



Annual Report 1998/1999



ELEKTA

This is Elekta

Elekta is a world-leading supplier of systems and clinical solutions for precise radiation of cancer and minimally invasive neurosurgical treatment of brain and spinal disorders.

Elekta was founded in 1972 by the late Professor of Neurosurgery, Lars Leksell. The company reported sales of SEK 1,884 M in fiscal year 1998/99, with 866 employees.

Elekta has two product areas, **Oncology** and **Neurosurgery**.

The head office is situated in Stockholm. Markets outside Sweden account for more than 95 percent of Group sales.

Elekta's treatment methods contribute to gentle and effective care with better clinical results, fewer complications and shorter periods of hospitalization.



Lars Leksell, Elekta's founder



www.elekta.com

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Cover:
Elekta's linear accelerators offer a carefully planned ergonomic environment for both patients and medical personnel.

ANNUAL GENERAL MEETING

The Annual General Meeting of shareholders in Elekta AB (publ) will be held on Wednesday, September 22, 1999 starting at 3:00 p.m. in the Museum of Medical History at Karolinska Hospital in Stockholm.

RIGHT TO PARTICIPATE

To be entitled to participate in the Annual General Meeting, shareholders must be listed in the register of shareholders maintained by VPC AB (the Swedish Securities Register Center) not later than September 10, 1999 and notify the company of their intent to participate in the Meeting not later than September 17, 1999 at 4:00 p.m.

Shareholders whose shares are registered in the names of nominees in bank trust departments or other private stockbrokers must temporarily re-register the shares in their own names in order to participate in the Annual General Meeting. Such re-registration must be completed not later than September 10, 1999, which means that shareholders must notify their trustees in ample time before the deadline.

NOTIFICATION

Shareholders who wish to participate in the Meeting may notify the company in writing to Elekta AB (publ), Corporate Relations, Box 7593, SE-103 93 Stockholm or by fax: +46 8-587 255 00. Utilization of notification cards enclosed with the Annual Report offers the simplest form of notification. Shareholders who otherwise notify the company of their intent to participate in the Meeting must state their name/company name, national registration/corporate registration number, address, daytime telephone and the number of shares held.

FINANCIAL INFORMATION

Annual General Meeting	September 22, 1999
Three-month Interim Report	September 22, 1999
Six-month Interim Report	December 14, 1999
Nine-month Interim Report	March 2000

OTHER INFORMATION

For additional information, please contact Lars Jonsteg, Vice President, Corporate Relations; Tel: +46 8-587 254 82. E-mail: lars.jonsteg@elekta.se

Summary of operations

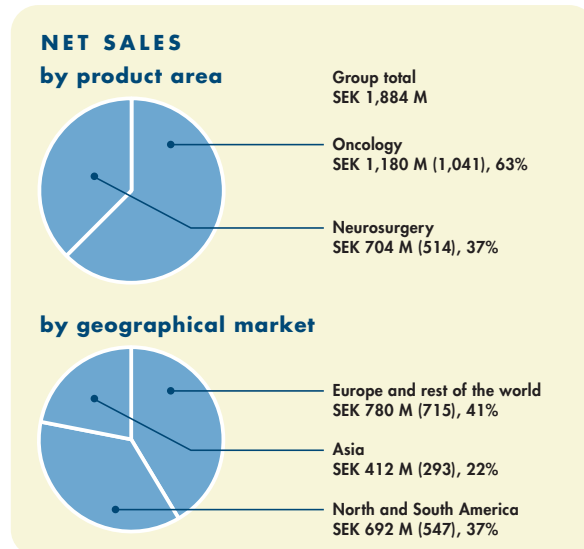
- The result before taxes amounted to a loss of SEK 179 M, compared with a loss of SEK 252 M in the preceding fiscal year.
- Elekta Precise Treatment System, a new range of products for radiation treatment of cancer, and a new generation of the Gamma Knife, Model C, were introduced on the market.
- Surgical products for ultrasound surgery and cryosurgery, as well as implants and disposable products for hydrocephalus, which comprised the product range of the Elekta Surgical Instruments business area, were sold in fiscal year 1998/99. The capital gain from the divestment, which amounted to SEK 23 M, was reported as an item affecting comparability.
- In June 1998, Elekta sold its property in Crawley, outside London, for GBP 12.3 M. The divestment yielded a capital gain of SEK 30 M, which was reported as an item affecting comparability.
- In June 1998, Elekta floated an issue of convertible debentures with preferential rights for shareholders. The issue was fully subscribed at 85 percent of nominal value, SEK 467 M, generating net capital for the Group amounting to SEK 375 M.

IMAGE GUIDED SURGERY, IGS

Income in the product group comprising image guided surgery, IGS, was unsatisfactory, a loss of SEK 106 M. Discussions are now focused on various forms of cooperations, joint ventures and restructuring in various parts of the IGS-operations in order to solve revenue and cost problems and improve Group result. Elekta is concentrating its IGS-operations in the Group's core business.



Linear accelerator.



Group	1996/97	1997/98	1998/99
Net sales, SEK M	1,112	1,852	1,884
Operating profit/loss, SEK M	-18	-208	-139
Loss before taxes, SEK M	-38	-252	-179
Shareholders' equity, SEK M	952	722	537
Net debt, SEK M	461	647	442
Net income per share, SEK	-5.70	-24.96	-17.81
Average number of employees	614	1 161	866

At the end of August 1999, it was decided to reduce the value of intangible assets in IGS to zero in order to meet uncertainties over the value of these assets. The write-down, totaling SEK 39 M, is reported as an item affecting comparability. Including this write-down, IGS charges against Group result in fiscal year 1998/99 amounted to SEK 145 M. Elekta expects to announce a solution to the problem before the end of calendar year 1999.



Leksell Gamma Knife, Model C.

President's comments

Elekta's trend of earnings improved during the past fiscal year as a result of the restructuring program implemented throughout the Group. We believe further improvements can be achieved in our cost structure and productivity through continued integration of the Oncology and Neurosurgery product areas. We also believe the healthcare market, particularly in Europe, will show favorable development during the next few years, and our comprehensive investments in development of new products and clinical solutions have been favorably received in the market. And finally, we must find a solution soon to losses incurred by the Group's investment-intensive operations within image guided surgery, IGS.

Elekta is the only medical technology company in the world today that markets a complete range of products for precision radiation treatment of cancer and minimally invasive neurosurgery. Our unique position enables Elekta to offer technological solutions that produce optimal medical results without any negative effects of a limited product range. This represents a strategic and competitive advantage that provides Elekta with credibility as a long-term partner for medical and healthcare service providers.

THE MARKET

Markets for Elekta's neurosurgical products in Europe and Asia, excluding Japan, remained weak during the year. Strong growth was noted in the U.S., however, and market conditions in Japan remained stable. During the year, 19 new Gamma Knife orders were booked, the same number of contracts signed in the preceding fiscal year.

The number of Gamma Knives installed in Europe is relatively low due in part to budget restrictions and uncertainties surrounding levels of reimbursement among public healthcare principals. The situation is expected to improve during the next few years, in parallel with stronger economic growth in Europe. New applications of Gamma Knife treatment methods represent another important factor in the growth of Gamma Knife contracts. Strong growth has been noted in the treatment of severe facial pain as a new application area.

Order bookings in oncology operations developed favorably in fiscal year 1998/99. Elekta is the market leader in Europe today, and ranks as the third largest supplier in the U.S. A three-year contract booked by the University of Pittsburgh Medical Center, for deliveries of

A complete range of products for precision radiation treatment of cancer and minimally invasive neurosurgery gives Elekta a strategic and competitive advantage as a long-term partner for medical and healthcare service providers.

linear accelerators valued at USD 10 M, was an important development in the American market.

Asia healthcare markets, excluding Japan, for capital equipment remained weak during the year. I believe it will take a few more years before the Asian market achieves full recovery. After implementing some cutbacks in our operations in Asia, Elekta is positioning itself for market recovery. In Japan, we have started to develop our own distribution organization for oncology products.

RESTRUCTURING

Operations in fiscal year 1998/99 were characterized by implementation of the restructuring program approved and initiated by the Group in the late autumn of 1997.

We have made sharp cutbacks in our organization, restructured the Group and terminated the operations of various legal entities. In the UK, we are pursuing an aggressive program to increase subcontracted production of oncology products and reduce our former total reliance on GBP as the procurement currency. Oncology and Neurosurgery, our two product areas, are now being integrated to capitalize on future synergies in both revenues and operating costs. A joint sales and service organization has been established in Europe. In the U.S., several of Elekta's operational activities have been



Laurent Leksell, President.

integrated in one organization with headquarters in Norcross, near Atlanta. Joint global functions within IT and marketing communications have also been established. Comprehensive restructuring has also been made in Asia, excluding Japan, to adapt operations to continued weak market conditions in the region.

We have already started to note favorable effects of these measures in the form of lower operating expenses, higher cost-efficiency and increased productivity.

NEW PRODUCTS

We have continued to invest in research and development. Capital expenditures in R&D amounted to SEK 152 M last year, or 8 percent of sales. The market demands continuously treatment methods that produce better clinical results, greater cost-efficiency, fewer complications and shorter periods of hospitalization.

During the past fiscal year, the Oncology and Neurosurgery product areas both introduced important new products which will satisfy these demands.

Elekta Precise Treatment System is a new range of products for radiation oncology launched by Elekta last year. The system creates new opportunities for sophisticated and more precise treatment supported by Intensity-Modulated Radiotherapy, IMRT.

I am also extremely pleased with the further development work on Elekta's original core product, the Gamma Knife. In February 1999, Elekta introduced the newest version of its Gamma Knife, called Leksell Gamma Knife, Model C, which has generated widespread interest among both old and new customers. Introduction of the Model C marks the conclusion of highly comprehensive development work conducted over a period of several years. The new version, deliveries of which will begin during fiscal year 1999/2000, improves potential to optimize radiation doses, broadens the areas of Gamma Knife applications and reduces treatment time. The new generation opens the market to smaller hospitals and clinics.

COOPERATION

To strengthen our positions of market leadership within oncology and minimally invasive surgery, several programs of cooperation were started during the year with leading companies that supply products to supplement Elekta's proprietary product range.

We are also conducting active research in cooperation with customers as part of efforts to further expand clinical applications for our products.

In Europe, an agreement has been reached with GE Medical Systems to market their CT-simulation system for radiation treatment of cancer. An agreement has also been reached with Nexus of Germany to market the company's integrated information system for patient data as well as scheduling and billing routines in conjunction with radiation treatment of cancer. Elekta also signed an agreement with Nucletron of the Netherlands during the year for production of a therapy simulator, which was developed in cooperation with Elekta. The agreement also provides Elekta with distribution rights to Nucletron's brachytherapy products.

IMAGE GUIDED SURGERY, IGS

Business development and earnings by our IGS operations were highly unsatisfactory last year. The market for image guided surgery has not grown as strongly as many observers had projected. The situation is due partly to uncertainties surrounding reimbursement, or lack of reimbursement, for medical treatments using IGS products. Following the divestment of our surgical instruments operations, Elekta is now also faced with only limited distribution capacity for IGS products,

President's comments

particularly in the critical U.S. market.

Elekta was a pioneer in the market, and the Group commands a leading position based on a large number of advanced and highly functional IGS systems now in operation. Continued strong focus on IGS requires development efforts in new therapy treatment areas, such as orthopedics, which are highly resource-intensive. As a result, Elekta plans to concentrate on applications of image-based technologies within its core business.

To reduce operating expenses and improve Group earnings, efforts are now being made to find various forms of cooperations, joint ventures and restructuring in different parts of Elekta's IGS-operations. I expect this work to be completed in 1999.

RESULTS IN 1998/99

After two years with highly unsatisfactory results, Elekta is now beginning to see a positive turn in the trend of Group earnings. The structural changes we have implemented are beginning to yield the desired effects. We can influence our cost structure even more by taking greater advantage of synergy effects that clearly exist between our two product areas. We have also made strenuous efforts to reduce production costs and other operating expenses through increased outsourcing of production to subcontractors and by streamlining our production structure. We are also making serious efforts to improve return on the Group's capital employed.

Gross earnings from operations were also affected by the product mix and market trends in different geographical regions. Margins were down for Elekta's oncology products in Europe, for example, particularly in Germany and Italy. Some improvement was noted toward fiscal year-end, however.

THE FUTURE

We have prioritized the following activities during the current fiscal year, which will virtually complete our restructuring program:

- quickly find solutions for IGS-operations.
- lay the foundation for increased Gamma Knife sales in Europe by utilizing the joint sales and service organization we have developed for Oncology and Neurosurgery operations.
- increase our market share for oncology products in the U.S. The sales and service organization has been strengthened and new clinical solutions can now be offered.
- continue to pursue efforts designed to reduce our production costs and other operating expenses and increase our operating efficiency and productivity through continued integration of Group operations, improvements in our product structure and personnel development.
- strengthen our capital structure and long-term financing capabilities through continued determined efforts to improve the return on capital employed.

The effects of structural changes implemented during 1998/99 will be reflected in the form of improved operating earnings during fiscal year 1999/2000.

We also believe that healthcare markets and their investments will show positive development during the next few years. Sales of Elekta's capital-intensive but highly clinical and cost-effective products, therefore, are expected to develop positively in existing markets and through penetration of new markets.

We expect the continued program of restructuring to result in satisfactory profitability within the next two years.

STOCKHOLM, AUGUST 31, 1999



Laurent Leksell
President

Business concept and strategy

Elekta's business concept is to serve as a leading international supplier of advanced medical technology and cost-effective methods used for radiotherapy treatment of cancer and neurosurgical treatment of brain disorders.

Elekta's objective is to create profitable business growth that will benefit our customers, shareholders and employees. Elekta plans to achieve its goal through growth driven by positions of global market leadership as a supplier of innovative medical care and cost-effective technologies, products and treatment methods focused on radiotherapy to combat cancer and radiosurgery to treat brain disorders.

In the short-term perspective, Elekta will strive to achieve its goals through continued cultivation of existing markets and the establishment of a corporate presence in new geographical markets. In a more long-term perspective, growth will also be based on new clinical indications and application areas for today's products as well as newly developed products and treatment methods within Elekta's core areas of activity, precision radiation treatment of cancer and minimally invasive neurosurgery.

To succeed in its endeavors, Elekta has developed an effective, customer-oriented global sales and service organization. The Group also conducts comprehensive research and development activities controlled by new clinical indications and medical needs as part of determined efforts to offer the market treatment methods characterized by improved medical care and higher cost efficiency.

HEALTHCARE NEEDS

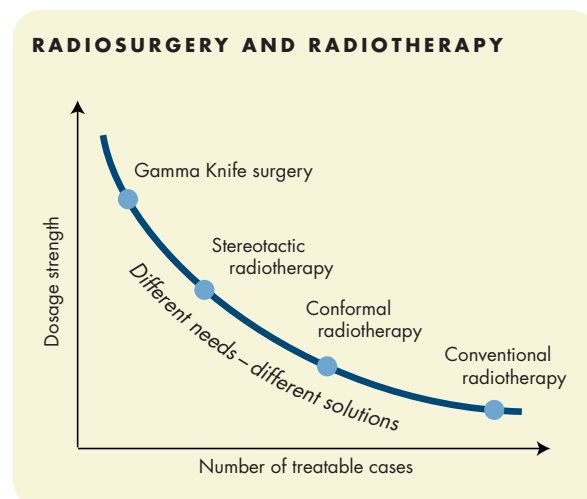
Elekta's products and clinical solutions are used in radiotherapy applications to treat cancer, neurological disorders and vascular malformations in the brain.

With the exception of heart disease, cancer is the most common cause of death in the industrialized world. According to a World Health Report (1998), cancer claimed the lives of 2.5 million people in 1997. One of every three persons in the world today will be afflicted by cancer during his/her lifetime, and nearly half will be treated with radiotherapy. First and foremost, cancer afflicts older people, with more than 70 percent of all new cases diagnosed in people over the age of 60. According to estimates by the World Health Organization (WHO), the number of people over 65 years of age

will increase from 390 million in 1997 to 800 million in the year 2025, an annual increase of 2.6 percent. The number of new cancer cases is increasing in parallel with longer life expectancy. By the year 2020, it is believed that cancer will afflict at least 15 million people annually, compared with 10 million new cases in 1998. As a result of these different factors, market growth for products used in radiation treatment of cancer is expected to increase by 3-5 percent annually over the next five years, with relatively large geographical differences, however.

Elekta estimates the world market for products used in radiation treatment of cancer in 1998 amounted to approximately SEK 8 billion, with equipment accounting for 75 percent and service for 25 percent. Future market growth will be concentrated on replacements of old equipment with modern systems that offer greater precision. Today's products provide better clinical results, gentler treatment for patients and greater cost efficiency for patients, healthcare providers and society.

The market for minimally invasive neurosurgical treatment of brain disorders is characterized by continued steady growth. Improved diagnostic methods and greater clinical experience in these types of non-invasive surgical procedures have been key factors behind market growth. Radiosurgery produces better medical results and less risk of complications – in addition to shorter periods of hospitalization, improved quality of life for patients and lower costs. Diseases and disorders treated most successfully by radiosurgery include benign tumors, metastases, vascular malformations and, in the long-term perspective, epilepsy and Parkinson's disease. According to Elekta's estimates,



Business concept and strategy



SurgiScope.

the global market for equipment used in minimally invasive neurosurgical treatment of brain disorders was valued at approximately SEK 2.5 billion in 1998.

ELEKTA'S MARKET

Most of Elekta's sales are booked outside Sweden. During the past fiscal year, Europe was Elekta's largest market, accounting for 41 percent of Group sales. North America was second at 37 percent, followed by Japan at 16 percent and the rest of Asia at 6 percent.

Europe is Elekta's strongest market for oncology products, accounting for more than half of installed linear accelerators, followed by North America and Asia. Elekta plans to intensify marketing efforts for the Group's oncology products in the U.S. and Japan.

North America accounts for nearly half of Elekta's Gamma Knife installations, followed by Japan and rest of Asia, both of which have approximately the same number of installed Gamma Knives. Europe has the lowest market penetration level, due mainly to budget restrictions imposed during recent years by public healthcare and medical authorities. Intensified marketing operations are now being conducted in Europe through coordinated efforts by Oncology and Neurosurgery.

Elekta's products are used primarily by neurosurgeons, radiation therapists, oncologists, hospital physicists and, to a lesser extent, ear-nose-and-throat surgeons and orthopedic surgeons.

Products supplied by Elekta require substantial capital investments by healthcare providers, as well as specially trained personnel. Most of Elekta's customers, therefore, are large hospitals and clinics.

Elekta has a strong network of customers, with user groups such as "The Leksell Gamma Knife Society," which meets regularly to discuss experiences in Gamma Knife surgery. Elekta also conducts scientific and clinical programs of cooperation with a large international network of hospitals and clinics. Institutions such as the Karolinska Hospital, Thomas Jefferson University, the University of Pittsburgh and Tokyo University are some examples of leading creators of opinion in radiotherapy and neurosurgery that Elekta has cooperated with for many years to develop and spread the use of modern, gentle and precision radiation treatment.

TOTAL SOLUTIONS

Elekta's strategy is to offer Group customers a broad range of total clinical solutions that cover radiotherapy to treat cancer in all parts of the body and minimally invasive neurosurgical treatment of disorders in the brain.

Demands by healthcare providers today call for treatment methods that offer effective care and cost efficiency. More and more countries are also placing formal requirements on studies conducted to verify the medical effects of treatment methods, in relation to treatment costs. Patient quality of life has also become an important consideration.

Based on minimally invasive technologies, Elekta's treatment methods are gentle on patients. Short treatment periods and much shorter periods of convalescence also provide significant cost advantages, compared with conventional treatment methods.

Elekta has a unique position as the only company that offers a complete range of products and system solutions for radiation treatment of cancer and brain disorders. The competition consists of small companies and divisions of large multinational Groups that cover oncology, but cannot offer products that compare with Elekta's development of minimally invasive radiation treatment methods using the Gamma Knife.

Another important competitive advantage for Elekta is the Group's access to comprehensive clinical results that illustrate the medical and financial benefits of Elekta's treatment methods; these clinical results have been documented and distributed throughout the medical community for years.

VERTICAL INTEGRATION

During the past few years, Elekta has invested in a number of Gamma Knife clinics, primarily in the U.S. The investments have been made through Gamma Knife Ventures, Inc. (GKV), a wholly owned subsidiary established in 1992. Elekta holds only minority ownership interests in the Gamma Knife clinics today, and the Group is not involved in their daily operations. Plans are now being made to increase Elekta's involvement in these types of clinics. Options for greater involvement include a form of "fee for use" arrangement, which would provide a new, stable and profitable source of revenue to offset the fluctuations now faced by Elekta due to the capital-intensive nature of products sold by the Group.

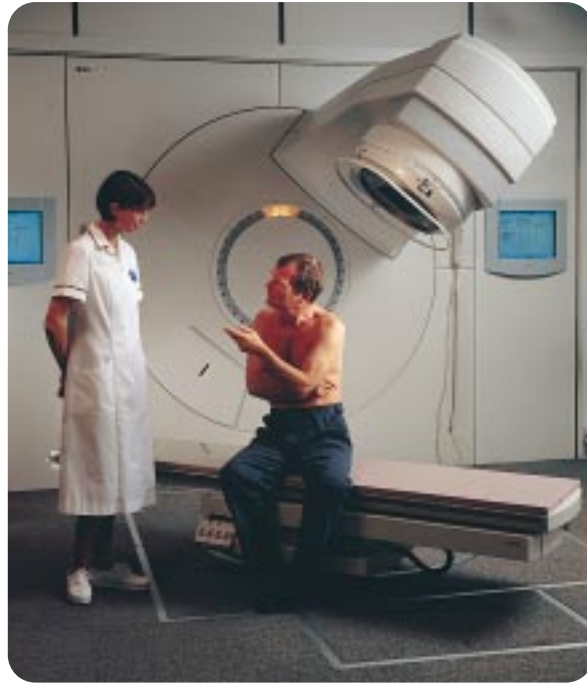
Since 1995, Elekta has owned 19 percent of GK Financing LLC (GKF) through a joint venture with American Shared Hospital Services Inc. of the U.S. GKF operates six proprietary therapy clinics for radiosurgery using the Gamma Knife, and three new clinics are now being established.

In addition, Elekta cooperates with a few large leasing companies, which enables the Group to offer customers financing solutions in the U.S., Europe, Asia and Latin America.

QUALITY AND REGULATORY DEMANDS

Elekta makes determined efforts to secure compliance of the Group's effective processes with today's demands on medical technology products and their applications. Elekta meets all requirements imposed by the U.S. supervisory authority, FDA, for example, and Europe's Medical Device Directives. Elekta was inspected by the American and European supervisory authorities during the past fiscal year.

Extensive quality assurance work has also focused on new global processes created by Elekta to support and secure the action program implemented within the Group to increase operating efficiency and reduce costs. Particularly strong focus has been placed on maintaining



Digital linear accelerator.

Elekta's high standards in fulfilling regulatory demands.

Elekta has coordinated its resources to achieve optimal utilization of the Group's specialized expertise in meeting quality and regulatory demands. A strongly decentralized Group structure has been retained, however, controlled by local market needs.

Clearance was gained during the year for the oncology system Elekta Precise, and a new version of the Gamma Knife, Model C, which can now be marketed both in Europe and the U.S. Approval in Japan is expected during the current fiscal year.

ENVIRONMENT

Elekta has a fixed environmental policy approved by the Board of Directors. The company's vision is to be an environmentally responsible organization, continuously reducing the environmental impact of its activities and products.

Elekta's policy is to comply with all relevant and applicable environmental protection laws and regulations, to consider the environment in the introduction and support of clinical solutions, products, processes and packages and to ensure the policy is complied with throughout all parts of the Elekta Group.

Research and development

Elekta's R&D operations are focused on strengthening the Group's position as a leading supplier of total clinical solutions for minimally invasive neurosurgery and precision radiation treatment of cancer.

By developing products that provide greater precision during treatment, shorter treatment periods and simpler work efforts by medical personnel, Elekta makes valuable contributions toward improved clinical results and more cost-effective medical and healthcare treatment.

R&D work is concentrated on further development of products and systems that generate short and long-term benefits. In parallel, Elekta also conducts more fundamental research into radiation treatment, image integration and stereotaxy to produce completely new products for future medical needs.

Elekta's R&D expenditures during the past fiscal year amounted to SEK 152 M (158), or about 8 percent (9) of net sales.

The interviews below were conducted with Elekta's chiefs of R&D operations, who talked about their operations.



Björn Andersson

Björn Andersson is responsible for development activities of the Neurosurgery product area and manager of a department with employees in Stockholm and Grenoble, France.

R&D activities in Stockholm are conducted in an office environment. How does that function?

Björn Andersson (BA): For the most part, we normally work with development rather than research, and we use modern CAD systems today to design, simulate and test almost everything on the display screen. The production of prototypes is then outsourced to subcontractors.

The placement of our operations in the Stockholm office provides rapid access to contacts with other groups of employees. Our development work is conducted by cross-functional teams comprising representatives

from production and purchasing, service, marketing and quality assurance as well as research and development personnel. The advantage of such teams is that Time-to-Market is reduced.

Surely you must have contacts with hospitals and when developing such critical products as Elekta manufactures?

BA: Naturally, it is important to discuss various aspects of our products with end-users. We conduct programs of close cooperation with a large number of major hospitals and clinics in Europe, the U.S. and Asia. The clinics also help us evaluate our prototypes. As a result of comments from one user, for example, we plan to introduce variations of the new Gamma Knife, Model C, which will be able to work from the right or left-hand side, depending on the design of the premises.

Elekta has launched a new version of its flagship product, the Leksell Gamma Knife. What new features does the Model C offer?

(BA) Development work on Model C was started nearly 10 years ago. For all intents and purposes, we have maintained the original radiation unit, but the new version also offers a patented, automatic patient positioning system, APS, which is highly precise and reliable. Model C also contributes strongly to a dramatic reduction in treatment times. The mechanical control system has also been replaced by a completely computerized system.

Customers who have the earlier Model B installed can upgrade their Gamma Knife installations to Model C functionality.

Were any other products introduced during the past fiscal year?

(BA) We made a large number of small but very significant improvements in many of the software programs in our products for image guided surgery, IGS.

In Grenoble, we developed new versions of ViewScope and SurgiScope. ViewScope now offers autoclavable tools and improved user interface features.

Several upgraded versions of the Leksell GammaPlan software were also developed. One version was adapted specifically for the new Gamma Knife Model C, and another new version offers strong functionality improvements.



Peter Hart is responsible for Oncology development activities in Crawley, outside London.

Peter Hart

R&D operations in Crawley are steeped in traditions characterized by a large number of discoveries in radiotherapy, including the world's first digitized linear accelerator in the 1980s and the first Multi-Leaf Collimator, MLC, in 1990. Today, the R&D unit files an average of one patent application per month.

What is the driving force behind R&D activities within Elekta?

Peter Hart (PH): Elekta's future growth will depend on the Group's ability to introduce new products and clinical solutions, which must be produced through research and development. We understand the importance of R&D, and our responsibility, and we are striving to establish world-class personnel, tools and processes to achieve our objectives.

We are constantly looking for better technologies for our products, but our main focus is on even better clinical solutions. This represents a new pursuit for us, since technology was the most important target area in the past. We combine our in-house development work with comprehensive programs of cooperation with hospitals and clinics in all parts of the world. The programs provide Elekta with valuable clinical information and experience for continued product development.

How do these programs of cooperation work in practice?

PH: A good example is the development and introduction of Elekta's intensity-modulated radiotherapy system (IMRT). We have established an IMRT consortium comprising research hospitals in all parts of the world; representatives meet twice a year in Crawley to discuss IMRT. In principle, IMRT is a means of supplying an intensity-controlled three-dimensional beam, which offers much more effective treatment of tumors. Our present range

of linear accelerators can be equipped with the new IMRT technology.

The members of the consortium are using IMRT daily so Elekta is probably the most experienced supplier of IMRT in the world today.

What is Radiotherapy (RT) Desktop?

PH: Desktop is part of Elekta's new system, Elekta Precise, for radiation treatment of cancer; it was our most important product launch during the past fiscal year.

It took two years to develop Desktop and it replaces all previous computer systems for our linear accelerators with an open industry-standard data architecture. Desktop is focused on patients, not the equipment, and it's easy to use, service and upgrade; it also offers much faster processing speeds. Customers can upgrade existing machines, and all linear accelerators that leave our production plant today are equipped with Desktop.

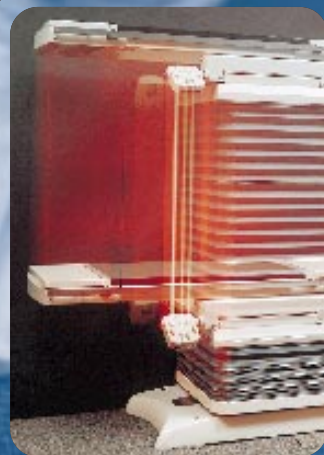
Another element of Elekta Precise is a new patient table, a concept in which we applied our innovative design capabilities to develop a product that's twice as good at half the cost. Installation of the system is also extremely easy and the unit requires less space than other systems.

A system to process product data is now being installed at the R&D unit in Crawley. Can you describe the system's functionality?

PH: It's an integrated system designed to view data electronically and replace all paper documentation, drawings and blueprints. We have now entered all documentation electronically, and the next step is to integrate all CAD and other circuit board design tools to create a single unified system.

The new system will generate a substantial increase in our productivity. In the past, for example, it might take half a day to produce a drawing of a 20-year old product or system. The same information is now available within a matter of seconds. It also enables us to design and simulate new products and changes right on the display screen.

The system also contains a tool for the production of prototypes in just a few weeks, rather than months.



Oncology

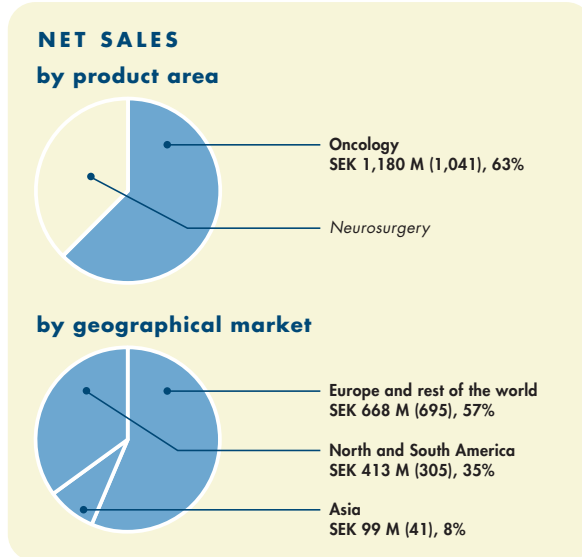
Elekta is a leading global supplier of systems and clinical solutions for precision radiotherapy of cancer. In addition to its core product, the linear accelerator, Elekta's oncology products include three-dimensional dose planning systems, simulators, patient tables, patient fixation devices, and patient management systems.

Elekta's oncology activities generated net sales of SEK 1,180 M (1,041) during the past fiscal year, accounting for 63 percent of Elekta's total sales. Order bookings developed favorably. Earnings from oncology activities were affected by the product mix and business development efforts in various geographical markets. Margins in Germany and Italy declined during the year.

ELEKTA PRECISE

During the past fiscal year, Elekta introduced Elekta Precise Solutions, a new concept for radiation treatment of cancer. Elekta Precise Solutions was shown for the first time in September and October 1998 at two important medical conferences, the European Society for Therapeutic Radiology and Oncology (ESTRO) and the American Society for Therapeutic Radiology and Oncology (ASTRO). The concept received highly favorable reception at both conferences.

Elekta Precise offers new opportunities for radiotherapy of cancer with greater precision and reduced risks of injury to healthy surrounding tissue. The improvement has been achieved in part with the support of Intensity Modulated Radiotherapy (IMRT). Elekta Precise also



Oncology	1996/97 ¹⁾	1997/98	1998/99
Net sales, SEK M	342	1,041	1,180
Including major orders in Russia	66	130	—

1) Includes Radiation Therapy for four months.

includes a completely new and highly advanced treatment table, which helps to position the patient more accurately and easily during radiotherapy. In addition, Elekta Precise combines Elekta's products and expertise with first-class products and systems from alliance partners such as GE Medical Systems, Nucletron BV and Stryker Leibinger.

LINEAR ACCELERATORS

The linear accelerator, or "linac," is the core product in Elekta Precise Treatment System. Elekta's linac is the market's technological leader. Elekta is the only company in the world today that offers a totally digital integrated linac, which makes it easier to upgrade and supply the linac with added features with remote monitoring. In addition, Elekta's service center offers telephone assistance to help correct faults that may arise. Another strength of Elekta's system is the use of industry standard platforms and interfaces, which makes it easier to offer customers total solutions in cooperation with other suppliers.

Clinical indication	Radiotherapy	Stereotactic radiotherapy	New cancer cases in the U.S. in 1998
Prostate cancer	●	●	184,500
Breast cancer	●		180,300
Lung cancer		●	171,500
Colorectal cancer	●		131,600
Lymphoma	●		62,500
Bladder cancer	●		54,400
Kidney cancer	●	●	29,900
Leukemia	●		28,700
Head and neck tumors	●	●	17,400
Thyroid cancer	●		17,200
Liver cancer		●	13,900
Cervical cancer	●		13,700
Testes cancer	●		7,600

Source: Elekta and American Cancer Society

Oncology



Integrated Multi-Leaf Collimator.

In order to supply maximum radiation doses in parallel with maximum protection for healthy tissue, the radiation must be supplied with precision and reliability, an important selection criterion when customers choose their system suppliers. Due to limited resources, health-care providers are also striving to maximize the number of patients that can be treated through shorter treatment times, which allows them to reduce treatment costs per patient. Another important factor in the selection of supplier is the potential to benefit from future advancements in technology and treatment methods, such as intensity modulated radiotherapy (IMRT), an important new development.

Radiotherapy with linear accelerators can be used to treat many different types of cancer. A recent study in Europe showed that radiotherapy is clearly the least expensive method now used to treat cancer, compared with chemotherapy and invasive surgery. Depending on the type of cancer, and the stage at which the disease is treated, these methods are used separately or in combinations with each other.

The main types of cancer treated with radiation are prostate, breast and lung cancer.

Elekta's most serious competitors in the linear accel-

erator sector are Varian and Siemens, as well as Mitsubishi in Japan.

MLCi - MULTI-LEAF COLLIMATOR

MLCi is a computer controlled system comprising tungsten leaves that shape the radiation from the treatment system to the tumor's contours. The system makes it possible for the cancerous tissue to receive more intensive radiation therapy without damaging healthy tissue surrounding the tumor. MLCi is a key component for performing advanced IMRT techniques. MLCi makes it possible to gradually vary the radiation intensity, dosage strength, periods of radiation treatment and size of the target area to achieve optimal treatment results. In addition, the method reduces treatment times and costs in 95 percent of the most common forms of radiation treatment.

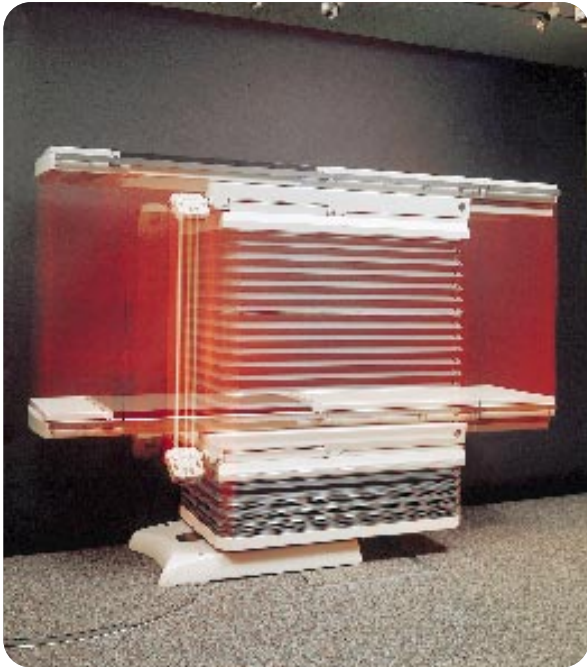
Elekta's first-generation MLC was introduced in 1990. The precision of today's generation of Elekta MLCi is extremely high, and the system is totally integrated in the linear accelerator, with built-in verification of data settings, reducing manual data entry and minimizing errors. As a result, the need for a separate computer has been eliminated. Elekta is also the only company that offers controlled MLC settings using a CID-camera; the method also features automatic adjustments of the radiation dose, which makes treatments faster and more reliable.

PATIENT TREATMENT TABLE

Elekta's unique new patient table, Precise Treatment Table, is a universal treatment table used to position patients during simulation and radiation treatment of cancer. The table has a patented lift mechanism, and the product's high precision, stability and operability have made Elekta today's technologically leading supplier of patient tables. The table is also extremely patient-friendly based on its low noise levels during movement.

PATIENT MANAGEMENT SYSTEMS

Desktop is the core element in Precise Connectivity, Elekta's new integrated planning system, which is based on modern communication protocols such as DICOM-RT. Simulation, treatment and diagnostic information can be combined with settings for the linear accelerator. In addition, historical patient information and patient treatment programs can be produced from the same system on a single display screen.



Precise Treatment Table.

The treatment table and patient management system have both gained 510 (k) clearance by the American Food and Drug Administration (FDA) for sale in the U.S.

IMRT CONSORTIUM

Elekta sponsors a group of eight leading institutions in Europe and the U.S. working with intensity-modulated radiotherapy, IMRT. The consortium was established to develop practical and effective clinical IMRT methods through coordinated research. It has published a large number of papers on the subject of IMRT applications in leading international medical journals.

THREE-DIMENSIONAL DOSE PLANNING

Render-Plan 3-D is a dose planning system that simplifies the complicated task of radiation treatment preparations. The latest version of Render-Plan includes a Fiducial Plan module for stereotactic radiotherapy. Combined with Elekta's Stereotactic Bodyframe, the new version of Render-Plan is used in radiation treatment to combat lung and liver metastases.

ONCOLOGY PRODUCTS

PRODUCT	DESCRIPTION	APPLICATION
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Digital linear accelerator



Advanced linear accelerator of the high- to medium-energy type with the possibility to pre-adjust different energy levels of both photon and electron radiation.

Radiotherapy of cancer.

Integrated MLC



Computer-controlled system of limiting leaves that shape the radiation to the contour of the tumor.

Increases precision of treatment and reduces radiation of healthy tissue.

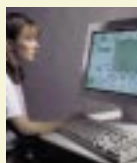
Precise Treatment Table



New patient table with patented lift mechanism. Offers high precision and low noise levels during movement.

Positioning of patients during simulation and radiation treatment of cancer.

Desktop



Integrates data settings for linear accelerator with treatment program and patient data.

Simulation and radiation treatment of cancer.

Render-Plan 3-D®



Three-dimensional dose-planning system for radiotherapy of cancer with linear accelerators.

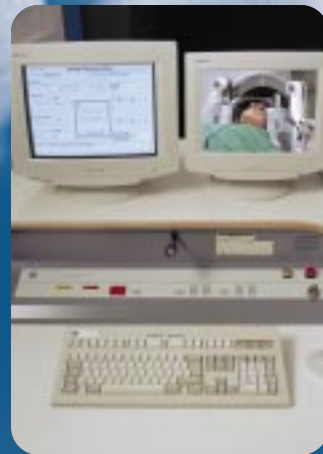
Planning of cancer treatment in all parts of the body.

PreciseSIM™



Radiation treatment simulator that uses X-ray technique to produce high-quality imaging.

Simulation of treatment sequences.



Neurosurgery

Elekta is a world-leading supplier of systems and clinical solutions for minimally invasive neurosurgical treatment of brain and spinal disorders. In addition to its core product, the Gamma Knife, other neurosurgery products include stereotactic systems and products used in image guided surgery (IGS).

Elekta's neurosurgery activities, including image guided surgery (IGS), reported net sales of SEK 704 M (514) in fiscal year 1998/99, accounting for 37 percent of total Group sales. In terms of earnings, Gamma Knife operations showed favorable development, while earnings from IGS activities were unsatisfactory.

THE GAMMA KNIFE

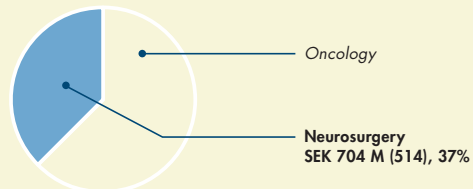
Elekta booked 19 new Gamma Knife orders during the year, the same number of contracts booked in the preceding fiscal year. Orders for two Gamma Knife units were booked in Egypt, which represents a new market for Elekta.

A new version of the Gamma Knife, Model C, launched during the year, has generated strong market interest. The new product generation offers improved potential to optimize radiation doses, broaden the areas of application for the Gamma Knife and

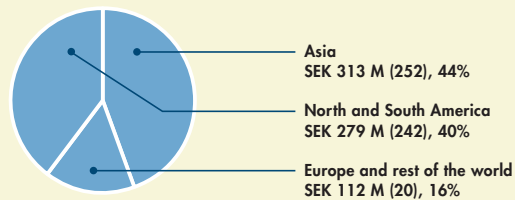


The Leksell Gamma Knife, Model C.

NET SALES by product area



by geographical market



Neurosurgery	1996/97	1997/98	1998/99
Net sales, SEK M, of which	653	514	704
Radiosurgery and Stereotaxy	577	432	620
Image Guided Surgery, IGS	76	82	84

reduce treatment times.

The Gamma Knife is used for non-invasive radiosurgery to treat vascular malformations, benign tumors and brain metastases. Through the years, more than 100,000 patients in more than 20 countries have been treated with the support of Elekta's Gamma Knife. The first commercial application of the Gamma Knife was noted in 1987 and, at the end of July 1999, 124 Gamma Knife systems were installed in all parts of the world.

The new version, Model C, can be equipped with an Automatic Positioning System (APS) that makes it possible to treat complicated target areas in the brain more exactly and much faster than previous versions of the Gamma Knife. The new Model C is also a modular concept to support rapid adaptation to various clinical needs, both in terms of the number of patients treated and types of treatment. As a result, it can also be adapted in terms of costs to the needs and financial resources of individual healthcare providers.

Deliveries of the new Model C will begin toward year-end 1999. In the beginning of June 1999, Elekta

Neurosurgery



Replacing the Gamma Knife collimator helmet.

received clearance from FDA, the American supervisory authority, to market the Model C in the U.S. It has also been approved in Europe, and final approval by Japanese authorities is expected before the end of fiscal year 1999/2000.

The large number of installed Gamma Knife units represents an important base for clinical experience and a continuous source of revenue in the form of upgrades, maintenance and service. All Gamma Knife installations can also be upgraded to include Model C functionality.

Invasive surgery is the main source of competition for Elekta's radiosurgery. OUR Scientific, a Chinese company, has introduced a radiosurgery device that competes with the Gamma Knife for certain types of treatment. According to available information, OUR has 17 installed units, all in China. Elekta does not consider OUR a serious competitor in markets outside China. Furthermore, initial court proceedings in France and the U.S. have upheld Elekta's claims that OUR has committed patent infringements and violated Elekta's registered trademark for the Gamma Knife. OUR has appealed.

STEREOTAXY

Stereotaxy is a technology introduced by Professor Lars Leksell in the late-1940s to determine the exact positions of brain disorders. The stereotaxy was the foundation for the establishment of Elekta in 1972.

The Leksell Stereotactic System consists of a reference metal framework that enables medical expertise to localize, diagnose and treat brain disorders with extremely accurate precision. Using various surgical instruments, the surgeon can access the selected target area with great precision and minimal invasive procedures. Stereotaxy is standard practice today in many forms of neurosurgical treatment and all radiosurgery procedures.

Demand for stereotaxy has increased during recent years based on growing interest in various surgical procedures to treat functional disorders. The procedures are contingent upon the ability to exercise extreme precision in treating injuries deep inside the brain without damage to surrounding tissue. Stereotactic procedures are also being used to a growing extent in other forms of brain surgery, such as biopsy, suction, aspiration and injections.

Elekta is the market leader for highly sophisticated stereotactic equipment, with a market share of more than 40 percent of installed systems. Future market growth is projected at about 10 percent annually. Major competitors include Radionics and Leibinger.

MAGNETIC ENCEPHALOGRAPH

The sale of four magnetic encephalograph systems (MEG) to major university hospitals in Japan represented a very



Magnetic encephalograph.

significant success for Elekta during the past fiscal year. The order was valued at more than SEK 100 M. The systems are manufactured by Neuromag of Finland and distributed in Asia by Elekta. Elekta has installed six other MEGs in Japan.

The magnetic encephalograph measures and registers the locations of extremely weak magnetic fields in the brain. MEGs are used in brain research and diagnose of functional conditions such as epilepsy.

IMAGE GUIDED SURGERY - IGS







Image Guided Surgery is an important tool used in brain surgery, and its applications will gradually be utilized to a greater extent in other surgical procedures, such as orthopedic surgery. IGS enables surgeons to continuously monitor the exact positions of their surgical instruments on a computer screen, allowing them to follow with extreme precision a preset "map" to the target area, with less risk of injury to healthy tissue. The risk of complications and time requirements for surgical procedures are thereby reduced significantly.

The use of image guided surgery is still not particularly widespread and IGS procedures have still not gained general acceptance in healthcare communities, which is not unusual when new medical technologies are introduced. The market prefers to wait until clinical results can be studied more closely, and the required follow-up often requires a period of a few years. Elekta has concentrated on neurosurgical applications. Other important areas of application for image guided surgery include orthopedic surgery, for example, as well as ear-nose-and-throat medicine and ophthalmology.

Elekta established a program of cooperation during the year with Medivision Advanced Support System, a Swiss company that specializes in orthopedic and spinal surgery. In May 1999, Elekta also signed an agreement with Zeiss that supports integration of Elekta's image guided surgical systems with Zeiss' surgical microscope.

Sofamor Danek and Zeiss are Elekta's main competitors in image guided surgery.

NEUROSURGERY PRODUCTS

PRODUCT	DESCRIPTION	APPLICATION
 <p>Leksell Gamma Knife®</p>	Delivers single high doses of ionized radiation to selected, well-circumscribed targets in the brain.	Cardiovascular disorders, benign tumors, metastases, other malignant tumors in the brain and functional disorders.
 <p>Leksell Stereotactic System®</p>	Three-dimensional stereotactic localization system that enhances diagnostic accuracy and facilitates less invasive surgical treatments.	Biopsy, removal of tumors, hemorrhage evacuation, endoscopic surgery and functional disorders.
 <p>Neuromag Vectorview™</p>	Magnetic encephalography, a technique used to register the brain's natural magnetic fields.	Localization of epilepsy areas and research.
 <p>SurgiScope®</p>	Robotized system used in handling microscopes and other instruments.	Guidance/navigation of surgical microscopes used in neurosurgical and other procedures.
 <p>Elekta Insight™</p>	Freehand guidance/navigation system that is also a sub-module used in ViewScope and SurgiScope.	Used for brain and spinal treatments and for certain ear-nose-and-throat indications.
 <p>SurgiPlan®</p>	Computer-based simulation of surgical procedures.	Planning and simulation of operations, as well as guidance in connection with neurosurgery.

Personnel

Elekta's loadstar is – Together we help people fight serious diseases.

During the past two years, Elekta has undergone a program of comprehensive structural change. Major changes have included Elekta's acquisition of the radiation therapy division of Philips, and divestment of the Group's former Surgical Instruments product area. To implement the program of structural change, Elekta developed a platform of common values based on different corporate cultures and variations in national cultures.

ELEKTA VALUES

Development of the Group's platform of common values has resulted in the formulation of Elekta Values. Under the loadstar "Together we help people fight serious diseases," five common values have been established to provide guidance for Group employees in their everyday



Lisbeth Ekström

work routines. Elekta Values represent a key element in the ongoing integration process, contributing to greater operating efficiency and, ultimately, improved profitability.

Elekta Values, developed during the past year, were introduced to Group management personnel at a series of seminars in different parts of the world. In May and June 1999, management presented the Elekta Values to all employees, and local seminars will be conducted at different Group companies throughout the remainder of 1999.

PERSONNEL DEVELOPMENT

The introduction of a new program for personnel development and compensation was completed during 1998/99.

When organizational changes are made, and corporate structures become flatter, certain needs arise for career development programs to provide employees with new opportunities for development, both horizontally and vertically, within the organization. Elekta has developed and introduced a new personnel development system based on the skill levels of its employees. The system consists of four career bands. The different levels describe alternative ways for employees to achieve effective results. The system also defines special skills and knowledge

requirements, as well as obvious behavioral patterns and attitudes, to perform job assignments satisfactorily.

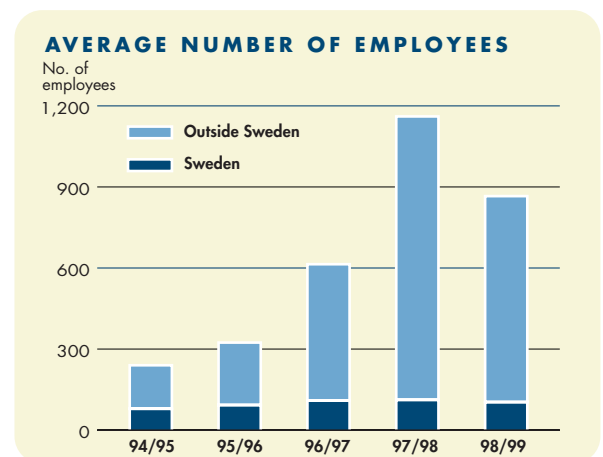
The career development system has been upgraded to function as an objective tool for management and employees, creating an open dialogue to define objectives and evaluate job performance standards during personal development discussions. The tool also provides a quality guarantee for employee work efforts and forms the foundation for skills and personal development that all employees need to contribute to their particular unit's overall objectives.

In parallel, a remunerations system has been introduced in certain Group units to reward employees who achieve their goals. These goals are not necessarily target levels assigned to sales and earnings; they also include so-called soft values, such as various ways to implement and utilize Elekta Values to promote Group operations.

ORGANIZATION

Elekta has a centralized personnel function situated in the head office in Stockholm under management by Lisbeth Ekström. Other local personnel functions are situated in Crawley, where the Group also conducts manufacturing, and Norcross, near Atlanta, in Georgia.

At the close of fiscal year 1998/99, Elekta had 862 employees, including 110 in Sweden, 322 in the UK and 184 in North America. The remainder is distributed among other European countries, Japan and Asian countries. Marketing, sales and service account for about 500 employees and slightly more than 100 persons work in manufacturing, primarily in Crawley. The number of Group employees has declined from 1,241 in 1997 to 862 at fiscal year-end, due mainly to structural changes and divestments of certain operations.



Board of Directors' Report

OPERATIONS

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

More than 95 percent of Group sales occur outside Sweden. Europe represents Elekta's largest market, followed by North and South America, and Asia.

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

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

ORDER BOOKINGS AND ORDER BACKLOG

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

The market in Europe and Asia, excluding Japan, for Elekta's neurosurgery products remained weak during the year. The U.S., however, showed favorable growth and Japan continued to be stable. Over twelve months, 19 (19) new Gamma Knife orders were signed, of which 10 (8) are destined for the U.S., 5 (8) for Japan, 1 (1) for Asia, 2 (0) for Africa and 1 (2) for Europe.

Order bookings for oncology operations progressed positively. Elekta is currently the market leader in Europe. In the U.S., Elekta is the third largest supplier. Among other developments, a three-year agreement was signed with the University of Pittsburgh Medical Center, valued at USD 10 M for the delivery of linear

accelerators for eight hospitals in northeastern U.S. In Asia, Elekta is positioning itself for a recovery. In Japan Elekta has begun building its own distribution organization for oncology products.

NET SALES

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

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

RESULT

Elekta incurred an operating loss of SEK 139 M (loss: 208), an improvement of SEK 69 M compared with the preceding period. For comparable units excluding items affecting comparability, the operating loss was SEK 153 M (loss: 210). The improvement in result compared with the preceding year is primarily attributable to the result in Gamma Knife operations.

The performance of the product group Image Guided Surgery, IGS, has developed unsatisfactorily. The result for the fiscal year 1998/99 was negative SEK 106 M. Discussions are in progress concerning various forms of cooperations, joint ventures and restructuring of different parts of the IGS operation in order to solve the revenue and cost problems and to improve the result for Elekta. Elekta will focus its IGS activities to its core business. At the end of August 1999 it was decided to write down to zero the value of intangible assets within IGS in response to the uncertainty regarding the value of these assets. This SEK 39 M writedown is reported as item affecting comparability. Consequently, including this writedown, IGS operations account for a charge of SEK 145 M on the result of total operations during fiscal year 1998/99. A solution is expected to be announced during calendar year 1999.

The gross result for operations was affected by the product mix and developments in various geographic markets. Margins for Elekta oncology products remained under pressure in Europe, primarily in Germany and

Board of Directors' Report

Italy. However, a certain improvement was noted at the end of the fiscal year. In addition, several orders taken over from Philips, which carried a slim margin, were delivered during the year. The result for the preceding year was positively affected by the completion of the delivery of a single large order to Russia for SEK 130 M with good margins. The order encompassed both the delivery of components and technical expertise for the development of cancer care in Russia.

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

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

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

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

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

The loss before taxes amounted to SEK 179 M (loss: 252). The loss after taxes was SEK 187 M (loss: 262).

FIXED ASSETS AND INVESTMENTS

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

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

LIQUIDITY AND FINANCIAL POSITION

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

Cash flow, after investments and divestments, amounted to SEK 235 M (-219). The sale of Surgical Instruments and the property in Crawley are included in an amount of SEK 354 M. Cash flow from operations during the second half of the year was positive. This is primarily due to the reduction in working capital as a result of a number of internal projects designed to improve internal cash flow and reduce capital employed. The positive cash flow during the year was used to amortize bank loans.

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

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

The Company's net debt/equity ratio as of April 30, 1999 was a multiple of 0.82 (0.90).

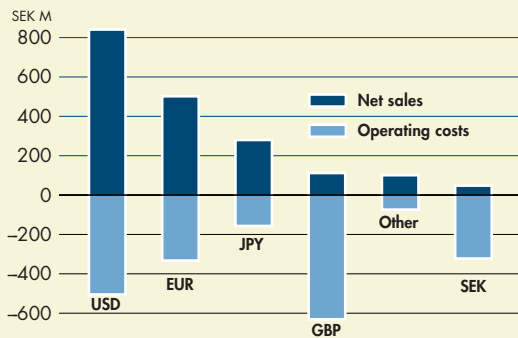
CURRENCY EXPOSURE

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

SENSITIVITY ANALYSIS

Elekta's average contribution ratio (net sales less the cost of products sold) can vary greatly between periods,

NET SALES AND OPERATING COSTS BY CURRENCY



depending on product mix. The Gamma Knife has a much higher margin than the oncology products. The margin for products for which Elekta is just distributor – MEG, etc. – is relatively low. Elekta's contribution ratio for the year was slightly over 30 percent.

The percent of completion volume for Gamma Knife operations has a considerable effect on net sales and income. The relevant factors are the number of Gamma Knife orders received during the period and the percent of completion for new and ongoing projects. If the signing of an order is postponed or completion is delayed, net sales and income will be affected.

Oncology's net sales during the next 12-month period are largely secured by the existing order backlog. There may be delays, but they could be offset by new orders during the year, with shorter delivery times.

EMPLOYEES

The average number of employees amounted to 866 (1,161). The number of employees at year-end was 862.

PARENT COMPANY

The Parent Company's operations comprise Group management, joint Group functions and financial management. The Parent Company made a loss of SEK 131 M (loss: 152) after financial items.

BOARD OF DIRECTORS

In response to amendments to the Companies Act, the Board of Directors established a working procedure including instructions on the division of work between the Board and the President, and on financial reporting to the Board.

The Board of Directors includes a committee to implement special instructions established by the Board regarding compensation philosophy, bonus system and other similar forms of remunerations. The President's salary is set by the committee subject to the approval of the Board. The committee consists of Per-Olof Mårtensson and Akbar Seddigh.

Since the Annual General Meeting of September 23, 1998, at which Dan Leksell resigned, the Board of Directors has consisted of six members. During the 1998/99 fiscal year, the Board held 23 recorded meetings.

Issues dealt with by the Board include strategy and goals, long-term financing and risk, the budget, the financial accounts and major investments and divestments.

YEAR 2000

Elekta has evaluated its products and its business, IT and property systems, with respect to year-2000 effects. With the exception of certain older, obsolete products, any necessary upgrades have already been developed. Upgrades are being implemented for installed products and systems. Status reports on Y2K problems are published on a quarterly basis, with access on Elekta's Web site.

FUTURE PROSPECTS

The restructuring measures undertaken during 1998/99 are expected to result in improved operating profitability during the 1999/2000 fiscal year. The restructuring program of business operations is continuing and is expected to result in satisfactory profitability within two years.

PROPOSED DIVIDEND

The Board does not propose any dividend for the 1998/99 fiscal year.

Income statement

SEK M	Note	GROUP		PARENT COMPANY	
		1998/99	1997/98	1998/99	1997/98
Net sales	1	1,884	1,852	—	—
Cost of products sold		-1,301	-1,197	—	—
Gross income		583	655	—	—
Selling expenses		-324	-471	—	—
Administrative expenses		-258	-277	-61	-68
R&D expenses		-152	-158	—	—
Items affecting comparability	2	14	34	—	—
Exchange differences in operation		-2	9	—	—
Operating loss		-139	-208	-61	-68
Income from participations in Group companies	3	—	—	-60	-86
Income from participations in associated companies	4	-7	11	—	—
Interest income		10	5	40	49
Interest expenses and similar items		-65	-57	-62	-44
Financial exchange differences		22	-3	12	-3
Income after financial items		-179	-252	-131	-152
Group contribution		—	—	-20	44
Shareholder contribution		—	—	—	-115
Change in foreign exchange reserve		—	—	8	3
Taxes	5	-8	-10	-2	—
NET INCOME		-187	-262	-145	-220

Balance sheet

SEK M	Note	GROUP		PARENT COMPANY	
		Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
ASSETS					
Intangible fixed assets	6	465	616	—	—
Tangible fixed assets	7	88	292	0	0
Financial fixed assets	8	11	20	1,299	1,382
Total fixed assets		564	928	1,299	1,382
Inventories	9	227	383	—	—
Receivables	10	1,037	930	47	105
Cash and bank		159	176	2	20
Total current assets		1,423	1,489	49	125
TOTAL ASSETS		1,987	2,417	1,348	1,507
SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES					
Share capital		52	52	52	52
Premium reserve		661	701	661	701
Restricted reserves		383	356	—	11
Unrestricted reserves		-372	-125	—	169
Income for the year		-187	-262	-145	-220
Total shareholders' equity	11	537	722	568	713
Untaxed reserves	12	—	—	26	34
Provisions	13	100	198	—	—
Convertible debenture loan	14	412	—	412	—
Other interest-bearing liabilities	15	189	823	190	742
Interest-free liabilities	16	749	674	152	18
Total liabilities		1,350	1,497	754	760
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES		1,987	2,417	1,348	1,507
Assets pledged	17	515	346	410	319
Contingent liabilities	18	178	113	155	165

Statement of changes in financial position

SEK M	GROUP		PARENT COMPANY	
	1998/99	1997/98	1998/99	1997/98
Income after financial items	-179	-252	-131	-152
Depreciation and writedowns	136	125	77	86
Participation in income of associated companies	0	0	—	—
Capital gain on the sale of fixed assets	-30	9	—	—
Surgical Instruments	-23	—	-36	—
Adjustment upward of convertible debenture loan	15	—	15	—
Shareholders' and Group contributions	—	—	-20	-71
Taxes	-5	-18	-2	—
Operating flows	-86	-136	-97	-137
Increase (-)/decrease (+) in current receivables	-151	203	58	153
Increase (-)/decrease (+) in inventories	90	89	—	—
Increase (+)/decrease (-) in interest-free liabilities	110	-153	134	-72
Increase (+)/decrease (-) in provisions	-88	-146	—	—
Change in working capital	-39	-7	192	81
Cash flow before investments	-125	-143	95	-56
Increase (-)/decrease (+) in shares and participations	2	-4	-38	-383
Increase (-)/decrease (+) in long-term receivables	0	-2	40	172
Investments in intellectual properties	31	-17	—	—
Investments in machinery and equipment	-34	-54	—	—
Investments in buildings and land	—	-2	—	—
Sale of fixed assets	164	3	—	—
Sale of Surgical Instruments	197	—	40	—
Investments and divestments	360	-76	42	-211
CASH FLOW AFTER INVESTMENTS	235	-219	137	-267
Increase (+)/decrease (-) in interest-bearing liabilities	-237	122	-155	174
Translation difference on fixed assets	-17	1	—	—
Translation difference on shareholders' equity	2	32	—	—
External financing	-252	155	-155	174
Change in liquid assets during the year	-17	-64	-18	-93
Liquid assets at year-end	159	176	2	20

Accounting principles

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with the recommendations of the Swedish Financial Accounting Standards Council concerning consolidated accounts and by applying the purchase method of accounting.

The income statements of foreign subsidiaries have been translated at the average exchange rates for the fiscal year, and the balance sheets have been translated at the closing date exchange rates. Translation differences have been transferred to consolidated shareholders' equity.

Long-term financing of subsidiaries is considered to represent an increase in the Parent Company's net investment in the subsidiary. At the Group level, exchange losses/gains in the Parent Company (taking into account tax effects) have been offset against the translation difference in shareholders' equity.

ASSOCIATED COMPANY ACCOUNTING

Associated company accounting is applied to share investments in which the Group holds more than 20 percent but less than 50 percent of the voting rights, or otherwise has a significant influence. Associated companies are accounted for in accordance with the equity accounting method.

DEPRECIATION

Intangible rights, machinery and equipment have been depreciated for the Group in proportion to their economic life of three to ten years. Buildings have been depreciated by 3 percent a year. Goodwill is amortized over ten years, with the exception of goodwill attributable to the acquisition of Philips Radiation Therapy, which is amortized over 20 years. This acquisition is of strategic importance for the further development of Elekta's operations in the treatment of cancer and neuro-

surgery. Following this acquisition, Elekta is the sole company which can offer a full range of advanced clinical solutions for both radiosurgery and radiotherapy.

INVENTORIES

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

RECEIVABLES & LIABILITIES IN FOREIGN CURRENCY

Receivables are shown in the amount expected to be received. Receivables and liabilities in foreign currency have been valued at their closing date exchange rate. Alternatively, the forward rate has been used for receivables and liabilities hedged by forward contracts.

INCOME RECOGNITION

In the consolidated financial statements, Elekta applies the percentage-of-completion method to account for Gamma Knife projects in progress. Accordingly, revenue is recognized gradually over the course of a project in relation to the project's percentage of completion. This is calculated as the time incurred on the project in relation to the estimated total time.

A complex project generally takes several years to plan and develop before an order is received. A significant proportion of the time involved in a project, frequently more than 50 percent, is utilized before a customer order is obtained. Subsequently, the project is completed in a relatively shorter or longer period. Receipt of a customer order is a prerequisite for income recognition. A gradual transition to income recognition upon completion is under way in the various legal entities.

Income from other products is recognized on delivery.

RESEARCH AND DEVELOPMENT

Research and development costs are expensed as they arise.

EXCHANGE RATES

Country	Currency	Average rate May-April		Year-end rate April 30	
		1998/99	1997/98	1999	1998
France	100 FRF	136.889	130.492	135.718	128.750
Germany	100 DEM	459.032	438.357	455.178	431.600
Great Britain	1 GBP	13.160	12.846	13.523	12.930
Hong Kong	1 HKD	1.031	1.009	1.083	1.000
Japan	100 JPY	6.321	6.352	7.030	5.860
Switzerland	100 CHF	556.929	533.587	552.450	517.200
USA	1 USD	7.986	7.810	8.390	7.733

Notes to the financial statements

NOTE 1 NET SALES

SEK M	GROUP	
	1998/99	1997/98
<i>By product area:</i>		
Neurosurgery	704	514
Oncology	1,180	1,041
Surgical Instruments	—	297
<i>By geographical market:</i>		
North and South America	692	675
Asia	412	321
Europe and rest of the world	780	856
Total net sales	1,884	1,852

NOTE 3 INCOME FROM PARTICIPATIONS IN GROUP COMPANIES

SEK M	PARENT COMPANY	
	1998/99	1997/98
Sale of shares in subsidiaries	36	—
Cover of losses in subsidiaries	-19	—
Writedown of shares in subsidiaries	-77	-86
Income from participations in Group companies	-60	-86

NOTE 2 ITEMS AFFECTING COMPARABILITY

SEK M	GROUP	
	1998/99	1997/98
Sale of the property outside London	30	—
Sale of the Surgical Instruments product area	23	—
Sale of the Modus product line	—	34
Writedown of intangible IGS assets	-39	—
Total items affecting comparability	14	34

NOTE 4 INCOME FROM PARTICIPATIONS IN ASSOCIATED COMPANIES

SEK M	GROUP	
	1998/99	1997/98
Income from participations in associated companies	0	0
Writedown of participations in associated companies	-7	—
Sale of participations in associated companies*	—	11
Income from participations in associated companies	-7	11

* Participations in two Gamma Knife centers in the U.S.

NOTE 5 TAXES

SEK M	GROUP		PARENT COMPANY	
	1998/99	1997/98	1998/99	1997/98
Income taxes	-5	-18	-2	—
Deferred taxes	-2	8	—	—
Participation in taxes of associated companies	-1	0	—	—
Total taxes	-8	-10	-2	—

In the consolidated income recognition of ongoing Gamma Knife projects, tax was charged against income, applying the relevant tax rate in the country concerned. Where a tax deficit occurred in a legal entity, this has been taken into account in calculating the consolidated tax charge.

Tax loss carry-forwards less other temporary differences which are not reported amounted to approximately SEK 200 M in the Swedish companies. The tax loss carry-forwards in the U.S. companies are of comparable size. There are also loss carry-forwards in the UK and Hong Kong which are not reported in the accounts.

NOTE 6 INTANGIBLE ASSETS

SEK M	R&D	Patents &	Goodwill	Total
	operations	licenses		
Acquisition value, May 1	41	56	621	718
Purchases	—	1	-32	-31
Sales/disposals	—	-18	-48	-66
Translation differences	3	2	9	14
Acquisition value, Apr. 30	44	41	550	635
Accumulated amortization, May 1	-16	-29	-57	-102
Sales/disposals	—	6	14	20
Amortization for the year	-10	-6	-29	-45
Translation differences	-1	-2	-1	-4
Accumulated amortization, Apr. 30	-27	-31	-73	-131
Writedowns for the year	-6	-2	-31	-39
Accumulated writedowns, Apr. 30	-6	-2	-31	-39
Residual value according to plan, Apr. 30, 1999	11	8	446	465

NOTE 7 TANGIBLE FIXED ASSETS

SEK M	Buildings and land	Machinery, etc for production	Equipment, tools and installations	Total
Acquisition value, May 1	183	59	349	591
Purchases	—	—	34	34
Sales/disposals	-183	-19	-82	-284
Translation differences	0	2	16	18
Acquisition value, Apr. 30	—	42	317	359
Accumulated depreciation, May 1	-25	-40	-234	-299
Sales/disposals	25	9	51	85
Depreciation for the year	0	-4	-41	-45
Translation differences	0	-1	-11	-12
Accumulated depreciation, Apr. 30	—	-36	-235	-271
Residual value according to plan, Apr. 30, 1999	—	6	82	88

NOTE 8 FINANCIAL FIXED ASSETS

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
Participations in Group companies	—	—	508	551
Receivables from Group companies	—	—	784	824
Participations in associated companies	5	14	7	7
Other long-term receivables	6	6	—	—
Total financial fixed assets	11	20	1,299	1,382

PARTICIPATIONS IN GROUP AND ASSOCIATED COMPANIES

SEK M	GROUP		PARENT COMPANY	
	Associated companies 1998/99	Associated companies 1998/99	Group companies 1998/99	Group companies 1998/99
Opening balance		14	7	551
Investments		—	—	38
Sales/disposals		-2	—	-4
Writedowns		-7	—	-77
Participations in income of associated companies		-1	—	—
Translation differences		1	—	—
Closing balance		5	7	508

PARTICIPATIONS IN GROUP COMPANIES

Company	Corp. Reg. No.	Domicile	No. of shares & participations	Proportion of shares & votes, %	Book value
Elekta Instrument AB	556492-0949	Stockholm, Sweden	1,000,000	100.0	50
Elekta Instrument SA		Geneva, Switzerland	500	100.0	57
Elekta KK		Kobe, Japan	2,000	100.0	0
Elekta Ltd	2699176	Crawley, UK	20,609,695	100.0	244
Elekta Holdings US Inc.		Norcross, GA, USA	2,020	100.0	100
Elekta Canada Inc.		Toronto, Canada	1	100.0	0
Elekta Asia Ltd		Hong Kong, China	1,000,000	100.0	0
Elekta IGS SA	383 379 880	Grenoble, France	352,380	100.0	17
Elekta GmbH	HRB 63500	Hamburg, Germany	—	100.0	5
Elekta Oncology Systems AB	556539-1736	Stockholm, Sweden	20,000	100.0	0
Elekta Oncology Systems S.A./N.V.	613 484	Zaventem, Belgium	350	100.0	1
Elekta Oncology Systems BV		Best, Netherlands	40	100.0	0
Elekta Holding BV	33 292 546	Amsterdam, Netherlands	40	100.0	0
Elekta SpA		Monza, Italy	500,000	100.0	34

Total participations in Group companies**508**

Notes to the financial statements

NOTE 8 FINANCIAL FIXED ASSETS cont'd

PARTICIPATIONS IN ASSOCIATED COMPANIES

Company	Corp. Reg. No.	Domicile	No. of shares & participations	Proportion of shares & votes, %	Book value
AB Motala Verkstad *	556031-3503	Motala, Sweden	29,100	48.50	5
Misc. participations					0
Total participations in associated companies					5

* The book value of AB Motala Verkstad in the Parent Company is SEK 7 M.

NOTE 9 INVENTORIES

SEK M	GROUP	
	Apr. 30, 1999	Apr. 30, 1998
Components	44	81
Work in progress	30	75
Finished goods	153	227
Total inventories	227	383

NOTE 10 RECEIVABLES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
Accounts receivable	599	499	4	—
Receivables from Group companies	—	—	16	89
Receivables from associated companies	—	3	—	—
Other receivables	100	99	3	3
Prepaid expenses and accrued revenues	280	239	17	4
Maturity less than 1 year	979	840	40	96
Accounts receivable	1	71	—	—
Receivables from associated companies	7	7	7	7
Other receivables	7	10	—	2
Prepaid expenses and accrued revenues	43	2	—	—
Maturity more than 1 year	58	90	7	9
Total receivables	1,037	930	47	105

Projects in progress

Gamma Knife projects in progress have been recognized as income in pace with the degree of completion. The accrued revenues and accrued expenses items in the consolidated balance sheet include ongoing projects for SEK 200 M (209) and SEK 37 M (13), respectively, at April 30 in the two years concerned. Netting of accrued expenses and accrued revenues has been undertaken on a per-project basis.

Elekta purchases forward rate contracts to hedge future flows relating to ongoing projects and portions of expected projects. The forward rate is used to translate the receivables and liabilities hedged. The following forward contracts regarding the sale of USD, JPY and EUR, etc., are not reported in the balance sheet.

Currency	Amount	Maturity	Rate
MUSD/SEK	3	3 months	8.1378
MJPY/SEK	492	3-12 months	6.9951
MEUR/SEK	1	12 months	8.9466
MCAD/SEK	1	3 months	5.6460
MGBP/SEK	2	6 months	13.3350
MUSD/GBP	13	3-9 months	1.6333
MEUR/GBP	8	3-9 months	0.7030
MHKD/GBP	35	6 months	12.9250

NOTE 11 SHAREHOLDERS' EQUITY

GROUP, SEK M	Share capital	Premium reserve	Restricted reserves	Unrestricted reserves	Income for the year	Total
Closing balance, April 30, 1998	52	701	356	-125	-262	722
Treatment of loss approved by AGM	—	-40	-11	-211	262	0
Translation difference	—	—	—	15	—	15
Translation difference for long-term financing of subsidiaries by the Parent Company	—	—	—	-13	—	-13
Transfer between restricted and unrestricted capital	—	—	38	-38	—	0
Income for the year	—	—	—	—	-187	-187
Closing balance, April 30, 1999	52	661	383	-372	-187	537

PARENT COMPANY, SEK M	Share capital	Premium reserve	Statutory reserve	Retained earnings	Income for the year	Total
Closing balance, April 30, 1998	52	701	11	169	-220	713
Treatment of loss approved by AGM	—	-40	-11	-169	220	0
Income for the year	—	—	—	—	-145	-145
Closing balance, April 30, 1999	52	661	—	—	-145	568

The total number of shares in Elekta AB (publ) amounts to 10,497,451, of which 1,187,500 are Series A shares and 9,309,951 are Series B shares. One Series A share entitles the holder to 10 votes and one Series B share to one vote. The total number of Series A shares corresponds to 11.3 percent of the capital and 56.1 percent of the voting rights.

NOTE 12 UNTAXED RESERVES

SEK M	PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998
Foreign exchange reserve	26	34
Total untaxed reserves	26	34

NOTE 13 PROVISIONS

SEK M	GROUP	
	Apr. 30, 1999	Apr. 30, 1998
Provisions for pensions, etc.	6	6
Deferred tax liabilities	1	0
Warranty provisions	55	97
Restructuring reserves	12	58
Other provisions	26	37
Total provisions	100	198

Restructuring reserves

In connection with the acquisition of Elekta Oncology Systems (Philips Radiation Therapy) in the beginning of 1997, a provision was made for expenses amounting to SEK 144 M in connection with planned structural and integration measures. These measures involve personnel cutbacks, product adaptations and quality assurance measures, expansion of the international infrastructure, consolidation of certain product lines and integration with Elekta's other operations. Measures undertaken during the year amounting to SEK 46 M (78) were booked against the reserve. The remaining actions planned for 1999/2000 correspond to the closing reserve balance of SEK 7 M.

Notes to the financial statements

NOTE 14 CONVERTIBLE DEBENTURE LOAN

In June 1998, an issue of convertible debentures, with a nominal value of SEK 467 M, was carried out. The issue was sold at 85 percent of the nominal value. The loan is subject to interest at 5 percent of the nominal value. Conversion may be carried out from July 31, 1998 to June 30, 2001. The convertible debentures that have not been converted will be redeemed at their nominal value on December 31, 2001. A convertible debenture with the nominal value of SEK 90 entitles the bearer to one Series B share in Elekta.

Convertible debentures issued at 85% of their nominal value	397
Interest expenses July-April 98/99 added to liabilities*	15
	412

* The difference between the issuing price and the nominal value is distributed as interest expenses over the term of the loan and added to the loan in such a way as to be equal to the nominal value on the maturity date.

NOTE 15 OTHER INTEREST-BEARING LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
Liabilities to credit institutions	187	816	88	718
Liabilities to Group companies	—	—	102	24
Other liabilities	2	7	—	—
Total other interest-bearing liabilities	189	823	190	742

Maturity term structure

SEK M	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
Within 1 year	185	332	190	277
1-5 years	4	491	—	465
Total	189	823	190	742

Specification of Group liabilities to credit institutions

Currency	Apr. 30, 1999 Amount	Apr. 30, 1999 SEK M	Apr. 30, 1998 Amount	Apr. 30, 1998 SEK M
Swedish kronor, SEK M	105	105	731	731
Pounds sterling, GBP M	1	19	2	22
Japanese yen, JPY M	839	59	880	52
Other currencies		4		11
Total		187		816

NOTE 16 INTEREST-FREE LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
Advance payments by customers	129	113	—	—
Accounts payable	252	254	1	5
Liabilities to Group companies	—	—	112	2
Tax liabilities	7	30	—	—
Accrued expenses and prepaid revenues	322	249	38	10
Other interest-free liabilities	39	28	1	1
Total interest-free liabilities	749	674	152	18

NOTE 17 ASSETS PLEDGED

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
<i>Liabilities to credit institutions:</i>				
Chattel mortgages	25	—	25	—
Property mortgages	—	4	—	—
Shares in subsidiaries	485	342	350	319
Subsidiaries' promissory notes	—	—	30	—
<i>Collateral pledged for contingent liabilities:</i>				
Bank balances	5	—	5	—
Total assets pledged	515	346	410	319

NOTE 18 CONTINGENT LIABILITIES

SEK M	GROUP		PARENT COMPANY	
	Apr. 30, 1999	Apr. 30, 1998	Apr. 30, 1999	Apr. 30, 1998
Guarantees	178	113	36	94
Guarantees, subsidiaries	—	—	119	71
Total contingent liabilities	178	113	155	165

NOTE 19 NUMBER OF EMPLOYEES

	AVERAGE NUMBER		OF WHOM WOMEN	
	1998/99	1997/98	1998/99	1997/98
Parent Company	18	18	8	9
<i>Subsidiaries:</i>				
Sweden	86	94	27	36
Belgium	7	7	1	1
UK	337	429	60	98
France	47	213	11	59
Hong Kong	25	26	12	14
India	7	7	2	2
Italy	17	16	3	3
Japan	27	36	6	9
Canada	6	6	1	1
China	22	22	11	8
Netherlands	12	11	1	—
Switzerland	7	8	3	4
Spain	12	6	2	2
Germany	62	74	4	11
USA	169	184	44	63
Austria	5	4	1	1
Total average number of employees	866	1,161	197	321

Notes to the financial statements

NOTE 20 WAGES, SALARIES, OTHER REMUNERATIONS AND SOCIAL SECURITY COSTS

	Salaries and remunerations to the Board and the President		Salaries and remunerations to other employees	
	1998/99	1997/98	1998/99	1997/98
Parent Company	4	4	14	13
<i>Subsidiaries:</i>				
Sweden	2	2	35	37
Belgium	1	0	3	3
UK	—	3	127	150
France	1	6	15	58
Hong Kong	6	1	14	13
India	—	—	1	—
Italy	1	0	6	4
Japan	1	1	17	22
Canada	—	1	2	3
China	—	—	4	2
Netherlands	0	1	4	4
Switzerland	—	—	4	4
Spain	0	0	4	3
Germany	1	4	32	37
USA	5	7	105	87
Austria	1	0	1	4
Total wages, salaries and other remunerations	23	30	388	444
Pension costs, Parent Company	1	1	2	1
Pension costs, subsidiaries	1	2	21	18
Other social security costs, Parent Company	1	1	5	4
Other social costs, subsidiaries	5	4	57	80
Total wages, salaries, other remunerations and social security costs	31	38	473	547

Bonus payments, included in the above salaries and remunerations paid to the Boards and the Presidents in the subsidiaries, amount to SEK 4 M (4).

Wages, salaries and other remunerations

The total of remunerations and other benefits for the President was SEK 2,310,000. The Chairman received a fee of SEK 180,000 and each of the external members of the Board received fees of SEK 90,000. Björn A Marklund's (Board member) law firm received fees in its capa-

city as the company's legal representative. The President is entitled to retire at age 60, with a 70 percent pension. This also applies to one of the other senior executives. If their positions are terminated by the company, two senior executives, including the President, have the right 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. Senior executives, including the President, have periods of notice for termination of employment ranging from six to 12 months.

NOTE 21 OPERATIONAL LEASING

The year's leasing costs amounted to SEK 19 M (6). Contractual rental payment for the 1999/2000 fiscal year amount to SEK 16 M and for the following period, to SEK 31 M.

Proposed treatment of loss

The Parent Company's accumulated deficit amounts to:

Retained earnings		—
Loss for the year	SEK	-145,436,865
Total deficit	SEK	-145,436,865

To cover the deficit reported in the balance sheet, The Board of Directors and the President propose that the

premium reserve be reduced by SEK 145,436,865

The Group's accumulated deficit amounts to SEK 559 M. No allocation to restricted reserves is proposed.

STOCKHOLM, AUGUST 31, 1999

LAURENT LEKSELL
President

PER-OLOF MÅRTENSSON
Chairman of the Board

BJÖRN A MARKLUND

CARL PALMSTIERNA

AKBAR SEDDIGH

MAGNUS SCHMIDT

Auditor's report

TO THE ANNUAL GENERAL MEETING OF ELEKTA AB (PUBL), CORPORATE REG. NO. 556170-4015

We have audited the Parent Company, the consolidated financial statements, the accounts and the administration of Elekta AB (publ) by the Board of Directors and the President for the fiscal year from May 1, 1998 to April 30, 1999. 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 annual report, the consolidated 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 annual report and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and other information 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 Parent Company and the consolidated financial statements have been prepared in accordance with the Annual Accounts Act, and, consequently we recommend that the income statements and the balance sheets of the Parent Company and the Group be adopted, and that the deficit of the Parent Company be treated in accordance with the proposal in the Board of Directors' Report.

In our opinion, the Board members and the President have not committed any act or been guilty of any omission which, in our opinion, could give rise to any liability to the Company. We therefore recommend that the members of the Board of Directors and the President be discharged from liability for the financial year.

STOCKHOLM, AUGUST 31, 1999

Coopers & Lybrand AB

LENNART DANIELSSON
Authorized Public Accountant

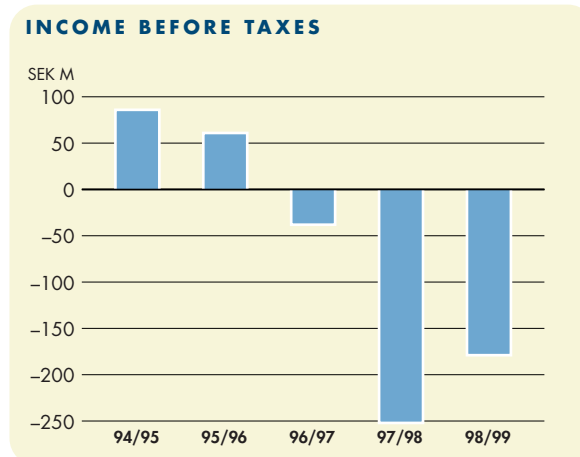
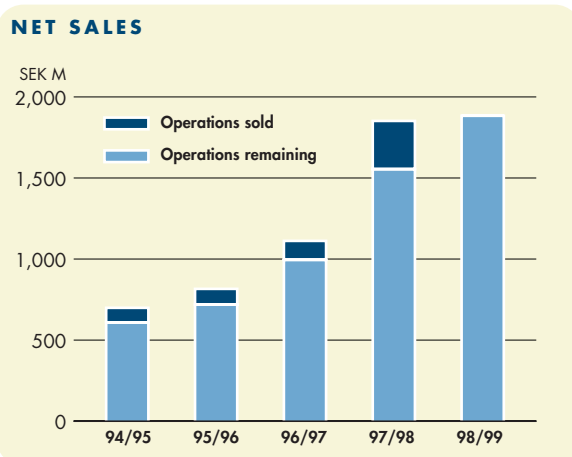
INGVAR PRAMHÄLL
Authorized Public Accountant

Five-year review, key figures and definitions

INCOME STATEMENT (SEK M)	1994/95	1995/96	1996/97	1997/98	1998/99
Net sales	699	816	1,112	1,852	1,884
Operating expenses	-624	-766	-1,130	-2,094	-2,037
Items affecting comparability	—	—	—	34	14
Operating income	75	50	-18	-208	-139
Net financial items	11	11	-20	-44	-40
Income before taxes	86	61	-38	-252	-179
Taxes	-8	-12	-11	-10	-8
Net income	78	49	-49	-262	-187

BALANCE SHEET (SEK M)	Apr. 30, 1995	Apr. 30, 1996	Apr. 30, 1997	Apr. 30, 1998	Apr. 30, 1999
Intangible fixed assets	30	25	648	616	465
Tangible fixed assets	57	71	325	292	88
Financial fixed assets	23	64	14	20	11
Inventories	75	87	472	383	227
Receivables	419	524	1,133	930	1,037
Liquid assets	172	39	240	176	159
Total assets	776	810	2,832	2,417	1,987
Shareholders' equity	512	522	952	722	537
Provisions	3	4	344	198	100
Convertible debenture loan	—	—	—	—	412
Other Interest-bearing liabilities	21	42	701	823	189
Interest-free liabilities	240	242	835	674	749
Total shareholders equity, provisions and liabilities	776	810	2,832	2,417	1,987

CASH FLOW (SEK M)	1994/95	1995/96	1996/97	1997/98	1998/99
Operating cash flow	98	73	21	-136	-86
Change in working capital	-87	-113	-69	-7	-39
Cash flow before investments	11	-40	-48	-143	-125
Investments, net	-49	-82	-884	-76	360
Cash flow after investments	-38	-122	-932	-219	235



KEY FIGURES

	1994/95	1995/96	1996/97	1997/98	1998/99
Order backlog, SEK M*	—	—	1,084	1,066	1,184
Operating margin, %	11	6	-2	-11	-7
Profit margin, %	12	8	-3	-14	-9
Shareholders' equity, SEK M	512	522	952	722	537
Capital employed, SEK M	533	564	1,653	1,545	1,138
Net debt, SEK M	-151	3	461	647	442
Equity/assets ratio, %	66	64	34	30	27
Net debt/equity ratio, multiple	0.00	0.01	0.48	0.90	0.82
Interest cover ratio, multiple	29.7	6.6	-0.6	-3.4	-1.8
Return on shareholders' equity, %	17	10	-7	-31	-30
Return on capital employed, %	18	13	-1	-12	-8
Capital turnover ratio, multiple	1.1	1.0	0.6	0.7	0.9
Investments in tangible and intangible assets, SEK M	44	45	934	73	35
Depreciation, SEK M	-20	-26	-59	-125	-90
Average number of employees	240	324	614	1,161	866

* Figures for the years prior to 1996/97 are not available.

DEFINITIONS

Operating margin: Operating income in relation to net sales

Profit margin: Income before taxes in relation to net sales

Capital employed: Total assets less provisions and interest-free liabilities

Equity/assets ratio: Shareholders' equity including minority interests 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 interests

Interest cover ratio: Income before taxes plus financial expenses in relation to financial expenses

Return on shareholders' equity: Net income in relation to average shareholders' equity

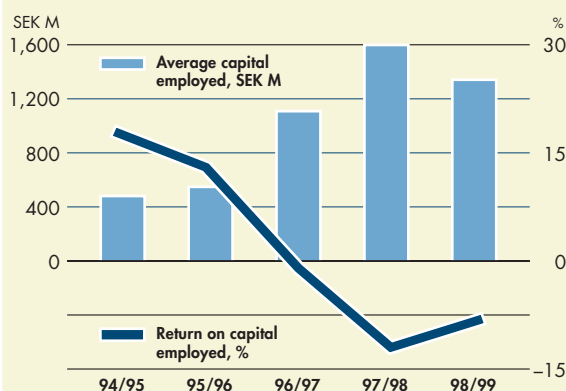
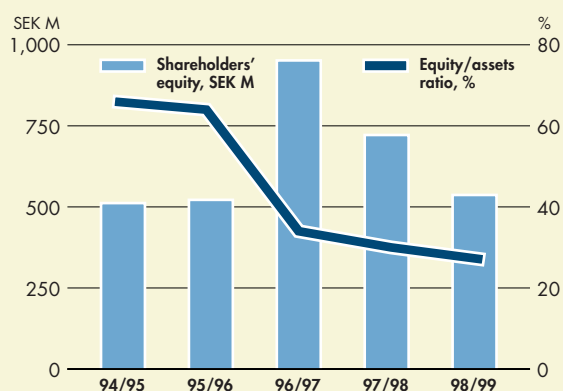
Return on capital employed: Income before taxes plus financial expenses in relation to average capital employed

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

Net income per share: Net income in relation to the average number of shares

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

CAPITAL EMPLOYED & PROFITABILITY**SHAREHOLDERS' EQUITY & EQUITY/ASSETS RATIO**

The Elekta share

Elekta's share capital amounts to SEK 52,487,255, of which 1,187,500 are Series A shares and 9,309,951 are Series B shares. A Series A share entitles the holder to 10 votes and a Series B share to one vote. 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 a General Meeting, each person is entitled to exercise unlimited voting rights on the full number of shares that he or she owns or represents.

STOCK MARKET TRADING

The Elekta Series B share has been listed on the Stockholm Stock Exchange A List since 1994. Total trading in Elekta

shares on the Stockholm Stock Exchange in the period May 1, 1998 to April 30, 1999 amounted to 8.9 million shares (12.0), corresponding to SEK 439 M (1,547). This represents 84 percent (114) of the total number of shares. The average number of shares traded each day during the period amounted to 35,690 (48,422) and the average daily trading volume was SEK 1.8 M (6.2). The above trading is based on transactions reported in the SAX system. This probably means that actual trading in the Elekta share is higher. The market capitalization at April 30, 1999 amounted to SEK 312 M (777).

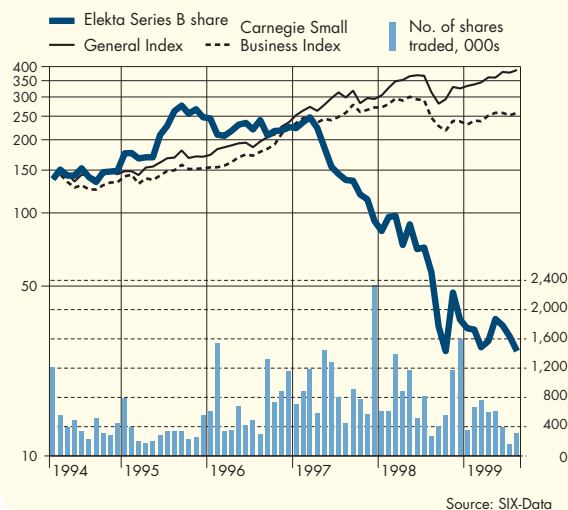
DIVIDEND POLICY

In view of the Group's financial position and current weak profitability, the Board does not intend to propose any dividend before operations achieve sufficient cash

PER SHARE DATA

	1994/95	1995/96	1996/97	1997/98	1998/99
Net income before conversion, SEK	9.46	5.84	-5.70	-24.96	-17.81
Net income after full conversion, SEK	9.46	5.84	-5.70	-24.96	-8.89
Shareholders' equity before conversion, SEK	60.55	61.71	90.73	68.80	51.12
Shareholders' equity after full conversion, SEK	60.55	61.71	90.73	68.80	60.52
Dividend, SEK	1.87	2.15	—	—	—
Share price, Elekta Series B, April 30, SEK	169.87	218.40	224.50	74.00	29.70
Market capitalization, April 30, SEK M	1,437	1,848	2,357	777	312
Lowest share price, SEK	132.50	165.20	205.30	70.50	25.00
Highest share price, SEK	180.10	294.00	253.90	225.00	102.00
Average number of shares					
before conversion (000s)	8,238	8,461	8,631	10,497	10,497
after full conversion (000s)	8,238	8,461	8,631	10,497	15,681
Number of shares, April 30					
before conversion (000s)	8,461	8,461	10,497	10,497	10,497
after full conversion (000s)	8,461	8,461	10,497	10,497	15,681

SHARE PRICE TREND



CHANGES IN SHARE CAPITAL

Year	Transaction	Total number of shares	Total share capital, SEK 000s
1972	Company registered	50	5
1981	Bonus issue	500	50
1984	Bonus issue	1,500	150
1986	Bonus issue	5,000	500
1987	Bonus issue	25,000	2,500
1988	New issue	26,775	2,678
1988	Bonus issue	96,390	9,639
1988	New issue	115,127	11,513
1989	Bonus issue	230,254	23,025
1992	New issue	284,859	28,486
1993	Split	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

flow to enable a dividend to be financed by internally generated funds, providing that there is sufficient unrestricted shareholders' equity. In the long term, Elekta expects to be able to distribute 25-35 percent of profit after taxes.

CONVERTIBLE DEBENTURE LOAN

A convertible debenture loan at a nominal value of SEK 467 M with preferential rights to existing shareholders was issued during June 1998. Elekta received approximately SEK 375 M from this issue, after deduction of expenses for the issue.

Convertible debenture certificates were issued at a price of 85 percent of the nominal value. They are subject to annual interest of 5 percent. They may be converted into Series B shares prior to and including June 30, 2001. The conversion rate is SEK 90. On December 31, 2001, the convertible debentures will be repaid at nomi-

nal value if they have not been converted previously. Full conversion will result in 5,183,862 new shares, corresponding to 33 percent of the capital.

CONVERTIBLE DEBENTURE LOAN

Loan amount, SEK M	467
Interest, %	5
Repayment date	Dec. 31, 2001
Conversion period	July 31, 1998 – June 30, 2001
Conversion price, SEK	90
At full conversion, the number of Series B shares increases by	5,183,862

DISTRIBUTION OF SHARES APRIL 30, 1999

Class of share	Number of shares	Number of votes	Percentage of capital	Percentage of votes
Series A	1,187,500	11,875,000	11.3	56.1
Series B	9,309,951	9,309,951	88.7	43.9
Total	10,497,451	21,184,951	100.0	100.0

OWNERSHIP, JUNE 30, 1999

Shareholding No. of shares	Number of shareholders	Percentage of shareholders	Number of shares	Percentage of share capital	Average number per shareholder
1 – 500	6,313	82.1	874,523	8.3	139
501 – 1,000	712	9.2	616,221	5.9	865
1,001 – 10,000	582	7.6	1,723,549	16.4	2,961
10,001 – 100,000	72	0.9	2,021,439	19.3	28,076
100,001 –	12	0.2	5,261,719	50.1	438,477
Total	7,691	100.0	10,497,451	100.0	1,365

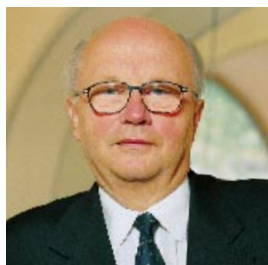
Source: VPC

MAJOR SHAREHOLDERS, JUNE 30, 1999

Shareholder	Number of shares	Votes	Percentage of Capital
Laurent Leksell with familj	1,424,692	57.2	13.6
Odin Fondene, Oslo	916,300	4.3	8.7
Länsförsäkringar Wasa	665,328	3.1	6.3
Philips Medical Systems International BV	625,976	3.0	6.0
Skandia	577,600	2.7	5.5
SPP	362,670	1.7	3.5
Cedel Bank, Luxembourg	336,925	1.6	3.2
Förenade Liv	268,000	1.3	2.5
Rep Nat Bank of N.Y., Luxembourg	135,170	0.6	1.3
Svenska Handelsbanken SA, Luxembourg	115,450	0.5	1.1
Catella Aktiefonder	114,400	0.5	1.1
Länsförsäkringar Wasa Aktiefonder	104,846	0.5	1.0
SEB-Trygg Försäkring	100,000	0.5	1.0
Others	4,750,094	22.5	45.2
Total	10,497,451	100.0	100.0

The proportion of institutional ownership was approximately 50 percent. The proportion of foreign ownership amounted to approximately 27 percent.

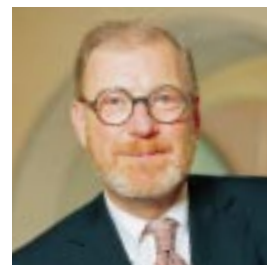
Board of Directors and auditors



PER-OLOF MÅRTENSSON
Chairman of the Board, born 1937
 President, Karo Bio AB.
 Registered pharmacist
 Board member since 1991
 Other board memberships:
 Karo Bio AB,
 Maxim Pharmaceutical Inc., etc.
 Number of shares held: 12,562 Series
 B shares (including via family)



LAURENT LEKSELL
President, born 1952
 Doctor of Economics
 Board member since 1974
 Number of shares held: 1,187,500
 Series A and 237,192 Series B
 shares (including via family)



BJÖRN A MARKLUND
Born 1942
 LL.M (Stockholm), Hon. M.A.,
 MCL (Cambridge), Attorney
 Active in the company since 1972
 and Board member since 1984
 Number of shares held: 27,390
 Series B shares (via company)



CARL PALMSTIERNA
Born 1953
 President, IDI AB. MBA
 Board member since 1993
 Other board memberships: Boxman AB,
 Emtunga International AB, Security
 Qube Systems SGS AB, Transport
 Interior AS, LGP Telecom AB, Hasbjer
 Micro System AB, etc
 Number of shares held: 3,750 Series
 B shares



MAGNUS SCHMIDT
Born 1940
(elected to Board June 5, 1998)
 International consultant, MBA
 Other board memberships: Upplands
 Motor Holding AB, TransFargo AB,
 Sydkraft Energy Trading AB
 Number of shares held: 0



AKBAR SEDDIGH
Born 1943
(elected to Board June 5, 1998)
 President, Ortivus AB
 Graduate chemist, marketing specialist
 Other board memberships:
 Artimplant AB, Mobimed Inc. (Chair-
 man), Affärstrategerna AB, etc.
 Number of shares held: 0



LENNART DANIELSSON
Born 1959
 Authorized Public Accountant
 Coopers & Lybrand AB, Stockholm
 Company auditor since 1990



INGVAR PRAMHÄLL
Born 1942
 Authorized Public Accountant
 Coopers & Lybrand AB, Stockholm
 Company auditor since 1997

Group management

PRESIDENT

LAURENT LEKSELL

Born 1952
Employed since 1974

EXECUTIVE COMMITTEE

LAURENT LEKSELL

TOMAS PUUSEPP

VOLKER STIEBER

GROUP FUNCTIONS

LISBETH EKSTRÖM

Born 1946
Human Resources
Employed since 1997
Number of shares held: 0

SVERKER GLANS

Born 1944
Quality & Regulatory
Employed since 1993
Number of shares held: 212 Series B shares

PER GRÖNWALL

Born 1959
Accounting & Business Control
Employed since 1996
Number of shares held: 0

LARS JONSTEG

Born 1938
Corporate Relations
Employed since 1997
Number of shares held: 0

DAN LEKSELL

Born 1950
Clinical Research
Employed since 1989
Number of shares held: 1 287 Series B shares

LARS GUNNAR SCHULTZ

Born 1959
Treasury & Legal
Employed since 1998
Number of shares held: 0

PRODUCTS

TOMAS PUUSEPP

Born 1955
Neurosurgery
Employed since 1988
Number of shares held: 1 062 Series B shares

VOLKER STIEBER

Born 1943
Oncology
Employed since 1997
Number of shares held: 0

MARKETS

GERALD WOODARD

Born 1947
North and South America
Employed since 1998
Number of shares held: 0

GERRY VAN OORTMARSSSEN

Born 1943
Europe
Employed since 1997
Number of shares held: 0

GILBERT WAI

Born 1953
Asia
Employed since 1998
Number of shares held: 0

STEPHEN OTTO

Born 1948
Japan
Employed since 1996
Number of shares held: 0

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Glossary

Brachytherapy	A radioactive source is operated into or close to the tumor.
Chemotherapy	Treatment of cancer with drugs.
Conformal	Agreeing in size, good fit.
Diagnostics	Identification of a disease.
DNA	The substance in which the genes are encoded.
Endoscope	Fiber-optic instrument for studying the body's internal organs.
Epilepsy	Disorder characterized by repeated, sudden disturbances of brain functions.
Incidence	The number of new cases of an illness in a population in a given period.
Indication	Basis for operation or treatment.
Invasive	Technique for penetrating the skin, skull, etc. Antonym: non-invasive (bloodless).
Magnetic encephalography	Measures and records magnetic fields in the brain.
Neurology	Study of the nervous system and its disorders.
Neurosurgery	Surgery of the brain or other parts of the central nervous system.
Oncology	Study of tumor diseases.
Prevalence	Total number of cases of an illness within a population on a specific occasion.
Radiotherapy	Conventional radiation therapy outside the brain.
Stereotaxy	Technique in which a fixed coordinate system is used to determine a precise location in the brain by specifying height, depth and lateral coordinates.
Teletherapy	The source of radiation is outside the body.
Therapy	Treatment of disorders.
Tumor destruction	Destruction of tissue.

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