

**RaySearch Laboratories AB (publ)**  
**Interim Report January 1 – September 30, 2005**

- Net sales for the period amounted to SEK 50.7 M (29.0)
- Profit after tax totaled SEK 21.0 M (10.1)
- Earnings per share after tax amounted to SEK 1.86 (0.96)
- Operating profit amounted to SEK 29.0 M (11.1)
- Cash flow from operating activities amounted to SEK 32.7 M (10.1)

Johan Löf, President and CEO of RaySearch Laboratories AB, comments on the first nine months of the year as follows:

*“The growth rate has remained high and RaySearch reports a sales increase of 75 percent for the first nine months of the year compared with the year-earlier period. Operating profit rose 161 percent to SEK 29.0 M for the corresponding period. For the third quarter, we report a doubling of sales and a threefold increase in operating profit compared with the corresponding period in the preceding year. This should be considered in light of the fact that the third quarter of the year is relatively slow for our industry. We report excellent cash flow and very good liquidity. In other words, RaySearch’s financial position is strong.*

*Regarding the sales of OM-Optimizer, a number of customers have postponed purchasing Oncentra MasterPlan until after receipt of a so-called service pack from Nucletron. This service pack, released on the last day of September, has caused a shift in the sales trend for OM-Optimizer. OM-Optimizer has attracted considerable interest – for example, Nucletron recently announced that the Northern Ireland Cancer Center in Belfast has purchased Oncentra MasterPlan and OM-Optimizer. In March, the hospital is scheduled to open a new unit, consisting of 13 workstations, at which radiation therapy using IMRT (Intensity Modulated Radiation Therapy) and RaySearch’s technology are to be central elements.*

*Half a year ago, RaySearch and Philips signed a Letter of Intent to sign a development and license agreement in adaptive radiation therapy, which is the next major technological advance in radiation therapy. The negotiations, which have been under way since then, have fallen behind due to the high degree of detail of the agreement. It is our hope that a final agreement is not too distant. The agreement will have considerable significance for our expanding operations in adaptive radiation therapy.*

*Some significant events that occurred after the close of the third quarter are worth mentioning. At the large annual ASTRO meeting, we had the pleasure of presenting the results of research carried out at Toronto’s Princess Margaret Hospital using RaySearch’s adaptive radiation therapy system, as the main theme of a plenary session given to 5,000 attendees. The response was very positive.*

*It is also encouraging that we recently signed a Letter of Intent regarding a forthcoming agreement with Scanditronix-Wellhöfer, the leading player in the market for dosimetry measurement equipment, last week. Joining forces will enable the companies to create efficient, competitive systems for automated quality assurance of IMRT. There is currently a great need among clinics for new solutions in this area, since the quality assurance process is highly personnel-intensive. Scanditronix-Wellhöfer is at the very forefront of detector technology and has a large installed base in a market segment to which we have not had access previously. An upcoming agreement implies a natural and exciting expansion of RaySearch’s product portfolio.”*

**Summary of financial results**

	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2004</b>
	Jan-Sept	Jan-Sept	July-Sept	July-Sept	Jan-Dec
Amounts in SEK 000s	(9 months)	(9 months)	(3 months)	(3 months)	(12 months)
Net sales	50,692	29,014	16,963	8,528	39,479
Operating profit	28,991	11,127	9,314	3,186	12,460
Operating margin, %	57.2	38.4	54.9	37.4	31.6
Profit margin, %	57.8	38.5	55.9	37.0	32.0
Net profit	21,043	10,054	6,796	4,397	11,215
Equity/assets ratio, %	76	78	76	78	72
Adjusted equity per share in SEK	6.45	3.64	6.45	3.64	3.75
Share price in SEK at end of period	169.50	44.40	169.50	44.40	48.60

## **Sales and earnings**

For the first nine months of 2005, total sales rose by 75 percent compared with the corresponding period in 2004 and amounted to SEK 50.7 M (29.0). The number of licenses sold totaled 608 (317), of which 226 (213) pertained to RayOptimizer, 260 (90) to RayMachine, 14 (14) to RayBiology and 108 (0) to OM-Optimizer. License revenues for the first nine months of 2005 increased to SEK 44.4 M (23.2). Sales largely comprise license revenues from RayOptimizer, RayMachine and OM-Optimizer. During the first nine months of 2005, these products represented 33 percent (62), 27 percent (17) and 27 percent (0) of total sales, respectively. Support revenues amounted to SEK 6.3 M (5.8).

The company is dependent on the performance of the US dollar and the euro against the Swedish krona, since invoicing to Philips is in US dollar and invoicing to Nucletron is in euro. During the first nine months of 2005, revenues were booked at an average US dollar rate of SEK 7.33, compared with SEK 7.62 during the corresponding period in 2004. From the start of invoicing to Nucletron during the second quarter of 2005 to September 30, 2005, revenue was booked at an average exchange rate for the euro of SEK 9.26. A sensitivity analysis of the currency exposure shows that the effect on operating profit over the past nine months of a change in the average exchange rate for the dollar of +/-10 percent is +/-SEK 3.6 M. The sensitivity analysis shows that the corresponding effect of a change in the average exchange rate for euros of +/-10 percent is +/-SEK 1.4 M.

Operating profit amounted to SEK 29.0 M (11.1), which corresponds to an operating margin of 57.2 percent (38.4). During the first nine months of 2005, operating profit increased by 161 percent compared with the corresponding period in 2004.

Compared with the year-earlier period, operating expenses, excluding currency effects, increased during the first nine months of 2005 by SEK 5.1 M to SEK 21.9 M, that is, an increase of 30 percent. The increase was mainly attributable to an increased focus on research and development, primarily in adaptive radiation therapy, and the development of the new products for Nucletron. A number of persons were recruited during full-year 2004. The costs for this recruitment did not affect the first quarter of 2004, but has had full effect in 2005.

At September 30, 2005, 24 persons (22) worked in research and development. Other research and development expenses also include costs for computer equipment and premises. Research and development costs before capitalization and amortization amounted to SEK 18.3 M (14.8) and are also expected to represent a considerable portion of costs in the future.

Amortization and depreciation during the first nine months of 2005 amounted to SEK 3.6 M (2.9) on intangible assets and SEK 0.2 M (0.1) on tangible fixed assets. Total amortization and depreciation during the first nine months of 2005 amounted to SEK 3.8 M (3.0). Amortization and depreciation are mainly included in the research and development expenses.

Profit after tax for the first nine months of 2005 totaled SEK 21.0 M (10.1), which means that earnings per share after tax amounted to SEK 1.86 (0.96).

During the third quarter of 2005, sales increased by 99 percent, compared with the corresponding period in 2004, to SEK 17.0 M (8.5).

Operating profit during this quarter amounted to SEK 9.3 M (3.2), corresponding to an operating margin of 54.9 percent (37.4). Operating profit increased by 192 percent during the third quarter of 2005, compared with the year-earlier period.

Profit after tax during the third quarter amounted to SEK 6.8 M (4.4).

***Geographical distribution of sales***

The majority of RaySearch's customers are in the US. Sales during the first nine months of 2005 were distributed as follows: North America 69 percent (84), Asia 5 percent (6), Europe and the rest of the world 26 percent (10).

***Capitalization and amortization of development costs***

During the first nine months of 2005, development costs amounting to SEK 9.9 M (8.6) were capitalized. Amortization for the first nine months of 2005 totaled SEK 3.6 M (2.9). Deferred tax was taken into consideration.

***Liquidity and financing***

Cash flow during the first nine months of 2005 totaled SEK 36.0 M (1.7). Cash flow from operating activities amounted to SEK 32.7 M (10.1). SEK 13.1 M (0.0) of total cash flow pertains to sales of shares in RaySearch Medical and RaySearch Laboratories, which were owned by RayIncentive. The sales were made to options holders. The shares in RaySearch Medical were then transferred in kind to RaySearch Laboratories at a value of SEK 46.9 M.

At September 30, 2005, the value of cash and cash equivalents and short-term investments amounted to SEK 49.6 M, compared with SEK 13.3 M at September 30, 2004. At September 30, 2005, current receivables amounted to SEK 11.4 M, compared with SEK 8.9 M at September 30, 2004. RaySearch has no interest-bearing liabilities.

***Investments***

Fixed assets mainly comprise capitalized development costs. Investments in intangible fixed assets during the first nine months amounted to SEK 9.9 M (8.6) and investments in tangible fixed assets amounted to SEK 0.3 M (0.5).

***Employees***

At the end of the third quarter, the number of employees at RaySearch amounted to 28 persons (26). The average number of employees during the period January-September 2005 totaled 27 (23).

***Parent Company***

The Group's Parent Company is RaySearch Laboratories. This company has not conducted any operating activities during the year.

The Parent Company's shares in the subsidiary RaySearch Medical are reported at SEK 233.7 M (186.8).

The Parent Company's sales amounted to 0 (0). Pretax loss amounted to SEK 944,000 (loss: 356,000). Investments in tangible fixed assets during the period amounted to SEK 0 (0). At September 30, 2005, the Parent Company had cash and cash equivalents amounting to SEK 0 (0).

***Extraordinary General Meeting and non-cash issues***

The Extraordinary General Meeting of shareholders in RaySearch Laboratories held on January 25, 2005 approved non-cash issues involving a total of 914,530 shares. The decisions were made as part of the company's Employee Option Program, which has existed since 2001. In addition, there is an option program related to existing shares, which are held by the affiliated company RayIncentive. RayIncentive's holding of shares in RaySearch Laboratories amounted to 149,876 shares on September 30, 2005. RayIncentive issued options on 115,500 of these shares. The consolidated book value of these 149,876 shares in RaySearch Laboratories is SEK 0.

***Reclassification of shares***

In the third quarter of 2005, 23,546 Series A shares were reclassified as Series B shares. Following the reclassification, the number of Series A shares totaled 4,214,058 and the number of Series B shares was 7,213,533. The total number of shares remains unchanged at 11,427,591.

## **Key events in the third quarter of 2005**

### ***Attract40 listing***

As of July 1, 2005, RaySearch has been listed in the Attract40 segment of the O-List of the Stockholm Stock Exchange. RaySearch was listed on the O-List in November 2003 and market interest in RaySearch has been so intense that the Company qualified for inclusion in the Attract40 segment.

### ***ISO certification***

On July 22, 2005, RaySearch's quality system received ISO certification. The quality system received certification under SS-EN ISO 9001:2000 and under SS-EN ISO 13485:2003 for medical devices. Certification is extremely important, since it facilitates the integration of RaySearch's products with a partner's system. Certification also enables RaySearch to apply the CE label itself on its own products in the future.

## **Key events after the close of the reporting period**

### ***ASTRO 2005***

The large international ASTRO meeting 2005 (American Society for Therapeutic Radiology and Oncology) was held in mid-October in Denver, Colorado in the US. At one of the plenary sessions, which was attended by 5,000 people, Dr. Michael Sharpe of the Princess Margaret Hospital in Toronto, Canada, presented results from a successful research study that was carried out using RaySearch's adaptive radiation therapy system. This kind of plenary sessions is extremely valuable for RaySearch and the response was highly enthusiastic.

### ***Letter of Intent signed with Scanditronix-Wellhöfer***

On November 7, 2005, RaySearch announced its signing of a Letter of Intent with Scanditronix-Wellhöfer to enter into a long-term development and license agreement for new products for quality assurance of IMRT. Scanditronix-Wellhöfer is a world-leader in advanced dosimetry and quality assurance solutions for clinical and industrial applications of radiation physics.

Under this cooperation, RaySearch will develop advanced software to support and improve the efficiency of quality assurance for IMRT. Scanditronix-Wellhöfer will further develop its dosimetry platform to enable a refined method of determination of the physical properties of the treatment beam and to achieve faster, more precise measurements. RaySearch has extensive expertise in dose calculation algorithms and visualization frameworks. In turn, Scanditronix-Wellhöfer has considerable expertise in dosimetry and innovative detector technology. Combining the two companies' areas of expertise will produce an efficient, user-friendly tool for automated quality assurance of advanced radiation therapy.

In connection with the publication of the Letter of Intent, Rob Plompen, President of Scanditronix-Wellhöfer, said that "the number of cancer treatments based on IMRT is rapidly increasing. It is our continuous strive to provide our global customer base with first-class dosimetry solutions that enable the clinics to cope with increasing patient throughput demand, yet at highest treatment accuracy and reliability standards. The specific competence in dose calculation and optimization algorithms makes RaySearch Laboratories an optimal partner for bringing new, leading edge technologies in the field of IMRT quality assurance to the market."

## **Market**

RaySearch operates in intensity modulated radiation therapy (IMRT), an advanced method of radiation therapy for cancer. IMRT makes it possible to treat the tumor with higher radiation doses than what is possible with conventional treatment, while simultaneously reducing the risk of injury to surrounding healthy tissue. Planning IMRT requires advanced methods of optimization, since radiation treatment is to be adapted to the anatomy of the individual patient.

There are currently an estimated 5,500 clinics worldwide that treat patients using radiation therapy. An estimated 2,800 of them have advanced treatment planning systems in the sense that the calculation of radiation dose takes into account the fact that the patient's anatomy is three-dimensional. Clinics with advanced treatment planning systems comprise the target group for RaySearch's IMRT software solutions. The market for treatment planning systems is growing by an annual 7–8 percent. Through its cooperation partners Philips and Nucletron, RaySearch reaches more than 50 percent of the market. In the most rapidly growing segment – IMRT – RaySearch holds, via its partners, two-thirds of the market. IMRT is growing significantly faster than the treatment planning market overall. In the US and Canada, RaySearch's products are installed in approximately 30 percent of the 2,100 clinics. The market for IMRT is growing faster in the US than in the rest of the world. It is likely that the leading clinics in Europe will also start using IMRT to a greater extent. In Europe, RaySearch's partners together have about 30 percent of the installed base of treatment planning systems, and Nucletron accounts for the majority of these. The outlook for strong growth for RaySearch's products in Europe is therefore good.

### **Commercial partners**

During RaySearch's first four years, Philips was the sole partner regarding sales of RaySearch's software modules to the clinics. Through an agreement with Nucletron in 2004, marketing and sales of RaySearch products were broadened considerably. For each module sold, RaySearch receives a fixed licensing fee. After the purchase, the customer has the option to sign a support agreement, which includes module updates. Cooperation with commercial partners means the module is scalable – that is, the company can increase its sales to hospitals while avoiding a corresponding rise in costs. The agreement with Nucletron implies that RaySearch receives revenue from Nucletron in euro, which in relative terms reduces the Company's exposure to the US dollar.

Philips and RaySearch currently intend to launch cooperation in adaptive radiation therapy and thus embark on the next phase of their cooperation. Adaptive radiation therapy is designed to take into account changes in the patient's anatomy that occur during the course of treatment and correct any errors that might occur. RaySearch has developed a prototype of a system for adaptive radiation therapy that it and Philips jointly presented at the major international ASTRO meeting in October last year. The system has also been installed at the Princess Margaret Hospital in Toronto. The aim is to obtain further knowledge of how adaptive radiation therapy affects clinical work flows and obtain valuable feedback from physicians and hospital physicists. The initial research results were the basis of the plenary session at this year's ASTRO meeting.

### **Products**

RaySearch develops software that improves the treatment planning systems currently used to plan radiation treatment for cancer. RaySearch's ORBIT platform is a general framework for resolving optimization problems in radiation therapy and the result of many years of research by Karolinska Institutet and RaySearch. Development of the platform involved the use of object-oriented techniques and advanced software design methods. With its sophisticated architecture, ORBIT is a highly suitable platform for innovative products in radiation therapy, where new treatment methods, more exact biological models and more efficient calculation models are constantly being developed.

To date, parts of ORBIT's functionality have been packaged in four products: RayOptimizer, RayBiology, RayMachine and OM-Optimizer. Up to the beginning of 2004, only RayOptimizer was being sold, and it was being sold as a plug-in module for the Philips treatment planning system, Pinnacle. Now that sales of RayBiology and RayMachine have begun, a total of three products are distributed via Philips.

OM-Optimizer, the first product developed as part of the cooperation with Nucletron, was introduced to the market in April 2005. A total of six products based on RaySearch's ORBIT platform will be integrated in Nucletron's treatment planning product, Oncentra MasterPlan. Effective clinical introduction of IMRT demands that the physicians have access to advanced multimodal image processing and sophisticated organ contouring tools as well as fast and reliable dose and optimization

algorithms. The combination of IMRT optimization in ORBIT from RaySearch and image processing in Oncentra MasterPlan from Nucletron with organ contour calculation and radiation dose calculation gives the users access to extremely powerful systems.

When all six products have been delivered to Nucletron, RaySearch's product total portfolio will consist of nine products, with Philips and Nucletron's combined installed base as potential customers.

### **Research and development**

Research at RaySearch focuses primarily on the following areas: algorithm development and modeling relating to adaptive radiation therapy, the development of algorithms for direct optimization of machine parameters, the development of advanced dose calculation algorithms and optimization algorithms for radiation therapy, biological effects in radiation treatment, and medical image processing. The research activities are conducted in close cooperation with Karolinska Institutet and the Royal Institute of Technology in Stockholm.

Development focuses on translating market demand, customer preferences and research results into products. This occurs through the creation of new products and the further development and maintenance of existing products. In 2005, these operations are focusing on adaptive radiation treatment, where there is a great need for new, innovative tools and algorithms, and on the creation and further development of the products involved in the Company's ongoing cooperative relationships with Philips and Nucletron. Adaptive radiation therapy increases geometric precision by taking into account changes in the patient's anatomy during the actual treatment. RaySearch is involved in cooperative ventures on several fronts in adaptive radiation treatment.

### **Accounting principles in accordance with IAS/IFRS**

This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting, which corresponds to the requirements contained in the Swedish Financial Accounting Standards Council's RR31 recommendation, Interim Reports for Groups. The accounting principles have changed compared with the most recent Annual Report as a result of the transition to IFRS.

The 2004 Annual Report presents a description of the accounting principles affected by the transition to IFRS. For a description of the accounting principles applied by RaySearch in the interim report for the third quarter of 2005, see the section "New accounting principles 2005" in the 2004 Annual Report.

These principles have been applied from January 1, 2005 and the comparison year 2004 has been recalculated. The transitional rules are contained in IFRS 1, First-time Adoption of International Financial Reporting Standards, which is based on all standards being applied retroactively.

The most significant effect of the transition to IAS/IFRS for RaySearch is that development costs during the period January 1, 2002 – May 28, 2003 were capitalized by SEK 11.7 M. The changed accounting principles mean that the costs of research and development will increase by SEK 2.3 M per year (SEK 1.7 M after tax) during the years 2005-2008. Pretax profit/loss is negatively affected in an amount of SEK 0.6 M per quarter (SEK 0.4 M after tax). Shareholders' equity rose by SEK 8.4 M at January 1, 2004 and by SEK 6.8 M at December 31, 2004. The above changes have no impact on cash flow. IAS 39 Financial Instruments: Recognition and Measurement, IFRS 4 Insurance Contracts and IFRS 5 Non-current Assets Held for Sale and Discontinued Operations shall be applied as of January 1, 2005, and are exempted from the requirement of recalculation for the comparative year. As of January 1, 2005, the Parent Company applies RR32 Accounting for legal entities. RR 32 primarily means that IFRS shall be applied, but with certain exceptions. The application of these accounting principles will have no effect on the Group's or the Parent Company's earnings and financial position.

In the consolidated accounts as of January 1, 2005, RayIncentive is consolidated as a subsidiary, since this company's shareholding in RaySearch Medical has been sold and replaced by cash equivalents

due to the redemptions under the options program. Due to the fact that RayIncentive has received cash proceeds in exchange for the shares, the holding is considered to be significant.

Apart from the changes described above, the Group's accounting principles have not been affected as a result of the introduction of the IFRS rules, compared with the accounting principles described in the 2004 Annual Report.

## Consolidated income statement 2004, description of effects of change to IFRS

Amounts in SEK 000s

	2004 July-Sept In accordance with Swedish GAAP	Effect of change to IFRS	2004 July-Sept In accordance with IFRS
<b>Gross profit</b>	<b>8,370</b>	-	<b>8,370</b>
Research and development costs	-2,453	-586	-3,039
Other operating expenses	-2,145	-	-2,145
<b>Operating profit</b>	<b>3,772</b>	<b>-586</b>	<b>3,186</b>
Result from financial items	-31	-	-31
<b>Profit before tax</b>	<b>3,741</b>	<b>-586</b>	<b>3,155</b>
Tax	1,078	164	1,242
<b>PROFIT FOR THE PERIOD</b>	<b>4,819</b>	<b>-422</b>	<b>4,397</b>
Earnings per share before full dilution (SEK)	0.46	-0.04	0.42
Earnings per share after full dilution (SEK)	0.42	-0.04	0.38

Amounts in SEK 000s

	2004 Jan-Sept In accordance with Swedish GAAP	Effect of change to IFRS	2004 Jan-Sept In accordance with IFRS
<b>Gross profit</b>	<b>28,127</b>	-	<b>28,127</b>
Research and development costs	-7,317	-1,758	-9,075
Other operating costs	-7,925	-	-7,925
<b>Operating profit</b>	<b>12,885</b>	<b>-1,758</b>	<b>11,127</b>
Result from financial items	45	-	45
<b>Profit before tax</b>	<b>12,930</b>	<b>-1,758</b>	<b>11,172</b>
Tax	-1,611	493	-1,118
<b>PROFIT FOR THE PERIOD</b>	<b>11,319</b>	<b>-1,265</b>	<b>10,054</b>
Earnings per share before full dilution (SEK)	1.08	-0.12	0.96
Earnings per share after full dilution (SEK)	0.99	-0.11	0.88

# Consolidated balance sheet September 30, 2004, description of effects of change to IFRS

Amounts in SEK 000s	September 30, 2004 In accordance with Swedish GAAP	Effect of change to IFRS	September 30, 2004 In accordance with IFRS
<b>ASSETS</b>			
Intangible fixed assets	13,376	9,963	23,339
Other fixed assets	3,866	-	3,866
Current assets	22,178	-	22,178
<b>TOTAL ASSETS</b>	<b>39,420</b>	<b>9,963</b>	<b>49,383</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	31,142	7,172	38,314
Liabilities	8,278	2,791	11,069
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>39,420</b>	<b>9,963</b>	<b>49,383</b>

## Future financial reports

Year-end report 2005	February 7, 2006
Interim report for first quarter	May 9, 2006
Annual General Meeting	May 10, 2006, 6:00 p.m.

The Annual General Meeting will be held at the Stockholm Concert Hall, Grünwaldsalen, Kungsgatan 43, Stockholm.

Stockholm, November 16, 2005

RaySearch Laboratories AB  
Johan Löf, CEO

## Review Report

I have reviewed this interim report in accordance with the recommendation issued by FAR. A review is considerably limited in scope compared 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, November 16, 2005

Anders Linér  
Authorized Public Accountant  
KPMG

## For further information, contact:

Johan Löf, CEO  
RaySearch Laboratories AB  
Telephone: +46 (0)8-545 061 30  
[johan.lof@raysearchlabs.com](mailto:johan.lof@raysearchlabs.com)



**About RaySearch**

RaySearch develops and sells software for radiation therapy of cancer. The products are specially developed to optimize radiation therapy and the purpose is to adapt the radiation dose to the shape 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 in 2000. RaySearch has sold its product, RayOptimizer, to more than 800 hospitals around the world through a licensing agreement with Philips, enabling more than a hundred thousand patients to receive improved radiation therapy.

Sales of the products RayBiology and RayMachine began in 2004. The partnership with Philips continues and RaySearch signed a licensing agreement with Nucletron at the beginning of 2004. The latter agreement made RaySearch's products available to a large number of new clinics worldwide and, consequently, increased the number of potential end customers sharply. Delivery to clinics of OM-Optimizer, the first product based on the partnership with Nucletron, began in April 2005. In May 2005, RaySearch signed a Letter of Intent with Philips for development of products within adaptive radiation therapy. In November 2005 a Letter of Intent was also signed with Scanditronix-Wellhöfer regarding development of products for improved quality assurance for IMRT.

RaySearch was listed on the Stockholm Stock Exchange's O-List in November 2003 and as of July 1, 2005, RaySearch is listed in the Attract40 segment. RaySearch is based in Stockholm and currently has 28 employees.

RaySearch Laboratories AB (publ)  
Sveavägen 25  
SE-111 34 Stockholm  
Telephone: +46 (0)8-545 061 30  
Company website: [www.raysearchlabs.com](http://www.raysearchlabs.com)

## Consolidated income statement

Amounts in SEK 000s	2005 Jan-Sept (9 months)	2004 Jan-Sept (9 months)	2005 July-Sept (3 months)	2004 July-Sept (3 months)	2004 Jan-Dec (12 months)
Net sales	50,692	29,014	16,963	8,528	39,479
Cost of goods sold	-803	-887	-241	-158	-1,238
<b>Gross profit</b>	<b>49,889</b>	<b>28,127</b>	<b>16,722</b>	<b>8,370</b>	<b>38,241</b>
Selling expenses	-836	-747	-256	-229	-1,139
Administrative expenses	-9,059	-7,015	-2,565	-1,792	-10,995
Research and development costs	-12,039	-9,075	-4,281	-3,039	-13,147
Other operating income	1,674	186	94	24	212
Other operating expenses	-638	-349	-400	-148	-712
<b>Operating profit</b>	<b>28,991</b>	<b>11,127</b>	<b>9,314</b>	<b>3,186</b>	<b>12,460</b>
Result from financial items	316	45	164	-31	158
<b>Profit before tax</b>	<b>29,307</b>	<b>11,172</b>	<b>9,478</b>	<b>3,155</b>	<b>12,618</b>
Tax	-8,264	-1,118	-2,682	1,242	-1,403
<b>PROFIT FOR THE PERIOD</b>	<b>21,043</b>	<b>10,054</b>	<b>6,796</b>	<b>4,397</b>	<b>11,215</b>
Earnings per share before full dilution (SEK)	1.86	0.96	0.59	0.42	1.07
Earnings per share after full dilution (SEK)	1.84	0.88	0.59	0.38	0.98
Number of shares outstanding before full dilution	11,427,591	10,513,061	11,427,591	10,513,061	10,513,061
Number of shares outstanding after full dilution	11,427,591	11,427,591	11,427,591	11,427,591	11,427,591
Average number of shares outstanding before full dilution	11,342,912	10,513,061	11,427,591	10,513,061	10,513,061
Average number of shares outstanding after full dilution	11,427,591	11,427,591	11,427,591	11,427,591	11,427,591

## Consolidated balance sheet

Amounts in SEK 000s	September 30, 2005	September 30, 2004	December 31, 2004
<b>ASSETS</b>			
Intangible fixed assets	31,893	23,339	25,707
Tangible fixed assets	1,478	1,632	1,722
Financial fixed assets	165	104	98
Deferred tax assets	2,130	2,130	2,130
	<b>35,666</b>	<b>27,205</b>	<b>29,657</b>
<b>Current assets</b>			
Current receivables	11,420	8,906	12,844
Cash and cash equivalents	49,570	13,272	12,294
	<b>60,990</b>	<b>22,178</b>	<b>25,138</b>
<b>TOTAL ASSETS</b>	<b>96,656</b>	<b>49,383</b>	<b>54,795</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	73,753	38,314	39,475
Accounts payable, trade	1,182	1,035	2,102
Other noninterest-bearing liabilities	21,721	10,034	13,218
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>96,656</b>	<b>49,383</b>	<b>54,795</b>

## Cash-flow statements Group

Amounts in SEK 000s	2005 Jan-Sept (9 months)	2004 Jan-Sept (9 months)	2005 July-Sept (3 months)	2004 July-Sept (3 months)	2004 Jan-Dec (12 months)
<b>Cash flow from operating activities before changes in working capital</b>	33,138	12,618	11,436	3,695	16,230
Cash flow from changes in working capital	-479	-2,488	5,865	3,711	-3,358
<b>Cash flow from operating activities</b>	<b>32,659</b>	<b>10,130</b>	<b>17,301</b>	<b>7,406</b>	<b>12,872</b>
Cash flow from investing activities	-9,802	-8,382	-2,932	-2,738	-11,843
Cash flow from financing activities	13,134	-	-145	-	-
<b>Cash flow for the period</b>	<b>35,991</b>	<b>1,748</b>	<b>14,224</b>	<b>4,668</b>	<b>1,029</b>
<b>Cash and cash equivalents at the beginning of the period</b>	12,294	11,496	35,346	8,604	11,496
Cash and cash equivalents added from RayIncentive	1,285	-	-	-	-
Exchange-rate difference in cash and cash equivalents	-	28	-	-	-231
<b>Cash and cash equivalents at the end of the period</b>	<b>49,570</b>	<b>13,272</b>	<b>49,570</b>	<b>13,272</b>	<b>12,294</b>

## Changes in consolidated shareholders' equity

Amounts in SEK 000s

	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Jan-Sept</b>	<b>Jan-Sept</b>	<b>Jan-Dec</b>
	(9 months)	(9 months)	(12 months)
<b>Opening balance in accordance with Swedish GAAP</b>		<b>19,821</b>	<b>19,821</b>
IFRS capitalization of development expenses		8,439	8,439
<b>Opening balance in accordance with IFRS</b>	<b>39,475</b>	<b>28,260</b>	<b>28,260</b>
Change of accounting principle, Consolidation of RayIncentive	-188	-	-
Transfer of own shares	13,423	-	-
Result for the period	21,043	10,054	11,215
<b>Closing balance</b>	<b>73,753</b>	<b>38,314</b>	<b>39,475</b>

## Changes in number of shares

	<b>2005</b>	<b>2004</b>	<b>2004</b>
	<b>Jan-Sept</b>	<b>Jan-Sept</b>	<b>Jan-Dec</b>
	(9 months)	(9 months)	(12 months)
<b>Opening balance</b>	<b>10,513,061</b>	<b>10,513,061</b>	<b>10,513,061</b>
Non-cash issue	914,530	-	-
<b>Closing balance</b>	<b>11,427,591</b>	<b>10,513,061</b>	<b>10,513,061</b>