

RaySearch Laboratories AB (publ) Year-end Report for 2008

JANUARY 1 – DECEMBER 31, 2008

- Net sales for the period totaled SEK 62.7 M (64.7)
- Profit after tax was SEK 18.2 M (19.8)
- Earnings per share amounted to SEK 0.53 (0.58)
- Operating profit was SEK 21.1 M (25.8)
- Cash flow from operating activities totaled SEK 26.0 M (37.9)
- An agreement with Philips covering a product for the new treatment method VMAT was reached in June
- A cooperation agreement covering research within multi-criteria optimization with Massachusetts General Hospital in Boston, U.S., was signed in August
- The first patient was treated using RaySearch's system for proton therapy in December
- The Board proposes that no dividend be paid

AFTER THE CLOSE OF THE PERIOD

- The collaboration with Nucletron was extended in January with two new solutions for treatment planning
- The first product from the collaboration with TomoTherapy received FDA clearance in January and can therefore be launched

“It is highly pleasing that 2008 ended with the highest quarterly revenues in RaySearch's history. As a result, nearly the entire sales dip in the sluggish second and third quarters was offset,” comments Johan Löf, President and CEO of RaySearch.

“2009 will be a record year in terms of new products, with market launches by all our five partners. The number of revenue-generating products is therefore expected to almost double during the year,” concludes Johan Löf.

SUMMARY OF FINANCIAL RESULTS

Amounts in SEK 000s

	Jan-Dec		Oct-Dec	
	2008	2007	2008	2007
Net sales	62,690	64,705	21,346	14,523
Operating profit	21,058	25,781	13,013	3,683
Operating margin %	33.6	39.8	61.0	25.4
Net profit	18,223	19,779	10,899	3,006
Earnings per share, SEK*	0.53	0.58	0.32	0.09
Share price at the end of the period, SEK*	11.50	63.33		

*Adjusted for 3:1 stock split

The information in this interim report is such that RaySearch must release it publicly in accordance with the Swedish Securities and Clearing Operations Act and/or the Financial Instruments Trading Act. The information was made public on February 11, at 7:45 a.m.

CEO comments

It is highly pleasing that 2008 ended with the highest quarterly revenues in RaySearch's history, with net sales for the fourth quarter rising by 47 percent to SEK 21.3 M. As a result, nearly the entire sales dip in the sluggish second and third quarters was offset, with net sales for the entire year declining 3 percent to SEK 62.7 M. Some of the sharp rise during the fourth quarter is attributable to rising USD and EUR exchange rates; but even with unchanged exchange rates compared with the fourth quarter of 2007, growth in net sales for the quarter amounted to 23 percent.

A key factor underlying the revenue growth during the last quarter is that sales via Nucletron were far better than in the preceding year. This is a trend that we hope to strengthen, since in January 2009 we extended our cooperation program with Nucletron in the form of two new products. The first of these was for VMAT, which is a new, advanced form of radiation therapy that is being marketed heavily by Varian and Elekta since last autumn. VMAT is undoubtedly the most significant trend in radiation therapy right now so this new product entails an important enhancement of Nucletron's Oncentra Masterplan treatment planning system. The other product is a solution for model-based segmentation (MBS). This software simplifies the segmentation step of the planning process in which a three-dimensional model of the tumor and the surrounding organs is created. Today this is very time consuming, as it involves considerable manual effort. Instead, the new software automatically adapts three-dimensional organ models to each patient's individual image data, offering considerable potential to save time and also improve consistency from case to case. Since it is useful both for brachytherapy and external radiation therapy, we are also broadening our customer base with this product as we reach clinics focusing on brachytherapy for the first time. This is an area in which Nucletron has a substantial installed base, giving this product considerable potential. The launch of both products is planned for the second half of 2009.

Sales via Philips were relatively weak earlier during the year, due partly to the fact that Philips could not offer a VMAT solution. In June we announced that we are developing a VMAT product named SmartArc for Philips. Since then, sales have gradually recovered and, during the fourth quarter, we noted a small increase compared with the same period last year. SmartArc was demonstrated successfully at a number of trade shows in 2008 and we are now entering the final development stage. Product launch is planned for the second quarter of the current year. With this launch of new technology we will enter a generation shift, since support revenues deriving from the first product from the Philips collaboration, p-RayOptimizer, will begin to decline, since the product now - after eight years on the market - is regarded as mature according to our contract.

We also noted a positive revenue trend for the COMPASS® quality assurance system in our partnership with IBA Dosimetry, with revenues for five systems during the fourth quarter. The COMPASS® concept represents a paradigm shift for clinics so the market penetration has been relatively slow during the year. We hope that the positive trend from the last quarter will strengthen, as we are working on extending COMPASS® with support for VMAT treatments. Our goal is to be able to start supplying upgrades during the second quarter of 2009. We are also continuing the longer term development work on the i-RayTracker product that expands COMPASS® with adaptive functionality.

One very positive event is that the first product from our cooperation with TomoTherapy received 510(k) clearance by the FDA in January, and can now be market launched. The product, which is marketed under the name SharePlan™, enables automatic transfer of treatment plans from TomoTherapy's Hi-Art system to conventional linear accelerators. This leads to a better balance of the workload in clinics with different types of accelerators, thereby adding to the capacity to treat patients. There are already more than 200 Hi-Art systems installed at clinics that are potential users of SharePlan™ so it will be very exciting to monitor the sales development throughout the rest of the year.

The proton field, in which we have a cooperation agreement with Nucletron, is another area where we have made rapid progress. In August we concluded a development agreement with The Svedberg Laboratory in Uppsala and during the autumn we developed a proton treatment planning system for them. In December the first patient was treated using a plan derived from our system which from now

on will be used for more than 100 proton treatments that are conducted each year at the proton research unit in Uppsala. The agreement with The Svedberg Laboratory will not generate any revenues by itself but it is highly significant that our system is now clinically validated, as this makes us even more credible candidates in current and future procurement tenders. Currently, Nucletron and we are working actively with four tenders. The largest project is the major tender for the Skandion Center in Uppsala which is expected to be decided during the first half of 2009.

The first phase of the collaboration with Varian is now close to completion. The prototypes for the first three products for radiobiological assessment, radiobiological optimization and optimization of conventional 3D-CRT plans have been finalized, and integrated into Varian's treatment planning system, Eclipse. We are now entering the final development stage and we are working on fine-tuning these products. The goal remains firm that the products will be launched during the first half of 2009.

In August, we announced that we are assessing the possibility of supplementing our business model by selling products directly to clinics. We are now working intensely on the first version of RayStation which will be a framework for clinically validated commercial products. It will be possible to offer RayStation directly to clinics as a flexible system where the user can select different treatment planning functionality according to specific user needs. The objective is to have the initial version ready this summer. We are now evaluating several specific product alternatives with various clinics while also pursuing close dialog with our partners to ensure that our good relations are not jeopardized. It is important to emphasize that if we begin selling directly to clinics, it will not involve dealing with complete treatment planning systems that compete directly with our partners, but products that in various ways supplement the clinics' existing systems. RayStation will also function as RaySearch's internal platform for developing and demonstrating prototypes. One example of this is the prototype for multi-criteria optimization that we are developing through a cooperation program initiated in August with the Massachusetts General Hospital.

Looking ahead, we are now facing a generation shift. Support revenues from our first product p-RayOptimizer will decline while a wide range of new products will begin to generate revenues. TomoTherapy is on the starting line for the marketing phase of Shareplan. The new COMPASS® version with support for quality assurance of VMAT has the potential to increase sales. A number of proton procurement tenders that we have a good chance of winning will be decided during the spring. Also ahead of us we have the market launches of the three products with Varian, SmartArc with Philips, as well as the two new products with Nucletron. We have never been anywhere near this product launch rate in the past and, thus, we are now about to reap the harvest of several years of very demanding development work.

Undoubtedly, 2009 will be a highly eventful year but it is difficult to predict how large the financial impact will be. Predicting the market response to new products is always a challenge, and the prevailing sluggish economic climate adds to the uncertainty. Historically, the market for radiation therapy products has been relatively insensitive to economic trends, and our sales during the last quarter of 2008 were at record levels despite the financial crisis. However, it is too early to draw a firm conclusion that we will not be affected by the crisis, although 2009 looks excellent in terms of product launches and we continue to be actively involved in a number of discussions concerning new products both with new and existing partners. Naturally, we will monitor market trends closely and continually review our cost base. Cash flow also rose sharply during the fourth quarter, and thus our financial position remains very solid. As a result, I am hopeful that 2009 will be a very good year for RaySearch.

Stockholm, February 11, 2009

Johan Löf
President, RaySearch Laboratories AB

Significant events

EVENTS DURING THE FOURTH QUARTER OF 2008

First patient treated using RaySearch's proton therapy system

In August 2008, RaySearch Laboratories AB concluded a cooperation agreement with Uppsala University Hospital covering the development of a new system for proton radiation treatment to be performed at The Svedberg Laboratory. December marked a key milestone when the first patient was treated using a plan derived from the new system supplied by RaySearch. The system has been integrated into the Oncentra MasterPlan treatment planning system from RaySearch's partner, Nucletron. Uppsala University Hospital treats more than 100 cancer patients annually using proton radiation therapy at The Svedberg Laboratory and the system will be used for all proton treatment in the future.

EVENTS AFTER THE END OF THE REPORTING PERIOD

RaySearch and Nucletron expand collaboration with two new solutions for treatment planning

In January, a development and licensing agreement was signed covering Nucletron's Oncentra[®] MasterPlan treatment planning system, which entails that RaySearch will develop software modules for Model Based Segmentation (MBS) and treatment planning of Volumetric Modulated Arc Therapy (VMAT). VMAT is a relatively new form of IMRT (Intensity Modulated Radiation Therapy), in which the target is continuously irradiated while the source of the beam rotates around the patient in single or multiple arcs. This concept enables faster treatment delivery compared to traditional IMRT, where the patient is irradiated only from a few selected angles.

MBS facilitates the segmentation process when three-dimensional models of the tumor and surrounding organs at risk are created prior to the treatment planning process. Traditionally this is a very time-consuming task as the contours are outlined manually. The new software uses three-dimensional organ models that automatically adapt to each patient's image data. The product will be useful for treatment planning of both external radiation therapy and brachytherapy and has the potential to significantly decrease the time spent on segmentation and also improve consistency in the process.

FDA approval for first product from collaboration with TomoTherapy – marketing underway

In 2007, RaySearch entered a partnership with TomoTherapy, and in January 2009 the first product to emerge from the program received 510(k) clearance from the FDA, which permits a market launch. The product, which is marketed under the name SharePlan[™], enables transfer of treatment plans between TomoTherapy[®] Hi-Art[®] systems and conventional linear accelerators. The product uses highly sophisticated algorithms to automatically generate a selection of deliverable high-quality IMRT plans based on an existing Hi-Art[®] plan. This time-saving concept is an important tool for optimizing patient benefit and throughput at clinics that are introducing a Hi-Art[®] system into an environment with existing conventional linear accelerators. Automatic generation of IMRT treatment plans is a unique feature and is not available in any other system on the market.

Financial information

SALES AND EARNINGS IN THE FOURTH QUARTER OF 2008

During the first quarter of 2008, net sales rose by 47 percent compared with the corresponding period a year earlier, and totaled SEK 21.3 M (14.5). Operating profit rose and amounted to SEK 13.0 M (3.7), corresponding to an operating margin of 61.0 (25.4) percent for the fourth quarter. Profit after tax during the quarter was SEK 10.9 M (3.0). The substantial increase in sales was attributable to higher sales volumes by Nucletron in particular, the fact that COMPASS from the collaboration with IBA Dosimetry has started to generate revenues as well as higher USD and EUR exchange rates. With unchanged exchange rates, net sales during the quarter would have risen by 23 percent compared with the fourth quarter of 2007.

SALES AND EARNINGS FOR THE FULL YEAR 2008

For 2008 as a whole, net sales declined by 3 percent from the preceding year, totaling SEK 62.7 M (64.7). The number of licenses sold amounted to 634 (731), with license revenues in 2008 amounting to SEK 39.0 M (45.1). Sales comprise mainly license fees from p-RayOptimizer and p-RayMachine, along with support revenues. Support revenues during 2008 rose 21 percent to SEK 23.7 M (19.6). Support revenues are based on accumulated license sales and have thus grown continually. During 2009, however, support revenues for RaySearch's first product p-RayOptimizer will begin to decline as the product has been on the market since 2001, and is now regarded as mature according to contract.

The company is dependent on trends in USD and EUR exchange rates against the SEK, since invoicing to Philips is in USD and invoicing to Nucletron and IBA Dosimetry is in EUR. During 2008, revenues in USD were recorded at an average exchange rate of SEK 6.69, compared with SEK 6.70 during 2007. In 2008, revenues in EUR were recorded at an average exchange rate of SEK 9.86, compared with SEK 9.27 during 2007. A sensitivity analysis of currency exposure indicates that the impact on operating profit in 2008 of a change in the average USD exchange rate of ± 10 percent is \pm SEK 4.4 M and that the corresponding effect of a change in the average EUR exchange rate of ± 10 percent is \pm SEK 1.8 M. The company follows a currency policy set by the Board of Directors.

Operating profit in 2008 totaled SEK 21.1 M (25.8), which corresponds to an operating margin of 33.6 (39.8) percent. Operating costs, excluding currency gains and losses, increased from the preceding year by SEK 4.7 M to SEK 42.8 M. The increase was attributable to intensified research efforts, primarily within radiation therapy with protons, adaptive radiation therapy, multi-criteria optimization and due to the research collaboration with Princess Margaret Hospital. Costs for larger office premises and increased amortization of capitalized development expenses also contributed to the increase. Other operating revenues and other operating costs pertain to exchange rate gains and losses, and the net of these amounted to a gain of SEK 1.8 M (0.1) in 2008.

As of December 31, 2008, 45 (40) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees, computer equipment and premises. Before capitalization and amortization, research and development costs totaled SEK 48.1 M (41.1) and are expected to continue to represent a significant portion of costs in the future. During 2008, development costs were capitalized in the amount of SEK 29.6 M (23.4). Amortization of development costs in 2008 totaled SEK 10.7 M (6.6). Research and development costs after capitalization and amortization totaled SEK 29.2 M (24.2).

Amortization and depreciation in 2008 totaled SEK 10.8 M (6.7) of intangible fixed assets and SEK 0.2 M (0.2) for tangible fixed assets, respectively. Overall, amortization and depreciation 2008 totaled SEK 11.0 M (6.9). Amortization and depreciation related primarily to capitalized development expenses.

Profit after tax for 2008 totaled SEK 18.2 M (19.8), corresponding to earnings per share of SEK 0.53 (0.58).

Geographic distribution of license revenues

Most of RaySearch's customers operate in the US. License revenues for 2008 were distributed as follows: North America 44 (56) percent, Asia 19 (14) percent, Europe and the rest of the world 37 (30) percent.

LIQUIDITY AND FINANCING

Cash flow in 2008 was a negative SEK 8.5 M (pos.: 12.3). Cash flow from operating activities amounted to SEK 26.0 M (37.9). The decline is mainly attributable to a decrease in working capital in 2007 which had a positive cash flow effect of SEK 9.8 M whereas the working capital increased in 2008 with a negative cash flow effect of SEK 10.5 M. The working capital increase in 2008 is mainly attributable to an increase in accounts receivable. The cash flow decline is also due to a dividend paid to shareholders amounting to SEK 5.6 M (0.0) M.

As of December 31, 2008 cash and cash equivalents totaled SEK 70.6 M, compared with SEK 79.1 M at December 31, 2007. As of December 31, 2008, Current receivables totaled SEK 23.2 M compared with SEK 17.8 M at December 31, 2007. RaySearch has no interest-bearing liabilities.

INVESTMENTS

Fixed assets comprise primarily capitalized development costs. Investments in intangible fixed assets in 2008 totaled SEK 30.2 M (24.3) and in tangible fixed assets to SEK 0.5 M (2.1).

EMPLOYEES

At the end of the fourth quarter, the number of employees at RaySearch amounted to 50 (47). The average number of employees during the period January-December 2008 totaled 48 (37).

PARENT COMPANY

The financials of the Parent Company correspond in all significant respects to the financials of the Group, meaning that the comments for the Group also apply to a high degree for the Parent Company. Capitalization of development costs are accounted for in the Group, but not in the Parent Company.

PROPOSAL FOR THE ANNUAL GENERAL MEETING

The Annual General meeting will be held at the Berns Conference Center in Kammarsalen, Berzelii Park, Stockholm on May 26, 2009 at 6 p.m. The Annual Report for 2008 will be available at RaySearch's office, Sveavägen 25 in Stockholm approximately one month prior to the date of the Annual General Meeting.

Dividend

In view of the uncertain market situation, the Board and the President propose that the Annual General Meeting approves that no dividend be paid for the 2008 financial year. For the preceding year, RaySearch paid a dividend of SEK 0.17 SEK per share.

CONSOLIDATED INCOME STATEMENTS

Amounts in SEK 000s	Jan-Dec		Oct-Dec	
	2008	2007	2008	2007
Net sales	62,690	64,705	21,346	14,523
Cost of goods sold	-661	-863	-225	-141
Gross profit	62,029	63,842	21,121	14,382
Other operating income	2,012	453	1,319	404
Selling expenses	-2,563	-1,366	-551	-563
Administrative expenses	-11,031	-12,525	-2,154	-2,810
Research and development costs	-29,183	-24,225	-6,668	-7,378
Other operating expenses	-206	-398	-54	-352
Operating profit	21,058	25,781	13,013	3,683
Result from financial items	3,048	2,260	690	644
Profit before tax	24,106	28,041	13,703	4,327
Tax	-5,883	-8,262	-2,804	-1,321
Net profit	18,223	19,779	10,899	3,006
Earnings per share before full dilution (SEK) *	0.53	0.58	0.32	0.09
Earnings per share after full dilution (SEK) *	0.53	0.57	0.32	0.09
Number of shares outstanding before and after dilution *	34,282,773	34,282,773	34,282,773	34,282,773
Weighted average number of shares outstanding before full dilution *	34,282,773	34,282,773	34,282,773	34,282,773
Weighted average number of shares outstanding after full dilution *	34,282,773	34,488,885	34,282,773	34,485,000

* Adjusted for 3:1 stock split

CONSOLIDATED BALANCE SHEETS

Amounts in SEK 000s	Dec 31, 2008	Dec 31, 2007
ASSETS		
Intangible fixed assets	81,705	62,738
Tangible fixed assets	1,926	2,333
Deferred tax assets	10,569	11,253
Total fixed assets	94,200	76,324
Current assets	23,247	17,774
Cash and cash equivalents	70,644	79,135
Total current assets	93,891	96,909
TOTAL ASSETS	188,091	173,233
EQUITY AND LIABILITIES		
Equity	150,435	137,851
Deferred tax liabilities	26,240	22,850
Other long-term liabilities	1,610	967
Accounts payable	4,283	4,577
Other current liabilities	5,523	6,988
TOTAL EQUITY AND LIABILITIES	188,091	173,233
Pledged assets	5,000	5,000
Contingent liabilities	None	None

CONSOLIDATED CASH FLOW STATEMENTS

Amounts in SEK 000s	Jan-Dec		Oct-Dec	
	2008	2007	2008	2007
Profit before tax	24,106	28,041	13,703	4,327
Adjustment for items not included in cash flow *	10,981	6,864	2,779	1,799
Taxes paid	1,439	-6,841	7,235	-931
Cash flow from operating activities before changes in working capital	36,526	28,064	23,717	5,195
Cash flow from changes in working capital	-10,481	9,798	-4,514	6,983
Cash flow from operating activities	26,045	37,862	19,203	12,178
Cash flow from investing activities **	-29,540	-25,559	-7,648	-8,626
Cash flow from financing activities	-4,996	-	-	-
Cash flow for the period	-8,491	12,303	11,555	3,552
Cash and cash equivalents at the beginning of the period	79,135	66,832	59,089	75,583
Cash and cash equivalents at the end of the period	70,644	79,135	70,644	79,135

*This amount includes mainly amortization of capitalized development costs

**This amount includes mainly capitalized development costs

CHANGES IN EQUITY, GROUP

Amounts in SEK 000s	Jan-Dec	
	2008	2007
Opening balance	137,851	118,072
Profit for the period	18,223	19,779
Dividend paid	-5,639	-
Closing balance	150,435	137,851

CHANGES IN NUMBER OF SHARES

Amounts in SEK 000s	Jan-Dec	
	2008	2007
Total number of shares (opening and closing balance) *	34,282,773	34,282,773
Holding of own shares (opening and closing balance) *	449,628	449,628
Average number of own shares *	449,628	449,628

* Adjusted for 3:1 stock split

KEY DATA AND FINANCIAL INFORMATION IN SUMMARY

Amounts in SEK 000s	Jan-Dec			Oct-Dec		
	2008	2007	2006	2008	2007	2006
Net sales	62,690	64,705	68,976	21,346	14,523	21,151
Operating profit	21,058	25,781	33,540	13,013	3,683	11,046
Operating margin, %	33.6	39.8	48.6	61.0	25.4	52.2
Profit margin, %	38.5	43.3	50.5	64.2	29.8	54.7
Net profit	18,223	19,779	36,219	10,899	3,006	19,765
Earnings per share, SEK *	0.53	0.58	1.06	0.32	0.09	0.58
Return on capital employed, %	16.7	22.2	34.9			
Return on equity, %	12.6	15.5	36.2			
Equity/assets ratio, %	80.0	79.6	80.7			
Adjusted equity per share, SEK *	4.39	4.02	3.44			
Share price at end of period, SEK *	11.50	63.33	50.00			
Dividend per share (SEK)	0**	0.17				

* Adjusted for 3:1 stock split

**According to the Board's proposal

PARENT COMPANY INCOME STATEMENTS

Amounts in SEK 000s	Jan-Dec		Oct-Dec	
	2008	2007	2008	2007
Net sales	62,690	64,705	21,346	14,523
Cost of goods sold	-661	-863	-225	-141
Gross profit	62,029	63,842	21,121	14,382
Other operating income	2,012	453	1,319	404
Selling expenses	-2,563	-1,366	-551	-563
Administrative expenses	-12,461	-14,255	-2,481	-3,483
Research and development costs	-46,635	-39,317	-11,405	-13,094
Other operating expenses	-206	-398	-54	-352
Operating profit	2,176	8,959	7,949	-2,706
Result from financial items	14,417	1,781	12,547	498
Profit/loss after financial items	16,593	10,740	20,496	-2,208
Appropriations	743	-1,101	743	-1,101
Profit/loss before tax	17,336	9,639	21,239	-3,309
Tax	-2,303	-2,974	-3,251	817
Net profit/loss	15,033	6,665	17,988	-2,492

PARENT COMPANY BALANCE SHEETS

Amounts in SEK 000s	Dec 31, 2008	Dec 31, 2007
ASSETS		
Intangible fixed assets	1,221	1,164
Tangible fixed assets	1,926	2,333
Financial fixed assets	2,160	2,160
Deferred tax assets	10,569	11,253
Total fixed assets	15,876	16,910
Current assets	35,238	17,774
Cash and cash equivalents	54,534	64,217
Total current assets	89,772	81,991
TOTAL ASSETS	105,648	98,901
EQUITY AND LIABILITIES		
Equity	76,755	67,436
Untaxed reserves	19,290	20,033
Accounts payable	4,283	4,577
Other current liabilities	5,320	6,855
TOTAL EQUITY AND LIABILITIES	105,648	98,901
Pledged assets	5,000	5,000
Contingent liabilities	None	None

Other information

ACCOUNTING PRINCIPLES IN ACCORDANCE WITH IAS/IFRS

The year-end report was prepared in accordance with IAS 34, Interim Financial Reporting. In addition, applicable provisions of the Swedish Annual Accounts Act and the Swedish Securities Market Act were applied. The same accounting and principles basis for valuation were applied as in the most recent annual report.

The year-end report for the Parent Company was prepared in accordance with the Swedish Annual Accounts Act and the Swedish Securities Market Act, which corresponds to the requirements contained in RFR 2.1 Accounting for Legal Entities. The same accounting and principles basis for valuation were applied as in the most recent annual report.

RISKS AND UNCERTAINTY FACTORS IN THE GROUP AND THE PARENT COMPANY

Financial risk management

RaySearch's finance policy for governing the management of financial risks was established by the Board of Directors and represents a framework of guidelines and rules in the form of risk mandates and limits for financial activities. RaySearch is primarily influenced by exchange-rate risk. All of RaySearch's net sales are in USD or EUR. In accordance with the established financial policy, no currency hedging is employed. The finance policy is updated at least once annually.

Operational risks

As a result of its activities, RaySearch is exposed to various operational risks including the following: dependency on key persons, competition and strategic partnerships. RaySearch currently has partnerships with Philips, Varian, 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 effect on the company's sales, profit and financial position. This risk was reduced during the past year since the number of partners has increased from three to five. RaySearch is engaged in continuous discussions with a number of medical technology companies in respect of new collaborations.

For more detailed information about RaySearch's financial risk management and operational risks, refer to the 2007 Annual Report on page 48.

TRANSACTIONS WITH CLOSELY RELATED PARTIES

No transactions occurred between RaySearch and closely related parties that materially affected the company's position and earnings.

ESTIMATES

Preparation of the year-end report requires that company management make estimates that affect the reported amounts for assets, liabilities, revenues and expenses. The actual outcome could deviate from these estimates. The critical sources of uncertainty in the estimates are the same as in the most recent annual report.

The year-end report provides an accurate overview of the activities of the Parent Company and Group, the financial position and earnings and describes the material risks and uncertainty factors facing the Parent Company and the companies comprising the Group.

Stockholm, February 11, 2009

Erik Hedlund
Chairman

Johan Löf
President/CEO and Board member

Carl Filip Bergendal
Board member

Hans Wigzell
Board member

Review report

To the Board of RaySearch Laboratories AB
Corporate Registration Number 556322-6157

I have reviewed the year-end report of RaySearch Laboratories AB (publ) for 2008. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. My responsibility is to express a conclusion on the interim report based on my review.

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

Based on my review, nothing has come to my attention that causes me to believe that the interim report is not prepared, in all material respects, for the group in accordance with IAS 34 and the Swedish Annual Accounts Act and for the parent company in accordance with the Swedish Annual Accounts Act.

Stockholm, February 11, 2009

Anders Linér
Authorized Public Accountant
KPMG

FOR FURTHER INFORMATION, PLEASE CONTACT:

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FINANCIAL REPORTING

Interim report for the first three months
Annual General Meeting

May 15 2009
May 26 2009 6 p.m.
The Annual General Meeting will be held at Berns
Konferens in the Kammarsalen facility, Berzelii
Park, Stockholm
August 27 2009

Interim report for the first six months

ABOUT RAYSEARCH

RaySearch Laboratories is a medical-technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are sold through license agreements with leading partners such as Philips, Varian, Nucletron, IBA Dosimetry and TomoTherapy. Eight products have been released to date and RaySearch's software is used at over 1,300 clinics in more than 30 countries. In addition, existing license agreements cover more than 15 other products that are scheduled to be launched in the coming years. RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm and the company is listed in the Small Cap segment on the OMX Nordic Exchange Stockholm.

For more information about RaySearch, visit www.raysearchlabs.com.