

“We summarize 2018 and conclude: RaySearch stands strong. Order intake rose by 19 percent and RayCare has been introduced into clinical use”

Johan Löf, CEO of RaySearch. Comments page 3.

YEAR IN BRIEF

For full-year 2018, order intake increased 19 percent to SEK 805 M [675] and net sales rose 7 percent to SEK 627 M [585]. However, the operating margin declined to 15 percent [27], primarily due to changes in accounting policies that are deferring our revenue recognition. Without application of the new accounting policies, net sales would have risen 18 percent to SEK 687 M and the operating margin would have been 22 percent. The operating margin declined due to a scheduled increase in depreciation as well as a global market offensive, which involved a 24 percent increase in the average number of employees during 2018. Cash flow was significantly strengthened in the fourth quarter.

FOURTH QUARTER (OCTOBER-DECEMBER 2018)

- Net sales SEK 219.4 M [205.0], of which revenues from RayStation®/RayCare® SEK 206.2 M [192.6]
- Profit after tax SEK 32.8 M [72.3] and earnings per share before/after dilution SEK 0.96 [2.11]
- Operating profit SEK 41.7 M [98.7]
- Cash flow SEK 56.8 M [34.6]
- Order intake SEK 294.9 M [239.1], of which RayStation/RayCare/RayCommand® SEK 283.2 M [228.8]
- Order backlog SEK 828.0 M [581.2] at the end of the period, of which RayStation/RayCare/RayCommand® SEK 777.5 M [523.6]

TWELVE MONTHS (JANUARY-DECEMBER 2018)

- Net sales SEK 627.2 M [585.1], of which RayStation/RayCare SEK 577.5 M [531.6]
- Profit after tax SEK 78.5 M [117.6] and earnings per share before/after dilution SEK 2.29 [3.43]
- Operating profit SEK 94.5 M [159.7]
- Cash flow SEK 1.8 M [19.1]
- Order intake SEK 805.2 M [674.6], of which RayStation/RayCare/RayCommand® SEK 762.5 M [630.0]
- The Board of Directors proposes that no dividend be paid for 2018

CHANGES IN ACCOUNTING POLICIES

- IFRS 15 *Revenue from Contracts with Customers* came into effect on January 1, 2018, and reduced the company's license revenue from RayStation and RayCare by 17 percent in the fourth quarter and 19 percent for full-year 2018 compared with the previously applied accounting standard (IAS 18), see Notes 1-2. The accounting policy changes also had a negative impact on net sales and earnings in 2018.

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- RayStation was selected by several leading cancer centers, including L'Hôpital Maisonneuve-Rosemont in Quebec, Canada, Rogue Valley Medical Center in the US, Kaoshiung Chang Gung Memorial Hospital in Taiwan and Centrum Onkologii Ziemi Lubelskiej in Poland. In addition, Raysearch secured a significant order for RayStation from a major radiotherapy machine manufacturer.
- Since October 8, 2018, RayCare together with RayStation have been used to plan and manage the treatment of patients at Provision CARES Proton Therapy Center in Nashville in the US. This marks the introduction into clinical use of RayCare.
- RaySearch and Canon Medical Systems Corporation entered into a collaborative agreement to integrate RayStation/RayCare with Canon Medical's imaging systems and advanced visualization solutions.
- RayStation 8B* was launched with machine learning and deep learning applications, a new module for evaluation of robustness of treatment plans and Monte Carlo dose computation for photons.
- RayCare 2C* was released with comprehensive improvements and new advanced workflow features as well as enhanced activity and order management.
- RaySearch expanded its product line-up with the RayCommand treatment control system and has secured an initial order from Advanced Oncotherapy (AVO) in the UK. Refer to page 10 for more details about RayCommand.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- RaySearch has won five orders for RayStation in the UK with a total order value of SEK 48 M.

FINANCIAL SUMMARY

AMOUNTS IN SEK 000s	OCT-DEC		JAN-DEC	
	2018 ¹	2017 ²	2018 ¹	2017 ²
Net sales	219,443	204,961	627,218	585,086
Operating profit	41,673	98,698	94,460	159,669
Operating profit, %	19.0	48.2	15.1	27.3
Profit for the period	32,649	72,289	78,523	117,627
Earnings per share before/after dilution, SEK	0.95	2.11	2.29	3.43
Cash flow from operating activities	120,614	46,785	178,472	147,481
Cash flow before financing activities	47,356	578	-45,153	-651
Return on equity, %	5.3	13.9	12.7	22.6
Equity/assets ratio at the end of the period, %	59.5	63.4	59.5	63.4
Share price at the end of the period, SEK	96.5	171.0	96.5	171.0

* Regulatory approval is required in some markets. ¹ IFRS 15 compliance, see Notes 1-2. ² IAS 18 compliance.



CEO COMMENTS

THE FOURTH QUARTER

On February 7, 2019, it was clear that the result for the fourth quarter deviated negatively from what we had expected.

The lower result is due to a number of factors. RaySearch is the type of company where individual, large transactions can have significant effects on revenue recognition between the quarters. In the US, several large orders have been shifted into the first quarter for 2019. In addition, the new accounting standard IFRS 15 delays part of the company's revenues and reduces net sales, compared with the previous accounting standard IAS 18. In Iran, for prudential reasons, we have reserved for all accounts receivable, as a result of US sanctions against the country. Another factor is increased costs when we continue our global market offensive.

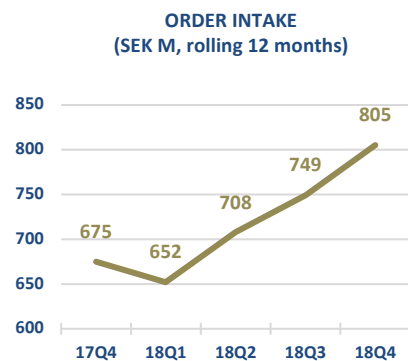
During the fourth quarter, order bookings increased by 23 percent to SEK 295 (239) million. Net sales increased to SEK 219 M (205) and operating profit was SEK 42 M (99). This corresponds to an operating margin of 19 (48) percent. After tax, the result was MSEK 33 (72). Cash flow strengthened to SEK 57 M (35).

PERFORMANCE AND STRENGTH

We would have liked to see a better outcome at the end of the year. At the same time, we know from experience that income and earnings can vary, it is natural for a company of our kind.

If we lift our eyes, we can see that RaySearch stands strong. We carry out a global market offensive and invest heavily in research and development for the future. This is mainly financed in the day-to-day operations. Our long-term strategy remains firm and we note the following:

- **Order intake:** We are seeing strong growth and the highest order intake since the start in 2000.
- **Cash flow:** We are investing substantially to ensure future growth. In parallel, we reported a positive cash flow, adjusted for the significant non-recurring investments we made in new offices. A particular strengthening of this trend could be seen in the fourth quarter.
- **Support revenues:** The recurring support revenues rose 71 percent and accounted for 18 percent of net sales in 2018.
- **New product launches:** In October, the RayCare oncology information system was introduced into clinical use – one of several milestones achieved in 2018.
- **Investments in the future:** We are investing 32 percent of our sales in research and development, a high share compared with other innovation companies. Our costs are increasing in the short term, but we are seeing the results in the form of strategic launches and updates.
- **Secure business model:** Our way of doing business is tried and tested over a long period with creditworthy customers. Nothing has changed as regards this situation. Our total credit losses are just below 0.5 percent since the start.



LONG-TERM APPROACH AND INCREASED TEMPO

Our position is the result of our history and business philosophy. It is build on two pillars: long-term approach and a drive for excellence. We have had this philosophy since the start in 2000. Then we were two employees and set out to build up the business on the basis of my doctoral thesis on the optimization of radiation therapy. In order to grow, we raised SEK 6 M in venture capital – and were profitable the following year. This is the only equity we have raised. Over a period of nearly two

decades, we have developed a number of groundbreaking products used to treat cancer in 65 countries. According to the same model, we have developed RayCare, which has been financed, developed and launched using the surplus generated from our business activities related to RayStation. We are now poised to reap the benefits of our investments.

As driven visionaries, we have both patience and pace. We are investing heavily in research and development to launch new innovations such as RayCare. We are now also raising the tempo for RayStation, where we now release two updates and expanded versions each year instead of one. In the latest version, we launched two new modules based on machine learning, which has a tremendous potential to improve cancer treatment.

LONG-TERM CUSTOMER RELATIONSHIPS

Our vision is a world where cancer has been defeated. High quality, innovation and long-term approach are the cornerstones of our business. This is why for us, the customer has been more than just a counterparty in the sales process. An initial order marks the beginning of a long relationship. Our customers are well-established cancer centers – private or publicly owned – with high creditworthiness. It's common that the customer chooses a payment plan. This is also part of the explanation behind the relatively high share of receivables relative to net sales. The model is thoroughly tried and tested and profitable.

We are not only proud of our minimal credit losses, but also of another fact: RaySearch has never lost a customer. This long-term approach to customer relations is reflected in our way of receiving payment. Please take the time to read the section *“Our payment model – a typical license order”* on page 7 for more details.

INCREASED FOCUS ON CASH FLOW

We have confidence in our strategy and our order intake is steadily increasing. This is completely decisive: An increasing order intake guarantees continued revenue flows in pace with the payment of earlier orders. RaySearch has substantial receivables, which is the result of our tried and tested method of creating lasting customer relationships via various payment models. Our focused work on collecting late payments has yielded results in the form of strengthened cash flow in the fourth quarter. These activities will be intensified in 2019.

HISTORY SHOWS THE WAY

Overall, RaySearch has a strong wind in its back. Over a period of nearly 20 years, we have built up our business on the basis of a long-term approach and drive for excellence – irrespective of short-term fluctuations in growth or share price. The world's leading cancer care centers view us as an important partner in efforts to advance cancer treatment – this is proof of the strength in our vision.

Today, 543 cancer clinics in 36 countries have purchased RayStation. At the same time, there are more than 8,000 radiation therapy clinics in the world, a number which is expected to increase sharply in the coming decade. The reasons are, among other things, more cancer cases, increased understanding of the benefits of radiation therapy and major investments in cancer treatment in Asia. The market is thus growing steadily and we will continue to grow significantly faster than the market. Our ambition is that at least 3,000 clinics have purchased RayStation within 8-10 years, which will correspond to a market share of about 30 percent.

We are confident about the future and feel secure: our history also provides guidance as we move forward.

Stockholm, February 20, 2019

Johan Löf
CEO of RaySearch Laboratories AB (publ)

FINANCIAL INFORMATION

ORDER INTAKE

In the fourth quarter of 2018, order intake rose 23.3 percent to SEK 294.9 M (239.1), of which order intake for RayStation, RayCare and RayCommand rose 23.8 percent to SEK 283.2 M (228.8).

Order intake (amounts in SEK M)	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Full-year 2018	Full-year 2017
Licenses	197.4	105.6	122.3	82.8	164.8	508.0	455.5
Hardware	16.5	19.6	15.4	11.1	20.8	62.6	41.4
Support (incl. warranty support)	73.5	45.9	62.4	31.8	46.6	213.2	166.3
Training and other	8.0	4.6	6.1	2.8	6.9	21.4	11.3
Total order intake	294.9	175.7	206.2	128.4	239.1	805.2	674.6
Order backlog (amounts in SEK M)	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17		
Licenses	69.9	30.8	25.8	12.1	11.8		
Hardware	32.7	34.7	32.6	22.5	25.9		
Support (incl. warranty support)	697.3	652.8	644.5	593.7	531.2		
Training and other	28.1	22.1	20.7	14.1	12.3		
Total order backlog at the end of the period	828.0	740.4	723.5	642.5	581.2		

For full-year 2018, order intake rose 19.4 percent to SEK 805.2 M (674.6), of which order intake for RayStation, RayCare and RayCommand rose 21.0 percent to SEK 762.5 M (630.0).

IFRS 15 *Revenue from Contracts with Customers* is applied from January 1, 2018, which is deferring the company's revenue recognition and increasing the order backlog by the corresponding amount. At December 31, 2018, the total order backlog amounted to SEK 828.0 M (581.2), which is expected to generate revenue of approximately SEK 248 M over the next 12 months.

REVENUE

In the fourth quarter of 2018, net sales rose 7.1 percent to SEK 219.4 M (205.0). The increase was mainly due to higher support revenue and hardware sales.

The application of IFRS 15 *Revenue from Contracts with Customers* from January 1, 2018, has deferred revenue recognition and reduced the company's license revenue from RayStation and RayCare by 16.7 percent, and net sales by 6.5 percent, during the fourth quarter of 2018 compared with the accounting policy previously applied (IAS 18), see Notes 1-2. Without application of the new accounting policies, net sales would have risen 14.1 percent.

Revenues (amounts in SEK M)	Q4-18 ¹	Q3-18 ¹	Q2-18 ¹	Q1-18 ¹	Q4-17 ²	Full-year 2018 ¹	Full-year 2017 ²
License revenue – RayStation/RayCare	147.3	89.4	99.8	75.0	162.1	411.5	438.5
License revenue – Partners	10.6	9.8	9.2	9.2	9.4	38.8	40.5
Hardware revenue	18.6	16.7	7.3	11.0	11.2	53.6	36.2
Support revenue – RayStation	37.5	28.8	21.3	16.8	18.9	104.4	54.6
Support revenue – Partners	2.6	2.8	2.6	2.9	2.9	10.9	12.8
Training and other revenue – RayStation	2.8	2.9	0.8	1.4	0.5	7.9	2.3
Net sales	219.4	150.5	141.0	116.3	205.0	627.2	585.1
Sales growth, corresp. period, %	7.1%	34.7%	-0.4%	-8.3%	7.1%	7.2%	10.1%
Organic sales growth, corresp. period, %	4.3%	27.5%	-0.7%	-3.2%	9.4%	5.8%	10.2%

¹ IFRS 15 compliance, see Notes 1-2.

² IAS 18 compliance.

For the full-year 2018, net sales rose 7.2 percent to SEK 627.2 M (585.1), of which revenue from RayStation and RayCare increased 8.6 percent to SEK 577.5 M (531.7). Reported net sales therefore accounted for 78 percent (87) of total order intake in 2018. Without application of the new accounting policies, net sales would have risen 17.5 percent, see Notes 1-2.

For the full-year 2018, net sales had the following geographic distribution: North America, 42 percent (45); Asia, 20 percent (17); Europe and the rest of the world, 38 percent (38).

Recurring support revenue rose 71 percent to SEK 115.3 M (67.4), representing 18 percent (12) of net sales in 2018.

Revenues from sales of software modules via partners declined 7 percent to SEK 49.8 M (53.4), representing 8 percent (9) of net sales.

OPERATING PROFIT

In the fourth quarter of 2018, operating profit declined to SEK 41.7 M (98.7), representing an operating margin of 19.0 percent (48.2). The deterioration in earnings is mainly due to four factors: a) Weaker sales in the US, where several large orders were deferred to the first quarter of 2019, b) The new accounting standard IFRS 15, which is delaying part of the company's revenue and reduced net sales in the quarter by 6 percent compared with the previously applied accounting standard IAS 18, c) Provision for bad debts totaling SEK 10.3 M, resulting from US sanctions on Iran, among other factors, and d) Increased costs primarily due to the company's global market offensive.

IFRS 15 is applied from January 1, 2018, which has deferred the company's revenue recognition and reduced operating profit, see Notes 1-2. Without application of the new accounting policies, operating profit would have increased to SEK 55.2 M in the fourth quarter, which would have represented an operating margin of 23.6 percent.

In the fourth quarter, operating expenses increased 67.3 percent to SEK 177.8 M (106.3). This is partially explained by the 16-percent year-on-year increase in the number of employees, mainly in the marketing organization. Furthermore, the company's hardware sales and amortization/depreciation increased significantly, and the ASTRO Annual Meeting was held in the fourth quarter in 2018 compared with the third quarter in 2017. A provision for bad debts totaling SEK 10.3 M was also made in the year-end accounts, due to the sanctions imposed on Iran by the US, among other factors.

Other operating income and expenses relate to currency gains and losses. The net of these currency gains and losses amounted to SEK 3.6 M (7.0) in the fourth quarter of 2018 due to the large proportion of accounts receivable in USD and EUR. These currencies strengthened compared with the Swedish SEK in the fourth quarter, compared with the end of the third quarter.

For the full-year 2018, operating profit decreased to SEK 94.5 M (159.7), representing an operating margin of 15.1 percent (27.3). The weaker earnings were primarily attributable to the application of IFRS 15 and increased operating expenses. Without application of the new accounting policies, operating profit would have increased to SEK 151.0 M in 2018, which would have represented an operating margin of 23.8 percent, see Notes 1-2.

Meanwhile, operating expenses rose 25.2 percent to SEK 532.8 M (425.4), mainly due to a 24-percent increase in the average number of employees and a 61-percent increase in depreciation.

For full-year 2018, the net of other operating income and expenses amounted to SEK 24.9 M (-16.4). Adjusted for these currency effects, operating expenses would have increased by 36.4 percent in 2018.

Currency effects

The company is impacted by USD and EUR to SEK exchange-rate trends, since the majority of sales are invoiced in USD and EUR, while most costs are in SEK.

At unchanged exchange rates, organic sales growth was 4.3 percent in the fourth quarter of 2018, compared with the year-earlier period. The company also had exchange-rate gains for balance sheet items of SEK 3.5 M (7.0) in the fourth quarter.

At unchanged exchange rates, organic sales growth was 5.8 percent for full-year 2018. In addition, exchange-rate gains on balance sheet items amounted to SEK 24.9 M (-16.4). Currency effects therefore had a positive effect on net sales and operating profit in both the fourth quarter and the full-year 2018.

A sensitivity analysis of the company's currency exposure shows that a 1-percentage point change in the USD exchange rate against the SEK would have impacted consolidated operating profit by approximately +/- SEK 4.7 M, while a corresponding change in the EUR exchange rate would have impacted consolidated operating profit by approximately +/- SEK 3.9 M in the full-year of 2018.

The company follows the financial policy established by the Board, whereby exchange-rate fluctuations are not hedged.

Capitalization of development costs

RaySearch is a research and development-focused company that makes significant investments in the development of various software solutions for improved cancer treatment. At December 31, 2018, some 145 (142) employees were engaged in research and development, corresponding to 49 percent (55) of the total number of employees.

Capitalization of development costs	Q4-18	Q3-18	Q2-18	Q1-18	Q4-17	Full-year 2018	Full-year 2017
Research and development costs	55.4	42.8	53.4	50.4	59.7	202.0	183.7
Capitalization of development costs	-40.5	-31.5	-39.2	-38.7	-46.2	-149.9	-137.8
Amortization of capitalized development costs	25.5	25.0	22.0	23.1	13.7	95.6	58.4
Research and development costs after adjustments for capitalization and amortization of development costs	40.4	36.3	36.2	34.8	27.2	147.7	104.3

For full-year 2018, research and development costs rose 10.0 percent to SEK 202.0 M (183.7), corresponding to 32 percent (31) of the company's net sales. The increase was due to higher development costs for both RayStation and RayCare. Development costs of SEK 149.9 M (137.8) were capitalized, corresponding to 74 percent (75) of total research and development costs. Amortization of capitalized development costs increased 63.7 percent to SEK 95.6 M (58.4), and the increase was mainly attributable to the initiation of amortization for RayCare, and to the fact that the company released several new versions of RayStation and RayCare during the year, thereby significantly increasing depreciation during 2018. After adjustments for capitalization and amortization of development costs, research and development costs rose 41.6 percent to SEK 147.7 M (104.3).

Amortization and depreciation

In the fourth quarter of 2018, total amortization and depreciation increased 88.5 percent to SEK 31.1 M (16.5), of which amortization of intangible fixed assets accounted for SEK 25.5 M (13.7), primarily related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 5.6 M (3.2).

For the full year, total amortization and depreciation increased 60.7 percent to SEK 113.8 M (70.8), of which amortization of intangible fixed assets accounted for SEK 95.6 M (58.4), primarily related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 18.2 M (12.4).

PROFIT AND EARNINGS PER SHARE

In the fourth quarter of 2018, profit after tax totaled SEK 32.6 M (72.3), representing earnings per share before and after dilution of SEK 0.95 (2.11). Profit after tax for the full-year 2018 totaled SEK 78.5 M (117.6), representing earnings per share before and after dilution of SEK 2.29 (3.43).

Tax expense for the year amounted to SEK 12.2 M (38.3), corresponding to an effective tax rate of 13.5 percent (24.6). The low tax expense was partly attributable to a remeasured and dissolved tax reserve in the North American subsidiary, and a lower tax rate in the US due to the US Tax Reform, which took effect on January 1, 2018. The new corporate tax rates introduced in Sweden in June 2018 also impacted the effective tax rate and reduced the Group's tax expense by SEK 4.5 M.

CASH FLOW AND LIQUIDITY

In the fourth quarter of 2018, cash flow from operating activities increased to SEK 120.6 M (46.8), primarily attributable to a reduction in working capital. Working capital mainly comprises various types of receivables from customers, such as accounts receivable and current and long-term non-invoiced receivables from customers in instances where payments plans exist.

At the end of the period, the company's total receivables from customers accounted for 72 percent (73) of net sales over the past 12 months, and working capital for 46 percent (53) of net sales over the same period. IFRS 15 came into effect on January 1, 2018, which reduces net sales by approximately 10 percent in 2018, refer to Notes 1-2. Without application of the new accounting policies, the company's total receivables from customers would have accounted for 66 percent (73) of net sales over the past 12 months, and working capital for 42 percent (53) of net sales over the same period.

Our payment model – a typical license order

A typical transaction for RaySearch involves various performance obligations, such as the delivery of licenses, hardware, support, and training.

When RaySearch has fulfilled its performance obligation toward a customer, for example, delivered licenses, and there is an unconditional right to reimbursement, revenue and the corresponding receivable are recognized.

A number of payment alternatives are subsequently available:

- *Payment within an invoice period of 30 or 60 days from delivery.*
- *Payment over a certain period, normally 6 to 12 months from delivery.*

In the vast majority of cases, payment is received for hardware and support within 30 to 60 days. However, RaySearch has a high share of new customers and it is common that new customers require up to 12 months to acquire and install separate IT infrastructure to gain maximum performance from our software. Accordingly, many new customers opt for a payment plan for our licenses, resulting in a subsequent delay in RaySearch invoicing the customer and receiving payment.

Irrespective of the payment model, revenue and the corresponding receivable are recognized when the company has fulfilled its performance obligation. RaySearch has three types of receivables from customers: Accounts receivable (current invoiced receivables from customers) and, in the event a payment plan is in place, Current and Long-term non-invoiced receivables from customers. The names have been adapted to the definitions contained in the new IFRS 15 accounting standard.

The increase in Non-invoiced receivables from customers in 2018 is the result of more agreements containing payment plans, primarily in North America. Raysearch assesses that the credit risk is low since the customers are institutions with high credit ratings.

The business model is tried and tested and highly effective. RaySearch's total credit losses (confirmed and probable) only amount to 0.5 percent of total sales since the start in 2000.

Cash flow from investing activities was SEK -73.3 M [-46.2] in the fourth quarter. Investments in intangible fixed assets amounted to SEK -40.9 M [-46.1], comprising primarily capitalized development costs for RayStation and RayCare. Investments in tangible fixed assets amounted to SEK -32.3 M [-0.3], mainly related to investments in two new offices in North America, and one expanded office in Stockholm.

For the full-year 2018, cash flow from investing activities was SEK -223.6 M [-148.1]. Investments in intangible fixed assets amounted to SEK -150.4 M [-137.8], comprising primarily capitalized development costs. Investments in tangible fixed assets amounted to SEK -73.3 M [-12.8].

Cash flow before financing activities was SEK 47.4 M [0.6] in the fourth quarter of 2018, and SEK -45.2 M [-0.7] for the full-year 2018.

Cash flow from financing activities was SEK 9.4 M [34.0] in the fourth quarter of 2018, due mainly to the expansion of the company's revolving credit facility by SEK 50 M at the same time as a repayment was made on the credit facility of SEK 39 M. Cash flow from financing activities was SEK 47.0 M [19.8] for full-year 2018, due mainly to the expansion of the company's revolving credit facility by SEK 50 M.

Cash flow for the period was SEK 56.8 M [34.6] in the fourth quarter, and SEK 1.8 M [19.1] for the full-year 2018. At December 31, 2018, consolidated cash and cash equivalents was SEK 112.2 M [104.2].

FINANCIAL POSITION

At December 31, 2018, RaySearch's total assets amounted to SEK 1,105 M [915] and the equity/assets ratio was 59.5 percent [63.4].

Current receivables amounted to SEK 482.3 M [439.7]. The receivables mainly comprised various types of receivables from customers, and the increase was primarily due to more agreements including payment plans.

In the fourth quarter of 2017, the company signed a six-year lease for a new office space in San Francisco with commencement in the second quarter of 2018, and a ten-year lease for a new office space in New York with commencement in the third quarter of 2018. In 2018, the company also signed a three-year lease for additional office space in Stockholm with commencement in the third quarter of 2018.

In 2017, the company's line of credit was increased from SEK 100 M to SEK 350 M. The credit line expires in May 2021 and comprises a revolving loan facility of up to SEK 300 M and an overdraft facility of SEK 50 M. Chattel mortgages amount to SEK 100 M. At December 31, 2018, a short-term loan of SEK 124 M (74) was raised under the company's revolving loan facility and SEK 0 M (0) of the credit facility had been drawn.

At December 31, 2018, the Group's net debt amounted to SEK 19.3 M (-20.4).

EMPLOYEES

The average number of employees in the Group was 293 (253) for the fourth quarter and 282 (228) for the January-December period of 2018. At the end of the fourth quarter, the Group had 293 (256) employees, of whom 218 (200) were based in Sweden, and 75 (56) in foreign subsidiaries.

PARENT COMPANY

RaySearch Laboratories AB (publ) is the Parent Company of the RaySearch Group. Since the Parent Company's operations are consistent with the Group's operations in all material respects, the comments for the Group are also largely relevant for the Parent Company.

Differences in profitability between the Parent Company and the Group are attributable to the Parent Company accounting for a relatively high proportion of operating expenses, and to the capitalization of development costs being recognized in the Group but not in the Parent Company.

The weaker earnings for the Parent Company are partly due to the application of IFRS 15 as of January 1, 2018, which has deferred the company's revenue recognition and reduced the company's operating profit by approximately SEK 7.1 M in the fourth quarter of 2018, and SEK 28.2 M in the full year.

The Parent Company's current receivables mainly comprise receivables from Group companies and external customers.

SIGNIFICANT EVENTS DURING THE YEAR

Strategic partnership with MD Anderson to improve radiation therapy

In February 2018, it was announced that the University of Texas MD Anderson Cancer Center and RaySearch had entered into a strategic partnership to improve cancer radiation therapy. The aim is to achieve greater precision when treating tumors and to improve and increase access to an existing radiation therapy approach – adaptive radiation therapy (ART) – which, at present, is largely limited to highly specialized cancer centers.

RayStation selected by several leading cancer centers

In 2018, some of the largest and most respected cancer centers in the world selected RayStation as their treatment planning system, including the Georgia Proton Treatment Center, Mission Health SECU Cancer Center and the Swedish Cancer Institute in the US, CHU de Québec-Université Laval and Centre intégré universitaire de santé et de service sociaux de l'Estrie-Centre hospitalier universitaire de Sherbrooke and Centre intégré de cancérologie de Laval in Canada, the Heidelberg Ion Beam Therapy Center (HIT) and Marburg Ion Beam Therapy Center (MIT) in Germany, Centrum Onkologii Ziemi Lubelskiej in Poland and Leeds Center and Advanced Oncotherapy (AVO) in the UK. In addition, Raysearch has secured a significant order from a major radiation machine manufacturer. The University Medical Center Groningen in the Netherlands, the University of California, San Francisco and Maryland Proton Therapy Center in the US have also expanded their existing RayStation installations.

RayStation selected by several leading cancer centers

In the fourth quarter, Ackerman Cancer Center in the US selected RayCare as its oncology information system (OIS), bringing the total number of commercial orders for RayCare to five, of which four in 2018.

Share conversion

In March 2018, 200,000 Class A shares were converted to Class B at the request of a shareholder. The total number of votes in RaySearch was thereafter 110,377,548. The total number of registered shares in RaySearch is 34,282,773, of which 8,454,975 are Class A and 25,827,798 Class B.

Collaborative agreement for RayCare with Heidelberg University Hospital

In April 2018, it was announced that RaySearch had entered into a long-term collaborative agreement for RayCare with Heidelberg University Hospital in Germany. The collaboration will also involve the two affiliated sites, Heidelberg Ion Beam Therapy Center (HIT) and Marburg Ion Beam Therapy Center (MIT).

Collaborative agreement for brachytherapy with Eckert & Ziegler BEBIG

RaySearch and Eckert & Ziegler BEBIG, a leading European manufacturer of brachytherapy products, have entered into a collaborative agreement to integrate RayStation and RayCare with Eckert & Ziegler BEBIG's brachytherapy system.

Research collaboration and licensing agreement for carbon-ion therapy with NIRS/QST

Research collaboration and a long-term licensing agreement for carbon-ion therapy have been concluded with the National Institute of Radiological Sciences (NIRS) and the National Institutes for Quantum and Radiological Science and Technology (QST) in Japan, which will lead to the integration of NIRS's microdosimetric kinetic model (MKM) in RayStation.

RayStation 8A released

In June, RayStation 8A was released, a new version of the innovative treatment planning system. The new version includes support for the treatment mode TomoDirect™ with TomoTherapy and Radixact systems from Accuray. In addition, the functionality for proton and carbon-ion therapy has been developed, and the integration with RayCare expanded.

Collaborative agreement for RayCare with the Princess Margaret Cancer Center

In July, it was announced that RaySearch had entered into a long-term collaborative agreement for RayCare with the Princess Margaret Cancer Center, part of the University Hospital Network in Toronto, Canada. "The Princess Margaret Cancer Center is one of the leading cancer centers in the world, and their experience and insights are invaluable for the continued development of RayCare. Our collaboration has been ongoing for more than ten years and forms one of the pillars for all of RaySearch's efforts to achieve better cancer care. We are working together to take cancer care to a higher level and make patient-centered care real," says Johan Löf, President and CEO of RaySearch.

RayCare 2A and RayCare 2B released

In the third quarter, RayCare 2A and RayCare 2B were released, new versions of the groundbreaking oncology information system (OIS). RayCare is undergoing rapid development based on clinical feedback from some of the world's leading cancer centers. The new versions introduced a range of new features, including activity and rule-based scheduling for all clinical resources, clinical document management, support for full treatment delivery, workflow management and offline activity-based image analysis, and additional features for care administration and the management of external contacts.

RayCare - now in clinical use

Since October 8, 2018, RayCare and RayStation have been used to plan and manage the treatment of patients at Provision CARES Proton Therapy Center in Nashville in the US. In February, it was announced that the radiation therapy department of Iridium Kankernetwerk in Belgium uses RayCare in its clinical operations to manage treatment planning workflows. However, Provision CARES Proton Therapy Center in Nashville is the first center to connect RayCare directly to a therapy system (ProNova SC360) to register and verify the treatments.

Collaborative agreement for imaging systems and visualization solutions with Canon Medical Systems

RaySearch and Canon Medical Systems Corporation entered into a collaborative agreement to enable a seamless integration between RaySearch's advanced treatment planning system and oncology information system, and Canon Medical's imaging systems and advanced visualization solutions. The goal is to create a more efficient workflow for virtual simulation.

RayStation 8B released

In December, RayStation 8B was released with machine learning and deep learning applications, for example, automated treatment planning and automated organ segmentation. Other improvements include a new module for evaluation of robustness of treatment plans and Monte Carlo dose computation for photons.

RayCare 2C released

In December, RayCare 2C was released, with comprehensive improvements and new advanced workflow features in addition to enhanced activity and order management.

RaySearch expands product line-up with RayCommand treatment control system

In December, it was announced that RaySearch was expanding its product line-up with the RayCommand treatment control system and had secured an initial order from Advanced Oncotherapy (AVO) in the UK. The system's main purpose is to gather all necessary data from the oncology information system, coordinate all actions and resources (software and hardware) and facilitate for users in the treatment of the patient. The system interfaces with the medical systems (OIS and PACS), various treatment machines, imaging and safety systems, and serves as a graphic user interface (GUI) for clinical users.

RayCommand enables online adaptive radiation therapy and, together with RayStation and RayCare, will offer an unparalleled software solution for all clinics.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

RaySearch has won five orders for RayStation in the UK with a total order value of SEK 48 M.

THE COMPANY'S SHARE

At December 31, 2018, the total number of registered shares in RaySearch was 34,282,773, of which 8,454,975 were Class A and 25,827,798 Class B shares. The quotient value is SEK 0.50 and the company's share capital amounts to SEK 17,141,386.50. Each Class A share entitles the holder to ten votes, and each Class B share to one vote, at a general meeting. At September 30, 2018, the total number of votes in RaySearch was 110,377,548.

SHARE OWNERSHIP

At December 31, 2018, the total number of shareholders in RaySearch was 7,074 according to Euroclear, and the largest shareholders were as follows:

Name	Class A shares	Class B shares	Total shares	Share capital,	
				%	Votes, %
Johan Löf	6,243,084	618,393	6,861,477	20.0	57.1
Oppenheimer funds	0	4,315,402	4,315,402	12.6	3.9
Första AP-fonden	0	2,864,138	2,864,138	8.4	2.6
Swedbank Robur funder	0	2,432,252	2,432,252	7.1	2.2
Wasatch Advisors	0	1,535,000	1,535,000	4.5	1.4
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Montanaro funder	0	1,295,000	1,295,000	3.8	1.2
Carl Filip Bergendal	1,061,577	144,920	1,206,497	3.5	9.7
Nordnet Pension	0	743,123	743,123	2.2	0.7
Andra AP-fonden	0	588,731	588,731	1.7	0.5
Total, 10 largest shareholders	8,454,822	14,736,959	23,191,781	67.6	90.0
Others	153	11,090,839	11,090,992	32.4	10.0
Total	8,454,975	25,827,798	34,282,773	100.0	100.0

Source: Euroclear, FI, MorningStar och Montanaro.

OTHER INFORMATION

2019 ANNUAL GENERAL MEETING

The Annual General Meeting of RaySearch Laboratories AB (publ) will be held on May 21, 2019 at 6:00 p.m. at the company's office on Sveavägen 44, Stockholm, Sweden. Light refreshments will be served from 5:00 p.m. when registration begins. Shareholders are entitled to have a matter addressed at the Annual General Meeting by submitting a written request to the Board of Directors by April 2, 2019, or after this date but within such a time that the matter can be included in the Notice of the Annual General Meeting. Further information about registration for the Annual General Meeting and the Board's proposed decision items will also be posted on the company's website when notice of the Annual General Meeting is given. Notice of the 2019 Annual General Meeting is expected to be published on the company's website on APRIL 16, 2019. RAYSEARCH'S 2018 ANNUAL REPORT, INCLUDING THE SUSTAINABILITY REPORT, IS EXPECTED TO BE PUBLISHED ON THE COMPANY'S WEBSITE AROUND APRIL 26, 2019. A PRINTED VERSION OF THE ANNUAL REPORT CAN BE ORDERED FROM IR@RAYSEARCHLABS.COM.

Proposed dividend

Since the company is in the midst of an expansive and capital-intensive phase, the Board of Director's for RaySearch proposes that no dividend be paid for 2018.

RISKS AND UNCERTAINTIES

As a global Group with operations in different parts of the world, RaySearch is exposed to various risks and uncertainties, such as market risk, operational risk and financial risk. RaySearch's risk management aims to identify, measure and reduce risks related to the Group's transactions and operations. No significant changes have been made to the risk assessment compared with the 2017 Annual Report. For more information about risks and risk management, refer to pages 8-10 and 33-34 of RaySearch's 2017 Annual Report.

SEASONAL VARIATIONS

RaySearch's operations are somewhat characterized by seasonal variations that are typical for the industry, whereby the fourth quarter is normally the strongest – mainly because many customers have budgets that follow the calendar year – and the second quarter is normally the weakest.

ENVIRONMENT AND SUSTAINABILITY

RaySearch works actively to reduce the company's negative environmental impact and to become a sustainable enterprise. The company's products, comprising software to improve radiation therapy for cancer, have a limited negative environmental impact. The company's environmental impact is mainly related to the purchase of goods and services, energy use and transportation. RaySearch aims to contribute to sustainable development and therefore works actively to improve the company's environmental performance wherever this is financially viable.

REVIEW

This year-end report has not been reviewed by the company's auditors.

Stockholm, February 20, 2019

Johan Löf

President and Board member

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The information contained in this interim report is such that RaySearch Laboratories AB (publ) is obliged to disclose under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication on February 20, 2019 at 7:45 a.m. CET.

TELECONFERENCE

CEO Johan Löf and CFO Peter Thysell will present RaySearch's year-end report for January-December 2018 at a teleconference on Wednesday, February 20, 2019 at 10:00 a.m. CET.

To participate in the teleconference, call +46 8 22 90 90 (Sweden), +44 330 336 6027 (UK) or +1 719 325 2054 (US). The access code is 188791#. Please call a few minutes before the teleconference begins. The presentation will be held in English.

FINANCIAL CALENDAR

2018 Annual Report (published on website)	April 29, 2019
Interim report for the first quarter, 2019	May 9, 2019
2019 Annual General Meeting	May 21, 2019
Interim report for the first six months of 2019	August 20, 2019
Interim report for the third quarter, 2019	November 14, 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000s	Note	OCT-DEC		JAN-DEC	
		20181	20172	20181	20172
Net sales	2.3	219,443	204,961	627,218	585,086
Cost of goods sold ³		-24,322	-9,773	-56,024	-36,650
Gross profit		195,121	195,188	571,194	548,436
Other operating income		8,808	7,012	35,391	7,012
Selling expenses		-83,693	-56,053	-261,911	-204,852
Administrative expenses		-32,962	-20,198	-91,983	-63,247
Research and development costs		-40,366	-27,251	-147,691	-104,304
Other operating expenses		-5,234	0	-10,540	-23,376
Operating profit		41,673	98,698	94,460	159,669
Result from financial items		-1,958	-1,232	-3,696	-3,768
Profit before tax		39,716	97,466	90,764	155,901
Tax		-7,067	-25,177	-12,241	-38,274
Profit/loss for the period⁴		32,649	72,289	78,523	117,627
OTHER COMPREHENSIVE INCOME					
Items to be reclassified to profit or loss					
Translation difference of foreign operations for the period		-156	9	-1,495	2,610
Comprehensive income for the period⁵		32,493	72,298	77,028	120,237
Earnings/loss per share before and after dilution (SEK)		0.95	2.11	2.29	3.43

¹ IFRS 15 compliance, see Notes 1-2.

² IAS 18 compliance.

³ Include costs for hardware and royalties, however, does not include amortization of capitalized development costs, which is included in research and development costs.

⁴ Wholly (100%) attributable to Parent Company shareholders.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000s	OCT-DEC		JAN-DEC	
	2018	2017	2018	2017
Opening balance	624,960	508,127	580,425	460,188
Profit for the period	32,649	72,289	78,523	117,627
Translation difference for the period	-156	9	-1,495	2,610
Closing balance	657,453	580,425	657,453	580,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000s	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Intangible fixed assets		377,341	322,598
Tangible fixed assets		93,081	36,114
Deferred tax assets		7,408	780
Other long-term receivables	5	23,454	11,684
Total fixed assets		501,284	371,176
Inventories		9,617	33
Current receivables	5	482,323	439,699
Cash and cash equivalents		112,198	104,156
Total current assets		604,138	543,888
TOTAL ASSETS		1,105,422	915,064
EQUITY AND LIABILITIES			
Equity	2	657,453	580,425
Deferred tax liabilities		103,954	92,424
Long-term liabilities to credit institutions		7,215	9,751
Accounts payable		32,366	27,403
Current liabilities to credit institutions		124,283	74,033
Other current liabilities	2	180,151	131,028
TOTAL EQUITY AND LIABILITIES		1,105,422	915,064

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000s	OCT-DEC		JAN-DEC	
	2018	2017	2018	2017
Profit/loss before tax	39,716	97,466	90,764	155,901
Adjusted for non-cash items ¹	28,860	24,306	91,475	56,181
Taxes paid	-3,523	1,469	-40,922	-11,724
Cash flow from operating activities before changes in working capital	65,053	123,241	141,317	200,358
Cash flow from changes in working capital	55,561	-76,456	37,155	-52,877
Cash flow from operating activities	120,614	46,785	178,472	147,481
Cash flow from investing activities	-73,258	-46,207	-223,625	-148,132
Cash flow from financing activities	9,401	34,028	46,958	19,773
Cash flow for the period	56,756	34,606	1,805	19,122
Cash and cash equivalents at the beginning of the period	52,893	69,591	104,156	87,720
Exchange-rate difference in cash and cash equivalents	2,548	-41	6,237	-2,686
Cash and cash equivalents at the end of the period	112,198	104,156	112,198	104,156

¹ These amounts mainly include amortization of capitalized development costs.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000s	OCT-DEC		JAN-DEC	
	20181	20172	20181	20172
Net sales	160,514	172,077	466,157	480,774
Cost of goods sold	-11,443	-6,680	-26,006	-19,548
Gross profit	149,071	165,397	440,151	461,226
Other operating income	8,507	7,012	35,090	7,012
Selling expenses	-49,152	-31,999	-153,986	-133,066
Administrative expenses	-33,139	-20,442	-91,824	-64,065
Research and development costs	-55,405	-59,648	-202,007	-183,683
Other operating expenses	-4,879	-	-10,197	-23,376
Operating profit	15,003	60,320	17,227	64,048
Result from financial items	5,227	4,972	3,858	2,887
Profit after financial items	20,230	65,292	21,085	66,935
Appropriations	-12,739	-19,815	-12,739	-19,815
Profit before tax	7,491	45,477	8,346	47,120
Tax on profit for the period	-2,844	-10,986	-4,637	-13,227
Profit for the period	4,647	34,491	3,709	33,893

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000s	OCT-DEC		JAN-DEC	
	20181	20172	20181	20172
Profit for the period	4,647	34,491	3,709	33,893
Other comprehensive income	-	-	-	-
Comprehensive income for the period	4,647	34,491	3,709	33,893

1 IFRS 15 compliance, see Notes 1-2.

2 IAS 18 compliance.

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000s	Note	Dec 31, 2018	Dec 31, 2017
ASSETS			
Intangible fixed assets		427	-
Tangible fixed assets		38,023	23,686
Shares and participations		1,772	1,046
Deferred tax assets		3,132	780
Long-term receivables from Group companies	8	152,507	-
Other long-term receivables		16,665	10,405
Total fixed assets		212,526	35,917
Inventories		763	33
Current receivables		404,661	458,270
Cash and cash equivalents		9,375	42,857
Total current assets		414,799	501,160
TOTAL ASSETS		627,325	537,077
EQUITY AND LIABILITIES			
Equity		275,763	272,054
Untaxed reserves		110,248	97,510
Accounts payable		21,308	30,168
Current liabilities to credit institutions		124,283	74,033
Other current liabilities		95,723	63,312
TOTAL EQUITY AND LIABILITIES		627,325	537,077

NOTES, GROUP

NOTE 1 ACCOUNTING POLICIES

The RaySearch Group applies International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied are consistent with those described in the 2017 Annual Report for RaySearch Laboratories AB (publ), which is available on www.raysearchlabs.com. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim report.

New or revised accounting standards applicable to annual reporting periods beginning on or after January 1, 2018.

On January 1, 2018, two new accounting standards took effect: IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*, which partially entail a change to the Group's accounting policies. RaySearch otherwise applies the same accounting policies as those set out in the 2017 Annual Report.

IFRS 9 *Financial Instruments* has replaced IAS 39 *Financial Instruments: Recognition and measurement*. The new policies for the classification and measurement of financial assets had no impact on the Group's earnings and position. The new model for calculating credit losses impacts the Group's efforts to assess customers' creditworthiness, but had no significant impact on the Group's earnings and position. The company follows the financial policy established by the Board, whereby exchange-rate fluctuations are not hedged, and are not therefore impacted by the new policies for hedge accounting.

IFRS 15 *Revenue from Contracts with Customers* has replaced previously issued revenue standards and interpretations. Under IFRS 15, revenue is recognized when a promised good or service is transferred to the customer, which may occur over time, or at a point in time. Revenue is the amount the company expects to receive as payment for the transfer of goods or services.

IFRS 15 is applied as of January 1, 2018. Transition to the standard was achieved by using a forward-looking retroactive transitional method, whereby any transition effects were recognized against equity on January 1, 2018, and by presenting the income statement in accordance with IFRS 15 as of 2018. As no significant agreements were in effect at the end of the year, according to the previously applied accounting policies, no transition effect arose at January 1, 2018.

The IFRS 15 transition impacts license and support revenues from RayStation and RayCare, mainly attributable to the warranty period and the training courses offered by the company. Under IFRS 15, the license revenue recognized is reduced by an amount equal to the value of the support provided during the agreed warranty period, and this amount is then recognized over time during the warranty period. The transition to IFRS 15 will reduce the company's license revenue from RayStation and RayCare, while the company's support revenue will increase by the same amount, with an average deferral period of about nine months.

New or revised accounting standards that will become effective in forthcoming periods

IFRS 16 *Leases* is to be applied as of January 1, 2019. The application of IFRS 16 entails that identified leases, primarily leases for premises, will be recognized in the balance sheet. This will, in turn, impact numerous financial performance measures and key figures, such as EBITDA, operating profit, net financial items, equity, return on equity and net debt.

In connection with the standard taking effect, RaySearch will apply the modified retrospective approach, meaning that comparative figures are not restated. The lease liability is measured at the present value of the outstanding lease payments, and the right-of-use asset for all contracts at the estimated depreciated value from the start of the lease agreement, with adjustment for prepaid lease payments. RaySearch has also chosen to utilize the exemption rules for short-term leases and leases where the underlying asset is of low value.

Upon the standard taking effect on January 1, 2019, a lease liability of SEK 167.5 M and right-of-use asset of SEK 165.2 M was recognized.

NOTE 2 IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES*IFRS 15 Revenue from Contracts with Customers*

The following tables summarize the impact of the transition to IFRS 15 on the consolidated income statement for the fourth quarter and full-year 2018, and on the consolidated balance sheet at December 31, 2018. The transition to IFRS 15 has no material effect on consolidated cash flow.

AMOUNTS IN SEK 000s	OCT – DEC 2018			JAN – DEC 2018		
	Recognized in accordance with IFRS 15	Adjustments	Amounts according to previous standard (IAS 18)	Recognized in accordance with IFRS 15	Adjustments	Amounts according to previous standard (IAS 18)
Revenue						
License revenue – RayStation/RayCare	147,259	24,651	171,910	411,498	78,543	490,042
Hardware revenue – RayStation/RayCare	18,678	0	18,678	53,634	0	53,634
License revenue – Partners	10,642	0	10,642	38,848	0	38,848
Support revenue – RayStation	37,527	-8,549	28,978	104,399	-14,199	90,200
Support revenue – Partners	2,633	0	2,633	10,909	0	10,909
Training and other revenue – RayStation	2,706	-1,763	943	7,931	-4,069	3,862
Net sales	219,444	14,339	233,783	627,219	60,275	687,494
Operating expenses	-177,769	-842	-178,612	-532,758	-3,717	-536,475
Operating profit	41,675	13,497	55,171	94,461	56,557	151,019
Profit before tax	39,716	13,497	53,212	90,764	56,557	147,321
Tax	-7,067	-3,228	-10,295	-12,241	-12,443	-24,684
Profit for the period	32,649	10,269	42,918	78,523	44,115	122,638
Comprehensive income for the period	32,493	10,269	42,762	77,028	44,115	121,143

AMOUNTS IN SEK 000s	Dec 31, 2018		
	Recognized in accordance with IFRS 15	Adjustments	Amounts according to previous standard (IAS 18)
Equity and liabilities			
Equity	657,453	44,115	701,568
Deferred tax liabilities	103,954	0	103,954
Long-term interest-bearing liabilities	7,215	0	7,215
Accounts payable	32,366	0	32,366
Current liabilities to credit institutions	124,283	0	124,283
Contractual liabilities	111,983	-60,275	51,708
Other current liabilities	68,168	16,160	84,328
Total liabilities and equity	1,105,422	0	1,105,422

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

RaySearch conducts sales of goods and services in various regions. Revenue from sales of licenses and hardware is recognized in profit or loss at a point in time, while revenue from sales of training and support is recognized over time.

AMOUNTS IN SEK 000s	OCT – DEC 2018			JAN – DEC 2018		
	RayStation/RayCare	Partner	Total	RayStation/RayCare	Partner	Total
Revenue by type						
Licenses	147,258	10,642	157,900	411,498	38,848	450,346
Support	37,527	2,633	40,160	104,399	10,909	115,308
Hardware	18,677	0	18,677	53,633	0	53,633
Training and other	2,706	0	2,706	7,932	0	7,932
Total revenue from contracts with customers	206,168	13,275	219,443	577,462	49,757	627,219
Revenue by geographic market						
North America	92,875	628	93,502	260,137	2,352	262,489
APAC	40,348	3,364	43,712	113,012	12,609	125,621
Europe and rest of the world	72,945	9,283	82,228	204,313	34,796	239,109
Total revenue from contracts with customers³	206,168	13,275	219,443	577,462	49,757	627,219
Revenue by date for revenue recognition						
Goods/services transferred at a point in time ¹	165,935	10,642	176,577	465,131	38,848	503,979
Services transferred over time ²	40,233	2,633	42,866	112,331	10,909	123,240
Total revenue from contracts with customers	206,168	13,275	219,443	577,462	49,757	627,219

¹ Licenses and hardware

² Support, training and other

CONTRACT BALANCES

AMOUNTS IN SEK 000s	Dec 31, 2018	Dec 31, 2017
Accounts receivable (current invoiced receivables from customers)	275,953	335,125
Current non-invoiced receivables from customers	180,201	78,456
Long-term non-invoiced receivables from customers	23,453	11,684
Contractual liabilities	-111,983	-56,334

When RaySearch has fulfilled a performance obligation toward the customer and there is an unconditional right to reimbursement, revenue and the corresponding receivable are recognized. RaySearch has three types of receivables from customers depending on whether a payment plan exists, the due date for payment and whether invoicing has taken place. These receivables are referred to as Accounts receivable (current invoiced receivables from customers), Current non-invoiced receivables from customers, and Long-term non-invoiced receivables from customers. The names have been adapted to the definitions in IFRS 15. Previously, Non-invoiced receivables were referred to as Accrued income. The increase in non-invoiced receivables from customers in 2018 is the result of more agreements entered into that contain payment plans. Current invoiced receivables (accounts receivable) are non-interest bearing and generally have terms of 30 to 90 days.

NOTE 4 ESTIMATES

Preparation of the interim report requires that company management makes estimates that affect the carrying amounts. The actual outcome could deviate from these estimates. The critical sources of uncertainty in the estimates are the same as those in the most recent Annual Report.

NOTE 5 FINANCIAL INSTRUMENTS

RaySearch's financial assets and liabilities comprise invoiced and non-invoiced receivables, cash and cash equivalents, accrued expenses, accounts payable, bank loans and finance leases. Long-term receivables are discounted, while other financial assets and liabilities have short maturities. Accordingly, the fair values of all financial instruments are deemed to correspond approximately to their carrying amounts.

The application of IFRS 9 has entailed that the Group has formalized its process for the assessment of credit risk in receivables, but this did not result in any material effect on the Group's financial statements. The reserve for expected credit losses is an overall assessment of payment history, reports from external credit rating agencies and other customer-specific information. At the end of the 2018 fiscal year, the bad debt reserve amounted to SEK 15.1 M (6.2), primarily related to Iran as a result of US sanctions. Historically, the Group's credit losses have been minimal. Since the start in 2000, confirmed credit losses have amounted to 0.03 percent and provisions for bad debts (probable credit losses) to 0.5 percent of total sales.

NOTE 6 RELATED-PARTY TRANSACTIONS

No transactions were conducted between RaySearch and related parties with any material impact on the company's position and earnings during the period.

NOTE 7 PLEDGED ASSETS IN THE GROUP AND PARENT COMPANY

AMOUNTS IN SEK 000s	Dec 31, 2018	Dec 31, 2017
Chattel mortgages	100,000	100,000
Guarantees	5,830	4,199

NOTE 8 LONG-TERM RECEIVABLES ON GROUP COMPANIES

As of December 31, 2018, the parent company issued two long-term loans to the US subsidiary; a five-year loan of USD 7 million to finance the subsidiary's investments in new offices, and a three-year loan of USD 10 million to finance the subsidiary's payment plans to external customers.

GROUP QUARTERLY OVERVIEW

AMOUNTS IN SEK 000s	2018				2017			
	Q4 ¹	Q3 ¹	Q2 ¹	Q1 ¹	Q4 ²	Q3 ²	Q2 ²	Q1 ²
Income statement								
Net sales	219,443	150,479	141,039	116,257	204,961	111,703	141,634	126,788
Sales growth, %	7.1	34.7	-0.4	-8.3	7.1	-11.2	19.0	32.9
Operating profit	41,673	12,421	26,258	14,108	98,698	666	26,839	33,466
Operating margin, %	19.0	8.3	18.6	12.1	48.2	0.6	18.9	26.4
Profit for the period	32,649	13,500	20,595	11,779	72,289	-1,028	20,092	26,274
Net margin, %	14.9	9.0	14.6	10.1	35.3	-0.9	14.2	20.7
Cash flow								
Operating activities	120,614	-12,883	14,720	56,021	46,785	35,669	25,640	39,387
Investing activities	-73,258	-43,298	-64,003	-43,066	-46,207	-33,412	-37,111	-31,402
Cash flow before financing activities	47,356	-56,181	-49,283	12,955	578	2,257	-11,471	7,985
Financing activities	9,401	39,150	-979	-614	34,028	-1,025	-2,239	-10,991
Cash flow for the period	56,756	-17,031	-50,262	12,341	34,606	1,232	-13,710	-3,006
Capital structure								
Equity/assets ratio, %	59.5	59.9	61.4	63.5	63.4	67.2	67.1	66.2
Net debt	19,300	69,105	13,595	-34,701	-20,372	-20,062	-20,841	-32,869
Debt/equity ratio	0.0	0.1	0.0	-0.1	0	0	0	-0.1
Net debt/EBITDA	0.1	0.3	0.1	-0.2	-0.1	-0.1	-0.1	-0.1
Per share data, SEK								
Earnings per share before dilution	0.95	0.39	0.6	0.34	2.11	-0.03	0.59	0.77
Earnings per share after dilution	0.95	0.39	0.6	0.34	2.11	-0.03	0.59	0.77
Equity per share	19.18	18.23	17.84	17.28	16.93	14.82	14.83	14.2
Share price at the end of the period	96.5	122.3	105	123	171	173.5	235.5	235
Other								
No. of shares before and after dilution, 000s	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8
Average no. of employees	293	286	280	267	253	240	219	201

GROUP, ROLLING 12 MONTHS

AMOUNTS IN SEK 000s	Jan 2018- Dec 2018 ¹	Oct 2017- Sep 2018 ³	Jul 2017- Jun 2018 ³	Apr 2017- Mar 2018 ³	Jan 2017- Dec 2017 ²	Oct 2016- Sep 2017 ²	Jul 2016- Jun 2017 ²	Apr 2016- Mar 2017 ²
Income statement								
Net sales	627,218	612,735	573,960	574,555	585,086	571,480	585,507	562,855
Operating profit	94,460	151,485	139,730	140,311	159,669	161,220	199,019	209,673
Operating margin, %	15.1	24.7	24.3	24.4	27.3	28.2	34	37.3

¹ IFRS 15 compliance, see Notes 1-2.

² IAS 18 compliance.

³ IFRS 15 compliance in 2018, and IAS 18 compliance in the remaining quarters.

DEFINITIONS OF KEY RATIOS

The interim report refers to a number of non-IFRS financial measures that are used to provide investors and company management with additional information to assess the company's operations. The various non-IFRS measures used to complement the IFRS financial statements are described below.

Non-IFRS measures	Definition	Reason for using the measure
Order intake	The value of all orders received and changes to existing orders during the current period	Order intake is an indicator of future revenue and thus a key figure for the management of RaySearch's operations
Order backlog	The value of orders at the end of the period that the company has yet to deliver and recognize as revenue.	The order backlog shows the value of orders already booked by RaySearch that will be converted to revenues in the future.
Sales growth	The change in net sales compared with the year-earlier period expressed as a percentage	The measure is used to track the performance of the company's operations between periods
Organic sales growth	Sales growth excluding currency effects	This measure is used to monitor underlying sales growth driven by changes in volume, pricing and mix for comparable units between different periods
Gross profit	Net sales minus cost of goods sold	Gross profit is used to measure the margin before sales, research, development and administrative expenses
Operating profit	Calculated as earnings before financial items and tax	Operating profit/loss provides an overall picture of the total generation of earnings in operating activities
Operating margin	Operating profit/loss expressed as a percentage of net sales	Together with sales growth, the operating margin is a key element for monitoring value creation
Net margin	Profit for the period as a percentage of net sales for the period	The net margin shows the percentage of net sales remaining after the company's expenses have been deducted
Equity per share	Equity divided by number of shares at the end of the period	Shows the return generated on the owners' invested capital per share from a shareholder perspective
Rolling 12 months' sales, operating profit/loss or other results	Sales, operating profit/loss or other results measured over the last 12-month period	This measure is used to more clearly illustrate the trends for sales, operating profit/loss and other results, which is relevant because RaySearch's revenue is subject to monthly variations
Working capital	Working capital comprises inventories, operating receivables and operating liabilities, and is obtained from the statement of financial position. Operating receivables comprise accounts receivable, other receivables and non-interest bearing prepaid expenses and accrued income. Operating liabilities include other non-interest bearing long-term liabilities, advance payments from customers, accounts payable, other current liabilities and non-interest bearing accrued expenses and deferred income.	This measure shows how much working capital is tied up in operations and can be shown in relation to net sales to demonstrate the efficiency with which working capital has been used
Return on equity	Calculated as profit/loss for the period as a percentage of average equity. Average equity is calculated as the sum of equity at the end of the period plus equity at the end of the year-earlier period, divided by two	Shows the return generated on the owners' invested capital from a shareholder perspective
Equity/assets ratio	Equity expressed as a percentage of total assets	This is a standard measure to show financial risk, and is expressed as the percentage of the total restricted equity financed by the owners
Net debt	Interest-bearing liabilities less cash and cash equivalents and interest-bearing current and long-term receivables	This measure shows the Group's total indebtedness
Debt/equity ratio	Net debt in relation to equity	The measure shows financial risk and is used by management to monitor the Group's indebtedness
Net debt/EBITDA	Net debt in relation to operating profit before depreciation over the past 12-month period	A relevant measure from a credit perspective that shows the company's ability to repay its debts

CALCULATION OF FINANCIAL MEASURES NOT INCLUDED IN THE IFRS FRAMEWORK

AMOUNTS IN SEK 000s	Dec 31, 2018	Dec 31, 2017
Working capital		
Accounts receivable (current invoiced receivables from customers)	276,473	335,125
Current non-invoiced receivables from customers	154,763	78,482
Long-term non-invoiced receivables from customers	23,118	11,468
Inventories	9,617	33
Other current receivables (excl. tax)	30,385	25,742
Accounts payable	-32,366	-27,403
Other current liabilities (excl. tax)	-179,802	-115,084
Working capital	282,188	308,363

AMOUNTS IN SEK 000s	Dec 31, 2018	Dec 31, 2017
Net debt		
Current interest-bearing liabilities	124,283	74,033
Long-term interest-bearing liabilities	7,215	9,751
Cash and cash equivalents	-112,198	-104,156
Net debt	19,300	-20,372

AMOUNTS IN SEK 000s	Full-year 2018 ¹	Full-year 2017 ²
EBITDA		
Operating profit	94,460	159,669
Amortization and depreciation	113,844	70,790
EBITDA	208,304	230,459

¹ IFRS 15 compliance.

² IAS 18 compliance.

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ABOUT RAYSEARCH

RaySearch Laboratories AB (publ) is a medical technology company that develops innovative software solutions for improved cancer treatment. The company develops and markets the RayStation treatment planning system and RayCare oncology information system to cancer centers all over the world and distributes the products through licensing agreements with leading medical technology companies. RaySearch's software is currently used by over 2,600 centers in more than 65 countries. The company was founded in 2000 as a spin-off from the Karolinska Institute in Stockholm and the share has been listed on Nasdaq Stockholm since 2003. More information about RaySearch is available at www.RaySearchlabs.com

BUSINESS CONCEPT AND VISION

RaySearch's mission is to contribute to the advancement of cancer care by developing innovative software solutions that improve quality of life for cancer patients and save lives. The company's vision is a world where cancer is defeated.

BUSINESS MODEL

RaySearch's revenues are generated when customers pay an initial license fee for the right to use RaySearch's software and an annual service fee for access to updates and support. The RayStation treatment planning system and the RayCare oncology information system are developed at RaySearch's head office in Stockholm, and distributed and supported by the company's global marketing organization.

STRATEGY

A radiation therapy center essentially needs two software platforms for its operations: a treatment planning system, and an information system. With RayStation and RayCare, RaySearch will strengthen its position and continue to grow with high profitability. The strategy rests on a strong focus on software development, leading functionality, broad support for many different types of treatment techniques and radiation therapy devices, as well as extensive investments in research and development.