

**“In the third quarter, net sales declined 17 percent, mainly due to lower license sales as a result of COVID-19. Operating loss amounted to SEK -29 M (-6), however adjusted for currency conversion effects the operating loss would have been SEK -21 M (-26). Cash flow was strong and totaled SEK 22 M (-13)”**

*Johan Löf, CEO of RaySearch.*

### THIRD QUARTER (JULY–SEPTEMBER 2020)

- Order intake SEK 138.5 M (196.8)
- Net sales SEK 119.1 M (144.3)
- Operating loss SEK -29.5 M (-6.3).
- Loss after tax SEK -26.2 M (-7.5)
- Earnings per share before/after dilution SEK -0.76 (-0.22)
- Cash flow SEK 21.7 M (-13.5)
- Order backlog SEK 1,228.5 M (1,124.7) at the end of the period

### NINE MONTHS (JANUARY–SEPTEMBER 2020)

- Order intake SEK 615.6 M (769.0)
- Net sales SEK 491.8 M (507.1)
- Operating profit SEK 11.1 M (45.7)
- Profit after tax SEK 5.1 M (31.5)
- Earnings per share before/after dilution SEK 0.15 (0.92)
- Cash flow SEK 83.4 M (-11.2)

### SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- The RayStation® treatment planning system has been sold to several leading cancer centers, including University of Kansas Medical Center, Minneapolis VA Medical Center and National Cancer Institute (NCI) in the US, Queen Elizabeth Hospital Birmingham in the UK, West China Hospital, Sichuan University in China, Udonthani Cancer Hospital in Thailand, and Hokkaido University in Japan.

### UPDATE REGARDING COVID-19

- The general market situation improved at the end of the third quarter and the recovery continued in Asia with signs of a recovery in demand in North America. In parallel, a second wave of the pandemic was registered in many European countries and in North America. RaySearch therefore expects that the COVID-19 pandemic will continue to have an adverse effect on the company's sales and earnings for several months to come, mainly because orders may be delayed.
- Management is monitoring the situation closely and is prepared to take action if needed.

### NO SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

### FINANCIAL SUMMARY<sup>1</sup>

AMOUNTS IN SEK 000s	JUL–SEP		JAN–SEP		OCT 2019–	FULL-YEAR
	2020	2019	2020	2019	SEP 2020	2019
Net sales	119,130	144,349	491,777	507,085	726,276	741,584
Operating profit/loss	-29,477	-6,345	11,126	45,701	33,594	68,169
Operating margin, %	-24.7	-4.4	2.3	9.0	4.6	9.2
Profit/loss for the period	-26,182	-7,525	5,084	31,474	24,021	50,411
Earnings per share before/after dilution, SEK	-0.76	-0.22	0.15	0.92	0.70	1.47
Cash flow from operating activities	78,486	51,761	280,003	239,006	361,142	320,145
Cash flow for the period	21,720	-13,475	83,388	-11,162	91,165	-3,385
Return on equity, %	-3.6	-1.1	0.7	4.8	3.4	7.4
Equity/assets ratio at the end of the period, %	57.0	55.6	57.0	55.6	57.0	55.8
Share price at the end of the period, SEK	87.60	160.7	86.5	160.7	86.5	107.2

<sup>1</sup>For definitions of key ratios, see page 21.



## CEO COMMENTS

### CONTINUED EXTRAORDINARY MARKET CONDITIONS

The COVID-19 pandemic has led to a temporary reprioritization of healthcare agendas all over the world, which led to a decrease in demand for RaySearch’s products also in the third quarter of 2020. Market conditions were particularly challenging in Europe and North America, though we noted a continued recovery in Asia and at the end of the period saw signs of a recovery in North America.

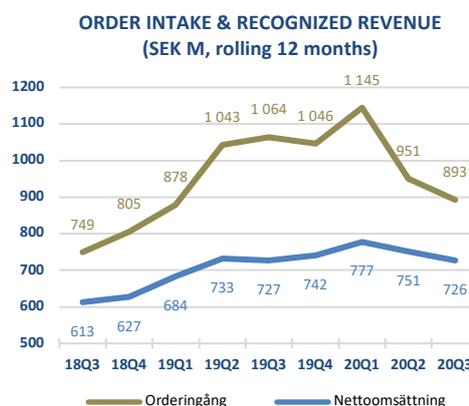
In the third quarter, net sales amounted to SEK 119 M [144], representing a 17-percent decline year-on-year. Cost-cutting measures were taken, but due to the lower sales, operating loss declined to SEK -29 M [-6], representing an operating margin of -25 percent [-4]. The operating result was adversely affected by currency conversion effects and, adjusted for these, operating loss would have totaled SEK -21 M [-26]. Despite challenging market

conditions, the cash flow was strong and amounted to SEK 22 M [-13] in the third quarter.

### EFFECTS OF THE COVID-19 PANDEMIC

The COVID-19 pandemic is affecting people and companies all over the world and posing a challenge for all businesses. RaySearch’s highest priority is to protect the health and safety of our employees, while it is also important to maintain and develop our business operations. RaySearch has implemented the COVID-19-related security measures recommended by authorities in all parts of its operations. This includes running the company’s operations to a large extent remotely, by working from home and holding virtual meetings. As a software company, RaySearch is well equipped for remote collaboration and both our R&D and delivery capacity have remained relatively unscathed by the COVID-19 pandemic to date.

However, the COVID-19 pandemic has had an adverse impact on RaySearch’s sales as healthcare resources are temporarily transferred to COVID patients, which reduces demand for the company’s products. The extraordinary measures taken by governments and authorities to prevent the spread of the virus have made it difficult to drive sales and marketing campaigns. Instead, RaySearch has mainly conducted training and marketing via digital channels. As a result, in the wake of the pandemic, we have developed a new methodology for reaching out to customers that will also prove useful moving forward.



### OUTLOOK

The future effects of the ongoing pandemic are still difficult to assess. Several countries have begun to reopen, but many countries have also registered a second wave of the pandemic and it is still difficult to say how the pandemic will play out with any great certainty. RaySearch acted early and has taken a number of measures to protect the company’s operations and reduce costs. We can see the recovery continuing in Asia and also signs of a recovery in demand in North America. However, taken together, the company expects that the COVID-19 pandemic will continue to have an adverse effect on the company’s sales and earnings for several months to come.

Our R&D and the company’s delivery capacity will continue to be relatively unchanged. However, due to uncertainty surrounding how long the COVID-19 pandemic will last and the extent of the economic impacts, RaySearch will continue to focus specifically on protecting the company’s cash flow and liquidity. RaySearch is monitoring the situation and the effects of the pandemic closely and is prepared to take action and align the company’s operations if needed.

*Unchanged great need for RaySearch's software solutions.*

Despite the short-term challenges, we remain optimistic about the future. The underlying need for efficient software solutions for cancer care remains unchanged and treatment for cancer patients is high priority. We therefore believe that the market will normalize and return to previous levels when the COVID-19 pandemic has subsided.

One effect of the COVID-19 pandemic could be a further acceleration of the ongoing digital transformation. The pandemic has radically revealed the major potential and benefits of digital technology, which could be positive for RaySearch's operations in the long term because the company's software solutions make it possible for cancer centers to increase their efficiency. This has been illustrated by cancer centers such as Mälarsjukhuset in Eskilstuna, Sweden and Leeds Cancer Centre in the UK, which quickly achieved dramatic time savings by using our machine learning algorithms for tumor contouring. Our products have thereby helped to alleviate the effects of the current resource shortage, which has also been worsened by COVID-19.

## **OUR LONG-TERM STRATEGY REMAINS FIRM**

RaySearch's high pace of innovation will continue in order to secure our future position in our market segment and to return to strong growth as soon as the effects of COVID-19 have subsided and the world is in a more normal state. RayStation and RayCare are already the market's leading systems for simplifying and streamlining the highly complex workflows of cancer centers, and we are determined to increase that lead in 2020.

More and more cancer centers are now introducing RayCare for clinical use and the interoperability with Varian's linear accelerator TrueBeam® will significantly increase the market potential of RayCare, while improving the workflow of our existing customers.

In the preceding year, we laid the foundation for a broader diversification of our product range. That is leading to, for example, the launch of our RayCommand\* treatment control system in December of this year. For end-users, the RayCommand system offers uniform management and control of important systems in the treatment room, such as the treatment machine, the treatment couch, imaging systems and patient positioning devices.

In December, we are also launching RayIntelligence\*, which comprises the three modules RayData, RayAnalytics and RayMachine. That will offer cancer centers the stable data infrastructure they need to accelerate the introduction of machine learning throughout the entire radiation therapy workflow. RayIntelligence will be integrated with RayStation and RayCare to further optimize and personalize treatment for patients. This will be based on previous clinical experience and collaboration with leading cancer centers.

Our teams are also developing tools to support surgeons when planning surgical procedures to remove tumors, and to support processes in the operating theater. In the long-term, our goal is that RayStation and RayCare will form a single system for planning, optimizing and managing combined cancer care within a range of treatment modalities: medical oncology, surgical oncology and radiation oncology.

Overall, we see both challenges and opportunities – even though we are currently living in a turbulent time marked by an ongoing pandemic.

Stockholm, November 18, 2020

Johan Löf  
CEO and founder

\* Marketing clearance is required in some markets.

## FINANCIAL INFORMATION

RaySearch operates in a market with uneven order flows where large individual orders can have a substantial impact on revenue recognition between the quarters and, because the company has limited (less than 10 percent) variable costs for license revenue, operating profit is affected by an amount that is nearly as high. For this reason, a longer perspective than a few quarters should be taken.

### ORDER INTAKE AND ORDER BACKLOG

In the third quarter of 2020, order intake declined 29.6 percent to SEK 138.5 M (196.8). License order intake declined 44.6 percent to SEK 48.3 M (87.2), primarily as a result of the COVID-19 pandemic, and order intake for support agreements declined 5.0 percent to SEK 78.9 M (83.0).

Order intake (amounts in SEK M)	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Rolling 12 months	Full-year 2019
Licenses	48.3	83.2	136.7	130.3	87.2	398.4	516.2
Hardware	8.3	11.8	22.7	21.0	20.8	61.9	81.6
Support (incl. warranty support)	78.9	77.0	125.6	115.9	83.0	397.4	417.5
Training and other	3.0	5.2	14.8	10.0	5.8	32.8	30.9
<b>Total order intake</b>	<b>138.5</b>	<b>177.1</b>	<b>300.0</b>	<b>277.2</b>	<b>196.8</b>	<b>892.8</b>	<b>1,046.2</b>
Order backlog (amounts in SEK M)	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19		
Licenses	112.6	105.8	130.7	119.0	147.1		
Hardware	36.8	38.9	43.9	36.4	44.3		
Support (incl. warranty support)	1,028.3	982.6	1,047.1	956.2	892.7		
Training and other	50.8	58.5	59.8	43.6	40.5		
<b>Total order backlog at the end of the period</b>	<b>1,228.5</b>	<b>1,185.8</b>	<b>1,281.5</b>	<b>1,155.2</b>	<b>1,124.7</b>		

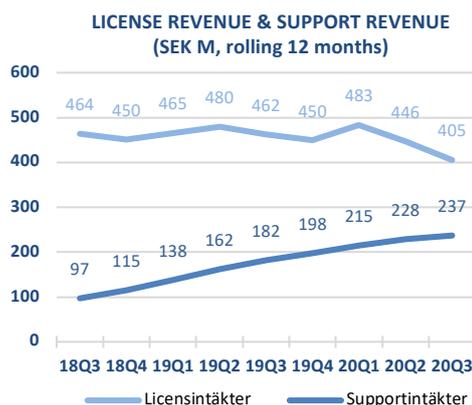
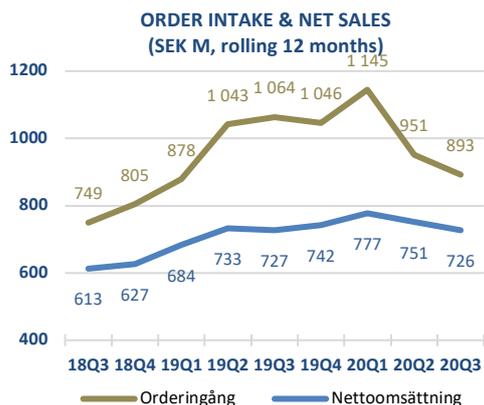
In the first nine months of 2020, order intake declined 19.9 percent to SEK 615.6 M (769.0). At September 30, 2020, the total order backlog amounted to SEK 1,228.5 M (1,124.7), which is expected to generate revenue of approximately SEK 361 M over the next 12 months. The remaining amount in the order backlog mainly comprises support commitments that are primarily expected to generate revenue during a subsequent four-year period.

### REVENUE

In the third quarter of 2020, net sales declined 17.5 percent to SEK 119.1 M (144.3). The change was attributable to lower license sales due to the COVID-19 pandemic. The change in sales at unchanged currencies amounted to -13.7 percent (-8.4).

License revenue declined 50.3 percent to SEK 40.5 M (81.5), mainly the result of lower license sales for RayStation due to the COVID-19 pandemic. Recurring support revenue rose 16.6 percent to SEK 60.2 M (51.6), accounting for 47 percent (36) of net sales in the third quarter. Hardware sales, which have a limited profit margin, rose 41 percent to SEK 9.7 M (6.9). Excluding hardware sales, sales declined 20.4 percent.

Revenue (amounts in SEK M)	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Rolling 12 months	Full-year 2019
Licenses	40.5	86.5	132.7	145.4	81.5	405.2	449.7
Hardware	9.7	12.0	15.9	26.5	6.9	64.3	76.6
Support	60.2	61.8	58.1	56.7	51.6	236.7	198.2
Training and other	8.8	3.5	2.2	5.8	4.4	20.1	17.1
<b>Net sales</b>	<b>119.1</b>	<b>163.8</b>	<b>208.9</b>	<b>234.5</b>	<b>144.3</b>	<b>726.3</b>	<b>741.7</b>
Sales growth, corresp. period, %	-17.4	-13.7	20.7	6.9	-4.1	0.0	18.2
Sales growth at unchanged currencies, corresp. period, %	-13.7	-16.0	16.1	1.4	-8.4	-0.9	11.8



In the first nine months of 2020, net sales declined 3.0 percent to SEK 491.8 M (507.1). The decline was attributable to lower license revenue due to the COVID-19 pandemic. The change in sales at unchanged currencies amounted to SEK -0.9 percent (20.0).

During the first nine months, net sales had the following geographic distribution: North America, 40 percent (41); Asia, 22 percent (17); Europe and the rest of the world, 38 percent (42).

License revenue for RayStation and RayCare declined 14.2 percent to SEK 243.5 M (283.9). Recurring support revenue rose 27.4 percent to SEK 180.2 M (141.5), accounting for 37 percent (28) of net sales in the first nine months. Hardware sales, which have a limited profit margin, declined 25.4 percent to SEK 37.4 M (50.1) in the first nine months. Excluding hardware sales, sales declined 0.7 percent.

## OPERATING PROFIT

In the third quarter of 2020, operating profit declined to SEK -29.5 M (-6.3), representing an operating margin of -24.7 percent (-4.4). The weaker earnings were attributable to lower license sales and negative currency effects due to a stronger SEK against the USD and EUR.

In the third quarter, operating expenses decreased 1.4 percent to SEK 148.6 M (150.7), despite negative currency translation effects that were recognized as other operating income and expenses. In the third quarter, the net of these exchange-rate gains and losses amounted to SEK -8.7 M (19.8) due to a large proportion of the Group's receivables being denominated in USD and EUR, which weakened against the SEK in the third quarter compared with the end of the second quarter. Adjusted for these currency conversion effects, operating profit would have totaled SEK -20.8 M (-26.1) in the third quarter and operating expenses would have declined 17.9 percent. This decline was mainly attributable to significantly lower selling expenses resulting from canceled trade fairs, business travel and other sales and marketing campaigns due to the COVID-19 pandemic.

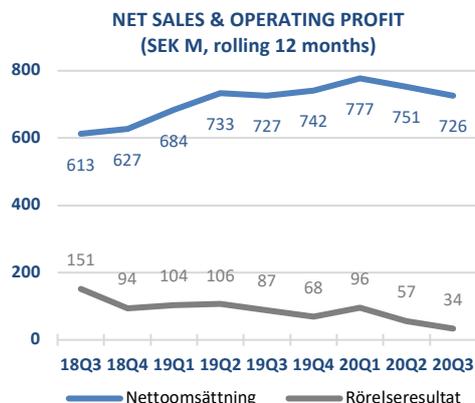
During the first nine months, operating profit decreased to SEK 11.1 M (45.7), representing an operating margin of 2.3 percent (9.0).

### Currency effects

The company is impacted by USD/EUR to SEK exchange rates, since most sales are invoiced in USD and EUR, while most costs are denominated in SEK.

At unchanged exchange rates, organic sales growth was -13.7 percent in the third quarter of 2020, compared with the year-on-year period. In addition, the company incurred significant exchange-rate losses of SEK -8.7 M (19.8) for balance sheet items in the third quarter. Currency effects therefore had a negative effect on net sales and operating profit in the third quarter of 2020.

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 2.5 M in the third quarter of



2020, while a corresponding change in the EUR exchange rate would have impacted consolidated operating profit by approximately +/- SEK 2.2 M.

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-oriented company that makes significant investments in the development of software solutions for improved cancer treatment. At September 30, 2020, 203 employees (188) were engaged in R&D, corresponding to 50 percent (50) of the total number of employees.

Capitalization of development costs	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Rolling 12 months	Full-year 2019
Research and development costs	51.5	62.1	64.6	66.8	52.2	245.2	225.5
Capitalization of development costs	-40.7	-49.4	-52.4	-49.7	-36.5	-192.2	-164.4
Amortization of capitalized development costs	36.3	32.1	32.0	29.7	29.9	130.1	113.6
<b>Research and development costs</b>	<b>47.1</b>	<b>44.9</b>	<b>44.2</b>	<b>46.8</b>	<b>45.6</b>	<b>183.1</b>	<b>174.7</b>

In 2020, RaySearch continued to invest heavily in both existing and future products. In total, research and development costs rose 12.4 percent to SEK 178.2 M (158.5) in the first nine months, corresponding to 36 percent (31) of the company's net sales. The increase was attributable to a higher number of employees in the research, development and machine learning departments.

Development costs of SEK 142.5 M (114.7) were capitalized, up 24.2 percent, representing 80 percent (72) of total research and development costs. The increase was due to the fact that the research, development and machine learning departments increased their proportion of development activities during the quarter.

Amortization of capitalized development costs rose 19.6 percent to SEK 100.4 M (83.9), with the increase due to the expansion of development activities for RayStation and RayCare.

Research and development costs (after adjustments for capitalization and amortization of development costs) rose 6.6 percent to SEK 136.2 M (127.8).

#### Amortization and depreciation

In the third quarter of 2020, total amortization and depreciation increased 17.0 percent to SEK 55.7 M (47.6), of which amortization of intangible fixed assets accounted for SEK 36.3 M (29.9), mainly related to capitalized development costs. Depreciation of tangible fixed assets increased to SEK 19.3 M (17.6).

Total amortization and depreciation in the first nine months amounted to SEK 157.7 M (134.6), of which amortization of intangible fixed assets amounted to SEK 100.6 M (84.0), mainly related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 57.1 M (50.6).

### PROFIT AND EARNINGS PER SHARE

In the third quarter of 2020, loss after tax totaled SEK -26.2 M (-7.5), representing loss per share of SEK -0.76 (-0.22) before and after dilution.

In the first nine months of 2020, profit after tax totaled SEK 5.1 M (31.5), representing earnings per share of SEK 0.15 (0.92) before and after dilution.

Tax expense for the first nine months of the year amounted to SEK -2.5 M (-10.5), corresponding to an effective tax rate of 32.8 percent (25.1).

### CASH FLOW AND LIQUIDITY

In the third quarter of 2020, cash flow from operating activities was SEK 78.5 M (51.8). The strong cash flow, despite the weaker earnings, was largely due to a sharp decline in working capital and a sharp increase in amortization of capitalized development costs, which are not included in cash flow.

Working capital mainly comprises various types of customer receivables, such as accounts receivable and current and long-term unbilled customer receivables in instances where payment plans exist.

During the first nine months of the year, cash flow from operating activities was SEK 280.0 M (239.0).

At the end of the period, the company's total customer receivables accounted for 35 percent (53) of net sales over the past 12 months, and working capital for 9 percent (20) of net sales during the same period. The decline was mainly due to higher payments from customers, but also a decline in license sales in the most recent quarters.

### *Our payment model*

*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 to a customer, for example, delivered licenses, and an unconditional right to consideration exists, a revenue and 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 proportion 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, a revenue and its corresponding receivable are recognized when the company has fulfilled its performance obligation. RaySearch has three types of customer receivables: Accounts receivable (current billed customer receivables) and, in the event of a payment plan, Current and Long-term unbilled customer receivables.*

*The business model is tried, tested and effective. RaySearch assesses that the credit risk is generally low since the customers are institutions with high credit ratings. RaySearch's total credit losses (confirmed and probable) only amount to 0.7 percent of total sales since the start in 2000.*

In the third quarter, cash flow from investing activities was SEK -45.4 M [-48.6]. Investments in intangible fixed assets amounted to SEK -40.7 M [-36.5] and comprised capitalized development costs for the company's products – RayStation, RayCare, RayCommand and RayIntelligence. Investments in tangible fixed assets amounted to SEK -4.7 M [-12.1].

During the first nine months, cash flow from investing activities was SEK -161.5 M [-151.1]. Investments in intangible fixed assets amounted to SEK -142.5 M [-114.7] and comprised capitalized development costs. Investments in tangible fixed assets amounted to SEK -19.0 M [-36.4].

Cash flow from financing activities, which was mainly attributable to repayment of lease liabilities, amounted to SEK -11.4 M [-16.7] in the third quarter of 2020 and SEK -35.1 M [-99.1] in the first nine months of the year. The change was due to a repayment of SEK 75 M on the company's revolving loan facility in the second quarter of 2019.

Cash flow for the period was SEK 21.7 M [-13.5] in the third quarter and SEK 83.4 M [-11.2] in the first nine months of 2020. At September 30, 2020, consolidated cash and cash equivalents was SEK 194.1 M [107.5].

## FINANCIAL POSITION

At September 30, 2020, RaySearch's total assets amounted to SEK 1,244.5 M [1,235.8] and the equity/assets ratio was 57.0 percent [55.6].

Current receivables amounted to SEK 340 M [460]. The receivables mainly comprised various types of customer receivables and the decline was attributable to increased payments from customers as well as fewer outstanding accounts receivable as a result of lower license sales, primarily due to the COVID-19 pandemic.

RaySearch's credit facilities comprise a revolving loan facility of up to SEK 300 M and an overdraft facility of SEK 50 M, both maturing in May 2022. Chattel mortgages amounted to SEK 100 M. At September 30, 2020, short-term loans of SEK 50 M [49] had been approved under the company's revolving loan facility and SEK 0 M [0] of the credit facility had been drawn.

At September 30, 2020, the Group's net debt totaled SEK -31.5 M [78.0]. The change was due to improved cash flow.

## EMPLOYEES

In the January–September period of 2020, the average number of employees in the Group was 392 [317]. At the end of the third quarter, the Group had 403 [360] employees, of whom 300 [268] were based in Sweden, and 103 [92] 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 Parent Company was also not affected by the changes pertaining to lease recognition under IFRS 16, and instead continues to recognize lease payments as operating lease payments. This reduces operating profit compared with if IFRS 16 had been applied.

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

## SIGNIFICANT EVENTS DURING THE PERIOD

### *RayStation selected by several leading cancer centers*

In 2020, the RayStation treatment planning system was sold to several leading cancer centers, including Banner MD Anderson Cancer Center in Arizona, Miami Cancer Institute, Asante Three Rivers Medical Center, University of Kansas Medical Center, Minneapolis VA Medical Center and National Cancer Institute (NCI) in the US, Oslo University Hospital in Norway, Haaglanden Medical Center, Leiden University Medical Center and Haga Hospital in the Netherlands, Oncorad Garonne (Clinique du Pont De Chaume in Montauban) in France, Liverpool Cancer Therapy Centre in Australia, Southern TOHOKU BNCT Research Center in Japan, National Cancer Institute in Thailand, and Chungnam National University Hospital in South Korea.

In February, MD Anderson Cancer Center in Texas, US, also ordered additional RayStation licenses for approximately SEK 40 M with the aim of replacing their existing treatment planning systems.

### *Interoperability agreement with Varian*

In June, RaySearch and Varian Medical Systems concluded an interoperability agreement in order to connect the RayCare oncology information system with Varian's TrueBeam linear accelerator.

### *Collaborative agreement with TAE Life Sciences*

In June, RaySearch and TAE Life Sciences in the US initiated a collaboration regarding treatment planning in boron neutron capture therapy (BNCT) for TAE's AlphaBeam neutron system.

### *Support for helium ion beam therapy with pencil beam scanning (PBS)*

RayStation 9B is the only commercially available treatment planning system in the world that supports helium ion beam therapy, and Heidelberg University Hospital's Ion Beam Therapy Center (HIT) will be first in the world to deliver helium ion beam therapy with pencil beam scanning (PBS).

### *RayStation 10A released*

In June, RayStation 10A, the latest version of RaySearch's treatment planning system, was released, with major performance enhancements for proton therapy, new support for ocular proton therapy planning, and improved ability to generate treatment plans using machine learning in the Plan Explorer module.

### *RayCare 4A released*

In June, RayCare 4A, the latest version of RaySearch's oncology information system, was released, with new functionalities including dynamic team management, scripting support and an improved patient chart.

## SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

No significant events after the end of the reporting period

## EFFECTS OF THE COVID-19 PANDEMIC

The COVID-19 pandemic is affecting people and companies all over the world and posing a challenge for all businesses. RaySearch is monitoring the situation and the effects of the pandemic closely and is prepared to take action and align the company's operations if needed.

### *Effects on RaySearch's operations in the third quarter of 2020*

**Sales.** The ongoing COVID-19 pandemic continued to have a significantly adverse effect on RaySearch's sales in the third quarter due to lockdowns in several countries for part of the quarter. In addition, many hospitals were forced to temporarily re-prioritize and freeze investments in order to manage the COVID-19 pandemic. Market conditions were particularly challenging in North America and some European countries, while the company noted a recovery in Asia.

**Delivery capacity.** As a software company, RaySearch is well equipped for remote collaboration and both our R&D and delivery capacity have remained relatively unscathed by the COVID-19 pandemic to date.

COVID-19 did not have a significant effect on the company's assessment items during the third quarter.

### *Expected future effects*

The future effects of the ongoing pandemic are difficult to assess at present. Several countries have begun to reopen, but a number of countries have also registered a second wave of the pandemic and it is still difficult to say how the pandemic will play out with any great certainty. RaySearch acted early and has taken a number of measures to protect the company's operations and reduce costs. We can see the recovery continuing in Asia and signs of a recovery in demand in North America. We see no major challenges in terms of R&D or the company's delivery capacity. However, taken together, the company expects that the COVID-19 pandemic will continue to have an adverse effect on the company's sales and earnings for several months to come. However, due to uncertainty surrounding how long the COVID-19 pandemic will last and the extent of the economic impacts, RaySearch has decided to focus specifically on protecting the company's cash flow and liquidity.

**Unchanged great need for RaySearch's software solutions.** The underlying need for efficient software solutions for cancer care remains unchanged since treatment for cancer patients is high priority. The company believes that the market will normalize and return to previous levels when the COVID-19 pandemic has subsided.

**Continued focus on efficiencies and digitization.** One effect of the COVID-19 pandemic could be a further acceleration of the ongoing digital transformation. The pandemic has radically revealed the major potential and benefits of digital technology, which could be positive for RaySearch's operations in the long term since the company's software solutions make it possible for cancer centers to increase their efficiency.

### *Measures to protect employees and slow the spread of the virus*

RaySearch's highest priority is to protect the health and safety of our employees, while also maintaining and developing our business operations. The COVID-19 outbreak is posing a huge challenge to human health and lives all over the world. RaySearch has implemented the COVID-19-related security measures recommended by authorities in all parts of its operations. This includes running the company's operations to a large extent remotely, by working from home and holding virtual meetings.

## THE COMPANY'S SHARE

At September 30, 2020, 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 was SEK 0.50 and the company's share capital amounted 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, 2020, the total number of voting rights in RaySearch was 110,377,548.

## SHARE OWNERSHIP

At September 30, 2020, the number of shareholders in RaySearch was 7,427, 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	418,393	6,661,477	19.4	56.9
Oppenheimer Funds	0	4,000,000	4,000,000	11.7	3.6
Swedbank Robur Funds	0	2,200,000	2,200,000	6.4	2.0
First AP Fund	0	1,982,448	1,982,448	5.8	1.8
La Financière de l'Echiquier	0	1,527,176	1,527,176	4.5	1.4
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Carl Filip Bergendal	1,061,577	139,920	1,201,497	3.5	9.7
Nordnet Pension	0	1,161,829	1,161,829	3.4	1.1
C WorldWide Asset Management	0	851,612	851,612	2.5	0.8
Second AP Fund	0	767,083	767,083	2.2	0.7
<b>Total, 10 largest shareholders</b>	<b>8,454,822</b>	<b>13,248,461</b>	<b>21,703,283</b>	<b>63.3</b>	<b>88.6</b>
Others	153	12,579,337	12,579,490	36.7	11.4
<b>Total</b>	<b>8,454,975</b>	<b>25,827,798</b>	<b>34,282,773</b>	<b>100.0</b>	<b>100.0</b>

Source: Euroclear, FI and MorningStar.

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## OTHER INFORMATION

### 2021 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of RaySearch Laboratories AB (publ) will be held on Wednesday, May 26, 2021 at 6:00 p.m. at the company's office on Sveavägen 44, Stockholm, Sweden. Shareholders wishing to have a matter addressed at the AGM must submit a written request to the Board of Directors. Such a request must normally have been received by the Board of Directors not later than seven (7) weeks prior to the AGM.

### 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, business risk, compliance 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 2019 Annual Report. For more information about risks and risk management, refer to pages 9–10 and 40–42 of RaySearch's 2019 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.

### ENVIRONMENT AND SUSTAINABILITY

Sustainability is a key aspect of RaySearch's strategy and operations, and the company is working actively to become a sustainable enterprise. The primary aim of RaySearch's operations is to help cancer centers improve and save the lives of cancer patients. With our innovative software solutions, we are continuously striving to improve and streamline workflows in clinical environments and to improve treatment outcomes for cancer patients. The customer value we create presents business opportunities for RaySearch, but also major social benefit and economic gains.

The negative environmental impact of the company's products is limited. 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 economically reasonable. For more information about the company's environmental and sustainability initiatives, refer to pages 64–69 of RaySearch's 2019 Annual Report.

Stockholm, November 18, 2020

Johan Löf  
*CEO and Board member*

## AUDITOR'S REVIEW REPORT

### INTRODUCTION

We have conducted a review of the interim financial information (interim report) for RaySearch Laboratories AB (publ) at September 30, 2020 and for the nine-month period that ended on that date. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

### SCOPE OF THE REVIEW

We have conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical audit and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards.

The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed on the basis of a review does not give the same assurance as an opinion expressed on the basis of an audit.

### OPINION

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act for the Parent Company.

Stockholm, November 18, 2020

Ernst & Young AB

Anna Svanberg  
Authorized Public Accountant

**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 November 18, 2020 at 7:45 a.m. CET.*

**TELECONFERENCE**

CEO Johan Löf and CFO Peter Thysell will present RaySearch’s interim report for January–September 2020 at a teleconference to be held in English on Wednesday, November 18, 2020 at 3:00–3:30 p.m. CET.

For login details to the teleconference, please register on:

<http://emea.directeventreg.com/registration/9459408>

**FINANCIAL CALENDAR**

Year-end report, 2020	February 23, 2021
2020 Annual Report (published on website)	April 29, 2021
Interim report for the first quarter, 2021	May 5, 2021
Annual General Meeting 2021	May 26, 2021

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000s	Note	JUL–SEP		JAN–SEP		OCT 2019–	FULL-YEAR
		2020	2019	2020	2019	SEP 2020	2019
Net sales	2.3	119,130	144,349	491,777	507,085	726,276	741,584
Cost of goods sold <sup>1</sup>		-8,088	-7,512	-33,820	-46,503	-59,682	-72,365
<b>Gross profit</b>		<b>111,042</b>	<b>136,837</b>	<b>457,957</b>	<b>460,582</b>	<b>666,594</b>	<b>669,219</b>
Other operating income		2,228	22,047	6,383	40,717	-6,928	27,406
Selling expenses		-62,551	-94,148	-217,590	-251,242	-311,773	-345,425
Administrative expenses		-22,207	-23,317	-79,500	-69,945	-109,690	-100,135
Research and development costs		-47,085	-45,469	-136,173	-127,783	-183,060	-174,670
Other operating expenses		-10,904	-2,295	-19,951	-6,628	-21,549	-8,226
<b>Operating profit/loss</b>		<b>-29,477</b>	<b>-6,345</b>	<b>11,126</b>	<b>45,701</b>	<b>33,594</b>	<b>68,169</b>
Loss from financial items		-1,177	-853	-3,561	-3,706	-5,416	-5,561
<b>Profit/loss before tax</b>		<b>-30,654</b>	<b>-7,198</b>	<b>7,565</b>	<b>41,995</b>	<b>28,178</b>	<b>62,608</b>
Tax		4,472	-327	-2,481	-10,521	-4,157	-12,197
<b>Profit/loss for the period<sup>2</sup></b>		<b>-26,182</b>	<b>-7,525</b>	<b>5,084</b>	<b>31,474</b>	<b>24,021</b>	<b>50,411</b>
<b>Other comprehensive income</b>							
<b>Items to be reclassified to profit or loss</b>							
Translation difference of foreign operations for the period		-368	-13	-687	-108	-1,012	-433
<b>Comprehensive income for the period<sup>2</sup></b>		<b>-26,550</b>	<b>-7,538</b>	<b>4,397</b>	<b>31,366</b>	<b>23,009</b>	<b>49,978</b>
Earnings/loss per share before and after dilution (SEK)		-0.76	-0.22	0.15	0.92	0.70	1.47

<sup>1</sup> Comprises costs for hardware and acquired licenses, but not amortization of capitalized development costs, which is included in research and development costs.

<sup>2</sup> Fully (100 percent) attributable to Parent Company shareholders.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000s	JUL–SEP		JAN–SEP		FULL-YEAR
	2020	2019	2020	2019	2019
Opening balance according to adopted Annual Report	736,415	694,394	705,468	657,453	657,453
Effect of IFRS 16	–	–	–	-1,963	-1,963
<b>Opening balance after adjustments for IFRS 16</b>	<b>736,415</b>	<b>694,394</b>	<b>705,468</b>	<b>655,490</b>	<b>655,490</b>
Profit/loss for the period	-26,182	-7,525	5,084	31,474	50,411
Translation difference for the period	-368	-13	-687	-108	-433
<b>Closing balance</b>	<b>709,865</b>	<b>686,856</b>	<b>709,865</b>	<b>686,856</b>	<b>705,468</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000s	Note	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
<b>ASSETS</b>				
Intangible fixed assets		470,590	408,422	428,406
Tangible fixed assets		207,540	232,744	221,349
Deferred tax assets		21,225	9,037	12,193
Other long-term receivables		10,980	18,178	20,473
<b>Total fixed assets</b>		<b>710,335</b>	<b>668,381</b>	<b>682,421</b>
Inventories		13,760	14,315	4,623
Current receivables		326,228	445,616	463,322
Cash and cash equivalents		194,140	107,482	113,858
<b>Total current assets</b>		<b>534,128</b>	<b>567,413</b>	<b>581,803</b>
<b>TOTAL ASSETS</b>		<b>1,244,463</b>	<b>1,235,794</b>	<b>1,264,224</b>
<b>EQUITY AND LIABILITIES</b>				
Equity		709,865	686,855	705,468
Deferred tax liabilities		123,573	109,956	115,145
Long-term interest-bearing liabilities		66,013	99,087	85,796
<b>Total long-term liabilities</b>		<b>189,586</b>	<b>209,043</b>	<b>200,941</b>
Accounts payable		11,128	24,871	33,202
Current interest-bearing liabilities		96,651	86,386	84,931
Other current liabilities		237,233	228,639	239,682
<b>Total current liabilities</b>		<b>345,012</b>	<b>339,896</b>	<b>357,815</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,244,463</b>	<b>1,235,794</b>	<b>1,264,224</b>

## CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000s	Note	JUL–SEP		JAN–SEP		OCT 2019–	FULL-YEAR
		2020	2019	2020	2019	SEP 2020	2019
Profit/loss before tax		-30,654	-7,198	7,565	41,995	28,178	62,608
Adjusted for non-cash items <sup>1)</sup>		63,267	35,252	165,658	114,885	231,211	180,438
Taxes paid		-8,176	-9,818	-21,151	-23,668	-4,758	-7,275
<b>Cash flow from operating activities before changes in working capital</b>		<b>24,437</b>	<b>18,236</b>	<b>152,072</b>	<b>133,212</b>	<b>254,631</b>	<b>235,771</b>
Cash flow from changes in operating receivables		71,485	91	141,095	78,977	107,455	45,337
Cash flow from changes in operating liabilities		-17,436	33,435	-13,164	26,818	-945	39,037
<b>Cash flow from operating activities</b>		<b>78,486</b>	<b>51,761</b>	<b>280,003</b>	<b>239,006</b>	<b>361,142</b>	<b>320,145</b>
Cash flow from investing activities		-45,372	-48,568	-161,499	-151,054	-222,491	-212,046
Cash flow from financing activities		-11,394	-16,668	-35,116	-99,114	-47,486	-111,484
<b>Cash flow for the period</b>		<b>21,720</b>	<b>-13,475</b>	<b>83,388</b>	<b>-11,162</b>	<b>91,165</b>	<b>-3,385</b>
Cash and cash equivalents at the beginning of the period		173,728	118,125	113,858	112,198	107,482	112,198
Exchange-rate difference in cash and cash equivalents		-1,308	2,833	-3,106	6,447	-4,507	5,045
<b>Cash and cash equivalents at the end of the period</b>		<b>194,140</b>	<b>107,482</b>	<b>194,140</b>	<b>107,482</b>	<b>194,141</b>	<b>113,858</b>

<sup>1)</sup> These amounts mainly include amortization of capitalized development costs, right-of-use assets and unrealized currency effects.

## PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000s	Note	JUL–SEP		JAN–SEP		FULL-YEAR
		2020	2019	2020	2019	2019
Net sales		81,281	101,267	363,388	365,437	533,127
Cost of goods sold <sup>1</sup>		-3,928	-4,770	-19,649	-26,753	-34,400
<b>Gross profit</b>		<b>77,353</b>	<b>96,497</b>	<b>343,739</b>	<b>338,684</b>	<b>498,727</b>
Other operating income		-4,724	22,045	-1,844	40,275	26,905
Selling expenses		-36,679	-60,106	-123,887	-149,322	-202,356
Administrative expenses		-22,258	-23,183	-79,854	-69,580	-99,691
Research and development costs		-51,613	-52,198	-178,648	-159,015	-226,089
Other operating expenses		-4,212	-1,418	-11,600	-3,479	-4,869
<b>Operating loss</b>		<b>-42,133</b>	<b>-18,363</b>	<b>-52,094</b>	<b>-2,437</b>	<b>-7,373</b>
Profit from financial items		3	918	394	2,422	2,372
<b>Loss after financial items</b>		<b>-42,130</b>	<b>-17,445</b>	<b>-51,700</b>	<b>-15</b>	<b>-5,001</b>
Appropriations		–	–	–	–	-4,673
<b>Loss before tax</b>		<b>-42,130</b>	<b>-17,445</b>	<b>-51,700</b>	<b>-15</b>	<b>-9,674</b>
Tax on profit/loss for the period		6,077	1,336	8,290	-3,188	880
<b>Loss for the period</b>		<b>-36,053</b>	<b>-16,109</b>	<b>-43,410</b>	<b>-3,203</b>	<b>-8,794</b>

<sup>1</sup> Comprises costs for hardware and royalties but not amortization of capitalized development costs, which is included in research and development costs.

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000s	JUL–SEP		JAN–SEP		FULL-YEAR
	2020	2019	2020	2019	2019
Loss for the period	-36,053	-16,109	-43,410	-3,203	-8,794
Other comprehensive income	–	–	–	–	–
<b>Comprehensive income for the period</b>	<b>-36,053</b>	<b>-16,109</b>	<b>-43,410</b>	<b>-3,203</b>	<b>-8,794</b>

**PARENT COMPANY BALANCE SHEET IN SUMMARY**

AMOUNTS IN SEK 000s	Note	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
<b>ASSETS</b>				
Intangible fixed assets		867	750	708
Tangible fixed assets		40,408	36,111	42,484
Shares and participations		1,911	1,911	1,911
Deferred tax assets		17,066	4,022	6,011
Long-term receivables from Group companies		39,820	87,722	73,136
Other long-term receivables		7,876	12,470	13,616
<b>Total fixed assets</b>		<b>107,948</b>	<b>142,986</b>	<b>137,866</b>
Inventories		439	0	2332
Current receivables		352,823	395,801	398,785
Cash and cash equivalents		102,083	59,688	80,262
<b>Total current assets</b>		<b>455,345</b>	<b>455,489</b>	<b>481,379</b>
<b>TOTAL ASSETS</b>		<b>563,293</b>	<b>598,475</b>	<b>619,245</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
<b><u>Restricted equity</u></b>				
Share capital		17,141	17,141	17,141
Statutory reserve		43,630	43,630	43,630
<b>Total restricted equity</b>		<b>60,771</b>	<b>60,771</b>	<b>60,771</b>
<b><u>Unrestricted equity</u></b>				
Retained earnings		206,198	214,992	214,992
Loss for the year		-43,410	-3,203	-8,794
<b>Total unrestricted equity</b>		<b>162,788</b>	<b>211,789</b>	<b>206,198</b>
<b>Total equity</b>		<b>223,559</b>	<b>272,560</b>	<b>266,969</b>
Untaxed reserves		114,921	110,248	114,921
Accounts payable		8,398	14,028	30,127
Current interest-bearing liabilities		49,762	49,433	49,532
Other current liabilities		166,653	152,206	157,696
<b>Total current liabilities</b>		<b>224,813</b>	<b>215,667</b>	<b>237,355</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>563,293</b>	<b>598,475</b>	<b>619,245</b>

## 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 2019 Annual Report for RaySearch Laboratories AB (publ), which is available at [www.raysearchlabs.com](http://www.raysearchlabs.com). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act.

RaySearch Laboratories AB (publ) is the Parent Company of the RaySearch Group. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The Parent Company's operations are consistent with the Group's operations in all material respects.

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 Parent Company was also not affected by IFRS 16, and will continue to recognize lease payments on a straight-line basis over the lease term. This reduces operating profit compared with if IFRS 16 had been applied.

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

### NOTE 2 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	JUL–SEP			OCT 2019 –SEP 2020	Full-year 2019
	2020	2019	Change		
<b>Revenue by type</b>					
Licenses	40,510	81,481	-50.3%	405,152	449,676
Support	60,164	51,583	16.6%	236,735	198,189
Hardware	9,685	6,869	41.0%	64,354	76,577
Training and other	8,771	4,416	98.6%	20,035	17,142
<b>Total revenue from contracts with customers</b>	<b>119,130</b>	<b>144,349</b>	<b>-17.5%</b>	<b>726,276</b>	<b>741,584</b>
<b>Revenue by geographic market</b>					
North America	39,692	56,385	-29.6%	301,456	313,464
APAC	33,349	44,397	-24.9%	158,434	135,409
Europe and rest of the world	46,089	43,567	5.8%	266,386	292,711
<b>Total revenue from contracts with customers</b>	<b>119,130</b>	<b>144,349</b>	<b>-17.5%</b>	<b>726,276</b>	<b>741,584</b>
<b>Revenue by date for revenue recognition</b>					
Goods/services transferred at a point in time	50,195	88,350	-43.2%	477,478	526,253
Services transferred over time	68,935	55,999	23.1%	257,477	215,331
<b>Total revenue from contracts with customers</b>	<b>119,130</b>	<b>144,349</b>	<b>-17.5%</b>	<b>734,955</b>	<b>741,584</b>

AMOUNTS IN SEK 000s	JAN–SEP				
	2020	2019	Change	OCT 2019 –SEP 2020	Full-year 2019
<b>Revenue by type</b>					
Licenses	259,724	304,248	-14.6%	405,152	449,676
Support	180,016	141,470	27.2%	236,735	198,189
Hardware	37,794	50,064	-24.5%	64,307	76,577
Training and other	14,243	11,303	26.0%	20,082	17,142
<b>Total revenue from contracts with customers</b>	<b>491,777</b>	<b>507,085</b>	<b>-3.0%</b>	<b>726,276</b>	<b>741,584</b>
<b>Revenue by geographic market</b>					
North America	198,397	210,405	-5.7%	301,456	313,464
APAC	108,285	85,260	27.0%	158,434	135,409
Europe and rest of the world	185,095	211,420	-12.5%	266,386	292,711
<b>Total revenue from contracts with customers</b>	<b>491,777</b>	<b>507,085</b>	<b>-3.0%</b>	<b>726,276</b>	<b>741,584</b>
<b>Revenue by date for revenue recognition</b>					
Goods/services transferred at a point in time	297,518	354,312	-16.0%	469,459	526,253
Services transferred over time	194,259	152,773	27.2%	256,817	215,331
<b>Total revenue from contracts with customers</b>	<b>491,777</b>	<b>507,085</b>	<b>-3.0%</b>	<b>726,276</b>	<b>741,584</b>

### NOTE 3 ESTIMATES

Preparation of the interim report requires that company management make 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 4 FINANCIAL INSTRUMENTS

RaySearch's financial assets and liabilities comprise billed and unbilled receivables, cash and cash equivalents, accrued expenses, accounts payable, bank loans and lease liabilities. Long-term receivables and lease liabilities 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 provision for expected credit losses is a weighted assessment of payment history, reports from external credit rating agencies and other customer-specific information. At the end of September 2020, the credit loss provision was SEK 20.8 M (20.6), despite a significant reduction in receivables. The increase was largely due to COVID-19. Historically, the Group's credit losses have been limited. Since the company was founded in 2000, incurred credit losses have amounted to approximately 0.3 percent and provisions for expected credit losses to approximately 0.7 percent of total sales.

### NOTE 5 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 6 PLEDGED ASSETS IN THE GROUP AND PARENT COMPANY

AMOUNTS IN SEK 000s	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
Chattel mortgages	100,000	100,000	100,000
Guarantees	15,145	8,822	6,586

The year-on-year increase is primarily attributable to bank guarantees concerning two customer orders.

## GROUP QUARTERLY OVERVIEW

AMOUNTS IN SEK 000s	2020			2019			2018	
	Q3 <sup>1</sup>	Q2 <sup>1</sup>	Q1 <sup>1</sup>	Q4 <sup>1</sup>	Q3 <sup>1</sup>	Q2 <sup>1</sup>	Q1 <sup>1</sup>	Q4 <sup>2</sup>
<b>Order intake</b>								
Total order intake	138,480	177,133	300,018	277,217	196,793	370,612	201,617	294,889
<b>Income statement</b>								
Net sales	119,130	163,758	208,889	234,499	144,349	189,658	173,078	219,443
Sales change, %	-17.5	-13.7	20.7	6.9	-4.1	63.1	49.0	7.0
Operating profit/loss	-29,477	-10,954	51,557	22,468	-6,345	28,809	23,237	41,673
Operating margin, %	-24.7	-6.7	24.7	9.6	-4.4	15.2	13.4	19.0
Profit/loss for the period	-26,182	-9,196	40,462	18,937	-7,525	21,833	17,166	32,649
Net margin, %	-22.0	-5.6	19.4	8.1	-5.2	11.5	9.9	14.9
<b>Cash flow</b>								
Operating activities	78,486	135,443	66,074	81,139	51,761	136,938	50,307	120,614
Investing activities	-45,372	-55,913	-60,214	-60,992	-48,568	-57,067	-45,419	-73,258
Financing activities	-11,394	-13,618	-10,104	-12,370	-16,668	-75,740	-6,706	9,401
Cash flow for the period	21,720	65,912	-4,244	7,777	-13,475	4,131	-1,818	56,756
<b>Capital structure</b>								
Equity/assets ratio, %	57.0	56.2	55.8	55.8	55.6	55.9	52.0	59.5
Net debt	-31,476	206	73,231	56,869	77,991	92,024	181,649	19,300
Debt/equity ratio	0.0	0.0	0.1	0.1	0.1	0.1	0.3	0.0
Net debt/EBITDA	-0.1	0.0	0.3	0.2	0.3	0.4	0.8	0.1
<b>Per share data, SEK</b>								
Earnings/loss per share before dilution	-0.76	-0.27	1.18	0.55	-0.22	0.64	0.50	0.95
Earnings/loss per share after dilution	-0.76	-0.27	1.18	0.55	-0.22	0.64	0.50	0.95
Equity per share	20.71	21.48	21.79	20.58	20.03	20.25	19.62	19.18
Share price at the end of the period	87.60	86.50	57.60	107.20	160.70	132.60	103.70	96.50
<b>Other</b>								
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	399	391	386	331	317	306	299	293

## GROUP, ROLLING 12 MONTHS

AMOUNTS IN SEK 000s	Oct 2019– Sep 2020 <sup>1</sup>	Jul 2019– Jun 2020 <sup>1</sup>	Apr 2019– Mar 2020 <sup>1</sup>	Jan 2019– Dec 2019 <sup>1</sup>	Oct 2018– Sep 2019 <sup>3</sup>	Jul 2018– Jun 2019 <sup>3</sup>	Apr 2018– Mar 2019 <sup>3</sup>	Jan 2018– Dec 2018 <sup>2</sup>
<b>Order intake</b>								
Total order intake	892,846	951,160	1,144,639	1,046,238	1,063,910	1,042,829	878,393	805,210
<b>Income statement</b>								
Net sales	726,276	751,495	777,395	741,584	726,528	732,658	684,039	627,218
Operating profit	33,594	56,726	96,489	68,169	87,374	106,140	103,589	94,460
Operating margin, %	4.6	7.5	12.4	9.2	12.0	14.5	15.1	15.1
<b>Cash flow</b>								
Cash flow	91,165	55,970	-5,811	-3,385	45,594	42,038	-12,355	1,804
Cash flow adjusted for repayment of bank loans	91,165	55,970	69,189	71,615	120,594	67,038	-62,355	-48,196

<sup>1</sup> IFRS 16 compliance.

<sup>2</sup> IAS 17 compliance.

<sup>3</sup> IFRS 16 compliance as of 2019, and IAS 17 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 (transaction price) 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, meaning remaining performance obligations.	The order backlog shows the value of orders already booked by RaySearch that will be converted to revenue in the future.
Net sales/Order intake	Recognized net sales in relation to total order intake during the corresponding period	The measurement is used to monitor the recognized revenue in relation to sales, which is part of the reason for the change in order backlog.
Sales change	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
Sales change at unchanged currencies	Change in sales at unchanged currencies, i.e., excluding currency effects	This measure is used to monitor underlying sales change driven by alterations 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 profit for the period before financial items and tax	Operating profit provides an overall picture of the total generation of earnings in operating activities
Operating profit adjusted for currency conversion effects	Calculated as operating profit less other operating income/expenses	Operating profit provides an overall picture of the total generation of earnings in operating activities excluding currency conversion effects for balance sheet items
Operating margin	Operating profit 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
Cash flow adjusted for changes in bank loans	Cash flow for the period less cash flow from changes to bank loans	The measurement shows the underlying cash flow before financing activities, but including amortization of lease liabilities.
Equity per share	Equity divided by number of shares at the end of the period	The measurement shows the return generated on the owners' invested capital per share
Rolling 12 months' sales, operating profit or other results	Sales, operating profit or other results measured over the past 12-month period	This measure is used to more clearly illustrate the trends for sales, operating profit 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 current/long-term 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 at the end of the period	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
EBITDA	Operating profit before financial items, tax, depreciation/amortization and impairment	The measurement is a way to evaluate the result without taking into consideration financial decisions or taxes
Net debt/EBITDA	Net debt at the end of the period 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 handle its debt

## CALCULATION OF FINANCIAL MEASURES NOT INCLUDED IN THE IFRS FRAMEWORK

AMOUNTS IN SEK 000s	Sep 30, 2020	Sep 30, 2019	Dec 31, 2019
<b>Working capital</b>			
Accounts receivable (current billed customer receivables)	141,732	176,213	194,752
Current unbilled customer receivables	100,942	190,415	191,064
Long-term unbilled customer receivables	10,877	18,074	20,370
Inventories	13,760	14,315	4,623
Other current receivables (excl. tax)	42,996	38,556	54,334
Accounts payable	-11,128	-24,871	-33,202
Other current liabilities (excl. tax)	-237,170	-264,303	-238,885
<b>Working capital</b>	<b>62,009</b>	<b>148,399</b>	<b>193,056</b>
<b>Net debt</b>			
Current interest-bearing liabilities	96,651	86,386	84,931
Long-term interest-bearing liabilities	66,013	99,087	85,796
Cash and cash equivalents	-194,140	-107,482	-113,858
<b>Net debt</b>	<b>-31,476</b>	<b>77,991</b>	<b>56,869</b>
<b>EBITDA</b>			
Operating profit	33,594	87,374	68,169
Amortization and depreciation	205,611	165,643	182,497
<b>EBITDA</b>	<b>239,205</b>	<b>253,017</b>	<b>250,666</b>
<b>Sales change at unchanged currencies</b>			
Net sales	726,276	726,528	741,584
Currency adjustment	-6,466	-26,778	-40,106
Adjusted Net sales	719,810	699,750	701,478
Net sales, preceding year.	726,528	573,960	627,218
<b>Sales change at unchanged currencies</b>	<b>-0.9%</b>	<b>21.9%</b>	<b>11.8%</b>

<sup>1</sup> IFRS 16 compliance as of 2019, and IAS 17 in the preceding period.

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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. The company is also developing a new treatment control system, RayCommand, as well as RayIntelligence, a range of data-based machine learning products, which are expected to be launched in December 2020. 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 for trading on Nasdaq Stockholm since 2003. More information about RaySearch is available at [www.raysearchlabs.com](http://www.raysearchlabs.com)

## VISION AND MISSION

The company's vision is a world where cancer is conquered and RaySearch's mission is to provide innovative software to continuously improve cancer treatment.

## 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.

## 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. All software systems are developed at RaySearch's head office in Stockholm, and distributed and supported by the company's global marketing organization.