

RaySearch Laboratories AB (publ)
Interim Report January 1 - March 31, 2004

- Net sales totaled SEK 10.1m (7.3) between January and March 2004
- Net profit was SEK 3.9m (2.8) during the period
- Earnings per share after tax reached SEK 0.37 (0.27)
- Operating profit totaled SEK 5.5m (3.9)
- Licensing agreement signed with Nucletron; customer base doubles
- Intensified focus on research and development

All numerical data for the 2003 income statement in this interim report are pro forma, unless stated otherwise.

In a commentary on the first three months of 2004, Johan Löf, CEO of RaySearch Laboratories, says:

"Sales revenues climbed 38 percent and operating profit jumped 41 percent during the first quarter this year. We've launched sales of our new products, RayMachine and RayBiology. Revenues for support services, which account for a substantial part of the increase in sales, reached SEK 1.8m. We expect sales of RayOptimizer to remain relatively constant during 2004 compared with 2003. This year's sales growth will be generated by the growing support revenues and by the two new products, RayBiology and RayMachine. Despite the negative impact of exchanges rates, the year has gotten off to a good start.

The agreement we signed with Nucletron in January is crucial and creates outstanding prospects for sales growth. We are now entering an intensive phase during which we will develop the RaySearch products that will be integrated with Nucletron's product, Oncentra Treatment Planning, OTP. We are increasing the number of researchers and developmental engineers by 50 percent. According to our plans, it will take a while into 2005 before we see income generated from our partnership with Nucletron. Anders Murman, who was previously senior designer for the OTP system at Nucletron, has joined us. We expect Anders to be a great asset as he takes charge of developing the products with Nucletron. He will also work as director of marketing at RaySearch.

Until now, one single product, RayOptimizer, has provided RaySearch's growth. Now that we are selling RayBiology and RayMachine, we have a total of three products on the market through Philips. When all six products are delivered to Nucletron, RaySearch's product portfolio will consist of a total of nine products, with Philips and Nucletron's collective installation base as potential customers. In addition we have our revenues for support services, which are constantly growing in significance. We are entering an extremely high growing phase."

Summary of Financial Performance

	2004	2003*	2003*
	Jan - Mar	Jan - Mar	Jan - Dec
Amounts in SEK thousand	(3 months)	(3 months)	(12 months)
Net sales	10,080	7,314	34,021
Gross profit margin %	97.0%	95.4%	95.6%
Operating profit	5,510	3,899	12,853
Operating margin	54.7%	53.3%	37.8%
Net profit	3,908	2,819	8,750
Equity ratio	74%	73%	67%
Adjusted equity per share	2.26	1.89	2.69

*) Pro forma accounting, including key indicators, equivalent to initial RaySearch operation. For more information please see page 4.

This is a translation of the Swedish Interim Report.

Sales and Earnings

During the first three months of 2004 total sales increased 38 percent compared with the equivalent period last year to reach SEK 10.1m (7.3). A total of 110 (69) licenses were sold, including 70 (69) for RayOptimizer and 40 (0) for RayMachine. In 2003 Raysearch sold a total of 331 licenses for RayOptimizer. Revenues from sold licenses during the first quarter of 2004 jumped 20 percent to SEK 8.3m (6.9). Support revenues climbed from SEK 0.4m to SEK 1.8m.

The company is dependent on developments of the US dollar, since all net sales take place in dollars. During the first quarter of 2004 revenues were booked at an average exchange rate for the dollar of SEK 7.69, compared with SEK 9.07 during the corresponding period in 2003. If the exchange rate had remained unchanged compared with the same quarter in 2003, total sales in 2004 would have reached SEK 11.7m, which would have meant an increase of 60 percent.

RaySearch's sales mainly consist of license revenues from RayOptimizer and during the first quarter of 2004 these accounted for about 60 (94) percent of total sales. Operating profit was SEK 5.5m (3.9), which corresponds with an operating margin of 54.7 (53.3) percent.

Breakdown of Sales

The majority of RaySearch's end customers are located in the United States. Breakdown of 2004 sales: North America 91 (86) percent, Asia 5 (9) percent, Europe and the rest of the world 4 (5) percent.

Capitalization of Development Costs

During the first quarter of 2004 capitalized development costs amounted to SEK 2.7m (2.7). With the completion of RayMachine and RayBiology, the company has started to amortize capitalized development costs for these products. Amortization during Q1 2004 amounted to SEK 0.4m (0). Deferred taxes were taken into account.

Operating costs

Operating costs increased during the first quarter of 2004 by SEK 1.2m to SEK 4.3m. This increase is mainly attributable to the intensified focus on research and development.

Each year a considerable part of RaySearch's operating costs go to research and development for existing and new products. Most of these costs are salaries. On December 31, 2004, 18 (15) people worked in research and development. Other expenses for research and development include costs for computer equipment and premises. Research and development costs before capitalization and amortization of development costs totaled about SEK 4.5m (3.7); the company expects these posts to continue to represent a substantial portion of operating expenses in the future.

Amortization during the first quarter amounted to SEK 338,000 (0) for intangible fixed assets and depreciation amounted to SEK 84,000 (35,000) for tangible fixed assets.

Liquidity and financing

As at March 31, 2004, liquid assets and short-term investments were SEK 11.9m, compared with SEK 11.5m as at December 31, 2003. RaySearch has no interest-bearing liabilities.

Investments

Fixed assets mainly consist of capitalized development costs. Computers and equipment mainly account for the remainder. Investments in intangible fixed assets during 2004 totaled SEK 2.7 (2.7) and in tangible fixed assets SEK 0.1m (0.3).

The Market

RaySearch is active in intensity modulated radiation therapy (IMRT), an advanced method of radiation therapy for cancer treatment. IMRT makes it possible to irradiate the tumor with higher radiation doses than what is possible with conventional therapy, at the same time that the risk of damage to surrounding healthy tissue decreases. IMRT planning requires advanced methods for optimization, since radiation therapy has to be adapted to the individual patient's anatomy.

RaySearch, a leading company in IMRT optimization, has developed the ORBIT software, a general platform for solving optimization problems in radiation therapy for the treatment of cancer. The market for systems in the field of IMRT has shown strong growth since 2000. IMRT is an established method in the United States, though the technology has not yet had the same breakthrough in Europe. To give an idea of the potential for IMRT, about one half of a percent of patients currently receive treatment with IMRT of the 5 million cancer patients who undergo radiation therapy annually.

Commercial partners

To date, Philips has acted as a distributor of RaySearch's software modules to medical facilities. The contract with Nucletron in January means that Nucletron will also market RaySearch products. RaySearch receives a fixed license fee for each module sold. After the purchase the customer has the opportunity to buy a support contract, including software upgrades. By relying on commercial partners, RaySearch's business model becomes scaleable, which means that the company can reach out to a large number of customers without costs increasing at the same rate. The business model is similar for the partnerships with both Nucletron and Philips. RaySearch will receive royalties from Nucletron for the new products in euro, which reduces the company's relative exposure to the US dollar. The license agreement with Nucletron means that RaySearch's products will become accessible to twice as many clinics as previously.

The existing agreement with Philips continues and the partnership is becoming more extensive as the next generation of systems for inverse treatment planning for IMRT is developed.

Products

RaySearch develops software that improves treatment planning systems used to plan radiation therapy. The software ORBIT is a general platform for solving optimization problems in radiation therapy and is the result of many years of research at Karolinska Institutet and RaySearch. RaySearch has packaged parts of ORBIT's functions in three products: RayOptimizer, RayBiology, and RayMachine. Philips has sold RayOptimizer as a plugin module in its Pinnacle treatment planning system since 2001 and sales of the other modules have begun.

The agreement with Nucletron covers six products based on the ORBIT platform and in one year the first two will be integrated in Nucletron's treatment planning product, Oncentra Treatment Planning (OTP). RaySearch has great hopes for its partnership with Nucletron. The company is a leading player in the market for advanced treatment planning systems and an extremely competitive IMRT system can be created with RaySearch. The combination of IMRT optimization in ORBIT and image processing in OTP with organ contour and radiation dose algorithms will provide users with access to a very powerful system.

Research and Development

RaySearch is active in a highly competitive field and must therefore ensure that the company's products maintain an extremely high technological level. Research at RaySearch mainly focuses on the following areas: algorithm development and modeling in adaptive radiation therapy, generating algorithms for direct optimization of machine parameters, developing advanced dose calculation algorithms, and optimizing algorithms for radiation therapy.

Development work focuses on converting market demands, customer requests, and research findings into products by developing new products and by improving and supporting existing products. In recent times, this work has centered on developing the products RayBiology and RayMachine and updating RayOptimizer. Because of the intensified focus on adaptive radiation therapy and the development of the new products to be sold via Nucletron, the company will now substantially increase the amount of resources devoted to research and development. The number of employees in research and development will increase by almost 50 percent during 2004.

General Accounting Principles

The Group applies the Swedish Financial Accounting Standards Council's recommendations, which means it used the same accounting principles and methods of calculation as in the 2003 annual report. The new recommendation applied beginning in 2004 is RR 20 "Employee Remuneration," which has not had any effect on the amount of the Company's earnings and financial position since the Company's pension plans are fee-based.

This interim report has been drawn up in accordance with recommendation RR 20 of the Swedish Financial Accounting Standards Council concerning interim financial reporting.

During the second quarter of 2003 RaySearch carried out a reverse acquisition of Taurus Petroleum AB. For more information about the reverse acquisition, please see pages 36-37 in RaySearch Laboratories AB's 2002/2003 annual report, which also specifies the principles used for preparation of pro forma accounting for 2003. In this earnings report, the income statement's comparative figures for 2003 refer to the previously prepared pro forma accounting, since this comparison gives a more accurate picture of how the business developed.

The legal report covered the period September 1, 2002 to March 31, 2003 and only includes Taurus' exploration operations.

Employees

RaySearch had 22 employees at the end of the quarter. The average number of employees from January through March 2004 was 20.

Parent Company

The Group's Parent Company is RaySearch Laboratories AB, which did not carry out any operations during the quarter. Until April 30, 2003, the company carried out exploration operations, after which this operation was transferred to Taurus Development. Since then Taurus Development was allotted to Taurus' old shareholders.

The Parent Company's shares in the subsidiary RaySearch Medical AB are recorded at SEK 186.8m in the Parent Company.

Parent Company sales amounted to SEK 0 (262,000 between September 1, 2002 – March 31, 2003). Profit/loss before tax amounted to SEK -215,000 (1,765,000). Investments in tangible assets during the period amounted to SEK 0 (0). As of March 31, 2004, the parent company had liquid assets amounting to SEK 0 (14,739,000).

Financial information during 2004

The annual report was published in April. It was mailed to all registered stockholders and is accessible at the company's office and on its website.

May 24, 2004	Annual General Meeting
August 31, 2004	Second Quarter Interim Report
October 26, 2004	Third Quarter Interim Report

Stockholm on May 5, 2004

RaySearch Laboratories AB
CEO Johan Löf

Review report

I have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope in comparison with an audit. Nothing has come to my attention that causes me to believe that the interim report does not comply with the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act.

Stockholm on May 5, 2004

Anders Linér
Authorized public accountant
KPMG

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About RaySearch

RaySearch develops and sells software for radiation therapy for cancer treatment. The products are specially developed to optimize radiation therapy and the purpose is to adapt the radiation dose to the contours of the tumor, which allows high doses to be delivered to the tumor while minimizing the dose to surrounding healthy tissue.

RaySearch, a spin-off from Karolinska Institutet, was formed during 2000. RaySearch sold its first product, RayOptimizer, to over 600 hospitals around the world through a licensing agreement with Philips, enabling tens of thousands of patients to receive improved radiation therapy.

RaySearch was listed on the Stockholm Stock Exchange O-list in November 2003. Sales of the new products RayBiology and RayMachine have begun. The partnership with Philips continues and RaySearch signed a licensing agreement with Nucletron. The latter agreement makes RaySearch's products more accessible at twice as many clinics as before. RaySearch is based in Stockholm and currently has 23 employees.

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Consolidated Income Statements

Amounts in SEK thousand	2004 Jan - Mar (3 months)	2003 Jan - Mar (3 months) pro forma	2002/2003 Sept-Mar (7 months)	2003 Jan-Dec (12 months) pro forma
Income statement				
Net sales	10,080	7,314	262	34,021
Cost of goods sold	-306	-336	-781	-1,493
Gross profit	9,774	6,978	-519	32,528
Selling expenses	-280	-329	-	-1,666
Administrative expenses	-1,913	-1,605	-1,613	-10,072
Research and development costs	-2,145	-1,038	-	-5,217
Other operating income	140	-	-	320
Other operating expenses	-66	-107	-3	-999
Non-recurring costs for listing	-	-	-	-2,041
Operating profit	5,510	3,899	-2,135	12,853
Profit from financial items	12	17	370	259
Profit/loss before tax	5,522	3,916	-1,765	13,112
Taxes	-1,614	-1,097	-	-4,362
PROFIT/LOSS FOR THE YEAR	3,908	2,819	-1,765	8,750
Earnings per share before dilution	0.37	0.27	-4.17	0.83
Profit/loss per share after full dilution 1)	0.34	0.25	-4.17	0.77
Number of outstanding shares before full dilution	10,513,061	10,513,061	422,820	10,513,061
Number of outstanding shares after full dilution	11,427,595	11,427,595	422,820	11,427,595
Average number of outstanding shares before full dilution	10,513,061	10,513,061	422,820	10,513,061
Average number of outstanding shares after full dilution	11,427,595	11,427,595	422,820	11,427,595

1) Earnings per share were calculated based on average number of shares in compliance with RR18. The dilution effect was not considered when the company posted a loss.

Consolidated balance sheets

Amounts in SEK thousand	March 31, 2004	Dec. 31, 2003
ASSETS		
Fixed assets		
Intangible fixed assets	8,151	5,811
Tangible assets	1,783	1,967
Financial assets	176	182
	10,110	7,960
Current assets		
Current receivables	10,251	11,300
Cash and bank balances	11,913	11,496
	22,164	22,796
TOTAL ASSETS	32,274	30,756
EQUITY & LIABILITIES		
Shareholders' equity	23,730	19,821
Accounts payable	2,554	2,785
Other non-interest-bearing liabilities	5,990	8,150
TOTAL EQUITY & LIABILITIES	32,274	30,756

Consolidated cash flow statement

Amounts in SEK thousand	2004 Jan - Mar (3 months)	2003 Jan - Mar (3 months) Pro forma	2002/2003 Sept-Mar (7 months)
Cash Flow Statement (summary)			
Cash flow from operating activities before changes in working capital	5,539	3,831	-1,762
Cash flow from changes in operating capital	- 2,373	-2,310	130
Cash flow from operating activities	3,166	1,521	-1,632
Cash flow from investing activities	-2,831	-2,773	-
Cash flow from financing activities	-	-	-
Cash flow for the fiscal year	335	-1,252	-1,632
Liquid assets at beginning of year	11,496	11,278	16,371
Exchange rate differences in liquid assets	82	45	-
Liquid assets at end of year	11,913	10,071	14,739

Changes in shareholders' equity, Group

Amounts in SEK thousand

	2004	2002/2003
	Jan - Mar	Sept-Mar
	(3 months)	(7 months)
Opening balance	19,822	15,922
Profit/loss for the year	3,908	-1,765
Closing balance	23,730	14,157

Changes in no. of shares

	2004	2002/2003
	Jan - Mar	Sept-Mar
	(3 months)	(7 months)
Opening balance	10,513,061	8,456,403
Closing balance	10,513,061	8,456,403