

RaySearch Laboratories AB (publ) Interim Report January 1 – March 31, 2010

JANUARY 1 – MARCH 31, 2010

- Net sales for the period totaled SEK 28.1 M (16.9)
- Profit after tax was SEK 8.2 M (7.3), corresponding to earnings per share of SEK 0.24 (0.21)
- Operating profit totaled SEK 11.2 M (9.9)
- Cash flow was a negative SEK 1.8 M (positive: 8.7)
- RaySearch received FDA 510(k) clearance for RayStation® in the US

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE PERIOD

- The collaboration agreement with Varian was expanded in April

“The year 2010 started favorably with a strong first quarter. Thanks to several key product launches toward year-end 2009, revenues increased by 66 percent and the number of licenses sold almost doubled. This means that the quarterly revenues were the second highest ever for RaySearch,” says Johan Löf, CEO of RaySearch.

“It was an important milestone to receive 510(k) clearance from the FDA for our treatment planning system RayStation®. This means that we can now market the system in the US”, concludes Johan Löf.

SUMMARY OF FINANCIAL RESULTS

Amounts in SEK 000s

	Jan-Mar		Full year
	2010	2009	2009
Net sales	28,062	16,936	83,687
Operating profit	11,241	9,851	40,862
Operating margin %	40.0	58.1	48.8
Net profit	8,234	7,323	30,146
Earnings per share, SEK	0.24	0.21	0.88
Share price at close of period	44.60	16.10	29.50

The information in this interim report is such that RaySearch must disclose publicly in accordance with the Swedish Securities and Clearing Operating Act and/or the Financial Instruments Trading Act. The information was made public on 11 May at 7.45 am.

CEO comments

The year 2010 started favorably with a strong first quarter. Thanks to several key product launches toward year-end 2009, revenues increased by 66 percent to SEK 28.1 M, despite a negative impact by currency effects during the period. The number of licenses sold was almost doubled and amounted to 261. This means that the quarterly revenues were the second highest ever for RaySearch. Net profit increased 12 percent to SEK 8.2 M. The profit growth rate is lower than the revenue growth rate since amortizations of capitalized development expenses increased as the new products started generating revenues.

The revenue increase was mainly attributable to the product for VMAT (Volumetric Modulated Arc Therapy), that our partner Philips started selling under the SmartArc brand in November last year. VMAT is an important trend in the market and demand has remained strong. It is also positive to note that sales of older Philips products have also increased during the first quarter. This is probably driven by the SmartArc sales, as the older products are a prerequisite for upgrading to SmartArc.

Sales through Nucletron were also sharply higher during the first quarter, compared with the year-earlier period. Nucletron launched our solution for VMAT along with a product for model-based segmentation toward year-end 2009 but, as opposed to Philips, the bulk of Nucletron's sales are in Europe. The introduction of VMAT is progressing slower in Europe than in the US, so for Nucletron the older products are accounting for almost all growth. Nucletron has invested significantly during the past few years to increase growth in the software segment and, hopefully, we are now seeing the results of these efforts, although it is too early to conclude that this is a trend.

Last summer, IBA Dosimetry launched a new version of our jointly developed quality assurance system COMPASS®. The new version offers support for VMAT treatments, making the system even more competitive. Thanks to this expansion, we noted a sharp increase in sales during the first quarter. We are also working to expand the system in 2010 to include advanced adaptive functionality which will further increase the sales potential.

The restructuring of our partnership with Varian at the end of April represents an important new development. We entered the original agreement in 2007 and launched the first three RaySearch products last summer, integrated in Varian's Eclipse™ treatment planning system. To date volumes have been small, but Varian is the leading supplier of radiation therapy equipment, with a very large installed base that offers substantial potential. The new agreement adds an exciting new product and it also makes it easier to add more products in the future, and we now see very strong potential for increased sales, starting as early as this year.

It is also positive to note that TomoTherapy started deliveries of its new SharePlan™ product last week. The product, which was launched in 2009, can therefore start generating revenues for RaySearch.

In our development operations, we have continued to run several major projects in parallel at a very high pace. We have invested substantial resources in the collaboration project with Siemens that was initiated in May 2009. Under the terms of the agreement with Siemens, RaySearch will provide a number of treatment planning modules for advanced radiation therapy. The modules will be integrated in Siemens' *syngo*® Suite for Oncology, an integrated platform for workflow management in radiation therapy clinics. The collaboration is expected to start generating revenues for RaySearch during the second half of 2010.

We have also continued to focus strongly on a system for treatment planning of proton therapy for the German clinic WPE. The proton system is integrated in RaySearch's proprietary treatment planning system RayStation®. Proton therapy is one of the most advanced forms of radiation therapy and is a key future area for RaySearch. The project is progressing as planned and the system is scheduled to be fully developed and clinically operational during 2010. Within the proton segment, we will also, together, with Nucletron, participate in the tender process of a treatment planning system for the

Skandion Clinic, a new proton center that will be built in Sweden. The tender is expected to be decided during 2010.

In addition to these projects, we are also updating our existing products and now have a very high workload in product development. In order for RaySearch to strengthen its position as the leading development company for advanced software used in radiation therapy, we must also continue to allocate resources for more long-term research work. To achieve this goal, we plan to recruit additional system developers during the spring. We are also working intensively with business development. We are discussing the expansion of several of our partnership agreements, and we also have a number of highly interesting solutions under development that have not yet been made public.

As a complement to our existing partner-based business model we continue to seek collaborations directly with a few selected leading research-intensive clinics. WPE is a good example of such a clinic. It was an important milestone to receive 510(k) clearance from the FDA for RayStation®. This means that RaySearch can now market RayStation® in the US and enter similar collaboration agreements in that region too.

To conclude, the beginning of the year has been very intense, and the remainder of 2010 will probably continue along the same line. Several exciting products will be completed during the year, such as our first products for Siemens and our proprietary system for final delivery to WPE. Combined with robust demand for the new products launched toward the end of 2009, the potential for sustaining our current trend of business growth is favorable.

Stockholm, May 11, 2010

Johan Löf
President and CEO
RaySearch Laboratories AB (publ)

Significant events

EVENTS DURING THE FIRST QUARTER OF 2010

RaySearch received 510(k) clearance for RayStation®

In March RaySearch received 510(k) clearance for RayStation® from the FDA. RayStation® is RaySearch's proprietary complete treatment planning system that integrates all RaySearch's advanced treatment planning solutions into one flexible system. It includes functionality such as RaySearch's market-leading algorithms for IMRT and VMAT optimization, highly accurate dose engines for both photon and proton therapy and will have full support for 4D adaptive radiation therapy. The system is built on the latest software architecture and has a graphical user interface offering state-of-the-art usability. As a complement to the partner-based business model, RayStation® offers the possibility to collaborate directly with a few selected leading research-intensive clinics. In June 2009 a first agreement was signed in Europe with the German clinic WPE where RayStation® is planned to be clinically operational in 2010. Receiving 510(k) clearance means that RaySearch can now market RayStation® in the US and enter similar collaboration agreements in that region too.

EVENTS AFTER THE CLOSE OF THE QUARTER

Collaboration agreement with Varian expanded

In April, the license agreement with Varian Medical Systems was restructured to add one new product, strengthen the collaborative product development efforts, and make it easier to add new capabilities and features to Varian's Eclipse™ treatment planning system. The original agreement was signed in May 2007 and to date three products from RaySearch have been integrated in Eclipse. These are tools for biological evaluation, biological optimization, and optimization of conventional 3D-CRT.

Financial information

SALES AND EARNINGS FOR THE FIRST QUARTER OF 2010

During the first quarter of 2010, sales rose by 65.7 percent compared with the year-earlier period to SEK 28.1 M (16.9). Sales consist primarily of license revenue via partners and support revenue. The number of licenses sold via partners amounted to 261 (137) and license revenue during the first quarter of 2010 totaled SEK 23.5 M (9.7). The main reason for the increase in license revenue was that the new product for VMAT via Philips began to generate revenue. License sales were also positively impacted by larger volumes of older products sold via Philips, Nucletron and IBA Dosimetry. Sales were adversely affected by the decrease in support revenue of 36.1 percent to SEK 4.6 M (7.2) during the first quarter. Since support revenues are based on accumulated license sales, they generally increase continually. However, with effect from the second quarter of 2009, support revenue for RaySearch's first product p-RayOptimizer began to decline since the product, which has been on the market since 2001, now requires less maintenance.

The company is dependent on trends in the USD and EUR exchange rates in relation to SEK, since invoicing is conducted in USD and EUR. During the first quarter of 2010, revenue in USD was reported at an average exchange rate of SEK 7.19 compared with SEK 8.48 during the corresponding period in 2009. During the first quarter of 2010, revenue in EUR was booked at an average exchange rate of SEK 9.79, compared with SEK 10.88 during the year-earlier period. Thus, the exchange rates impacted negatively on sales during the first quarter. With unchanged exchange rates, sales would have increased by 93.0 percent compared with the corresponding period in 2009, 27.3 percentage points higher than the actual outcome. A sensitivity analysis of currency exposure shows that the effect on operating profit for the first quarter of 2010 from a change in the USD exchange rate of +/- 10 percent would have been +/- SEK 2.2 M and that the corresponding effect of a change in the average EUR exchange rate of +/- 10 percent would have been SEK +/- 0.6 M. The company pursues the currency policy set by the Board of Directors.

Operating profit for the first quarter of 2010 totaled SEK 11.2 M (9.8), corresponding to an operating margin of 40.0 (58.1) percent. Operating expenses, excluding exchange-rate gains and losses, increased from the first quarter of 2009 by SEK 8.0 M to SEK 15.3 M. Other operating revenue and other operating expenses refer to exchange-rate gains and losses, with the net of these amounting to a loss of SEK 1.5 M (profit: 0.4). The increase in operating expenses derived primarily from amortizations within development.

As of March 31, 2010, 55 (45) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees, computer equipment and premises. Research and development costs before capitalization and amortization of development costs, totaled SEK 15.0 M (12.5). During the first quarter of 2010, capitalized development costs totaled SEK 10.5 M (10.5). Amortization of capitalized development costs during the first quarter of 2010 totaled SEK 6.5 M (1.7) M. The reason for the increase during the period was that capitalized development costs for the company's products began to be amortized during the third and fourth quarters of 2009 as installations commenced of the new products in clinics. Research and development costs after adjustments for capitalization and amortization of developments costs totaled SEK 11.0 M (3.7).

Amortization of intangible assets during the first quarter of 2010 amounted to SEK 6.5 M (1.7) and depreciation of tangible fixed assets was SEK 0.1 M (0.0). Overall, amortization and depreciation during the first quarter of 2010 totaled 6.6 M (1.7) M. Amortization and depreciation primarily comprised capitalized development costs.

Profit after tax for the first quarter of 2010 totaled SEK 8.2 M (7.3), which means that earnings per share were SEK 0.24 (0.21).

Geographic distribution of license revenues

Most of RaySearch's existing customers operate in the US, it is worth noting that the proportion of license revenues that derive from North America increased during the period after having declined the during past year. License revenues for the first quarter of 2010 were distributed as follows: North America 54 (36) percent, Asia 22 (32) percent and Europe and the rest of the world 24 (32) percent.

LIQUIDITY AND FINANCING

Cash flow from operating activities during the first quarter of 2010 totaled SEK 8.9 M (19.1), with overall cash flow during the first period amounting to a negative SEK 1.8 M (positive 8.7). Cash flow decrease is due to increasing current receivables increased during the quarter. Changes in working capital therefore had a negative effect of SEK 9.3 M during the first quarter compared with a positive impact of SEK 8.4 M during the year earlier period. Cash flow from investing activities declined to a negative SEK 10.7 M (neg: 10.4) due to higher development expenditure.

As of March 31, 2010, cash and cash equivalents totaled SEK 78.2 M, compared with SEK 79.3 M as of March 31, 2009. As of March 31, 2010, current receivables amounted to SEK 36.1 M compared with SEK 14.1 M on March 31, 2009. The steep increase is explained by the large sales growth during the last two quarters. RaySearch has no interest-bearing liabilities.

INVESTMENTS

Fixed assets primarily comprise capitalized development costs. Investments in intangible fixed assets during the first quarter of 2010 totaled SEK 10.5 M (10.5) and investments in tangible fixed assets SEK 0.5 (0.2) MSEK.

EMPLOYEES

At the end of the first quarter, the number of RaySearch employees was 61 (50). The average number of employees during the period January-March 2010 was 60 (50).

PARENT COMPANY

Since the financial reporting of the Parent Company corresponds in all material matters to the financial reporting of the Group, the comments for the Group are also highly relevant for the Parent Company. Capitalization of development costs is recognized in the Group, but not in the Parent Company.

CONSOLIDATED INCOME STATEMENT IN SUMMARY

Amounts in SEK 000s	Jan-March 2010	2009	Full year 2009
Net sales	28,062	16,936	83,687
Cost of goods sold	-3	-201	-1,013
Gross profit	28,059	16,735	82,674
Other operating income	0	559	0
Selling expenses	-416	-546	-3,604
Administrative expenses	-3,892	-3,075	-12,691
Research and development costs	-10,982	-3,695	-24,718
Other operating expenses	-1,528	-127	-799
Operating profit	11,241	9,851	40,862
Result from financial items	6	241	421
Profit before tax	11,247	10,092	41,283
Tax	-3,013	-2,769	-11,137
Profit for the period¹⁾	8,234	7,323	30,146
Earnings per share before full dilution (SEK)	0.24	0.21	0.88
Earnings per share after full dilution (SEK)	0.24	0.21	0.88

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK 000s	Jan-March 2010	2009	Full year 2009
Profit for the period	8,234	7,323	30,146
Other comprehensive income	-	-	-
Comprehensive income for the period¹⁾	8,234	7,323	30,146

1) 100 % attributable to shareholders in the Parent Company

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

Amounts in SEK 000s	Mar 31, 2010	Mar 31, 2009	Dec. 31, 2009
ASSETS			
Intangible fixed assets	116,185	90,380	112,323
Tangible fixed assets	2,314	1,919	2,068
Deferred tax assets	8,216	10,569	8,216
Total fixed assets	126,715	102,868	122,607
Current receivables	36,087	14,105	30,478
Cash and cash equivalents	78,176	79,337	80,013
Total current assets	114,263	93,442	110,491
TOTAL ASSETS	240,978	196,310	233,098
EQUITY AND LIABILITIES			
Equity	193,092	157,758	184,858
Deferred tax liabilities	36,002	28,564	34,949
Other long-term liabilities	642	1,610	642
Accounts payable	1,655	1,977	5,525
Other current liabilities	9,587	6,401	7,124
TOTAL EQUITY AND LIABILITIES	240,978	196,310	233,098
Pledged assets	5,000	5,000	5,000
Contingent liabilities	none	none	none

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

Amounts in SEK 000s	Jan-March		Full year
	2010	2009	2009
Profit before tax	11,247	10,092	41,283
Adjusted for non-cash items *	6,646	1,731	12,389
Taxes paid	279	-1,157	-1,933
Cash flow from operating activities before changes in working capital	18,172	10,666	51,739
Cash flow from changes in working capital	-9,255	8,427	-2,532
Cash flow from operating activities	8,917	19,093	49,207
Cash flow from investing activities **	-10,754	-10,400	-43,148
Cash flow from financing activities	0	0	3,310
Cash flow for the period	-1,837	8,693	9,369
Cash and cash equivalents at the beginning of the period	80,013	70,644	70,644
Cash and cash equivalents at the end of the period	78,176	79,337	80,013

* These amounts include amortization of capitalized development costs.

** These amounts include capitalized development costs.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

Amounts in SEK 000s	Jan-March 2010	Full year 2009
Opening balance	184,858	150,435
Comprehensive income for the period	8,234	30,146
Exercise of options	0	4,277
Closing balance	193,092	184,858

CHANGES IN NUMBER OF SHARES

Amounts in SEK 000s	Jan-March 2010	Full year 2009
Total number of shares (opening and closing balance)	34,282,773	34,282,773
Holding of treasury shares, opening balance	299,628	449,628
Holding of treasury shares, closing balance	299,628	299,628
Average number of treasury shares	299,628	435,244

KEY DATA AND FINANCIAL INFORMATION IN SUMMARY

Amounts in SEK 000s	2010	Jan-March 2009	2008	Full year 2009
Net sales	28,062	16,936	15,595	83,687
Operating profit	11,241	9,851	3,637	40,862
Operating margin, %	40.0	58.1	23.3	48.8
Profit margin, %	40.1	59.6	28.4	49.3
Net profit	8,234	7,323	3,134	30,146
Earnings per share, SEK*	0.24	0.21	0.09	0.88
Return on capital employed, %	24.2	19.9	19.1	24.6
Return on equity, %	17.7	15.0	13.4	18.0
Equity/assets ratio, %	80.1	80.4	80.7	79.3
Adjusted equity per share at the end of the period, SEK*	5.63	4.60	4.11	5.39
Share price at the end of the period, SEK*	44.60	16.10	46.00	29.50

* Adjusted for 3:1 stock split

PARENT COMPANY INCOME STATEMENT IN SUMMARY

Amounts in SEK 000s

	Jan-March		Full year
	2010	2009	2009
Net sales	28,062	16,936	83,687
Cost of goods sold	-3	-201	-1,013
Gross profit	28,059	16,735	82,674
Other operating income	0	559	0
Selling expenses	-416	-546	-3,604
Administrative expenses	-3,892	-3,545	-14,491
Research and development costs	-14,986	-12,060	-54,095
Other operating expenses	-1,528	-127	-799
Operating profit	7,237	1,016	9,685
Result from financial items	6	192	345
Profit after financial items	7,243	1,208	10,030
Appropriations	0	-	-1,909
Profit before tax	7,243	1,208	8,121,
Tax	-1,960	-432	-2,416
Net profit	5,283	776	5,705

PARENT COMPANY BALANCE SHEET IN SUMMARY

Amounts in SEK 000s	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
ASSETS			
Intangible fixed assets	494	1,061	636
Tangible fixed assets	2,314	1,919	2,068
Financial fixed assets	2,160	2,160	2,160
Deferred tax assets	8,216	10,569	8,216
Total fixed assets	13,184	15,709	13,080
Current receivables	36,087	28,196	30,478
Cash and cash equivalents	70,900	63,375	72,724
Total current assets	106,987	91,571	103,202
TOTAL ASSETS	120,171	107,280	116,282
EQUITY AND LIABILITIES			
Equity	87,742	77,530	82,459
Untaxed reserves	21,199	19,290	21,199
Accounts payable	1,655	1,978	5,525
Other current liabilities	9,575	8,482	7,099
TOTAL EQUITY AND LIABILITIES	120,171	107,280	116,282
Pledged assets	5,000	5,000	5,000
Contingent liabilities	None	None	None

Other information

ACCOUNTING POLICIES IN ACCORDANCE WITH IAS/IFRS

The consolidated financial statements for the first quarter of 2010 were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the EU, and the Swedish Annual Accounts Act. This interim report was prepared in accordance with IAS 34 Interim Financial Reporting. The Parent Company's financial statements were prepared pursuant to the Annual Accounts Act and the requirements contained in the Swedish Financial Reporting Board's recommendation RFR 2.3 Accounting for Legal Entities.

RISKS AND UNCERTAINTIES IN THE GROUP AND THE PARENT COMPANY

Financial risk management

RaySearch's financial policy governing the management of financial risks was established by the Board of Directors and represents a framework of guidelines and rules in the form of risk mandates and limits for financial activities. RaySearch is primarily affected by exchange-rate risk. All of RaySearch's net sales are in USD or EUR. In accordance with the established financial policy, no currency hedging is employed. The financial policy is updated at least once annually.

Operational risks

As a result of its activities, RaySearch is exposed to various operational risks, including the following: dependency on key persons, competition and strategic partnerships. RaySearch currently has partnerships with Philips, Varian, Siemens, Nucletron, IBA Dosimetry and TomoTherapy. RaySearch also has several research partnerships. If RaySearch were to lose one or more of these partners, this could have a major impact on the company's sales, profit and financial position. This risk decreases as the number of partners increases. RaySearch engages in continuous discussions with a number of medical technology companies in respect of new collaborations.

For more detailed information about RaySearch's financial risk management and operational risks, refer to page 48 of the 2009 Annual Report.

RELATED-PARTY TRANSACTIONS

No transactions between RaySearch and related parties materially affected the company's position and earnings.

ESTIMATES

Preparation of the interim report requires that company management makes estimates that affect the recognized amounts for assets, liabilities, revenues and expenses. The actual outcome could deviate from these estimates. The critical sources of uncertainty in the estimates are the same as those in the most recent annual report.

Stockholm, May 11, 2010

Johan Löf
President and Board member

Review report

To the Board of RaySearch Laboratories AB
Corporate Registration Number 556322-6157

I have reviewed the attached interim report for RaySearch Laboratories AB (publ) for the period January 1, 2010 to March 31, 2010. The Board of Directors and the President are responsible for the preparation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express a conclusion on the year-end report based on my review.

I have conducted my review in accordance with the Swedish standard for such reviews, (SÖG) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Company*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Sweden RS and good auditing practice in general. The measures taken during a review do not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Thus, the conclusion expressed on the basis of a review does not offer the same degree of assurance as a conclusion based on an audit.

Based on my review, nothing has come to my attention that causes me to believe that the attached interim report has not been prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act for the Group and the Swedish Annual Accounts Act for the Parent Company.

Stockholm, May 11, 2010

Anders Linér
Authorized Public Accountant
KPMG

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ANNUAL GENERAL MEETING

The Annual General Meeting will be held on May 25, 2010 at 6 pm in the Kammarsalen at Berns Conference Center, Berzelii Park, Stockholm.

FINANCIAL REPORTING

Six-month interim report	August 27, 2010
Interim report for the third quarter	November 12, 2010

ABOUT RAYSEARCH

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are mainly sold through license agreements with leading partners such as Philips, Varian, Siemens, Nucletron, IBA Dosimetry and TomoTherapy. To date, 15 products have been launched and RaySearch's software is used at some 1,500 clinics in more than 30 countries. In addition, existing license agreements cover more than 15 other products that are scheduled to be launched in the coming years. RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm and the company is listed in the Small Cap segment on NASDAQ OMX Stockholm.

For more information about RaySearch, visit www.raysearchlabs.com.