

RAYSEARCH LABORATORIES AB (PUBL)

INTERIM REPORT JANUARY 1 – MARCH 31, 2012

JANUARY 1 – MARCH 31, 2012

- Net sales for the period amounted to SEK 38.4 M (23.0)
- Profit after tax totaled SEK 4.6 M (1.6) and earnings per share amounted to SEK 0.13 (0.05)
- Operating profit was SEK 6.7 M (2.1)
- Cash flow amounted to SEK 10.9 M (neg: 3.3)
- The first complete version of RayStation® was released in January
- A total of six orders were received for RayStation® from Italy, Canada, Switzerland, Germany and the US

AFTER THE END OF THE PERIOD

- Two orders for RayStation® were received from South Korea
- Distribution agreement was signed for the Spanish market

“The year has taken off well with several key orders for our proprietary RayStation® treatment planning system during the first quarter. The order from the Princess Margaret Hospital (PMH) in Canada was a major breakthrough. PMH has achieved an international reputation as a global leader in the fight against cancer”, says Johan Löf CEO of RaySearch.

“Thanks to the strong increase in sales of RayStation®, the revenues rose a full 67 percent to SEK 38.4 M (23.0). This is RaySearch’s second highest quarterly sales ever and by far the highest sales level ever recorded for the first quarter”, says Johan Löf, CEO of RaySearch.

SUMMARY OF FINANCIAL RESULTS

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Net sales	38,449	23,047	126,103
Operating profit	6,718	2,083	27,624
Operating margin, %	17.5	9.0	21.9
Profit for the period	4,617	1,597	17,007
Earnings per share, SEK	0.13	0.05	0.50
Share price at period end, SEK	23.80	35.40	14.45

The information in the interim report is such that RaySearch must disclose publicly in accordance with the Swedish Securities and Clearing Operations Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on May 23, 2012 at 7.45 a.m.

CEO COMMENTS

CONSIDERABLE INTEREST IN RAYSTATION® IN SEVERAL MARKETS

The year has taken off well with several key orders for our proprietary RayStation® treatment planning system during the first quarter. The order from Princess Margaret Hospital (PMH) in Canada was a major breakthrough. PMH has achieved an international reputation as a global leader in the fight against cancer. The order value from such a large hospital is significant but even more important is the fact that PMH is widely recognized as the pioneering research institution in the field of image-guided and adaptive radiation therapy. PMH's selection of RayStation® as its primary tool for the next step in radiation therapy confirms that we are the leading supplier of treatment planning software. We also received important orders in Europe; for example, we received an order from the German Cancer Research Center (DKFZ), which is the largest biomedical research institute in Germany. We were also successful in an important tender process in Switzerland and our distributor in Italy sold the first systems to two clinics in Italy. In May we signed a distribution agreement with a renowned Spanish distributor, and last week we returned from the annual European radiation therapy convention ESTRO where we participated as an exhibitor. RayStation® generated a lot of excitement at the conference, which should help us grow the order volumes in Europe. In April, we experienced another very positive development when we secured our first two orders from Asia, the most important growth region for radiation therapy. One of the orders was for treatment planning of proton therapy from Samsung Medical Center and the other was for treatment planning of conventional radiation therapy from the Hallym University Medical Center. Both clinics are located in Seoul, South Korea. Sales of RayStation® are thus under way in all major regions.

HIGHER PROPRIETARY SALES AND STABLE PARTNER SALES GENERATING STRONG GROWTH

Sales of partner products were stable during the first quarter. Sales via Philips, RaySearch's largest partner, were in line with sales in the year-earlier period. Sales via Varian and Accuray were also largely unchanged, while revenues from Nucletron and IBA Dosimetry were slightly higher than in the corresponding period in 2011. The partnership with Siemens is being terminated since Siemens has decided to exit the radiation therapy field. It is currently difficult to say what this will entail, but regardless of Siemens' decisions, RaySearch is guaranteed revenues from this cooperation for several more years.

Combined with the strongly increasing sales of RayStation®, this means that revenues rose a full 67 percent to SEK 38.4 M (23.0). This is RaySearch's second highest quarterly sales ever and by far the highest sales level ever for the first quarter. Profit for the period reached SEK 4.6 M, which was also significantly higher than in the year-earlier period, when SEK 1.6 M was reported. The profit increase was less than the sales increase because costs for development, marketing and expansion of sales and service of RayStation® are now higher.

PATENT PROCESS CONTINUES

In May 2011 we were sued by the US company Prowess, which claims that we have infringed on a US patent that they license. We believe there is no infringement and in addition, that the patent should be invalidated since there is prior art in numerous older publications describing the same methods. We have a strong defense and hope to win the case. In January 2012, an arbitration conference was arranged by the court to see if the parties could settle without a protracted process. Since Prowess maintained demands that were wholly unacceptable to RaySearch, these proceedings came to no avail. Consequently, the process continues and it is still difficult to predict how long it will take to resolve the dispute and the cost this will entail for RaySearch. However, it is clear that we will have to bear relatively substantial legal costs in 2012 to be able to mount a proper defense.

CONTINUED FOCUS ON RAYSTATION®

For the remainder of 2012 we will continue to strengthen our global organization, primarily in sales, marketing and support of RayStation®. However, we are proceeding cautiously and will build the infrastructure step by step with the goal of a positive profit contribution from the direct sales effort also in the short-term.

The first version of RayStation® for general use was released in January and it is already a fantastic product. There is still much we wish to add and we will also address the proposals for improvements from our customers that use the system clinically. In parallel, we continue the development programs together with our partners. For example, jointly with IBA Dosimetry, we are in the process of completing an adaptation of the quality assurance system COMPASS® for a new detector. The new version will be launched in 2012.

The year has begun favorably and, in view of the positive reception for RayStation® and the number of exciting ongoing business discussions with clinics, I am very positive regarding the remainder of the year.

Stockholm, May 23, 2012

Johan Löf
President and CEO of RaySearch Laboratories AB (publ)

SIGNIFICANT EVENTS

EVENTS DURING THE FIRST QUARTER OF 2012

First complete version of RayStation® released in January

In January, RaySearch announced that version 2.5 of the RayStation® treatment planning system had been released for clinical use in Europe and the US and that regulatory approval was pending in Canada. The new version includes a wide range of new features and improvements. RayStation® 2.5 includes all of RaySearch's market-leading optimization algorithms for VMAT, IMRT and 3D-CRT alongside a comprehensive set of tools for traditional 3D-CRT planning. This means that the system can be used clinically for treatment planning of all various treatment modalities of photon therapy. Using advanced deformable registration algorithms, RayStation® 2.5 also allows the users to perform dose tracking. This offers the possibility to perform accurate dose accumulation of any delivered or planned dose to any patient geometry using any combination of image data sets. RayStation® is the first treatment planning system that lets the clinicians monitor the impact of a changing patient geometry as the treatment progresses, and seamlessly adjust the treatment in the same system. The dose tracking functionality is available for installation in Europe and the US but regulatory approval is pending in Canada.

Total of six orders for RayStation® received from Italy, Canada, Switzerland, Germany and the US

In March, an order was received from Princess Margaret Hospital (PMH) in Toronto, Canada. PMH is internationally renowned as one of the leading institutions in the battle against cancer and is ranked as one of the best hospitals in the world for both care and research in the field of cancer. PMH is widely recognized as a pioneer in image controlled and adaptive radiation therapy and the agreement entails that RaySearch will deliver its RayStation® treatment planning system to PMH, where it will be used as the principal treatment planning tool for adaptive radiation therapy. During the quarter, RaySearch also received orders from James E. Cary Cancer Center in Hannibal, Missouri; DKFZ (German Cancer Research Center) in Heidelberg, Germany; Hôpital Riviera in Vevey, Switzerland; and two clinics in Italy.

EVENTS AFTER THE END OF THE PERIOD

Two orders for RayStation® received from South Korea

In April, RaySearch announced that it had received two orders for RayStation® from Samsung Medical Center and Hallym University Medical Center in Seoul, South Korea. Samsung Medical Center (SMC) has a large cancer center that offers a number of advanced treatment solutions based on radiation therapy and the center is also building a new unit for proton therapy. Proton therapy is the most refined form of radiation therapy and facilitates even higher precision than IMRT with photons. SMC has ordered RaySearch's RayStation® treatment planning system for planning of all proton treatments. Hallym University Medical Center is one of the largest medical institutions in South Korea. It has ordered RayStation® for both conventional 3D-CRT treatments and for more advanced treatments such as IMRT and VMAT.

Distribution agreement signed in Spain

In May, RaySearch signed an exclusive distribution agreement with the Spanish distributor Bioterra, based in Madrid. The agreement entails that Bioterra will be responsible for marketing, sales and service of RayStation® in the Spanish market. Spain is one of the largest markets for radiation therapy in Europe, with more than 120 clinics. Bioterra is a leading distributor of radiation therapy equipment in Spain and represents a spectrum of international radiation therapy companies in various areas.

FINANCIAL INFORMATION

SALES AND EARNINGS FOR THE FIRST QUARTER OF 2012

Revenues and currency effects

During the first quarter of 2012, sales rose 66.8 percent year-on-year to SEK 38.4 M (23.0). Sales consist of license revenues via partners and direct sales, as well as support revenues. The total number of licenses sold via partners and direct sales amounted to 355 (207) and license revenues during the first quarter of 2012 amounted to SEK 33.9 M (18.4). The increase in license revenues derived from a substantial rise in revenues from direct sales of RayStation®. Support revenues in the first quarter of 2012 decreased marginally to SEK 4.5 M (4.7), since declining support revenues for old products were not fully offset by support revenues from new products.

The company is dependent on exchange-rate trends in USD and EUR against the SEK, because invoicing is denominated in USD and EUR while most costs are in SEK. During the first quarter of 2012, revenues in USD were recognized at an average exchange rate of SEK 6.67, compared with SEK 6.32 in the year-earlier period. During the first quarter of 2012, revenues in EUR were recognized at an average exchange rate of SEK 8.85, compared with SEK 8.78 in the year-earlier period. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased by 59.7 percent compared year-on-year. A sensitivity analysis of currency exposure indicates that the impact of a change in the average USD exchange rate of ± 10 percent on the operating profit in the first quarter of 2012 was \pm SEK 2.6 M and that the corresponding effect of a change in the average EUR exchange rate of ± 10 percent was \pm SEK 0.9 M. The company pursues the currency policy established by the Board of Directors.

Operating expenses and profit

Operating profit in the first quarter of 2012 amounted to SEK 6.7 M (2.1), corresponding to an operating margin of 17.5 percent (9.0). Operating expenses, excluding exchange-rate gains and losses, increased SEK 9.9 M compared with the year-earlier period to SEK 29.9 M. Other operating revenues and other operating expenses refer to exchange-rate gains and losses, with the net of these amounting to an expense of SEK 1.8 M (expense: 0.7) for the first quarter of 2012. The increase in operating expenses was mainly due to higher marketing and personnel costs for sales and service due to activities related to direct sales of RayStation®.

As of March 31, 2012, 67 (59) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees, computer equipment and premises. Before capitalization and amortization of development costs, research and development costs totaled SEK 19.7 M (20.1). During the first quarter of 2012, capitalized development costs amounted to SEK 13.2 M (14.2). Amortization of capitalized development costs in the first quarter of 2012 totaled SEK 10.8 M (7.6). After adjustments for capitalization and amortization of development costs, research and development costs amounted to SEK 17.3 M (13.5).

Amortization of intangible fixed assets in the first quarter of 2012 amounted to SEK 10.8 M (7.6) and depreciation of tangible fixed assets totaled SEK 0.3 M (0.1). Overall, amortization and depreciation during the first quarter of 2012 totaled SEK 11.1 M (7.7). Amortization and depreciation primarily related to capitalized development costs.

Profit after tax in the first quarter of 2012 amounted to SEK 4.6 M (1.6), corresponding to earnings per share of SEK 0.13 (0.05).

Geographic distribution of license revenues

Most of RaySearch's existing customers are in the US. It should be noted that the proportion of license revenues derived from North America rose during the period. License revenues in the first quarter of 2012 were distributed as follows: North America 56 percent (32), Asia 20 percent (38) and Europe and the rest of the world 24 percent (30).

LIQUIDITY AND FINANCING

Cash flow from operating activities during the first quarter of 2012 increased to SEK 24.5 M (10.8), which was primarily attributable to improved revenues, adjusted for amortization and depreciation. Cash flow from investing activities improved to a negative SEK 13.6 M (neg: 14.1).

Cash flow for the period amounted to SEK 10.9 M (neg: 3.3). At March 31, 2012, cash and cash equivalents amounted to SEK 39.6 M, compared with SEK 71.7 M on March 31, 2011. At March 31, 2012, current receivables totaled SEK 57.6 M, compared with SEK 38.6 M on March 31, 2011. These receivables primarily comprised accounts receivables. The increase in accounts receivables resulted primarily from higher invoicing in the first quarter. RaySearch has no interest-bearing liabilities.

INVESTMENTS

Fixed assets primarily comprise capitalized development costs. Investments in intangible fixed assets in the first quarter of 2012 amounted to SEK 13.2 M (14.2) and investments in tangible fixed assets to SEK 0.6 M (0.1).

EMPLOYEES

At the end of the first quarter, the number of employees in RaySearch was 87 (71). The average number of employees during the January – March 2012 period was 87 (71).

PARENT COMPANY

Since the financial reporting of the Parent Company corresponds in all material respects to the financial reporting of the Group, the comments for the Group are also relevant to a great extent for the Parent Company. Capitalization of development costs is recognized in the Group, but not in the Parent Company.

CONSOLIDATED INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Net sales	38,449	23,047	126,103
Cost of goods sold	-36	-290	-442
Gross profit	38,413	22,757	125,661
Other operating income	534	-	1,067
Selling expenses	-5,740	-1,917	-19,215
Administrative expenses	-6,880	-4,525	-21,369
Research and development costs	-17,303	-13,538	-57,575
Other operating expenses	-2,306	-694	-945
Operating profit	6,718	2,083	27,624
Result from financial items	125	249	1,078
Profit before tax	6,843	2,332	28,702
Tax	-2,226	-735	-11,695
Profit for the period¹⁾	4,617	1,597	17,007
Earnings per share before dilution (SEK)	0.13	0.05	0.50
Earnings per share after dilution (SEK)	0.13	0.05	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Profit for the period	4,617	1,597	17,007
Translation difference for the period	257	-94	-81
Comprehensive income for the period¹⁾	4,874	1,503	16,926

¹⁾ 100 % attributable to shareholders in the Parent Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	MAR 31, 2012	MAR 31, 2011	DEC 31, 2011
ASSETS			
Intangible fixed assets	163,454	140,464	161,096
Tangible fixed assets	4,076	2,895	3,978
Deferred tax assets	-	3,842	-
Total fixed assets	167,530	147,201	165,074
Current receivables	57,607	38,581	67,220
Cash and cash equivalents	39,572	71,664	28,704
Total current assets	97,179	110,245	95,924
TOTAL ASSETS	264,709	257,446	260,998
EQUITY AND LIABILITIES			
Equity	201,571	198,265	196,697
Deferred tax liabilities	46,998	43,492	46,372
Other long-term liabilities	642	642	642
Accounts payable	3,131	3,913	6,582
Other current liabilities	12,367	11,134	10,705
TOTAL EQUITY AND LIABILITIES	264,709	257,446	260,998
Pledged assets	5,000	5,000	5,000
Contingent liabilities	none	none	none

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Profit before tax	6,843	2,332	28,702
Adjusted for non-cash items ¹⁾	11,984	7,874	35,153
Taxes paid	2,838	-514	-3,639
Cash flow from operating activities before changes in working capital	21,665	9,692	60,216
Cash flow from changes in working capital	2,846	1,145	-26,364
Cash flow from operating activities	24,511	10,837	33,852
Cash flow from investing activities ²⁾	-13,569	-14,095	-63,092
Cash flow from financing activities	-	-	-16,991
Cash flow for the period	10,942	-3,258	-46,231
Cash and cash equivalents at the beginning of the period	28,704	75,016	75,016
Exchange-rate difference in cash and cash equivalents	-74	-94	-81
Cash and cash equivalents at the end of the period	39,572	71,664	28,704

¹⁾ These amounts include amortization of capitalized development costs.

²⁾ These amounts include capitalized development costs.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Opening balance	196,697		196,762
Profit for the period	4,617		17,007
Translation difference for the period	257		-81
Dividend paid	-		-16,991
Closing balance	201,571		196,697

Dividend of SEK 0.50/share was paid out with a record day of May 30.

CHANGES IN NUMBER OF SHARES

	JAN–MAR		FULL-YEAR
	2012	2011	2011
Total number of shares (opening and closing balance)	34,282,773		34,282,773
Holding of treasury shares, opening balance	299,628		299,628
Holding of treasury shares, closing balance	299,628		299,628
Average number of treasury shares	299,628		299,628

KEY DATA AND FINANCIAL INFORMATION IN SUMMARY

AMOUNTS IN SEK 000S	JAN-MAR			FULL-YEAR
	2012	2011	2010	2011
Net sales	38,449	23,047	28,062	126,103
Operating profit	6,718	2,083	11,241	27,624
Operating margin, %	17.5	9.0	40.0	21.9
Profit margin, %	17.8	10.1	40.1	22.8
Profit for the period	4,617	1,597	8,234	17,007
Earnings per share, SEK	0.13	0.05	0.24	0.50
Return on capital employed, %	16.6	16.0	24.2	
Return on equity, %	10.0	11.4	17.7	
Equity/assets ratio, %	76.2	77.0	80.1	
Adjusted equity per share at the end of the period, SEK	5.88	5.78	5.63	
Share price at the end of the period, SEK	23.80	35.40	44.60	

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Net sales	36,726	23,047	131,827
Cost of goods sold	-36	-290	-442
Gross profit	36,690	22,757	131,385
Other operating income	534	-	1,067
Selling expenses	-2,677	-748	-10,564
Administrative expenses	-6,877	-4,522	-21,346
Research and development costs	-19,681	-20,098	-84,886
Other operating expenses	-2,306	-694	-945
Operating profit/loss	5,683	-3,305	14,711
Result from financial items	118	317	940
Profit/loss after financial items	5,801	-2,988	15,651
Appropriations	-	-	9,800
Profit/loss before tax	5,801	-2,988	25,451
Tax	-1,576	997	-7,077
Profit/loss for the period	4,225	-1,991	18,374

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2012	2011	2011
Profit/loss for the period	4,225	-1,991	18,374
Translation differences for the period	-	-	-
Comprehensive income/expense for the period	4,225	-1,991	18,374

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	MAR 31, 2012	MAR 31, 2011	DEC 31, 2011
ASSETS			
Intangible fixed assets	96	236	117
Tangible fixed assets	3,900	2,895	3,978
Financial fixed assets	12,744	5,409	11,420
Deferred tax assets	-	3,842	-
Total fixed assets	16,740	12,382	15,515
Current receivables	62,938	43,456	72,753
Cash and cash equivalents	35,308	62,260	25,399
Total current assets	98,246	105,716	98,152
TOTAL ASSETS	114,986	118,098	113,667
EQUITY AND LIABILITIES			
Equity	85,418	77,969	81,193
Untaxed reserves	15,341	25,140	15,341
Accounts payable	3,131	3,913	6,497
Other current liabilities	11,095	11,076	10,636
TOTAL EQUITY AND LIABILITIES	114,986	118,098	113,667
Pledged assets	5,000	5,000	5,000
Contingent liabilities	none	none	none

OTHER INFORMATION

ACCOUNTING POLICIES IN ACCORDANCE WITH IAS/IFRS

This interim report in summary for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions of the Swedish Annual Accounts Act. The Parent Company's financial statements were prepared pursuant to Chapter 9 of the Swedish Annual Accounts Act, Interim Financial Reporting. The same accounting policies and bases of computation that were applied in the most recent Annual Report were used to prepare the consolidated and Parent Company accounts. New or revised IFRS standards during 2012 did not affect RaySearch during the period and no known changes are expected to affect RaySearch in 2012.

Since RaySearch has only one segment, no segment reporting was prepared.

RISKS AND UNCERTAINTIES IN THE GROUP AND THE PARENT COMPANY

Financial risk management

RaySearch's financial policy 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 affected primarily by exchange-rate risk. All of RaySearch's net sales are denominated in USD and EUR. In accordance with the established financial policy, no currency hedging is employed. The financial 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: dependence on key persons, competition and strategic partnerships. RaySearch currently has partnerships with Philips, Nucletron, IBA Dosimetry, Varian, Accuray and Siemens. 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. This risk decreases as the percentage of direct sales increases.

For more detailed information about RaySearch's risks and risk management, refer to page 78 of the 2011 Annual Report.

RELATED-PARTY TRANSACTIONS

No transactions between RaySearch and related parties had a material impact on the company's position and earnings.

ESTIMATES

Preparation of the interim report requires that company management makes estimates that affect the reported amounts of assets, liabilities, revenues and expenses. The actual outcome may deviate from these estimates. The critical sources of uncertainty in the estimates are the same as those in the most recent Annual Report.

This interim report has not been reviewed by the Auditor of the Company.

Stockholm, May 23, 2012

Johan Löf
President and Board member

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FINANCIAL REPORTING

Annual General Meeting	May 30, 2012, at 6:00 p.m. Annual General Meeting will be held at Spårvagnshallarna, Birger Jarlsgatan 57 A, Stockholm, Sweden
Six-month report	August 28, 2012
Interim report for the third quarter	November 16, 2012

ABOUT RAYSEARCH

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are mainly sold through license agreements with leading partners such as Philips, Nucletron, IBA Dosimetry, Varian, Accuray and Siemens. To date, 15 products have been launched through partners and RaySearch's software is used at over 2,000 clinics in more than 30 countries. In addition, RaySearch offers the proprietary treatment planning system RayStation® 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 on NASDAQ OMX Stockholm.

More information about RaySearch is available at www.raysearchlabs.com.