

## RaySearch Laboratories AB (publ) Interim Report January 1 – September 30, 2010

### JANUARY 1 – SEPTEMBER 30, 2010

- Net sales for the period totaled SEK 83.0 M (47.3)
- Operating profit totaled SEK 24.5 M (17.1)
- Profit after tax amounted to SEK 17.5 M (12.6) and earnings per share to SEK 0.51 (0.37)
- Cash flow was a negative SEK 2.8 M (pos: 5.4)
- RaySearch received FDA approval for RayStation® in the US in March
- The collaboration agreement with Varian was expanded in April

### EVENTS AFTER THE END OF THE PERIOD

- Breakthrough RayStation® order from Massachusetts General Hospital was received in October

“The first nine months of the year was a successful period, and with the order from Massachusetts General Hospital in October, we reached a very important strategic milestone for RaySearch. The order means that Massachusetts General Hospital will be the first hospital in the world to use RayStation® and our solution for multi-criteria optimization in clinical practice”, says Johan Löf, CEO of RaySearch.

“January to September was also a strong period financially for RaySearch and the number of licenses sold almost doubled. The volume growth was primarily attributable to a positive reception to all of the new products launched in late 2009”, concludes Johan Löf.

### SUMMARY OF FINANCIAL RESULTS

Amounts in SEK 000s

	Jan-Sep		Jul-Sep		Full-year
	2010	2009	2010	2009	2009
Net sales	82,970	47,322	22,062	12,660	83,687
Operating profit	24,502	17,050	738	445	40,862
Operating margin, %	29.5	36.0	3.4	3.5	48.8
Net profit	17,541	12,620	187	316	30,146
Earnings per share, SEK	0.51	0.37	0.01	0.01	0.88
Share price at close of period, SEK	41.80	25.80			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 November 12 at 7:45 a.m.

## CEO's comments

The first nine months of the year was a successful period and with the order from Massachusetts General Hospital (MGH) in October, we reached a very important strategic milestone for RaySearch. As a complement to our existing partner-based business model, we have for some time been offering our proprietary RayStation® treatment planning system directly to selected leading research-intensive clinics. Last summer we received the first order in Europe from the German clinic WPE and the new order from MGH is the first on the North American market. MGH is one of the most renowned clinics in the United States and the purchase of RayStation® by such a luminary clinic creates an interest from other clinics. We just returned from the annual ASTRO radiation therapy trade show and I can report that the order has not passed unnoticed. At the show, we performed a large number of demonstrations and noticed a significant interest from several clinics to buy the system.

Financially, January to September was a strong period for RaySearch. The number of licenses sold almost doubled to 721 (389) and revenues rose 75 percent to SEK 83.0 M. The volume growth was primarily attributable to a positive reception to all of the new products launched in late 2009. Exchange-rate fluctuations had a negative impact during the period. With unchanged exchange rates, sales would have increased 90 percent. Profit for the period rose 39 percent to SEK 17.5 M. Figures for the third quarter were weaker than for the period as a whole. Sales vary significantly from quarter to quarter and the third quarter is usually the weakest during the year. In addition, negative seasonal effects occur during the summer since research and development costs become technically higher during the vacation period due to the principles for capitalization of development costs. Revenues for the third quarter rose 74 percent to SEK 22.1 M and net profit amounted to SEK 0.2 M.

A large share of the revenue increase during the nine-month period derived from the product for VMAT (Volumetric Modulated Arc Therapy) that our partner Philips began selling under the SmartArc brand in November 2009. VMAT is an important trend in the market and demand remained strong. It is also positive to note that sales of older Philips products increased during the period. This was probably because sales of these products are driven by SmartArc sales, since they are a prerequisite for upgrading to SmartArc.

Sales through Nucletron were largely in line with the year-earlier period. Nucletron launched our solution for VMAT along with a product for model-based segmentation in late 2009. Unlike Philips, the bulk of Nucletron's sales is in Europe, where the introduction of VMAT is progressing at a slower rate than in the US, which means that growth will be lower than for Philips. During the past few years, Nucletron has implemented a number of improvements to boost its growth rate in the software segment and we are now in the final phase of development of new product versions for them, so the prospects for higher sales through Nucletron are favorable.

Our collaboration with IBA Dosimetry regarding the jointly developed COMPASS® quality assurance system continues to progress positively. The system is now well established as one of the most competitive solutions for quality assurance of VMAT treatments and sales rose sharply during the period. We are also working to expand the system with a new advanced product for monitoring the delivered radiation dose taking into account changes occurring in the patient's anatomy during the course of treatment. This product will be launched in 2011.

At the end of April, we restructured our license agreement with Varian, the leading supplier of radiation therapy equipment, with a very large installed base. We entered into the original agreement in 2007 and launched the first three RaySearch products in 2009, integrated in Varian's Eclipse™ treatment planning system. Following the restructuring the partnership started generating significant revenues during the second quarter. Varian is now receiving numerous orders. The new agreement also includes an exciting new product which we are currently developing and we are also working to further enhance the launched products. This means that the potential for continued increased sales in the future is considerable.

It is also gratifying to note that our collaborative project with TomoTherapy began generating revenues for RaySearch from the second quarter, when customer deliveries of the new SharePlan™ product commenced. Accordingly, all of RaySearch's partnerships are now generating revenues, with the exception of the collaboration project with Siemens, which was initiated in May 2009. Under the terms of the agreement with Siemens, RaySearch will provide a number of treatment planning modules for advance radiation therapy. We are now working intensely to complete the integration of the modules into Siemens' *syngo*® Suite for Oncology, an integrated platform for workflow management in radiation therapy clinics. The project is slightly delayed and the collaboration is expected to start generating revenues for RaySearch in the beginning of 2011 instead of in the end of 2010 as previously communicated.

We also continue the intense development of our system for treatment planning of proton therapy. The proton system is integrated with RayStation®. Proton therapy is one of the most advanced forms of radiation therapy and will be a key area for RaySearch in the future. Our first customer in the proton area is the German clinic WPE in Essen, to which we made a successful partial delivery in September. The final delivery to WPE is scheduled for 2011. In this area, we are also participating with Nucletron in the procurement process for a treatment planning system for the Skandion clinic, which is a new proton center that will be built in Sweden. The procurement has been delayed and is expected to be concluded in late 2010 or early 2011.

In addition to these projects, we are also updating our existing products and now have a very high workload in the product development area. The ten new system developers that were recruited in the spring and summer have now started working and are all contributing to the development. We are also working intensively on business development. We are discussing the expansion of our partnership agreements and have several new, highly interesting solutions under development.

The end of the year will involve a lot of hard work for us. Several exciting products will be finalized such as our first products for Siemens and the new product in the Varian collaboration. We will also deliver new versions of RayStation to both MGH and WPE. The decreasing dollar rate is affecting us negatively but on the other hand the interest for RayStation® is increasing thanks to the breakthrough in the US. In addition, several of the new products released at the end of 2009 continue to offer substantial growth potential, and we will launch new products through partners. Therefore, the future prospects for RaySearch remain very strong.

Stockholm, November 12, 2010

Johan Löf  
President and CEO  
RaySearch Laboratories AB (publ)

## **Significant events**

### **EVENTS DURING THE THIRD QUARTER OF 2010**

No significant events occurred during the third quarter.

### **EVENTS AFTER THE END OF THE PERIOD**

#### *Breakthrough RayStation® order from Massachusetts General Hospital*

In October RaySearch announced that Massachusetts General Hospital (MGH) in Boston, USA, has selected RaySearch's treatment planning system RayStation® as their next generation planning software for delivery of IMRT and VMAT treatments. In 2008, RaySearch and MGH entered into a long-term research and development collaboration within the field of multi-criteria optimization for radiation therapy. In all radiation treatments, the clinician has to balance conflicting objectives such as obtaining a sufficiently high target dose to achieve tumor control, while ensuring that the dose to the surrounding healthy tissues is sufficiently low to minimize the risk for side effects. Multi-criteria optimization provides a tool for dealing with these tradeoffs in a stringent fashion. The cooperation has resulted in a software product that enables oncologists to explore and evaluate a representative set of treatment alternatives in a highly intuitive and efficient way and the solution is now integrated in RaySearch's proprietary RayStation® treatment planning system. The order means that MGH will be the first hospital in the world that uses RayStation® and the solution for multi-criteria optimization in clinical practice.

## Financial information

### SALES AND EARNINGS FOR THE THIRD QUARTER OF 2010

During the third quarter of 2010, sales rose 74.3 percent compared with the year-earlier period and amounted to SEK 22.1 M (12.7). The sharp sales increase was primarily attributable to license revenues from the new products sold in collaboration with Philips and Nucletron, which started generating revenues during late 2009. Revenues were positively impacted when the first product from the collaboration with TomoTherapy began to generate significant revenues during the third quarter, and by revenues for the partial delivery of RayStation to WPE. Sales during the third quarter were negatively impacted by exchange-rate fluctuations. With unchanged exchange rates, sales would have increased 104.2 percent during the third quarter.

Operating profit improved during the third quarter to SEK 0.7 M (0.4), corresponding to an operating margin of 3.4 percent (3.5). Profit after tax during this quarter amounted to SEK 0.2 M (0.3). Earnings during the quarter were adversely impacted by seasonal effects as capitalized development costs were lower since the capitalizations are based on hours spent on development projects, which were lower due to vacation during the quarter. A provision of SEK 0.5 M (0) was also allocated for the profit-sharing foundation pertaining to profit for 2010 (see also in the following section).

### SALES AND EARNINGS FOR THE FIRST NINE MONTHS OF 2010

During the first nine months of 2010, total sales increased 75.3 percent compared with the year-earlier period to SEK 83.0 M (47.3). Sales primarily derive from license revenues via partners and support revenues. The number of licenses sold via partners was 721 (389) and license revenues for the first nine months of 2010 amounted to SEK 68.3 M (30.2). The increase in license revenues was mainly attributable to the new products sold via Philips, Nucletron and Varian that started generate revenues at the end of 2009, and the first product from the collaboration with TomoTherapy that started to generate revenues during the second quarter of 2010. License sales were also positively impacted by the volume increase of the older products sold via Philips and IBA Dosimetry. Sales were adversely impacted by a 13.5 percent decline in support revenues to SEK 14.8 M (17.1) during the first nine months of 2010.

The company is dependent on trends in the USD and EUR exchange rates in relation to SEK, since invoicing is done in USD and EUR. During the first nine months of 2010, revenues in USD were reported at an average exchange rate of SEK 7.27, compared with SEK 7.83 during the year-earlier period. During the first nine months of the year, revenues in EUR were reported at an average exchange rate of SEK 9.54, compared with SEK 10.65 in the year-earlier period. Accordingly, exchange rates had an adverse effect on sales during the first nine months. With unchanged exchange rates, sales would have increased 90.5 percent compared with the year-earlier period. A sensitivity analysis of currency exposure shows that a change in the average USD exchange rate of +/- 10 percent would have impacted operating profit for the first nine months of 2010 by +/- SEK 6.5 M and that the corresponding effect of a change in the average EUR exchange rate of +/- 10 percent would have been SEK +/- 1.8 M. The company pursues the currency policy set by the Board of Directors.

Operating profit for the first nine months of 2010 totaled SEK 24.5 M (17.1), corresponding to an operating margin of 29.5 percent (36.0). Operating expenses excluding exchange-rate gains and losses rose SEK 28.5 M to SEK 56.9 M compared with the year-earlier period. Other operating income and other operating expenses derived from exchange-rate gains and losses, with the net of these amounting to an expense of SEK 1.4 M (expense: 1.0) for the first nine months. The increase in operating expenses was mainly due to higher research and development costs, with amortization of development activities accounting for the largest increase. During 2010, RaySearch has allocated SEK 2.4 M to a profit-sharing foundation pertaining to profit for 2009. Following the Annual General Meeting resolution pertaining to dividends in May, the resulting cost was recognized in its entirety during the second quarter. Since dividends pertaining to 2010 are expected to be paid, provisions regarding the profit-sharing foundation pertaining to profit for 2010 are allocated in the third and fourth quarters of 2010, which had a negative impact of SEK 0.5 M on profit for the period. For more information pertaining to the profit-sharing foundation, refer to the 2009 Annual Report, page 46.

As of September 30, 2010, 61 (52) 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 amounted to SEK 53.1 M (39.9). During the first nine months of 2010, capitalized development costs totaled SEK 33.5 M (30.2). Amortization of capitalized development costs during the first nine months of 2010 amounted to SEK 20.1 M (7.0). The increase during the period was due to the amortization of capitalized development costs for the company's new products during the third and fourth quarters of 2009 as installations of the new products in clinics commenced. Research and development costs after adjustments for capitalization and amortization of development costs totaled SEK 39.7 M (16.7).

Amortization of intangible fixed assets during the first nine months of 2010 amounted to SEK 20.1 M (7.1) and depreciation of tangible assets to SEK 0.3 M (0.1). Total amortization and depreciation during the first nine months of 2010 amounted to SEK 20.4 M (7.2). Amortization and depreciation pertained primarily to capitalized development costs.

Profit after tax during the first nine months of 2010 amounted to SEK 17.5 M (12.6), corresponding to earnings per share of SEK 0.51 (0.37).

#### *Geographic distribution of license revenues*

Most of RaySearch's existing customers are located 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 in the year-earlier period. Revenues from installed licenses for the first nine months of 2010 were distributed as follows: North America 50 percent (32), Asia 24 percent (24), Europe and the rest of the world 26 percent (44).

#### **LIQUIDITY AND FINANCING**

Cash flow from operating activities during the first nine months of 2010 totaled SEK 48.9 M (35.4), which primarily derived from improved earnings. Total cash flow during the first nine months was a negative SEK 2.8 M (pos: 5.4). The decrease in total cash flow was due to dividend payments of SEK 17.0 M during the period, while no dividends were paid during 2009. Cash flow from investing activities declined to a negative SEK 34.8 M (neg: 30.0) due to higher development expenditure.

As of September 30, 2010, cash and cash equivalents totaled SEK 77.2 M, compared with SEK 76.0 M on September 30, 2009. As of September 30, 2010, current receivables amounted to SEK 25.0 M, compared with SEK 14.5 M on September 30 2009. Receivables mainly comprise accounts receivables, which increased significantly due to the substantial sales growth during recent quarters. RaySearch has no interest-bearing liabilities.

#### **INVESTMENTS**

Fixed assets primarily comprise capitalized development costs. Investments in intangible fixed assets during the first nine months of 2010 amounted to SEK 33.7 M (30.2) and investments in tangible fixed assets to SEK 2.0 M (0.7).

#### **EMPLOYEES**

At the end of the third quarter, the number of RaySearch employees was 68 (56). The average number of employees during the January – September period 2010 was 62 (50).

#### **PARENT COMPANY**

Since the financial reporting of the Parent Company corresponds in all material respects to the financial reporting of the Group, the comments for the Group are also largely 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-Sep		Jul-Sep		Full-year
	2010	2009	2010	2009	2009
Net sales	82,970	47,322	22,062	12,660	83,687
Cost of goods sold	-90	-866	-59	-399	-1,013
<b>Gross profit</b>	<b>82,880</b>	<b>46,456</b>	<b>22,003</b>	<b>12,261</b>	<b>82,674</b>
Other operating income	0	0	0	0	0
Selling expenses	-3,501	-2,391	-2,157	-1,261	-3,604
Administrative expenses	-13,740	-9,284	-4,194	-2,787	-12,691
Research and development costs	-39,694	-16,706	-13,580	-6,699	-24,718
Other operating expenses	-1,443	-1,025	-1,334	-1,069	-799
<b>Operating profit</b>	<b>24,502</b>	<b>17,050</b>	<b>738</b>	<b>445</b>	<b>40,862</b>
Profit from financial items	15	398	10	71	421
<b>Profit before tax</b>	<b>24,517</b>	<b>17,448</b>	<b>748</b>	<b>516</b>	<b>41,283</b>
Tax	-6,976	-4,828	-561	-200	-11,137
<b>Profit for the period<sup>1)</sup></b>	<b>17,541</b>	<b>12,620</b>	<b>187</b>	<b>316</b>	<b>30,146</b>
Earnings per share before full dilution (SEK)	0.51	0.37	0.01	0.01	0.88
Earnings per share after full dilution (SEK)	0.51	0.37	0.01	0.01	0.88

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

Amounts in SEK 000s	Jan-Sep		Jul-Sep		Full-year
	2010	2009	2010	2009	2009
Profit for the period	17,541	12,620	187	316	30,146
Other comprehensive income	-	-	-	-	-
<b>Comprehensive income for the period<sup>1)</sup></b>	<b>17,541</b>	<b>12,620</b>	<b>187</b>	<b>316</b>	<b>30,146</b>

1) 100 percent attributable to shareholders in the Parent Company

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY**

Amounts in SEK 000s	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
<b>ASSETS</b>			
Intangible fixed assets	125,520	104,488	112,323
Tangible fixed assets	3,177	1,960	2,068
Deferred tax assets	8,216	10,569	8,216
<b>Total fixed assets</b>	<b>136,913</b>	<b>117,017</b>	<b>122,607</b>
Current receivables	25,030	14,474	30,478
Cash and cash equivalents	77,226	76,043	80,013
<b>Total current assets</b>	<b>102,256</b>	<b>90,517</b>	<b>110,491</b>
<b>TOTAL ASSETS</b>	<b>239,169</b>	<b>207,534</b>	<b>233,098</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	185,408	163,055	184,858
Deferred tax liabilities	38,480	32,346	34,949
Other long-term liabilities	642	1,610	642
Accounts payable	3,521	4,160	5,525
Other current liabilities	11,118	6,363	7,124
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>239,169</b>	<b>207,534</b>	<b>233,098</b>
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-Sep		Jul-Sep		Full-year
	2010	2009	2010	2009	2009
Profit before tax	24,517	17,448	748	516	41,283
Adjustments for non-cash items*	20,462	7,214	6,997	3,702	12,389
Taxes paid	-1,592	570	-1,046	1,319	-1,933
<b>Cash flow from operating activities before changes in working capital</b>	<b>43,387</b>	<b>25,232</b>	<b>6,699</b>	<b>5,537</b>	<b>51,739</b>
Cash flow from changes in working capital	5,585	10,199	-854	7,515	-2,532
<b>Cash flow from operating activities</b>	<b>48,972</b>	<b>35,431</b>	<b>5,845</b>	<b>13,052</b>	<b>49,207</b>
Cash flow from investing activities**	-34,768	-30,032	-10,711	-9,403	-43,148
Cash flow from financing activities	-16,991	0	0	0	3,310
<b>Cash flow for the period</b>	<b>-2,787</b>	<b>5,399</b>	<b>-4,866</b>	<b>3,649</b>	<b>9,369</b>
Cash and cash equivalents at the beginning of the period	80,013	70,644	82,092	72,394	70,644
<b>Cash and cash equivalents at the end of the period</b>	<b>77,226</b>	<b>76,043</b>	<b>77,226</b>	<b>76,043</b>	<b>80,013</b>

\*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-Sep 2010	Full-year 2009
Opening balance	184,858	150,435
Comprehensive income for the period	17,541	30,146
Exercise of options	0	4,277
Dividend	-16,991	0
Closing balance	185,408	184,858

Dividends corresponding to SEK 0.50 per share were paid out on the record date of May 28.

**CHANGES IN NUMBER OF SHARES**

Amounts in SEK 000s	Jan-Sep 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-Sep 2009	2008	Full-year 2009
Net sales	82,970	47,322	41,344	83,687
Operating profit	24,502	17,050	8,045	40,862
Operating margin, %	29.5	36.0	19.5	48.8
Profit margin, %	29.6	36.9	25.2	49.3
Net profit	17,541	12,620	7,324	30,146
Earnings per share, SEK *	0.51	0.37	0.21	0.88
Return on capital employed, %	27.7	11.9	10.7	24.6
Return on equity, %	20.1	15.5	7.5	18.0
Equity/assets ratio, %	77.5	78.6	79.6	79.3
Adjusted equity per share at the end of the period, SEK*	5.41	4.76	4.07	5.39
Share price at the end of the period, SEK*	41.80	25.80	17.30	29.50

\* adjusted for 3:1 stock split

**PARENT COMPANY INCOME STATEMENT IN SUMMARY**

Amounts in SEK 000s

	Jan-Sep		Jul-Sep		Full-year
	2010	2009	2010	2009	2009
Net sales	82,970	47,322	22,062	12,660	83,687
Cost of goods sold	-90	-866	-59	-399	-1,013
<b>Gross profit</b>	<b>82,880</b>	<b>46,456</b>	<b>22,003</b>	<b>12,261</b>	<b>82,674</b>
Other operating income	0	0	0	0	0
Selling expenses	-3,501	-2,391	-2,157	-1,261	-3,604
Administrative expenses	-13,733	-10,708	-4,191	-3,231	-14,491
Research and development costs	-53,119	-38,488	-17,245	-12,014	-54,095
Other operating expenses	-1,443	-1,025	-1,334	-1,069	-799
<b>Operating profit/loss</b>	<b>11,084</b>	<b>-6,156</b>	<b>-2,924</b>	<b>-5,314</b>	<b>9,685</b>
Profit from financial items	15	321	10	55	345
<b>Profit/loss after financial items</b>	<b>11,099</b>	<b>-5,835</b>	<b>-2,914</b>	<b>-5,259</b>	<b>10,030</b>
Appropriations	-	-	-	-	-1,909
<b>Profit/loss before tax</b>	<b>11,099</b>	<b>-5,835</b>	<b>-2,914</b>	<b>-5,259</b>	<b>8,121</b>
Tax	-3,407	1,295	403	1,319	-2,416
<b>Net profit/loss</b>	<b>7,692</b>	<b>-4,540</b>	<b>-2,511</b>	<b>-3,940</b>	<b>5,705</b>

**PARENT COMPANY BALANCE SHEET IN SUMMARY**

Amounts in SEK 000s	Sep 30, 2010	Sep 30, 2009	Dec 31, 2009
<b>ASSETS</b>			
Intangible fixed assets	408	791	636
Tangible fixed assets	3,177	1,960	2,068
Financial fixed assets	2,160	2,160	2,160
Deferred tax assets	8,216	10,569	8,216
<b>Total fixed assets</b>	<b>13,961</b>	<b>15,480</b>	<b>13,080</b>
Current receivables	25,030	14,464	30,478
Cash and cash equivalents	69,820	72,065	72,724
<b>Total current assets</b>	<b>94,850</b>	<b>86,529</b>	<b>103,202</b>
<b>TOTAL ASSETS</b>	<b>108,811</b>	<b>102,009</b>	<b>116,282</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	73,010	72,214	82,459
Untaxed reserves	21,199	19,290	21,199
Accounts payable	3,521	4,160	5,525
Other current liabilities	11,081	6,345	7,099
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>108,811</b>	<b>102,009</b>	<b>116,282</b>
Pledged assets	5,000	5,000	5,000
Contingent liabilities	None	None	None

## Other information

### **ACCOUNTING POLICIES IN ACCORDANCE WITH IAS/IFRS**

This condensed interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and applicable provisions of the Swedish Annual Accounts Act. The interim report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act, Chapter 9 Interim Reports. The accounting policies and basis of calculation applied for the Group and the Parent Company were the same as those applied in the most recent Annual Report.

New or revised IFRS standards introduced in 2010 did not impact RaySearch.

Since RaySearch only has one segment, no segment reporting was prepared.

### **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 partnerships.

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.

This interim report was subject to review by the company's auditor. The review report is presented on page 13.

Stockholm, November 12, 2010

Johan Löf  
CEO 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 September 30, 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 interim financial information based on my review.

I 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 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 more limited 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, November 12, 2010

Anders Linér  
Authorized Public Accountant  
KPMG

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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Corporate Registration Number: 556322-6157  
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**FINANCIAL REPORTING**

Year-end report	February 18, 2011
Interim report for the first quarter	May 11, 2011
Annual General Meeting	May 25, 2011 at 6:00 p.m.

**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 through partners 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 on the Small Cap segment on NASDAQ OMX Stockholm.

More information about RaySearch is available at: [www.raysearchlabs.com](http://www.raysearchlabs.com).