year, very large orders were placed in the UK for radiation treatment equipment for the upgrade of cancer care, most of which were secured by Elekta. The UK market has now returned to more normal purchasing levels. Elekta is clearly market leading in oncology in most markets in Europe. Order bookings for neurosurgery products rose significantly in Europe, with order for Leksell Gamma Knife being received from two new markets. Demand for aftermarket products developed favorably.

### North and South America

Order bookings grew sharply in both oncology and neurosurgery. This was true for new sales as well as upgrades and service. Order bookings in North and South America amounted to SEK 1,247 M (748), an increase of 67 percent. Elekta's market share in oncology was considerably strengthened. The operations also demonstrated improved efficiency and productivity.

### Japan

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

### Asia

Order bookings in Asia increased by 25 percent to SEK 356 M (285). China represents a huge market potential, and Elekta strengthened its market share there considerably.

\* In addition to these pages, the Board of Directors' Report comprises the comments on the Company's results and financial position provided in the Notes to the Financial Statements and the Statement of Changes in Financial Position. (See pages 27, 29, and 31.)

## ORDER BOOKINGS

SEK M	2001/02	2000/01	Change, %
Europe, Middle East, Africa	1,107	1,103	0
North and South America	1,247	748	67
Japan	217	266	-18
Asia excl Japan	356	285	25
Group	2,927	2,402	22
of which:			
Oncology products	1,901	1,566	21
Neurosurgery products	1,026	836	23

Elekta's strategic investment in production and purchasing of components in China developed favorably and is expected to reach break-even in the 2002/03 fiscal year. Elekta's presence in China in the form of a majority-owned subsidiary also strengthens the outlook for long-term market penetration and profitable growth.

## Net sales

The Group's net sales increased 27 percent, to SEK 2,738 M (2,160), well above the Group target of a sales growth of 10–15 percent. Exchange-rate fluctuations had a positive effect on net sales of 7 percent. Net sales rose 7 percent to SEK 890 M (833) for neurosurgery products, and 39 percent to SEK 1,848 M (1,327) for oncology products.

## Results

Operating profit rose by SEK 115 M to SEK 207 M (92). The improvement is primarily attributable to an increase in volume and product mix. The operating margin improved to 8 percent (4), which is in line with the Group's financial target of an operating margin of 6–8 percent. The ongoing patent dispute in the US created SEK 53 M in costs, which were charged to the operating result.

Net financial items amounted to income of SEK 14 M (expense: 23). Net interest expense amounted to SEK 2 M (35), of which SEK 5 M (25) pertained to a convertible debenture loan. Profit from participations in associated companies amounted to SEK 12 M (loss: 1) and foreign exchange differences amounted to SEK 4 M (13).

Pretax profit was improved to SEK 221 M (69), and after-tax profit 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.

The return on shareholders' equity amounted to 13 percent (5) and the return on capital employed was 19 percent (10), which is well in line with the Group's target for return on capital employed, that is, above 15 percent.

## Investments and depreciation

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

# Board of Directors' Report

## 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 carryforwards 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.

## Liquidity and financial position

The cash flow before investments was positive in the amount of SEK 137 M (268). The cash flow after investments and divestments amounted to SEK 113 M (226).

Liquid assets as of April 30, 2002 amounted to SEK 536 M, compared with SEK 434 M on the year-earlier date. SEK 63 M of the Company's bank deposits was pledged, primarily for guarantees of customer advances received.

Other interest-bearing liabilities, mainly finance lease liabilities, declined to SEK 35 M (47).

The equity/assets ratio amounted to 50 percent. The Group's equity/assets target is 40 percent.

Of the outstanding convertible debenture loan in a nominal amount of SEK 233 M, SEK 229 M has been converted. The remaining SEK 4 M was repaid on December 31, 2001. The conversion resulted in 3,808,250 new Series B shares.

During the third and fourth quarters, 102,800 new Series B shares were subscribed for as a result of managers and key personnel in the Group exercising warrants allocated to them within the framework of the established stock options program. On July 31, the total number of shares amounted to 31,880,467.

## Sensitivity analysis

Elekta's gross margin, defined as revenues less costs of products sold, can vary substantially from one period to another, depending on delivery volume and product mix. Margins on products that Elekta only distributes, magnetic encephalographs, MEG and others are lower than the margins on proprietary products. Also the margin between proprietary products varies. During the year, Elekta had a gross margin of 38 percent (35).

Elekta's net sales for future 12-month period are determined mainly by the current order backlog. Delays in delivery dates are relatively common but can be offset by orders with shorter delivery time that are received during the year.

Most of Elekta's costs are incurred in SEK and GBP, while revenues are denominated mainly in USD and EUR. A general change of one percentage point in the value of the SEK relative to the other currencies affects Group income by approximately SEK 6 M. Hedging is carried out using forward contracts over a rolling 18-month period.

## New accounting recommendation for intangible assets

The Swedish Financial Accounting Standards Council has

released a new recommendation regarding intangible assets, RR15. The recommendation is to be applied in fiscal years from and including January 1, 2002. The recommendation, which involves a change in accounting principles for development for Elekta, will be applied for the first time in the three-month interim report for the 2002/03 fiscal year. According to the transition rules, no retroactive adjustment is made in connection with this change of accounting principle.

## Research and development

The objective of the R&D program is to confirm and advance Elekta's position as a leading player in neurosurgery and precision radiation as well as radiotherapy. During the year SEK 144 M, equal to 5 percent of net sales, was invested in areas such as the following

- Developing minimally invasive and cost-efficient technologies for high-precision treatments and radiosurgery. Transfer knowledge in stereotaxy and precision radiation to the field of cancer care, where there are still good opportunities to make substantial progress
- Developing products and methods in the oncology program that offer higher precision as well as improved clinical results – such as IMRT. This involves both software applications and new equipment. The objective is to achieve increased radiation of tumor tissue while shielding adjacent healthy tissue from damage
- Within the R&D operations clinical research is also conducted jointly with external institutions and Elekta's customers in each area of research

## IT

Access to pertinent information is of critical importance for reaching the Group's growth and profitability targets. The objective is to further improve productivity and cost-efficiency through better process control and greater use of information technology and information systems.

The use of IT support is being increased in all operating areas. Elekta has continued its investment in efficient communications and systems solutions in order to be able to handle these information needs. The IT architecture is being continuously expanded to support business processes, productivity and competitiveness.

## Quality

Elekta works determinedly to develop and ensure the quality of all processes within the Group. The quality-control program also ensures that all relevant requirements set by public authorities are met. All of Elekta's development and production units are certified in accordance with applicable ISO 9000 and EN 46000 standards. Elekta meets the requirements that various supervisory authorities have established for companies in the field of medical technology.

## Personnel

The average number of employees in the Group was 922 (807), a 14-percent increase, which accords with the plans for the

fiscal year. At the end of the fiscal year the Group had 989 employees, compared with 854 as of April 30, 2001. The increase in the number of employees occurred primarily in research and development, as well as in the marketing and service organization.

A proposal of the Board of Directors for another options program for managers and key personnel was approved at the General Meeting of shareholders on September 27, 2001. The program comprises a maximum of 900,000 options to subscribe for Series B shares issued by Elekta AB (publ).

### New organization

During fiscal 2002/03, Elekta will introduce a new functional organizational structure. The new organization is based on Elekta's regional structure, which will be organized on the basis of a global sales, marketing and service function. This function will be coupled with a common technology development and operations function.

### Parent Company

The Parent Company's operations consist of Group management and the handling of Group-wide functions, as well as financial administration. Income of the Parent Company, before taxes, amounted to SEK 53 M (25). Figures include dividends of SEK 80 M (50) from subsidiaries. The average number of employees was 13 (13).

### 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 judgement 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.

### Work of the Board of Directors

Since the General Meeting of shareholders on September 27, 2001, when Tommy H. Karlsson was elected to the Board of Directors, the Board has consisted of five members.

A presentation of these members appears on page 43.

At the organizational meeting of the Board of Directors on September 27, 2001, Akbar Seddigh was reelected Chairman of the Board. The Board held 8 (10) recorded meetings during the fiscal year. Among other matters, the Board has dealt with strategy and objectives for the business, research and development strategy, long-term financing and risks, the budget, the financial statements and major investments. During the year representatives of Group management have participated in Board meetings to report on matters in their respective areas.

The Board of Directors' procedures, modes of operation, composition and expertise requirements are discussed during at least one Board meeting. Candidates for nomination to the Board are identified through direct contacts between the Chairman of the Board and major shareholders in the Company. In 2002, discussions were held with shareholders that together represent 49 percent of the voting rights and 33 percent of the capital.

The Board deals with accounting and auditing issues at its regular meetings. Elekta's external auditors present their observations from the annual audit and their views on the control and monitoring system, and report on and discuss the Group's accounting principles, in at least one meeting per fiscal year.

In accordance with special instructions established by the Board, a committee of the Board deals with and decides the Company's compensation philosophy, bonus system and other similar forms of compensation. Compensation for the President is prepared by the committee but decided by the Board. The members of the committee are Akbar Seddigh and Laurent Leksell, with participation by the vice president human resources.

### Future prospects

Due to the positive trend during the fiscal year, Elekta's objectives for the 2002–2004 period has been changed. The operating margin objectives have 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 these objectives. Other financial and growth targets remain unchanged for the 2002–2004 period.

### Dividend proposal

The Board of Directors recommends that no dividend be paid for the fiscal year 2001/02.

# Income statement

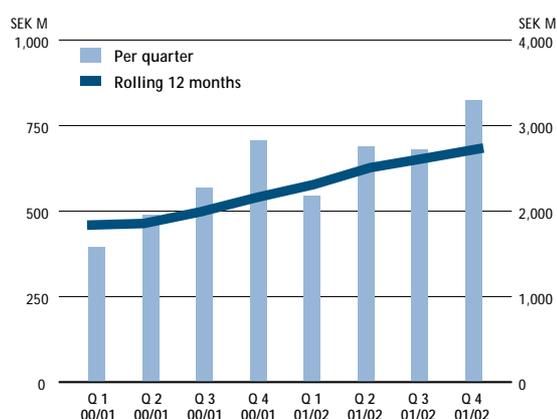
SEK M	Note	GROUP		PARENT COMPANY	
		2001/02	2000/01	2001/02	2000/01
Net sales	1	2,738	2,160	—	—
Cost of products sold		-1,698	-1,402	—	—
<b>Gross profit</b>		<b>1,040</b>	<b>758</b>	<b>—</b>	<b>—</b>
Selling expenses		-367	-320	—	—
Administrative expenses		-315	-238	-51	-36
R&D expenses		-144	-127	—	—
Currency exchange differences in operations		-7	19	—	—
<b>Operating profit/loss</b>	19-21	<b>207</b>	<b>92</b>	<b>-51</b>	<b>-36</b>
Income from participations in Group companies	2	—	—	100	50
Income from participations in associated companies	3	12	-1	—	—
Interest income	4	17	7	26	30
Interest costs and similar profit/loss items	4	-19	-42	-12	-34
Financial currency exchange differences		4	13	-10	15
<b>Profit after financial items</b>		<b>221</b>	<b>69</b>	<b>53</b>	<b>25</b>
Taxes	5	-78	-29	2	-6
Minority shares		2	2	—	—
<b>PROFIT FOR THE YEAR</b>		<b>145</b>	<b>42</b>	<b>55</b>	<b>19</b>
Earnings per share before dilution, SEK		4.66	1.52		
Earnings per share after dilution, SEK		4.56	1.89		

## COMMENTS ON THE INCOME STATEMENT

### Net sales

The Group's net sales increased by 27 percent to SEK 2,738 M. The number of systems delivered for neurosurgery and cancer care increased during the year. Net sales of products and services for the aftermarket increased by 23 percent to SEK 778 M (632), corresponding to 28 percent (29) of Group net sales.

#### NET SALES



#### NET SALES

SEK M	2001/02	2000/01	Change, %
Europe, Middle East, Africa	1,195	955	25
North and South America	877	770	14
Japan	303	307	-1
Asia, excluding Japan	363	128	184
<b>Group</b>	<b>2,738</b>	<b>2,160</b>	<b>27</b>
of which:			
Oncology products	1,848	1,327	39
Neurosurgery products	890	833	7

### Result

Operating profit rose SEK 115 M to SEK 207 M (92). The improvement was due primarily to higher volumes and product mix.

Gross margin was affected sharply by volumes and product mix. As a result of higher capacity utilization and better product mix, gross margin advanced to 38 percent (35).

Administrative expenses include SEK 53 M for costs relating to an ongoing patent dispute in the U.S.

Elekta's neurosurgery products are produced on sub-contract in Sweden, while the core oncology products are assembled and tested by Elekta in the UK.

Purchases of products, materials and consumables constitute the single largest cost item, accounting for 47 percent of the Group's total operating costs. Payroll costs rank second at 28 percent.

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

Net interest expense declined by SEK 33 M to SEK 2 M (35), of which SEK 5 M (25) pertained to the convertible debenture loan.

Profit after financial items improved by SEK 152 M, to SEK 221 M (69).

Tax expense amounted to 35 percent (42). Of the tax expense of SEK 78 M, SEK 65 M consisted of deferred taxes, mainly from the utilization of loss carryforwards.

Profit for the fiscal year amounted to SEK 145 M (42).

#### OPERATING RESULT

	Net sales SEK M	Change %	Operating result, SEK M	Operating margin, %
1st quarter	544	38	33	6
2nd quarter	688	40	47	7
3rd quarter	681	20	53	8
4th quarter	825	17	74	9
Full year 2001/02	2,738	27	207	8

#### OPERATING RESULT



# Balance sheet

SEK M	Note	GROUP		PARENT COMPANY	
		Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
<b>ASSETS</b>					
Intangible fixed assets	6	388	415	—	—
Tangible fixed assets	7	87	94	—	—
Financial fixed assets	8	22	18	981	957
<b>Total fixed assets</b>		<b>497</b>	<b>527</b>	<b>981</b>	<b>957</b>
Inventories	9	269	224	—	—
Receivables	5, 10	1,234	1,086	398	312
Current investments	11	—	6	—	6
Cash and bank		536	428	59	41
<b>Total current assets</b>		<b>2,039</b>	<b>1,744</b>	<b>457</b>	<b>359</b>
<b>TOTAL ASSETS</b>		<b>2,536</b>	<b>2,271</b>	<b>1,438</b>	<b>1,316</b>
<b>SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>					
Share capital		159	139	159	139
Restricted reserves		1,282	1,213	956	727
Unrestricted reserves		-314	-507	143	52
Profit for the year		145	42	55	19
<b>Total shareholders' equity</b>	12	<b>1,272</b>	<b>887</b>	<b>1,313</b>	<b>937</b>
<b>Minority</b>		<b>6</b>	<b>8</b>	—	—
<b>Provisions</b>	13	<b>90</b>	<b>76</b>	—	—
Convertible debenture loan		—	226	—	226
Other interest-bearing liabilities	14	35	47	73	104
Interest-free liabilities	15	1,133	1,027	52	49
<b>Total liabilities</b>		<b>1,168</b>	<b>1,300</b>	<b>125</b>	<b>379</b>
<b>TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES</b>		<b>2,536</b>	<b>2,271</b>	<b>1,438</b>	<b>1,316</b>
Assets pledged	16	63	887	26	1,135
Contingent liabilities	17	24	32	175	468

## COMMENTS ON THE BALANCE SHEET

### Assets and capital employed

The Group's total assets increased by SEK 265 M to SEK 2,536 M. Investments for the fiscal year amounted to SEK 32 M. The Group's fixed assets at April 30, 2002 amounted to SEK 497 M (527). The decrease was due primarily to amortization of intangible assets.

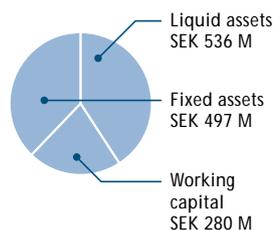
Current assets, excluding liquid assets, increased by SEK 193 M to SEK 1,503 M. Accounts receivable, accrued revenue for projects, and inventories increased by a total of 22 percent, due primarily to the higher sales of Elekta's products. Accounts receivable and accrued revenue for projects were equal to 101 (99) days' net sales. The value of inventories relative to net sales was 10 percent (10).

Liquid assets increased by SEK 102 M, to SEK 536 M, and amounted at the end of the fiscal year to 21 percent (19) of total assets. Of the Group's bank deposits, SEK 63 M (130) was pledged, primarily as guarantees for customer advances received.

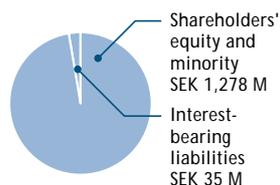
The Group's capital employed amounted to SEK 1,313 M (1,168), an increase of 11 percent. The capital turnover ratio was 1.2 (1.0).

### CAPITAL EMPLOYED AND ITS FINANCING

Capital employed amounted to SEK 1,313 M



Financing of capital employed, SEK 1,313 M



### Liabilities and shareholders' equity

A nominal amount of SEK 229 M of the convertible debenture loan was converted. The remaining SEK 4 M was repaid on December 31, 2001. Other interest-bearing liabilities were reduced by SEK 12 M, to SEK 35 M.

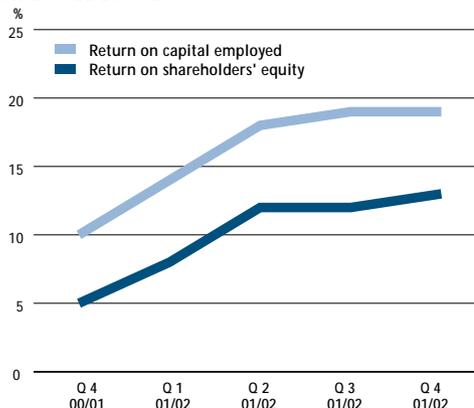
Interest-free liabilities increased by SEK 106 M and provisions by SEK 14 M.

Minority interest of SEK 6 M pertained to the company in China.

As a result of profit for the year of SEK 145 M (42), conversion of the debenture loan, amounting of SEK 229 M (-), option premiums and utilization of warrants in the amount of SEK 6 (2), and translation differences of SEK 5 M (54), shareholders' equity increased by SEK 43 percent to SEK 1,272 (887) as of April 30, 2002.

At the end of the fiscal year the Group's equity/assets ratio amounted to 50 percent (39). Liquid assets exceeded interest-bearing liabilities, resulting in negative net debt of SEK 501 M and thus a negative net debt/equity ratio of 0.39.

### RETURN ON CAPITAL EMPLOYED AND SHAREHOLDERS' EQUITY



# Statement of changes in financial position

SEK M	GROUP		PARENT COMPANY	
	2001/02	2000/01	2001/02	2000/01
Profit for the year	145	61	55	25
Depreciation and writedowns charged against these results	63	74	—	—
Participations in profit/loss of associated companies, after tax	-13	0	—	—
Upward adjustment of convertible debenture loan	7	10	7	10
Minority shares	-2	-2	—	—
Deferred taxes for the year	65	-3	-2	—
<b>Operating flows</b>	<b>265</b>	<b>140</b>	<b>60</b>	<b>35</b>
Increase (-)/decrease (+) in current receivables	-207	-28	-84	-211
Increase (-)/decrease (+) in inventories	-37	56	—	—
Increase (+)/decrease (-) in interest-free liabilities	102	107	3	-70
Increase (+)/decrease (-) in provisions	14	-7	—	—
<b>Change in working capital</b>	<b>-128</b>	<b>128</b>	<b>-81</b>	<b>-281</b>
<b>Cash flow before investments</b>	<b>137</b>	<b>268</b>	<b>-21</b>	<b>-246</b>
Increase (-)/decrease (+) in shares and participations	8	8	-28	-17
Increase (-)/decrease (+) in long-term receivables	0	0	4	319
Investments in intellectual properties	-3	-12	—	—
Investments in machinery and equipment	-29	-38	—	—
<b>Investments and divestments</b>	<b>-24</b>	<b>-42</b>	<b>-24</b>	<b>302</b>
<b>CASH FLOW AFTER INVESTMENTS AND DIVESTMENTS</b>	<b>113</b>	<b>226</b>	<b>-45</b>	<b>56</b>
Increase (+)/decrease (-) in interest-bearing liabilities	-245	-68	-264	-62
New issues, warrant premiums and group contribution	235	2	321	4
Minority	—	10	—	—
<b>External financing</b>	<b>-10</b>	<b>-56</b>	<b>57</b>	<b>-58</b>
Change in liquid assets during the year excl. translation differences	103	170	12	-2
Translation difference on liquid assets	-1	15	—	—
<b>Change in liquid assets during the year</b>	<b>102</b>	<b>185</b>	<b>12</b>	<b>-2</b>
Liquid assets at beginning of year	434	249	47	49
<b>Liquid assets at year-end</b>	<b>536</b>	<b>434</b>	<b>59</b>	<b>47</b>

## COMMENTS ON THE STATEMENT OF CHANGES IN FINANCIAL POSITION

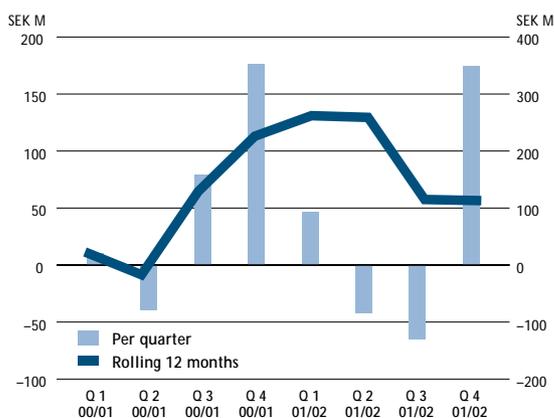
A statement of changes in financial position is designed to describe the ability of a business to generate funds. Elekta's cash flow is used primarily to finance market growth, strategic research projects and investments. Based on income statement and balance sheet items calculated at average rates, the statement shows the net of the Group's flows during the year.

Elekta showed a positive cash flow for the fiscal year, primarily as a result of robust earnings. Profit for the year, adjusted for items that did not affect cash flow, resulted in a cash flow of SEK 265 M, an increase of SEK 125 M compared with cash flow in the preceding fiscal year.

Volume growth in operations led tied-up working capital to rise by SEK 128 M, primarily as a result of an increase in accounts receivable and accrued income from projects. Cash flow before investments amounted to SEK 137 M (268).

Cash flow from investments and divestments amounted to a shortfall of SEK 24 M (-42), which is considerably lower than the level of depreciation. Cash flow after investment amounted to SEK 113 M (226).

### CASH FLOW AFTER INVESTMENTS AND DIVESTMENTS



# Accounting principles

Elekta applies the Annual Accounts Acts and the Swedish Financial Accounting Standards Council's recommendations.

## 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 carryforwards 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.

## Consolidated accounting

Elekta's financial statements include all companies in which the Parent company directly or indirectly has more than half of the shares voting rights and companies that are controlled by the Group. The Group accounts have been prepared applying the purchase method.

Income statements of foreign subsidiaries have been translated at average exchange rates during the fiscal year, balance sheets have been translated at the fiscal year-end rate. Translation differences have been credited/debited to Group shareholders' equity.

Long-term financing of subsidiaries is considered to represent an increase in the Parent Company's net investment in a subsidiary. In the consolidated accounts, taking the tax effect into account, exchange gains and losses in the Parent Company have been credited/debited to translation differences in shareholders' equity.

## Accounting for associated companies

Associated company accounting is applied for share investments in companies in which the Group owns more than 20 percent and less than 50 percent of the voting rights, or otherwise has a significant interest. Associated company accounting is applied in accordance with the equity method.

## Income recognition

Income from all Elekta products is recognized upon delivery of the products.

## Research and development

Research and development costs are expensed as incurred.

## Depreciation/amortization

Intellectual property, machinery and equipment in the Group are amortized/depreciated straight-line over their economic life of 3 to 10 years. Goodwill is amortized over five years, except for goodwill attributable to the acquisition in January 1997 of Philips Radiation Therapy, which is being amortized over 20 years. This acquisition is strategically important for the further development of Elekta's business in the areas of cancer treatment and neurosurgery. As a result of the acquisition, Elekta is the only company that can offer a complete range of advanced clinical solutions for both radiosurgery and radiotherapy.

## Taxes

Deferred tax is calculated and reported in accordance with what is referred to as the balance-sheet method. According to this method, deferred tax is calculated as the difference between the value for tax purposes and the reported value of assets and liabilities. If loss carryforwards arise, they are treated as deferred tax assets in cases in which it is likely that they will be utilized. Valuation is conducted using the expected tax rate for the following year in each country.

Current tax, changes in deferred tax assets/liabilities and tax on income from shares in associated companies are reported as tax expenses.

## Inventories

Inventories have been valued at the lower of acquisition value and actual value.

## Receivables

Receivables are shown in the amounts expected to be received.

## Receivables and liabilities in foreign currency

Receivables and liabilities in foreign currency have been valued at the fiscal year-end exchange rates. Alternatively, the forward rate has been used for receivables and liabilities hedged by forward contracts.

## EXCHANGE RATES

Country	Currency	Average rate May–April		Fiscal year-end rate, April 30	
		2001/02	2000/01	2002	2001
Switzerland	100 CHF	623.759	562.848	630.100	591.100
Euro	1 EUR	9.294	8.641	9.228	9.086
Great Britain	1 GBP	15.062	14.025	14.893	14.628
Hong Kong	1 HKD	1.348	1.227	1.310	1.308
Japan	100 JPY	8.387	8.553	7.985	8.235
United States	1 USD	10.516	9.569	10.220	10.195

# Notes

## NOTE 1 NET SALES

SEK M	GROUP	
	2001/02	2000/01
<i>By product area:</i>		
Neurosurgery	890	833
Oncology	1,848	1,327
<i>By geographical market:</i>		
Europe, Middle East, Africa	1,195	955
North and South America	877	770
Japan	303	307
Asia, excl. Japan	363	128
<b>Total net sales</b>	<b>2,738</b>	<b>2,160</b>

## NOTE 2 INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	PARENT COMPANY	
	2001/02	2000/01
Dividends from subsidiaries	80	50
Income from liquidation of subsidiary	20	—
<b>Result from participations in Group companies</b>	<b>100</b>	<b>50</b>

## NOTE 3 INCOME FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK M	GROUP	
	2001/02	2000/01
Income from participations in associated companies	14	4
Internal profit eliminations for products sold	-2	-5
<b>Result from participations in associated companies</b>	<b>12</b>	<b>-1</b>

## NOTE 4 INTEREST INCOME, INTEREST EXPENSE AND SIMILAR PROFIT/LOSS ITEMS

SEK 24 M (29) of the Parent Company's interest income of SEK 26 M (30) was received from Group companies.

Parent Company's interest expense and similar profit/loss items amounted to SEK 12 M (34), of which SEK 5 M (7) pertained to Group companies.

## NOTE 5 TAXES

SEK M	GROUP		PARENT COMPANY	
	2001/02	2000/01	2001/02	2000/01
Current taxes	-13	-13	—	0
Deferred taxes	-65	-17	2	-6
Participations in taxes of associated companies	0	1	—	—
<b>Total taxes</b>	<b>-78</b>	<b>-29</b>	<b>2</b>	<b>-6</b>
	<b>2001/02</b>	<b>2000/01</b>		
Tax expenses:	35%	42%		
Swedish tax	28%	28%		
Effect of other tax rates for foreign companies	3%	11%		
Non-deductible amortization of goodwill	1%	3%		
Other	3%	0%		

In 2000/01, losses were incurred in certain countries with low tax rates that resulted in a high effective tax rate of the Group as a whole.

The actual tax rate for the Parent Company is lower than nominal tax rate in Sweden, primarily as a result of tax-free dividends from subsidiaries.

# Notes

## NOTE 5 CONT. TAXES

Deferred tax receivables (assets) and tax liabilities in the balance sheet are attributable to the following:

GROUP, SEK M	Apr. 30, 2002	Assets	Liabilities	Net
Loss carryforwards		164	—	164
Intangible fixed assets		—	-33	-33
Tangible fixed assets		31	—	31
Financial fixed assets		—	-23	-23
Other assets		18	-4	14
Operating liabilities/Provisions		6	-15	-9
<b>Deferred tax assets/tax liabilities</b>		<b>219</b>	<b>-75</b>	<b>144</b>
Offsetting		-75	75	0
<b>Net deferred tax assets/tax liabilities</b>		<b>144</b>	<b>0</b>	<b>144</b>
<b>SEK M</b>		<b>Group net</b>	<b>Parent Company net</b>	
Opening balance May 1, 2001		208	46	
Deferred taxes for the year		-65	2	
Deferred taxes charged against shareholders' equity		—	-28	
Translation differences		1	—	
<b>Closing balance, April 30, 2002</b>		<b>144</b>	<b>20</b>	

## NOTE 6 INTANGIBLE FIXED ASSETS

SEK M	Patents & licenses	Goodwill	Total
Acquisition value May 1, 2001	32	530	562
Purchases	3	—	3
Translation differences	1	—	1
<b>Acquisition value April 30, 2002</b>	<b>36</b>	<b>530</b>	<b>566</b>
Accumulated amortization, May 1, 2001	-31	-116	-147
Amortization for the year	-1	-29	-30
Translation differences	-1	—	-1
<b>Accumulated amortization, April 30, 2002</b>	<b>-33</b>	<b>-145</b>	<b>-178</b>
<b>Residual value according to plan, April 30, 2002</b>	<b>3</b>	<b>385</b>	<b>388</b>

## NOTE 7 TANGIBLE FIXED ASSETS

SEK M	Machinery, etc for production	Equipment, tools and installations	Financial lease equipment	Total
Acquisition value May 1, 2001	36	294	53	383
Purchases	4	24	1	29
Sales/disposals	—	-8	—	-8
Reclassifications	—	-6	—	-6
Translation differences	1	3	1	5
<b>Acquisition value April 30, 2002</b>	<b>41</b>	<b>307</b>	<b>55</b>	<b>403</b>
Accumulated depreciation, May 1, 2001	-35	-234	-20	-289
Sales/disposals	—	8	—	8
Depreciation for the year	-2	-19	-11	-32
Reclassifications	—	1	—	1
Translation differences	-1	-3	—	-4
<b>Accumulated depreciation, April 30, 2002</b>	<b>-38</b>	<b>-247</b>	<b>-31</b>	<b>-316</b>
<b>Residual value according to plan, April 30, 2002</b>	<b>3</b>	<b>60</b>	<b>24</b>	<b>87</b>

## NOTE 8 FINANCIAL FIXED ASSETS

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Participations in Group companies	—	—	666	641
Receivables from Group companies	—	—	304	308
Participations in associated companies	17	13	11	8
Other long-term receivables	5	5	—	—
<b>Total financial fixed assets</b>	<b>22</b>	<b>18</b>	<b>981</b>	<b>957</b>

## PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

SEK M	GROUP		PARENT COMPANY	
	Associated companies	Associated companies	Group company	
Opening balance May 1, 2001	7	8	641	
Change in accounting principles for taxes	6	—	—	
Write down	-1	—	—	
Investments	3	3	42	
Sales/repayments	-11	—	-17	
Participations in income of associated companies	13	—	—	
<b>Closing balance, April 30, 2002</b>	<b>17</b>	<b>11</b>	<b>666</b>	

## PARTICIPATIONS IN GROUP COMPANIES

Company	Corp. Reg. No.	Domicile	No. of shares & participations	Proportion of shares & votes, %	Book value, SEK M
Elekta Instrument AB	556492-0949	Stockholm, Sweden	1,000,000	100.0	50
Elekta Instrument SA	3033/1984	Genève, Switzerland	500	100.0	57
Elekta KK		Kobe, Japan	2,000	100.0	0
Elekta Ltd	2699176	Crawley, UK	22,810,695	100.0	276
Elekta Holdings US Inc.		Norcross, US	6,020	100.0	220
Elekta Canada Inc.		Toronto, Canada	1	100.0	0
Elekta Asia Ltd	502 493	Hong Kong, China	81,022,160	100.0	13
Elekta SA	414 404 913	Paris, France	2,500	100.0	4
Elekta Medical SA	A-818 867 31	Madrid, Spain	2,500	100.0	3
Elekta GmbH	HRB 63500	Hamburg, Germany		100.0	5
Elekta Oncology Systems GmbH	166018w	Innsbruck, Austria	1	100.0	3
Elekta S.A./N.V.	HRB 613 484	Zaventem, Belgium	250	100.0	1
Elekta BV		Best, Netherlands	40	100.0	0
Elekta Holding BV	33 292 546	Best, Netherlands	40	100.0	0
Elekta S.p.A.	02723670960	Monza, Italy	500,000	100.0	34
Elekta (Pty) Ltd		Pretoria, South Africa		100.0	0
<b>Total participations in Group companies</b>					<b>666</b>

## PARTICIPATIONS IN ASSOCIATED COMPANIES

Company	Corp. Reg. No.	Domicile	No. of shares & participations	Proportion of shares & votes, %	Book value, SEK M
AB Motala Verkstad*	556031-3503	Motala, Sweden	29,960	49.9	5
ONCOlog Medical AB	556572-6915	Uppsala, Sweden	60,000	23.1	3
Miscellaneous participations					9
<b>Total participations in associated companies</b>					<b>17</b>

\*The book value in the Parent Company of AB Motala Verkstad is SEK 8 M.

## NOTE 9 INVENTORIES

SEK M	GROUP	
	Apr. 30, 2002	Apr. 30, 2001
Components	51	43
Work in progress	65	50
Finished goods	153	131
<b>Total inventories</b>	<b>269</b>	<b>224</b>

# Notes

## NOTE 10 RECEIVABLES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Accounts receivable	647	568	—	3
Receivables from Group companies	—	—	367	253
Receivables from associated companies	1	2	1	2
Other receivables	54	57	2	1
Prepaid expenses and accrued income	373	247	4	3
<b>Maturities of less than 1 year</b>	<b>1,075</b>	<b>874</b>	<b>374</b>	<b>262</b>
Accounts receivable	2	—	—	—
Receivables from associated companies	4	4	4	4
Accrued income	9	—	—	—
Deferred tax assets, see note 5	144	208	20	46
<b>Maturity of more than 1 year</b>	<b>159</b>	<b>212</b>	<b>24</b>	<b>50</b>
<b>Total receivables</b>	<b>1,234</b>	<b>1,086</b>	<b>398</b>	<b>312</b>

The Prepaid expenses and accrued income item in the consolidated balance sheet includes accrued income of SEK 313 M (213) for projects.

Elekta purchases forward rate contracts to hedge contracted flows. The forward rate is used to translate hedged receivables and liabilities. The following forward contracts regarding the sale of USD, JPY, CAD and EUR are not revaluated in the balance sheet. The unrealized exchange rate difference compared with rates at April 30, 2002 is a profit of SEK 12 M (loss 6).

Currency	Amount	Maturity	Rate
MJPY/SEK	231	15 months	8.47450
MUSD/SEK	27	1–18 months	10.64160
MCAD/SEK	1	4 months	6.52300
MEUR/GBP	4	8–11 months	0.61640
MUSD/GBP	3	10–12 months	1.41955

## NOTE 11 CURRENT INVESTMENTS

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Currency options	—	6	—	6
<b>Total current investments</b>	<b>—</b>	<b>6</b>	<b>—</b>	<b>6</b>

## NOTE 12 SHAREHOLDERS' EQUITY

GROUP, SEK M	Share capital	Restricted reserves	Unrestricted reserves	Total
Opening balance May 1, 2001	139	1,042	-503	678
Change in accounting principles for taxes	—	171	38	209
<b>Opening balance according to new principles</b>	<b>139</b>	<b>1,213</b>	<b>-465</b>	<b>887</b>
Conversion of convertible debentures	19	210	—	229
Exercise of warrants	1	5	—	6
Translation differences	—	—	5	5
Transfer between restricted and unrestricted equity	—	-146	146	0
Profit for the year	—	—	145	145
<b>Closing balance April 30, 2002</b>	<b>159</b>	<b>1,282</b>	<b>-169</b>	<b>1,272</b>

The accumulated translation differences amounts to SEK 88 M (82), primarily from GBP and USD.

## NOTE 12 CONT. SHAREHOLDERS' EQUITY

PARENT COMPANY, SEK M	Share capital	Premium reserve	Retained result	Total
Opening balance May 1, 2001	139	727	25	891
Change in accounting principles for taxes	—	—	46	46
Opening balance according to new principles	139	727	71	937
Conversion of convertible debentures	19	210	—	229
Exercise of warrants	1	5	—	6
Option premiums	—	14	—	14
Group contribution received after tax	—	—	72	72
Profit for the year	—	—	55	55
<b>Closing balance April 30, 2002</b>	<b>159</b>	<b>956</b>	<b>198</b>	<b>1,313</b>

The total number of shares in Elekta AB (publ) is 31,764,667, of which 1,187,500 Series A shares and 30,577,167 Series B shares. The par value of the share is SEK 5. One Series A share entitles the holder to 10 votes and one Series B share to one vote.

## NOTE 13 PROVISIONS

SEK M	GROUP	
	Apr. 30, 2002	Apr. 30, 2001
Provisions for pensions, etc.	10	7
Warranty provisions	42	32
Restructuring reserves	1	6
Other provisions	37	31
<b>Total provisions</b>	<b>90</b>	<b>76</b>

## NOTE 14 OTHER INTEREST-BEARING LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Liabilities to credit institutions	10	11	—	—
Liabilities to Group companies	—	—	73	104
Finance lease liabilities	25	36	—	—
<b>Total other interest-bearing liabilities</b>	<b>35</b>	<b>47</b>	<b>73</b>	<b>104</b>

### Maturity term structure

SEK M	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Within 1 year	18	21	73	104
1–5 years	14	22	—	—
After 5 years	3	4	—	—
<b>Total</b>	<b>35</b>	<b>47</b>	<b>73</b>	<b>104</b>

### Specification per currency

Currency	Apr. 30, 2002 Amount	Apr. 30, 2002 SEK M	Apr. 30, 2001 Amount	Apr. 30, 2001 SEK M
Pounds sterling, GBP M	1	10	1	18
Euro, MEUR	1	9	1	11
US dollars, USD M	1	8	1	10
Japanese yen, JPY M	100	8	100	8
<b>Total</b>		<b>35</b>		<b>47</b>

# Notes

## NOTE 15 INTEREST-FREE LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Advance payments by customers	277	329	—	—
Accounts payable	343	282	12	4
Liabilities to Group companies	—	—	32	21
Tax liabilities	7	13	—	—
Accrues expenses and prepaid income	468	350	7	12
Other interest-free liabilities	38	53	1	12
<b>Total interest-free liabilities</b>	<b>1,133</b>	<b>1,027</b>	<b>52</b>	<b>49</b>

The Accrued expenses and prepaid income item in the Group's balance sheet includes a reserve of SEK 130 M (134) for additional project costs.

## NOTE 16 ASSETS PLEDGED

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
<i>Liabilities to credit institutions:</i>				
Chattel mortgages, etc.	—	336	—	—
Shares in subsidiaries	—	421	—	576
Receivables from subsidiaries	—	—	—	519
<i>Collateral pledged for contingent liabilities:</i>				
Bank balances	63	130	26	40
<b>Total assets pledged</b>	<b>63</b>	<b>887</b>	<b>26</b>	<b>1,135</b>

## NOTE 17 CONTINGENT LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 2002	Apr. 30, 2001	Apr. 30, 2002	Apr. 30, 2001
Guarantees	14	17	3	17
Guarantees for subsidiaries	—	—	172	451
Other	10	15	—	—
<b>Total contingent liabilities</b>	<b>24</b>	<b>32</b>	<b>175</b>	<b>468</b>

## NOTE 18 NUMBER OF EMPLOYEES

	AVERAGE NUMBER OF EMPLOYEES		OF WHOM WOMEN	
	2001/02	2000/01	2001/02	2000/01
Parent Company	13	13	7	7
Subsidiaries:				
Sweden	118	95	39	27
Belgium	7	8	1	1
UK	331	306	56	56
France	21	21	2	4
Hong Kong	11	10	3	3
Italy	28	23	4	4
Japan	41	37	7	6
Canada	6	5	—	—
China	60	38	18	15
Netherlands	14	12	2	1
Switzerland	4	4	1	1
Spain	20	15	5	3
South Africa	6	3	2	1
Germany	53	51	4	3
US	179	158	51	42
Austria	10	8	3	6
<b>Total average number of employees</b>	<b>922</b>	<b>807</b>	<b>205</b>	<b>180</b>

## NOTE 19 WAGES, SALARIES, OTHER REMUNERATIONS AND SOCIAL SECURITY COSTS

SEK M	Salaries and remuneration to the Board and the President		Salaries and remuneration to other employees	
	2001/02	2000/01	2001/02	2000/01
Parent Company	4	3	10	8
Subsidiaries:				
Sweden	1	1	51	43
Belgium	1	1	4	3
UK	3	1	158	125
France	1	1	7	12
Hong Kong	5	5	15	7
Italy	1	1	11	8
Japan	2	2	33	29
Canada	—	—	4	2
China	2	1	9	4
Netherlands	1	1	5	4
Switzerland	—	0	2	3
Spain	1	1	7	5
South Africa	1	—	1	1
Germany	1	1	28	26
US	14	11	142	106
Austria	1	1	4	3
<b>Total wages, salaries and other remunerations</b>	<b>39</b>	<b>31</b>	<b>491</b>	<b>389</b>
Pension costs, Parent Company	1	1	2	1
Pension costs, subsidiaries	1	1	34	23
Other social security costs, Parent Company	1	1	3	3
Other social security costs, subsidiaries	3	2	63	54
<b>Total wages, salaries, other remunerations and social security costs</b>	<b>45</b>	<b>36</b>	<b>593</b>	<b>470</b>

# Notes

## NOTE 19 CONT. WAGES, SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY COSTS

Bonus payments included in the above wages, salaries and other remuneration paid to the Boards and the Presidents of subsidiaries amounted to SEK 8 M (3) and SEK 1 M (—) in the Parent Company.

### Wages, salaries and other remunerations

The total remuneration and other benefits for the President amounted to SEK 3,832,000. The Chairman received a fee of SEK 320,000 and other external members of the Board each received a fee of SEK 160,000. The President is entitled to retire at the age of 60, with a 70 percent pension. This also applies to one other senior executive. Pension benefits are secured by insurance. In the event of termination of employment by the company, two senior executives, including the President, are entitled to severance pay amounting to three annual salaries, including pension and other benefits. In addition, the above executives are entitled to severance pay if they resign due to extensive changes in the company's ownership. Other senior executives have periods of notice of 6-12 months for termination of employment.

### Warrants

Warrants to subscribe for Series B shares in Elekta AB (publ) have been granted to managers and key personnel at Elekta Group. Board members, excluding the CEO, are not participating.

Employees in Sweden have acquired warrants against payment of a market-priced premium based on a valuation in accordance with the Black & Scholes model. Employees outside Sweden have been allocated employee options free

of charge, which provide entitlement to acquire warrants. The employee options may not be transferred and cannot be used to acquire warrants until after a certain qualification period. Termination of employment during the qualification period means that employee options lapse.

The first phase involves 500,000 warrants. The subscription period is March 1, 2000-December 1, 2002, and subscription for new shares may be undertaken throughout the subscription period. The subscription price for the new shares is SEK 100 up to and including November 30, 2001, and SEK 50 after this date.

The second phase involves 1,100,000 warrants. The subscription period is January 1, 2001-September 30, 2003, and subscription for new shares may be undertaken throughout the subscription period. The subscription price for the new shares is SEK 49 up to and including September 30, 2002, and SEK 37 after this date.

The third phase involves 900,000 warrants. The subscription period is January 1, 2002-September 30, 2004, and subscription for new shares may be undertaken throughout the subscription period. The subscription price for the new shares is SEK 189 up to and including September 30, 2003, and SEK 147 after this date.

### Loan to senior executive

Elekta Instruments Inc. has granted a loan to the President of this company. The loan amounts to USD 115,000 at an interest rate of 6.42 percent and is due for repayment on August 22, 2002.

## NOTE 20 OPERATIONAL LEASING

The year's leasing costs amounted to SEK 39 M (35). Contracted leasing payments total SEK 32 M for the 2002/03 fiscal year, SEK 63 M for 2003/04-2006/07, and SEK 143 M for subsequent years.

## NOTE 21 FEES AND REMUNERATIONS TO AUDITORS

SEK M	GROUP		PARENT COMPANY	
	2001/02	2000/01	2001/02	2000/01
Audit fees Arthur Andersen	5	6	2	2
Audit fees Pricewaterhouse Coopers	—	2	—	—
Other remunerations to Arthur Andersen	2	4	1	1
Other remunerations to Pricewaterhouse Coopers	2	6	—	1
<b>Total fees and remunerations to auditors</b>	<b>9</b>	<b>18</b>	<b>3</b>	<b>4</b>

# Appropriation of profit

The Parent Company's appropriatable equity amounts to:

Retained earnings	SEK	143,237,613
Profit for the year	SEK	55,005,817
Total appropriatable equity	SEK	198,243,430

The Board of Directors and the President propose that the unappropriated earnings of SEK 198,243,430 be carried forward.

STOCKHOLM AUGUST 22, 2002

AKBAR SEDDIGH  
Chairman of the Board

LAURENT LEKSELL  
President

TOMMY H KARLSSON

CARL PALMSTIERNA

MAGNUS SCHMIDT

## Auditor's Report

TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF ELEKTA AB (PUBL),  
CORPORATE REGISTRATION NUMBER 556170-4015.

We have audited the annual report, the consolidated financial statements and the accounts and also the administration of the Board of Directors and the President of Elekta AB (publ) for the fiscal year from May 1, 2001 to April 30, 2002. These accounts and the administration of the Company are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the financial statements and the administration based on our audit.

We conducted our audit in accordance with Generally Accepted Auditing Standards in Sweden. Those Standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the President, as well as evaluating the overall presentation of information in the financial statements. We examined significant decisions, actions

taken and circumstances of the Company in order to be able to determine the possible liability to the Company of any board member or the President or whether they have in some other way acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

In our opinion, the annual report and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act and provide a correct view of the Company's and Group's earnings and financial position in accordance with generally accepted accounting principles in Sweden.

We recommend that the income statements and the balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' Report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

STOCKHOLM AUGUST 22, 2002

Arthur Andersen AB

LARS SVANTEMARK  
Authorized Public Accountant

ELEKTA  
GAMMA KNIFE

*Elekta's founder, the late Professor Lars Leksell, performed his first clinical tests with Leksell Gamma Knife at Sophiahemmet in the 1970s.*



*Newly installed Leksell Gama Knife C  
at Sophiahemmet in Stockholm, Sweden*

# Board of Directors, Auditor and Executive Committee

## BOARD OF DIRECTORS



**AKBAR SEDDIGH**  
Chairman of the Board,  
born 1943

Board member since 1998  
Holdings: 600 B shares  
Graduate Chemist, marketing specialist  
Other board memberships:  
Chairman of the Board:  
Artimplant AB, Aracel,  
Neovanta Medical AB,  
Ortivus AB  
Board member:  
Affärstrategerna,  
Biolight et al



**LAURENT LEKSELL**  
President and CEO,  
born 1952

Board member since 1974  
Holdings: 1,187,500 A shares  
and 1,657,786 B shares  
och 35,000 warrants  
(incl via family and company)  
Doctor of Economics



**TOMMY H KARLSSON**  
born 1946

Board member since 2001  
Holdings: —  
International  
Management Consultant.  
MSc and B.A.  
Other board memberships:  
Chairman of the Board:  
MGE S.A, Tally Computerdrucker AG,  
InterdeanInterconnex, Inc  
Board member:  
Intentia AB, Knurr AG



**CARL PALMSTIERNA**  
born 1953

Board member since 1993  
Holdings: 91,617 B shares  
Managing partner  
ABG Sundal Collier AB.  
MBA  
Other board memberships:  
Pharmadule Emtunga AB,  
Abaris AB,  
HMS Industrial Networks AB,  
Pantherex, Scandecor AB,  
CNS Systems AB,  
Acti AB, Acta AS et al



**MAGNUS SCHMIDT**  
born 1940

Board member since 1998  
Holdings: 1,200 B shares  
International Consultant.  
MBA  
Other board memberships:  
Upplands Motor Holding AB,  
TransFargo AB,  
Sydkraft Energi Trading AB,  
Acton Energy GmbH

## AUDITOR

Arthur Andersen AB, Stockholm

**LARS SVANTEMARK**  
Authorized Public Accountant, born 1949

Company auditor since 2000

## EXECUTIVE COMMITTEE



**LAURENT LEKSELL**  
born 1952

President and CEO  
Employed since 1974



**HÅKAN BERGSTRÖM**  
born 1956

Chief Financial Officer  
Employed since 2001  
Holdings: 20,000 B shares



**SVERKER GLANS**  
born 1944

Quality  
and Regulatory Affairs  
Employed since 1993  
Holdings: 3,051 B shares,  
17,000 warrants



**GERRY VAN OORTMARSEN**  
born 1943

Market Europe  
Employed since 1997  
Holdings: 73,900 warrants



**TOMAS PUUSEPP**  
born 1955

Sales, Marketing and Service  
Employed since 1988  
Holdings: 4,290 B shares,  
73,900 warrants



**VOLKER STIEBER**  
born 1943

Technology Development  
and Operations  
Employed since 1997  
Holdings: 73,900 warrants



**MANFRED STURM**  
born 1946

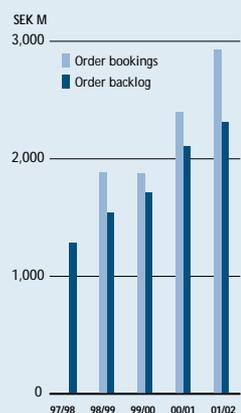
Information Technology  
Employed since 1997  
Holdings: 41,400 warrants

# Five year review, key figures and definitions

<b>INCOME STATEMENT (SEK M)</b>	1997/98	1998/99	1999/2000	2000/01	2000/01*	2001/02
Net sales	2,013	1,787	1,789	2,160	2,160	2,738
Operating expenses	-2,151	-2,009	-1,845	-2,068	-2,068	-2,531
Items affecting comparability	34	14	19	—	—	—
<b>Operating result</b>	<b>-104</b>	<b>-208</b>	<b>-37</b>	<b>92</b>	<b>92</b>	<b>207</b>
Financial net	-51	-42	-32	-23	-23	14
<b>Profit/loss after financial net</b>	<b>-155</b>	<b>-250</b>	<b>-69</b>	<b>69</b>	<b>69</b>	<b>221</b>
Taxes	-32	-6	-8	-10	-29	-78
Minority	—	—	—	2	2	2
<b>Profit/loss for the year</b>	<b>-187</b>	<b>-256</b>	<b>-77</b>	<b>61</b>	<b>42</b>	<b>145</b>
<b>CASH FLOW (SEK M)</b>	<b>1997/98</b>	<b>1998/99</b>	<b>1999/2000</b>	<b>2000/01</b>	<b>2000/01</b>	<b>2001/02</b>
Operating flows	-48	-158	-7	140	140	265
Changes in working capital	-108	41	18	128	128	-128
<b>Cash flow before investments and divestments</b>	<b>-156</b>	<b>-117</b>	<b>11</b>	<b>268</b>	<b>268</b>	<b>137</b>
Investments and divestments	-70	360	31	-42	-42	-24
<b>Cash flow after investments and divestments</b>	<b>-226</b>	<b>243</b>	<b>42</b>	<b>226</b>	<b>226</b>	<b>113</b>
<b>BALANCE SHEET (SEK M)</b>	<b>Apr. 30, 1998</b>	<b>Apr. 30, 1999</b>	<b>Apr. 30, 2000</b>	<b>Apr. 30, 2001</b>	<b>Apr. 30, 2001*</b>	<b>Apr. 30, 2002</b>
Intangible fixed assets	616	465	437	415	415	388
Tangible fixed assets	292	88	81	94	94	87
Financial fixed assets	24	15	17	12	18	22
Inventories	425	265	255	224	224	269
Receivables	846	879	797	883	1,086	1,234
Liquid assets	176	159	249	434	434	536
<b>Total assets</b>	<b>2,379</b>	<b>1,871</b>	<b>1,836</b>	<b>2,062</b>	<b>2,271</b>	<b>2,536</b>
Shareholders' equity	576	313	576	678	887	1,272
Minority	—	—	—	8	8	6
Provisions	201	100	79	76	76	90
Convertible debenture loan	—	412	216	226	226	—
Other interest-bearing liabilities	823	189	113	47	47	35
Interest-free liabilities	779	857	852	1,027	1,027	1,133
<b>Total shareholders' equity, provisions and liabilities</b>	<b>2,379</b>	<b>1,871</b>	<b>1,836</b>	<b>2,062</b>	<b>2,271</b>	<b>2,536</b>

\* Restated for new accounting principle for taxes

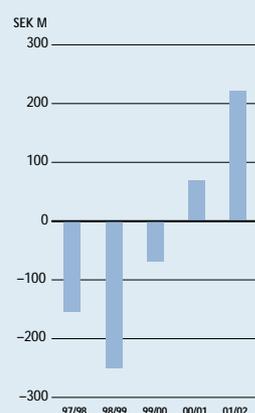
## ORDER BOOKINGS AND ORDER BACKLOG



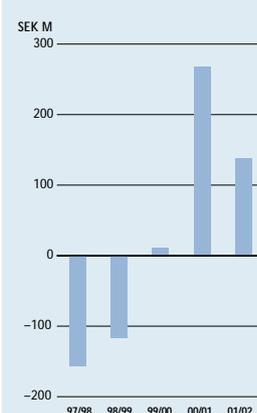
## NET SALES



## RESULT AFTER FINANCIAL ITEMS



## CASH FLOW BEFORE INVESTMENTS AND DIVESTMENTS



## KEY FIGURES

	1997/98	1998/99	1999/2000	2000/01	2000/01*	2001/02
Order bookings, SEK M		1,884	1,877	2,402	2,402	2,927
Order backlog, SEK M	1,288	1,539	1,714	2,112	2,112	2,317
Operating margin, %	-5	-12	-2	4	4	8
Profit margin, %	-8	-14	-4	3	3	8
Shareholders' equity, SEK M	576	313	576	678	887	1,272
Capital employed, SEK M	1,399	914	905	959	1,168	1,313
Net debt, SEK M	647	442	80	-161	-161	-501
Equity/assets ratio, %	24	17	31	33	39	50
Net debt/equity ratio, multiple	1.12	1.41	0.14	-0.23	-0.18	-0.39
Interest cover ratio, multiple	-1.7	-2.9	-0.1	2.6	2.6	12.7
Return on shareholders' equity, %	-29	-56	-22	10	5	13
Return on capital employed, %	-7	-17	-3	12	10	19
Capital turnover ratio, multiple	0.8	0.9	1.0	1.2	1.0	1.2
Investments in tangible and intangible fixed assets, SEK M	73	35	57	50	50	32
Depreciation, SEK M	-125	-90	-78	-74	-74	-62
Average number of employees	1,161	866	794	807	807	922

\* Restated for new accounting principle for taxes

## DEFINITIONS

**Operating margin** Operating profit in relation to net sales.

**Profit margin** Profit after financial items in relation to net sales.

**Capital employed** Total assets less provisions and interest-free liabilities.

**Equity/assets ratio** Shareholders' equity including minority in relation to total assets.

**Net debt** Interest-bearing liabilities less liquid assets.

**Net debt/equity ratio** Net debt in relation to shareholders' equity including minority.

**Interest cover ratio** Profit after financial items plus financial expenses in relation to financial expenses.

**Return on shareholders' equity** Net profit for the year in relation to average shareholders' equity.

**Return on capital employed** Profit after financial items plus financial expenses in relation to average capital employed.

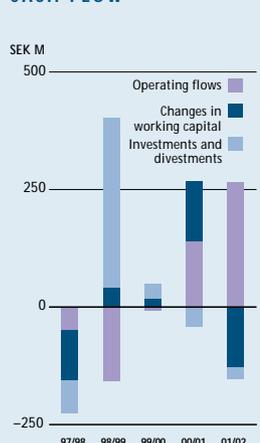
**Capital turnover ratio** Net sales divided by average total assets.

**Average number of employees** Average number of employees based on normal working hours per year.

**Earning per share** Net profit for the year in relation to the average number of shares.

**Shareholders' equity per share** Shareholders' equity in relation to the number of shares at year-end.

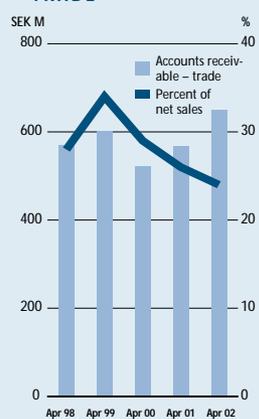
## CASH FLOW



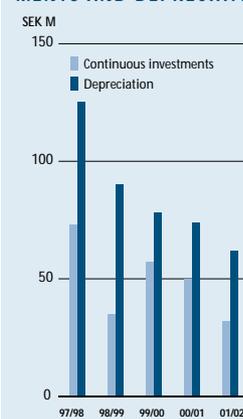
## INVENTORIES



## ACCOUNTS RECEIVABLE - TRADE



## CONTINUOUS INVESTMENTS AND DEPRECIATION

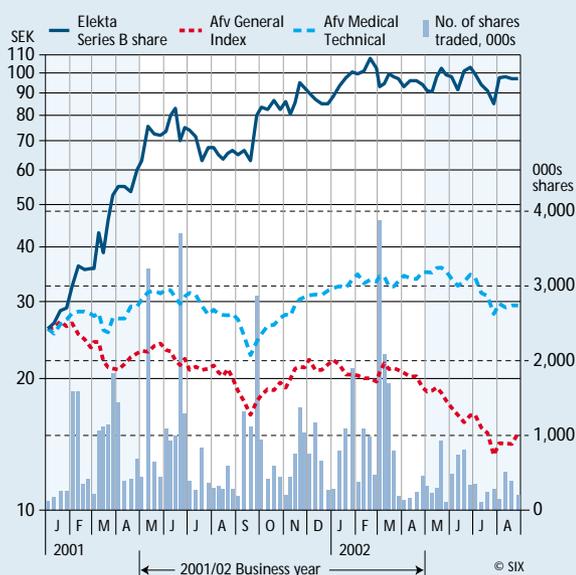


# The Elekta share

Elekta's share price has developed positively. During the business year Elekta's share price increased by 45 percent.

At July 31, 2002, Elekta's share capital amounted to SEK 159,402,335 distributed among 1,187,500 Series A shares and 30,692,967 Series B shares. One Series A share entitles the holder to 10 votes and Series B shares to one

## SHARE PRICE TREND



vote each. All shares carry equal rights to participate in the Company's assets and profits. Each share has a par value of SEK 5. In accordance with Section 13 of the Articles of Association, Series A shares are subject to right of first refusal. All Series A shares are currently owned by Laurent Leksell. At an Annual General Meeting, each shareholder is entitled to exercise unlimited voting rights on the full number of shares that he/she owns or represents.

## Stock market trading

Elekta's Series B shares have been listed on the A-List of the Stockholm Stock Exchange since 1994. Total trading in

## CHANGES IN SHARE CAPITAL

Year	Transaction	Total number of shares	Total share capital, SEK 000s
1993	Split 20:1	5,697,180	28,486
1994	New issue	7,397,180	36,986
1994	Exercise of warrants	7,897,180	39,486
1997	New issue	9,871,475	49,357
1997	New issue	10,497,451	52,487
1999	New issue	20,994,902	104,975
2000	Offset issue	27,853,617	139,268
2001	Conversion of debentures	31,661,867	158,309
2001	Exercise of warrants	31,678,867	158,394
2002	Exercise of warrants	31,880,467	159,402

## PER SHARE DATA

	1997/98	1998/99	1999/2000	2000/01	2000/01*	2001/02
Earnings before dilution, SEK	-12.53	-17.09	-4.24	2.21	1.52	4.66
Earnings after dilution, SEK	-12.53	-8.13	-1.17	2.70	1.89	4.56
Cash flow before dilution, SEK	-15.11	16.25	2.30	8.11	8.11	3.64
Cash flow after dilution, SEK	-15.11	11.33	3.13	7.90	7.90	3.63
Shareholders' equity before dilution, SEK	38.49	20.96	20.68	24.33	31.84	40.03
Shareholders' equity after dilution, SEK	38.49	28.19	24.90	28.43	35.03	39.89
Dividend, SEK	—	—	—	—	—	—
Share price, Elekta Series B, April 30, SEK	51.94	20.85	21.80	62.00	62.00	90.00
Market capitalization, April 30, SEK M	777	312	607	1,727	1,727	2,859
Lowest share price, SEK	49.48	17.55	18.67	15.50	15.50	57.00
Highest share price, SEK	157.92	71.59	36.70	63.00	63.00	109.50
Average number of shares						
before dilution, 000s	14,957	14,957	18,263	27,854	27,854	31,048
after dilution, 000s	14,957	25,624	27,787	31,662	31,662	32,504
Number of shares, April 30						
before dilution, 000s	14,957	14,957	27,854	27,854	27,854	31,765
after dilution, 000s	14,957	25,624	31,662	31,662	31,662	33,084

\* Restated for new accounting principles for taxes.

Dilution 2001/02 refers to warrants program 1999/2002 and 2000/2003. The data for earlier years were not diluted by the warrants. The increase shown 1998/99-2000/01 is from debentures converted 2001.

Elekta shares on the Stockholm Stock Exchange during the period May 1, 2001–April 30, 2002 amounted to 47.6 million shares (27.4), corresponding to 153 percent (98) of the total number of shares. The average number of shares traded each day during the period amounted to 189,774 (108,338). The above trading information is based on transactions reported in the SAX system, which means actual trading in Elekta shares was probably higher. Market capitalization at April 30, 2002 amounted to SEK 2,859 M (1,727).

### Dividend policy

Elekta's overall goal is to provide shareholders with a favorable return and value growth over time. In view of the Group's current financial position and level of unrestricted shareholders' equity, the Board of Directors does not propose any dividend.

The proportion of restricted shareholders' equity in relation to unrestricted shareholders' equity is regarded as excessively high. In an effort to increase unrestricted shareholders' equity and enhance the company's future freedom of action, the Board will propose a reduction in the share premium fund at the Annual General Meeting.

### Warrants

Warrants entitling holders to new subscriptions for Series B shares in Elekta AB (publ) have been granted to managers and key persons within the Elekta Group. Employees in Sweden have acquired warrants against payment of a market-priced premium based on a valuation in accordance with the Black & Scholes model. Employees outside Sweden have been allocated employee options free of charge, which provide entitlement to acquire warrants.

#### WARRANTS PROGRAM 1999/2002

Warrants	500,000
Outstanding warrants July 31, 2002	259,800
Subscription period	2000-03-01 – 2002-12-01
Subscription price	until Nov 30, 2001 = SEK 100, thereafter SEK 50

#### WARRANTS PROGRAM 2000/2003

Warrants	1,100,000
Outstanding warrants July 31, 2002	943,900
Subscription period	2001-01-01 – 2003-09-30
Subscription price	until Sept 30, 2002 = SEK 49, thereafter SEK 37

#### WARRANTS PROGRAM 2001/2004

Warrants	900,000
Outstanding warrants July 31, 2002	900,000
Subscription period	2002-01-01 – 2004-09-30
Subscription price	until Sept 30, 2003 = SEK 189, thereafter SEK 147

The employee options may not be transferred and cannot be used to acquire warrants until after a certain qualification period. Termination of employment during the qualification period means that employee options lapse.

#### DISTRIBUTION OF SHARES JULY 31, 2002

Class of share	No. of shares	No. of votes	Percentage of	
			capital	votes
Series A	1,187,500	11,875,000	3.7	27.9
Series B	30,692,967	30,692,967	96.3	72.1
<b>Total</b>	<b>31,880,467</b>	<b>42,567,967</b>	<b>100.0</b>	<b>100.0</b>

#### DISTRIBUTION OF SHARES AFTER FULL EXERCISE OF WARRANTS

Class of share	No. of shares	No. of votes	Percentage of	
			capital	votes
Series A	1,187,500	11,875,000	3.5	26.5
Series B	32,942,667	32,942,667	96.5	73.5
<b>Total</b>	<b>34,130,167</b>	<b>44,817,667</b>	<b>100.0</b>	<b>100.0</b>

Including not distributed warrants.

#### OWNERSHIP STRUCTURE, JULY 31, 2002

Shareholding No. of shares	Percentage of share- holders		No. of shares	Percentage of share capital	Average number per shareholder
	No. of shareholders	%			
1–500	6,795	77.1	1,140,101	3.6	168
501–1,000	988	11.2	835,713	2.6	846
1,001–10,000	868	9.8	2,443,862	7.7	2,816
10,001–100,000	111	1.3	3,730,032	11.7	33,604
100,001–	52	0.6	23,730,759	74.4	456,361
<b>Total</b>	<b>8,814</b>	<b>100.0</b>	<b>31,880,467</b>	<b>100.0</b>	<b>3,617</b>

#### MAJOR SHAREHOLDERS, JULY 31, 2002

Shareholder	No. of shares	Percentage of	
		votes	capital
Laurent Leksell with family & company	2,845,286	31.8	8.9
Banque Carnegie Lux fonder	2,844,820	6.7	8.9
State Street Bank and Trust	1,673,457	3.9	5.2
Skandia	1,416,431	3.3	4.4
SEB Aktiefonder	1,415,500	3.3	4.4
Chase Manhattan Bank	1,367,935	3.2	4.3
Alecta	1,196,143	2.8	3.8
Robur Aktiefonder	1,058,600	2.5	3.3
Others	18,062,295	42.5	56.8
<b>Total</b>	<b>31,880,467</b>	<b>100.0</b>	<b>100.0</b>

The proportion of institutional ownership was approximately 50 percent.

The proportion of foreign ownership was approximately 52 percent.

Source: VPC

# Addresses

## Elekta's regional offices and subsidiaries



### Headquarters

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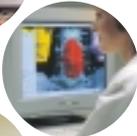
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# Products and glossary

## Elekta's products

	<b>Digital Accelerator</b>	Digital linear accelerator with computer-controlled limiting leaves, multileaf collimator (MLC), that aligns the shape of the radiation field to the shape of the tumor.
	<b>PreciseSIM®</b>	Simulates treatment frequencies in radiotherapy with the aid of X-ray technology with high-quality imaging.
	<b>Precise Table</b>	Patient table with patented, highly precise and silent lift mechanism that is used to position patients in connection with simulation and radiotherapy of cancer.
	<b>Stereotactic Body Frame®</b>	Frame for accurate localization and immobilization for radiotherapy of tumors in the abdomen, pelvis and chest.
	<b>ViewGT™</b>	Carefully checks by means of rapid, high-quality photography to ensure that radiation from the linear accelerator reaches the right spot relative to the location of the tumor.
	<b>Active Breathing Coordinator™</b>	Suspends breathing for a few seconds during which the tumor is subjected to radiation from the linear accelerator. The position of the tumor remains still during treatment and the same from treatment to treatment.
	<b>Desktop</b>	Patient management and control system that integrates the data prescription settings for the linear accelerator with the treatment program and patient data.
	<b>PrecisePLAN®</b>	Three-dimensional dose-planning system for radiotherapy of cancer with linear accelerator.
	<b>Leksell Gamma Knife®</b>	Delivers single high dose high doses of ionizing radiation to selected, well-circumscribed targets in the brain. Used to treat vascular disorders, benign tumors, metastases and other malignant tumors and functional disorders such as epilepsy and Parkinson's disease.
	<b>Leksell Stereotactic System®</b>	Three-dimensional stereotactic localization system used for biopsy, hemorrhage evacuation in the brain, endoscopic surgery and in treatment of functional disorders. It enhances diagnostic precision and reduces the need for invasive surgery.
	<b>Leksell GammaPlan®</b>	Treatment planning program for Leksell Gamma Knife.
	<b>Leksell SurgiPlan®</b>	Computer-based simulation for planning and guidance in connection with neurosurgical intervention.
	<b>Stereotactic Guide</b>	Guides diagnostic and therapeutic instruments to the target in the brain through a minimal burr hole on the skull. This method reduces the need for stereotactic frame and imaging.
	<b>Brain Atlas</b>	Images from a standard brain atlas are positioned electronically over patient-specific images. Used by neurosurgeons in the treatment of such functional disorders as Parkinson's disease, epilepsy and pain.
	<b>Neuromag Vectorview™</b>	Magnetic encephalograph measures and registers the location of extremely weak magnetic fields in the brain and is used for brain research and diagnosis of functional diseases such as epilepsy.

## Frequently used terms

<b>APS</b>	Automatic positioning system used in treatment with the Leksell Gamma Knife C.
<b>Cancer</b>	Uncontrolled, abnormal growth of cells.
<b>Chemotherapy</b>	Treatment of cancer diseases with the aid of chemicals that eliminate diseased cells.
<b>CT/Computerized tomography</b>	A radiological method of producing anatomical structures by means of layering, using computer technology.
<b>Epilepsy</b>	Disorder characterized by repeated, sudden disturbances of brain function.
<b>IMRT</b>	Intensity modulated radiation treatment of cancer.
<b>Incidence</b>	The number of new cases of a disease in a population during a given period.
<b>Invasive</b>	A technique that penetrates the skin, skull, etc. The opposite of non-invasive (bloodless).
<b>Magnetic encephalograph</b>	A device that measures and records magnet fields in the brain cells.
<b>MRI/Magnetic resonance imaging</b>	Measures the difference in liquid content in various parts of the body with the aid of magnetic fields.
<b>Neurology</b>	Study of the nervous system and its disorders.
<b>Neurosurgery</b>	Surgery of the brain or other parts of the central nervous system.
<b>Oncology</b>	The study of tumors.
<b>Parkinson's disease</b>	Paralysis, with trembling and shaking as well as muscular rigidity, with a change in movements and posture by the patient.
<b>Prevalence</b>	The total number of cases of an illness in a population at a given time.
<b>PET/Positron emission tomography</b>	Obtaining a layered image of organs in the body by means of emitting positrons.
<b>Radiotherapy</b>	Treatment of diseases by means of ionizing radiation.
<b>Stereotaxy</b>	A technique in which a fixed-coordinate system can determine the location of a point in the brain by specifying the coordinates in terms of height, depth and laterally.
<b>Radiosurgery</b>	Non-invasive (bloodless) surgery in which high, single doses of precise ionizing radiation replace surgical instruments.
<b>Radiotherapy</b>	Repeated radiation treatment of cancer.

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By working together  
we can fight serious  
diseases and enhance  
quality of life



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