
LEADING THE WAY IN CANCER TREATMENT

ANNUAL REPORT 2010



| | |
|---|-------|
| Raysearch in brief..... | Cover |
| Leading the way in cancer treatment..... | 1 |
| Raysearch plays a key role in radiation therapy | 2 |
| President's comments..... | 4 |
| A leader in treatment planning..... | 6 |

| | |
|----------------------|---|
| A growing need | 9 |
|----------------------|---|

12 MILLION PEOPLE DEVELOP CANCER EVERY YEAR

| | |
|---|----|
| New treatment techniques drive development..... | 13 |
|---|----|

RADIATION THERAPY MOST COST-EFFICIENT

| | |
|-----------------------|----|
| A global player | 23 |
|-----------------------|----|

AT 1,800 CLINICS IN MORE THAN 30 COUNTRIES

| | |
|-------------------------------|----|
| New phase for RaySearch | 29 |
|-------------------------------|----|

LAUNCH OF RAYSTATION

| | |
|--|----|
| Pioneering research and development..... | 35 |
|--|----|

WORLD-CLASS EXPERTISE

| | |
|--------------------------|----|
| Financial strength | 39 |
|--------------------------|----|

A STABLE BASE FOR INVESTMENTS

FINANCIAL STATEMENTS

| | |
|--|----|
| Administration report..... | 41 |
| Corporate governance | 46 |
| Board and Auditors..... | 48 |
| Senior management | 50 |
| Income statement | 52 |
| Statement of comprehensive income..... | 53 |
| Statement of financial position..... | 54 |
| Statement of changes in shareholders' equity | 56 |
| Statement of cash flows | 57 |
| Parent company | 58 |
| Notes | 60 |
| Audit report..... | 77 |

| | |
|---------------------------|----|
| Shares and ownership..... | 78 |
|---------------------------|----|

| | |
|------------------|----|
| Key figures..... | 81 |
|------------------|----|

| | |
|-------------------------------|----|
| Definitions of key data | 82 |
|-------------------------------|----|

| | |
|--------------------------|----|
| Multi-year overview..... | 83 |
|--------------------------|----|

| | |
|---------------|----|
| Glossary..... | 84 |
|---------------|----|

RAYSEARCH IN BRIEF

Linear accelerators (radiation machines) are used to provide radiation therapy to cancer patients. RaySearch develops the advanced software that is used to create radiation treatments with the highest precision. This is carried out with an advanced treatment planning system. An efficient treatment planning system ensures efficient radiation therapy. RaySearch leads the innovative developments in this field, and plays a key role in the fight against cancer.



A BETTER LIFE FOR PEOPLE

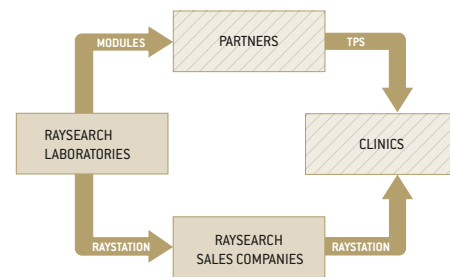
About 12 million people are currently diagnosed with cancer each year. This figure is expected to rise sharply over the next few decades. At the same time, methods for diagnosis and techniques for treating cancer are improving. Growing numbers of patients can thus overcome cancer. Nearly two out of three cancer patients survive today, and this positive trend continues. RaySearch's unique expertise in treatment planning plays a key role in this development.



TREATMENT PLANNING IS CRITICAL

In the radiation therapy process, the physician starts with x-ray images of the cancer. The images are used to define the shape and extent of the tumor in three dimensions, as well as the organs at risk. The physician then creates a radiation treatment plan that corresponds to the patient's specific needs. This is performed with a treatment planning system that optimizes and visualizes all parameters. RaySearch offers systems for various types of radiation therapy, from basic to the most advanced.

BUSINESS MODEL



TWO ROUTES TO THE MARKET

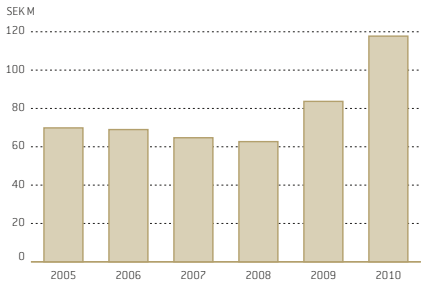
To date, RaySearch has focused on selling treatment planning systems through leading commercial partners. Our software products are then included as an integral part of their treatment planning systems. This form of collaboration will continue. Since 2009, RaySearch also markets a complete proprietary treatment planning system – RayStation, which gives us direct access to end customers, and is based on having our own sales organization alongside that of our partners.



AT 1,800 CLINICS IN 30 COUNTRIES

RaySearch's software products are primarily used in hospitals and clinics in the US and Europe. Installations in Asia are concentrated to Japan, but China and India are potential major markets since their economies are growing rapidly. In total, more than 1,800 clinics in over 30 countries are currently using RaySearch's solutions for their treatment planning. In all, hundreds of thousands of cancer treatments are carried out each year based on our unique expertise.

NET SALES



FROM SCRATCH TO WORLD LEADER IN TEN YEARS

RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm. The founders are still major shareholders in the company. Since then, 15 products have been launched in collaboration with our partners. To date, RayStation, the new proprietary treatment planning system, has resulted in four orders from world-leading clinics.



FOCUS ON RESEARCH AND DEVELOPMENT

RaySearch's leading position is based on longterm collaborations with scientific institutions worldwide. Close contact with clinical partners are also essential to secure RaySearch's expertise. Some examples are the development cooperation with German Westdeutsches Protonentherapiezentrum Essen (WPE) in proton therapy, the development of multi-criteria optimization together with Massachusetts General Hospital (MGH) in the US and the collaboration in adaptive radiation therapy with Princess Margaret Hospital in Canada.

LEADING THE WAY IN CANCER TREATMENT

Nearly eight million people around the world die from cancer each year. And every year, 12 million new cancer cases are diagnosed. The fight against cancer is one of the greatest challenges facing medical science.

But there is a positive trend. Since the 1970s, the number of patients who defeat cancer has risen by 50 percent. Nearly two of three cancer patients survive today. This is because resources for fighting cancer have increased and techniques for treatment have improved.

As part of this development, radiation therapy has emerged as the most common form of treatment. More than half of all cancer patients today are treated with radiation therapy. The key to success with this method is the ability to adjust the radiation dose with great accuracy to each individual patient. This creates both clinical benefits and cost efficiency.

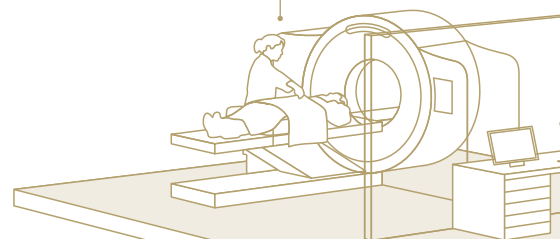
RaySearch is a world leader in the field of advanced software for radiation therapy. Our solutions are used successfully in over 1,800 clinics in more than 30 countries. Our expertise is on the cutting edge in the fight against cancer.

RAYSEARCH PLAYS A KEY ROLE IN RADIATION THERAPY

1

DIAGNOSIS

First, the cancer patient undergoes a comprehensive examination. The type, origin and extent of the tumor are carefully mapped. This is performed with methods including computed tomography, which provides a three-dimensional image of the tumor and surrounding organs. This image plays a crucial role in the upcoming radiation treatment.



2

PRESCRIPTION

The physician then formulates a radiation treatment prescription. This contains information about the areas that are to be treated, the total dose required, the number of treatment sessions needed and the healthy organs that must be given special consideration.



6

FOLLOW-UP

A concluded treatment is followed up in a structured manner. It may take a long time before the spread of cancer can be completely ruled out and the patient receives a clean bill of health. By carefully documenting the planning and implementation of the radiation treatment, an important basis is created for evaluating and exchanging experience.

RaySearch's challenge is to support radiation therapy clinics so they can deliver better treatments to more patients with greater precision and high cost-efficiency. This figure describes the complex workflow in such a clinic, and where RaySearch's products are used.

4

SIMULATION

When treatment planning and dose optimization are complete, the radiation treatment is simulated and controlled in a full-scale model of the linear accelerator. Using various devices, tests are used to work out the best way to position the patient so that each treatment can be performed with the patient in exactly the same position.

3 5

RAYSEARCH IS INVOLVED HERE

3

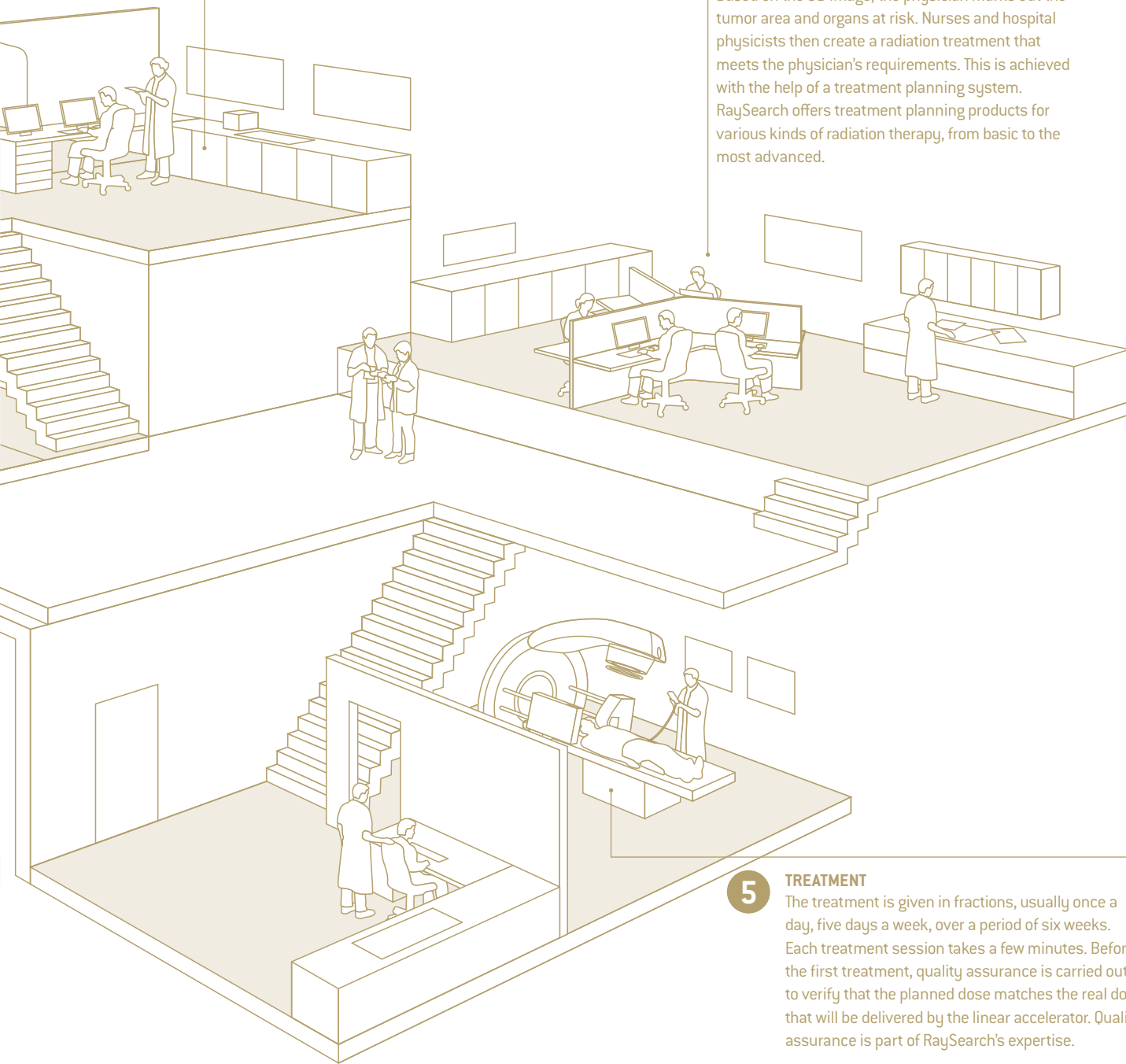
TREATMENT PLANNING

Based on the 3D image, the physician marks out the tumor area and organs at risk. Nurses and hospital physicists then create a radiation treatment that meets the physician's requirements. This is achieved with the help of a treatment planning system. RaySearch offers treatment planning products for various kinds of radiation therapy, from basic to the most advanced.

5

TREATMENT

The treatment is given in fractions, usually once a day, five days a week, over a period of six weeks. Each treatment session takes a few minutes. Before the first treatment, quality assurance is carried out to verify that the planned dose matches the real dose that will be delivered by the linear accelerator. Quality assurance is part of RaySearch's expertise.



A NEW STRATEGIC FOCUS FOR RAYSEARCH

WE HAVE FOR SOME TIME been offering our proprietary RayStation® treatment planning system to selected leading research-intensive clinics, as a complement to our existing partner-based business model. An important milestone was reached in the summer of 2009 when we secured the first order from the German clinic West-deutsches Protonentherapiezentrum Essen (WPE).

QUANTUM LEAP IN THE US

In March 2010, the next step was taken when we received FDA clearance for marketing the system in the US, and in October we secured the first order in the American market from Massachusetts General Hospital. MGH is one of the best-reputed hospitals in the US and the fact that such a prestigious clinic selected RayStation serves to generate interest from other clinics.

The time was thus right to build our own sales and service organization in the US, and fulfill our customers' needs in the best possible way. We acted quickly and, as of January 2011, our US sales organization is now established and active.

STRATEGIC LATITUDE

This does not mean that our old business model is being abandoned. We will continue just as before to develop and sell innovative products via our partners. However, the fact that we now have the opportunity to sell directly to clinics in parallel with our partner-based business model represents a transformation from being wholly dependent on our partners to gaining strategic freedom of action.

In the long-term, this offers tremendous potential and I am convinced that this is the right route to assure RaySearch's future success. In the short-term, the initiative will entail continued investment to build up new structures for sales, service and marketing, in addition to our research and product development activities. However, we are cautious and will build the organization step by step with the goal of a positive profit contribution from the direct sales effort also in the short-term.

STRONG GROWTH IN VOLUME

Financially, RaySearch performed strongly in 2010. The number of licenses sold rose substantially to 1,093 (656) and revenues rose 41 percent to SEK 117.7 M. The volume growth was primarily due to the positive reception of all the new products launched in

late 2009. Currency effects had a negative impact during the year. With unchanged exchange rates, sales would have increased by 50 percent. Profit for the period declined by 4 percent to SEK 28.9 M. That profits remained in line with the preceding year despite the substantial increase in revenues was primarily attributable to increased amortization of capitalized development costs. In 2009, amortization increased only towards the end of the year when the new products were launched, while in 2010 these costs affected the financial results for the entire period.

ACTIVE PARTNERSHIP

All of RaySearch's partnerships generated revenues in 2010 except for the collaboration with Siemens. The agreement with Siemens was signed in May 2009 and we completed our assignment to integrate modules into their system in December last year. Siemens is currently finalizing the testing process and the collaboration will begin generating revenues for us during the first half of 2011.

A large proportion of the increased revenues in 2010 was generated by the product for VMAT (Volumetric Modulated Arc Therapy). VMAT is an important market trend subject to rapidly increasing demand. Both Philips and Nucletron launched our VMAT solution in the end of 2009. The introduction of VMAT is moving fastest in the US. This means that Philips' growth in VMAT is moving faster than Nucletron's, since Philips has most of its sales in the North American market. Older products from both Philips and Nucletron also increased in volume due to a strong finish to the year.

Our collaboration with IBA Dosimetry regarding a jointly developed quality assurance system continues to progress positively. The system is now well established as one of the most competitive solutions for quality assurance of VMAT treatments and sales rose sharply during the year. We are currently adapting the system to a new detector. This product will be launched in 2011.

At the end of April, we restructured our license agreement with Varian, the leading supplier of radiation therapy equipment, with a very large installed base. We entered into the original agreement in 2007 and launched the first three RaySearch products in 2009, integrated in Varian's Eclipse™ treatment planning system. Following the restructuring the partnership started generating significant revenues during the second quarter. We are in the process of further improving the existing products and potential exists for increased sales in the coming years.

The past year was a successful period in financial terms for RaySearch, with significantly increased sales. We also underwent major strategic changes, which are of key importance to our future development. Our partnerships will continue, but we have now established conditions for selling directly to clinics.

INVESTMENT IN PROTON THERAPY

We also continue the intense development of our system for treatment planning of proton therapy, which is integrated in RayStation. Our first customer in the proton therapy area is the German clinic WPE. Our partial delivery to this clinic in September 2010 was successful and final delivery is scheduled for 2011. In this area, we are also participating with Nucletron in the tender process for a treatment planning system for the Skandion clinic, which is a new proton center that will be built in Sweden. The tender process has been delayed and is expected to be concluded in the first half of 2011. We are also participating in other tenders and although very few proton clinics exist worldwide, this is a niche that could become very significant for RaySearch.

INSPIRING CHALLENGES

2010 was a fantastic year, with major strategic changes, and we enter 2011 as a partially new company. As usual, we will put a lot of effort into product development with our partners. In addition, we will continue building up our sales and marketing organization in the US and Europe and work closely together with new and existing customers to further refine RayStation. We have already noted growing interest in RayStation following the breakthrough in the US and I am convinced that the customer list will grow in 2011. In February, we could announce our first order from Canada and a new order from Switzerland.

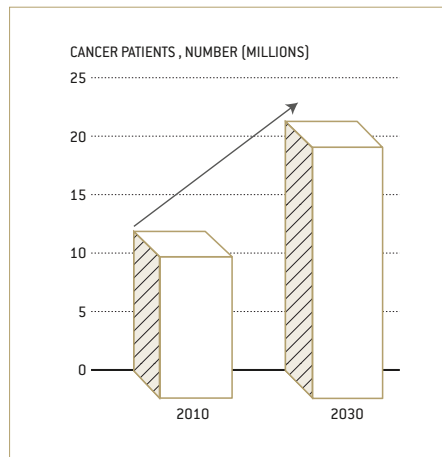
Working directly with clinics entails new challenges for us as a company, but it is incredibly inspiring to come one step closer to the reality of the clinics. The opportunities to develop new products improve and the potential to create value grows significantly, thus ensuring very strong future prospects for RaySearch.



A handwritten signature in blue ink, consisting of a stylized 'J' followed by a horizontal line and a large, sweeping flourish.

Johan Löf
President, RaySearch Laboratories AB

AT THE FOREFRONT OF RAPID DEVELOPMENT

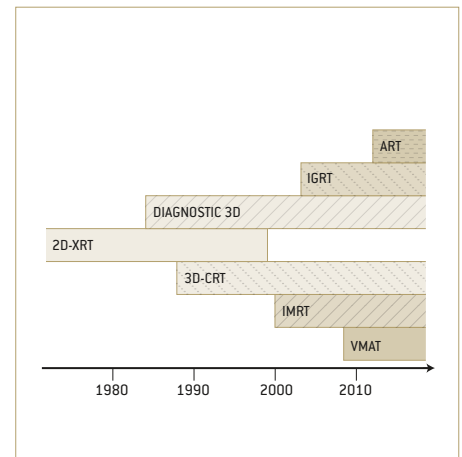


A GROWING NEED

Cancer is one of the major global public health problems. At present, more than 12 million people develop cancer every year. According to estimates, this figure will rise to approximately 22 million by 2030. Radiation therapy is the most cost-efficient way of treating cancer. The key to successful radiation therapy is that treatment planning systems are developed to provide increasingly accurate treatment.

CURRENT POSITION

RaySearch's treatment planning solutions are used by more than 1,800 cancer clinics in over 30 countries. In ten years, we have gone from scratch to being a world leader.



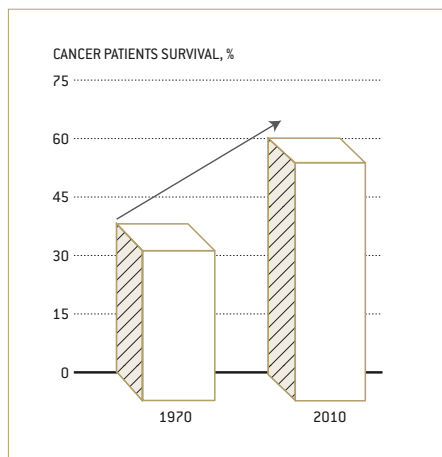
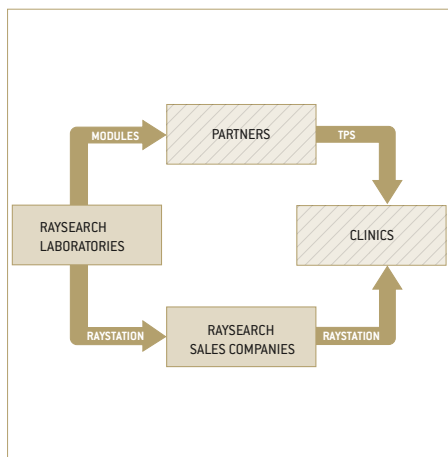
NEW METHODS DRIVE DEVELOPMENT

The current trend is moving increasingly towards more advanced radiation treatment techniques. The most common method is still traditional 3D-CRT. But new techniques that allow better adjustment to the shape of the tumor are growing rapidly. The challenge lies in increasing the dose of radiation to the cancer-affected area while reducing exposure to healthy tissue. RaySearch conducts extremely fast product development and is a world leader when it comes to producing advanced software that supports these new techniques.

CURRENT POSITION

RaySearch currently has treatment planning products for all radiation therapy areas. We pioneer development in the most advanced areas – proton therapy and adaptive radiation therapy.

RaySearch's business concept is to develop and provide innovative software for improved radiation therapy of cancer. Our driving force is to improve the lives and health of people by reducing the time it takes for new scientific advancements in radiation therapy to reach clinical application. Our role is to be the leading supplier of advanced software in radiation therapy. This is supported by our business model.



DIRECT ACCESS TO CUSTOMERS

RaySearch's business model entails two routes to the market. Firstly, our treatment planning solutions are sold through leading commercial partners and our products are then included as integrated modules in our partners' treatment planning systems (TPS). Secondly, we market a complete proprietary treatment planning system – RayStation. The system contains all of RaySearch's advanced treatment planning solutions integrated into a flexible system. RayStation is sold directly to end customers through our own sales organization.

CURRENT POSITION

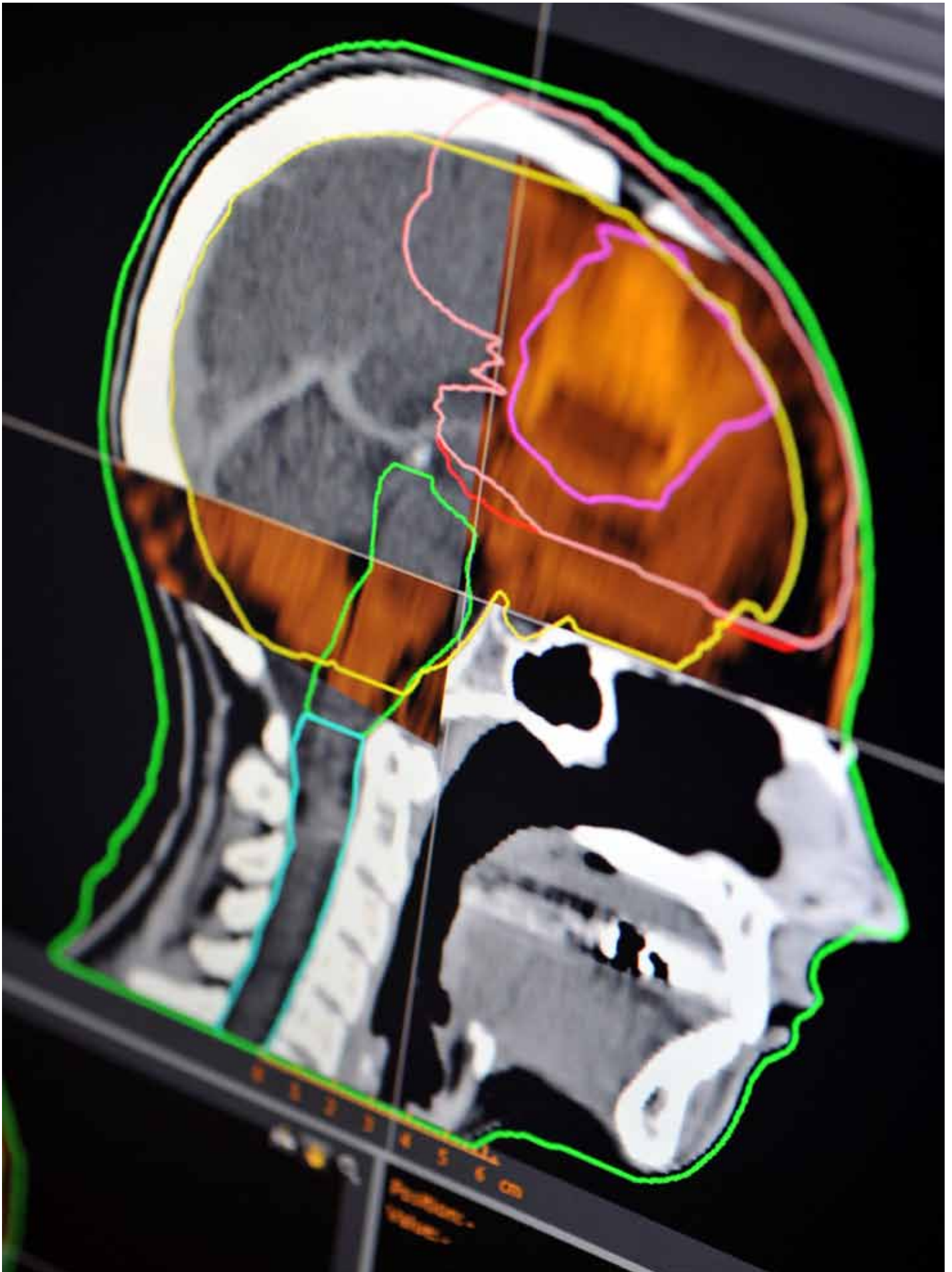
RaySearch currently has licensing agreements with six commercial partners. The marketing of RayStation began in 2010 and has so far resulted in four orders.

A BETTER LIFE FOR PEOPLE

In the early 1970s, only about 40 percent of all cancer patients survived. Due to improved methods for diagnosis and treatment, the survival rate has now increased to about 60 percent. This positive trend is expected to continue. More people will develop cancer, but a larger proportion may be cured of their disease as techniques are further refined. With its unique expertise, RaySearch wants to be a driving force in this development.

CURRENT POSITION

RaySearch invests more than 60 percent of its revenues in research and development. Our driving force is to improve the lives and health of people with our specialist knowledge.



12 MILLION PEOPLE DEVELOP CANCER EVERY YEAR

At present, about 12 million people worldwide develop cancer every year. The trend is increasing. By 2030, the number is estimated to be about 20 million per year. At the same time, the advances in diagnosis and treatment are very positive. The increase in cancer patients who survive is due to greater resources and improved methods of care. In the early 1970s, 40 percent of cancer patients survived. The corresponding figure today is about 60 percent and expected to increase.

THE NUMBER OF CANCER CASES has continuously increased since the 1950s when statistics were first available. The number of registered cancer cases in the West has doubled compared with 50 years ago.

At present, more than 12 million people worldwide are diagnosed with cancer every year. Various estimates also claim that the number of cancer cases around the world will continue to rise rapidly. In 20 years' time, according to calculations, about 22 million people will be affected by cancer every year. This is an increase of 80 percent compared with today.

The increase will move significantly faster in emerging economies, which start from a lower level compared with the US, Europe and Japan. In Brazil, Russia, India and China (the BRIC countries), an annual increase of 4.5 percent is predicted compared with the global increase of 3 percent. This higher level derives from longer life expectancies and from lifestyles in these countries moving increasingly towards more Western traditions.

TWO OF THREE SURVIVE

According to statistics, 7.6 million people died of cancer in 2010. This accounts for 13 percent of the registered deaths worldwide. The number of deaths caused by cancer is expected to continue rising and is estimated to reach 12.9 million by 2030. This is an increase of 70 percent, but is lower than the rate of increase for new cancer cases. The prediction is that the fight against cancer will become more successful.

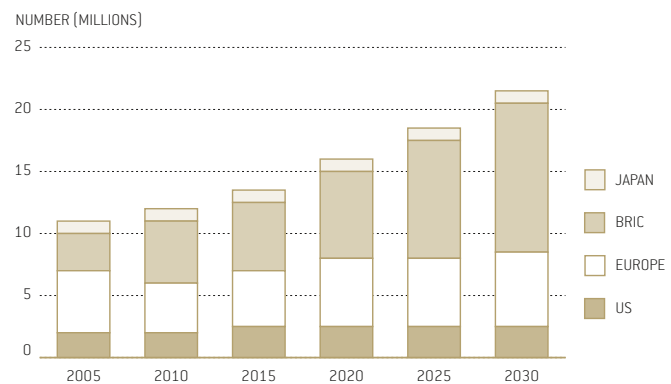
This is based on the growing number of resources being mobilized in this area. Methods for diagnosing cancer are becoming more effective and are better utilized. Treatment techniques are being developed and refined. Today, 60 percent of all cancer patients are expected to survive – a significant increase since the early 1970s, when the percentage was only about 40 percent. This positive trend is expected to continue.

ECONOMIC GROWTH CREATES RESOURCES

Demand for equipment to treat cancer will be particularly strong in China and India. At present the cancer care is limited in these countries. The anticipated robust economic growth in this part of the world is creating opportunities for a substantial mobilization in cancer care.

Today, 52 percent of all cancer cases occur in low and middle-income countries, where opportunities for diagnosis and treatment currently are limited. These countries also account for a larger proportion of deaths, at 59 percent. This should be placed in relation to the significant increase in the number of cancer cases that are discovered, treated and cured in the more affluent parts of the world in recent decades.

CANCER PATIENTS, WORLDWIDE 2005–2030



Breakthrough for RayStation in North America

MARC MLYN, President and **DAVID MCPHAIL**, Vice President of Sales at RaySearch's newly established subsidiary in the US, RaySearch Americas Inc. Both have long experience in the radiation therapy industry, specifically the treatment planning area. The new sales company will be based in New York and will market RaySearch's treatment planning system in the North American market. "With this company's specialized development organization, I am convinced that we can offer innovative treatment planning functionality that is both relevant and accessible for all radiation therapy clinics," says Marc Mlyn, on the right in the photo.

FREDDIE CARDEL is responsible for technical support in RaySearch Americas Inc. "This is a really exciting opportunity to play a key role in the introduction of RayStation in the North American market," he says.



MASSACHUSETTS GENERAL HOSPITAL (MGH) in Boston is the first hospital in North America to choose RayStation as its clinical treatment planning system.



THOMAS BORTFELD is Director of the Physics Division of the Radiation Oncology Department at MGH, one of the most highly reputed hospitals in the US.

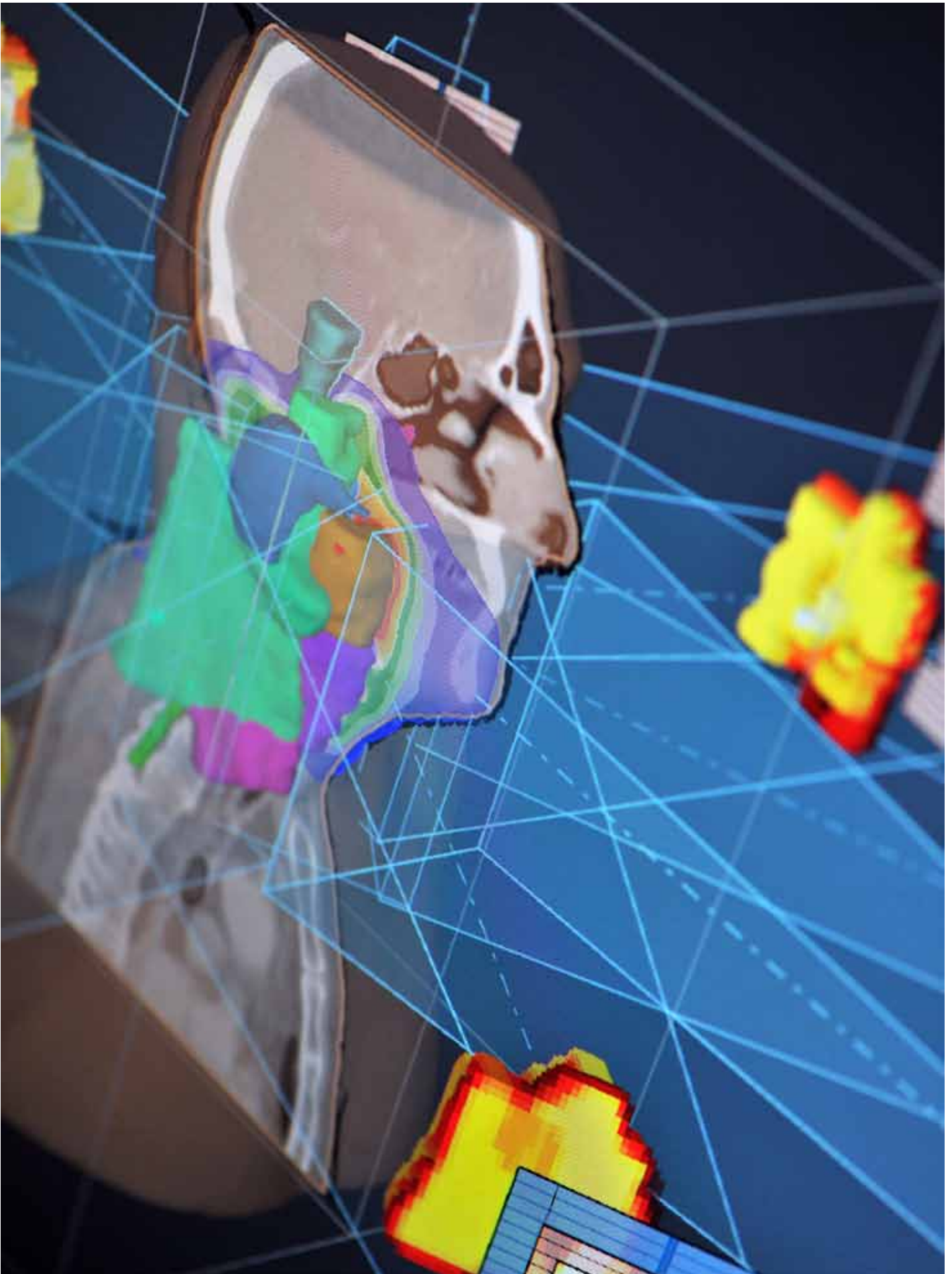


RAYSEARCH AND MGH have conducted many years of research collaboration in multi-criteria optimization for radiation therapy.

DAVID CRAFT Assistant Professor at the MGH Department of Radiation Oncology, has played a leading role in this collaboration.



MGH will use RayStation to plan its IMRT and VMAT treatments



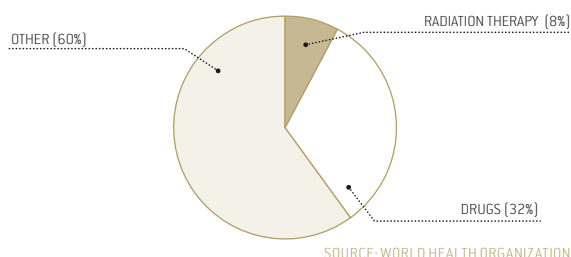
RADIATION THERAPY MOST COST-EFFICIENT

Cancer can primarily be treated with three different methods: surgery, radiation therapy and chemotherapy. Radiation therapy is the method that has increased most over the past 10–15 years. Today, an estimated 50 percent of cancer patients in the industrialized world are treated with radiation therapy, often in combination with surgery or chemotherapy.

THERE ARE CURRENTLY MORE than 9,000 linear accelerators for radiation therapy worldwide. In the US, which leads development in this area, 60 percent of cancer patients are treated with radiation therapy. The level is 30–50 percent in Europe, and to date only 25 percent in Japan.

Radiation therapy is a cost-efficient method for treating cancer compared with other methods. A Swedish study from 2003 shows that radiation therapy accounts for less than 10 percent of the costs in the fight against cancer. This should be placed in relation to the fact that nearly half of all cancer patients are treated with this method.

COSTS FOR CANCER TREATMENT IN THE WEST

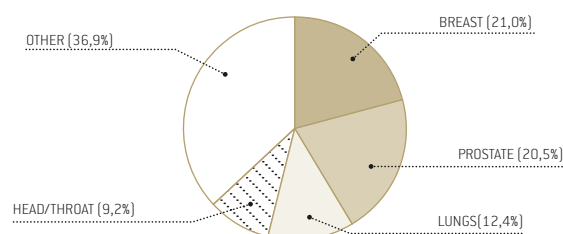


SIX WEEKS' TREATMENT

Radiation therapy is delivered to patients with a linear accelerator (radiation therapy machine). The treatment is divided up into fractions (sessions). Treatment is normally given once per day, five days per week, for about six weeks. Radiation therapy can be used to treat nearly all types of cancer. The most common body sites are breast, prostate, lungs and head/throat. These account for about two-thirds of all radiation treatments.

Radiation therapy works by damaging the DNA of cancerous cells. This can be done with photons, electrons, protons, neutrons or ions. When the DNA in a cell is damaged, the cell attempts to repair itself. Cancerous cells have a reduced ability to do this. Their ability to survive and divide therefore decreases after radiation therapy. Although healthy cells have a greater chance of recovering and surviving the radiation dose, the obvious objective is to focus the radiation on the cancerous cells as far as possible.

TREATMENT SITES ON THE BODY



A USD 4 BILLION MARKET

The largest manufacturers of radiation machines are Varian (US), Elekta (Sweden) and Siemens (Germany). The trend is moving towards increasingly advanced hardware. However, an equally important challenge for radiation therapy lies in the treatment planning area. The precision and efficiency of the machines is closely tied to the methods for the actual treatment being developed, refined and becoming more precise. Delivering effective treatment requires increasingly advanced treatment planning systems. RaySearch is a global innovator and developer in this area.

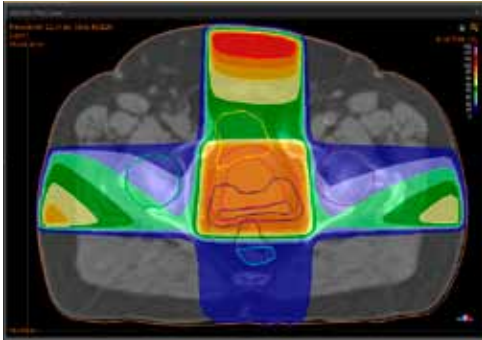
In total, the market for radiation therapy equipment is estimated to amount to about USD 4 billion each year. Approximately half comprises investments in radiation machines. The remainder is attributable to other hardware and software such as treatment planning and information systems. The addressable market for RaySearch is estimated at USD 400 million every year.

WHAT IS A TREATMENT PLANNING SYSTEM?

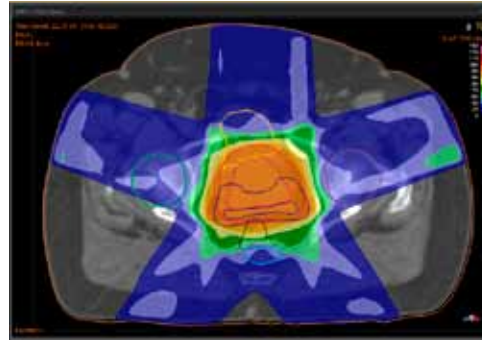
Put simply, a treatment planning system consists of software that is used to more exactly and accurately control the radiation treatment. It is a combination of a CAD tool, a simulator and a database.

Planning starts with radiologic images of the cancer usually generated through computed tomography. Using the images, the physician defines the extent and shape of the tumor in three dimensions and prescribes the radiation dose with which it will be treated.





Radiation beams with customized angles to protect organs at risk.



Intensity modulation of the beams provides more possibilities of adapting to the tumor's shape.

3D-CRT STANDARD METHOD TODAY

Up until the 1980s, radiation therapy was delivered via the 2D-XRT principle (external beam radiotherapy). The starting point was two-dimensional x-ray images. A customized template was used to shape the beam. This was a very time-consuming and costly process.

The breakthrough for three-dimensional conformal radiation therapy (3D-CRT) was based on two crucial advances. The first was computed tomography and the opportunities it provided for showing a three-dimensional image of the cancer. The second was the introduction of the multileaf collimator (MLC) in the mid-1990s, which replaced the customized templates and created new opportunities for more effective treatment. The collimator has an ingenious system of metal leaves that can be steered and changed using software to adapt the cross-section of the beam.

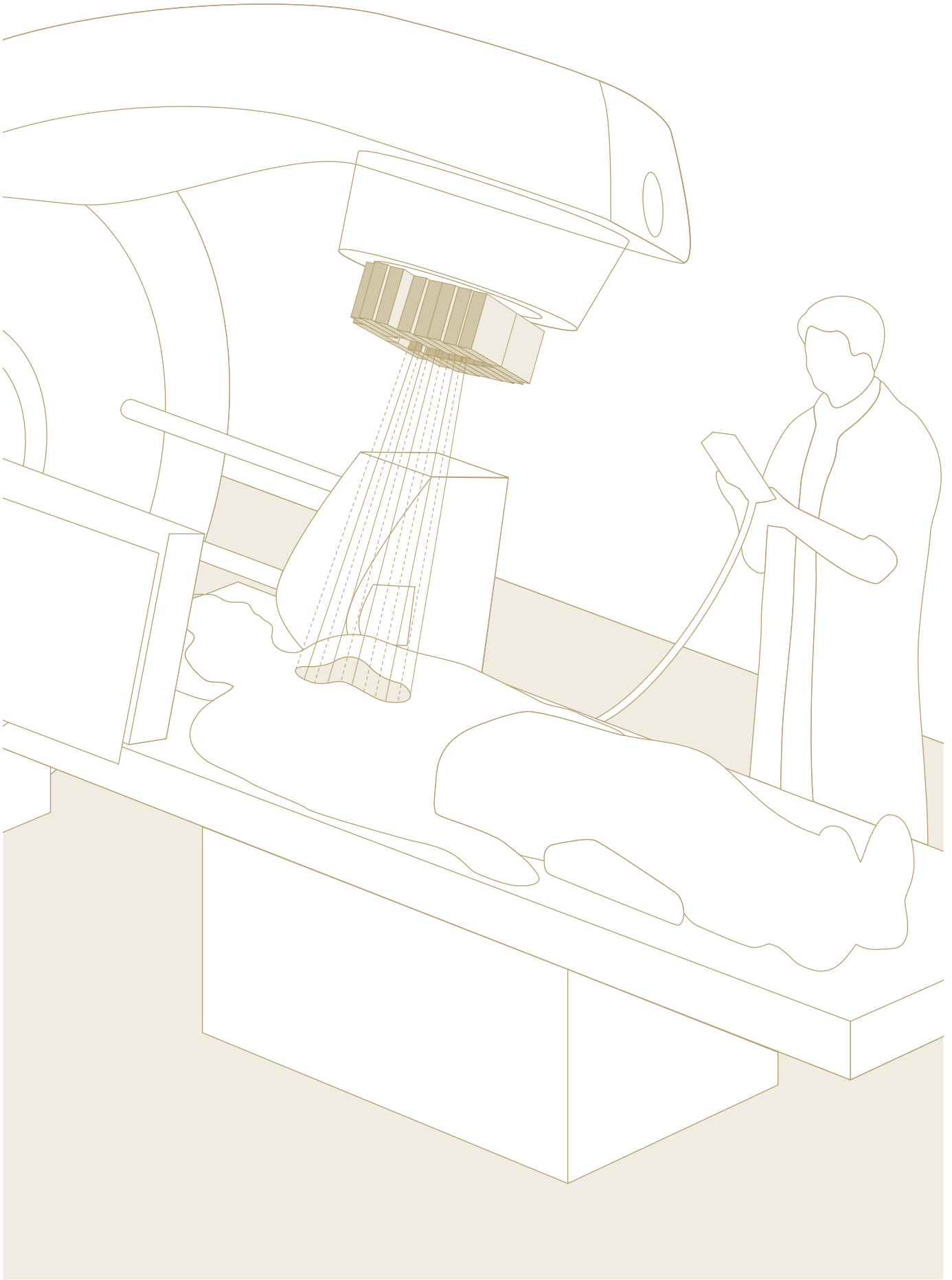
Three-dimensional conformal radiation therapy is the standard method of treatment today, and 80 to 90 percent of all radiation therapy is now delivered with 3D-CRT. The tumor is homogeneously radiated from multiple fixed angles and each beam is shaped to match the tumor's cross-section from that particular direction. 3D-CRT is often effective, but has limitations. Physicians are forced to compromise when treating tumors with a complex shape. The compromise is between reducing the dose to protect adjacent healthy tissue and increasing the dose to improve control of the tumor, but at the risk of damaging surrounding healthy tissue.

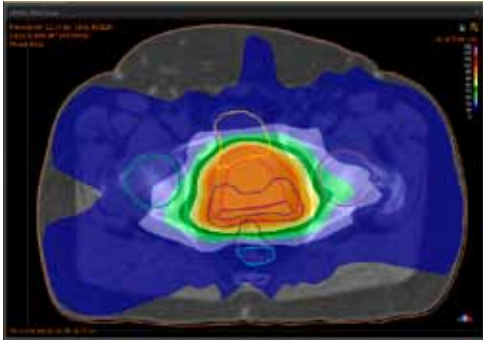
IMRT A MAJOR STEP FORWARD

Intensity modulated radiation therapy (IMRT) was introduced at the beginning of the millennium. This method is a refinement of 3D-CRT and is performed with the same hardware. The radiation is still applied from fixed beam angles. The improvement lies in the possibility to divide each beam into segments of different shapes and intensity. The intensity can thereby be controlled and varied over the cross-section of the beam. The precision increases so that the actual tumor can be given a higher dose even if it has a complex shape. Healthy tissue is protected in a controlled manner.

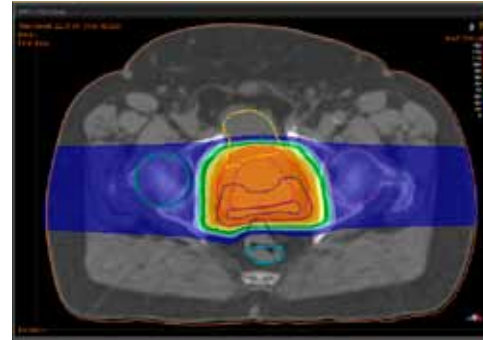
IMRT requires a more advanced treatment planning system. IMRT was, in fact, the starting point and springboard for the establishment of RaySearch. The company's first products were launched in this field. RaySearch's IMRT products are now installed in over 1,800 clinics in more than 30 countries. They are the most widespread IMRT products worldwide and have set a standard in this field.

Most products are used in the US, where IMRT has had the fastest breakthrough. This is largely due to favorable reimbursement rates from insurers who consider this method more effective than 3D-CRT. IMRT is used to deliver approximately 40 percent of all radiation treatments in the US. The proportion of IMRT treatment in Europe is still not higher than about 15 percent. The method is well established, but large national variations in the acceptance of the technology exist.





The beam is turned on while the machine rotates to enable faster treatment.



The physical properties of protons allow more precise dose distribution with greater protection for surrounding organs.

VMAT INCREASES CAPACITY

Rapid advances are being made. Solutions that enable Volumetric Modulated Arc Therapy (VMAT) were launched in 2007. The hardware is the same as for IMRT. The difference is that the tumor is continuously irradiated while the radiation source rotates around the patient in single or multiple arcs. The major benefit compared with IMRT, where the radiation source stops and the beam is turned on at a number of fixed angles, is that treatment with VMAT can be delivered much faster. The quality of the treatment remains the same, but the time gained with VMAT allows every radiation therapy machine to treat an additional six to eight patients per day, compared with IMRT. This is a capacity increase of 10 to 20 percent.

The market is showing great interest in VMAT. Several of RaySearch's commercial partners have launched products with our modules, which enable the planning of VMAT treatments. One of RayStation's first customers – Massachusetts General Hospital – has purchased licenses to use RayStation for advanced IMRT and VMAT treatment planning.

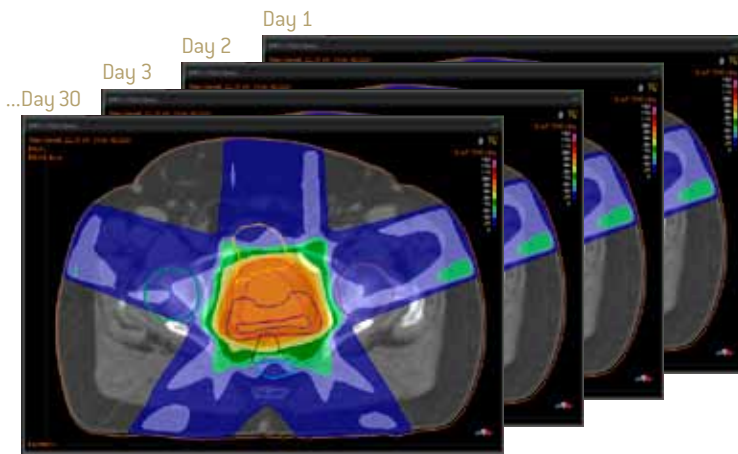
PROTONS HIGHEST PRECISION

Conventional radiation therapy is carried out with photons. Using protons or carbon ions instead of photons is a very promising form of therapy that is gaining ground. The advantage of protons is that they can be controlled to deliver the dose with millimeter precision without damaging posterior tissue. The treatments thereby become even more precise and effective than with IMRT.

The disadvantage is cost. Particle acceleration requires very advanced equipment and considerable space. The total investment for establishing a proton therapy center is extensive, ranging from SEK 500 million to over SEK 1 billion. A carbon ion therapy center is even more expensive. There are currently about 30 proton therapy centers around the world. An additional 20 centers are either under construction or being planned. To date, approximately 60,000 patients have been treated with proton therapy. Future price pressure on accelerators and more evidence of clinical benefits will increase the number of centers, and thus the demand for treatment planning systems for them.

RaySearch sees several reasons to lead the development in this area. On the one hand, the order value for planning and optimization systems for these centers is on a very high level. On the other, it gives us the possibility of further flexing our innovative muscles and showing that we have true cutting-edge expertise in treatment planning.

Since 2008, our system has been used in clinical practice by Uppsala University Hospital for the proton treatments provided at the Svedberg Laboratory. One major breakthrough is the licensing and partner agreement signed in 2009 with Westdeutsches Protontherapiezentrum Essen (WPE), under which RaySearch is supplying a complete treatment planning system for patient treatments. It is without a doubt the most advanced proton solution on the market and contains the most modern tools and algorithms for dose calculation and optimization that are necessary to fully utilize the potential of proton therapy.



Adaptive radiation therapy adjusts the dose distribution to the shape and position of the tumor during the treatment cycle.

IGRT/ART

THE NEXT STEP: ADAPTIVE THERAPY

A month-long treatment course is based on diagnostic images generated before the first treatment. However, over the course of treatment, changes can occur with regard to the shape and position of both the tumor and the surrounding healthy tissues, resulting in a risk that healthy tissue is damaged unnecessarily or that the tumor does not receive a sufficient dose of radiation.

Traditionally, these uncertainty factors have been handled by defining the treatment volume with a sufficiently large margin around the tumor. This ensures that the tumor really receives a sufficient dose over the six weeks that the treatment normally takes. The disadvantage is that healthy tissue is irradiated. With adaptive radiation therapy, the changes in the patient's anatomy that occur during ongoing treatment can be taken into account and adjusted for. Corrections can also be made for any errors that may occur during the treatment process.

Many linear accelerators already have integrated systems for patient imaging in connection with the treatment. This is a prerequisite for being able to monitor changes. Prior to each treatment, a new image of the patient is generated. This image is matched with the original diagnostic image. If deviations occur, the position of the treatment couch is automatically adjusted so that the radiation can be applied with greater precision. This is called image-guided radiation therapy (IGRT).

IGRT involves no changes to the treatment plan but is an important first step toward adaptive radiation therapy. The introduction of adaptive therapy ensures greater adjustment to the patient's movements, such as breathing patterns and changes to the size and shape of the tumor – both during and between treatments. Intensive development is expected in this area over the next five to ten years. The pace of this process will be determined by the proven clinical benefits and how the US insurance system allocates its resources. In the foreseeable future, this development will serve as a complement to IMRT and have no negative effect on RaySearch's revenue potential in this area. Adaptive radiation therapy will demand greater integration of planning and treatment, which in turn, will require more advanced software.

With the help of the treatment planning system, all treatment parameters can then be simulated and are visualized so that the treatment can be optimized. This results in a control program for the radiation machine.

A MORE PROMINENT ROLE FOR RAYSEARCH

Traditionally, four companies jointly account for the vast majority of sales of treatment planning systems worldwide: Philips, Varian, Elekta and Nucletron. Since the start, RaySearch has progressively built commercial partnerships with all but Elekta. RaySearch's software products are integrated components in these partners' offerings to the market.

The incentive for the companies to partner with RaySearch is that our expertise lies at the leading edge of the treatment planning area. RaySearch has ongoing research collaborations with scientific institutions around the world, and engage in close collaboration with clinical institutions. RaySearch understand their current and future needs. The trend is accelerating, new treatment areas are being introduced and treatment planning techniques are becoming increasingly refined and advanced. RaySearch is at the centre of these events. This has given our company unique know-how in treatment planning, which also benefits our partners.

This expertise has now been integrated into RayStation, a complete proprietary treatment planning system that was launched by RaySearch in 2009. It contains all of RaySearch's most advanced treatment planning solutions, integrated into a flexible system. RayStation is a new generation treatment planning system. A major benefit is that RayStation gives cancer clinics a unique opportunity to evaluate a wide range of treatment alternatives intuitively and efficiently. Without a doubt, RayStation adds a new dimension to treatment planning and cancer treatment.

RayStation presents new opportunities and challenges for the way that RaySearch acts in the market. RaySearch will continue working with its partners. Our partners will sell our solutions integrated with their products. In addition, RaySearch will also market RayStation directly to its customers. As a result, RaySearch have now established its own sales and service organization, starting in the US.

The market for treatment planning systems generated about USD 400 million at user level in 2010. RaySearch generated SEK 118 million. Our intention with RayStation is to increase our market share.

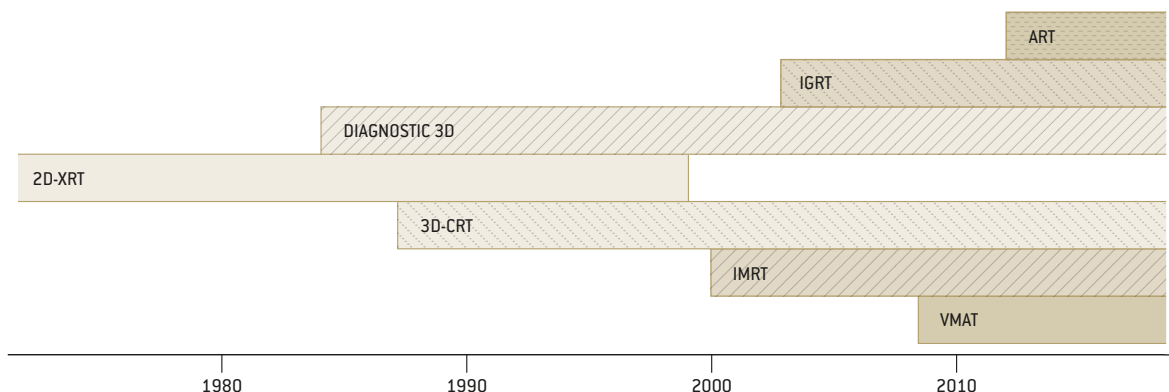
RAPID DEVELOPMENT

Radiation therapy is becoming increasingly advanced. The most common method is still traditional 3D-CRT, which was introduced about 20 years ago. But in the US, a global leader in this field, newer techniques account for about 30 to 40 percent of all treatments. The purpose of these new treatment techniques is to avoid the compromise that 3D-CRT involves. The challenge is to increase the dose to the tumor while reducing radiation exposure to surrounding healthy tissue.

RayStation is, of course, compatible with all of these new techniques. It contains algorithms for optimizing IMRT and VMAT, highly accurate dose calculation algorithms for both photons and protons and full support for four-dimensional adaptive radiation therapy. But RayStation also supports traditional 3D-CRT. A great deal of improvements can be made to this treatment method. 3D-CRT treatment planning is time-consuming because finding the right treatment settings involves so much manual work. The opportunities are radically improved with RayStation.

The table below provides an overview of various treatment methods and their principal properties and benefits. The methods are described in more detail in the section below the table.

DEVELOPMENT OF RADIATION THERAPY TECHNIQUES



Until the mid-1980s, technology was driven by only having two-dimensional images.

When 3D systems were introduced, patients could be treated with multiple beams and customized angles and thus avoid damage to adjacent healthy organs. When multileaf collimators were introduced, it became easier to adapt the shape of the radiation beam to the tumor.

New and advanced software made IMRT treatment possible. By modulating the intensity of the beams, the treatment could be adjusted to the shape of the tumor. VMAT is a follow-on from

IMRT. The machine rotates while the beam is turned on, which shortens the treatment process.

IGRT is based on the integration of an imaging system (2D or 3D) with a linear accelerator. Adjustments can be made for the position of the tumor in each treatment. In adaptive radiation therapy, the dose distribution is adjusted for the position and shape of the tumor in each treatment. This requires more advanced software plus a 3D-imaging system that is integrated with the linear accelerator.

“Creating tomorrow’s radiation therapy together”



PRINCESS MARGARET HOSPITAL (PMH) in Toronto, Canada, is a world-leading clinic in cancer treatment. RaySearch has collaborated with PMH in adaptive radiation therapy for many years.

“RAYSEARCH HAS PROVEN themselves through integration of physics and engineering principles into state-of-the-art clinical products for radiation therapy.” says **DAVID JAFFRAY** Head of Radiation Physics at Princess Margaret Hospital, seen here in the middle of the photo. “This is another great example of them identifying the best methods and working in partnership to advance them to the clinic for the benefit of cancer patients all over the world.”



THE COLLABORATION BETWEEN PMH and RaySearch is designed to take maximum account of the changes in a patient's anatomy that occur during the treatment cycle. This leads to better control of the tumor and less risk for side effects.

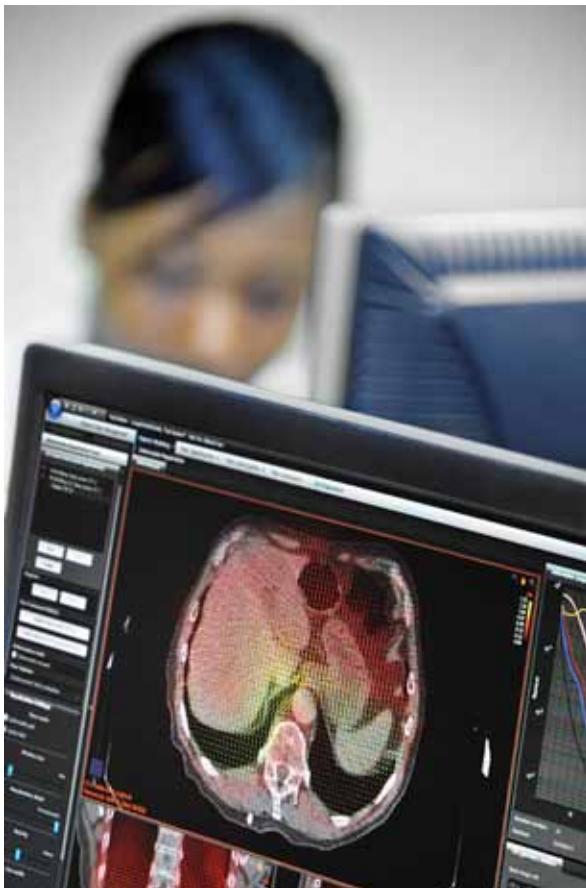


RAYSEARCH AND PMH recently signed a licensing agreement for adaptive radiation therapy, under which RaySearch is licensing groundbreaking software from PMH. "Morfeus incorporates the true biomechanical nature of soft tissue deformation to improve accuracy and extensibility. I am excited to partner with the RaySearch team to translate Morfeus technology into the clinic," says **KRISTY BROCK** physicist and Associate Professor at PMH.



CANCER PATIENTS FROM all around the world will benefit from the advanced collaboration between RaySearch and PMH.

SOFTWARE FROM PMH will be embedded in RayStation, which contains all of RaySearch's advanced solutions for treatment planning integrated into a flexible treatment planning system. PMH works with RayStation within the framework of research collaboration.





AT 1,800 CLINICS IN MORE THAN 30 COUNTRIES

RaySearch's treatment planning system can be found in radiotherapy clinics worldwide. The systems are used by physicians, nurses and hospital physicists who endeavor to give their cancer patients the best treatment possible. RaySearch's solutions raise the effectiveness of radiation therapy and the entire treatment process.

IN TOTAL, RAYSEARCH'S solutions are used by more than 1,800 clinics in over 30 countries. The distribution of these clinics is shown on the world maps on pages 26 and 27. As can be seen, radiation therapy is most common in the US, Europe and Japan. China and India are considered major growth markets. Altogether, hundreds of thousands of radiation treatments are delivered each year based on RaySearch's products.

MARKET FORCES

Physicians, physicists and nurses at these clinics aim to optimize the radiation treatment, enhance the therapy flow and limit the side effects. The task for RaySearch is to help the clinical staff, in both the long and the short term, to improve the safety, effectiveness and results of radiation therapy. By introducing new, efficiency-enhancing solutions – primarily in the software area – clinical staff can treat more patients yet devote more time to each individual. Better care, quite simply.

Being able to offer the latest technology for radiation treatment is a competitive advantage for clinics. It creates a sense of security for patients, but most importantly is that newer technology increases precision and the potential for controlling the tumor. The risk of relapse and side effects is reduced. The pace at which new and more effective treatment methods are introduced is a strong driving force for the development of clinics.

MANY DECISION INFLUENCERS

In the clinics, several different groups of people influence the decisions made concerning the treatment tools that are purchased. Physicians are often the primary decision makers in regard to both the treatment provided, and the devices and techniques that the hospital uses. The physician also presents the treatment alternatives and discusses the plans with the patient, and is ultimately responsible for the treatment.

Hospital physicists play a key role in the treatment chain. They develop the treatment plan and ensure and assure the quality of



Modern technology creates opportunities for better and more effective cancer care. 60 percent of cancer patients survive today thanks to modern treatment.

the dose delivered by the plan. As such, hospital physicists often play a leading role when choosing treatment planning and quality assurance systems.

Oncology nurses are the people who actually deliver the radiation treatment to patients. They also plan the treatments once they have become established procedures. Their primary role is to take care of the patient and ensure that the treatment progresses fast and efficiently, and according to plan. For oncology nurses, the reliability and efficiency of the system is vital.

Another important target group is the technical support department at clinics, whose specifications subject RaySearch's products to indirect requirements.

In addition to the operative personnel groups, hospital management – with responsibility for results and finances – also plays a key role in decision-making, by evaluating the financial and practical implications of investments in new techniques.

EXPANSION INTO RELATED AREAS

The unique expertise in optimizing treatment plans that RaySearch offers presents major opportunities for natural expansion into related and complementary areas. These areas include radiobiology, automatic treatment planning, clinical dose calculation, quality-assurance and segmentation. RaySearch conducts extensive development work in all of these areas. This has already led to a number of products that have now been integrated into our proprietary RayStation system, or become integrated modules in our partners' treatment planning systems.

With RaySearch's tools for radiobiological models, the physician can determine the probability of controlling a tumor and the risk of damaging healthy tissue in a specific treatment plan.

Automatic treatment planning entails that the actual development of a treatment plan becomes automated. The clinics save time, which can then be devoted to evaluating and comparing treatment alternatives.

To ensure that the correct dose of radiation is delivered to the patient, the clinic conducts a large number of control measurements to quality-assure the treatment before it is delivered. This is time-consuming and costly. RaySearch has developed a system that provides opportunities for assuring quality, simply by implementing the control measures in real time. This increases patient safety.

Segmentation is the process whereby a three-dimensional model of the tumor and surrounding organs is created before the actual treatment is planned. This is a time-consuming manual process. RaySearch has developed a product that radically streamlines this process and ensures that it is carried out consistently from case to case.

SIX COMMERCIAL PARTNERS

RaySearch's commercial partners are leading medical equipment companies that develop and sell systems for treatment planning or quality-assurance to hospitals and clinics that treat cancer with radiation therapy. RaySearch's software products are included as an integrated module of each partner's system. RaySearch currently has six partners who jointly control more than three quarters of the global market for treatment planning. In total, RaySearch has eight comprehensive licensing agreements with its partners. These licensing agreements comprise more than 30 partner products. Approximately half of these have been launched commercially. In all, these agreements have led to RaySearch selling more than 6,000 product licenses to its partners. In 2010 alone, more than 1,000 such licenses were sold. On average, a product license generates revenues of about SEK 90,000 for RaySearch.

Through RaySearch's collaboration with so many leading partners, the company reaches a large proportion of clinics worldwide. The collaboration is well-defined: Using its basic technology, RaySearch focuses on developing products that improve functionality and are adapted to today's and tomorrow's techniques for radiation therapy. The commercial partners are responsible for sales and service to end customers.

15 PARTNER PRODUCTS DEVELOPED AND LAUNCHED

Of the 15 partner products that have been launched commercially, 13 are designed for various treatment planning methods – 3D-CRT, IMRT, VMAT and proton therapy. RaySearch is an innovative market leader in all of these fields. IMRT treatment planning was actually the starting point for RaySearch's establishment and the company

SUMMARY OF RAYSEARCH'S PARTNER PRODUCTS*

| | Philips | Nucletron | IBA Dosimetry | Varian | TomoTherapy |
|------------------------------|---------|-----------|---------------|--------|-------------|
| 3D-CRT | | | | ■ | |
| IMRT | ■ ■ | ■ ■ ■ | | | |
| VMAT | ■ | ■ | | | |
| Radiobiology | ■ | | | ■ ■ | |
| Automated treatment planning | | | | | ■ |
| Dose calculation | | | | ■ | |
| Quality-assurance | | | | ■ | |
| Segmentation | | ■ | | | |

■ Launched products

* Except for Siemens, where the first products are expected to be launched in the first half of 2011.

has gradually strengthened its position through advanced research and product development. RaySearch's treatment planning products for IMRT are now the most widespread products worldwide. In the field of treatment planning for radiation therapy with protons, RaySearch's in-depth development work for German WPE led to a highly advanced solution. This work will also benefit other forms of therapy, in both the long and the short term.

Based on its leading position in IMRT, RaySearch has firstly taken a step back along the chain of therapy techniques by developing a 3D-CRT solution and, secondly, adapted the IMRT solution to VMAT. RaySearch's current development processes are in the adaptive area.

PARTNER DESCRIPTION

Philips: world leader with a broad portfolio

Philips Medical Systems from the Netherlands, is a leading supplier of medical diagnostic equipment. The product portfolio comprises equipment for a range of applications. The business unit, Philips Radiation Oncology Systems, which focuses on advanced treatment planning systems, collaborates with RaySearch.

Philips was RaySearch's first commercial partner. The initial agreement concerned an IMRT product that was launched in 2001. Over time, additional products in this therapy area have been added and one product for VMAT treatments has been introduced.

Nucletron: a strong offering in radiation therapy

Nucletron also has its head office in the Netherlands. The company specializes in products for cancer treatment. Its core competence lies in brachytherapy and treatment planning.

RaySearch signed an agreement with Nucletron in 2004 concerning a suite of products in the IMRT area. The package also included products for biological evaluation and optimization. In 2009, the agreement was expanded with products for VMAT treatment planning and model-based segmentation. The collaboration with Nucletron also comprises a long-term development and licensing agreement concerning treatment planning for radiation therapy with protons.

IBA Dosimetry: leader in dosimetry

German-Belgian IBA Dosimetry is a leading player in advanced dosimetry and quality-assurance solutions for clinical and industrial applications of radiation physics. The company supplies effective and reliable solutions for diagnosing and treating cancer.

In 2006, RaySearch signed a long-term development and licensing agreement with IBA Dosimetry concerning three products for IMRT quality assurance and one for adaptive therapy. The agreement represented an important expansion of RaySearch's business area and the first products reached the market at the end of 2007.

Varian: market leader in cancer treatment

Varian Medical Systems, based in California, is the world's leading manufacturer of medical equipment and software for treating cancer with radiation therapy. In 2007, Varian and RaySearch signed a long-term strategic licensing agreement.

In 2009, two IMRT products for radiobiological evaluation and optimization and one product for the optimization of conventional 3D-CRT plans were launched. The agreement was restructured in 2010.

TomoTherapy: partner with growth ambitions

The US company, TomoTherapy, creates, manufactures and sells unique, advanced radiation therapy solutions for cancer care.

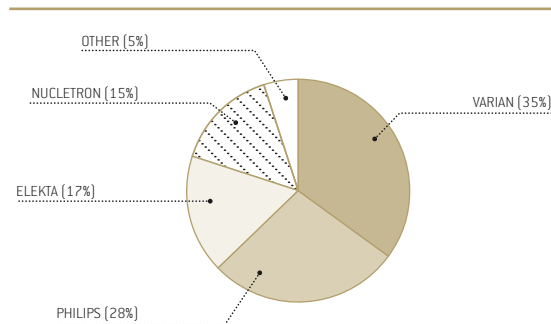
RaySearch signed a licensing agreement with TomoTherapy in 2007. The agreement comprises the development of a suite of IMRT products that facilitate the transfer of treatment plans between TomoTherapy's systems and conventional linear accelerators. This results in a better balance in terms of the workload at clinics with various types of accelerators. The capacity of the clinics increases and more patients can be treated. The first product was launched in 2009.

Siemens: a giant in medical technology

German Siemens Healthcare is one of the world's largest suppliers of healthcare equipment, including radiation therapy for cancer treatment. The company offers solutions that cover the entire value chain – from preventive care and early detection to diagnosis, treatment and aftercare.

RaySearch signed an agreement with Siemens in 2009 for the development of a number of planning modules. The market launch of these will take place during the first half of 2011.

MARKET SHARE OF TREATMENT PLANNING SYSTEMS





ASIA & THE MIDDLE EAST

Radiation therapy is rapidly gaining ground in Asia and the Middle East, which will undoubtedly lead to a growing demand for advanced software over the next few years.

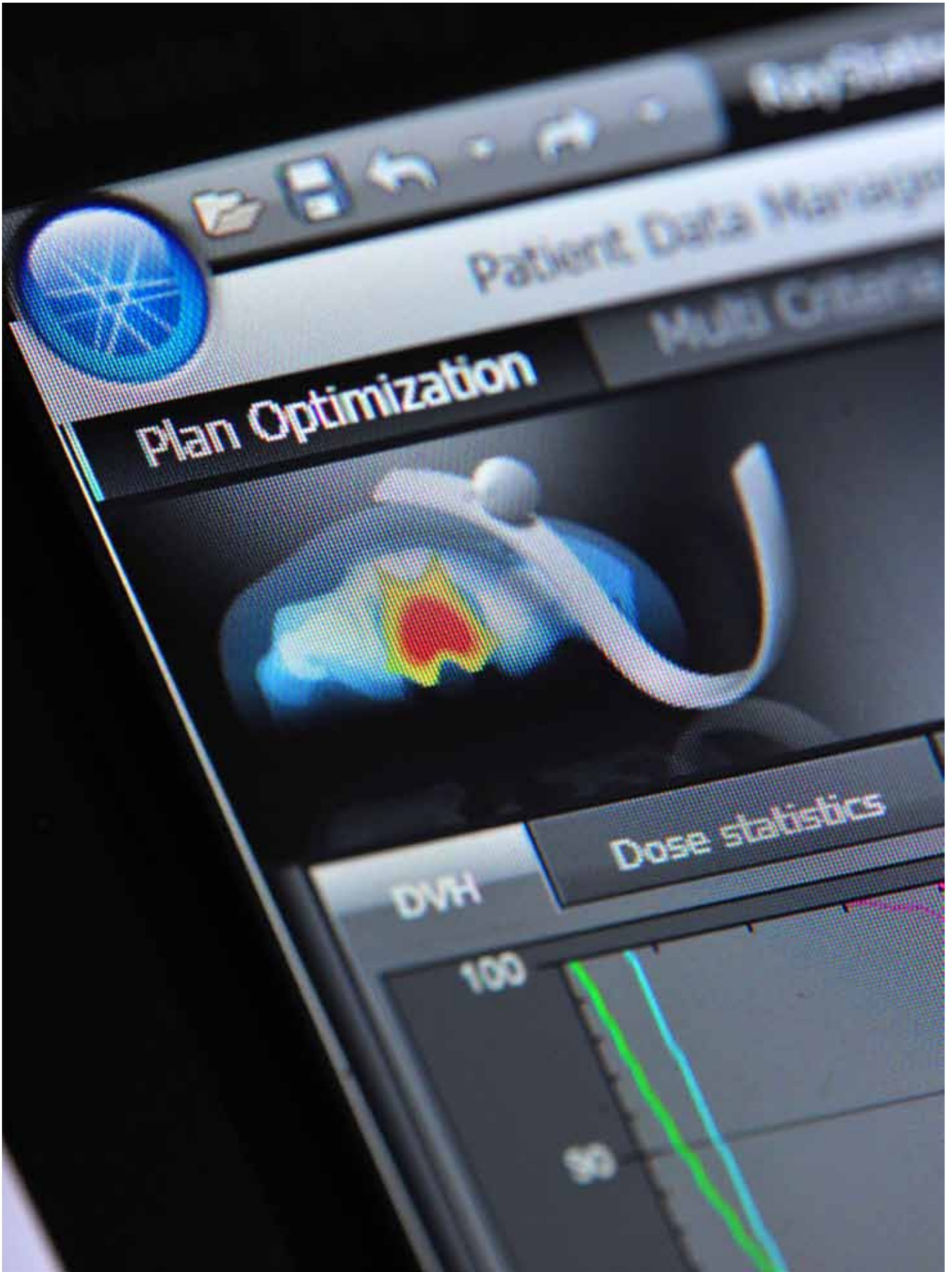


EUROPE

In Europe, the rate of development in radiation therapy techniques varies greatly between clinics. A number of clinics have been delivering IMRT treatments for some time, while others still need to improve their work practices before this form of treatment can be introduced.

NORTH AMERICA

The development of radiation therapy is spearheaded by North America, since the US and Canada have reached an advanced stage in their implementation of IMRT.



LAUNCH OF RAYSTATION

RaySearch introduced RayStation, its proprietary treatment planning system, in 2009. This represents a decisive step in the company's development and will change the game plan for RaySearch's market behavior. RayStation is a complete treatment planning system and contains all of RaySearch's advanced solutions. It is a synthesis of the unique expertise we have built up over ten years and creates new frontiers in cancer therapy.

RAYSEARCH WAS FOUNDED in 2000 as a spin-off from Karolinska Institutet in Stockholm. The business concept was to make treatment planning for cancer therapy more effective by using advanced software. For natural reasons, RaySearch was strongly research-oriented from the start. The business model was thus to pursue close collaboration with commercial partners that would market and sell treatment planning systems. RaySearch developed advanced module solutions that could be integrated into the treatment planning systems sold by each company.

These partnerships also entailed that RaySearch did not need to build its own global sales organization, whereby its resources could be devoted to research and development.

ESTABLISHED EXCELLENCE

RaySearch's rapid success is based on giving our commercial partners access to expertise that lies at the forefront of treatment planning solutions. We can offer solutions that these companies are not able to develop, or lie in areas beyond their core focus. The more advanced solutions that RaySearch can offer, the greater the likelihood that these leading medical technology companies will assign their projects to us. Our successes over the years, with currently more than 6,000 sold licensed products, show that we are positioned as a company on the cutting edge of our field – treatment planning. Collaboration will continue in the same manner as before. Selling our innovative products through our commercial partners is an important part of our business model.

EMBRYO TO RAYSTATION

In parallel with these collaborations, we have at all times pursued close research collaborations with scientific institutions around the world. In addition, we have continuously worked closely with leading clinical users to secure and calibrate our knowledge. This has given us a deep understanding of the challenges that face cancer therapy, as well as guidance in our own R&D work. We devote about 60 percent of our revenues to R&D.

As a direct consequence of this, we have gradually developed a proprietary treatment planning system. These advanced clinics and

institutions have challenged us and made demands that existing systems could not meet. The result was RayStation. The first milestone for RayStation was when we signed an agreement with German clinic WPE (Westdeutsches Protonenterapiezentrum Essen) in the summer of 2009. Another breakthrough was when we obtained FDA clearance to market RayStation in the US in March 2010. This was followed by a first order from the US market in October 2010, from MGH (Massachusetts General Hospital) in Boston. This was a prestigious order that resonated with other leading clinics.

A NEW STAGE OF DEVELOPMENT

As a result of these orders, RaySearch is now moving into a new phase of development. We will of course continue to invest wholeheartedly in research and development, which is the core of our business. But our new strategy means that we must add a new dimension to our operations. Our parallel focus on direct sales of RayStation requires completely new commercial resources from us, compared with selling through our partners. To fulfill our customers' needs and requirements, we have begun building our own sales and service organization. The first step was taken in January 2011 when we established an office in the US. We will now be able to sell directly to clinics. In other words, we are no longer totally dependent on our commercial partners and have strategic freedom of action. This presents an opportunity for us to create an even stronger market position.

NEW, YET STILL WELL-PROVEN

Although RayStation constitutes an entirely new product family, it is based on long experience and proven principles. The system builds on RaySearch's ORBIT platform, which is included in our partners' products and currently used by more than 1,800 cancer clinics worldwide. RayStation contains all of RaySearch's advanced treatment planning solutions, integrated into a flexible system. They are developed with the latest technology and create a new industry standard, thus giving cancer clinics a unique opportunity to evaluate a wide range of treatment alternatives that work intuitively and efficiently.

A NEW STANDARD THAT BENEFITS EVERYONE

RayStation includes functionality that is unique in many aspects and it includes features that are not available in any other treatment planning system. As an example, RayStation was designed with 4D adaptive radiation therapy in mind. RayStation is also extremely user-friendly. Treatment alternatives can be intuitively and effectively evaluated on computer screens.

Physicians can combine, compare and evaluate different treatment modalities on a single integrated RayStation system. They can also conveniently compare candidate plans. With multicriteria optimization, the radiation oncologist can even balance between different treatment objectives instantly.

The job for the physicist is greatly simplified by the user-friendly commissioning and quality assurance tools. The physics model-

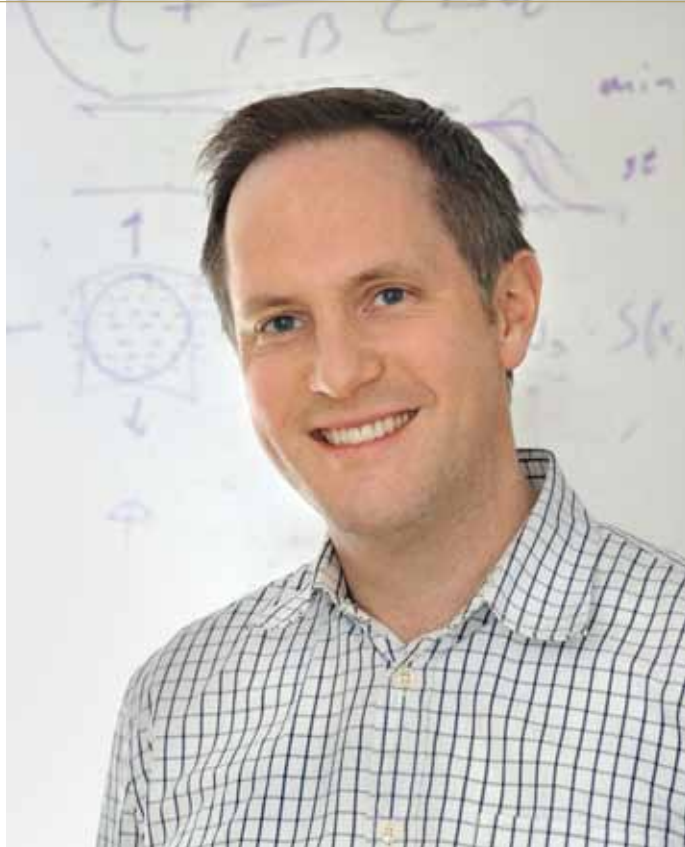
ing is completely transparent and the physicist can explore and understand all parameters describing a particular linear accelerator.

Hospital management will find that the modular and open design of RayStation makes it possible to find the perfect combinations of capabilities without getting stuck with time-consuming transfers between systems.

RaySearch is also a perfect research tool. Users can easily implement their own functions and integrate them with the overall framework. RayStation creates opportunities for reducing the time from clinical research to practical applications.



HENRIK REHBINDER is responsible for RayStation's adaptive functionality. "When a cancer patient undergoes a month-long treatment, both the tumor and surrounding healthy tissue change during that time. Adaptive radiation therapy takes these changes into account, which makes the treatment more effective. The tumor receives a sufficiently high dose without damaging healthy tissue."



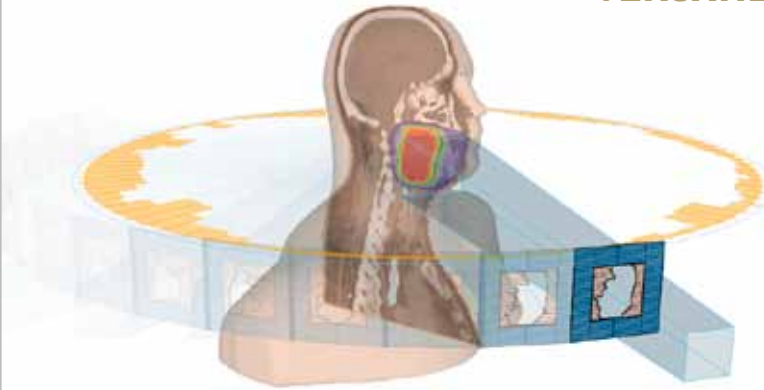
STINA SVENSSON is the Technical Lead for Dose Tracking in RayStation. "This software tool is unique in this industry. Dose Tracking can track the patient's accumulated radiation dose and account for any changes in the position of the tumor and the patient's anatomy. Dose Tracking is based on state-of-the-art models and is developed in collaboration with leading cancer clinics. The user is informed about any changes that require adaptation. The treatment is constantly optimized by making interactive adjustments."

ANDERS MURMAN (on the right) is Director of Development at RaySearch. "RayStation is a complete treatment planning system. It is based on the unique expertise that RaySearch has accumulated over the years. RayStation contains all of our advanced treatment planning solutions integrated into a flexible and coherent system." **HENRIK FRIBERGER**, project manager for RayStation, says: "RayStation makes it possible for clinics to evaluate a range of treatment alternatives intuitively and efficiently. RayStation is a complete, new-generation treatment planning system that adds a new dimension to this field."



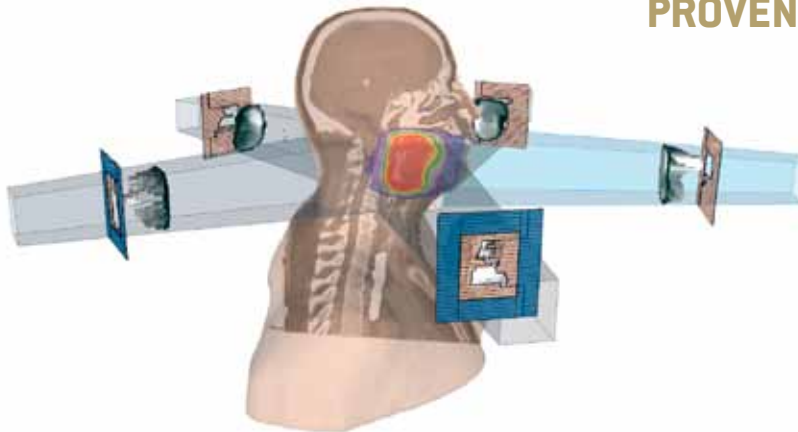
RayStation – A new dimension

VERSATILE VMAT OPTIMIZATION



RAYSEARCH'S PROVEN VMAT treatment planning algorithm is the most flexible solution available today. It works for both Elekta and Varian linear accelerators. By adapting the algorithm, it can even be used to optimize plans for VMAT delivery with linear accelerators that have not been upgraded for VMAT. By direct and simultaneous optimization of all available VMAT treatment parameters, treatment plans with outstanding quality can be achieved.

PROVEN IMRT OPTIMIZATION



THE RAYSTATION IMRT optimization module is the result of over two decades of advanced development and fine tuning. As the optimizer is aware of the physical limitations of the linear accelerator during the optimization process, it is able to make more effective compromises and can thereby reduce the number of required segments by as much as fifty percent leading to more and faster treatments. More than 1,800 clinics worldwide base their treatments on this module.

OPTIMIZING 3D-CRT

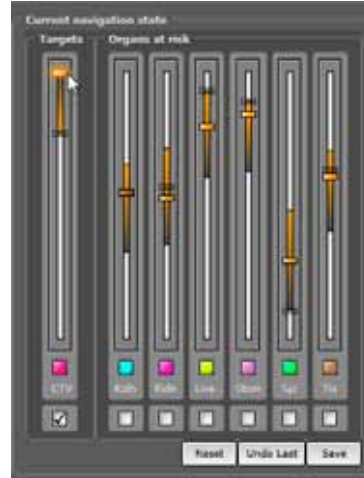
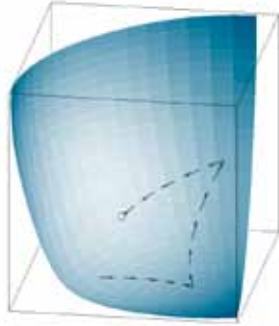
THE RAYSTATION 3D-CRT optimization module enables the clinician to simultaneously optimize all available degrees of freedom in three-dimensional conformal treatments. With 3D-CRT optimization, a vast space of alternative beam configurations can be explored quickly and an optimal plan is produced within minutes. This makes it easy for the planner to achieve excellent plan quality with a high level of consistency.



in treatment planning

MULTI-CRITERIA OPTIMIZATION

THE MULTICRITERIA OPTIMIZATION (MCO) functionality in RayStation aims at making the treatment planning procedure more intuitive and time-efficient as well as providing tools for exploring the inherent trade-offs present in the treatment plans. Instead of having to perform a series of optimization runs to find the appropriate balance between different objectives, the user can explore the solution space in real time. With RayStation, this very powerful feature is now available for the first time in a commercial treatment planning system.



RADIOBIOLOGICAL OPTIMIZATION

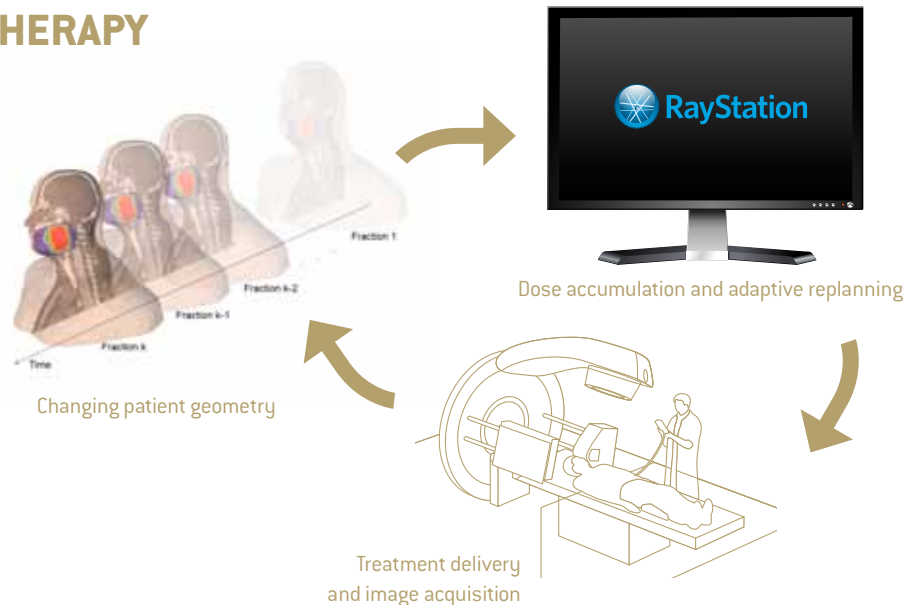
RAYSTATION CONTAINS ALL the relevant radiobiological models, including tissue healing and tumor growth. These models present opportunities for creating plans with the maximum likelihood of making the patient healthy, while reducing the risk for complications in adjacent healthy tissue.

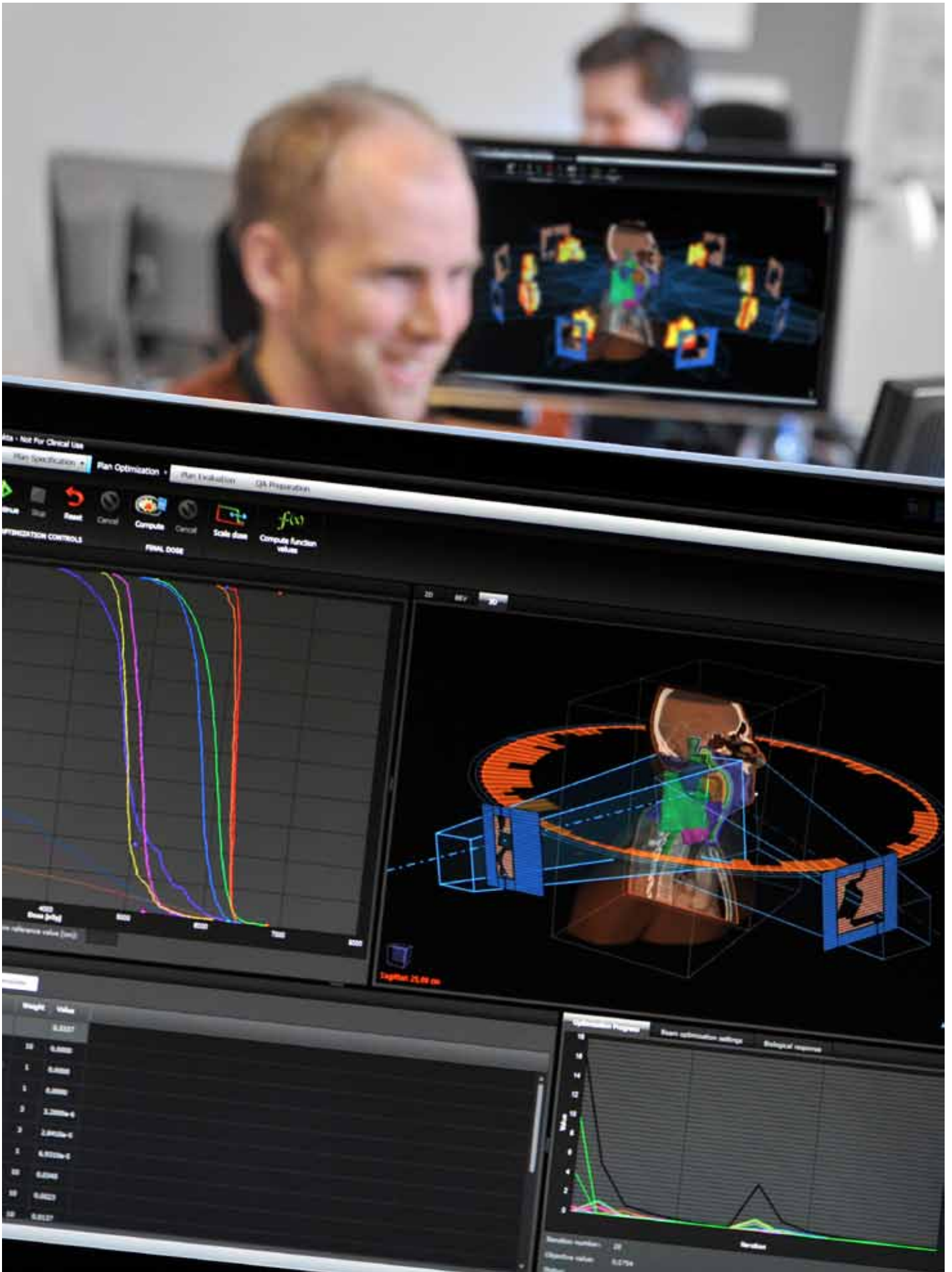
OPTIMIZATION OF PROTON THERAPY

THE POWERFUL OPTIMIZATION ENGINE and the four-dimensional architecture of RayStation make it an ideal platform to meet the substantial requirements that advanced proton therapy puts on a treatment planning system. It is not without reason that the first user of RayStation was one of the world's leading clinics for proton therapy.

ADAPTIVE RADIATION THERAPY

DURING THE RADIATION TREATMENT COURSE, the patient's anatomy changes continually. This entails a risk that healthy tissue is damaged while the tumor does not receive a sufficient dose. RayStation has been developed to adapt to these changes from the start and the system has built-in tools to account for these complications.





WORLD-CLASS EXPERTISE

RaySearch invests a large proportion of its revenues in various research projects every year. Research is conducted both in-house and in close collaboration with leading hospitals and universities. The purpose is to conduct long-term studies of new methods and techniques in the field of radiation therapy. Through the practical applications of research results, we can develop commercially successful products in the shortest time possible.

RAYSEARCH'S RESEARCH department is the heart of its product development. The department is separated from the development department organizationally, thus creating a genuinely dedicated and creative environment for conducting long-term work.

The research results are gradually transferred to the development department in the form of reports, ideas for new product concepts and proposals for improving existing products. In return, the development department can utilize the research department's resources in its practical work. Feasibility studies can be initiated, prototypes produced and ongoing projects validated.

GLOBALLY LEADING

Experts with world-class expertise in various radiation therapy techniques work at RaySearch. This makes RaySearch an attractive research partner for hospitals and universities that want to be positioned at the forefront of development. A key strength in this context is the fact that RaySearch is originally a spin-off from Karolinska Institutet, thus creating an understanding and affinity with the academic community. Agreements with various research institutions influence the focus of the research that is conducted and make it possible to productify the research results faster.

As shown by the list, RaySearch currently has research collaborations with a number of universities, colleges and clinics that are leading players in the radiation therapy field. This takes the form of sponsored research collaborations, financial support for industrial PhD candidates and participation in larger and more comprehensive research projects.

FROM RESEARCH TO PRODUCT DEVELOPMENT

RaySearch's research projects often focus on concept studies of algorithms, or the development of prototype software for producing new treatment techniques. A key task for the department is to monitor scientific progress so as to minimize the time from scientific publication to finished clinical product. This takes place externally by presenting results at international conferences and in scientific journals. These are important channels for marketing RaySearch, and in this way, the market can be prepared for new treatment techniques.

RESEARCH COLLABORATIONS

Massachusetts General Hospital

Massachusetts General Hospital in Boston is one of the foremost cancer clinics in the US. MGH and RaySearch collaborate in the field of multi-criteria optimization. MGH has also purchased RayStation and will begin using the system clinically in 2011.

Princess Margaret Hospital

Princess Margaret Hospital in Toronto, Canada, is considered one of the world's foremost cancer clinics and collaborates with RaySearch in the field of adaptive radiation therapy. The clinic has access to considerable resources for measuring the changes in patient geometry, which form the basis for adaptive radiation therapy.

Karolinska Institutet

The Department of Medical Radiation Physics at Karolinska Institutet in Stockholm is RaySearch's oldest research partner. The collaboration focuses on biological models and is pursued in the form of an industry-employed PhD student within the context of Artforce.

Royal Institute of Technology

Together with the Department of Optimization Science and Systems Theory at the Royal Institute of Technology in Stockholm, research is conducted into more extensive optimization of radiation therapy in the form of two industry-employed PhD student.

Artforce

Artforce is an EU-funded project involving about ten clinics and companies. The research is focused on adaptive radiation therapy, biological models and functional imaging using PET (positron emission tomography), and combinations with chemotherapy. The project will commence in March 2011, and continue for at least five years.

Clatterbridge Centre for Oncology

Collaboration on the evaluation of RaySearch's IMRT solutions for biological optimization.

CLINICAL PARTNERSHIPS

Westdeutsches Protonentherapiezentrum Essen

Development of a complete treatment planning system for proton therapy in RayStation. Also contains advanced adaptive features.

The Svedberg Laboratory

Uses RaySearch's solution for the treatment planning of proton treatments clinically.

RaySearch's research is long-term with a time horizon of two to five years. The research is conducted into targeted areas, which the management has identified as most interesting from a commercial and technical perspective. When the research findings are to be translated into commercial product development, specialists are temporarily transferred from the research department to the development department, thus making the process of transforming research to finished products more effective.

A PLATFORM FOR FAST COMMERCIALIZATION

RaySearch's development projects are often conducted in cooperation with leading research-intensive clinics. These partnerships are designed to develop new methods and tools for radiation therapy. The partners contribute their clinical expertise and RaySearch offers its software tools. Together, we can test new methods directly in a clinical setting. In these research collaboration projects, RaySearch supplies a complete treatment planning system based on our proprietary platform, RayStation. The solutions that are developed complement the existing systems of our clinical partners and have the potential to later become available for more clinics.

When partnership agreements are signed with commercial partners a dedicated development process is started. A partner project can be initiated when a partner faces a specific challenge and needs advanced solutions, or when RaySearch approaches a partner for assistance in commercializing a new concept. The objective of the development process is always to create a commercially viable and clinically useful product in the shortest time possible.

The development process is based on RaySearch's research results and well-proven methods. It can involve the production of new products, or the development and maintenance of existing products. The starting point for the development process is RaySearch's software platform ORBIT, whose unique features enable the re-use of a well-proven and well-tested code base in many products. The final basic functionality is a source of strength for RaySearch in negotiations with partners, and prior to new projects.

The ORBIT platform offers a development environment that is independent of operating systems. The developed product can then be used on both Windows and Unix. It is also independent of the host system, which simplifies integration with several treatment planning systems.

WELL-ESTABLISHED PROCESS

Most development projects have a duration of one to three years, followed by further enhancement of the functionality. Like the research side, the product development department has a well-defined role and its own management.

The development process is divided into sub-projects, which are then allocated to specific development groups with suitable expertise for the assignment. The functionality that is developed by each sub-project is evaluated and then further refined in an iterative process. One of the principal factors for successful product development is strong group dynamics, which are created by a good mix of skills combined with a structured development methodology, all based on a common platform.

EVER-EXPANDING DEVELOPMENT PORTFOLIO

As RaySearch establishes new partnerships and broadens existing ones, the product portfolio is also expanded.

For historical reasons, IMRT has been the core of much of the development work that has taken place during RaySearch's formative stages. Today, IMRT is one of many areas in which the company works. The IMRT development process continues constantly with improvements and enhancements to the basic and ancillary technology. Examples include radiobiological optimization, VMAT and automatic plan generation. Robust optimization makes it possible to utilize the full potential of IMRT. This feature has been developed in RaySearch through close collaboration between the development and research departments, which have had a full-time PhD student working on the project.

A key development area that offers major challenges is multi-criteria optimization. The process involves creating exact algorithms, optimizing efficiency so that optimization can take place more or less immediately and, in particular, developing a graphic interface that can also be used by physicians, not only hospital physicists.

RaySearch also focuses on dose tracking. Virtually all aspects of the treatment planning technology must be activated when developing software in this area. This places great demands on multi-disciplinary expertise.

Finally, RaySearch invests development resources in quality assurance. By developing new products that enhance and improve the process that clinics follow, the accuracy of radiation treatments is secured in a better way.

AN INCUBATOR FOR EXCELLENCE

RaySearch is a knowledge enterprise in the true sense of the word. Some of the world's leading theorists and practitioners in various branches of technology in the radiation therapy field are housed under the same roof. These specialists can flex their intellectual muscles together with their peers. Their tasks and challenges are extremely advanced, which is all about realizing their visions. Due to investments in our proprietary product RayStation, demands on us are even higher in this respect. We must stay attuned to market developments and capture trends and challenges as early as possible. But we also have to create our own visions for how future cancer treatment can take place in the best way.

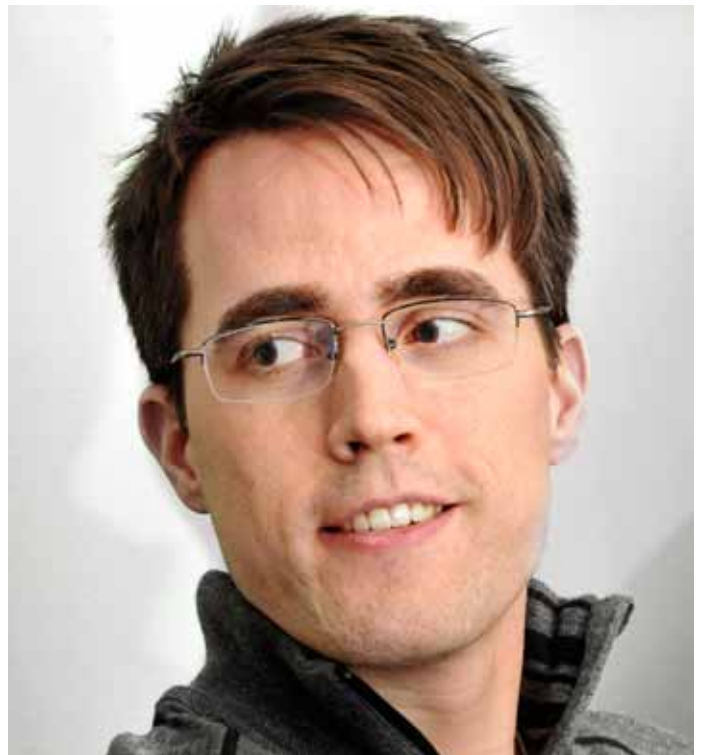
One of the main reasons behind RaySearch's success is our creative environment. This is also a prerequisite for the company to continue attracting leading expertise. In principle, most of our employees today have at least university or college education. About one third of our employees also have a PhD. The average age is low (34 years). Illness absence is just over 1 percent.

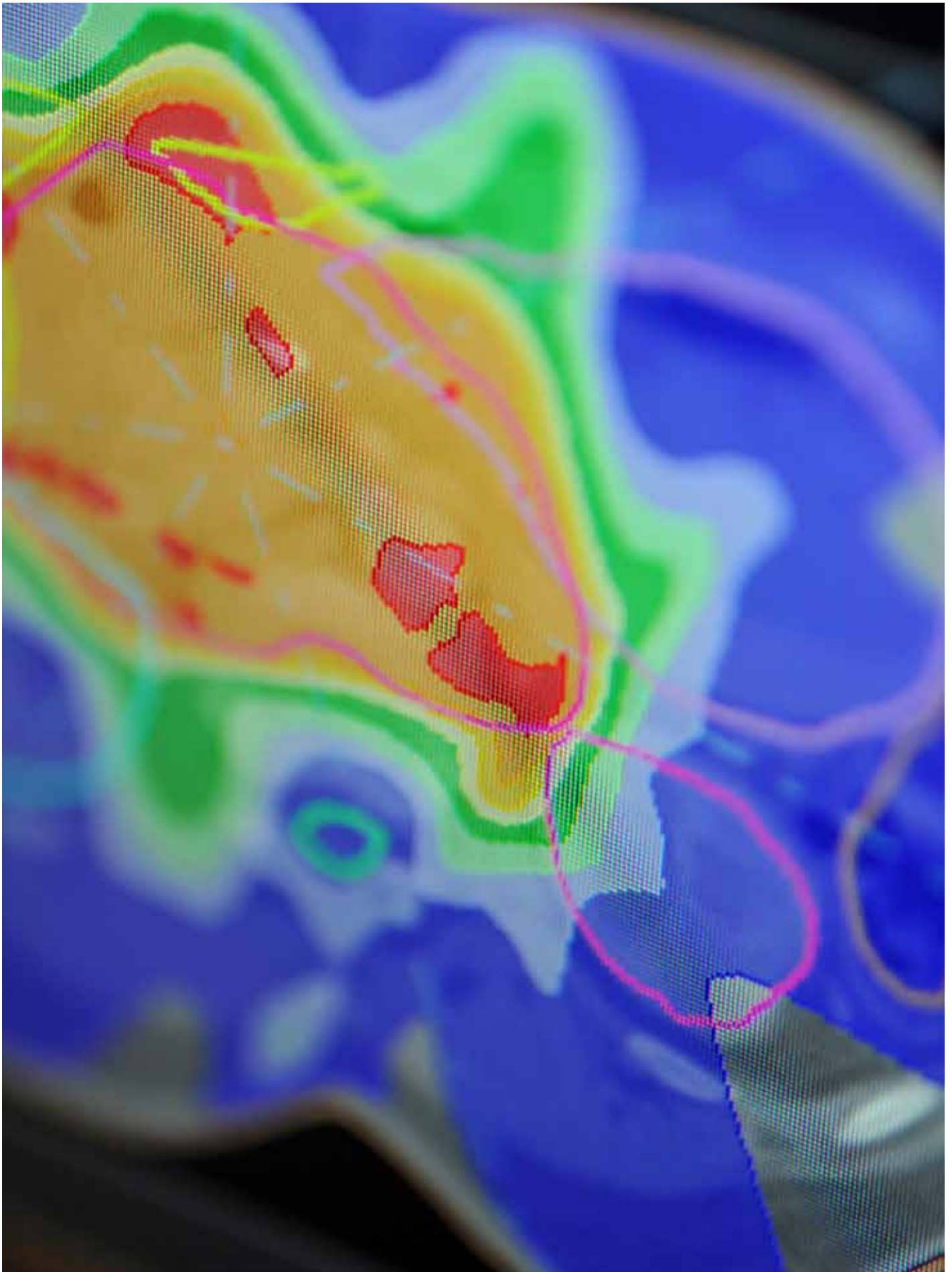
Most of RaySearch's work is organized in the form of specialized teams, which are responsible for well-defined projects. Every team is led by a project manager who reports directly to the company management.

The employees' expertise is primarily developed by constantly sharing experiences. As a result of the company's extensive collaboration with leading clinics, institutions and customers, our employees are surrounded by innovation and creativity. This is the very soul of RaySearch's business.



IN PRINCIPLE, most of our employees today have at least university or college education. About one third of our employees also have a PhD. The average age is low (34 years). Illness absence is just over 1 percent.





A STABLE BASE FOR NEW INVESTMENTS

RaySearch invests substantial resources in the constant development of new and better products. This is a crucial success factor for the company. Due to the launch of RaySearch's proprietary product RayStation, the company is now in a phase that also requires investments in new commercial structures. A key prerequisite for these investments is a strong financial base.

RAYSEARCH'S FINANCIAL STRENGTH makes it possible to persistently and consistently pursue initially uncertain innovative and commercial projects for the time that is required. This also facilitates the recruitment of employees who possess the necessary cutting-edge expertise. In a stable and resourceful company, highly trained specialists feel secure and can devote themselves to the important task of developing new products. There is also scope for new and exciting projects, which are important in a knowledge based company.

EXPANSION WITHOUT EXTERNAL FINANCING

Due to RaySearch's financial strength over time, the company's rapid expansion since 2003 has been fully financed by the strong cash flow generated from operating activities. Growth has taken place without any external borrowing or new share issues.

The company's original business model has also helped to build this financial strength. The model entails that sales are almost exclusively conducted through partners. RaySearch has not, to date, needed to invest in building its own sales organization. Subsequently, a large proportion of the cash flow has been available for research and development, and to increase the financial assets on the balance sheet.

The launch of proprietary product RayStation has now changed this situation. In the short term, parallel with our ongoing and long-term research and product development work, this investment means that we must now invest in building our structures and resources for marketing, sales and service. However, we are moving carefully and building everything step by step. The goal is that our direct sales shall contribute to earnings also in the short term.

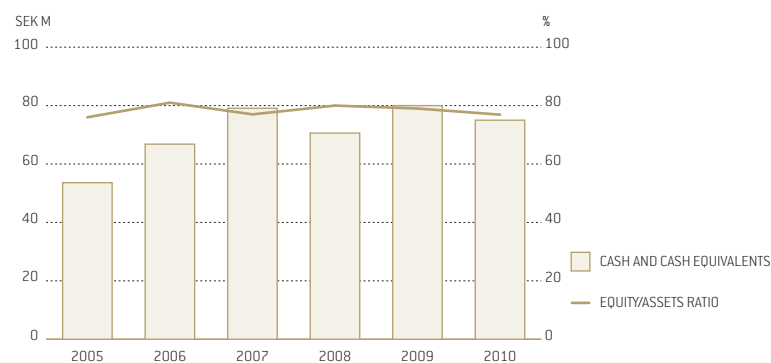
We established our own sales office in the US in early 2011. In this respect, the strong cash flow will serve us well in the short term, and the US expansion is completely financed with our own resources.

SEK 75 M IN CASH AND CASH EQUIVALENTS

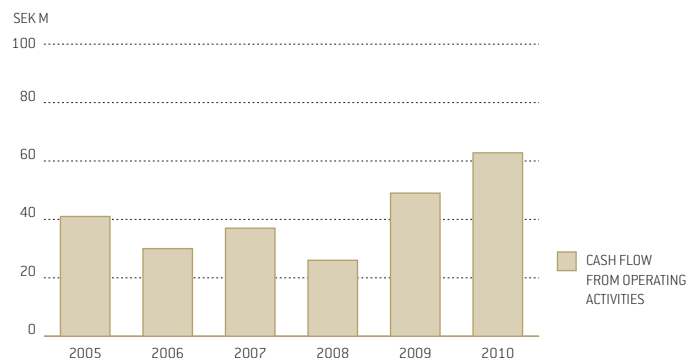
Due to its strong financial position, RaySearch currently has no interest-bearing liabilities. Cash and cash equivalents amount to SEK 75 M, a level corresponding to eight months' revenues.

The company's equity/assets ratio has constantly remained high. This, combined with the favorable cash position, gives RaySearch significant strength and considerable scope for retaining employees and continuing to pursue pressing research projects. This situation would not change even if sales and cash flow, for some unknown reason, were negatively impacted for a temporary period of one or several years. RaySearch's strong financial position thus constitutes a stable and important base for the company's continued success.

EQUITY/ASSETS RATIO AND CASH AND CASH EQUIVALENTS



CASH FLOW FROM OPERATING ACTIVITIES



FINANCIAL STATEMENT

ADMINISTRATION REPORT

| | |
|----------------------------------|----|
| Administration report..... | 41 |
| Corporate governance report..... | 46 |
| Board and Auditors | 48 |
| Senior management..... | 50 |

GROUP

| | |
|--|----|
| Income statement | 52 |
| Statement of comprehensive income..... | 53 |
| Statement of financial position..... | 54 |
| Statement of changes in shareholders' equity | 56 |
| Statement of cash flows | 57 |

PARENT COMPANY

| | |
|--|----|
| Income statement | 58 |
| Statement of cash flows | 58 |
| Statement of financial position..... | 59 |
| Statement of changes in shareholders' equity | 59 |

NOTES

| | |
|--|----|
| Not 1 Accounting policies | 60 |
| Not 2 Segment reporting..... | 65 |
| Not 3 Income distribution | 65 |
| Not 4 Employees, personnel costs and senior executives..... | 65 |
| Not 5 Auditors' fees and compensation for expenses..... | 67 |
| Not 6 Option program | 67 |
| Not 7 Operating expenses specified by type of costs..... | 68 |
| Not 8 Other operating expenses | 68 |
| Not 9 Depreciation and amortization of tangible and intangible fixed assets | 68 |
| Not 10 Operating leases..... | 68 |
| Not 11 Interest income and interest expense on financial instruments..... | 68 |
| Not 12 Appropriations..... | 68 |
| Not 13 Tax on profit for the year..... | 69 |
| Not 14 Dividend per share, earnings per share and number of shares..... | 69 |
| Not 15 Capitalized development expenses..... | 70 |
| Not 16 Software | 70 |
| Not 17 Tangible fixed assets..... | 70 |
| Not 18 Participations in group companies | 70 |
| Not 19 Accounts receivable | 71 |
| Not 20 Prepaid expenses and accrued income..... | 71 |
| Not 21 Cash and cash equivalents | 71 |
| Not 22 Deferred tax assets and tax liabilities | 71 |
| Not 23 Untaxed reserves | 72 |
| Not 24 Other long-term liabilities | 72 |
| Not 25 Accrued expenses and prepaid income | 72 |
| Not 26 Risks and risk management | 72 |
| Not 27 Measurement of financial assets and liabilities at fair value | 74 |
| Not 28 Pledged assets and contingent liabilities | 75 |
| Not 29 Related party transactions..... | 75 |
| Not 30 Interest payments and dividend | 75 |
| Audit report | 77 |

ADMINISTRATION REPORT

OPERATIONS

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are sold primarily through license agreements with leading partners such as Philips, Nucletron, IBA Dosimetry, Varian, TomoTherapy and Siemens. Fifteen products have been released to date and RaySearch's software is used at approximately 1,800 clinics in over 30 countries. In addition, RaySearch offers the proprietary RayStation treatment planning system directly to clinics. RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm and the company is listed in the Small Cap segment of the NASDAQ OMX Nordic Exchange Stockholm.

Development work focuses on translating market demands, customer preferences and research findings into products. This involves the creation of new products as well as enhancements and maintenance of existing products. Development work in 2010 focused on the completion of RaySearch's proprietary comprehensive treatment planning system RayStation, the first version of a system developed for Siemens and new versions of existing products for other partners. Accordingly, development work encompassed a broad range of products including rotational therapy and conventional radiation therapy, radiation therapy with protons, adaptive radiation therapy and quality assurance of radiation treatments.

Research is more future-oriented and forms the basis of the next generation of products. Research primarily focuses on the following areas: adaptive radiation therapy, multi-criteria optimization and tools for robust optimization taking into account disruptions and errors that occur during the course of treatment. Research operations are conducted in close cooperation with such organizations as the Royal Institute of Technology in Stockholm, Princess Margaret Hospital in Canada, and Massachusetts General Hospital in the US.

HIGHLIGHTS OF THE YEAR

RaySearch secured FDA approval for RayStation in the US

In March, RaySearch received 510(k) clearance for RayStation from the FDA. RayStation is RaySearch's proprietary complete treatment planning system that integrates all of RaySearch's advanced treatment planning solutions into one flexible system. It includes functionality such as RaySearch's market-leading algorithms for IMRT and VMAT optimization, highly accurate dose engines for photon and proton therapy and will offer full support for 4D adaptive radiation therapy. The system is built on the latest software architecture and has a graphical user interface offering state-of-the-art usability. As a complement to the partner-based business model, RayStation offers the possibility to collaborate directly with a few selected leading research-intensive clinics. In June 2009, a first agreement was signed in Europe with the German clinic WPE, which started to use RayStation clinically in 2010. Receiving 510(k) clearance means that RaySearch can now market RayStation in the US and enter similar collaboration agreements in that region too.

Collaboration agreement with Varian expanded

In April, the license agreement with Varian Medical Systems was restructured to add one new product, strengthen the collaborative product development efforts and make it easier to add new capabilities and features to Varian's Eclipse™ treatment planning system. The original agreement was signed in May 2007 and, to date, three products from RaySearch have been integrated in Eclipse™. These are tools for radio biological evaluation, radio biological optimization and optimization of conventional 3D-CRT.

Breakthrough RayStation order from Massachusetts General Hospital

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

SALES AND EARNINGS

Total sales for 2010 increased 40.7 percent compared with the preceding year and amounted to SEK 117.7 M (83.7). Sales primarily comprised license revenues through partners and support revenues. The number of licenses sold through partners and directly totaled 1,093 (656) and license revenues for 2010 amounted to SEK 96.3 M (60.6). The increase in license revenues was mainly attributable to the launch of RayStation, the new products sold via Philips, Nucletron and Varian that started to generate revenues at the end of 2009 and the first product from the collaboration with TomoTherapy that started to generate revenues during the second quarter of 2010. License sales were also impacted positively by increased sales of the older products sold via Philips, Nucletron and IBA Dosimetry. Sales were affected adversely by a 7.4 percent decline in support revenues to SEK 21.4 M (23.1) in 2010.

Operating profit amounted to SEK 39.9 M (40.9), corresponding to an operating margin of 33.9 percent (48.8).

Profit after tax totaled SEK 28.9 M (30.1), corresponding to earnings per share of SEK 0.84 (0.88).

OPERATING EXPENSES AND CAPITALIZATION OF DEVELOPMENT COSTS

Operating expenses, excluding exchange rate gains and losses, increased SEK 34.9 M compared with the preceding year to SEK 75.9 M. Other operating revenues and other operating expenses refer to exchange rate gains and losses, with the net of these for 2010 amounting to an expense of SEK 1.8 M (expense 0.8). The increase in operating expenses was mainly due to higher costs for research and development, of which the amortization of capitalized development costs accounted for the majority.

As of December 31, 2010, 63 (54) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees and costs for computer equipment and premises. Before capitalization and amortization of development costs, research and development costs totaled SEK 75.5 M (55.9). Capitalized development costs for 2010 rose to SEK 49.5 M (43.3). Amortization of capitalized development costs during 2010 amounted to SEK 27.5 M (12.1). The increase during the year was due to capitalized development pertaining to the company's new products starting to be amortized in the third and fourth quarters of 2009 as the new products began to be installed in clinics, while such costs continued to be incurred throughout 2010. Research and development costs after capitalization and amortization of development costs totaled SEK 53.5 M (24.7). Refer to Note 15.

LIQUIDITY AND FINANCIAL POSITION

As of December 31, 2010, cash and cash equivalents amounted to SEK 75.0 M, compared with SEK 80.0 M on December 31, 2009. As of December 31, 2010, current receivables totaled SEK 39.9 M, compared with SEK 30.5 M on December 31, 2009. RaySearch has no interest-bearing liabilities.

CASH FLOW

Cash flow from operating activities for 2010 amounted to SEK 62.8 M (49.2). The increase was mainly attributable to an improvement in profit adjusted for amortization. Cash flow for the year was a negative SEK 5.0 M (positive: 9.4). The decline in the total cash flow was due to payment of a dividend of SEK 17.0 M in 2010, while no dividend was paid in 2009. Cash flow from investing activities fell to a negative SEK 50.8 M (negative 43.1) due to increased development initiatives.

CURRENCY EXPOSURE

The company is dependent on trends in USD and EUR exchange rates against the SEK, since invoicing is in USD and EUR while the bulk of the costs are in SEK. During 2010, revenues in USD were recognized at an average exchange rate of SEK 7.15, compared with SEK 7.48 in 2009. During 2010, revenues in EUR were recognized at an average exchange rate of SEK 9.33, compared with SEK 10.49 in 2009. Accordingly, exchange-rate effects had a negative impact on sales. At unchanged exchange rates, sales would have increased 50.2 percent compared with 2009. A sensitivity analysis of currency exposure indicates that the impact of a change in the average USD exchange rate of ± 10 percent on operating profit in 2010 was \pm SEK 8.7 M and that the corresponding effect of a change in the

average EUR exchange rate of ± 10 percent was \pm SEK 11.8 M. The company pursues the currency policy set by the Board of Directors. Refer to the sensitivity analysis in Note 26.

INVESTMENTS

Fixed assets primarily comprise capitalized development costs. Investments in intangible fixed assets in 2010 amounted to SEK 49.7 M (43.3) and investments in tangible fixed assets to SEK 2.4 M (1.1).

EMPLOYEES

At December 31, 2010, the number of RaySearch employees was 69 (58). The average number of employees was 64 (52).

The workforce has a high level of academic training, with 27.5 percent holding PhDs and 69.6 percent degrees from universities/technology institutes. Of the company's workforce, 23.4 percent are women and 76.6 percent men. RaySearch has an equal opportunities plan.

ENVIRONMENT

RaySearch's products consist of software, which has no environmental impact. The company has no environmental policy.

OPTIONS AND OPTION EXERCISE

The company has established an options program to ensure that RaySearch can more easily attract, motivate and retain its staff. The subsidiary company, RayIncentive, holds shares in RaySearch Laboratories for established and future options programs. At December 31, 2010, RayIncentive's holdings of shares in RaySearch Laboratories amounted to 299,628, of which 103,128 pertained to the existing 2008:1 options program.

BONUS AND PROFIT-SHARING FOUNDATION

Only RaySearch's President is covered by the bonus program, although other employees participate in the profit-sharing foundation. The profit-sharing foundation covers all employees including senior executives, except the President. An allocation to the profit-sharing foundation is made in a given year if operating profit for the preceding year reached a level in excess of an operating margin of 20 percent. In such a case, the amount reserved is 10 percent of the part of the operating profit above the limit. The allocation has a maximum outcome of 30 percent of the dividend paid. If a dividend is not paid or if the operating margin does not reach 20 percent, no allocation is made. No dividend was paid in 2009 and thus no allocation was made to the profit-sharing foundation.

In 2010, RaySearch posted a provision of SEK 2.4 M to a profit-sharing foundation pertaining to earnings for 2009. Following the Meeting's resolution concerning a dividend in May, the entire cost was charged to the second quarter. Since a dividend was also expected to be paid for profit in 2010, a provision was also reserved for the profit-sharing foundation for profit in 2010, which had an adverse impact of SEK 1.6 M on profit in 2010.

WORK OF THE BOARD

RaySearch's Board of Directors, which consists of four directors and a deputy, was elected by the shareholders at the AGM on May 25, 2010. The company's President is a member of the Board. The Board held six meetings in 2010. The Board conducts its work according to special rules of procedure and instructions regulating the division of work between the Board and the President. At each scheduled meeting, the Board reviews specific reports and decision points. The Board considers strategic, structural and organizational issues, as well as research and development issues. The Board also addresses cooperation agreements, interim reports and the annual financial statements, as well as audit and budget-related issues. In addition to the President, who is the reporting party during Board meetings, other company employees also participate as required.

The Board of Directors approved the President's remuneration and benefits package for the 2010 fiscal year. The President, in consultation with the Chairman of the Board, approved remuneration of other senior executives. The Board does not have remuneration or nomination committees.

The company's auditor attends at least one Board meeting annually. RaySearch applies the Swedish Code of Corporate Governance.

PARENT COMPANY

The Group's Parent Company is RaySearch Laboratories AB (publ).

The financial statements of the Parent Company correspond in all significant respects to the financial statements of the Group, meaning that the comments for the Group also apply to a considerable degree to the Parent Company. Capitalization of development costs is recognized in the Group, but not in the Parent Company. Earnings before tax amounted to SEK 19.0 M (8.1). The increase in profit was primarily attributable to improved operating profit in 2010. The Parent Company anticipated a dividend of SEK 4.8 M from the Group company RayIncentive.

As of December 31, 2010, the Parent Company had cash and cash equivalents amounting to SEK 67.6 M (72.7).

HOLDINGS OF OWN SHARES (TREASURY STOCK)

The holdings of treasury stock at December 31, 2010 totaled 299,628 shares, which are held by RayIncentive AB. The quotient value of these shares is SEK 0.50. These shares correspond to 0.9 percent of the share capital. The payment made for the treasury shares totals SEK 184,000.

SHARES AND OWNERSHIP

RaySearch's share capital amounts to SEK 17,141,386.50. The total number of registered shares in the company as of December 31, 2010 was 34,282,773, of which 12,385,968 shares were Class A and 21,896,805 Class B shares. The quotient value per share is SEK 0.50. All shares carry equal rights to the company's assets and earnings. Each Class A share carries ten votes and each Class B share carries one vote at the Annual General Meeting. As of December 31, 2010, the total number of votes in the company was 145,756,485. All shareholders

entitled to vote at the Annual General Meeting may vote for the full number of shares owned or represented by them, with no restrictions on voting rights.

At year-end 2009, the largest shareholders in RaySearch were Johan Löf, who owns 20.7 percent of the capital and 43.4 percent of the votes; State Street Bank, which owns 9.7 percent of the capital and 2.3 percent of the Class B shares; JPMorgan Chase which owns 5.5 percent of the capital and 1.3 percent of the votes; and Erik Hedlund who owns 5.2 percent of the capital and 10.9 percent of the votes.

To the knowledge of the Board of Directors of RaySearch, there are no shareholder agreements governing Class B shares. However, there is a shareholder agreement among the Founders – Johan Löf, Erik Hedlund, Anders Brahme, Carl Filip Bergendal, Bengt Lind and Anders Liander – concerning their Class A shares. This agreement stipulates the obligation to offer shares to existing shareholders prior to sales of shares to an outsider and the right for Founders in certain cases to acquire the shares of another Founder, in the event of bankruptcy for the latter, for example. However, Bengt Ling and Anders Liander are at liberty to sell their shares to outsiders without any restrictions. The percentage of total voting rights in RaySearch formally covered by this agreement is 70.4 percent (29.9 percent of the capital). The shareholder agreement does not include any stipulations concerning the exercise of voting rights. When a Founder no longer holds any Class A shares, said Founder ceases to be party to the agreement.

The shareholder agreement also includes an undertaking from the Founders in relation to Philips to the effect that, in the event of a public bid for RaySearch from another party, the Founders must offer their Class A shares to Philips if Founders with a majority of Class A shares believe that the bid is reasonable and intend to accept it.

As a result of RaySearch's licensing agreement with Nucletron, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal have also undertaken, in relation to Nucletron, to retain, through their Class A shares, voting control over RaySearch. This undertaking in relation to Nucletron remains in effect until January 2012 at the latest. As opposed to Philips, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal have no obligation to offer RaySearch shares to Nucletron.

As a result of RaySearch's licensing agreement with IBA Dosimetry, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal have also undertaken, in relation to IBA Dosimetry, to retain, through their Class A shares, voting control over RaySearch. This undertaking in relation to IBA Dosimetry remains in effect until June 2012 at the latest. As opposed to Philips, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal have no obligation to offer RaySearch shares to IBA Dosimetry.

RaySearch's agreement with Tomotherapy gives each party the right to cancel the agreement if a competitor gains significant influence over the other party through the acquisition of shares.

There are no special rules in the Articles of Association regarding appointment and removal of Board members or about amendments of the Articles of Association. The Annual General Meeting of shareholders has not authorized the Board to decide on the company issuing new shares or acquiring treasury shares. Should

a public offer be tendered to acquire shares in the company, there is no agreement between the company and Board members or employees prescribing any payments if these persons resign, are given notice without reasonable grounds or if their employment ceases. Refer also to shares and ownership on page 78.

GUIDELINES FOR REMUNERATION TO SENIOR EXECUTIVES

The starting point for the Board is that remuneration and other conditions of employment for company management shall be on market terms. The principles for remuneration and other employment conditions applied during 2010 are described below.

Salary and other remuneration

The President has a fixed basic salary and variable remuneration. The variable remuneration amounts to 2.0 percent of the Group's profit before tax, subject to a maximum equivalent to six months' salary. The bonus for 2010 was SEK 802,000. In addition, the President has a company car as a benefit.

The President's salary is reviewed annually. This is performed through negotiations between the President and the Chairman of the Board, after which the Chairman presents a proposal to the other Board members. The President is not present when the Board decides on this matter.

In 2010, the other senior executives comprised the CFO, Director of Research, Director of Development, Director of Technology and General Counsel. These executives have a fixed basic salary. They are also covered by a profit-sharing foundation that encompasses all employees except the President. The conditions underlying allocations to the profit-sharing foundation are described above under the section entitled "Bonus and profit-sharing foundation". The salaries of other senior executives are reviewed annually. This is carried out in negotiations between the President and each employee.

Incentive program

Except for the President's variable remuneration, there is no incentive program aimed at the company's management.

Pension

All pension undertakings are defined-contribution plans. Retirement age for the President and the other senior executives is 65 and the pension premium is equivalent to the Swedish ITP plan.

Termination of employment

If the President chooses to terminate his employment, his term of notice is six months; if the employer terminates the employment, the term of notice is 12 months. In both cases, the President is entitled to pay during the term of notice. The company and the other senior executives have a mutual term of notice of three months during which the other senior executives receive salary.

Severance pay

Neither the President nor the other senior executives are entitled to any severance pay, in the formal sense, if their employment ceases. However, as stated above, the President and the other senior executives have a right to salary during the notice period.

Proposal for guidelines in 2011

The Board proposes that the above guidelines remain valid for the period following the 2011 Annual General Meeting. The Board proposes that it should be permitted to deviate from the guidelines if there are special reasons for such deviation.

SIGNIFICANT EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

RaySearch established a sales organization in the US

In January, RaySearch announced that a US subsidiary named RaySearch Americas Inc had been formed. The new company will be located in New York and will market RaySearch's treatment planning system RayStation in the North American market. The subsidiary's assignments include marketing, sales, installation and support. The company will also contribute to the advancement of RayStation by relaying feedback from US customers.

Two new RayStation orders

In February, RaySearch announced two new orders for its RayStation treatment planning system. The first order comes from a Canadian clinic with an advanced research program. This clinic will use RayStation as a tool for the development of an exciting new treatment machine that combines a traditional linear accelerator with a Magnetic Resonance Imaging scanner. The second order comes from Clinique de Genolier in Switzerland. This clinic will primarily use RayStation for the clinical introduction of a new system called dose tracking, which is a tool that uses daily imaging data and advanced deformation algorithms to monitor the delivered radiation dose during the course of treatment. The orders were the first for RayStation from each country.

RaySearch licensed ground-breaking technology from Princess Margaret Hospital

In March, RaySearch announced that it had entered into an exclusive licensing agreement with Princess Margaret Hospital (PMH) in Toronto, Canada, concerning technology for deformable image registration. RaySearch has a long-standing research partnership with PMH focused on strategies and tools for adaptive radiation therapy. Under the new agreement, whereby RaySearch will receive a license through University Health Network's technology development and commercialization office, the relationship will become closer and entitle RaySearch to integrate algorithms and other information from PMH's Morfeus research software into RaySearch's RayStation treatment planning system.

RISKS AND UNCERTAINTIES

Financial risk management

The Board has formulated the Group's financial risk management policy, which serves as a framework of guidelines and regulations in the form of risk mandates and limits for financial activities. The Group is primarily exposed to exchange rate risk. All of the Group's net sales have been in USD or EUR to date. In accordance with the established financial policy, no currency hedging is employed.

Operational risks

As a result of its operations, RaySearch is exposed to various operational risks, including the following: dependence on key persons, competition and strategic partnerships. RaySearch currently has partnerships with Philips, Varian, Siemens, Nucletron, IBA Dosimetry and Tomotherapy. RaySearch also has several research partnerships. If RaySearch were to lose one or more of these partners, this could have a major impact on the company's sales, profit and financial position. However, this risk is declining with the growing number of business partners. In addition, RaySearch has commenced proprietary sales, which further reduces dependence on individual partners.

Refer to the Accounting Policies, Note 26 on page 72, for more information on risks and risk management.

FUTURE PROSPECTS

RaySearch is collaborating with six partners. All collaborations are proceeding and revenues rose for all of them in 2010.

During the year, RaySearch also secured FDA approval and achieved a breakthrough order in the US for RaySearch's proprietary RayStation system from a leading clinic. In 2010, RaySearch began to create a proprietary organization to expand its focus on direct sales of RayStation to clinics alongside the partner model, and this effort is expected to continue. Working directly with clinics provides RaySearch with broader strategic commercial latitude and improves the company's ability to develop new key products, thus significantly raising the potential to generate value.

Accordingly, RaySearch's future prospects remain highly favorable.

PROPOSAL FOR THE ALLOCATION OF THE COMPANY'S PROFIT

The Board of Directors and the President propose that the available earnings of SEK 19,189,000 be allocated as follows:

SEK 000s

| | |
|--------------------------------|--------|
| Dividend of SEK 0.50 per share | 17,141 |
| To be carried forward | 2,048 |

JUSTIFICATION OF PROPOSED DIVIDEND

With reference to the above and what has otherwise been made known to the Board of Directors, the Board believes that an overall assessment of the financial position of the company and the Group leads to the conclusion that the dividend is defensible with reference to the requirements that the nature, scope and risks of operations impose on the size of the company's and Group's shareholders' equity and the company's and Group's consolidation requirements, liquidity and general financial position. In accordance with the Board's dividend policy, RaySearch is to distribute about 20 percent of the Group's profit after tax to shareholders provided that a healthy capital structure can be maintained. The dividend proposal entails a larger dividend than is stipulated in the policy, however, the Board is of the opinion that the company's capital structure is sound and allows for a higher dividend.

The Group's earnings and financial position are presented in the following income statements, balance sheets and cash flow statements, with accompanying notes to the financial statements.

CORPORATE GOVERNANCE REPORT

GENERAL

Since July 1, 2008, all companies listed on NASDAQ OMX Stockholm have been obligated to apply the Swedish Code of Corporate Governance (referred to below as "the Code"). The aim of the Code is to improve the governance of Swedish companies, and in particular to ensure that companies are managed in the best interests of their shareholders. In turn, a high level of corporate governance enhances confidence in listed companies among capital market players and the public at large.

The term "apply the Code" entails that companies must actively make a decision regarding their approach to the various regulations of the Code. If a company chooses to deviate from the Code's rules, it must explain why in accordance with the principle of "comply or explain."

Since the Code's rules are primarily designed for larger companies with diversified ownership, they may be unnecessarily burdensome and difficult to apply for smaller companies with a more concentrated ownership structure. RaySearch is a small company with a majority shareholder who is also actively involved in the company in his role as President. In most cases, this is why RaySearch has opted not to observe a specific Code regulation.

ANNUAL GENERAL MEETING

Following motions by the shareholders, the Board of Directors is elected at the Annual General Meeting (AGM) for a term of office until the close of the following AGM. Auditors are elected at the AGM for a period of four years. The date of the AGM is announced no later than in conjunction with the third-quarter interim report and is simultaneously published on the company's website. Shareholders representing 29.6 percent of the total number of shares and 57.7 percent of the total number of votes in the company participated in RaySearch's AGM held on May 25, 2010 in Stockholm. RaySearch's President, Board and auditors attended the Meeting.

FUNCTION OF THE AGM

RaySearch is permitted to issue shares in two series, referred to as Class A and Class B. In voting at the AGM, each Class A share carries ten votes and a Class B share carries one vote. The total number of shares in RaySearch is currently 34,282,773, of which 12,385,968 are Class A and 21,896,805 are Class B shares. There are no special provisions regarding the function of the AGM in the Articles of Association or, to the knowledge of RaySearch, in shareholder agreements.

AUTHORIZATION PROVIDED BY THE AGM

The AGM has not authorized the Board to decide on the issuance of new shares or acquisition of its own shares.

NOMINATION COMMITTEE

The company diverges from the Code's rules by not appointing a Nomination Committee. In view of the ownership structure, the Board believes that such a committee would not fulfill any function, but would simply give rise to additional costs.

BOARD OF DIRECTORS

RaySearch's Board of Directors makes decisions on matters regarding the company's strategic direction, structure, organization, and research and development. The Board also discusses partnership agreements, interim reports, the annual accounts, auditing issues, budget and key policies. Moreover, it is the Board's duty to ensure that correct information is provided to the stock market. The Board's work is regulated in such documents as the Companies Act, the Articles of Association and the formal work plan adopted by the Board. Under the Articles of Association, the Board shall comprise no fewer than three and no more than eight members, with no more than three deputies.

After the AGM held on May 25, 2010, the RaySearch Board comprised four members elected by the AGM, and no deputies. The AGM of the May 25, 2010 elected Erik Hedlund as the Chairman of the Board until the next AGM.

The Board fulfills the requirement for independent Board members pursuant to NASDAQ OMX Stockholm and the Code. The Board evaluates its work once each fiscal year, which forms the basis for the Board's future working methods. Although the Board also evaluates the work of the President, the company deviates from the Code in this respect in that the President may participate in this evaluation. The reason is that the President is a Board member and the Board believes that the presence of the President does not adversely effect the evaluation.

WORK OF THE BOARD IN 2010

The Board's work is governed by a formal work plan that is adopted annually and regulates such issues as the decision-making structure in the company, the Board meeting schedule and the duties of the Chairman. The Board as a whole addresses internal control issues that are its responsibility. In addition, the company's auditors personally report their observations from their audit and their assessment of the internal control to the Board each year. The Board held six meetings during the year. Johan Löf and Carl Filip Bergendal participated on all occasions; Erik Hedlund and Hans Wigzell attended on five occasions. Considering the size of the Board, it was not deemed necessary to introduce a separate delegation of duties among Board members. For the same reason, no committees were established.

REMUNERATION COMMITTEE

RaySearch deviates from the Code by not establishing a remuneration committee. This is because the size of the Board (and the company) does not warrant any such committee. The remuneration of the President is determined by the Board (without the participation of the President) following negotiations between the President and the Chairman of the Board, while remuneration of other senior executives is determined following negotiations between the President and the individual members of executive management.

DIRECT OR INDIRECT SHAREHOLDINGS

The following shareholders have a direct or indirect shareholding in RaySearch that represents at least one tenth of the votes in the company.

OWNERSHIP STRUCTURE – SHAREHOLDERS WITH AT LEAST 10% OF TOTAL VOTES

| Name | Class A | Class B | Total shareholding | Capital % | Votes % |
|--------------|-------------------|-------------------|--------------------|--------------|--------------|
| Johan Löf | 6,243,084 | 843,393 | 7,086,477 | 20.7 | 43.4 |
| Erik Hedlund | 1,567,089 | 228,699 | 1,795,788 | 5.2 | 10.9 |
| Others | 4,575,795 | 20,824,713 | 25,400,508 | 74.1 | 45.7 |
| Total | 12,385,968 | 21,896,805 | 34,282,773 | 100.0 | 100.0 |

PROVISIONS OF THE ARTICLES OF ASSOCIATION

RaySearch's Articles of Association do not contain any restrictions as to how many votes each shareholder may cast at the Annual General Meeting. In addition, RaySearch's Articles of Association do not include any special provisions governing the appointment and dismissal of Board members or amendments to the Articles of Association.

AUDIT COMMITTEE

In addition, RaySearch deviates from the Code by not establishing an audit committee. This is because the size of the Board (and the company) does not warrant any such committee. The Board as a whole performs the work of an audit committee.

INTERNAL CONTROL

According to Swedish legal rules of corporate governance, the Board shall ensure that Raysearch has ample internal control and shall remain continuously informed of and evaluate the functioning the company's internal control system. A key feature of the control environment is that the organization, decision-making procedures, responsibility and authority are clearly defined and communicated in governance documentation. Given the limited size of the financial department, a special internal audit function is deemed unnecessary.

CONTROL ENVIRONMENT

As part of efforts to create and maintain a functioning control environment, the Board has established a number of significant, fundamental documents for financial reporting, including special work procedures for the Board and instructions for the President. The Board has delegated to the President the task to maintain the control environment as directed by the Board. The Board also approves the attestation instructions that delegate the President's attestation responsibility to other executives at RaySearch. The President reports regularly to the RaySearch Board and executive management via a report with comments in respect of business conditions and financial results vis-à-vis the budget and forecasts. RaySearch's auditors also submit reports. The internal control discussion is also based on RaySearch's organization and manner of conducting operations with definite roles, areas of responsibility and delegation of authority. Governance documentation, such as policies and guidelines, has a significant function in the control structure.

RISK ASSESSMENT

RaySearch's executive management conducts ongoing risk management assessment to identify significant risks relating to financial reporting. As regards financial reporting, the primary risk is deemed to be significant errors in accounting, such as in respect of bookkeeping and valuation of assets and liabilities, revenue, costs or other discrepancies. Fraud and losses through embezzlement are other risks. Risk management is incorporated in each process and various methods are used to evaluate and curtail risks in order to ensure that the risks to which RaySearch is exposed are managed in line with the set regulations, instructions and monitoring routines. The purpose of this is to reduce any risks and promote accurate accounting, reporting and provision of information.

CONTROL ACTIVITIES

Control activities are designed to manage risks that the Board and the company's executive management deem to be significant for operations, internal control and financial reporting. Among other features, the control structure includes distinct roles that permit effective allocation of responsibility of specific control activities aimed at the timely identification and prevention of the risk of reporting errors. Such control activities include clear decision-making procedures for major decisions such as acquisitions, other types of major investments, divestments, agreements and analytical monitoring. Another significant task for RaySearch's management is to implement, further develop and maintain the company's control routines as well as conducting internal checks aimed at critical business issues. Process managers at various levels are responsible for the implementation of controls in respect of financial reporting. The closing accounts and reporting processes include checks in respect of valuations, reporting principles and estimates. The regular analyses made of financial reporting are highly important in ensuring that financial reports do not include any material errors. RaySearch's CFO performs a key function in the internal control process by checking that financial reports are complete, correct and presented on time.

INFORMATION AND COMMUNICATION

RaySearch cooperates with the communications consultant Cision, in order to promote comprehensiveness and accuracy in financial reports for the market. Particular employees are regularly informed of amendments to accounting policies, changes in reporting requirements or other information. The Board regularly receives financial reports. External information and communication is controlled by, among other things, RaySearch's information policy, which describes the company's general principles underlying information disclosure.

MONITORING

The Board and executive management monitor RaySearch's compliance with adopted policies and guidelines. RaySearch's financial situation is dealt with at each Board meeting. The Board and executive management scrutinize financial reports ahead of the publication of quarterly interim reports and the annual report. RaySearch's management conducts monthly monitoring, including analysis of divergences from the budget, forecasts and the preceding year. It is also the task of the auditor to review annually the internal control processes at RaySearch. The Board meets RaySearch's auditors at least once each year to review the internal control procedures and also, in particular cases, gives the auditors extra assignments in conducting internal controls in a particular area.

FURTHER INFORMATION

For more details concerning the Board and President, refer to page 66 and Note 4 in the Annual Report. For more details regarding the auditors, refer to page 67 and Note 5 in the annual report.

Stockholm April 11, 2011

Board of Directors

BOARD AND AUDITORS



1. ERIK HEDLUND

Chairman and member of the Board of RaySearch since 2000. President and member of the Board of C-RAD AB, as well as chairman of the three subsidiaries C-RAD Positioning AB, C-Imaging AB and C-RAD Innovation AB.

Other directorships: Chairman of the Boards of Scandiflash AB, Scandiflash Holding AB, hhDesign AB, RayIncentive AB and XRF Analytica AB.

Born: 1948.

Educational background: M.Sc. in Electrical Engineering from the Royal Institute of Technology (KTH) and MBA from Stockholm University.

Professional experience: During his career, Erik Hedlund has held a number of senior positions in major international groups, including Siemens and Saab, as well as in small and mid-sized companies. He has concentrated on high-tech companies with the focus on medical technology. Since 1994, his main focus has been on radiation therapy and radiation physics. He is an independent Board member in relation to RaySearch but not in relation to major shareholders in the company.

Shareholding: 1,567,089 Class A and 228,699 Class B shares.

2. JOHAN LÖF

President and CEO. Member of the RaySearch Board since 2000.

Other directorships: RayIncentive AB.

Born: 1969.

Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology and Ph.D. from the Department of Medical Radiation Physics at the Department of Oncology-Pathology, Karolinska Institutet. As a doctoral student, he worked with mathematical models for optimization of radiation therapy and also developed the prototype for ORBIT.

Professional experience: President and CEO of RaySearch since 2000. He is not an independent Board member in relation to RaySearch or in relation to major shareholders in the company.

Shareholding: 6,243,084 Class A and 843,393 Class B shares.

3. CARL FILIP BERGENDAL

Member of the RaySearch Board since 2000.

Other directorships: RayIncentive AB.

Born: 1945.

Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology and MBA from the Stockholm School of Economics.

Professional experience: A number of senior positions in subsidiaries of the Modo Group (1972–1980) and in the medical technology company Stille-Werner (1980–1987), with the two final years as President and CEO. He has worked since 1988 as a certified process manager in Lots® and in this role has also provided support for managers in large and mid-size companies undergoing restructuring processes. Independent Board member in relation to RaySearch and in relation to major shareholders in the company.

Shareholding: 1,061,577 Class A and 154,920 Class B shares.

4. HANS WIGZELL

Member of the RaySearch Board since 2004. Professor at Karolinska Institutet in Solna.

Other directorships: Chairman of Karolinska Development AB and Board member of Swedish Orphan Biovitrum AB (SOBI), Intercell AG, Humabs SGL and AVI Biopharma Inc.

Other assignments: Chairman of the Stockholm School of Entrepreneurship. Member of the Royal Swedish Academy of Science and the Academy of Engineering Science.

Born: 1938.

Educational background: Doctor of Medicine.

Professional experience: Dean of Karolinska Institutet in Solna, 1995–2003.

Independent Board member in relation to RaySearch and in relation to major shareholders in the company.

Shareholding: 0. Options: 0.

AUDITOR

Anders Linér

Authorized Public Accountant, KPMG AB. Born: 1952

DEPUTY AUDITOR

Lena Krause

Deputy auditor at RaySearch Laboratories since 2003.

Authorized Public Accountant, KPMG AB. Born: 1961

SENIOR MANAGEMENT

From left:

ANDERS MURMAN, DIRECTOR OF DEVELOPMENT

Born: 1967.

Educational background: M.Sc. in Engineering Physics from the School of Engineering at Uppsala University, majoring in systems development and radiation science.

Professional experience: Anders Murman has worked in radiation therapy throughout his professional career. He worked for twelve years at Helax, MDS Nordion and Nucletron in a number of positions, including research, development, service, support, sales, marketing, and business development in both Uppsala and California. Most recently, before joining RaySearch, he worked as senior designer for Nucletron's product suite Oncentra MasterPlan. He has been employed at RaySearch since 2004.

Shareholding: 1,900 Class B shares. Options: 0.

BJÖRN HÅRDEMARK, DIRECTOR OF RESEARCH

Born: 1977.

Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology in Stockholm. Received a honnorsstipendium (award for academic excellence) in 2003.

Professional experience: Björn Hårdemark wrote his thesis at RaySearch in 2002 and has since held positions as a Research Engineer, Developer, Project Manager and Head of Physics. Prior to joining RaySearch, he worked at the Swedish National Defense Radio Establishment, where he also served his military service.

Shareholding: 18,000 Class B shares.

ANDERS MARTIN-LÖF, CHIEF FINANCIAL OFFICER

Born: 1971.

Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology and ENSIMAG in Grenoble, France. B.Sc. in Business Administration and Economics from Stockholm University.

Professional experience: Before joining RaySearch, Anders Martin-Löf served as Director of Investor Relations and held various business development positions for the biotech company Biovitrum. Prior to that, he was a management consultant with the Boston Consulting Group, Cell Network and co-founder and CEO of ScienceCap, a consulting firm focused on small-cap companies in the biotech and medtech sectors. He has also attended the Swedish Armed Forces Interpreter Academy and worked at the Swedish Consulate General in St. Petersburg, Russia. Joined RaySearch in 2007.

Shareholding: 0. Options: Options on 15,000 Class B shares in RaySearch.

JOHAN LÖF, PRESIDENT AND CEO

Member of the RaySearch Board since 2000.

Other directorships: RayIncentive AB.

Born: 1969.

Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology and Ph.D. from the Department of Medical Radiation Physics at the Department of Oncology-Pathology, Karolinska Institutet. As a doctoral student, he worked with mathematical models for optimization of radiation therapy and also developed the prototype for ORBIT.

Professional experience: President and CEO of RaySearch since 2000.

Shareholding: 6,243,084 Class A and 843,393 Class B shares.

6. THOMAS POUSETTE, GENERAL COUNSEL

General Counsel at RaySearch since January 2010.

Secretary of the Board since 2000.

Other directorships: Spectrogon AB.

Born: 1964.

Educational background: LLM (Stockholm University), LLM (King's College London).

Professional experience: County Administrative Court, Jämtland County (1991–1993), Administrative Court of Appeal in Sundsvall (1993–1994), Advokatfirman DLA Nordic (1994–2009) and General Counsel of RaySearch (2010–).

Shareholding: 12,000 Class B shares.

ANDERS LIANDER, CHIEF TECHNOLOGY OFFICER

Born: 1971.

Educational background: M.Sc. in Electrical Engineering from the Royal Institute of Technology, Stockholm, with a focus on medical technology.

Professional experience: He began at the Division of Medical Radiation Physics at the Department of Oncology-Pathology, Karolinska Institutet, in 1996 and was employed for two years as a doctoral student with the main task of developing ORBIT together with Johan Löf. Subsequently, he worked in product development at Elekta. He has been employed by RaySearch since the company was founded in 2000.

Shareholding: 1,061,577 Class A and 185,157 Class B shares.



INCOME STATEMENT

| SEK 000s | Note | 2010 | 2009 |
|--|-------------|----------------|---------------|
| Net sales | 2, 3 | 117,728 | 83,687 |
| Cost of goods sold | | -92 | -1,013 |
| Gross profit | 26 | 117,636 | 82,674 |
| Selling expenses | | -4,687 | -3,604 |
| Administrative expenses | 9 | -17,756 | -12,691 |
| Research and development expenditure | 9 | -53,500 | -24,718 |
| Other operating expenses | 8 | -1,820 | -799 |
| Operating profit | 4, 5, 7, 10 | 39,873 | 40,862 |
| Financial income | | 252 | 425 |
| Financial expenses | | -3 | -4 |
| Net financial income | 11 | 249 | 421 |
| Profit before tax | | 40,122 | 41,283 |
| Tax | 13 | -11,227 | -11,137 |
| Profit for the year¹ | | 28,895 | 30,146 |
| Earnings per share before dilution | 14 | 0.84 | 0.88 |
| Earnings per share after dilution | 14 | 0.84 | 0.88 |

STATEMENT OF COMPREHENSIVE INCOME

| SEK 000s | 2010 | 2009 |
|--|---------------|---------------|
| Profit for the year | 28,895 | 30,146 |
| Other comprehensive income | – | – |
| Comprehensive income for the year¹ | 28,895 | 30,146 |

¹ 100 percent attributable to the Parent Company's shareholders.

STATEMENT OF FINANCIAL POSITION

| SEK 000s | Note | Dec. 31, 2010 | Dec. 31, 2009 |
|---|------|------------------|------------------|
| ASSETS | | | |
| FIXED ASSETS | | | |
| Intangible fixed assets | | | |
| Capitalized development expenses | 15 | 133,669 | 111,687 |
| Software | 16 | 312 | 636 |
| | | 133,981 | 112,323 |
| Tangible fixed assets | | | |
| Equipment, tools, fixtures and fittings | 17 | 3,157 | 2,068 |
| | | 3,157 | 2,068 |
| Deferred tax assets | 22 | 3,842 | 8,216 |
| Total fixed assets | | 140,980 | 122,607 |
| CURRENT ASSETS | | | |
| Accounts receivable | 19 | 31,276 | 25,064 |
| Tax receivable | | 3,841 | 1,144 |
| Other receivables | | 7 | 11 |
| Prepaid expenses and accrued income | 20 | 4,806 | 4,259 |
| Cash and cash equivalents | 21 | 75,016 | 80,013 |
| Total current assets | 27 | 114,946 | 110,491 |
| TOTAL ASSETS | | 255,926 | 233,098 |

| SEK 000s | Note | Dec. 31, 2010 | Dec. 31, 2009 |
|---|------|------------------|------------------|
| SHAREHOLDERS' EQUITY | | | |
| Share capital | | 17,141 | 17,141 |
| Other contributed capital | | 1,975 | 1,975 |
| Retained earnings including net profit for the year | | 177,646 | 165,742 |
| Shareholders' equity attributable to the Parent Company's shareholders | | 196,762 | 184,858 |
| Total equity | | 196,762 | 184,858 |
| LIABILITIES | | | |
| Deferred tax liabilities | 22 | 41,767 | 34,949 |
| Other long-term liabilities | 24 | 642 | 642 |
| Total long-term liabilities | | 42,409 | 35,591 |
| Accounts payable | | 5,743 | 5,525 |
| Tax liabilities | | 35 | 13 |
| Other liabilities | | 2,460 | 974 |
| Accrued expenses and deferred income | 25 | 8,517 | 6,137 |
| Total current liabilities | 27 | 16,755 | 12,649 |
| Total liabilities | | 59,164 | 48,240 |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | 255,926 | 233,098 |
| Pledged assets | 28 | | |
| Chattel mortgages | | 5,000 | 5,000 |
| Contingent liabilities | | None | None |

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| SEK 000s | Share capital | Other contributed capital | Retained earnings, including net profit for the year | Total |
|--|---------------|---------------------------|--|----------------|
| Opening equity January 1, 2009 | 17,141 | 1,975 | 131,319 | 150,435 |
| Comprehensive income for the year ¹ | | | 30,146 | 30,146 |
| Share options redeemed by personnel | | | 4,467 | 4,467 |
| Repurchase of share options (net) | | | -190 | -190 |
| Closing equity Dec. 31, 2009 | 17,141 | 1,975 | 165,742 | 184,858 |
| Comprehensive income for the year ¹ | | | 28,895 | 28,895 |
| Dividend paid | | | -16,991 | -16,991 |
| Closing equity Dec. 31, 2010 | 17,141 | 1,975 | 177,646 | 196,762 |

¹ Comprehensive income for the year corresponds to profit for the year.

CAPITAL MANAGEMENT

RaySearch has the following dividend policy. The Board of Directors' intention is to distribute to the shareholders dividends of approximately 20 percent of the Group's profit after tax on condition that a healthy capital structure is retained. RaySearch has no external loans. The Board proposes that a dividend of SEK 0.50 per share, totaling SEK 17.1 M, be paid for 2010.

A number of employees own shares and/or options in RaySearch. The Board has no authorization from the Annual General Meeting to repurchase shares. The Group has not repurchased shares. During the year, there was no change in the Group's capital management. Shareholders' equity is defined as share capital, statutory reserve and non-restricted shareholders' equity. The Group is not subject to any external capital requirements. The quotient value is SEK 0.50 per share.

RayIncentive's holding of shares in RaySearch Laboratories amounted to 299,628 shares at December 31, 2010. Of this total, RayIncentive has issued options on 103,128 shares to RaySearch employees. The consolidated carrying amount of these 299,628 shares in RaySearch Laboratories AB is SEK 0.

STATEMENT OF CASH FLOWS

| SEK 000s | Note | 2010 | 2009 |
|--|------|----------------|----------------|
| Operating activities | | | |
| Profit before tax | | 40,122 | 41,283 |
| Adjustments for items not included in cash flow* | | 28,044 | 12,389 |
| Taxes paid | | -2,710 | -1,933 |
| Cash flow from operating activities before changes in working capital | | 65,456 | 51,739 |
| Cash flow from changes in working capital | | | |
| Increase (-)/Decrease (+) in operating receivables | | -6,755 | -6,087 |
| Increase (-)/Decrease (+) in operating liabilities | | 4,084 | 3,555 |
| Cash flow from operating activities | | 62,785 | 49,207 |
| Investing activities | | | |
| Capitalized development expenditure | | -48,391 | -42,062 |
| Acquisition of tangible fixed assets | | -2,400 | -1,086 |
| Cash flow from investing activities | | -50,791 | -43,148 |
| Financing activities | | | |
| Repurchase of treasury stock | | – | -732 |
| Transfer of treasury stock | | – | 4,042 |
| Dividend paid | | -16,991 | – |
| Cash flow from financing activities | | -16,991 | 3,310 |
| Cash flow for the year | 30 | -4,997 | 9,369 |
| Cash and cash equivalents at the beginning of the year | | 80,013 | 70,644 |
| Cash and cash equivalents at year-end | | 75,016 | 80,013 |

* These amounts include amortization of capitalized development expenses.

PARENT COMPANY

| INCOME STATEMENT | | | |
|--|-------------|----------------|---------------|
| SEK 000s | Note | 2010 | 2009 |
| Net sales | 2, 3 | 117,728 | 83,687 |
| Cost of goods sold | | -92 | -1,013 |
| Gross profit | 26 | 117,636 | 82,674 |
| Selling expenses | | -4,687 | -3,604 |
| Administrative expenses | 9 | -17,728 | -14,491 |
| Research and development expenditure | 9 | -75,482 | -54,095 |
| Other operating expenses | 8 | -1,820 | -799 |
| Operating profit | 4, 5, 7, 10 | 17,919 | 9,685 |
| Profit from participation in Group companies | | 4,800 | – |
| Interest income and similar items | | 241 | 349 |
| Interest expense and similar items | | -3 | -4 |
| Profit after financial items | 11 | 22,957 | 10,030 |
| Appropriations | 12 | -3,941 | -1,909 |
| Profit before tax | | 19,016 | 8,121 |
| Tax | 13 | -4,374 | -2,416 |
| Profit for the year | | 14,642 | 5,705 |

| COMPREHENSIVE INCOME | | | |
|--|------|---------------|--------------|
| SEK 000s | Note | 2010 | 2009 |
| Profit for the year | | 14,642 | 5,705 |
| Other comprehensive income | | – | – |
| Comprehensive income for the year¹ | | 14,642 | 5,705 |

¹ 100 percent attributable to Parent Company shareholders.

| CASH FLOW STATEMENT | | | |
|--|------|----------------|---------------|
| SEK 000s | Note | 2010 | 2009 |
| Operating activities | | | |
| Profit after financial items | | 22,957 | 10,030 |
| Adjustments for items not included in cash flow | | -3,003 | 1,566 |
| Taxes paid | | -2,697 | -1,743 |
| Cash flow from operating activities before changes in working capital | | 17,257 | 9,853 |
| Cash flow from changes in working capital | | | |
| Increase (-)/Decrease (+) in operating receivables | | -6,752 | -6,096 |
| Increase (-)/Decrease (+) in operating liabilities | | 4,084 | 3,556 |
| Cash flow from operating activities | | 14,589 | 7,313 |
| Investing activities | | | |
| Investments in software | | -162 | -37 |
| Acquisition of tangible fixed assets | | -2,400 | -1,086 |
| Acquisition of financial assets | | – | – |
| Cash flow from investing activities | | -2,562 | -1,123 |
| Financing activities | | | |
| Dividend received from subsidiaries | | – | 12,000 |
| Dividend paid | | -17,141 | – |
| Cash flow from financing activities | | -17,141 | 12,000 |
| Cash flow for the year | 30 | -5,114 | 18,190 |
| Cash and cash equivalents at the beginning of the year | | 72,724 | 54,534 |
| Cash and cash equivalents at year-end | | 67,610 | 72,724 |

| STATEMENT OF FINANCIAL POSITION | | | | SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
|---|------|------------------|------------------|--|------|------------------|------------------|
| SEK 000s | Note | DEC. 31, 2010 | DEC. 31, 2009 | SEK 000s | Note | DEC. 31, 2010 | DEC. 31, 2009 |
| ASSETS | | | | SHAREHOLDERS' EQUITY | | | |
| FIXED ASSETS | | | | Restricted equity | | | |
| Intangible fixed assets | | | | Share capital (12,638,724 Class A shares, 21,644,049 Class B shares) | | | |
| Software | 16 | 312 | 636 | Statutory reserve | | 17,141 | 17,141 |
| Tangible fixed assets | | | | Total restricted equity | | | |
| Equipment, tools, fixtures and fittings | 17 | 3,157 | 2,068 | | | 43,630 | 43,630 |
| Financial fixed assets | | | | Non-restricted equity | | | |
| Participations in Group companies | 18 | 2,160 | 2,160 | Retained earnings | | 4,547 | 15,983 |
| Deferred tax assets | 22 | 3,842 | 8,216 | Profit for the year ¹ | | 14,642 | 5,705 |
| | | 6,002 | 10,376 | Total unrestricted equity | | | |
| Total fixed assets | | 9,471 | 13,080 | Total equity | | | |
| CURRENT ASSETS | | | | Untaxed reserves | | | |
| Current receivables | | | | | | | |
| Accounts receivable | 19 | 31,276 | 25,064 | | 23 | 25,140 | 21,199 |
| Receivables from Group companies | | 4,800 | – | Current liabilities | | | |
| Tax receivable | | 3,841 | 1,144 | Accounts payable | | 5,743 | 5,525 |
| Other receivables | | 7 | 11 | Other liabilities | | 2,460 | 974 |
| Prepaid expenses and accrued income | 20 | 4,803 | 4,259 | Accrued expenses and deferred income | 25 | 8,505 | 6,125 |
| Total current receivables | | 44,727 | 30,478 | Total current liabilities | | | |
| | | | | | 27 | 16,708 | 12,624 |
| Cash and bank balances | 21 | 67,610 | 72,724 | TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| Total current assets | 27 | 112,337 | 103,202 | Pledged assets | | | |
| TOTAL ASSETS | | 121,808 | 116,282 | | 28 | 5,000 | 5,000 |
| | | | | Contingent liabilities | | | |
| | | | | | | None | None |

| STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY | | | | |
|--|---------------|-------------------|--|---------|
| SEK 000s | Share capital | Statutory reserve | Retained earnings, including net profit for the year | Total |
| Opening equity Jan. 1, 2009 | 17,141 | 43,630 | 15,983 | 76,754 |
| Total comprehensive income for the year ¹ | | | 5,705 | 5,705 |
| Closing equity Dec. 31, 2009 | 17,141 | 43,630 | 21,688 | 82,459 |
| Dividend paid | | | -17,141 | -17,141 |
| Total comprehensive income for the year ¹ | | | 14,642 | 14,642 |
| Closing equity Dec. 31, 2010 | 17,141 | 43,630 | 19,189 | 79,960 |

¹ Comprehensive income for the year corresponds to profit for the year.

NOTES

NOTE 1 ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LAWS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretative statements issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups has been applied.

The Parent Company implements the same accounting policies as the Group except in those instances specified below under the section "Parent Company's accounting policies." The differences that exist between the Parent Company's and the Group's policies result from limitations in the ability to implement IFRS in the Parent Company due to the Swedish Annual Accounts Act and the Pension Obligations Vesting Act, as well as, in certain instances, for tax reasons.

ASSUMPTIONS WHEN PREPARING THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company's functional currency is the Swedish krona (SEK), which also constitutes the reporting currency for the Parent Company and Group. This means that financial statements are presented in SEK. All amounts, unless otherwise specified, are rounded off to the nearest thousand.

Assets and liabilities are recognized at their historical cost, except for certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value comprise assets classified as financial assets measured at fair value in profit and loss.

Preparing financial statements in accordance with IFRS requires that company management make assessments and estimates as well as assumptions that impact the application of the accounting policies and the recognized amounts of assets, liabilities, revenues and expenses. Actual results may vary from these estimates and assumptions.

The estimates and assumptions are reviewed regularly. Changes to estimates are recognized in the period the change is made if the changes affect only that period and in the current period and future periods if the changes affect both current period and future periods.

In implementing IFRS, estimates made by company management that have a significant impact on the financial statements and estimates made that could involve significant adjustments to subsequent years' financial statements are described in greater detail on page 73.

The accounting policies specified below for the Group have been applied consistently during all periods presented in the Group's financial statements, unless otherwise stated below. The Group's accounting policies have been applied consistently in regards to the recognition and consolidation of the Parent Company and the subsidiaries.

REVISED ACCOUNTING POLICIES

The revised accounting policies applied by the Group as of January 1, 2010 are described below. In accordance with the formulations contained in amended IAS 1, the previous line in the statement of changes in shareholders' equity pertaining to comprehensive income for the year has been divided into separate specifications of profit for the year and of other comprehensive income, respectively. The revised presentation is applied for the current year and for the comparative year. The amendments did not give rise to any adjustments of amounts in the financial statements.

In addition to IAS 1, amendments were made to IFRS 3 Business Combinations and to IAS 27 Consolidated and Separate Financial Statements, IFRS 2 Share-based Payments, IAS 39 Financial Instruments, IFRIC 12 Service Concession Arrangements, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 16 Hedges of a Net Investment in a Foreign Operation, IFRIC 17 Distributions of Non-cash Assets to Owners and IFRIC 18 Transfers of Assets from Customers. None of these changes have had an impact on the consolidated financial statements.

NEW IFRS AND INTERPRETATIONS NOT YET APPLIED

A number of new standards or changes in standards and interpretations become effective as of the 2011 fiscal year and have not been applied in preparing these financial statements. New standards or amendments are not planned to be applied in advance. In cases where expected effects on the financial statements of the application of the following new or amended standards and interpretations are not described below, RaySearch Laboratories has yet to make an assessment of their effects.

IFRS 9, which is intended to replace IAS 39, amendments of IAS 24 Related Party Disclosures, IAS 32 Financial Instruments: Classification pertaining to classification of new share issues, IFRS 7 Financial Instruments: Disclosures pertaining to new disclosure requirements for transferred financial assets, IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, IFRIC 19 Extinguishing Financial Liabilities with Equity.

SEGMENT REPORTING

An operating segment is a part of the Group that conducts business activities from which it generates income and incurs costs and for which independent financial information is available. The results of an operating segment are also monitored by the company's chief operating decision maker. In accordance with IFRS 8, segment information is provided for the Group only. The Group's internal reporting system is based on the follow-up of returns from the Group's products and since these products have similar economic properties, they are recognized in a single segment.

CLASSIFICATION, ETC.

Fixed (non-current) assets and long-term liabilities in the Parent Company and Group essentially comprise amounts that are expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and current

liabilities in the Parent Company and Group essentially only comprise amounts that the company expects to recover or receive payment for within twelve months of the balance sheet date.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are companies that are under the controlling influence of RaySearch Laboratories. Controlling influence means, directly or indirectly, a right to formulate a company's financial and operational strategies for the purpose of achieving economic benefits. Shares carrying potential voting rights that can be used or converted without delay are taken into consideration when determining whether a controlling influence exists.

The Group includes the Parent Company RaySearch Laboratories AB (publ), Corporate Registration Number 556322-6157, which owns 90.8 percent of the capital and 49.7 percent of the voting rights in RayIncentive AB, whose only function is to own the shares set aside to cover outstanding and future employee option programs. The Parent Company has started up a sales company in the US, RaySearch Americas, which is a wholly owned subsidiary.

Consolidation of special-purpose entities

Special-purpose entities (SPE) are included in the consolidated financial statements when the economic consequences of business connections between a Group company and an SPE indicate that the Group company exerts a controlling influence over an SPE. When determining whether an SPE exerts a controlling influence, consideration is given to whether operations in the SPE are conducted in a predetermined manner. RaySearch Laboratories owns 90.8 percent of the capital and 49.7 percent of the votes in RayIncentive. RaySearch Laboratories has control over the company and no non-controlling interests are recognized. Any potential dividend from RayIncentive shall, in its entirety, go to RaySearch Laboratories. These circumstances mean that RayIncentive is considered to be an SPE.

Consolidation principles

Subsidiaries are recognized in accordance with the purchase method. According to this method, the acquisition of a subsidiary is viewed as a transaction through which the Group indirectly acquires the subsidiary's assets and liabilities. The consolidated cost is determined through an acquisition analysis conducted in conjunction with the acquisition of the operation. In the analysis, the cost is determined for the shares or operations and for the fair value of the acquired identifiable assets and assumed liabilities. Transaction costs, with the exception of transaction costs arising from the issue of equity or debt instruments, are recognized directly in profit or loss. The difference between the cost of subsidiary shares and the fair value of acquired assets and liabilities constitutes consolidated goodwill. When the difference is negative, it is recognized as directly in profit or loss.

Transactions to be eliminated on consolidation

Receivables and liabilities, and revenues or costs and unrealized gains and losses arising from intra-group transactions are eliminated in the consolidated financial statements. Unrealized losses are eliminated in the same manner as unrealized gains but only insofar as no impairment requirement exists.

FOREIGN CURRENCY

Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environments in which the companies conduct their business operations. Monetary assets and liabilities in foreign currency are recalculated to the functional currency at the exchange rate prevailing on the closing day. Exchange rate differences arising in translation are recognized in profit for the year. Non-monetary assets and liabilities that are recognized at historic cost are translated at the exchange rate prevailing on the transaction date.

REVENUE

Licenses and support sales

Revenue is recognized in profit and loss when it is likely that future economic benefits will accrue to the company and that these benefits can be reliably calculated. Revenues are recognized at the fair value of what was received or will be received with deduction for discounts granted.

The Group reports its license revenue when software is installed at the customer or the rights to use the software are transferred to the customer. Certain agreements contain minimum guarantees concerning sold licenses. In cases where customers acquire license in order to meet minimum commitments, revenues are recognised at the reconciliation date for the agreements. Revenue from support sales is based on accumulated license sales and, thus, tracks license revenue.

OPERATING EXPENSES AND FINANCIAL INCOME AND EXPENSES

Operating lease agreements

Expenses relating to operating lease agreements are recognized in profit for the year straight-line over the leasing period. Benefits received in conjunction with signing a contract are recognized in profit for the year as a decrease in leasing fees straight-line over the term of the lease agreement. Variable fees are expensed in the periods in which they arise.

Government assistance

The company has received a grant from the EU through Karolinska Institutet for a research project and from the Swedish Research Council regarding two industrial doctorates. The contributions are recognized net against research and development expenditure. The contributions received do not add up to any significant amount.

Financial income and expenses

Financial income and expenses comprise interest income on bank balances and receivables and interest-bearing securities, and interest expense on loans, dividend income, exchange rate differences, unrealized and realized gains on financial investments.

Interest income on receivables and interest expense on liabilities are calculated by applying the effective interest method. Effective interest is the interest that makes the present value of all future deposits and payments during the term the same as the carrying amount of the receivable or liability.

FINANCIAL INSTRUMENTS

Financial instruments are measured and recognized in the Group in accordance with the regulations in IAS 39.

Financial instruments recognized in the statement of financial position include, on the assets side, cash and cash equivalents, accounts receivable and loan receivables. Accounts payable and loan liabilities are recognized on the liabilities side.

Financial instruments are recognized initially at the cost corresponding to the instrument's fair value plus transaction costs for all financial instruments except when they are part of the category known as financial assets measured at fair value in profit and loss, which are measured at fair value excluding transaction costs. Subsequent recognition is based on how they are classified as below.

A financial asset or financial liability is recognized in the statement of financial position when the company becomes a party in accordance with the contractual terms and conditions of the instrument. Accounts receivable are recognized in the statement of financial position when the invoice is sent. Liabilities are recognized when the counterparty has performed and there is a contractual obligation to pay, even though the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset is derecognized from the statement of financial position when the rights of the contract are realized, expire or the company loses control over them. The same applies for components of a financial asset. A financial liability is derecognized from the statement of financial position when the obligation in the contract is fulfilled or extinguished in some other manner. The same applies for components of a financial liability.

The fair value of listed financial assets corresponds to the listed bid price on the balance sheet date. At each reporting date, the company performs tests to determine if there is any objective indication that a financial asset or a group of financial assets requires impairment.

IAS 39 classifies financial instruments in categories. The classification depends on the intention behind the acquisition of the financial instrument. Company management determines the classification at the original time of acquisition. The following categories are held by the company:

Loan receivables and accounts receivable

"Loan receivables and accounts receivable" are financial assets that have determined or determinable payments that are not listed on an active market. These

items are measured at cost. Accounts receivable are recognized at the amount expected to flow in, meaning less a deduction for doubtful receivables.

Financial assets measured at fair value in profit and loss

This category includes the financial assets that are current investments equivalent to cash and cash equivalents.

Other financial liabilities

Comprises financial liabilities not held for trading. The Group's accounts payable are included in this category. These items are measured at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash funds and balances at banks and comparable institutions that are immediately available as well as short-term liquid investments with a duration from the date of acquisition of less than three months, which are subject to only a negligible risk of value fluctuations. Changes in value are recognized in net financial items. Current investments are recognized in the category "Financial assets measured at fair value in profit and loss."

TANGIBLE FIXED ASSETS

Assets owned

Tangible fixed assets are recognized in the consolidated financial statements at cost less accumulated depreciation and any impairment. The cost includes the purchase price and costs directly attributable to the asset to deliver it in place and in condition to be used in the manner intended by the acquisition. The accounting policies for impairment are presented below. Tangible fixed assets comprising components with varying useful lives are treated as separate components of tangible fixed assets. The carrying amount of a tangible fixed asset is derecognized from the statement of financial position upon disposal or divestment or when no future economic benefit is expected from use or disposal/divestment of the asset. The gain or loss arising from the disposal or divestment of an asset is the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognized as "Other operating income/expenses."

Leased assets

IAS 17 applies to leased assets. Lease agreements are classified in the consolidated financial statements as a finance or operating lease. A finance lease is a lease that essentially transfers all the risks and rewards associated with ownership of an asset to the lessee. If this is not the case, it is an operating lease.

Under an operating lease, the leasing fee is expensed over the term based on use, which can differ from what is paid de facto as leasing fees during the year.

In accordance with these rules, all leases in the Group are recognized as operating leases.

Depreciation principles

Depreciation is based on the original cost less any residual value. Depreciation is straight-line over the estimated useful life of the asset. Estimated useful lives:

- computers 3–5 years
- equipment, tools, fixtures and fittings 5 years

The residual value and useful life are assessed annually.

INTANGIBLE FIXED ASSETS**Research and development**

Expenditure for research activities that relate to obtaining new scientific or technical knowledge is recognized as an expense as incurred.

Expenditure for development activities, whereby the research results or other knowledge is applied to achieve new or improved products or processes, is recognized as an intangible asset in the statement of financial position, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset. The carrying amount includes all directly attributable expenses, such as personnel costs and cost of premises. Other expenses for development are expensed in profit for the year as they arise. In the statement of financial position, capitalized development expenditure is recognized at cost less accumulated amortization and any impairment losses. Deferred taxes are taken into account.

Additional costs

Additional costs for capitalized intangible assets are recognized as an asset in the statement of financial position only when they increase the future economic benefits of the specific asset to which they are attributable. All other costs are expensed when they arise.

Other intangible assets

Other intangible assets acquired by the company are recognized at cost less accumulated amortization and any impairment losses.

Expenditure for internally generated goodwill and brands is recognized in profit for the year when the cost is incurred.

Amortization principles

Amortization is recognized in profit for the year on a straight-line basis over the estimated useful lives of intangible assets, unless such useful lives are indeterminate. The useful lives are reviewed at least once annually. Capitalized development expenditure on which amortization has not commenced is tested for impairment annually or as soon as there is an indication that the asset may require impairment. Intangible assets with determinable useful lives are amortized from the date the asset is available for use. The following amortization periods are used:

- Capitalized development expenditure 5 years
- Software 3–5 years

IMPAIRMENT LOSSES

The carrying amount of the Group's assets is tested on each balance sheet date to determine whether there is any indication that an impairment loss has arisen. If any such indication is found, the recoverable amount of the asset is calculated as the higher of the value in use and the fair value less selling costs. An impairment loss is recognized if the recoverable amount is less than the carrying amount. The recoverable amount is determined by discounting the estimated future cash flow from the cash-generating units.

SHARE CAPITAL**Treasury stock**

Holdings of own shares (treasury stock) and other equity instruments are recognized as a reduction of shareholders' equity. Acquisitions of such instruments are recognized as deductions from shareholders' equity. Proceeds from the divestment of equity instruments are recognized as an increase in shareholders' equity. Any transaction costs are charged directly against shareholders' equity.

Dividends

Dividends are recognized as a liability after approval of the dividend by the Annual General Meeting.

EMPLOYEE BENEFITS**Defined-contribution plans**

Plans in which the company's commitment is limited to the fees the company has undertaken to pay are classified as defined-contribution plans. In such cases, the size of the employee's pension depends on the fees the company pays into the plan or to an insurance company and the capital return the fees generate. Accordingly, it is the employee who carries the actuarial risks (that the remuneration will be lower than expected) and the investment risk (that the invested assets will be adequate to provide the expected remuneration). The company's commitments to the plans are expensed against profit for the year as they are vested by the employees performing the services for the company over a period of time. The Group only has defined-contribution pensions. The Group's obligation for each period is the amount that the Group shall contribute for the specific period.

Severance pay

A cost for severance pay for employees is recognized only when the company is demonstrably committed to terminating employment before the normal date.

Option programs

The company's option programs are such that on each occasion employees have paid a market price for the options. The market price was determined in accordance with the Black & Scholes model.

Profit-sharing foundation

The profit-sharing foundation covers all employees including senior executives, except the President. An allocation to the profit-sharing foundation is made in a

given year if operating profit for the preceding year reached a level in excess of an operating margin of 20 percent. In such a case, the amount reserved is 10 percent of the part of the operating profit above the limit. The allocation has a maximum outcome of 30 percent of the dividend paid. If a dividend is not paid or if the operating margin does not reach 20 percent, no allocation is made.

TAXES

Income tax comprises current and deferred tax and is recognized in profit for the year except when the underlying transactions are recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognized in other comprehensive income or in shareholders' equity.

Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantially enacted on the balance sheet date. Current tax also includes any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in subsidiaries and associated companies are not taken into account when they will probably not be reversed in the foreseeable future. The amount of deferred tax is based on the expected manner of realization or settlement of the underlying assets and liabilities. Deferred tax is computed using tax rates enacted or substantially enacted on the balance sheet date.

A deferred tax asset relating to deductible temporary differences and loss carry-forwards is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The value of deferred tax assets is reduced when it is no longer probable that the related tax benefit will be realized.

Any additional income taxes that arise from the distribution of dividends are recognized at the same time as the liability to pay the related dividend arises in the distributing company.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is a present obligation that cannot be recognized as a liability or provision because it is not probable that an outflow of resources will be required.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Board's statements pertaining to listed companies were also applied. Under RFR 2, the Parent Company in its annual report for the legal entity shall apply all the IFRS and interpretations approved by the EU to the extent possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, also considering the rela-

tionship between financial reporting and taxation. The recommendation states the exceptions from and additions to IFRS that should be made. The differences between the accounting policies applied in the consolidated financial statements and those applied by the Parent Company are presented below. The accounting policies presented below for the Parent Company have been applied consistently in all periods presented in the Parent Company's financial statements.

Information regarding the Parent Company

RaySearch Laboratories AB (publ) is a Swedish registered limited liability company headquartered in Stockholm. The Parent Company's shares are listed in the Small Cap segment of the NASDAQ OMX Nordic Exchange in Stockholm. The address to the head office is Sveavägen 25, SE-111 34 Stockholm.

Classification and presentation

For the Parent Company, the terms balance sheet and cash-flow statement are used for the statements that the Group calls statement of financial position and respective of cash flows, respectively. The income statement and balance sheet for the Parent Company are presented in accordance with the manner specified in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash-flow statement are based on IAS 1 *Presentation of Financial Statements* and IAS 7 *Statement of Cash Flows*, respectively. The differences in relation to the consolidated statements that become apparent in the Parent Company's balance sheet and cash-flow statement pertain primarily to recognition of fixed assets and the existence provisions as a separate heading in the balance sheet.

Amended accounting policies

In addition or in contrast to the amended accounting policies specified above for the Group, the amendments noted below affected the Parent Company during 2010. RFR 2 *Accounting for Legal Entities* states that the amended IAS 1 *Presentation of Financial Statements* is to also be applied for the Parent Company, subject to certain exceptions. One effect of this compared with prior reporting is that a statement of comprehensive income has been added after the income statement.

Anticipated dividends

Anticipated dividends from subsidiaries are recognized in cases where the Parent Company alone is entitled to decide on the size of the dividend and the Parent Company has taken a decision concerning on the size of the dividend prior to publishing it in its financial statements.

Research and development

All expenditures for research and development are recognized in the Parent Company's income statement. Such reporting is permitted in accordance with RFR 2. In the consolidated financial statements, these development expenditures are recognized as assets in accordance with IAS 38.

Taxes

Untaxed reserves in the Parent Company are recognized including deferred tax liabilities. In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Subsidiaries

Participations in subsidiaries are recognized in the Parent Company financial statements in accordance with the cost method. This entails that transaction expenses are included in the carrying amount. In the consolidated financial statements, transaction expenses attributable to subsidiaries are recognized directly in profit or loss as they arise.

Conditional purchase considerations are measured on the basis of the probability of the purchase consideration being paid. Any changes in the provision/receivable are to be added to/reduced from cost. In the consolidated financial statements, conditional purchase considerations are recognized in profit or loss at fair value, including changes in value.

Bargain acquisitions that match future anticipated losses and costs are reversed during the estimated periods during which the losses and the costs arise. In the consolidated financial statements, these are recognized as bargain acquisitions directly in profit or loss.

Group contributions and shareholders' contributions in legal entities

The company recognizes Group contributions and shareholders' contributions in accordance with the statements of the Swedish Financial Reporting Board. Shareholders' contributions are recognized directly in the recipient's equity whereas the contributor capitalizes the contribution with shares and participations, to the extent that the recognition of an impairment loss is not required. Group contributions are recognized in accordance with their financial substance. This means that Group contributions paid to minimize the Group's overall income tax burden are recognized directly in retained earnings net of the related tax effect.

Group contributions that are equivalent to a dividend are recognized as dividends, meaning that Group contributions received and their actual tax effect are recognized in profit and loss. Group contributions paid and the actual tax effect are recognized directly in retained earnings.

Group contributions that are equivalent to shareholder contributions are recognized against retained earnings at the recipient, taking into account the current tax effect. The contributor recognizes Group contributions and their current tax effect as investments in participations in Group companies, insofar as recognition of an impairment loss is not required.

NOTE 2 SEGMENT REPORTING

OPERATING SEGMENTS

The Group's operations comprise a single segment since the Group's products have similar economic properties. The company's sources of income are heavily

interdependent and share the same customer base. Accordingly, the company has deemed that the operations comprise a single operating segment.

GEOGRAPHIC AREAS

RaySearch's products are primarily sold through partners. The information presented regarding the segment's revenues pertain to the geographic areas grouped on the basis of the location of the end customers.

| PERCENT | North America | | Asia | | Europe and the rest of the world | |
|---------|---------------|------|------|------|----------------------------------|------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Sales | 47 | 38 | 22 | 17 | 31 | 45 |

The division of sales is based solely on license revenues and not on support revenues since no regional information is available for support revenues. Of the company's six commercial partners, Philips and Nucletron accounted for the largest share of sales. In 2010, sales through Philips totaled SEK 76,435,000 (52,654,000) and through Nucletron SEK 22,017,000 (20,094,000).

NOTE 3 INCOME DISTRIBUTION

| SEK 000s | GROUP AND PARENT COMPANY | |
|------------------|--------------------------|---------------|
| | 2010 | 2009 |
| License revenues | 96,295 | 60,579 |
| Support revenues | 21,433 | 23,108 |
| | 117,728 | 83,687 |

NOTE 4 EMPLOYEES, PERSONNEL COSTS AND SENIOR EXECUTIVES

The Group company RayIncentive has no employees or personnel costs.

COSTS FOR REMUNERATION OF PARENT COMPANY AND GROUP EMPLOYEES

| SEK 000s | 2010 | 2009 |
|--|---------------|---------------|
| Salaries and remuneration, etc. ¹ | 39,795 | 28,183 |
| Pension costs, defined-contribution plans | 8,254 | 5,439 |
| Social security expenses ² | 11,708 | 9,070 |
| | 59,757 | 42,692 |

¹ Of which, SEK 1,944,000 pertains to a provision to the profit-sharing foundation for 2009 and SEK 1,314,000 for 2010.

² Of which, SEK 472,000 pertains to payroll tax attributable to a provision to the profit-sharing foundation for 2009 and SEK 318,000 for 2010.

AVERAGE NUMBER OF EMPLOYEES

The Parent Company had an average of 64 (52) employees, with 49 (39) men and 15 (13) women.

GENDER DISTRIBUTION IN MANAGEMENT

There are no women on the Board or any female senior executives who are active in the Group or Parent Company.

SALARIES AND OTHER REMUNERATION DISTRIBUTED BETWEEN SENIOR EXECUTIVES AND OTHER EMPLOYEES AS WELL AS SOCIAL SECURITY EXPENSES IN THE PARENT COMPANY AND GROUP

| | 2010 | | 2009 | |
|--|---------------------------------|---------------------|---------------------------------|-----------------|
| | Senior executives and Board (9) | Other employees | Senior executives and Board (8) | Other employees |
| Salaries and other remuneration | 8,985 | 30,810 ¹ | 7,353 | 20,831 |
| (of which, bonus) | -802 | – | -894 | – |
| Social security expenses | 4,913 | 15,048 | 3,829 | 10,679 |
| (of which, pension costs) | -1,833 | -6,420 ¹ | -1,443 | -3,996 |
| Parent Company and Group, total | 13,898 | 45,858 | 11,182 | 31,510 |

¹ The full provision to the profit-sharing foundation of SEK 3,258,000 was allocated to other employees since these funds have not been distributed to date. The same was done with the specific payroll tax of SEK 790,000.

Salaries and remuneration pertain solely to personnel in Sweden.

REMUNERATION OF BOARD MEMBERS AND SENIOR EXECUTIVES IN THE PARENT COMPANY AND GROUP

| 2010 | Basic salary, Board fees | Variable remuneration | Other benefits | Pension costs | Total |
|------------------------------------|--------------------------|-----------------------|----------------|---------------|---------------|
| Chairman of the Board Erik Hedlund | 348 | – | – | – | 348 |
| Board member Carl Filip Bergendal | 116 | – | – | – | 116 |
| Board member Hans Wigzell | 116 | – | – | – | 116 |
| President Johan Löf | 2,854 | 802 | 324 | 460 | 4,440 |
| Other senior executives (5) | 4,749 | – | 5 | 1,373 | 6,127 |
| Total | 8,183 | 802 | 329 | 1,833 | 11,147 |

| 2009 | Basic salary, Board fees | Variable remuneration | Other benefits | Pension costs | Total |
|---|--------------------------|-----------------------|----------------|---------------|--------------|
| Chairman of the Board Erik Hedlund | 330 | – | – | – | 330 |
| Board member Carl Filip Bergendal | 110 | – | – | – | 110 |
| Board member Hans Wigzell | 110 | – | – | – | 110 |
| Board deputy Thomas Pousette ¹ | – | – | – | – | – |
| President Johan Löf | 2,570 | 894 | 242 | 459 | 4,165 |
| Other senior executives (4) | 3,339 | – | – | 984 | 4,323 |
| Total | 6,459 | 894 | 242 | 1,443 | 9,038 |

¹ Advokatfirman DLA Nordic KB, in which Board deputy Thomas Pousette was a partner in 2009, received SEK 1,391,000 in legal fees in 2009.

No financial instruments or other share-based remuneration was distributed.

VARIABLE REMUNERATION

Variable remuneration paid to the President is based on the Group's earnings and amounts to 2 percent of earnings before tax but may not exceed six months' pay. In 2008, the bonus was removed for all employees except the President and

replaced by a profit-sharing foundation. The profit-sharing foundation covers all employees including senior executives except the President. A provision to the profit-sharing foundation is made in a given year if the operating profit for the preceding year reached a level in excess of an operating margin of 20 percent. In such a case, the amount reserved is 10 percent of the part of the operating profit above the limit. The provision has a maximum outcome of 30 percent of the

dividend paid. If a dividend is not paid or if the operating margin does not reach 20 percent, no provision is made. If the Annual General Meeting approves the Board's motion regarding dividends for the 2010 fiscal year, a provision of SEK 1.6 M will be allocated in 2011.

PENSIONS

All pension undertakings are defined-contribution plans. The age of retirement for the President is 65 and the pension premium is equivalent to the Swedish ITP plan. The pension commitments for other senior executives are to be equivalent to the Swedish ITP plan. The age of retirement is 65 for all other senior executives. No other pension commitments exist.

SEVERANCE PAY

If the President chooses to terminate his employment, his term of notice is six months; if the employer terminates employment, the term of notice is 12 months. In either case, the President is not entitled to any special severance pay, but in both cases the President receives salary during the term of notice. The company and other senior executives have a mutual term of notice of three months during which salary is paid. Members of the Board do not receive any severance pay.

DECISION-MAKING PROCESS

The decision-making process regarding remuneration and benefits is described in greater detail in the Administration Report. See Note 6 for information regarding the option program outstanding.

SICKNESS ABSENCE, PARENT COMPANY

| PERCENT | 2010 | 2009 |
|--|------|------|
| Sickness absence as a percentage of ordinary working hours | 1.6 | 1.1 |
| Percentage of sickness absence pertaining to long-term sickness absence of 60 days or longer | – | – |
| Sickness absence as percentage of each group's ordinary working hours: | | |
| Sickness absence by gender: | | |
| Men | 1.4 | 1.1 |
| Women | 2.2 | 1 |

SICKNESS ABSENCE BY AGE CATEGORY:

| PERCENT | 2010 | 2009 |
|-----------------------------|------|-----------------|
| 29 years of age and younger | 0.7 | 0.4 |
| Between 30 and 49 | 1.7 | 1.2 |
| 50 years of age and above | – | – ¹⁾ |

¹⁾ For the category of employees aged 50 or older, no disclosures are made because there are too few employees in this category.

NOTE 5 AUDITORS' FEES AND COMPENSATION FOR EXPENSES

| SEK 000S | 2010 | 2009 |
|--|------|------|
| GROUP | | |
| KPMG | | |
| Auditing assignments | 484 | 477 |
| Auditing assignments in addition to the audit assignment | 179 | 79 |
| Tax consultancy services | – | – |
| Other assignments | 32 | 18 |
| PARENT COMPANY | | |
| KPMG | | |
| Auditing assignments | 472 | 466 |
| Auditing assignments in addition to the audit assignment | 179 | 79 |
| Tax consultancy services | – | – |
| Other assignments | 32 | 18 |

Auditing assignments refer to the examination of the Annual Report and accounts, the administration by the Board and President and other duties incumbent on the company's auditors or other matters arising from observations during such examination or implementation of such other duties. Everything else is defined as other assignments.

NOTE 6 OPTION PROGRAM

OPTIONS

RaySearch offers option programs to enhance its ability to attract, motivate, and retain personnel. The subsidiary RayIncentive AB owns shares in RaySearch Laboratories to cover options issued and future option programs. RayIncentive held 299,628 shares in RaySearch Laboratories at December 31, 2010. Of this figure, 103,128 shares pertained to the 2008:1 option program. In respect of the company's option program, market prices have been paid for the options by employees on every occasion. The market price is calculated using the Black & Scholes method.

OPTION PROGRAM, RAYSEARCH LABORATORIES

| | EXERCISE PERIOD | SHARES INCLUDED | EXERCISE PRICE (SEK) |
|--------|-----------------------------|-----------------|----------------------|
| 2008:1 | Dec. 31, 2011–Dec. 31, 2012 | 103,128 | 46.5 |

NOTE 7 OPERATING EXPENSES SPECIFIED BY TYPE OF COSTS

| SEK 000s | GROUP | | PARENT COMPANY | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| Cost of goods sold | -92 | -1,013 | -92 | -1,013 |
| Personnel costs | -29,494 | -13,536 | -70,139 | -49,090 |
| Depreciation/amortization | -28,044 | -12,387 | -1,797 | -1,566 |
| Exchange-rate losses | -1,820 | -799 | -1,820 | -799 |
| Other operating expenses | -18,406 | -15,090 | -25,719 | -21,534 |
| | -77,856 | -42,825 | -99,567 | -74,002 |

NOTE 8 OTHER OPERATING EXPENSES

| SEK 000s | GROUP AND PARENT COMPANY | |
|---|--------------------------|-------------|
| | 2010 | 2009 |
| Exchange-rate losses on operating receivables/liabilities | -1,820 | -799 |
| | -1,820 | -799 |

NOTE 9 DEPRECIATION AND AMORTIZATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

| SEK 000s | GROUP | | PARENT COMPANY | |
|---|----------------|----------------|----------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Intangible fixed assets | | | | |
| Amortization according to plan and function | | | | |
| Administrative expenses | -107 | -116 | -107 | -116 |
| Research and development | -27,525 | -12,103 | -379 | -506 |
| | -27,632 | -12,219 | -486 | -622 |
| Tangible fixed assets | | | | |
| Depreciation according to plan and function | | | | |
| Administrative expenses | -412 | -168 | -412 | -358 |
| Research and development | - | - | -899 | -586 |
| | -412 | -168 | -1,311 | -944 |
| Total amortization and depreciation | -28,044 | -12,387 | -1,797 | -1,566 |

NOTE 10 OPERATING LEASES

| SEK 000s | GROUP AND PARENT COMPANY | |
|--|--------------------------|---------------|
| | 2010 | 2009 |
| Leasing agreements in which the company is the lessee | | |
| Rent of premises | 6,956 | 6,846 |
| Other leasing | 560 | 480 |
| Total lease costs | 7,516 | 7,326 |
| Contractual future lease fees for leases that mature: | | |
| Within one year | 7,464 | 7,339 |
| Later than one but within five years | 8,509 | 13,663 |
| Later than five years | - | - |
| | 15,973 | 21,002 |

None of the leasing fees are variable.

NOTE 11 INTEREST INCOME AND INTEREST EXPENSE ON FINANCIAL INSTRUMENTS

| SEK 000s | GROUP | | PARENT COMPANY | |
|---|------------|------------|----------------|------------|
| | 2010 | 2009 | 2010 | 2009 |
| Interest income on assets measured at fair value in profit and loss | 99 | 364 | 88 | 297 |
| Interest income on accounts receivable and loan receivables | 146 | 59 | 146 | 49 |
| | 245 | 423 | 234 | 346 |
| Interest expense on other financial liabilities | -3 | -3 | -3 | -3 |
| | -3 | -3 | -3 | -3 |
| Net | 242 | 420 | 231 | 343 |

NOTE 12 APPROPRIATIONS

| SEK 000s | 2010 | 2009 |
|--|---------------|---------------|
| Tax allocation reserve, provision for the year | -5,445 | -2,983 |
| Tax allocation reserve, reversals for the year | 1,443 | 747 |
| Accelerated depreciation for tax purposes, equipment | 61 | 327 |
| | -3,941 | -1,909 |

NOTE 13 TAX ON PROFIT FOR THE YEAR

| SEK 000s | GROUP | |
|--|----------------|----------------|
| | 2010 | 2009 |
| Current tax expense | | |
| Tax expense for the period | -4,409 | -2,366 |
| Adjustment of tax attributable to prior years | | -63 |
| | -4,409 | -2,429 |
| Deferred tax expense/income | | |
| Deferred tax for temporary differences regarding capitalized development expenditure | -5,782 | -8,206 |
| allocation of untaxed reserves | -1,036 | -502 |
| deferred tax resulting from changes in the tax rate | - | - |
| | -6,818 | -8,708 |
| Total tax expense/income recognized in the Group | -11,227 | -11,137 |

| SEK 000s | GROUP | | | |
|---|-------------|----------------|-------------|----------------|
| | 2010 | | 2009 | |
| | Percent | Amount | Percent | Amount |
| Profit before tax | | 40,122 | | 41,283 |
| Swedish tax rate | 26.3 | -10,552 | 26.3 | -10,857 |
| Non-taxable income | 0 | 2 | 0 | 1 |
| Other non-deductible costs | 1.2 | -496 | 0.2 | -113 |
| Standard interest on tax allocation reserve | 0.5 | -181 | 0.3 | -105 |
| Tax pertaining to prior years | 0 | 0 | 0.1 | -63 |
| Recognized effective tax | 28.0 | -11,227 | 26.9 | -11,137 |

| SEK 000s | PARENT COMPANY | |
|---|----------------|---------------|
| | 2010 | 2009 |
| Current tax expense | | |
| Tax expense for the period | -4,374 | -2,353 |
| Adjustment of tax attributable to prior years | - | -63 |
| | -4,374 | 2,416 |
| Total tax expense recognized in the Parent Company | -4,374 | -2,416 |

| SEK 000s | PARENT COMPANY | | | |
|---|----------------|---------------|-------------|---------------|
| | 2010 | | 2009 | |
| | Percent | Amount | Percent | Amount |
| Profit before tax | | 19,016 | | 8,121 |
| Swedish tax rate | 26.3 | -5,001 | 26.3 | -2,136 |
| Non-taxable income | -6.6 | 1,263 | 0 | 1 |
| Other non-deductible costs | 2.3 | -482 | 1.4 | -113 |
| Standard interest on tax allocation reserve | 1.0 | -181 | -1.3 | -105 |
| Tax pertaining to prior years | 0 | 0 | 0.7 | -63 |
| Other items | 0 | 27 | - | - |
| Recognized effective tax | 23.0 | -4,374 | 29.7 | -2,416 |

NOTE 14 DIVIDEND PER SHARE, EARNINGS PER SHARE AND NUMBER OF SHARES

| | 2010 | 2009 |
|--|------------|------------|
| Dividend per share ¹ | 0.5 | 0.5 |
| Number of shares used in calculating earnings per share | | |
| Weighted average number of shares before dilution ² | 34,282,773 | 34,282,773 |
| Effect of options outstanding | - | - |
| Weighted average number of shares after dilution ² | 34,282,773 | 34,282,773 |
| Earnings per share after dilution | 0.84 | 0.88 |

| | | |
|---|---------------|---------------|
| Profit for the year attributable to Parent Company shareholders (before or after dilution) | 28,895 | 30,146 |
|---|---------------|---------------|

¹ Proposed for 2010.

² 299,628 treasury shares are held by the subsidiary RayIncentive to be used for the option program. Refer to Note 6.

NOTE 19 ACCOUNTS RECEIVABLE

No bad debt losses and no impairments related to accounts receivable were recognized during the year.

The company's credit risk consists of credit risk for receivables from Philips, Nucletron, IBA Dosimetry, Varian and Tomotherapy which to date are the company's five commercial partners with which products have been launched. The company estimates that the credit risk will remain very low and the credit quality is high.

| | GROUP AND PARENT COMPANY | |
|--|--------------------------|---------------|
| | DEC. 31, 2010 | DEC. 31, 2009 |
| AGE ANALYSIS OF CARRYING AMOUNT | | |
| Not past due | 28,441 | 24,226 |
| Past due 0–30 days | 1,368 | 838 |
| Past due more than 30 days | 1,467 | – |
| Total | 31,276 | 25,064 |

The past due receivables were paid after the balance sheet date.

NOTE 20 PREPAID EXPENSES AND ACCRUED INCOME

| | GROUP | | PARENT COMPANY | |
|-------------------------|---------------|---------------|----------------|---------------|
| | DEC. 31, 2010 | DEC. 31, 2009 | DEC. 31, 2010 | DEC. 31, 2009 |
| SEK 000s | | | | |
| Prepaid rent | 2,058 | 1,721 | 2,058 | 1,721 |
| Prepaid insurance | 643 | 575 | 643 | 575 |
| Accrued interest income | 12 | – | 12 | – |
| Other items | 2,093 | 1,963 | 2,090 | 1,963 |
| | 4,806 | 4,259 | 4,803 | 4,259 |

NOTE 21 CASH AND CASH EQUIVALENTS

| | GROUP | | PARENT COMPANY | |
|--|---------------|---------------|----------------|---------------|
| | DEC. 31, 2010 | DEC. 31, 2009 | DEC. 31, 2010 | DEC. 31, 2009 |
| SEK 000s | | | | |
| The following components are included in cash and cash equivalents: | | | | |
| Cash and bank balances | 75,016 | 80,013 | 67,610 | 72,724 |
| Current investments equivalent to cash and cash equivalents | – | – | – | – |
| | 75,016 | 80,013 | 67,610 | 72,724 |

The above items have been classified as cash and cash equivalents on the basis that:

- They represent insignificant risk for changes in value.
- They are easily converted into cash.
- They have a maturity of a maximum three months from the acquisition date.

NOTE 22 DEFERRED TAX ASSETS AND TAX LIABILITIES

| | GROUP | |
|--------------------------------------|---------------|---------------|
| | DEC. 31, 2010 | DEC. 31, 2009 |
| SEK 000s | | |
| Deferred tax liabilities for: | | |
| Intangible assets | | |
| Opening balance | 29,374 | 21,167 |
| Change during the year | 5,781 | 8,207 |
| Closing balance | 35,155 | 29,374 |
| Untaxed reserves | | |
| Opening balance | 5,575 | 5,073 |
| Change during the year | 1,037 | 502 |
| Closing balance | 6,612 | 5,575 |
| Carrying amount | 41,767 | 34,949 |

| | GROUP AND PARENT COMPANY | |
|--|--------------------------|---------------|
| | DEC. 31, 2010 | DEC. 31, 2009 |
| SEK 000s | | |
| Deferred tax assets in respect of loss carry-forwards | | |
| Opening balance | 8,216 | 10,569 |
| Change during the year | -4,374 | -2,353 |
| Closing balance | 3,842 | 8,216 |

Valuation is based on the nominal tax rate.

NOTE 23 UNTAXED RESERVES

| SEK 000s | PARENT COMPANY | |
|---|------------------|------------------|
| | DEC. 31, 2010 | DEC. 31, 2009 |
| Accumulated depreciation/ amortization in excess of plan: | | |
| Opening balance, January 1 | -273 | 53 |
| Reversals/depreciation/amortization in excess of plan for the year | -61 | -326 |
| Closing balance, December 31 | -334 | -273 |
| Obeskattade reserver | | |
| Allocated at taxation in 2005 | – | 1,443 |
| Allocated at taxation in 2006 | 5,673 | 5,673 |
| Allocated at taxation in 2007 | 6,167 | 6,167 |
| Allocated at taxation in 2008 | 3,288 | 3,288 |
| Allocated at taxation in 2009 | 1,919 | 1,919 |
| Allocated at taxation in 2010 | 2,982 | 2,982 |
| Allocated at taxation in 2011 | 5,445 | – |
| | 25,140 | 21,199 |

NOTE 24 OTHER LONG-TERM LIABILITIES

| SEK 000s | GROUP | |
|------------------------|------------------|------------------|
| | DEC. 31, 2010 | DEC. 31, 2009 |
| Opening balance | 642 | 1,610 |
| Change during the year | – | -968 |
| Closing balance | 642 | 642 |

The amount pertains to expensed premiums for the options. No liabilities fall due for payment later than five years from the balance sheet date.

NOTE 25 ACCRUED EXPENSES AND PREPAID INCOME

| SEK 000s | GROUP | | PARENT COMPANY | |
|--|------------------|------------------|------------------|------------------|
| | DEC. 31, 2010 | DEC. 31, 2009 | DEC. 31, 2010 | DEC. 31, 2009 |
| Social security expenses and vacation costs | 3,830 | 2,650 | 3,830 | 2,650 |
| Other personnel-related costs | 2,115 | 1,260 | 2,115 | 1,260 |
| Auditing expenses | 520 | 427 | 508 | 414 |
| Annual report | 1,200 | 1,200 | 1,200 | 1,200 |
| Prepaid income | 303 | 146 | 303 | 146 |
| Other items | 548 | 454 | 548 | 455 |
| | 8,517 | 6,137 | 8,505 | 6,125 |

NOTE 26 RISKS AND RISK MANAGEMENT**Financial risk management**

The Group is exposed to various types of financial risks through its operations. The term "financial risks" refers to fluctuations in the company's earnings and cash flow due to changes in exchange rates, interest rates, financing and credit risks. The Board has formulated the Group's financial risk management policy, which constitutes a framework of guidelines and regulations in the form of risk mandates and limits for financial activities.

Foreign exchange risk

Foreign exchange risk refers to the risk of fluctuations in the value of a financial instrument because of changes in exchange rates. Foreign exchange risk results from changes in expected and contracted cash flow (transaction exposure) receivables and liabilities in foreign currency (translation exposure), and financial exposure in the form of currency risk associated with cash flow and investments. To date, the Group has mainly had payments in USD and EUR entailing a foreign exchange risk. No currency hedging has been used.

Transaction exposure

Translated to SEK, the Group's transaction exposure is distributed among the following currencies:

| | DEC. 31, 2010 | | DEC. 31, 2009 | |
|-----|----------------|---------|---------------|---------|
| | Amount | Percent | Amount | Percent |
| EUR | 31,034 | 26 | 30,860 | 37 |
| USD | 86,694 | 74 | 51,814 | 63 |
| | 117,728 | | 82,674 | |

The Group's income statement includes exchange rate losses in a net amount of SEK 1,820,000 (loss: 799,000) in operating profit and SEK 0 (0) in net financial items. Translation exposure was not hedged.

Sensitivity analysis

The company is dependent on trends in the USD and EUR exchange rates against the SEK, since invoicing is in USD and in EUR, while most costs are incurred in SEK. In 2010, revenues in USD were recognized at an average exchange rate of SEK 7.15, compared with SEK 7.48 in 2009. Revenues in EUR were recognized at an average exchange rate of SEK 9.33, compared with SEK 10.49 in 2009. A sensitivity analysis of currency exposure indicates that the impact on operating profit in 2010 of a change in the average USD exchange rate of +/-10 percent is +/- SEK 8.7 M. The sensitivity analysis shows that the corresponding effect of a change in the average EUR exchange rate of +/- 10 percent amounts to SEK +/- 11.8 M.

Interest rate risk

Interest rate risk corresponds to the effect on earnings that a change in interest rates would cause. Since RaySearch does not have any interest-bearing loans, the interest risk is limited to short-term investments with short fixed-interest periods. At December 31, 2010, a change in interest rates of +/-1 percent would affect Group profit before tax by approximately +/- SEK 0.8 M (0.8).

Effective rate of interest and loan-maturity structure

RaySearch's cash and cash equivalents are liquid funds in bank accounts carrying an effective rate of interest of 0.54 percent as well as interest-bearing securities with a term shorter than three months carrying an effective rate of interest of 0.75 percent. Under the company's financial policy, investments are made in K1-rated interest-bearing securities.

Financing risk

Financing risk refers to the risk that the company will need to borrow funds in a strained credit market. The Group's operations are financed with equity and are currently not exposed to any financing risk.

Credit risk

The Group's credit risk consists of credit risk for receivables from Philips, Nucletron, IBA Dosimetry, Varian and TomoTherapy, the company's five commercial partners with which products have been launched to date, and from WPE to which the company has sold a system directly. No loan losses have occurred to date, and the Group considers that its credit risk will continue to be very low. See Note 26 for a description of the significance of financial risks.

Operational risks

As a result of its operations, the Group is exposed to various operational risks, including the following:

Dependence on key personnel

RaySearch's future progress is partly dependent on the continuation in the organization of a number of key personnel with specific skills. The loss of one or more of these key people could have an adverse impact on the Group's operations. Some employees have been participating in incentive programs and many employees currently hold shares or options in RaySearch.

Competition

RaySearch's competitors are primarily the in-house development departments of potential commercial partners. These large medical technology companies have always elected to develop software within their own organization or outsource development work. The more advanced the solutions achieved by RaySearch, the greater the probability that major companies will refrain from proprietary development and instead outsource the task to RaySearch.

Strategic cooperation

RaySearch currently has partnerships with Philips, Varian, Nucletron, IBA Dosimetry, Siemens and TomoTherapy. RaySearch has also sold a system directly to WPE, which is a clinical partner, and has several research partnerships. If RaySearch were to lose one or more of these partners, this could have a significant impact on the company's sales, profit and financial position. RaySearch is engaged in continuous discussions with a number of medical technology companies in respect of new collaborations.

Alternative treatment methods

Of the three primary forms of cancer treatment – surgery, radiation therapy and chemotherapy – radiation therapy is the form that has grown most for curative groups over the past twenty years. RaySearch believes that radiation therapy will continue to be a key treatment form in the future.

US insurance system

Any decision by the US insurance system not to compensate clinics for treatment in adaptive radiation therapy would adversely affect RaySearch.

Official approval

Medical technology products require official approval. RaySearch would be adversely affected if any product scheduled to be sold by its business partners failed to receive official approval.

Product development

RaySearch develops highly advanced products, in which RaySearch assumes the risk in the development effort through to launch, which could result in higher costs than estimated. This is offset through continuous project follow-up and quality assurance.

Fair value

Fair value is synonymous to carrying amount in the Group.

Critical estimates and assessments

Executive management has discussed developments, selection and information regarding the Group's critical accounting policies and estimates, as well as the applications of these policies and estimates.

Critical assessments in the application of the Group's accounting policies

Certain critical estimates for accounting purposes made in the application of the Group's accounting policies are described below.

Significant sources of uncertainty in estimates**Capitalized development expenses**

In calculating the cash-generating units' value for the assessment of any impairment requirements for capitalized development expenses, certain assumptions regarding future circumstances and parameter estimates have been made.

Income recognition

The allocation of license sales and support sales over the various periods is crucial for income recognition and for ensuring that allocation is performed uniformly over time.

NOTE 27 MEASUREMENT OF FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE

**FAIR VALUE AND CARRYING AMOUNT RECOGNIZED
IN THE BALANCE SHEET BELOW:**

| SEK 000s | Financial assets measured at fair value in profit and loss | Accounts and loan receivables | Other financial liabilities | Carrying amount | Fair value |
|---------------------------|---|----------------------------------|--------------------------------|-----------------|----------------|
| Group | | | | | |
| Dec. 31, 2010 | | | | | |
| Accounts receivable | | 31,276 | | 31,276 | 31,276 |
| Cash and cash equivalents | | 75,016 | | 75,016 | 75,016 |
| Total | | 106,292 | | 106,292 | 106,292 |
| Accounts payable | | | 5,743 | 5,743 | 5,743 |
| Total | | | 5,743 | 5,743 | 5,743 |
| Dec. 31, 2009 | | | | | |
| Accounts receivable | | 25,064 | | 25,064 | 25,064 |
| Cash and cash equivalents | | 80,013 | | 80,013 | 80,013 |
| Total | | 105,077 | | 105,077 | 105,077 |
| Accounts payable | | | 5,525 | 5,525 | 5,525 |
| Total | | | 5,525 | 5,525 | 5,525 |

**FAIR VALUE AND CARRYING AMOUNT RECOGNIZED
IN THE BALANCE SHEET BELOW:**

| SEK 000s | Financial assets measured at fair value in profit and loss | Accounts and loan receivables | Other financial liabilities | Carrying amount | Fair value |
|---------------------------|---|----------------------------------|--------------------------------|-----------------|---------------|
| Parent Company | | | | | |
| Dec. 31, 2010 | | | | | |
| Accounts receivable | | 31,276 | | 31,276 | 31,276 |
| Cash and cash equivalents | | 67,610 | | 67,610 | 67,610 |
| Total | | 98,886 | | 98,886 | 98,886 |
| Accounts payable | | | 5,743 | 5,743 | 5,743 |
| Total | | | 5,743 | 5,743 | 5,743 |
| Dec. 31, 2009 | | | | | |
| Accounts receivable | | 25,064 | | 25,064 | 25,064 |
| Cash and cash equivalents | | 72,724 | | 72,724 | 72,724 |
| Total | | 97,788 | | 97,788 | 97,788 |
| Accounts payable | | | 5,525 | 5,525 | 5,525 |
| Total | | | 5,525 | 5,525 | 5,525 |

NOTE 28 PLEDGED ASSETS AND CONTINGENT LIABILITIES

| SEK 000s | DEC. 31, 2010 | DEC. 31, 2009 |
|-------------------|------------------|------------------|
| Pledged assets | | |
| Chattel mortgages | 5,000 | 5,000 |
| Total | 5,000 | 5,000 |

The company has a credit limit on its overdraft facilities of SEK 5,000,000 which was not utilized in 2010 or 2009.

| | | |
|------------------------|------|------|
| Contingent liabilities | None | None |
|------------------------|------|------|

NOTE 29 RELATED PARTY TRANSACTIONS

For a description of transactions with senior executives, refer to Note 4. Otherwise, there were no related party transactions. No sales or purchases were undertaken among Group companies.

NOTE 30 INTEREST PAYMENTS AND DIVIDEND

| | GROUP | | PARENT COMPANY | |
|-------------------|------------------|------------------|------------------|------------------|
| | DEC. 31, 2010 | DEC. 31, 2009 | DEC. 31, 2010 | DEC. 31, 2009 |
| Dividend received | – | – | – | 12,000 |
| Dividend paid | -16,991 | – | -17,141 | – |
| Interest received | 237 | 441 | 229 | 364 |
| Interest paid | 3 | 7 | 3 | 7 |

The Board of Directors hereby provides assurance that the Annual Report was prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in the European Parliament and Council regulation (EC) no. 1606/2002 dated July 19, 2002 on the application of international accounting standards. The Annual Report and the consolidated financial statements provide a true and fair view of the Group's and Parent Company's financial position and earnings. The Administration Report for the Parent Company and the Group provides a fair summary of the Parent Company's and Group's

operations, financial position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

As stated above, the Annual Report and the consolidated financial statements were approved for publication by the Board of Directors on April 11, 2011. The consolidated income statement, statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet will be submitted for adoption at the Annual General Meeting on May 25, 2011.

Erik Hedlund
Chairman of the Board

Johan Löf
President/CEO and Board member

Carl Filip Bergendal
Board member

Hans Wigzell
Board member

My audit report was submitted on April 11, 2011

Anders Linér
Authorized Public
Accountant

AUDIT REPORT

TO THE ANNUAL GENERAL MEETING OF RAYSEARCH LABORATORIES AB (PUBL)

Corporate Registration Number 556322-6157

I have audited the annual accounts, the consolidated financial statements, the accounting records and the administration of the Board of Directors and the President of RaySearch Laboratories AB (publ) for the year 2010. The company's annual report and consolidated financial statements are included in the printed version of this document on pages 41–76. The Board of Directors and the President are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act when preparing the consolidated financial statements. My responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on my audit.

I conducted my audit in accordance with generally accepted auditing standards in Sweden. Those standards require that I plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting policies used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated financial statements as well as evaluating the overall presentation of information in the annual accounts and the consolidated financial statements. As a basis for my opinion concerning discharge from liability, I examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Board member or the President. I also examined whether any Board member

or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. I believe that my audit provides a reasonable basis for my opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting policies in Sweden. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Annual Accounts Act and give a true and fair view of the Group's financial position and results of operations. A corporate governance report was prepared. The statutory Administration Report and the corporate governance report are consistent with the other parts of the annual accounts and the consolidated financial statements.

I recommend to the Annual Meeting of shareholders that the income statement and balance sheet of the Parent Company and the statement of comprehensive income and statement of financial position of the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report and that the members of the Board and the President be discharged from liability for the fiscal year.

Stockholm, April 11, 2011

Anders Linér
Authorized Public Accountant

SHARES AND OWNERSHIP

SHARE CAPITAL

RaySearch's share capital amounts to SEK 17,141,386.50. The total number of registered shares in the company as of December 31, 2010 was 34,282,773, of which 12,385,968 shares were Class A and 21,896,805 Class B shares. The quotient value per share is SEK 0.50. All shares carry equal rights to the company's assets and earnings. Each Class A share carries ten votes and each Class B share carries one vote at the Annual General Meeting. At December 31, 2010, the total number of votes in the company was 145,756,485. All shareholders entitled to vote at the Annual General Meeting may vote for the full number of shares owned or represented by them, with no restrictions on voting rights.

There has been a shift in ownership from Swedish to non-Swedish shareholders. Foreign owners' shareholdings in RaySearch increased from 26.2 percent at December 31, 2009 to 27.2 percent at December 31, 2010. The number of shareholders increased in 2010. At December 31, 2009, there were 5,249 (4,928) shareholders.

OWNERSHIP STRUCTURE –

| SHAREHOLDER CATEGORIES, % | Capital | Votes |
|---------------------------|---------|-------|
| Foreign shareholders | 27.2 | 6.4 |
| Swedish shareholders | 72.8 | 93.6 |
| of which, institutions | 21.8 | 5.1 |
| individuals | 51.0 | 88.5 |

STATEMENT FROM CERTAIN OF THE PRINCIPAL SHAREHOLDERS

Principal shareholders Johan Löf, Erik Hedlund and Anders Brahme intend to remain significant long-term shareholders of RaySearch.

SHAREHOLDER AGREEMENTS

To the knowledge of the Board of Directors of RaySearch, there are no shareholder agreements for Class B shares. However, there is a shareholder agreement among the Founders (Johan Löf, Erik Hedlund, Anders Brahme, Carl Philip Bergendahl, Bengt Lind and Anders Liander) regarding their Class A shares. Among other points, this agreement stipulates the obligation to offer shares to existing shareholders prior to sales of shares to an outsider and the right for Founders in certain cases to acquire the shares of another Founder, for example if the latter should

OWNERSHIP STRUCTURE – 20 LARGEST SHAREHOLDERS

| SHAREHOLDER | Class A shares | Class B shares | Total shares | Capital, % | Votes, % |
|-----------------------|-------------------|-------------------|-------------------|------------|------------|
| Johan Löf | 6,243,084 | 843,393 | 7,086,477 | 20.7 | 43.4 |
| State Street Bank | 0 | 3,319,475 | 3,319,475 | 9.7 | 2.3 |
| JPMorgan Chase | 0 | 1,873,587 | 1,873,587 | 5.5 | 1.3 |
| Erik Hedlund | 1,567,089 | 228,699 | 1,795,788 | 5.2 | 10.9 |
| Anders Brahme | 1,390,161 | 200,400 | 1,590,561 | 4.6 | 9.7 |
| Anders Liander | 1,061,577 | 185,157 | 1,246,734 | 3.6 | 7.4 |
| Carl Filip Bergendahl | 1,061,577 | 154,920 | 1,216,497 | 3.6 | 7.4 |
| Bengt Lind | 1,061,577 | 1 | 1,061,578 | 3.1 | 7.3 |
| Aktie-Ansvar Sverige | 0 | 800,000 | 800,000 | 2.3 | 0.6 |
| Third AP Fund | 0 | 669,000 | 669,000 | 2.0 | 0.5 |
| DWPBank | 0 | 614,895 | 614,895 | 1.8 | 0.4 |
| Swedbank Robur Funds | 0 | 590,000 | 590,000 | 1.7 | 0.4 |
| Lannebo Fonder | 0 | 505,000 | 505,000 | 1.5 | 0.3 |
| Mellon | 0 | 448,420 | 448,420 | 1.3 | 0.3 |
| Avanza Pension | 0 | 395,798 | 395,798 | 1.2 | 0.3 |
| Fourth AP Fund | 0 | 360,550 | 360,550 | 1.1 | 0.3 |
| Morgan Stanley | 0 | 318,159 | 318,159 | 0.9 | 0.2 |
| RayIncentive AB | 0 | 299,628 | 299,628 | 0.9 | 0.2 |
| BNP Paribas | 0 | 292,439 | 292,439 | 0.9 | 0.2 |
| Citibank | 0 | 283,680 | 283,680 | 0.8 | 0.2 |
| Other | 903 | 9,513,604 | 9,514,507 | 27.8 | 6.5 |
| Total | 12,385,968 | 21,896,805 | 34,282,773 | 100 | 100 |

declare bankruptcy. Bengt Lind and Anders Liander are, however, completely free to transfer their shares to an outsider without any restrictions. The percentage of total voting rights in RaySearch formally covered by this agreement is about 70.4 percent (about 29.9 percent of capital). The shareholder agreement does not contain any provisions about the exercise of voting rights. When a Founder no longer holds Class A shares, the Founder is no longer a party to the agreement.

The shareholder agreement also includes an undertaking from the Founders in relation to Philips to the effect that, in the event of a public takeover offer for RaySearch from another party, the Founders shall offer their Class A shares to Philips if Founders with a majority of Class A shares believe that the offer is reasonable and intend to accept it.

As a result of RaySearch's licensing agreement with Nucletron, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal have also undertaken, in relation to Nucletron, to retain, through their Class A shares, voting control over

RaySearch. This undertaking in relation to Nucletron shall remain in effect until January 2012 at the latest. Unlike their relationship to Philips, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal do not have any obligation to offer their shares in RaySearch to Nucletron before selling them to a third party.

As a result of RaySearch's licensing agreement with IBA Dosimetry, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal have also undertaken, in relation to IBA Dosimetry, to retain, through their Class A shares, voting control over RaySearch. This undertaking in relation to IBA Dosimetry shall remain in effect until June 2012 at the latest. Unlike their relationship to Philips, Johan Löf, Erik Hedlund, Anders Brahme and Carl Filip Bergendal do not have any obligation to offer their shares in RaySearch to IBA Dosimetry before selling to a third party.

RaySearch's agreement with TomoTherapy gives each party the right to cancel the agreement if a competitor gains significant influence over the other party through the acquisition of shares.

| OWNERSHIP STRUCTURE – SIZE OF HOLDING | Number of shareholders | Number of Class A shares | Number of Class B shares | Percentage of capital | Percentage of votes |
|---------------------------------------|------------------------|--------------------------|--------------------------|-----------------------|---------------------|
| 1–500 | 3,344 | 153 | 505,726 | 1.48 | 0.35 |
| 501–1,000 | 715 | 750 | 595,660 | 1.74 | 0.41 |
| 1,001–2,000 | 476 | 0 | 764,310 | 2.23 | 0.52 |
| 2,001–5,000 | 387 | 0 | 1,271,999 | 3.71 | 0.87 |
| 5,001–10,000 | 138 | 0 | 1,014,387 | 2.96 | 0.70 |
| 10,001–20,000 | 76 | 0 | 1,086,285 | 3.17 | 0.75 |
| 20,001–50,000 | 57 | 0 | 1,761,436 | 5.14 | 1.21 |
| 50,001–100,000 | 19 | 0 | 1,278,901 | 3.73 | 0.88 |
| 100,001–500,000 | 24 | 0 | 5,962,338 | 17.39 | 4.09 |
| 500,001–1,000,000 | 5 | 0 | 3,571,903 | 10.42 | 2.45 |
| 1,000,001–5,000,000 | 7 | 6,141,981 | 3,240,467 | 27.37 | 44.36 |
| 5,000,001–10,000,000 | 1 | 6,243,084 | 843,393 | 20.67 | 43.41 |

CHANGES IN SHARE CAPITAL OF RAYSEARCH

| Year | Transaction | Quotient value | Change in number of shares | Change in share capital | Number of Class A shares | Number of Class B shares | Total number of shares | Total share capital, SEK |
|------|-----------------------|----------------|----------------------------|-------------------------|--------------------------|--------------------------|------------------------|--------------------------|
| 2005 | Opening balance | 1.5 | | | 4,237,604 | 6,275,457 | 10,513,061 | 15,769,591.50 |
| | Non-cash issue (B) | | 914,530 | 1,371,795 | 4,237,604 | 7,189,987 | 11,427,591 | 17,141,386.50 |
| 2005 | Reclassification 2005 | | | | -24,596 | 24,596 | | |
| | Closing balance | 1.5 | | | 4,213,008 | 7,214,583 | 11,427,591 | 17,141,386.50 |
| 2006 | Reclassification 2006 | | | | -100 | 100 | | |
| | Closing balance | 1.5 | | | 4,212,908 | 7,214,683 | 11,427,591 | 17,141,386.50 |
| 2007 | Closing balance | 1.5 | | | 4,212,908 | 7,214,683 | 11,427,591 | 17,141,386.50 |
| 2008 | 3:1 share split, 2008 | | 22,855,182 | | 8,425,816 | 14,429,366 | | |
| | Closing balance | 0.5 | | | 12,638,724 | 21,644,049 | 34,282,773 | 17,141,386.50 |
| 2009 | Reclassifications | | | | -252,756 | 252,756 | | |
| | Closing balance | 0.5 | | | 12,385,968 | 21,896,805 | 34,282,773 | 17,141,386.50 |
| 2010 | Closing balance | 0.5 | | | 12,385,968 | 21,896,805 | 34,282,773 | 17,141,386.50 |

| KEY RATIOS ¹ | Dec. 31, 2010 | Dec. 31, 2009 | Dec. 31, 2008 | Dec. 31, 2007 | Dec. 31, 2006 | Dec. 31, 2005 |
|--|-------------------|---------------|---------------|---------------|-------------------|---------------|
| Number of shares before full dilution ⁴ | 34,282,773 | 34,282,773 | 34,282,773 | 34,282,773 | 34,282,773 | 34,282,773 |
| Equity per share, SEK ⁴ | 5.74 | 5.39 | 4.39 | 4.00 | 3.44 | 2.39 |
| Earnings per share, SEK ⁴ | 0.84 | 0.88 | 0.53 | 0.58 | 1.06 ² | 0.85 |
| Earnings per share after full dilution, SEK ⁴ | 0.84 | 0.88 | 0.53 | 0.57 | 1.05 ² | 0.85 |
| Share price, SEK ⁴ | 38.0 | 29.5 | 11.5 | 63.3 | 50.0 | 59.0 |
| P/E-ratio before dilution | 45 | 34 | 22 | 110 | 47 | 69 |
| P/E-ratio after dilution | 45 | 34 | 22 | 110 | 47 | 69 |
| Dividend, SEK ⁴ | 0.50 ³ | 0.50 | – | 0.17 | – | – |
| Price/Adjusted equity per share, multiple ⁴ | 6.6 | 5.5 | 2.6 | 5.2 | 4.8 | 8.2 |

¹ Definitions of key ratios, page 82. ² SEK 0.73 and SEK 0.72, excl. capitalization of loss carry-forwards for tax purposes as of December 31, 2006. ³ Proposed dividend. ⁴ Adjusted for 3:1 share split in 2008.

LISTING ON THE OMX NORDIC EXCHANGE LIST

RaySearch is listed for trading on the NASDAQ OMX Nordic Exchange in Stockholm in the Small Cap segment.

SHARE TRADING AND SHARE PRICE TREND

During 2010, a total of 20,160,542 (13,056,953) RaySearch shares were traded at a value of SEK 772.6 M (321.3). This corresponds to an average price of SEK 38.32 (24.61). The highest price paid during 2010 was SEK 46.90 on April 6. The lowest paid price during 2010 was SEK 28.60 on January 7. On the last trading day of the year, December 30, the final price per share was SEK 38.00 (29.50). During 2010, the price of the RaySearch share increased 29 percent (157 percent), while OMXS showed an increase of 23 percent (47 percent) for 2010. Between July 1, 2003 and December 31, 2009, the share price rose 604 percent. On December 31, 2010, RaySearch's market capitalization was SEK 1,303 M (1,011). In these calculations, Class A shares, which are not listed on the stock exchange, were assigned the same value as the listed Class B shares.

KURSTUTVECKLING

The diagram shows the share price for RaySearch from January 2006 to December 2010, as well as the number of shares traded per month.

LIQUIDITY PROVIDER

To increase the liquidity of its share, RaySearch has an agreement with Erik Penser Bankatibolag. The implication is that the liquidity provider undertakes to quote buy and sell prices on the NASDAQ OMX Stockholm Exchange for RaySearch's Class B shares on a daily basis. The liquidity provider shall endeavor to ensure that the difference between the buy and sell prices for RaySearch shares does not exceed 2 percent.

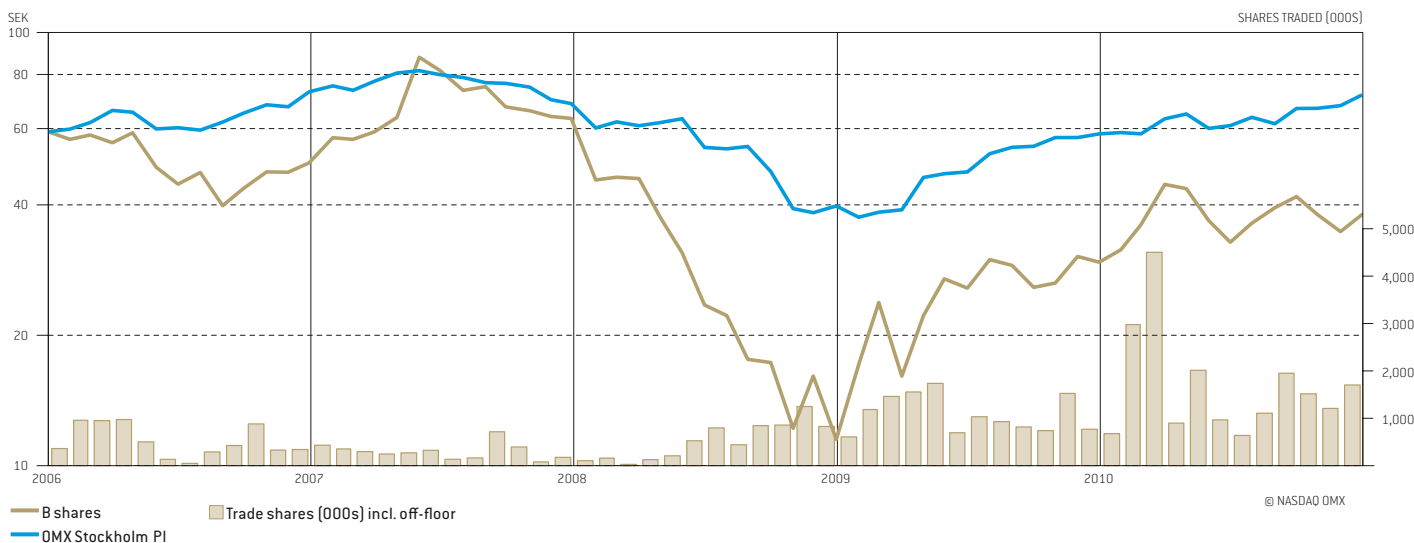
OPTION PROGRAMS

RaySearch has issued option programs to more easily attract, motivate and retain personnel. Refer to Note 6.

DIVIDEND POLICY

The Board of Directors' intention is to pay as dividends approximately 20 percent of the Group's profit after tax on condition that a healthy capital structure is retained.

SHARE PRICE TREND



KEY FIGURES

KEY FIGURES AND CONDENSED FINANCIAL DATA

The summary shows how the core business developed between 2001 and 2010. The years 2004-2010 were prepared in accordance with IFRS. Figures in the income statement, balance sheet and cash-flow statement for the full-years

2002 and 2003 refer to the previously prepared pro forma accounts, since this comparison provides a more accurate impression of how operations have progressed. Additional information regarding the pro forma accounts is available in the Annual Report for 2003.

| GROUP | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 ¹ | 2002 ¹ | 2001 ² |
|-------------------------------------|-------------------|-------|-------|-------|-------------------|-------|------|-------------------|-------------------|-------------------|
| Net sales, SEK M | 117.7 | 83.7 | 62.7 | 64.7 | 69 | 69.9 | 39.5 | 34 | 31 | 21.1 |
| Growth in sales, % | 40.7 | 33.5 | -3 | -6.2 | -1.3 | 77 | 16 | 9.7 | 46.9 | - |
| Operating profit/loss, SEK M | 39.9 | 40.9 | 21.1 | 25.8 | 33.5 | 39.6 | 12.5 | 12.9 | 8 | 11.1 |
| Operating margin, % | 33.9 | 48.8 | 33.6 | 39.8 | 48.6 | 56.7 | 31.6 | 37.8 | 25.9 | 52.8 |
| Profit margin, % | 34.1 | 49.3 | 38.5 | 43.3 | 50.5 | 57.3 | 32 | 38.5 | 26.8 | 53.1 |
| Net profit/loss, SEK M | 28.9 | 30.1 | 18.2 | 19.8 | 36.2 | 29.1 | 11.2 | 8.7 | 3.9 | 6.4 |
| Earnings per share, SEK* | 0.84 | 0.88 | 0.53 | 0.58 | 1.06 ³ | 0.85 | 0.36 | 0.28 | 0.12 | 0.2 |
| Cash flow per share* | 1.83 | 1.44 | 0.76 | 1.1 | 0.88 | 1.21 | 0.41 | 0.38 | 0.53 | 0.23 |
| Dividend per share, SEK* | 0.50 ⁴ | 0.50 | - | 0.17 | - | - | - | - | 0.06 | 0.06 |
| Capital employed, SEK M | 196.8 | 184.9 | 150.4 | 137.9 | 118.1 | 81.9 | 39.4 | 28.3 | 23.6 | 14.1 |
| Interest-bearing liabilities, SEK M | - | - | - | - | - | - | - | - | - | - |
| Total assets, SEK M | 255.9 | 233.1 | 188.1 | 173.2 | 146.2 | 107.2 | 54.8 | 42.5 | 31.8 | 18.1 |
| Equity per share, SEK* | 5.74 | 5.39 | 4.39 | 4 | 3.44 | 2.39 | 1.25 | 0.9 | 0.75 | 0.36 |
| Equity/assets ratio, % | 76.9 | 79.3 | 80 | 79.6 | 80.7 | 76.4 | 72 | 66.5 | 74.5 | 73.2 |
| Share of risk-bearing capital, % | 93.2 | 94.3 | 93.9 | 92.8 | 92.9 | 89.3 | 88.6 | 81.9 | 84.2 | 77.4 |
| Return on capital employed, % | 21.0 | 24.6 | 16.8 | 22.2 | 34.9 | 66.1 | 37.5 | 50.7 | 44.2 | 117.7 |
| Return on total capital, % | 16.4 | 19.6 | 13.4 | 17.8 | 27.5 | 49.5 | 26.1 | 35.5 | 33.5 | 94.1 |
| Return on equity, % | 15.1 | 18 | 12.6 | 15.5 | 36.2 | 48 | 33.1 | 33.7 | 21.3 | 71.5 |
| Share price at year-end, SEK * | 38.0 | 29.5 | 11.5 | 63.3 | 50 | 59 | 16.2 | 8.33 | - | - |
| Average number of employees | 64 | 52 | 48 | 37 | 28 | 27 | 23 | 19 | 16 | 8 |

¹ Pro forma in accordance with Swedish Financial Accounting Standards Council Recommendations, see Annual Report for 2003.

² Pertains to RaySearch Medical AB in 2000 and 2001 in accordance with the general directives of the Swedish Accounting Standards Board.

³ SEK 0.73, excl. capitalization of tax loss carry-forwards in 2006.

⁴ Proposed 2010 dividend.

* Adjusted for 3:1 share split.

DEFINITIONS OF KEY DATA

CAPITAL EMPLOYED

Total assets less non-interest-bearing liabilities including deferred tax liability.

CASH FLOW PER SHARE

Cash flow from current operations divided by average number of shares during the year.

DIVIDEND PER SHARE

Dividend divided by number of shares at year-end.

EARNINGS PER SHARE

Net earnings divided by average number of shares during year.

EQUITY/ASSETS RATIO

Equity as a percentage of total assets.

EQUITY PER SHARE

Equity divided by number of shares at end of year.

OPERATING MARGIN

Operating profit, expressed as a percentage of net sales.

P/E-RATIO

Share price divided by earnings per share, before and after dilution.

PROFIT MARGIN

Income after financial items expressed as a percentage of net sales.

RETURN ON CAPITAL EMPLOYED

Operating profit plus financial income expressed as a percentage of average capital employed.

RETURN ON EQUITY

Net income after taxes expressed as a percentage of average shareholders' equity.

RETURN ON TOTAL CAPITAL

Operating profit plus financial income expressed as a percentage of total assets.

SHARE OF RISK-BEARING CAPITAL

Equity plus deferred tax liabilities expressed as a percentage of total assets.

SHARE PRICE/ADJUSTED EQUITY PER SHARE

Share price divided by adjusted equity per share at year-end.

There are no minority interests within the Group for accounting purposes.

MULTI-YEAR OVERVIEW

CONSOLIDATED INCOME STATEMENTS

| Amounts in SEK 000s | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|---|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Net sales | 117,728 | 83,687 | 62,690 | 64,705 | 68,976 | 69,855 | 39,479 |
| Cost of goods sold | -92 | -1,013 | -661 | -863 | -849 | -1,121 | -1,238 |
| Gross profit | 117,636 | 82,674 | 62,029 | 63,842 | 68,127 | 68,734 | 38,241 |
| Research and development costs | -53,500 | -24,718 | -29,183 | -24,225 | -17,379 | -16,069 | -13,147 |
| Other operating expenses | -24,263 | -17,094 | -11,788 | -13,836 | -17,208 | -13,058 | -12,634 |
| Operating profit | 39,873 | 40,862 | 21,058 | 25,781 | 33,540 | 39,607 | 12,460 |
| Result from financial items | 249 | 421 | 3,048 | 2,260 | 1,320 | 408 | 158 |
| Profit/loss before tax | 40,122 | 41,283 | 24,106 | 28,041 | 34,860 | 40,015 | 12,618 |
| Tax | -11,227 | -11,137 | -5,883 | -8,262 | 1,359 | -10,873 | -1,403 |
| Profit for the year | 28,895 | 30,146 | 18,223 | 19,779 | 36,219 | 29,142 | 11,215 |
| Earnings per share before full dilution | 0.84 | 0.88 | 0.53 | 0.58 | 1.06 | 0.85 | 0.36 |
| Earnings per share after full dilution | 0.84 | 0.88 | 0.53 | 0.57 | 1.05 | 0.85 | 0.33 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| Amounts in SEK 000s | Dec 31, 2010 | Dec 31, 2009 | Dec 31, 2008 | Dec 31, 2007 | Dec 31, 2006 | Dec 31, 2005 | 2004-12-31 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| ASSETS | | | | | | | |
| Intangible fixed assets | 133,981 | 112,323 | 81,705 | 62,738 | 45,397 | 34,876 | 25,707 |
| Other fixed assets | 6,999 | 10,284 | 12,495 | 13,586 | 12,232 | 1,351 | 3,950 |
| Total fixed assets | 140,980 | 122,607 | 94,200 | 76,324 | 57,629 | 36,227 | 29,657 |
| Total current assets | 114,946 | 110,491 | 93,891 | 96,909 | 88,645 | 70,954 | 25,138 |
| TOTAL ASSETS | 255,926 | 233,098 | 188,091 | 173,233 | 146,274 | 107,181 | 54,795 |
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | | | | | |
| Shareholders' equity attributable to the Parent Company's shareholders | 196,762 | 184,858 | 150,435 | 137,851 | 118,072 | 81,854 | 39,475 |
| Liabilities | 59,164 | 48,240 | 37,656 | 35,382 | 28,202 | 25,327 | 15,320 |
| SUMMA EGET KAPITAL OCH SKULDER | 255,926 | 233,098 | 188,091 | 173,233 | 146,274 | 107,181 | 54,795 |

TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES CONSOLIDATED

CASH-FLOW STATEMENTS

| Amounts in SEK 000s | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|-------------------------------------|---------------|--------------|---------------|---------------|---------------|---------------|--------------|
| Cash flow from operating activities | 62,785 | 49,207 | 26,045 | 37,862 | 30,093 | 41,393 | 12,872 |
| Cash flow from investing activities | -50,791 | -43,148 | -29,540 | -25,559 | -16,872 | -14,640 | -11,843 |
| Cash flow from financing activities | -16,991 | 3,310 | -4,996 | - | - | 13,279 | - |
| Cash flow for the year | -4,997 | 9,369 | -8,491 | 12,303 | 13,221 | 40,032 | 1,029 |

GLOSSARY

Accelerator Also sometimes referred to as linear accelerator or linac. The accelerator is used to create and shape the radiation beams used in radiation therapy. Usually there are one to ten accelerators per cancer clinic. Major manufacturers are Elekta, Siemens, and Varian.

Adaptive Radiation Therapy (ART) Radiation therapy in which information extracted from image studies (CT, MRI or PET scans) acquired during the course of treatment is used to correct the treatment. This method reduces the effects of uncertainties and erroneous information during planning and improves treatment outcome. Refer also to IGRT.

Algorithms A method for solving a problem in a number of steps, for example, a calculation procedure.

Algorithm development The process of formulating algorithms. Algorithm development focuses on the method itself and not on programming, although programming accounts for a substantial share of algorithm development.

ART Refer to Adaptive Radiation Therapy.

Biological optimization Refer to Radiobiological optimization.

Brachytherapy Local radiation treatment using radioactive isotopes, usually radium, iridium or cobalt, placed directly on or in the patient.

Carbon ions By accelerating carbon atoms to speeds approaching half the speed of light, the carbon atom is ionized and can be used for radiation therapy that has a unique biological effect, in addition to the favorable properties that the type of radiation shares with protons.

Collimator angles The collimator used to limit the flow profile's broadening can be rotated around its own axis.

Computer tomography (CT scan) The usual diagnostic method for cancer today. A method that uses X-rays to produce a 3D image of the internal density of the body.

Cone-beam CT Technology for taking computer tomography (CT) images by means of a cone-formed X-ray beam, permitting images to be acquired promptly; is used when CT is integrated with the treatment machine.

Conventional three-dimensional conformal radiation therapy (3D-CRT) The treatment method used today when IMRT is not used. Involves shaping the beams to conform to the contour of a tumor using an MLC, while the intensity of the beam remains constant.

CT (Computer tomography) Refer to computer tomography.

Curative radiation therapy Therapy in which clinicians decide to treat patients in an effort to cure the cancer, in other words, completely eradicate the tumor. The opposite is palliative treatment. See below.

Detector technology Technology used to measure radiation magnitudes. Technical examples include ion chambers, diodes or electrometers.

Direct optimization of machine parameters The basis of RayMachine. During optimization, direct optimization of machine parameters entails the use of a detailed model of the accelerator with its physical and technical limitations.

Dose calculation algorithms Algorithms for calculating the radiation dose that the patient receives, given a specific machine setting.

Dose response relationships How tissue reacts to radiation.

Dosimetry An area of science dealing with the measurement of absorbed doses in materials from ionizing radiation.

Fluence optimization A method used for calculating IMRT plans in which the photon fluence is permitted to vary randomly across each beam's cross-section. The photon fluences are then recomputed to machine settings in a stage that adversely impacts on treatment quality. A better method is "Direct optimization of machine parameters."

Fraction Radiation therapy is usually divided into 30-40 sessions known as fractions.

Gantry angle optimization Optimization method that, in addition to computing the optimal collimator setting or fluence profiles, also simultaneously calculates optimal beam angle.

IGRT – Image-Guided Radiation Therapy Radiation therapy in which information extracted from images of patients in the treatment position is used for basic geometric corrections such as the patient positioning. Typical imaging modalities are portal imaging and CT scanners integrated with the treatment machine (see Cone-beam CT). By means of this procedure, positioning errors can be reduced and a better treatment gained. Refer also to Adaptive radiation therapy.

IMRT (Intensity Modulated Radiation Therapy) is a technique in which the intensity of the beam is varied spatially using a multi-leaf collimator. Traditional radiation therapy uses only homogeneous intensity.

Light ions An ion is an atom with a negative or a positive charge due to an excess or deficit of electrons. Ions with a lower atomic number, such as helium (2), beryllium (4) and carbon (6) are referred to as being light.

Magnetic Resonance (MR) An increasingly common diagnostic technique that can be used on the entire body, using the magnetic resonance of the body's molecules. Since MR provides very good contrast imagery of the bodies' soft tissues, it is superior to CT in assessing the tumor's position and spread.

MLC Multileaf collimator The multileaf collimator is a device that shapes the radiation beam and is installed in the treatment head of a linear accelerator. Used to shape the beams to conform to the tumor instead of using only a rectangular field. Essentially always used in conjunction with the supply of IMRT.

Modularity A property of software entailing that parts of the software can be reused in contexts and products other than the purpose for which they were initially developed.

Model-based segmentation (MBS) Time-saving technology that automatically adapts three-dimensional organ models to the individual imaging data of each patient (see organ segmentation).

MR Refer to Magnetic Resonance.

Multi-criteria optimization Technology for intuitively and efficiently creating and evaluating a number of different treatment/therapy options.

Multileaf collimator Refer to MLC

Optimization algorithms for radiation therapy Algorithms for calculating the radiation therapy that gives the best quality of treatment. Quality of treatment is defined by the doctor in terms of various requirements.

ORBIT Optimization of Radiation therapy Beams by Iterative Techniques The core of RaySearch's software, which works as a framework and a toolbox for the software products that RaySearch develops.

Organ segmentation The manual process of creating three-dimensional models of tumors and the surrounding tissue.

Palliative radiation therapy Therapy in which clinicians cannot cure the disease, but only alleviate it or slow its progress. The opposite is referred to as curative therapy. See above.

Plug-in module Software that can be plugged into a larger software system and provide enhanced functionality.

Positron emission tomography (PET) A more recent diagnostic technique, in which tumor markers are labeled with radioactive isotopes that are injected in the blood. Markers move in the circulatory system to the intended position and radioactivity shows where a tumor is positioned.

Protons A type of particle with a substantially larger static mass than electrons and which, accelerated to half the speed of light, has superior radiation therapy properties than traditional photon or electron radiation.

Quality assurance Extensive checks conducted in hospitals of all systems included in the radiation process. Certain checks are conducted daily, others before the treatment of each patient commences. These processes are referred to as quality assurance and are aimed at ensuring that the patients receive exactly the planned dose.

Radiobiological optimization Optimization of radiation therapy in which mathematical models of how tissue reacts to radiation are used to help the user to assess quality of treatment.

Software modules A software package to solve a specific host system's needs for functionality.

Treatment planning Using a computer to find one or more recommendations for radiation therapy of the tumor. Usually includes work with CT images, tumor and organs at risk delineation, application of radiation type and beam angle, optimization [manual or automatic] of dose results, as well as evaluation and approval of best recommendation [plan].

Tumor response How the tumor reacts to radiation treatment.

VMAT (Volumetric modulated arc therapy) Advanced form of IMRT where the treatment machine rotates around the patient once or several times while the treatment beam is activated. Enables quicker treatment.

