

RaySearch Laboratories AB (publ) Year End Report 2005

- Net sales for the period amounted to SEK 69.9 M (39.5)
- Profit after tax totaled SEK 29.1 M (11.2)
- Earnings per share after tax amounted to SEK 2.56 (1.07)
- Operating profit amounted to SEK 39.6 M (12.5)
- Cash flow from operating activities amounted to SEK 41.4 M (12.9)
- License agreement with Scanditronix-Wellhöfer finalized in February 2006

Johan Löf, President and CEO of RaySearch Laboratories AB, comments on the year-end results as follows:

“RaySearch performed very strongly during the year. Sales amounted to SEK 70 M for 2005, an increase of 77 percent compared with 2004. Operating profit tripled, amounting to SEK 40 M, which was higher than RaySearch’s sales in 2004.

In the fourth quarter of 2005, the growth rate was even higher than for the year in total. Sales for the quarter totaled SEK 19.2 M, which was an increase of 83% compared with the year-earlier period. There was an eight-fold increase in operating profit to SEK 10.6 M. It is satisfying that the rate of growth is so high and that there is a strong upward trend. The company has a strong financial position, with solid cash flow and a very high level of liquidity.

During the year, the company sold 847 licenses, which is an increase of nearly 400 licenses compared with the preceding year. Sales of RayMachine tripled. RayOptimizer maintained a stable level at about 300 licenses. Following its introduction during the year, 125 licenses were sold for OM-Optimizer. The positive trend for RayMachine is stimulating.

RayMachine was very well received by customers. For example, a leading representative for UCSF Medical Center at the University of California in San Francisco stated that RayMachine can reduce treatment time from 30 to 15 minutes in the most complex IMRT treatments of the head and neck. The time-savings for the medical sector are substantial and are achieved while maintaining the quality of the healthcare.

Regarding the development of OM-Optimizer during the year, results proved significantly lower than expectations. This is possibly the result of delays, but the collaboration partner Nucletron has now undertaken a number of measures to increase sales, including strengthening its marketing organization.

In 2005, a Letter of Intent was signed with Philips to agree a long-term development and licensing contract relating to adaptive radiation therapy. Due to the complexity of the contract, negotiations have taken longer than expected. We hope that a contract will be finalized in a not too distant future. This collaboration will be of major importance to our activities in adaptive radiation therapy.

In November, we signed a Letter of Intent with Scanditronix-Wellhöfer, the market leader in dosimetry equipment. It is highly satisfying that it was possible to announce the signing of the final contract yesterday. Based on this contract, the companies can create an effective and competitive system for the automated quality control of IMRT. All hospitals that provide treatment with IMRT are potential customers. Scanditronix-Wellhöfer is at the forefront of detector technology and has an extensive installation base within an industry segment to which RaySearch has had no access to date.

Overall, there has been strong sales growth for our products. As a result of the agreement with Scanditronix-Wellhöfer, we now cooperate with a third partner, in addition to Philips and Nucletron.. We have every reason to be optimistic about the future of RaySearch.”

Summary of financial results

	2005	2004	2005	2004
Amounts in SEK 000s	Jan-Dec	Jan-Dec	Oct-Dec	Oct-Dec
Net sales	69,855	39,479	19,163	10,465
Operating profit	39,607	12,460	10,616	1,333
Operating margin, %	56.7	31.6	55.4	12.7
Profit margin, %	57.3	32.0	55.9	13.8
Net profit	29,142	11,215	8,099	1,162
Equity/assets ratio, %	76.4	72.0		
Adjusted equity per share in SEK	7.16	3.75		
Share price in SEK at end of period	177.00	48.60		

Sales and earnings

Total sales in 2005 rose by 77 percent compared with the corresponding period in 2004 and amounted to SEK 69.9 M (39.5). The number of licenses sold totaled 847 (458), of which 306 (303) pertained to RayOptimizer, 373 (132) to RayMachine, 43 (23) to RayBiology and 125 (0) to OM-Optimizer. License revenues for 2005 increased to SEK 60.4 M (31.5). Sales largely comprise license revenues from RayOptimizer, RayMachine and OM-Optimizer. In 2005, these products represented 33 percent (61), 28 percent (17) and 23 percent (0) of total sales, respectively. Customer support revenues amounted to SEK 9.5 M (8.0).

The company is dependent on the development of the US dollar and the euro against the Swedish krona, since invoicing to Philips is in US dollar and invoicing to Nucletron in euro. In 2005, revenues were booked at an average US dollar rate of SEK 7.52, compared with SEK 7.37 during 2004. From the start of invoicing to Nucletron during the second quarter of 2005, revenue was booked at an average exchange rate for the euro of SEK 9.27. A sensitivity analysis of the currency exposure shows that the effect on operating profit for the year was a change in the average exchange rate for the US dollar of ± 10 percent is \pm SEK 5.3 M. The sensitivity analysis shows that the corresponding effect of a change in the average exchange rate for euro of ± 10 percent gives a change of \pm SEK 1.6 M.

Operating profit amounted to SEK 39.6 M (12.5), which corresponds to an operating margin of 56.7 percent (31.6). During 2005, operating profit increased by 218 percent compared with 2004.

Compared with 2004, operating expenses, excluding currency effects, increased by SEK 5.0 M to SEK 30.3 M in 2005, which is an increase of 20 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 employees were recruited during 2004. The costs for these employees did not affect the first quarter of 2004, but had full effect during 2005.

Effective December 31, 2005, 24 persons (22) worked with 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 25.0 M (21.2) and are also expected to represent a considerable portion of costs in the future.

Amortization and depreciation during the year of 2005 amounted to SEK 5.0 M (3.8) on intangible assets and SEK 0.2 M (0.1) on tangible fixed assets. Total amortization and depreciation for 2005 amounted to SEK 5.2 M (3.9). Amortization and depreciation are mainly included in the research and development expenses.

Profit after tax for 2005 totaled SEK 29.1 M (11.2), which means that earnings per share after tax amounted to SEK 2.56 (1.07).

During the fourth quarter of 2005, sales increased by 83 percent compared with the corresponding period in 2004, to SEK 19.2 M (10.5). There was strong improvement in operating profit during the quarter to SEK 10.6 M (1.3), corresponding to an operating margin of 55.4 percent (12.7). Profit after tax during the fourth quarter amounted to SEK 8.1 M (1.2).

Geographical distribution of sales

The majority of RaySearch's customers are in the US. Sales for 2005 were distributed as follows: North America 73 percent (79), Asia 6 percent (10), Europe and the rest of the world 21 percent (11).

Capitalization and amortization of development costs

During 2005, development costs amounting to SEK 13.9 M (11.9) were capitalized. Amortization for 2005 totaled SEK 5.0 M (3.8).

Liquidity and financing

Cash flow for 2005 totaled SEK 40.0 M (1.0). Cash flow from operating activities amounted to SEK 41.4 M (12.9). SEK 13.3 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 December 31, 2005, the value of cash and cash equivalents and short-term investments amounted to SEK 53.6 M, compared with SEK 12.3 M at December 31, 2004. At December 31, 2005, current receivables amounted to SEK 17.3 M, compared with SEK 12.8 M at December 31, 2004. RaySearch has no interest-bearing liabilities.

Investments

Fixed assets mainly comprise capitalized development costs. Investments in intangible fixed assets for the year amounted to SEK 14.3 M (12.1) and investments in tangible fixed assets amounted to SEK 0.4 M (0.5).

Employees

At the end of the fourth quarter, the number of employees at RaySearch amounted to 28 persons (26). The average number of employees in 2005 totaled 27 (23).

Dividends

The Board of Directors has proposed that no dividend be paid for fiscal year 2005.

Parent Company

The Group's Parent Company is RaySearch Laboratories AB (publ). This company did not conduct any operating activities during the year.

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

The Parent Company had no sales and made no investments in 2005. Pretax loss amounted to SEK 1.4 M (loss: 1.0). At December 31, 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 stock 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 at December 31, 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 fourth quarter of 2005, 1,050 Series A shares were reclassified as Series B shares. Following the reclassification, the number of Series A shares totaled 4,213,008 and the number of Series B shares was 7,214,583. The total number of shares remains unchanged at 11,427,591.

Key events in the fourth quarter of 2005

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 session is extremely valuable for RaySearch and the response was highly enthusiastic.

Letter of Intent signed with Scanditronix-Wellhöfer

On November 7, 2005, RaySearch announced the 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.

Key events after the close of the reporting period

Agreement with Scanditronix-Wellhöfer finalized

After signing the letter of intent in November, the process to achieve a final agreement has been under way. Yesterday, February 6, 2006, RaySearch was able to announce that the final agreement had been signed.

Within the framework of this cooperation, RaySearch will develop advanced software that supports and optimizes quality assurance of IMRT. Scanditronix-Wellhöfer will advance the development of its dosimetry platform in order to facilitate a more refined determination of the beam's physical properties and to achieve more rapid and accurate measurements. RaySearch has extensive expertise in the area of dose calculation algorithms and visualization frameworks. For its part, Scanditronix-Wellhöfer has significant competence within dosimetry and innovative detector technology. The combination of both companies' expertise creates an effective and user-friendly tool for the automatic quality assurance of advanced radiation therapy.

Market

RaySearch develops and markets intensity modulated radiation therapy (IMRT), an advanced method of radiation therapy for cancer. IMRT makes it possible to treat tumors with higher dosages of radiation than is possible with conventional methods, while reducing the risk of injury to surrounding healthy tissues. Planning IMRT requires advanced methods of optimization, since radiation treatment is to be adapted to the anatomy of the individual patient.

Currently, there are an estimated 5,500 clinics worldwide that treat patients using radiation therapy. An estimated 2,800 of them have advanced treatment planning systems, that is, the calculation of radiation dose takes into account the three-dimensional nature of the patient's anatomy. Clinics with advanced treatment planning systems are the target group for RaySearch's IMRT software solutions. The market for treatment planning systems is growing by 7–8 percent annually. In collaboration with its cooperation partners, Philips and Nucletron, RaySearch reaches more than 50 percent market share. In the most rapidly growing segment – IMRT – RaySearch has, via its partners, two-thirds of the market. IMRT is growing significantly faster than the treatment planning market in general. 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, with Nucletron accounting for the majority of these. The growth outlook 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 that our business model 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 which has since 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 ASTRO meeting in 2005.

As a result of the long-term development and license agreement with Scanditronix-Wellhöfer, RaySearch is now initiating cooperation with a third partner. The cooperation will result in four new products for automated quality assurance of IMRT, in which the first can be expected to be on the market within a year. Scanditronix-Wellhöfer is world leading in advanced dosimetry and quality assurance solutions for clinical and industrial applications of radiation physics. The company is at the absolute frontline of detector technology and has a large installed base within a market segment to which RaySearch previously did not have access. RaySearch receives royalties and other remuneration in euros for the new products, which further reduces the company's exposure to the US dollar.

Products

RaySearch develops software that improves the treatment planning systems currently used in 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. Until 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. Since sales of RayBiology and RayMachine began, 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 with organ contour calculations and radiation dosage algorithms in Oncentra MasterPlan from Nucletron gives the users access to extremely powerful systems.

When all six products have been delivered to Nucletron, RaySearch's 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 have focused 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 year-end 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. See further information on page 11.

Financial reporting in 2006

The Annual Report is scheduled for publication in April. It will be mailed to all registered shareholders and will be available at the corporate office and website.

Interim Report, January - March
Annual General Meeting
Interim Report, April - June

May 9, 2006
May 10, 2006 at 6:00p.m.
August 2006

The Annual General Meeting will be held at:

Stockholm Concert Hall,
Grünwaldsalen,
Kungsgatan 43, Stockholm.

February 7, 2006

RaySearch Laboratories AB
Johan Löf, CEO

Review Report

I have reviewed this year-end 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 year-end report does not comply with the requirements of the Exchange and Clearing Operations Act and the Annual Accounts Act.

Stockholm, February 7, 2006

Anders Linér
Authorized Public Accountant
KPMG

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About RaySearch

RaySearch develops and markets software for radiation therapy of cancer. The products are specially designed to optimize radiation therapy with the aim of adapting the radiation dose to the contour of the tumor, which then 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. The company has since sold its product, RayOptimizer, to more than 800 hospitals internationally through a licensing agreement with Philips, thus enabling more than 100,000 patients to receive improved radiation therapy. Sales through Philips of the products RayBiology and RayMachine began in 2004. 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 additional clinics worldwide and, consequently, increased the number of potential 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 the development of products within adaptive radiation therapy. In February 2006 an agreement was 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.

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Consolidated Income Statement

Amounts in SEK 000s	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Net sales	69,855	39,479	19,163	10,465
Cost of goods sold	-1,121	-1,238	-318	-351
Gross profit	68,734	38,241	18,845	10,114
Selling expenses	-1,415	-1,139	-579	-392
Administrative expenses	-12,775	-10,995	-3,716	-3,980
Research and development costs	-16,069	-13,147	-4,030	-4,072
Other operating income	1,956	212	282	26
Other operating expenses	-824	-712	-186	-363
Operating profit	39,607	12,460	10,616	1,333
Result from financial items	408	158	92	113
Profit before tax	40,015	12,618	10,708	1,446
Tax	-10,873	-1,403	-2,609	-284
PROFIT FOR THE PERIOD	29,142	11,215	8,099	1 162
Earnings per share before full dilution (SEK)	2.56	1.07	0.71	0.11
Earnings per share after full dilution (SEK)	2.55	0.98	0.71	0.10
Number of shares outstanding before full dilution	11,427,591	10,513,061	11,427,591	10,513,061
Number of shares outstanding after full dilution	11,427,591	11,427,591	11,427,591	11,427,591
Average number of shares outstanding before full dilution	11,364,082	10,513,061	11,427,591	10,513,061
Average number of shares outstanding after full dilution	11,427,591	11,427,591	11,427,591	11,427,591

Consolidated balance sheet

Amounts in SEK 000s	December 31, 2005	December 31, 2004
ASSETS		
Intangible fixed assets	34,876	25,707
Tangible fixed assets	1,200	1,722
Financial fixed assets	151	98
Deferred tax assets	-	2,130
	36,227	29,657
Current assets		
Current receivables	17,343	12,844
Cash and cash equivalents	53,611	12,294
	70,954	25,138
TOTAL ASSETS	107,181	54,795
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	81,854	39,475
Accounts payable, trade	1,931	2,102
Other non-interest-bearing liabilities	23,396	13,218
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	107,181	54,795

Cash-flow statements Group

Amounts in SEK 000s	2005 Jan-Dec	2004 Jan-Dec	2005 Oct-Dec	2004 Oct-Dec
Cash flow from operating activities before changes in working capital	45,266	16,230	12,128	3,612
Cash flow from changes in working capital	-3,873	-3,358	3,394	-870
Cash flow from operating activities	41,393	12,872	8,734	2,742
Cash flow from investing activities	-14,640	-11,843	-4,836	-3,461
Cash flow from financing activities	13,279	-	145	-
Cash flow for the period	40,032	1,029	4,041	-719
Cash and cash equivalents at the beginning of the period	12,294	11,496	49,570	13,272
Cash and cash equivalents added from RayIncentive	1,285	-	-	-
Exchange-rate difference in cash and cash equivalents	-	-231	-	-259
Cash and cash equivalents at the end of the period	53,611	12,294	53,611	12,294

Changes in consolidated shareholders' equity

SEK (000) unless otherwise stated

	2005 Jan-Dec	2004 Jan-Dec
Opening balance in accordance with previous GAAP		19,821
IFRS capitalization of development expenses		8,439
Opening balance in accordance with IFRS	39,475	28,260
Change of accounting principle, Consolidation of RayIncentive	-188	-
Transfer of own shares	13,425	-
Result for the period	29,142	11,215
Closing balance	81,854	39,475

Changes in number of shares

	2005 Jan-Dec	2004 Jan-Dec
Opening balance	10,513,061	10,513,061
Non-cash issue	914,530	-
Closing balance	11,427,591	10,513,061

Accounting principles in accordance with IAS/IFRS

This year-end 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, 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 restated. 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, Restated in transition to IFRS

Amounts in SEK 000s

	2004 Oct-Dec In accordance with previous GAAP	Effect of change to IFRS	2004 Oct-Dec In accordance with IFRS
Gross profit	10,114	-	10,114
Research and development costs	-3,486	-586	- 4,072
Other operating expenses	-4,709	-	-4,709
Operating profit	1,919	-586	1,333
Result from financial items	113	-	113
Profit before tax	2,032	-586	1,446
Tax	-448	164	-284
PROFIT FOR THE PERIOD	1,584	-422	1,162
Earnings per share before full dilution (SEK)	0.15	-0.04	0.11
Earnings per share after full dilution (SEK)	0.14	-0.04	0.10

Amounts in SEK 000s

	2004 Jan- Dec In accordance with previous GAAP	Effect of change to IFRS	2004 Jan- Dec In accordance with IFRS
Gross profit	38,241	-	38,241
Research and development costs	-10,803	-2,344	-13,147
Other operating costs	-12,634	-	-12,634
Operating profit	14,804	-2,344	12,460
Result from financial items	158	-	158
Profit before tax	14,962	-2,344	12,618
Tax	-2,059	656	-1 403
PROFIT FOR THE PERIOD	12,903	-1,688	11,215
Earnings per share before full dilution (SEK)	1.23	-0.16	1.07
Earnings per share after full dilution (SEK)	1.13	-0.15	0.98

Consolidated Balance Sheet – 2004

Restated in transition to IFRS

Amounts in SEK 000s

	2004-12-31 In accordance with previous GAAP	Effect of change to IFRS	2004-12-31 In accordance with IFRS
ASSETS			
Intangible fixed assets	16,330	9,377	25,707
Other fixed assets	3,950	-	3,950
Current assets	25,138	-	25,138
TOTAL ASSETS	45,418	9,377	54,795
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	32,724	6,751	39,475
Liabilities	12,694	2,626	15,320
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	45,418	9,377	54,795