

RaySearch Laboratories AB (publ) Year-end Report 2006

- Net sales for the period amounted to SEK 69.0 M (69.9)
- Profit after tax was SEK 36.2 M (29.1)
- Earnings per share after tax amounted to SEK 3.17 (2.56)
- Operating profit amounted to SEK 33.5 M (39.6)
- Cash flow from operating activities was SEK 30.1 M (41.4)

Johan Löf, President and CEO of RaySearch Laboratories AB, comments on the fourth quarter and year-end report for 2006 as follows:

“Sales during the fourth quarter rose 10 percent to SEK 21.2 M. It is pleasing to note that the measures taken by Nucletron to increase sales of OM-Optimizer, OM-Machine and OM-Machine+ are now showing results. Philips had a strong close to its order bookings during the fourth quarter. However, the installation process for several major clinics and public hospitals will not take place until the beginning of 2007, and this in turn had a restraining effect on sales for RaySearch.

Sales in 2006 were at the same level as a year earlier. Sales amounted to SEK 69 M and the number of licenses sold was 816. A certain increase in sales could be noted from Nucletron as a result of a strong fourth quarter, while revenues from Philips declined somewhat due to a postponement of installations at the end of the year. Support revenues rose during the year by 69 percent to SEK 16 M.

The most significant event during 2006 was that we finalized the negotiations with Philips and conclude an agreement in the area of adaptive radiation therapy. The agreement involves three new products and development work is now in full operation regarding these products. The advantage of adaptive radiation therapy is that it enhances geometrical precision by taking into account changes in the patient's anatomy during treatment. Higher doses can be delivered to the tumor at the same time as the risk of side effects is reduced.

In the preceding interim report, we were able to announce that an agreement had been signed with Nucletron relating to treatment planning of radiation therapy with protons. Demand for treatment planning products for protons in the treatment of cancer is increasing rapidly, as major international congresses have confirmed. We anticipate that the long-term development and license agreement with Nucletron will result in an innovative system for treatment planning and optimization of radiation therapy using protons.

The cooperation initiated by RaySearch and Scanditronix-Wellhöfer during the year relating to quality assurance within IMRT is proceeding according to plan. The system, named COMPASS, has been demonstrated internationally to doctors and physicists and has received many positive responses. Altogether, three quality-assurance products will be developed, the first two of which will be launched commercially during 2007.

During 2006, the establishment of several important alliances broadened the base for the development of new products within radiation therapy of cancer. We are now entering a new phase in which we will be launching products resulting from these significant joint projects. We are expanding our product portfolio continuously and I wish to emphasize that we are continuously conducting discussions with several partners about further cooperations, I am highly optimistic about future developments for RaySearch.”

Summary of financial results

	2006 Jan-Dec	2005 Jan-Dec	2006 Oct-Dec	2005 Oct-Dec
Amounts in SEK 000s				
Net sales	68,976	69,855	21,151	19,163
Operating profit	33,540	39,607	11,046	10,616
Operating margin, %	48.6	56.7	52.2	55.4
Net profit *	36,219	29,142	19,765	8,099
Earnings per share, SEK	3.17	2.56	1.73	0.71
Share price in SEK at the end of the period	150.00	177.00		

* Deferred tax revenue relating to capitalized tax loss carry-forwards increased net profit by SEK 11,252,000 during the periods Jan-Dec 2006 and Oct-Dec 2006.

Sales and earnings

During 2006, total sales fell 1 percent compared with 2005 and totaled SEK 69.0 M (69.9). The number of licenses sold totaled 816 (847), of which 233 (306) pertained to RayOptimizer, 382 (373) to RayMachine, 59 (43) to RayBiology, 53 (125) to OM-Optimizer, 48 (0) to OM-Machine and 41 (0) to OM-Machine+. License revenues for 2006 declined to SEK 52.9 M (60.4). Sales mainly comprised license revenues from RayOptimizer and RayMachine. An important part of sales is attributable to support revenues. They are based on accumulated license sales and, accordingly, grow continually. Support revenues rose by 69 percent in 2006 to SEK 16.1 M (9.5).

The main reason for the sales decline during 2006 was the reduced sales of OM-Optimizer. Sales of OM-Optimizer commenced during the second quarter of 2005. A demand backlog prevailed ahead of the launch of the OM-Optimizer, and this led to the sale of 125 OM-Optimizers during 2005, establishing high comparative figures for that year. The business partner Nucletron has implemented extensive action programs to improve sales. During the fourth quarter of 2006, sales of OM-Optimizer increased compared with the year-earlier period. OM-Machine and OM-Machine+, which were launched during the third quarter of 2006, contributed to the increase in sales during the fourth quarter, compared with the corresponding period in 2005.

The company is dependent on the exchange rate trend for the USD and EUR in relation to the SEK, since invoicing to Philips is done in USD and invoicing to Nucletron is in EUR. During 2006, revenues from Philips were booked at an average USD exchange rate of SEK 7.31, compared with SEK 7.52 during 2005. During 2006, revenues from Nucletron were booked at an average EUR exchange rate of SEK 9.14, compared with SEK 9.27 during 2005. A sensitivity analysis of currency exposure indicates that the effect on operating profit for the past year of a change in the average exchange rate for the USD of +/- 10 percent is SEK +/- 5.1 M and that the corresponding effect of a change in the average EUR exchange rate of +/- 10 percent is SEK +/- 1.7 M. The company follows a currency policy established by the Board of Directors.

Operating profit amounted to SEK 33.5 M (39.6), corresponding to an operating margin of 48.6 percent (56.7). Operating profit declined 15 percent during 2006 compared with the preceding year.

Compared with 2005, operating expenses, excluding currency effects, increased during 2006 by SEK 3.2 M, or 11 percent, to SEK 35.5 M. This increase was attributable to increased costs for research, primarily in adaptive radiation therapy, costs for research collaboration with Princess Margaret Hospital, increased depreciation of capitalized development expenses, and the development of a new website for RaySearch. Other operating revenues and other operating expenses pertain to exchange rate gains and losses, which amounted to a negative SEK -1.1 M (1.1) for 2006.

At December 31, 2006, 23 (24) employees were engaged in research and development. Research and development costs include costs for payroll, computer equipment and premises. Research and development expenses before capitalization and amortization of development costs totaled SEK 27.8 M (25.0) and are expected to continue to represent a considerable portion of costs in the future.

Amortization and depreciation during 2006 totaled SEK 5.8 M (5.0) for intangible assets and SEK 0.2 M (0.2) for tangible fixed assets. Total amortization/depreciation for 2006 was SEK 6.0 M (5.2). Amortization and depreciation are mainly related to development expenses.

The company capitalized a tax loss carry-forward, since the tax loss carry-forward can be utilized within a three-year period. The company reported a deferred tax claim of SEK 11.3 M, which the company capitalized during the fourth quarter, relating to a tax loss carry-forward of SEK 40.2 M. This deferred tax claim resulted in deferred tax revenue of SEK 11.3 M, which affected profit for the year. The company considers that this deferred tax claim can be offset against future earnings. During 2006, the company had tax expenses of SEK 9.9 M. The company reported net tax revenue of SEK 1.4 M for 2006, which is the difference between the figures 11.3 M and 9.9 M cited above.

Profit after tax for 2006 totaled SEK 36.2 M (29.1), entailing that earnings per share after tax amounted to SEK 3.17 (2.56). Earnings per share, excluding the deferred tax revenue of SEK 11.3 M, amounted to SEK 2.18 (2.56).

During the fourth quarter of 2006, sales increased by 10 percent to SEK 21.2 M (19.2) compared with the year-earlier period. Operating profit improved during the fourth quarter to SEK 11.0 M (10.6) corresponding to an operating margin of 52.2 percent (55.4). Profit after tax for the fourth quarter was SEK 19.8 M (8.1).

The company reported a deferred tax claim of SEK 11.3 M, which affected earnings during the fourth quarter of 2006. The company had a tax expense of SEK 3.1 M during the fourth quarter. The company reported fourth-quarter tax revenue of SEK 8.2 M, which is the difference between the figures SEK 11.3 M and SEK 3.1 M cited above. Profit after tax in the fourth quarter, excluding this tax revenue, amounted to SEK 8.5 M (8.1).

Geographic distribution of sales

The majority of RaySearch's customers operate in the USA. Sales during 2006 were distributed as follows: North America, 60 percent (73); Asia, 9 percent (6); Europe and the rest of the world, 31 percent (21). During the fourth quarter of 2006, the major portion of Nucletron's sales occurred in Europe.

Capitalization and amortization of development costs

During 2006, development costs amounting to SEK 16.1 M (13.9) were capitalized. Amortization/depreciation during 2006 totaled SEK 5.7 M (5.0).

Liquidity and financing

Cash flow during 2006 totaled SEK 13.2 M (40.0). The difference in cash flow is attributable to increased accounts receivable and expenses as well as the exercise of options that occurred in 2005. Cash flow from operating activities amounted to SEK 30.1 M (41.4).

At December 31, 2006, the value of cash and cash equivalents was SEK 66.8 M, compared with SEK 53.6 M at December 31, 2005. At December 31, 2006, current receivables totaled SEK 21.8 M, compared with SEK 17.3 M at December 31, 2005. RaySearch has no interest-bearing liabilities.

Investments

Fixed assets mainly comprise capitalized development costs. Investments in intangible fixed assets during 2006 amounted to SEK 16.5 M (14.3) and investments in tangible fixed assets were SEK 0.5 M (0.4).

Employees

At year-end, the number of employees at RaySearch totaled 29 (28). The average number of employees during the period January-September 2006 was 28 (27).

Merger

A merger process was conducted whereby the subsidiary RaySearch Medical AB was absorbed by the Parent Company, RaySearch Laboratories AB (publ). The purpose of the merger was to streamline administrative procedures. The merger was registered on September 29, 2006. The merger had no effect on the Group's earnings and financial position. Following the merger, for reporting purposes, the Group consists of the Parent Company, RaySearch Laboratories AB (publ) and the subsidiary RayIncentive AB.

Dividend

The Board of Directors proposes that no dividend be paid for fiscal year 2006. The company is in an expansive phase and needs an adequate financial readiness.

Parent Company

The Group's Parent Company for reporting purposes is RaySearch Laboratories AB (publ). This company had not conducted any operating activities prior to the merger date. The Parent Company has had no sales prior to the merger date and has not conducted any investments. The profit before tax was SEK 18.0 M (loss: 1.4). At December 31, 2006, the Parent Company had cash and cash equivalents amounting to SEK 52.3 M (0).

Key events during the fourth quarter 2006

Agreement between RaySearch and Philips within adaptive radiation therapy finalized

On October 31, RaySearch and Philips reached a long-term license and development agreement covering a suite of new products within adaptive radiation therapy. The agreement comprises three products, the first of which is intended to be launched during the second half of 2007. Adaptive radiation therapy, considered to be the next technology shift within radiation therapy, increases geometrical precision by taking into account changes in the patient's anatomy during the actual treatment. The higher precision makes it possible to deliver higher doses to the tumor and at the same time reduce side effects.

IMRT entails treating patients with a dose distribution that is tailored to the tumor volume. This improves treatment quality significantly. However, to achieve an even better treatment result, software is required that efficiently manages problems caused by changes in patient geometry over time. By taking, for example, X-rays during the course of the treatment and feeding back this image-based information, the treatment can be corrected so that future errors can be avoided and the effects of historical errors can be alleviated. This approach is known as adaptive radiation therapy.

Today, there are linear accelerators with integrated computer tomography that facilitate daily imaging of the patient's anatomy. These systems are currently used for Image-Guided Radiation Therapy (IGRT), which is a simpler form of adaptive radiation therapy, in which the treatment couch is moved so that the tumor is correctly aligned in relation to the beams. With the correct software, these accelerators are well suited for full adaptive radiation therapy. All available degrees of freedom can then be used to optimally adapt treatment to changes in the patient's geometry.

Within the framework of this cooperation, three products within adaptive radiation therapy will be developed. The first product is an IGRT tool that utilizes strictly geometric information about the patient's anatomy. The second product facilitates more advanced adaptation of the treatment by taking into account dosimetric aspects. The third product can deliver full four-dimensional adaptive radiation therapy.

First product resulting from cooperation between Scanditronix-Wellhöfer and RaySearch demonstrated at ASTRO in Philadelphia

At the beginning of 2006, RaySearch and Scanditronix-Wellhöfer entered into cooperation concerning new products for the quality assurance of IMRT. The system, which has been named COMPASS, was demonstrated in November for doctors and physicists from various parts of the world at ASTRO, the annual radiation therapy meeting, which was held in Philadelphia, Pennsylvania, in the US. COMPASS is a revolutionary system for faster and more thorough quality assurance of radiation treatments.

The cooperation between RaySearch and Scanditronix-Wellhöfer will result in three new products for the quality assurance of IMRT. Within the framework of this cooperation, RaySearch will develop advanced software that supports and increases the efficiency of quality assurance systems for IMRT. Scanditronix-Wellhöfer will further develop its dosimetry platform to enable it to determine, in a refined way, the radiation's physical properties and in order to achieve faster and more thorough measurements.

Nucletron and RaySearch entered into a development and license agreement regarding treatment planning for proton therapy in cancer treatment.

RaySearch and Nucletron are now initiating cooperation in treatment planning of proton radiation therapy of cancer. The companies have entered into a long-term development and license agreement that will result in a pioneering system for treatment planning and optimization of radiation therapy with protons. The new system, which is being built by RaySearch, will be integrated in Nucletron's treatment planning system Oncentra™ MasterPlan.

This advanced application fits well with RaySearch's expertise profile and will contribute to a broadening of the ORBIT platform with ground-breaking functionality. Nucletron is contributing the background knowledge within the physics of protons, which is extremely valuable. The demand for new treatment planning products for protons is increasing rapidly. Several new clinics for proton therapy are being planned where Nucletron and RaySearch will participate in the tender process.

Proton radiation therapy has potentially even better clinical properties than IMRT (Intensity Modulated Radiation Therapy) based on photon radiation. In the future it will be a significant radiation therapy technique and the need for advanced software solutions for this method is growing sharply. Conventional radiation therapy is normally delivered with photons, which are generated by accelerating electrons. Protons are considerably heavier particles than electrons and therefore large installations are needed for acceleration of these particles. Proton therapy requires highly expensive equipment and advanced software.

Key event after the close of the reporting period

Within the cooperation with Scanditronix-Wellhöfer, RaySearch installed a prototype of COMPASS at selected clinics for testing prior to application to the FDA (Food and Drug Administration).

Market

RaySearch is active in intensity modulated radiation therapy (IMRT), an advanced method of radiation therapy for cancer. IMRT makes it possible to treat tumors with higher dose 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 must be tailored to the anatomy of the individual patient.

Treatment planning and IMRT

Currently, there are an estimated 5,800 clinics worldwide that treat patients using radiation therapy. An estimated 3,000 of these are advanced facilities in the sense that their treatment planning systems are able to perform complete three dimensional dose calculations with high accuracy. It is these advanced clinics that are the target group for RaySearch's software solutions. The market for treatment planning systems is growing by 7–8 percent annually. Globally, there are four companies, Philips, CMS, Varian and Nucletron, that together account for about 75 percent of sales of treatment planning systems. In collaboration with its cooperation partners, Philips and Nucletron, RaySearch reaches of 55-60 percent of the IMRT segment. Through these partnerships, RaySearch's IMRT solutions are included in a full 95 percent of these partners' new sales of treatment planning systems.

In the US and Canada, RaySearch's products are installed in about 700 of the 1,800 advanced clinics. The market for IMRT is growing faster in the US than elsewhere in the world, which is due in part to the fact that compensation levels from insurance companies are three to four times higher for IMRT treatments than for conventional treatments. Sales of treatment planning systems for IMRT also began to gain momentum in Europe during 2005. Scientific evidence of the clinical benefits of IMRT, which the leading European clinics have been waiting for, is now being presented more widely. Clinics that have already purchased treatment equipment with IMRT capacity are beginning to use this functionality to an increasingly greater extent.

In the most rapidly growing segment – IMRT – Philips has the greatest global market share. Philips has long been dominant in the North American market and is expected to increase its installed base by

7-8 percent this year, which is the same rate as in previous years. RaySearch's supplementary modules RayMachine and RayBiology are also sold to existing customers who previously purchased the main product RayOptimizer. In Europe, RaySearch's partners together have about 30 percent of the installed base, with Nucletron accounting for the major share of this. Through its many established customer contacts and large installed base, Nucletron has a strong position in the European market.

Adaptive radiation therapy

IMRT is a major breakthrough in radiation therapy. At present, to be sure that the radiation does not miss the tumor due to changes in the patient's geometry during the six weeks that the treatment normally takes, a technique is employed in which a treatment area is defined with a sufficiently large margin around the tumor. A better alternative is instead to track the change in the tumor's position and shape and use this information to adapt the treatment accordingly. This is why demand is increasing for treatment planning systems and accelerators that can detect deviations during treatment and correct for them. IGRT (image-guided radiation therapy) and the more refined method of adaptive radiation therapy are intended to handle these changes in the patient's anatomy that can occur during treatment and to correct any errors that could occur during the treatment process. RaySearch and Philips have signed a cooperation agreement for a series of products within adaptive radiation therapy.

Quality assurance of IMRT

Quality assurance is a matter of measurement and minimizing the difference between the planned radiation dose distribution and the dose actually delivered to the patient. In this manner, assurance is obtained that deviations are within defined tolerance levels. This is currently a very costly and time-consuming task for clinics. Since IMRT treatments are more complex than conventional radiation therapy and higher doses are administered, quality assurance also becomes more extensive. With RaySearch's technology, the quality assurance process can be made more effective. This was noted by the market-leading company Scanditronix-Wellhöfer, which signed a partnership agreement with RaySearch in February 2006. Scanditronix-Wellhöfer is the world leader in advanced dosimetry and quality assurance for clinical and industrial radiation solutions.

Commercial partners

RaySearch's commercial partners are leading medical-technology companies. Through these partnerships, the company's products become more rapidly available to clinics around the world. The commercial partner is responsible for sales and service to the end customer. RaySearch thus does not need to build a global sales and support organization, but can instead retain its focus on advanced and innovative research and development.

A partnership agreement was signed with Philips in 2000. The agreement covers the three products RayOptimizer, RayMachine and RayBiology. A partnership agreement was signed with Nucletron during 2004 that includes six products. The partnership agreement with Scanditronix-Wellhöfer was signed in February 2006. This agreement covers three products in quality assurance of IMRT. An agreement with Philips covering adaptive radiation therapy was signed on October 31, 2006 and within the framework of this cooperation three adaptive radiation therapy products will be developed.

Products

RaySearch develops software that improves the treatment planning systems currently used in radiation therapy 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. Product development 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.

RayOptimizer – in partnership with Philips

RayOptimizer is a product that provides solutions for advanced optimization of IMRT that allow the user to specify the desired dose distribution to be administered to the patient. The user has very great

freedom in defining various targets and conditions for treatment and can therefore create an optimal treatment plan for each individual patient. RayOptimizer has been sold to approximately 1,000 clinics all over the world, and more than 100,000 patients have received improved radiation therapy with this system. Many of the RaySearch's customers are prominent radiation therapy clinics, such as Princess Margaret Hospital in Canada and the M.D. Anderson Cancer Center in the US.

RayBiology and RayMachine – in partnership with Philips

In conventional IMRT, it is the doctor who, based on clinical experience, determines the dose with which the tumor will be treated, as well as the highest permissible dose to which healthy tissue may be exposed. In radiobiological optimization with RayBiology, it is instead the system that identifies the optimal balance between the dose to the tumor and surrounding healthy tissue. Using models of how the tumor and the healthy tissue respond to radiation, the doctor is able to formulate the treatment goal directly in clinical terms. As an example, the probability for tumor control can be maximized or the risk for radiation-induced complications minimized.

A critical factor in modern radiation therapy is the trade-off that clinics must make between administering as exact a treatment as possible and the time that it takes for the accelerator to deliver the treatment. It is also important, particularly for clinics with a lack of staff, to minimize the planning time for each individual patient. RayMachine is a product that allows clinics to shorten the delivery time for their treatments – with retained or improved quality of the treatment plan. RayMachine increases the user's ability to define as early as in the treatment planning's initial phase the parameters that will determine final treatment time and quality. The process also consists of fewer steps than with classic IMRT planning. This fact, and the fact that a clinically acceptable treatment plan is obtained directly that does not need to be re-planned or adjusted later, makes the planning process both time-efficient and user-friendly.

OM-Optimizer – in partnership with Nucletron

OM-Optimizer is the first product developed as part of the partnership with Nucletron. A total of six products will be integrated into Nucletron's treatment planning product, Oncentra MasterPlan. The combination of IMRT optimization and image processing in Oncentra MasterPlan with organ contour calculation and radiation dose calculation gives the users access to an extremely powerful system.

OM-Machine and OM-Machine+ – in cooperation with Nucletron

OM-Machine and OM-Machine+ facilitate direct optimization of the treatment equipments' settings, as a result of which the user can conduct high-quality IMRT planning quicker. This can significantly reduce the total treatment time with IMRT. The products are sold as supplementary modules to OM-Optimizer under the names Direct Step-and-Shoot (OM-Machine) and Angle Optimization (OM-Machine+).

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 not changed in relation to 2005. For a description of the accounting principles, see the Annual Report for 2005.

Future reports

Interim report for the first quarter May 8, 2007
Annual General Meeting May 15, 2007, 6.00 pm
The Annual General Meeting will be held at the Stockholm Concert House, Grönewaldsalen,
Kungsgatan 43, Stockholm
Interim report for the second quarter August 2007

Stockholm, February 7, 2007

RaySearch Laboratories AB

Johan Löf, President and CEO

Review Report

To the Board of Directors of RaySearch Laboratories AB

I have reviewed the accompanying year-end report of RaySearch Laboratories AB (publ), Corp. Reg. No. 556322-6157. The Board of Directors and the President are responsible for the preparation and fair presentation of the interim financial information in accordance with IAS 34 and the Annual Accounts Act. My responsibility is to express a conclusion on this year-end report based on my review.

I have conducted my review in accordance with the Swedish standard for such reviews, *SÖG 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by FAR, the institute for the accountancy profession in Sweden. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Swedish generally accepted auditing standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Therefore, a review does not enable me to express a conclusion with the same degree of assurance that an audit would do.

Based on my review, nothing has come to my attention that causes me to believe that the accompanying year-end report is not prepared, in all material respects, in accordance with IAS 34 and the Annual Accounts Act.

Stockholm, February 7, 2007

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. Since 2001, the company has sold its product, RayOptimizer, to approximately 1,000 hospitals internationally through a licensing agreement with Philips, thus enabling more than one hundred thousand 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 end-customers sharply. Delivery to clinics of OM-Optimizer, the first product based on the partnership with Nucletron, began in April 2005. The following two products OM-Machine and OM-Machine+ were launched in July 2006. In February 2006 an agreement was signed with Scanditronix-Wellhöfer regarding development of products for improved quality assurance of IMRT. In October 2006, RaySearch signed an agreement with Philips covering the development of products in adaptive radiation therapy. In November 2006 RaySearch signed a development and license agreement with Nucletron regarding treatment planning for proton therapy in cancer treatment.

RaySearch was listed on the Stockholm Stock Exchange's O List in November 2003. As of October 2006, the shares are listed on the Nordic List in the Small Cap segment of the Health Care sector. RaySearch is based in Stockholm and currently has 29 employees.

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Consolidated income statement

Amounts in SEK 000s	2006 Jan-Dec	2005 Jan-Dec	2006 Oct-Dec	2005 Oct-Dec
Net sales	68,976	69,855	21,151	19,163
Cost of goods sold	-849	-1,121	-182	-318
Gross profit	68,127	68,734	20,969	18,845
Other operating income	432	1,956	-30	282
Selling expenses	-2,170	-1,415	-351	-579
Administrative expenses	-13,899	-12,775	-4,263	-3,716
Research and development costs	-17,379	-16,069	-4,742	-4,030
Other operating expenses	-1,571	-824	-537	-186
Operating profit	33,540	39,607	11,046	10,616
Result from financial items	1,320	408	515	92
Profit before tax	34,860	40,015	11,561	10,708
Tax	1,359	-10,873	8,204	-2,609
PROFIT FOR THE PERIOD	36,219	29,142	19,765	8,099
Earnings per share before full dilution (SEK)	3.17	2.56	1.73	0.71
Earnings per share after full dilution (SEK)	3.17	2.55	1.73	0.71
Number of shares outstanding before full dilution	11,427,591	11,427,591	11,427,591	11,427,591
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	11,427,591	11,364,082	11,427,591	11,427,591
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

	Dec. 31, 2006	Dec. 31, 2005
ASSETS		
Intangible fixed assets	45,397	34,876
Tangible fixed assets	979	1,200
Financial fixed assets	-	151
Deferred tax assets	11,253	-
	57,629	36,227
Current assets		
Current receivables	21,813	17,343
Cash and bank balances	66,832	53,611
	88,645	70,954
TOTAL ASSETS	146,274	107,181
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	118,072	81,854
Accounts payable, trade	2,296	1,931
Other current liabilities	25,906	23,396
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	146,274	107,181

Cash flow statements, Group

Amounts in SEK 000s	2006 Jan-Dec	2005 Jan-Dec	2006 Oct-Dec	2005 Oct-Dec
Cash flow from operating activities before changes in working capital	33,813	45,266	12,911	12,128
Cash flow from changes in working capital	-3,720	-3,873	315	-3,394
Cash flow from operating activities	30,093	41,393	13,226	8,734
Cash flow from investing activities	-16,872	-14,640	-5,762	-4,838
Cash flow from financing activities	-	13,279	-	145
Cash flow for the period	13,221	40,032	7,464	4,041
Cash and cash equivalents at the beginning of the period	53,611	12,294	59,368	49,570
Cash and cash equivalents added from RayIncentive	-	1,285	-	-
Cash and cash equivalents at the end of the period	66,832	53,611	66,832	53,611

Changes in consolidated shareholders' equity

Amounts in SEK 000s	2006 Jan-Dec	2005 Jan-Dec
Opening balance	81,854	39,475
Change in accounting principles, Consolidation of RayIncentive	-	-188
Transfer of own shares	-	13,425
Result for the period	36,219	29,142
Closing balance	118,072	81,854

Changes in number of shares

	2006 Jan-Dec	2005 Jan-Dec
Opening balance	11,427,591	10,513,061
Non-cash issues	-	914,530
Closing balance	11,427,591	11,427,591

Key data and financial information in summary

	2006 Jan-Dec	2005 Jan-Dec	2004 Jan-Dec	2006 Oct-Dec	2005 Oct-Dec	2004 Oct-Dec
Amounts in SEK 000s						
Net sales	68,976	69,855	39,479	21,151	19,163	10,465
Operating profit	33,540	39,607	12,460	11,046	10,616	,1,333
Operating margin, %	48.6	56.7	31.6	52.2	55.4	12.7
Profit margin, %	50.5	57.3	32.0	54.7	55.9	13.8
Net profit*	36,219	29,142	11,215	19,765	8,099	1,162
Earnings per share, SEK	3.17	2.56	1.07	1.73	0.71	0.11
Return on capital employed, %	34.9	66.1	37.5			
Return on shareholders' equity, %	36.2	48.0	33.1			
Equity/assets ratio, %	80.7	76.4	72.0			
Adjusted equity per share, SEK	10.33	7.16	3.75			
Share price at period end, SEK	150.00	177.00	48.60			

* Deferred tax revenue related to capitalized tax loss-carryforwards increased net profit by SEK 11.252,000 during the periods Jan-Dec 2006 and Oct-Dec 2006.