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RAYSEARCH

ANNUAL REPORT

20

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ADVANCED CANCER TREATMENT

2020 IN NUMBERS

722

RayStation centers
in 39 countries

9

RayCare partners
in 5 countries

68

particle therapy centers
use RayStation

16

approved patents
worldwide

36

collaborations
with cancer centers,
universities and equipment
manufacturers

12

RaySearch offices
around the world

405

Raysearch
employees as of
December 2020

200

employees in
research and/or
development

32

nationalities
among RaySearch staff

39

average age
of RaySearch
staff

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 products through licensing agreements with leading medical technology companies. The company also develops RayIntelligence*, a cloud-based oncology analytics system, as well as RayCommand*, a new treatment control system. RaySearch's software is currently used by over 2,600 cancer 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. To learn more about RaySearch, visit 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.

* Subject to regulatory clearance in some markets.

BUSINESS MODEL

RaySearch's main revenue is generated by customers paying an initial license fee for the right to use the company's software and an annually recurring service fee for access to updates and support. The company's software is 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: one information system, and one treatment planning system. With RayStation and RayCare, RaySearch will further strengthen its position and continue to grow with high profitability. The strategy is based on a strong focus on innovative software development with leading functionality, support for efficient workflows – including via digitization and automation with machine learning – broad support for a wide range of treatment modes and types of radiation therapy machines, close collaboration with world-leading cancer centers and industrial partners, and extensive investment in research and development.

LETTER FROM JOHAN LÖF, CEO AND FOUNDER



INNOVATION, COLLABORATION, ADAPTATION

Against the backdrop of COVID-19 and ongoing societal and economic disruption, RaySearch has doubled down on the fundamentals: innovative new products, continuous improvement of existing software, and clinical partnerships that inform our technology and commercial strategy. Throughout 2021 we continue to embrace our necessarily modified ways of working and collaborating while moving forward to deliver our vision for comprehensive cancer care.

GROWTH THROUGH DIVERSIFICATION

Despite the operational impact of the pandemic, the RaySearch development teams registered impressive progress along multiple fronts in 2020. We ended the year with the launch of two high-profile new products – RayIntelligence and RayCommand – both of which underpin significant diversification of our software portfolio.

As our platform for data-driven oncology and machine learning, RayIntelligence provides a cloud-based system for analysis, follow-up and continuous improvement of cancer treatments. This software-as-a-service (SaaS) platform integrates seamlessly with our RayStation treatment planning system (TPS) and RayCare oncology information system (OIS), enabling cancer clinics to consolidate, structure and search data to individualize treatment protocols

and enhance patient outcomes. There are tools for deep analysis of trends and performance; dashboards for an at-a-glance overview of clinical activities; while the structured data enables clinics to define datasets that are suitable for training machine learning models. RayIntelligence is the first RaySearch product that is provided only through annual subscriptions. This allows customers to pay on an ongoing basis instead and avoid making a substantial initial investment.

Elsewhere, the focus is on hardware integration. The RayCommand treatment control system (TCS) offers unified management and control of key systems in the radiotherapy treatment room – the treatment machine, treatment couch, imaging systems and patient positioning devices. The goal is to ensure safe and effective patient care while offering a more consistent user experience and enhanced workflow efficiency – regardless of the type of treatment machine. As such, we see this B2B product as a catalyst for innovation and increased competition in the radiotherapy equipment market, encouraging new-entrant system vendors to integrate RayCommand rather than developing their own TCS from scratch.

CONTINUED DEVELOPMENT OF RAYSTATION AND RAYCARE

The evolution of our core software products also continued at pace last year. New versions of RayStation (10A and 10B) added support for high-dose-rate brachytherapy planning and proton-therapy planning for the treatment of eye cancer. Equally significant, the latest version of

RayStation's Monte Carlo dose calculation engine is already shaping up as a game-changer for treatment planning at proton therapy clinics. In parallel, we released new versions of RayCare (4A and 4B) offering improved integration with RayStation, interfaces for connection with Varian's TrueBeam treatment machines, and support for multiple parallel patient treatments and workflows. Special acknowledgement here goes to the RaySearch Clinical Advisory Board, a global network of nine leading cancer clinics that's proved itself instrumental in positioning RayCare as a next-generation OIS.

Out in the market, the RayStation customer base now numbers 740 clinics in 40 countries. During 2020, RayStation was sold to 100 new customers – among them the Centre Eugène Marquis (France), Taipei Medical University Hospital (Taiwan), Dankook University Hospital (South Korea), and the Clatterbridge Cancer Centre (UK). We also saw tentative signs of recovery in North America towards year-end with a major order from the world-renowned Johns Hopkins Medicine in December. For context, Johns Hopkins has been using RayStation for proton therapy planning since 2017, though this latest purchase expands its installation to cover five of the health system's clinics. The revenues from our RayStation user base give RaySearch a solid and resilient financial foundation in what's likely to remain a challenging business context through 2021.

BEYOND COVID-19

Operationally, it's encouraging to report no major challenges in relation to RaySearch's R&D effort or delivery capacity as a result of the pandemic. It's been a collective effort all the way over the past 12 months and a huge thank you goes to all of our staff teams – not least for their flexibility, creativity and dedication as we, by necessity, have re-engineered our core functions around largely digital and virtual workflows. Nonetheless, we're very much looking forward to getting back together again in physical space (rather than virtual space) with colleagues, customers and our clinical and industrial partners.

With this in mind, preparations are progressing well for the relocation later this year of RaySearch corporate headquarters to RayLab, our own purpose-built office complex on the Hagastaden life-sciences campus in Stockholm. This spectacular facility will enable us to reimagine what it means to be an innovation business by promoting cross-functional collaboration and connection; providing state-of-the-art facilities for customer engagement and training; as well as opening up dedicated space for staff

recreation and reflection. With the company now at 400 employees globally, it's also reassuring to know that RayLab has capacity to accommodate up to 800 people – leaving us plenty of room to grow.

ENHANCED EFFICIENCY – A NECESSITY

While the uncertainties associated with COVID-19 will likely be with us for the foreseeable future – at least until national and regional vaccination programs approach full coverage – we remain optimistic about RaySearch's long-term strategy for comprehensive cancer care. If anything, the need for accelerated digital transformation of the oncology workflow has been amplified by events of the past 12 months. Early in the pandemic, for example, the World Health Organization found that one in three countries in the European region reported partially or completely disrupted cancer services, while some national snapshots indicate that as many as 10% or more of new cancer cases may have gone undiagnosed in the past year.

Put simply, cancer centers and their care teams are going to need all the tools at their disposal if they are to diagnose, treat and manage – at scale – the inevitable post-COVID surge in cancer cases in the most efficient and effective way possible. Mälarsjukhuset in Eskilstuna, Sweden, offers an instructive case study in the art of the possible. In spring of last year, Mälarsjukhuset's medical physics team fast-tracked clinical deployment of RayStation's deep-learning segmentation algorithms – a move that reduced the time spent on patient contouring for radiotherapy planning by as much as 75% versus manual or semi-automatic methods. While the initial decision was driven by staff shortages as a result of COVID, the long-run efficiency gains can only help the Mälarsjukhuset team as it recalibrates for the post-pandemic setting.

Going forward, it falls to RaySearch as a core technology partner to show cancer clinics, large and small, how they can similarly flex their approach through software-driven innovation – a strategy that will ultimately deliver workflow efficiencies while giving more patients access to the best possible cancer care, wherever they are, and whenever they need it.



Johan Löf
CEO and Founder, RaySearch Laboratories

ADMINISTRATION REPORT

The Board of Directors and CEO of RaySearch Laboratories AB (publ), Corporate Registration Number 556322-6157, hereby present the annual accounts and consolidated financial statements for the fiscal year of January 1–December 31, 2020. The Parent Company and Group present their financial statements in SEK. The company's Board of Directors is based in Stockholm.

OPERATIONS

RaySearch is a medical technology company that develops innovative software solutions to continuously improve cancer care. The company develops and markets the RayStation® treatment planning system and RayCare® oncology information system to radiation therapy centers all over the world, and also distributes software products through licensing agreements with leading medical technology companies. In December 2020, the RayCommand treatment control system and RayIntelligence oncology analytics system were also launched. RaySearch's software is currently used by over 2,600 cancer centers in more than 65 countries. The company was founded in 2000 as a spin-off from the Karolinska Institutet in Stockholm and the company's share has been traded on Nasdaq Stockholm since 2003.

RaySearch's vision is a world where cancer is conquered. A large portion of development in cancer treatment is already driven by various software systems and the company's mission is to continuously improve cancer treatment by providing innovative software solutions and thus improve quality of life for cancer patients and save lives. RaySearch's main revenue is generated when customers pay an initial license fee for the right to use the company'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.

The company's strategy is based on a strong focus on innovative software development with leading functionality, support for efficient workflows – including via digitization and automation with machine learning – broad support for a wide range of treatment modes and types of radiation therapy machines, close collaboration with world-leading cancer centers and industrial partners, and extensive investment in research and development.

RayStation is already established in all major global markets as one of the most advanced treatment planning systems for cancer radiation therapy. The company's sales success is based on RayStation's high calculation speed, support for adaptive radiation therapy, automated workflows, unique multi-criteria optimization and user-friendly interfaces. Yet another strength is the wide range of radiation therapy devices supported by the system – more than any other treatment planning system. RayStation helps to improve the radiation therapy process and to extend the lifetime of treatment machines, which means they can be used more effectively. This means that cancer centers that want to improve and develop their care are no longer dependent on buying the latest treatment machines – they can achieve similar, positive outcomes by choosing RayStation as their treatment planning system. Overall, more and more highly regarded cancer

centers can now confirm that RayStation is helping them to optimize their radiation therapy process and enables a more effective use of their existing radiation devices.

Treatment planning for proton therapy (protons/carbon ions/BNCT) is a key area of focus for RaySearch. Within this advanced market segment, the company has a market share of more than 50 percent globally. At present, less than 1 percent of all radiation therapy patients receive proton therapy, but an estimated 20 percent could benefit from treatment with protons. This shows the major potential for growth in this area.

Ever since RayStation was first launched, RaySearch has focused on and achieved major sales success in several of the world's most advanced and renowned radiation therapy centers. To date, more than 740 cancer centers in some 40 countries have purchased RayStation. At the same time, there are more than 8,000 radiation therapy centers around the world, so the company's growth potential is still highly favorable.

Alongside of this, the company's oncology information system (OIS), RayCare, is rapidly becoming the next-generation OIS. RayCare is fundamentally different to other OISs and the system has been designed to support and optimize various work flows at modern cancer centers. Many cancer patients receive a combination of treatments and unlike existing systems, RayCare is a comprehensive information system that supports the three main types of cancer treatment – radiation therapy, chemotherapy and surgery. It brings integrated cancer care within reach of many cancer centers, and will create clinical possibilities that are unachievable for competing systems. RayCare coordinates all activities efficiently and provides advanced features that include clinical resource optimization, digitization and workflow automation as well as adaptive radiation therapy. The system has also been developed to meet tomorrow's need for advanced analysis and decision support. RayCare now also offers communication (interoperability) with Varian's linear accelerator TrueBeam™, which will increase market potential and improve work flows for existing customers.

To ensure that RayCare meet clinical needs, our development activities are conducted in close collaboration with leading cancer centers, such as the MD Anderson Cancer Center, the Princess Margaret Cancer Centre, the University of Wisconsin-Madison and Provision Healthcare in the US, Heidelberg University Hospital in Germany, MedAustron in Austria, Swiss Medical Network in Switzerland, the University Medical Center Groningen in the Netherlands and Iridium Kankernetwerk in Belgium. Solving the coordination, safety and efficiency needs of the world's largest cancer centers is one of RaySearch's most exciting challenges to date. The company's partnerships with leading cancer centers provide ideal conditions for success by combining their extensive clinical know-how with RaySearch's ability to develop innovative software solutions.

In 2020, the first version of RayIntelligence was launched, a cloud-based oncology analytics system for data-driven oncology and machine learning. RayIntelligence offers the stable data infrastructure needed by centers to personalize treatment protocols and thereby further improve treatment outcomes. The system provides tools to analyze trends and performance,

summaries and overviews of all clinical activities, while its structured data allows centers to define data volumes that are appropriate for training machine-learning models.

The first version of the RayCommand treatment control system was also released in 2020. RayCommand offers uniform management, synchronization and control of important systems in the radiation therapy room – the treatment machine, treatment bed, imaging systems and patient positioning devices.

RaySearch is a research and development company in which about half of the company's employees are engaged in R&D and where more than 30 percent of the company's net sales are reinvested in R&D.

The research activities are forward-looking and underpin next-generation systems and products. Research is conducted in close collaboration with the Royal Institute of Technology in Stockholm, Princess Margaret Cancer Centre (PMCC) in Canada, UMCG in the Netherlands, Heidelberg University Hospital in Germany, and Massachusetts General Hospital and the MD Anderson Cancer Center in the US.

RaySearch's machine learning department has grown rapidly since its inception in 2017 and is focused on the development of machine learning applications for the company's products. Since 2018, machine learning applications have been available in RayStation to automate organ segmentation and treatment plan generation. In 2020, the department developed the cloud-based oncology analytics system RayIntelligence to make it easier for cancer centers to use their data to optimize, personalize and improve future treatments, and to train machine-learning models.

Development is focused on transforming customer demands and the company's innovations into commercial products. This takes place by creating new products, and by further developing and maintaining existing products. Development activities are based on an agile method using modern tools in close collaboration with leading cancer centers and industrial partners all around the world.

HIGHLIGHTS OF THE YEAR

RayStation has been sold to 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
- Centre Eugène Marquis and Oncorad Garonne (Clinique du Pont De Chaume in Montauban) in France
- Haaglanden Medical Center, Leiden University Medical Center and Haga Hospital in the Netherlands
- Clatterbridge Cancer Centre in the UK
- Oslo University Hospital in Norway
- Liverpool Cancer Therapy Centre in Australia
- Southern TOHOKU BNCT Research Center in Japan
- Taipei Medical University Hospital in Taiwan

- National Cancer Institute in Thailand, and
- Chungnam National University Hospital in South Korea.

In 2020, the MD Anderson Cancer Center and Johns Hopkins Medicine in the US and Centre Antoine Lacassagne in France also expanded their existing RayStation installations to replace other 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, which will increase market potential and improve work flows for existing customers.

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).

New versions of RayStation released

RayStation 10A was released in June, with significant performance enhancements for proton therapy, new support for proton therapy planning for eye cancer treatment, and improved ability to generate treatment plans using machine learning in the Plan Explorer module.

RayStation 10B was released in December, the latest version of RaySearch's treatment planning system, with support for brachytherapy and speed revolution in Monte Carlo dose calculation for proton therapy.

New versions of RayCare released

RayCare 4A was released in June, with new features for dynamic team management, scripting support and an improved patient chart.

RayCare 4B was released in December, the latest version of RaySearch's oncology information system, with interfaces for connection with Varian TrueBeam™, improved integration with RayStation, and support for multiple parallel treatments and workflows.

RayCommand and RayIntelligence released

In December, the first version of the RayCommand treatment control system was released, and also obtained marketing authorization in several European countries. RayCommand gathers all necessary data from the oncology information system and coordinates all resources and actions in the treatment room efficiently. Efficient coordination is crucial for the delivery of safe and effective patient treatments.

In December, the first version of the RayIntelligence oncology analytics system was also released. RayIntelligence help cancer centers gather, structure and analyze data for improved decision-making and personalization, and thereby improved cancer care.

Breach of loan covenant

In December 2020, RaySearch breached an EBITDA-based covenant in the company's credit facility with Skandinaviska Enskilda Banken (publ) [SEB] with a credit limit of SEK 350 M, of which SEK 50 M was undrawn. In April 2021, SEB subsequently demanded repayment of SEK 50 M, which was the amount of credit withdrawn. However, the credit facility will be available for drawing as soon as the company once again meets all covenants contained in the agreement, see also Significant events after the end of the reporting period and Note 21.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Short-term loan

In March 2021, the Parent Company issued a short-term loan of TSEK 200 to the Vinstandelsstiftelsen RayFoundation on commercial terms.

Breach of loan covenant

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EFFECTS OF THE COVID-19 PANDEMIC

The COVID-19 pandemic has affected people and companies all over the world and posed a significant challenge for most businesses.

Effects on RaySearch's operations in 2020

Sales. The COVID-19 pandemic had a negative effect on RaySearch's sales in 2020 due to lockdowns in several countries for some of the year. 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 normalization in Asia toward the end of the year.

Delivery capacity. As a software company, RaySearch is well equipped for remote collaboration and in 2020 our R&D and delivery capacity were relatively unscathed by the COVID-19 pandemic.

In 2020, COVID-19 did not have any major impact on the company's assessment items.

Expected future effects

It is still difficult to say how the ongoing pandemic will affect the coming periods with any great certainty. The situation has stabilized and begun to normalize in many countries, while other countries are registering a second or third wave of the pandemic. RaySearch has taken a number of measures to protect the company's operations and reduce costs. We see continued recovery in Asia and signs of demand recovery in other regions in early 2021.

In addition, as soon as the vaccination program has an effect we expect sales to normalize again since underlying need and demand for effective software solutions for cancer care remain unchanged compared with pre-pandemic levels. Since sales activities have been restricted for some time in 2020, however, it may take time before full sales effect is regained. We see no major challenges in terms of R&D or the company's delivery capacity.

Overall, the company expects the COVID-19 pandemic to have a negative effect on the company's sales and earnings early in 2021, but that this effect will normalize in 2021. 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 on protecting the company's cash flow and liquidity.

Unmet need for RaySearch's software solutions unchanged. The underlying need for efficient software solutions for cancer care remains unchanged since treatment for cancer patients is high priority. The company's assessment is that the market and demand for the company's products 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 because 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

The COVID-19 outbreak is posing a huge challenge to human health and lives all over the world. RaySearch's highest priority in 2020 was to protect the health and safety of our employees, while also maintaining and developing 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 in 2020.

ORDER INTAKE AND ORDER BACKLOG

In 2020, order intake declined 18.3 percent to SEK 854.8 M (1,046.2). License order intake declined 26.8 percent to SEK 378.0 M (516.2) and order intake for support agreements declined 9.6 percent to SEK 377.4 M (417.5).

At December 31, 2020, the total order backlog amounted to SEK 1,169.2 M (1,155.2), which is expected to generate revenue of approximately SEK 402 M over the next 12 months. The remaining amount in the order backlog mainly pertains to support commitments that are primarily expected to generate revenue during a subsequent four-year period.

Order intake (amounts in SEK M)	2020	2019
Licenses	378.0	516.2
Hardware	69.5	81.6
Support (incl. warranty support)	377.4	417.5
Training and other	29.9	30.9
Total order intake	854.8	1,046.2

Order backlog (amounts in SEK M)	Dec 31, 2020	Dec 31, 2019
Licenses	127.0	119.0
Hardware	50.3	36.4
Support (incl. warranty support)	942.6	956.2
Training and other	49.4	43.6
Total order backlog at the end of the period	1,169.2	1,155.2

REVENUE

In 2020, net sales declined 12.1 percent to SEK 651.6 M (741.7). The change was due to lower license revenue, primarily attributable to the COVID-19 pandemic. In addition, the company did not meet all of the criteria for recognizing license revenue for several large RayStation orders received at the end of the year, or for two contracts related to the new RayCommand treatment control system that was launched in December. License revenue for these contracts is expected to be allocated throughout full-year 2021 instead.

The change in sales at unchanged currencies was –10.3 percent (11.8), and recognized net sales accounted for 76 percent (71) of total order intake in 2020.

License revenue declined 24 percent to SEK 340.8 M (449.7). Recurring support revenue rose 23.1 percent to SEK 243.9 M (198.2), accounting for 37 percent (27) of net sales. Hardware sales, which have a limited profit margin, declined 37.3 percent to SEK 48.0 M (76.6). Excluding hardware sales, sales declined 9.2 percent.

Revenue distribution (amounts in SEK M)	2020	2019
Licenses	340.8	449.7
Hardware	48.0	76.6
Support (incl. warranty support)	243.9	198.2
Training and other	18.9	17.1
Net sales	651.6	741.7
Sales growth, corresp. period, %	–12.1%	18.2%
Organic sales growth, corresp. period, %	–10.3%	11.8%

In 2020, net sales had the following geographic distribution: North America, 37 percent (42); Asia, 25 percent (18); Europe and the rest of the world, 38 percent (39).

OPERATING PROFIT

In 2020, operating profit decreased to SEK –3.5 M (68.2), representing an operating margin of –0.5 percent (9.2). Profit for the year was adversely affected by currency translation effects pertaining to balance sheet items and, adjusted for these, operating profit would have totaled SEK 26 M (49). The weaker earnings were attributable to lower license revenue, primarily attributable to the COVID-19 pandemic, which was only partially offset by lower costs.

Currency effects

The company's sales and earnings are 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 –10.3 percent (11.8) in 2020. In addition, exchange-rate gains on balance sheet items amounted net to SEK –29.1 M (19.2) Currency

effects therefore had a negative impact on net sales and operating profit in 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 2.4 M, while a corresponding change in the EUR exchange rate would have impacted consolidated operating profit by approximately +/- SEK 1.8 M in 2020.

The company follows the financial policy established by the Board, whereby exchange-rate fluctuations are not hedged. Refer to the sensitivity analysis in Note 28 on page 44.

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 December 31, 2020, some 200 employees (190) were engaged in research and development, corresponding to 49 percent (51) of the total number of employees.

Capitalization of development costs	2020	2019
Research and development costs	243.4	225.5
Capitalization of development costs	–195.6	–164.4
Amortization of capitalized development costs	137.2	113.6
Research and development costs (after adjustments for capitalization and amortization of development costs)	185.0	174.7

In 2020, RaySearch continued to invest heavily in both existing and future products. In total, research and development costs rose 7.9 percent to SEK 243.4 M (225.5) in 2020, corresponding to 37 percent (30) of the company's net sales. The increase in costs was attributable to a higher number of employees in the research, development and machine learning departments.

Development costs of SEK 195.6 M (164.4) were capitalized, up 19.0 percent, representing 80 percent (73) of total research and development costs. The increase was attributable to a higher proportion of research activities in the research, development and machine learning departments, partly due to more product launches, but also because of canceled conferences and business travel during the COVID-19 pandemic.

Amortization of capitalized development costs rose 20.8 percent to SEK 137.2 M (113.6), and the increase was attributable to the expansion of development activities, and that amortization periods commenced for all products.

Research and development costs (after adjustments for capitalization and amortization of development costs) rose 5.9 percent to SEK 185.0 M (174.7).

Amortization and depreciation

In 2020, total amortization and depreciation increased 17.2 percent to SEK 213.8 M (182.5), of which amortization of intangible fixed assets accounted for SEK 137.3 M (113.7), primarily related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 76.5 M (68.8).

PROFIT/LOSS FOR THE PERIOD AND EARNINGS PER SHARE

In 2020, profit after tax totaled SEK –9.1 M (50.4), representing earnings per share before and after dilution of SEK –0.26 (1.47).

Tax expense for the year amounted to SEK –2.6 M (–12.2), corresponding to an effective tax rate of –40.2 percent (19.5).

CASH FLOW AND LIQUIDITY

In 2020, cash flow from operating activities rose to SEK 331.5 M (320.1). The increase, despite weaker earnings, was primarily due to a sharp decrease in working capital, and an increase in non-cash items, such as depreciation. 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.

At the end of the period, the company's total customer receivables amounted to 50 percent (55) of net sales over the past 12 months. Working capital amounted to 12 percent (26) of net sales over the past 12 months and the decline was attributable to increased payments from customers, including advance payments from customers.

Cash flow from investing activities was SEK –225.6 M (–212.0). Investments in intangible fixed assets amounted to SEK 195.9 M (–164.8) and comprised capitalized development costs. Investments in tangible fixed assets amounted to SEK –29.7 M (–47.2).

Cash flow from financing activities was SEK –44.0 M (–111.5). 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 year was SEK 61.9 M (–3.4) and at December 31, 2020, consolidated cash and cash equivalents amounted to SEK 168.7 M (113.9).

FINANCIAL POSITION

At December 31, 2020, RaySearch's total assets amounted to SEK 1,285 M (1,264) and the equity/assets ratio was 54.0 percent (55.8).

Current receivables amounted to SEK 408.8 M (463.3). The receivables mainly comprised various types of customer receivables and the decline was attributable to higher 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 comprised 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 December 31, 2020, short-term loans totaling SEK 50 M (49) had been raised under the company's revolving loan facility and SEK 0 M (0) of the credit facility had been drawn.

At December 31, 2020, the Group had a net receivable of SEK –22.4 M (56.9). The change was due to improved cash flow.

EMPLOYEES

In 2020, the average number of employees in the RaySearch Group was 394 (331) and the number of employees at year-end was 405 (376), of whom 300 (279) were employed in Sweden and 105 (97) in foreign subsidiaries.

Employees have a high level of education, 97 percent (97) have university or college education, and 11 percent (11) have a doctorate degree. At year-end, 35 percent (37) of the Group's employees were women and 65 percent (63) men.

RaySearch strives to offer a positive work environment with attractive and stimulating development opportunities for employees. The company's continued ability to develop high-quality software solutions is dependent on competent, engaged and innovative employees. RaySearch imposes high workplace standards with regard to the environment, health, safety and individualized working conditions.

RaySearch actively promotes diversity and equality and has clear goals to increase the proportion of women in technical and managerial positions. The company strives to help employees achieve a work/life balance and offers flexible solutions as far as possible.

To ensure that all employees are paid fair salaries, regular salary surveys are conducted in Sweden in order to detect, remedy and prevent any unjustified pay differences. In 2020, the survey did not reveal any unjustified or material pay differences in the company.

All employees in the RaySearch Group are entitled to join unions or other organizations.

Sustainability Report

Sustainability is a key aspect of RaySearch's strategy and operations, and the company is working actively to become a sustainable enterprise. RaySearch has prepared a Sustainability Report in accordance with the Swedish Annual Accounts Act.

The Sustainability Report can be found on pages 62–68. Other disclosures can be found on the following pages: Risks and risk management: pages 9–11.

SEASONAL VARIATIONS

RaySearch's revenue is subject to seasonal variations that are typical of the industry, whereby the fourth quarter is normally the strongest – mainly because many customers have budgets that follow the calendar year.

FUTURE PROSPECTS

Every year, more than 14 million new cases of cancer are reported worldwide, and this figure is expected to reach 24 million by 2030. RaySearch has successfully established RayStation as one of the most advanced and leading treatment planning systems in all major markets around the world, and the sales success for RayStation is continuing. Despite continued expansion of its global marketing organization, the company still holds a relatively small share of the worldwide market, so the growth potential for RayStation is expected to remain high.

RaySearch has noted keen interest in RayCare, the groundbreaking oncology information system that the company is developing. A radiation therapy center essentially needs two software platforms for its operations: one information system, and one treatment planning system. RayCare and RayStation will enable RaySearch to provide the entire infrastructure for a clinic's information management and treatment planning. The continued development of RayCare is expected to open new possibilities for RaySearch, both clinically and commercially, which are confirmed by the company's long-term collaborative agreements with several leading cancer centers, such as the University of Texas MD Anderson Cancer Center and the University of Wisconsin-Madison in the US, the Princess Margaret Cancer Center in Canada, Heidelberg University Hospital in Germany, MedAustron in Austria, Swiss Medical Network in Switzerland, the University Medical Center Groningen in the Netherlands, the radiation therapy department of the

Iridium Kankernetwerk in Belgium, and several leading medical device suppliers including IBA, Accuray and Mevion.

While the COVID-19 outbreak continues to entail significant risk and uncertainties during the coming fiscal year, the long-term market outlook remains essentially unchanged and overall, RaySearch's future prospects are expected to remain favorable.

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. Risk management within RaySearch aims to identify, measure and reduce risks related to the Group's transactions and operations. A new business risk that arose in 2020 was COVID-19.

Market risk

RaySearch's presence in a large number of geographic markets entails exposure to political and financial risks both globally, and in individual countries or regions. Weak economic growth and strained finances may, in some markets, have a negative impact on government investment in cancer care and make it more difficult for private customers to secure funding.

Covid-19

In 2020, the outbreak of the novel coronavirus disease (COVID-19) rapidly became a serious pandemic. The pandemic has had a major impact on the global economy, society as a whole and the healthcare sector in general, both globally and in individual countries or regions.

The COVID-19 pandemic had an adverse impact on RaySearch's sales and earnings in 2020, mainly because orders were delayed. RaySearch has paid particular attention to how the effects of the ongoing COVID-19 pandemic could affect the company's future development, and/or risks that could affect the financial statements during the coming fiscal year. The assessment arrived at the following risks and uncertainties:

- Risk of decreased sales and profit, for example, due to
 - Delayed orders of RaySearch's products, for example when some hospitals must continue to temporarily prioritize the treatment of COVID-19 patients over investments in the company's products for cancer treatment.
 - Delayed revenue recognition, for example, resulting from the inability to fulfill certain performance obligations due to travel restrictions.
- Risk of weaker cash flow, for example, if certain customers experience liquidity problems.

Operational risk

Competition

RaySearch operates in a competitive arena and mainly competes with Varian, Elekta and Philips, which invest major resources in the development of systems and technological solutions that compete with RaySearch's products. RaySearch sells software only, and in some situations there is a risk that the company's competitors could use their positions as hardware suppliers to sell packaged solutions with both hardware and software to customers.

Product development

New products and improved therapies are continuously being launched and future developments in the medical technology market could affect RaySearch's ability to compete. RaySearch develops highly advanced systems and technological solutions, and assumes the risk from development stage through to release, which could result in higher costs than anticipated. This is mitigated by continuously monitoring projects, and with quality assurance.

It is also important that the new systems and technological solutions developed by RaySearch are protected from illicit use by competitors. In most cases, RaySearch's advanced software products are protected by copyright, and where possible and appropriate, RaySearch also protects its products through patents and trademark registration.

Strategic partnerships

The medical technology industry is characterized by relatively rapid technological development with advances in industrial knowledge and competence. RaySearch's system and software products are developed in close collaboration with leading cancer centers and research institutions, including MD Anderson in the US, the Princess Margaret Cancer Center in Canada, Heidelberg University Hospital in Germany and others. RaySearch's ability to uphold these long-term and close relationships is crucial to understanding and meeting customer needs.

RaySearch also has strategic partnerships with a number of medical device suppliers including IBA, Accuray, Mevion, and collaborative partnerships with Varian and IBA Dosimetry, which sell the company's products. If RaySearch were to lose one or more of these strategic partners, this could have an adverse impact on the company's sales, earnings and financial position.

Alternative therapies

Of the three main types of cancer treatment – radiation therapy, surgery and chemotherapy – radiation therapy is the therapeutic approach that has increased most for curative groups over the past 20 years. RaySearch also expects radiation therapy to be an important treatment option in the future.

Cybersecurity and disruption of IT systems

RaySearch has noted rising demand to use and analyze personal and treatment data, which is necessary if the company is to further develop the product portfolio. For example, in 2020 RaySearch launched the cloud-based oncology analytics system RayIntelligence and the company is planning to launch a new IT hosting service in 2021. This must comply with data protection laws in various countries and include adequate measures to protect this data from damage, manipulation and intrusion. Our operations are dependent on a number of advanced IT systems and solutions that must be protected from damage and undue intrusion while complying with international personal data and data security laws. We are also dependent on successful relations with business partners across the value chain, particularly suppliers of critical services.

Sales organization

RaySearch sells its system and products both through its own sales organization and through an external network of distributors and partners. The company's continued success is dependent on the ability to build and

maintain successful customer relations, and to establish and maintain an efficient marketing organization and successful partnerships with external sales channels.

Corruption

Corruption is an obstacle to development and growth in some of the countries in which RaySearch operates. RaySearch has zero tolerance of all forms of corruption, including bribery, fraud and anti-competitive practices. RaySearch therefore works continuously to strengthen its existing compliance program with, for example, background screening processes and certification of business partners, and other internal procedures to address and prevent the various anti-corruption issues that may arise within the framework of the business operations.

Regulatory approval and processes

RaySearch operates in a range of geographic markets, which exposes the Group to a large number of laws, regulations, policies and guidelines in relation to health and safety, the environment, trade barriers, competition, exchange control and the delivery of systems and products. As a developer of medical devices, RaySearch's operations are governed by the requirements and standards determined by healthcare regulators. Consequently, changes may result in increased costs or barriers to sales of RaySearch's systems and products.

Some examples of regulatory requirements are the EU's current (MDD) and coming (MDR) Medical Device Regulation, the FDA's Quality System Regulations (QSR) for medical devices, and Health Canada's Medical Device Single Audit Program (MDSAP).

Like other companies in the same industry, RaySearch is dependent on assessments and decisions by the relevant authorities in most of the markets in which the company operates. Such assessments include product safety and permission to market and sell medical devices. Applications to such authorities require extensive documentation, and unforeseen circumstances may delay the opportunity to introduce, market, sell and deliver systems and products, as well as prevent or restrict the commercial benefit and/or cause substantial additional costs.

To consistently produce high-quality products, reduce duplication of documentation for applications and to meet legal requirements, RaySearch conducts its operations in accordance with a quality management system that also complies with product safety standards issued by the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO). The quality management system is evaluated and certified by external regulators and inspected regularly. Should serious exceptions be identified, for example, this could result in delays and suspended deliveries of RaySearch's systems and products.

RaySearch continuously evaluates the conditions for entering new markets. The opportunities and risks involved are taken into account. Many markets have their own regulatory requirements for registration, which could potentially delay marketing authorization and product launches.

Dependence on qualified personnel and key individuals

RaySearch is dependent on expertise to develop its advanced medical technology systems, which requires highly qualified employees. The company's ability to attract, recruit and retain qualified personnel, a number of key

individuals with specialized skills, and management is crucial, and highly significant for the Group's future success.

Changes to reimbursement systems

RaySearch's ability to commercialize its solutions depends on the level of reimbursement that hospitals and clinics can receive. Reimbursement policies vary between countries and changes to current reimbursement systems in relation to health care products or the introduction of new rules could have a direct impact on demand for RaySearch's products.

Legal disputes

Through its operations, RaySearch is occasionally at risk of becoming involved in disputes related to its operating activities. Such disputes may involve product liability, contractual matters, intellectual property rights and alleged defects in deliveries of goods and services. Disputes can be costly, time-consuming and impede ongoing operations. Disputes relating to intellectual property rights are costly and may have a material impact on RaySearch's business and financial position. It may also be difficult to predict the outcome of complex disputes. Disputes related to RaySearch's product liability could include alleged negligence, warranty breach or malpractice, and lead to substantial costs regardless of whether or not RaySearch is held liable. RaySearch has product liability insurance, but there is a risk that future claims may exceed or fall outside the scope of the insurance coverage.

Changes to tax systems

RaySearch's business includes the development and delivery of software solutions and services in a wide range of jurisdictions. The activities are taxed in accordance with the laws of that jurisdiction. Changes in tax systems may affect the Group's tax liabilities and tax expenses, which may result in an increase or decrease of the financial results depending on the type of change that occurs.

International regulations governing the global tax environment are also subject to regular changes. The OECD (Organization for Economic Co-operation and Development) has proposed a number of changes through the introduction of BEPS (Base Erosion and Profit Shifting). The implementation of these changes may result in a reallocation of profits between different jurisdictions and an increase or decrease in related tax expense and cash flows.

Financial risk

Through its operations, the RaySearch Group is exposed to various types of financial risk, such as currency risk, interest rate risk, credit risk and liquidity risk.

Currency risk is the risk of fluctuations in the value of future business transactions and recognized assets and liabilities in foreign currency due to changes in exchange rates. Interest rate risk refers to the risk that changes in interest rates will have a negative impact on RaySearch's results. Credit risk arises partly through financial credit risk related to cash and cash equivalents and balances with banks and financial institutions, through credit exposure from transactions with customers and distributors. Liquidity risk refers to the risk of not being able to meet payment obligations as a result of insufficient liquidity or difficulty in securing external loans. Some of RaySearch's loan agreements include financial covenants, such as net

debt/EBITDA and the equity/assets ratio. The inability to maintain levels of net debt/EBITDA and the equity/assets ratio could result in a violation of the company's financial covenants whereby loan agreements must be renegotiated or existing loans repaid.

RaySearch's risk management is managed by the Group's Finance Department, which identifies, evaluates and hedges financial risks. This is carried out in accordance with the Board's established policies for overall risk management and the Group's financial policy, which form a framework of guidelines and rules in the form of risk mandates and limits for financial activities.

RaySearch has increased exposure to exchange-rate fluctuations due to its international business and structure. Exposure is mainly the result of having costs in SEK, while most of the company's revenue is in USD and EUR.

The company has no currency hedging, in accordance with the established financial policy. The financial policy is updated at least once a year.

For more information about financial risk and financial risk management, refer to Note 28 on page 44.

PARENT COMPANY

RaySearch Laboratories AB (publ) is the Parent Company of the RaySearch Group. Since the operations of the Parent Company match the operations and financial reporting of the Group in all material respects, the comments for the Group are also largely relevant to the Parent Company. However, capitalization of development costs and right-of-use assets are recognized in the Group but not in the Parent Company. The Parent Company's current receivables mainly comprise receivables from Group companies and accounts receivable. The Parent Company's profit before tax totaled SEK 0.6 M [−9.7] and at December 31, 2020, the Parent Company's cash and cash equivalents amounted to SEK 107.7 M [80.3].

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 under IFRS 16, and continues 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.

TREASURY STOCK

The company had no treasury stock in 2020.

SHARES AND OWNERSHIP

At December 31, 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. 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 December 31, 2020, the total number of voting rights in RaySearch was 110,377,548.

All shareholders entitled to vote at a general meeting may vote for the full number of shares owned or represented by them, with no restrictions on voting rights.

At December 31, 2020, the total 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	Capital, %	Votes, %
Johan Löf	6,243,084	418,393	6,661,477	19.4	56.9
Invesco	0	4,000,000	4,000,000	11.7	3.6
First AP Fund	0	1,982,448	1,982,448	5.8	1.8
Swedbank Robur Funds	0	1,800,000	1,800,000	5.3	1.6
La Financière de l'Echiquier	0	1,747,176	1,747,176	5.1	1.6
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	926,391	926,391	2.7	0.8
Second AP Fund	0	880,942	880,942	2.6	0.8
C WorldWide Asset Management	0	851,612	851,612	2.5	0.8
Total, 10 largest shareholders	8,454,822	12,946,882	21,401,704	62.4	88.3
Others	153	12,880,916	12,881,069	37.6	11.7
Total	8,454,975	25,827,798	34,282,773	100.0	100.0

Source: Euroclear, FI and MorningStar.

As far as the Board of Directors of RaySearch is aware, there are no shareholder agreements for either Class A or Class B shares. There are no special provisions in the Articles of Association regarding the appointment and dismissal of Board members, or amendments to the Articles of Association. Should a public offer be tendered to acquire shares in the company, there are no agreements between the company and Board members or employees prescribing any payments should these persons resign, be given notice without reasonable grounds or should their employment cease.

BONUSES AND PROFIT-SHARING FOUNDATION

Of the employees in the Swedish Parent Company, RaySearch Laboratories AB (publ), only the CEO and sales personnel are covered by bonus schemes.

The RayFoundation profit-sharing foundation covers all employees in the Parent Company, including all senior executives, except for the CEO. An allocation is paid to the profit-sharing foundation in a given year if consolidated operating profit amounts to a level exceeding an operating margin of 20 percent, whereby 10 percent of that portion of the operating profit that exceeds the threshold level is allocated. The allocation is calculated on the operating margin before allocation to the profit-sharing foundation and the CEO's variable remuneration.

In relation to the results for 2020, a total of SEK 0 M [0] was allocated to the RayFoundation profit-sharing foundation during the year, including a special employer's contribution of SEK 0 M [0].

Sales personnel in RaySearch's foreign-based sales company are covered by a bonus scheme based on sales-related targets for each of the regions.

GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The starting point for the Board is that remuneration and other conditions of employment for members of company management shall be on market terms. The principles for remuneration and other employment conditions applied for senior executives of RaySearch Laboratories AB in 2020 are described below.

Salary and other remuneration

The CEO is to have a fixed basic salary plus variable remuneration. The variable remuneration amounts to 2.0 percent of consolidated profit before tax after allocation to the RayFoundation profit-sharing foundation, but not more than 12 months' salary. In addition, the CEO is entitled to other customary benefits, such as a company car.

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

At the beginning of 2020, other senior executives included the Deputy CEO, CFO, Chief Science Officer, Director of Development, Director of Machine Learning, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Service, Quality and Regulatory Affairs Director and General Counsel.

Senior executives who work with sales are to have a fixed basic salary plus variable remuneration. The variable cash remuneration shall be linked to sales of the company's products. The Deputy CEO, CFO, Chief Science Officer, Director of Development, Director of Machine Learning, Director of Service, Quality and Regulatory Affairs Director and General Counsel are to have a fixed basic salary, but no variable remuneration.

The salaries of other senior executives are to be reviewed annually. This is performed through negotiations between the CEO and the individual employee.

Incentive program

There is no specific incentive program for senior executives and no such program has been proposed. However, senior executives, with the exception of the CEO, and other employees are entitled to participate in the options and profit-sharing programs applied by the company.

Pension

Pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. The retirement age for the CEO and other senior executives is 65, and the pension premiums are consistent with the Swedish ITP plan.

Termination of employment

If the CEO terminates their employment, the term of notice will be six months; if the company terminates the CEO's employment, the term of notice will be 12 months. In both cases, the CEO is entitled to salary during their term of notice. Other senior executives are subject to a mutual three-month term of notice during which salary is paid.

Severance pay

Neither the CEO nor other senior executives are entitled to severance pay, in formal terms, if their employment ceases. However, as stated above, the CEO and other senior executives are entitled to salary during their notice period.

Deviations

The Board proposes that the Board be permitted to deviate from the above guidelines should special reasons for doing so exist.

PROPOSED REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES IN 2021

The Board proposes that the Annual General Meeting, with the amendments to the guidelines approved by the 2020 Annual General Meeting, adopts the following guidelines for remuneration of the CEO and other members of senior management (senior executives).

The proposed amendments to the guidelines agreed by the 2020 Meeting relate to the introduction of the opportunity to pay consulting fees to non-executive, AGM-elected members.

The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2021. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

For information regarding the company's business strategy, please see <https://www.raysearchlabs.com/>.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Forms of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits.

Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100 percent of the fixed annual cash salary.

Pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums shall be equal to the Swedish ITP plan which corresponds to not more than 10 percent of the fixed annual cash salary for the CEO and not more than 30 percent of the fixed annual cash salary for the other senior executives. The retirement age is normally 65 years.

Other benefits may include, for example, life insurance, medical insurance and company cars. Such benefits may amount to not more than 10 percent of the fixed annual cash salary.

Criteria for awarding variable cash remuneration, etc.

Any variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be

designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

Variable cash remuneration for the CEO shall amount to 2.0 percent of the Group's earnings before tax. For other senior executives, targets are to be established in accordance with the paragraph above.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

The company has no contractual right to recover paid remuneration.

Consulting fees to members of the Board

The company's non-executive, AGM-elected members may in special cases receive a fee for services in their areas of competence, that is not considered Board work, during a limited period. For these services (including services carried out through a company wholly owned by a Board member) a fee should be paid on market terms provided such services contribute to the implementation of the company's business strategy and safeguard its long-term interests, including its sustainability.

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash salary for 18 months. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are personally affected by such matters.

Deviations

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

INTERNAL CONTROL

Refer to disclosures in the Corporate Governance Report on page 53.

DIVIDEND POLICY AND PROPOSAL

According to the Board's dividend policy, RaySearch is to distribute about 20 percent of consolidated profit after tax to its shareholders, provided that a healthy capital structure can be maintained. Since the company is currently in the midst of an expansive and capital-intensive phase, the Board of RaySearch proposes that no dividend be paid for the 2020 fiscal year. No dividend was paid for the 2019 fiscal year.

The Group's results and financial position are presented in the following statements of comprehensive income, financial position and cash flow, with the accompanying notes.

PROPOSED ALLOCATION OF THE PARENT COMPANY'S PROFIT

The following is at the disposal of the AGM:

SEK 000s	
Retained earnings	206,198
Profit/loss for the year	-3,499
Total	202,699

The Board and CEO propose that TSEK 202,699 be carried forward.

MULTI-YEAR OVERVIEW

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	2020	2019	2018	2017	2016
Net sales ¹	651,612	741,584	627,218	585,086	531,468
Cost of goods sold	-43,374	-72,365	-56,024	-36,650	-26,872
Gross profit	608,238	669,219	571,194	548,436	504,596
Research and development costs	-185,041	-174,670	-147,691	-104,304	-93,207
Other operating expenses	-426,663	-426,380	-329,043	-284,463	-211,830
Operating profit/loss	-3,466	68,169	94,460	159,669	199,559
Net financial items	-3,012	-5,561	-3,696	-3,768	-1,474
Profit/loss before tax	-6,478	62,608	90,764	155,901	198,085
Tax	-2,602	-12,197	-12,241	-38,274	-46,677
Profit/loss for the year	-9,080	50,411	78,523	117,627	151,408
Earnings per share before dilution	-0.26	1.47	2.29	3.43	4.42
Earnings per share after dilution	-0.26	1.47	2.29	3.43	4.42

¹ IFRS 15 compliance as of 2018. Prior years in accordance with IAS 18.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000s	Dec 31, 2020 ¹	Dec 31, 2019 ¹	Dec 31, 2018 ²	Dec 31, 2017 ²	Dec 31, 2016 ²
ASSETS					
Intangible fixed assets	486,817	428,406	377,341	322,598	243,219
Other fixed assets	220,923	254,016	123,943	48,578	38,446
Total fixed assets	707,740	682,422	501,284	371,176	281,665
Total current assets	577,164	581,802	604,138	543,888	435,589
TOTAL ASSETS	1,284,904	1,264,224	1,105,422	915,064	717,254
EQUITY AND LIABILITIES					
Equity attributable to Parent Company shareholders	694,351	705,468	657,453	580,425	460,188
Liabilities	590,553	558,756	447,969	334,639	257,066
TOTAL EQUITY AND LIABILITIES	1,284,904	1,264,224	1,105,422	915,064	717,254

¹ IFRS 16 compliance.

² IAS 17 compliance.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK 000s	2020	2019	2018	2017	2016
Cash flow from operating activities	331,508	320,145	178,472	147,481	120,848
Cash flow from investing activities	-225,593	-212,046	-223,625	-148,132	-106,949
Cash flow from financing activities	-44,025	-111,484	46,958	19,773	12,291
Cash flow for the year	61,890	-3,385	1,805	19,122	26,190

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	NOTE	2020	2019
Net sales	2, 3	651,612	741,584
Cost of goods sold ¹	4	-43,374	-72,365
Gross profit		608,238	669,219
Other operating income	9	18,283	27,406
Selling expenses		-291,229	-345,425
Administrative expenses	11	-106,290	-100,135
Research and development costs	11	-185,041	-174,670
Other operating expenses	10	-47,427	-8,226
Operating profit/loss	5, 6, 8, 12	-3,466	68,169
Financial income		2,737	1,258
Financial expenses		-5,749	-6,819
Net financial items	13	-3,012	-5,561
Profit/loss before tax		-6,478	62,608
Tax	15	-2,602	-12,197
Profit/loss for the year²		-9,080	50,411
Other comprehensive income			
Items to be reclassified to profit or loss			
Translation difference of foreign operations for the year		-2,037	-433
Items not to be reclassified to profit or loss		-	-
Comprehensive income for the year²		-11,117	49,978
Earnings per share before and after dilution	16	-0.26	1.47

¹ Does not include amortization of capitalized development costs. Amortization and capitalization of development costs are included in research and development costs.

² 100 percent attributable to Parent Company shareholders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000s	NOTE	Dec 31, 2020	Dec 31, 2019
ASSETS			
Fixed assets			
Capitalized development costs	2, 17	486,008	427,696
Other intangible fixed assets	18	809	710
Equipment, fixtures and fittings	2, 19	93,926	105,865
Right-of-use assets	2, 19	92,842	115,485
Deferred tax assets	25	7,227	12,193
Long-term receivables	21, 22, 26	26,928	20,473
Total fixed assets		707,740	682,422
Current assets			
Billed customer receivables	21, 22	156,811	194,752
Unbilled customer receivables	21, 22	143,941	191,063
Inventories		9,110	4,623
Tax assets	25	23,576	23,172
Other receivables		37,279	13,735
Prepaid expenses	23	37,701	40,599
Cash and cash equivalents	24	168,746	113,858
Total current assets		577,164	581,802
TOTAL ASSETS		1,284,904	1,264,224

SEK 000s	NOTE	Dec 31, 2020	Dec 31, 2019
EQUITY			
Share capital		17,141	17,141
Other paid-in capital		1,975	1,975
Reserves		-9,678	-7,641
Retained earnings, including profit/loss for the year		684,913	693,993
Equity attributable to Parent Company shareholders		694,351	705,468
Total equity		694,351	705,468
LIABILITIES			
Deferred tax liabilities	25	108,749	115,145
Long-term interest-bearing liabilities	7, 21, 28	53,788	85,796
Total long-term liabilities		162,537	200,941
Accounts payable	21	19,864	33,202
Tax liabilities	25	2,842	799
Current interest-bearing liabilities	21, 28	92,519	84,931
Other liabilities		11,363	10,715
Accrued expenses and deferred income	29	301,428	228,168
Total current liabilities		428,016	357,815
Total liabilities		590,553	558,756
TOTAL EQUITY AND LIABILITIES	30	1,284,904	1,264,224

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK 000s	Share capital	Other paid-in capital	Translation reserve	Retained earnings including net profit for the year	Total equity attributable to Parent Company shareholders
Opening equity, Jan 1, 2019	17,141	1,975	-7,208	643,582	655,490
Profit for the year				50,411	50,411
Other comprehensive income for the year			-433		-433
Comprehensive income for the year			-433	50,411	49,978
Closing equity, Dec 31, 2019	17,141	1,975	-7,641	693,993	705,468
Opening equity, Jan 1, 2020	17,141	1,975	-7,641	693,993	705,468
Profit/loss for the year				-9,080	-9,080
Other comprehensive income for the year			-2,037		-2,037
Comprehensive income for the year			-2,037	-9,080	-11,117
Closing equity, Dec 31, 2020	17,141	1,975	-9,678	684,913	694,351

CAPITAL MANAGEMENT

RaySearch's managed capital comprises equity. Changes in managed equity are described above. For information about the terms for the Group's external borrowing, refer to Note 28. RaySearch's long-term financial target is high sales growth, with an operating margin of more than 40 percent. This target will be achieved by establishing RaySearch as the leading global provider of treatment planning systems for radiation therapy and oncology information systems.

RaySearch has the following dividend policy: The Board intends to pay out approximately 20 percent of consolidated profit after tax to shareholders provided that a healthy capital structure can be maintained. Since the company is currently in the midst of an expansive and capital-intensive phase, the Board of RaySearch proposes that no dividend be paid for the 2020 fiscal year.

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences resulting from translating financial statements from foreign operations that have been prepared in a functional currency other than the currency used in the consolidated financial statements. The Parent Company and the Group present their financial statements in SEK.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK 000s	NOTE	2020	2019
Operating activities			
Profit/loss before tax		-6,478	62,608
Adjusted for non-cash items ¹	11	234,223	180,438
Taxes paid		-28,212	-7,275
Cash flow from operating activities before changes in working capital		199,533	235,771
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		52,152	45,337
Increase (+)/Decrease (-) in operating liabilities		79,823	39,037
Cash flow from operating activities		331,508	320,145
Investing activities			
Investments in capitalized development costs	17, 18	-195,881	-164,811
Acquisition of tangible fixed assets	19	-29,712	-47,235
Cash flow from investing activities		-225,593	-212,046
Financing activities			
Repayment of loans		-	-75,000
Repayment of lease liabilities	7, 28	-44,025	-36,484
Cash flow from financing activities		-44,025	-111,484
Cash flow for the year		61,890	-3,385
Cash and cash equivalents at the beginning of the year		113,858	112,198
Exchange-rate difference in cash and cash equivalents		-7,002	5,045
Cash and cash equivalents at year-end		168,746	113,858

¹ These amounts include amortization of SEK 137 M (114) on capitalized development costs, depreciation of SEK 77 M (69) on tangible fixed assets and unrealized exchange rate gains of SEK 23 M (loss: 2).

Cash and cash equivalents consist of bank deposits.

SUPPLEMENTARY DISCLOSURES TO THE CASH-FLOW STATEMENT

	GROUP	
	Dec 31, 2020	Dec 31, 2019
Interest received	360	50
Interest paid	-1,313	-5,653

PARENT COMPANY

INCOME STATEMENT

SEK 000s	NOTE	2020	2019
Net sales	2, 3	489,623	533,127
Cost of goods sold	4	-24,095	-34,400
Gross profit		465,528	498,727
Other operating income	9	9,163	26,905
Selling expenses		-167,012	-202,356
Administrative expenses	11	-106,702	-99,691
Research and development costs	11	-243,950	-226,089
Other operating expenses	10	-38,713	-4,869
Operating profit/loss	5, 6, 8, 12	-81,686	-7,373
Interest income and similar profit items		2,624	5,234
Interest expense and similar loss items		-2,607	-2,862
Profit/loss after financial items	13	-81,669	-5,001
Appropriations	14	82,306	-4,673
Profit/loss before tax		637	-9,674
Tax	15	-4,136	880
Profit/loss for the year		-3,499	-8,794

COMPREHENSIVE INCOME

SEK 000s	2020	2019
Profit/loss for the year	-3,499	-8,794
Other comprehensive income	-	-
Comprehensive income for the year	-3,499	-8,794

STATEMENT OF FINANCIAL POSITION

SEK 000s	NOTE	Dec 31, 2020	Dec 31, 2019	SEK 000s	NOTE	Dec 31, 2020	Dec 31, 2019
ASSETS				EQUITY AND LIABILITIES			
Fixed assets				Equity			
Intangible fixed assets				Restricted equity			
Intangible fixed assets	18	808	708	Share capital ¹		17,141	17,141
Tangible fixed assets				Statutory reserve		43,630	43,630
Equipment, fixtures and fittings	19	43,863	42,484	Total restricted equity		60,771	60,771
Financial fixed assets				Unrestricted equity			
Participations in Group companies	20	1,911	1,911	Retained earnings		206,198	214,992
Deferred tax assets	25	5,879	6,011	Profit/loss for the year		-3,499	-8,794
Long-term receivables from Group companies		25,426	73,136	Total non-restricted equity		202,699	206,198
Other long-term receivables	26	9,411	13,616	Total equity		263,470	266,969
Total fixed assets		87,298	137,866	Untaxed reserves	27	32,615	114,921
Current assets				Long-term liabilities			
Inventories		176	2,332	Long-term interest-bearing liabilities		879	-
Accounts receivable (current billed customer receivables)	22	80,856	113,016	Total long-term liabilities		879	-
Unbilled customer receivables	22	58,197	82,853	Current liabilities			
Receivables from Group companies		125,720	130,298	Accounts payable		19,035	30,127
Tax assets		22,876	23,119	Liabilities to Group companies		20,509	10,892
Other receivables		33,315	12,354	Liabilities to credit institutions	28	49,649	49,532
Prepaid expenses and accrued interest income	23	35,306	37,145	Tax liabilities		2,231	0
Cash and bank balances	24	107,711	80,262	Other liabilities		6,880	6,037
Total current assets		464,157	481,379	Accrued expenses and deferred income	29	156,187	140,767
TOTAL ASSETS		551,455	619,245	Total current liabilities		254,491	237,355
				TOTAL EQUITY AND LIABILITIES		551,455	619,245

¹ Share capital at Dec 31, 2020: 8,454,975 Class A shares, 25,827,798 Class B shares.

STATEMENT OF CHANGES IN EQUITY

SEK 000s	Restricted equity		Unrestricted equity	Total
	Share capital	Statutory reserve		
Opening equity, Jan 1, 2019	17,141	43,630	214,992	275,763
Comprehensive income for the year			-8,794	-8,794
Closing equity, Dec 31, 2019	17,141	43,630	206,198	266,969
Opening equity, Jan 1, 2020	17,141	43,630	206,198	266,969
Comprehensive income for the year			-3,499	-3,499
Closing equity, Dec 31, 2020	17,141	43,630	202,699	263,470

CASH FLOW STATEMENT

SEK 000s	NOTE	2020	2019
Operating activities			
Profit/loss after financial items		-81,669	-5,001
Adjusted for non-cash items	11, 28	16,543	9,984
Taxes paid		-27,576	-6,122
Cash flow from operating activities before changes in working capital		-92,702	-1,139
Cash flow from changes in working capital			
Increase (-)/Decrease (+) in operating receivables		122,506	104,163
Increase (+)/Decrease (-) in operating liabilities		18,363	66,843
Cash flow from operating activities		48,167	169,867
Investing activities			
Contributions to subsidiaries	20	-	-139
Acquisition of intangible and tangible fixed assets	18, 19	-20,718	-23,841
Cash flow from investing activities		-20,718	-23,980
Financing activities			
Repayment of loans		-	-75,000
Cash flow from financing activities		-	-75,000
Cash flow for the year		27,449	70,887
Cash and cash equivalents at the beginning of the year		80,262	9,375
Cash and cash equivalents at year-end		107,711	80,262

SUPPLEMENTARY DISCLOSURES TO THE CASH-FLOW STATEMENT

SEK 000s	Dec 31, 2020	Dec 31, 2019
Interest received	360	50
Interest paid	-1,313	-2,393

NOTES

NOTE 1 ACCOUNTING POLICIES

COMPLIANCE WITH STANDARDS AND LAWS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. RFR 1, Supplementary accounting rules for corporate groups, issued by the Swedish Financial Reporting Board, has also been applied.

The Parent Company applies the same accounting policies as the Group except in the cases listed below in the section "Parent Company accounting policies."

INFORMATION REGARDING THE PARENT COMPANY

RaySearch Laboratories AB (publ) is a Swedish registered limited liability company headquartered in Stockholm. The Parent Company's shares have been listed on Nasdaq Stockholm since 2003, and in the Mid Cap segment as of 2016. The street address of the head office is Sveavägen 44, SE-111 34 Stockholm, Sweden.

PRESENTATION OF THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

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

Assets and liabilities are recognized at their historical cost. Preparing the financial statements in accordance with IFRS requires that company management make assessments and estimates, as well as assumptions that impact the application of the accounting policies and the carrying amounts of assets, liabilities, income and expenses. The actual outcome may vary from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects this period, or during the period in which the change is made and future periods if the change affects both the current period and future periods.

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

Assessments made by company management in the application of IFRSs which have a significant impact on the financial statements and estimates that could require substantial adjustments in the financial statements of future years are described in greater detail in below.

NEW ACCOUNTING POLICIES APPLIED IN 2020

THE FOLLOWING NEW OR REVISED STANDARDS APPLIED FROM JANUARY 1, 2020

IFRS 3 Business Combinations, definition of a business (adopted by the EU on April 21, 2020); IAS 1 and IAS 8, definition of material (adopted by the EU on November 29, 2019); and IFRS 16 Leases, Covid-19-Related Rent Concessions (adopted by the EU on October 9, 2020).

The new or revised standards had no material impact on RaySearch's financial reporting.

NEW OR REVISED REPORTING STANDARDS APPLIED AFTER 2020

A number of new or revised reporting standard were published but were not mandatory for 2020 and were not applied prematurely by RaySearch. RaySearch does not expect any of these new or revised standards, which have not yet entered into force, to have a material impact on RaySearch's financial reporting.

SEGMENT REPORTING

An operating segment is a part of the Group that conducts business activities from which it generates revenue and incurs costs and for which independent financial information is available. The results of an operating segment are also monitored by the company's chief operating decision maker. In accordance with IFRS 8, segment information is provided for the Group only. Identifying reportable segments is based on the internal reporting to the chief operating decision maker, which is the CEO of RaySearch. In this internal reporting, the Group is a segment because the costs of the company's products are not clearly separable.

CLASSIFICATION

Fixed assets and long-term liabilities in the Parent Company and the Group essentially comprise amounts that are expected to be recovered or paid more than 12 months after the balance-sheet date. Current assets and current liabilities in the Parent Company and Group essentially only comprise amounts that the company expects to recover or receive payment for within 12 months of the balance sheet date.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are companies that are under the controlling influence of the Parent Company, RaySearch Laboratories AB (publ). Controlling influence means that RaySearch is exposed to a variable return on its investments and can impact this return through its influence over the company. When determining whether a controlling influence exists, such factors as shares carrying potential voting rights are taken into consideration.

Participations in subsidiaries are recognized in the Parent Company financial statements in accordance with the cost method. This entails that transaction expenses are included in the carrying amount.

NOTE 1 ACCOUNTING POLICIES, cont'd.

Transactions to be eliminated on consolidation

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

FOREIGN CURRENCY**Transactions in foreign currency**

Transactions in foreign currency are translated to the functional currency using the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environments in which the companies conduct their operations. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising from currency translations are recognized in profit for the year. Non-monetary assets and liabilities recognized at historic costs are translated to the exchange rate prevailing on the transaction date.

Financial statements of foreign operations

All translation differences that arise from currency translation of the results and financial position of Group companies from the company's functional currency to the Group's reporting currency are recognized in other comprehensive income and accrued in a separate component in equity. Assets and liabilities in foreign operations are translated to SEK based on the exchange rates applying at the balance sheet date, while revenue and cost items are translated using an average exchange rate for the year.

REVENUE**Four types of revenue**

A sales transaction at RaySearch normally involves four types of revenue: license revenue, support revenue, hardware revenue and revenue for training and other activities. Licenses and support are sold via partners, distributors and directly to end customers.

Revenue is recognized in profit or loss when a promised good or service is transferred to a customer, which may be over time or at a point in time. Revenue is the amount of consideration the company expects to receive for transferring the goods or services. All revenue is recognized at the consideration the company expects to receive, less discounts granted, VAT and after elimination of intra-Group transactions. The Group recognizes license revenue in connection with delivery, while support revenue is accrued on a straight-line basis over the support period. Hardware revenue is recognized when the hardware is delivered. Revenue for training is recognized over the period during which the training is provided.

For pricing between the various performance obligations within a customer order, the Group applies the residual approach, which means the recognized revenue from a software license may vary between different customers.

Performance obligation	Allocation of revenue	Stand-alone selling prices
License revenue	Upon delivery of license key or similar	Remaining amount of transaction price
Support revenue	Straight-line over the support period	Estimated market price for services performed
Hardware revenue	Upon delivery of the hardware	Purchase price plus percentage mark-up
Training and other	In connection with training sessions	Estimated market price for services performed

COST OF GOODS SOLD

Cost of goods sold comprises costs of sold hardware and royalties for licensed software included in the company's software. Amortization of capitalized development costs is not included in cost of goods sold.

FINANCIAL INCOME AND EXPENSE**Financial income and expense**

Financial income and expense comprises interest income on bank accounts and receivables, and exchange-rate differences.

FINANCIAL INSTRUMENTS

Financial instruments recognized on the balance sheet include cash and cash equivalents, long-term and current unbilled customer receivables, accounts receivable (current billed customer receivables), accounts payable, interest-bearing liabilities and accrued expenses.

A financial asset or liability is recognized on the balance sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable and accounts payable are recognized on the balance sheet when an invoice has been sent, respectively received. Financial assets are recognized on the balance sheet until the right to use the lease has been realized, or the company no longer has a right to use the asset. The same applies for components of a financial asset. Financial liabilities are derecognized from the balance sheet when RaySearch has satisfied its obligation, or when the obligation is otherwise extinguished. The same applies for components of a financial liability.

RaySearch recognizes financial instruments that are due for settlement within 12 months as current assets and liabilities. Financial instruments not due to be settled within 12 months, and for which the company has an unconditional right to defer settlement of the assets or liabilities for at least 12 months after the reporting period, are recognized as long-term assets and liabilities.

The classification of financial assets that are debt instruments is based on the Group's business model within which the asset is held, and contractual cash flows of the asset. The Group's debt instruments are measured at amortized cost.

Financial assets measured at amortized cost

All financial assets, including cash and cash equivalents, accounts receivable and unbilled customer receivables are measured at amortized cost. According to the business model, assets measured at amortized cost are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets in this category are initially measured at fair value plus transaction costs. Receivables arise when RaySearch provides money, goods or services directly to a debtor with no intention of trading the receivable. Accounts receivable are initially recognized at the invoice amount. A financial instrument containing a financing component and with a credit period of more than year is initially recognized at the present value of all future payments. The assets are subsequently recognized using the effective interest method. Expected loss provisioning is applied for these assets. Refer also to Note 21A.

Financial liabilities measured at amortized cost

Financial liabilities are measured at amortized cost. Financial liabilities measured at amortized cost are initially measured at fair value including trans-

NOTE 1 ACCOUNTING POLICIES, cont'd.

action costs. The liabilities are subsequently measured at amortized cost using the effective interest method, whereby the calculated change in value (effective interest) is recognized as interest income or interest expense in profit or loss. Refer also to Note 21B.

Impairment of financial assets

The Group's financial assets are subject to impairment for expected credit losses. Expected credit losses reflect the present value of all expected shortfall in contractual cash flows attributable to default for either the next 12 months or the expected remaining maturity of the financial instruments, depending on the class of asset and changes in credit quality since initial recognition. Expected credit losses reflect an objective, probability-weighted outcome that accounts for multiple scenarios based on reasonable and supportable forecasts.

The simplified approach is applied for all accounts receivable and unbilled customer receivables. Under the simplified approach, a loan loss provision is recognized for the expected remaining maturity of the receivable.

For other items subject to expected credit losses, a three-stage approach to impairment is applied. Initially, and at each balance-sheet date, a loan loss provision is recognized for the next 12 months, alternatively, for a shorter period of time depending on the remaining maturity (stage 1). The Group has determined its assets to be in stage 1, which means that credit risk has not increased significantly since initial recognition.

The Group has defined default as when contractual payments are more than 90 days past due, or when other factors indicate that a payment suspension exists. At the balance-sheet date, no significant increase in credit risk was considered to exist for any receivable or asset. Such assessments are based on whether payments are more than 30 days past due, or there has been a significant deterioration in credit risk, entailing a rating below investment grade.

The calculation of expected credit losses is based on various models. The model for accounts receivable and unbilled customer receivables is presented in the Credit risk in receivables section in Note 21 D. For other financial assets, a ratings-based approach is generally applied by referring to an external credit rating source. Expected credit losses are calculated as the product of probability of default, loss given default and exposure at default. In addition, any other current and forward-looking information is taken into account. A loan loss provision is recognized unless deemed insignificant. The calculation of expected credit losses accounts for any collateral and other credit enhancements in the form of guarantees. The financial assets are measured at amortized cost on the balance sheet, meaning the net of their gross value and loan loss provision. Changes in the loan loss provision are recognized in profit or loss. The Group writes off a receivable when it is certain that the debt will not be paid, and any active measures to collect payment have been terminated.

TANGIBLE FIXED ASSETS**Assets owned**

Tangible fixed assets are stated on a consolidated basis at cost after deduction of accumulated depreciation and amortization, and potential impairment. Cost includes the purchase price and any expenses that are directly attributable to the asset to put it in place and in the condition to be utilized for the purpose for which it was acquired. Accounting policies for impairment are described below.

The carrying amount of a tangible fixed asset is derecognized from the statement of financial position upon disposal or divestment or when no future economic benefit is expected from use or disposal/divestment of the asset. The gain or loss arising from the disposal or divestment of an asset is the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognized as other operating income/expenses.

Right-of-use assets

RaySearch primarily leases office premises and vehicles. The leases normally apply for different durations and may include an option to extend.

An agreement may include both lease and non-lease components. RaySearch allocates the consideration in the agreement to lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases contain no special terms or restrictions with the exception that the lessor retains the right to pledge leased assets. The leased assets may not be used as collateral for loans.

Assets and liabilities arising from a lease are initially measured at their present value. Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any benefits in connection with signing the lease to receive variable lease payments dependent on an index or a rate, initially measured using an index or price on the commencement date
- amounts expected to be payable by the lessee under residual value guarantees

Lease payments to be made for reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group determines the incremental borrowing rate as follows:

- where possible, financing recently received from a third party is used as a starting point and is then adjusted to reflect changes in financing conditions since the financing was obtained
- adjustments are made for the specific terms of the agreement, such as lease term, country, currency and security.

The right-of-use asset is usually depreciated over the shorter of the useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is amortized over the useful life of the underlying asset.

Payments associated with short-term leases relating to equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

NOTE 1 ACCOUNTING POLICIES, cont'd.

Depreciation principles

Depreciation is based on the original cost less any residual value. Depreciation is applied straight-line over the estimated useful life. The estimated useful lives are as follows:

- computers 3–5 years
- equipment, tools, fixtures and fittings 5 years
- building equipment 5 years
- Right-of-use assets over the lease's useful life

The residual value and useful life of an asset are tested annually.

INTANGIBLE ASSETS**Research and development**

Research costs related to obtaining new scientific or technical knowledge are recognized as an expense as incurred.

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

Other intangible assets

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

Depreciation principles

Amortization is recognized in profit for the year on a straight-line basis over the estimated useful lives of intangible assets. The useful lives are reviewed at least once annually. Capitalized development costs for which amortization has not commenced are tested for impairment annually or whenever circumstances indicate that the asset may be impaired. Intangible assets with determinable useful lives are amortized from the date on which the assets are available for use. The estimated useful lives are:

- capitalized development costs 5 years
- software 3–5 years

INVENTORIES

Inventories are measured at the lower of cost and net realizable value. Cost is determined using the first-in-first-out (FIFO) method or weighted average cost. The cost of inventories includes all costs for purchasing hardware. Net realizable value is the expected selling price during the normal course of business less the estimated costs associated with the completion and sale of an asset.

When inventories are sold, the value of those inventories is recognized as an expense in the same period as the corresponding revenue is recognized. Inventories are written down to their net realizable value and all losses related to inventories are recognized as an expense in the same period as the write down or loss occurs.

IMPAIRMENT LOSSES

The carrying amounts of the Group's tangible and intangible assets are tested at every balance-sheet date to determine whether there is any indication of impairment. If any such indication is found, the recoverable amount of the asset is calculated as the higher of the value in use and the fair value less selling costs. An impairment loss is recognized if the recoverable amount is less than the carrying amount. The recoverable amount is determined based on discounted estimated future cash flow from the cash-generating units.

SHARE CAPITAL**Treasury stock**

Treasury stock and other equity instruments are recognized as a reduction of equity. Acquisitions of such instruments are recognized as deductions from retained earnings. Proceeds from the divestment of equity instruments are recognized as an increase in retained earnings. Any transaction costs are charged directly against equity.

Dividends

Dividends are recognized as liabilities following the AGM's approval of the dividend.

Earnings per share

Earnings per share are calculated on the basis of consolidated earnings attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year.

EMPLOYEE BENEFITS**Short-term remuneration**

Short-term remuneration to employees is estimated without discounting and is expensed when the related services have been received.

A provision is recognized for the expected cost of the profit-sharing and bonus payments when the Group becomes subject to a legal or informal obligation to make such payments because the services performed by the employees and the obligation can be measured reliably.

Defined-contribution plans

Plans in which the company's commitment is limited to the fees the company has undertaken to pay are classified as defined-contribution plans. In such cases, the size of the employee's pension depends on the contributions paid by the company to the plan or to an insurance company plus the capital return that the contributions yield. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for the expected remuneration). The company's commitments to the plans are expensed against profit for the year as they are vested by the employees performing the services for the company. The Group only has defined-contribution pensions. The Group's obligation for each period is determined by the amounts that the Group is to contribute for the actual period.

Termination of employment

An expense associated with the termination of employment is only recognized when the company is obligated to terminate an employment before the normal date.

NOTE 1 ACCOUNTING POLICIES, cont'd.

RayFoundation profit-sharing foundation

The profit-sharing foundation covers all employees of the Parent Company including senior executives, except the CEO. An allocation to the profit-sharing foundation is made in a given year if operating profit reached a level exceeding an operating margin of 20 percent. In such a case, the amount allocated is 10 percent of the portion of operating profit that exceeds the limit level.

TAXES

Income taxes consist of current tax and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transactions are recognized in other comprehensive income or in equity, whereby the associated tax effect is recognized in other comprehensive income or in equity.

Current tax is the tax to be paid or received for the current year, applying the tax rate decided or decided in principle on the balance-sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in subsidiaries are not taken into account when they are not expected to be reversed in the foreseeable future. The measurement of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance sheet date.

Deferred tax assets pertaining to deductible temporary differences and tax loss carryforwards are only recognized insofar as they are likely to be utilized in the future. The value of deferred tax assets is reduced when it is no longer considered probable that they will be utilized.

PROVISIONS

Provisions are recognized on the balance sheet when the Group has an obligation (legal or constructive) due to a past event and it is probable that an outflow of resources associated with economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are also made for events after the balance-sheet date to the extent they provide evidence of conditions that existed at the balance-sheet date, such as court rulings on disputes. If the Group expects to receive compensation corresponding to a provision made, through an insurance contract for example, the compensation is recognized as an asset in the balance sheet when it is virtually certain that compensation will be received. If the effect of the time value for the future payment is considered significant, the provision's value is determined by calculating the present value of the expected future payment using a discount rate before tax that reflects the current market assessment of the time value and any risks associated with the obligation. The gradual increase in the provisional amount entailed by the present value calculation is recognized as an interest expense in profit and loss.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is a present obligation that cannot be recognized as a liability or

provision because it is not probable that an outflow of resources will be required.

PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's statements pertaining to listed companies were also applied. Under RFR 2, the Parent Company in its annual report for the legal entity shall apply all the IFRS and interpretations adopted by the EU to the extent possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, also considering the relationship between financial reporting and taxation. The recommendation states the exceptions from and additions to IFRS that should be made. The differences between the accounting policies applied in the consolidated financial statements and those applied by the Parent Company are presented below. The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company.

Classification and presentation

For the Parent Company, the terms income statement, balance sheet and cash-flow statement are used for the statements that the Group designates as statement of comprehensive income, statement of financial position and statement of cash flows. The income statement and balance sheet for the Parent Company are presented in the manner specified in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively.

Research and development

All development costs are recognized in the Parent Company's income statement as they arise. Such reporting is permitted in accordance with RFR 2. In the consolidated financial statements, these development costs are recognized as an asset in accordance with IAS 38.

Taxes

In contrast to the Group, untaxed reserves in the Parent Company are recognized without being divided into equity and deferred tax liabilities. Similarly in the income statement, the Parent Company does not report part of appropriations as deferred tax expense.

Leased assets

In the Parent Company, all leases are recognized on a straight-line basis over the lease term.

Subsidiaries

Participations in subsidiaries are recognized in the Parent Company financial statements in accordance with the cost method. This entails that transaction expenses are included in the carrying amount.

NOTE 1 ACCOUNTING POLICIES, cont'd.

Financial instruments

Due to the link between recognition and taxation, the requirements for recognition and measurement of financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity. The Parent Company applies the cost method in accordance with the Swedish Annual Account Act instead. In the Parent Company, financial assets are therefore measured at cost and current assets according to the lower value method, with the application of impairment for expected credit losses according to IFRS 9 in relation to assets that are debt instruments. For other financial assets, impairment is based on their market value.

Impairment of intra-Group receivables

The Parent Company applies a ratings-based method for estimating expected credit losses for intra-Group receivables based on the probability of default, expected loss and exposure at default. The Parent Company has defined default as when contractual payments are more than 90 days past due, or when other factors indicate that a payment suspension exists. The Parent Company's receivables from subsidiaries correspond, in all material respects, to receivables from the US subsidiary. At the balance-sheet date, no significant increase in credit risk was considered to exist for any intra-Group receivable. Such assessments are based on a review of the subsidiary's long-term repayment capacity. The Parent Company applies the general approach when recognizing the intra-Group receivables. Based on the Parent Company's assessments according to the method described above, with account for other known information and forward-looking factors, expected credit losses were not deemed significant and no provision was therefore recognized.

SIGNIFICANT ESTIMATES AND ASSESSMENTS

Preparation of the financial statements in accordance with IFRS and generally accepted accounting principles in Sweden requires estimates and assumptions to be made that affect the recognized asset and liability items, revenue and expense items, and other information provided.

These estimates and assumptions are usually based on historical experience, but also on other factors including expectations of future events. Other estimates and assumptions may produce different results and the actual outcome will rarely be fully consistent with the estimated outcome. RaySearch assesses that the areas in which the estimates and assumptions will have the greatest impact are:

- Revenue from Contracts with Customers
- Customer receivables
- Recognition and impairment testing of capitalized development costs

Revenue from Contracts with Customers

Revenue is recognized in profit or loss when RaySearch has satisfied a performance obligation. The definition of when a such an obligation has been satisfied is when the control of the promised goods or services has been transferred to the customer. Revenue can be recognized over time, or at a point in time. When the obligation has been satisfied, there is an unconditional right to receive consideration.

In some cases, allocation of the transaction price to each specific performance obligation requires estimates be made to determine how the trans-

action price should be allocated. This allocation is based on the stand-alone selling price for each of the performance obligations.

Customer receivables

When revenue is recognized in the manner described above a receivable arises. RaySearch has three types of customer receivables depending on whether a payment plan exists, the due date for payment and whether billing has taken place. These receivables are classified as Long-term unbilled receivables, Current unbilled receivables and Current billed receivables (accounts receivable).

The Group's and Parent Company's billed and unbilled customer receivables add up to a significant amount. The recognition of loan loss provisions for expected credit losses on accounts receivable and unbilled customer receivables therefore requires an assessment of which of these hold a risk for loss. The measurement of expected bad debt is based on regularly updated forecasts and assumptions regarding the ability of counterparties to pay. See a further explanation in Note 21D.

Recognition and impairment testing of capitalized development costs

The Group invests considerable amounts in research and development, parts of which are recognized as intangible assets, refer also to Note 11. The recognition of development costs as an asset requires assessments that the product is expected to become technically and commercially viable and that future economic benefits are probable. Capitalized development costs are amortized over a maximum estimated useful life of five years. The estimated sales volume and useful life, respectively, may be retested, which may result in impairment. See a further explanation in Note 17.

NOTE 2 INFORMATION ABOUT GEOGRAPHIC AREAS

Identifying reportable segments is based on the internal reporting to the chief operating decision maker, which is the CEO of RaySearch. In this internal reporting, the Group is a segment.

DISTRIBUTION OF FIXED ASSETS, GROUP

SEK 000s	Tangible fixed assets		Intangible fixed assets	
	2020	2019	2020	2019
Sweden	77,904	83,384	486,817	428,406
US	104,698	136,122	–	–
Belgium	2,018	41	–	–
France	523	1,148	–	–
UK	–	0	–	–
Germany	983	52	–	–
Singapore	50	90	–	–
Japan	93	72	–	–
South Korea	86	204	–	–
China	395	237	–	–
India	12	–	–	–
Australia	6	–	–	–
	186,768	221,350	486,817	428,406

The distribution is broken down among the registered offices of the Group's legal entities.

Sales

RaySearch's products are sold directly to end customers, via distributors and via partners. Sales had the following geographic distribution based on the location of end customers:

DISTRIBUTION OF SALES, LOCATION OF END CUSTOMER

SEK 000s	2020	2019
Sweden	2,693	3,020
US	241,303	313,464
Japan	82,948	81,778
UK	40,870	69,848
Germany	36,151	28,169
France	46,576	38,042
Austria	5,912	53,356
Netherlands	30,791	16,259
Belgium	6,604	12,537
South Korea	12,778	16,909
China	33,878	10,299
Other countries	111,108	97,903
	651,612	741,584

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

RaySearch's products are sold directly to end customers, via distributors and via partners. Sales had the following geographic distribution based on the location of the end customers.

REVENUE DISTRIBUTION

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Revenue by type				
Licenses	340,802	449,676	313,219	376,831
Support	243,913	198,189	136,317	111,398
Hardware	48,026	76,577	23,954	30,795
Training and other	18,871	17,142	10,643	8,484
Intra-Group management fee/Intra-Group revenue	–	–	5,490	5,619
Total revenue by type	651,612	741,584	489,623	533,127
Revenue by geographic market				
North America	241,476	313,464	83,432	107,475
APAC	162,078	135,409	158,133	141,084
Europe and rest of the world	248,058	292,711	248,058	284,568
Total revenue by geographic market	651,612	741,584	489,623	533,127
Timing of revenue recognition				
Goods/services transferred at a point in time	388,828	526,253	337,173	407,626
Services transferred over time	262,784	215,331	152,450	125,501
Total timing of revenue recognition	651,612	741,584	489,623	533,127

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS, cont'd.

CUSTOMER RECEIVABLES AND CONTRACT BALANCES

SEK 000s	Dec 31, 2020	Dec 31, 2019
Customer receivables (Note 22)	327,680	406,185
Contract liabilities (Note 29)	-248,694	-161,180
Revenue recognized during the period, of which		
Revenue included in opening contract liabilities	50,411	100,180
Revenue attributable to performance obligations wholly or partly satisfied in previous periods	-	-

The decrease in receivables was the result of entering into fewer agreements with payment plans. Current billed receivables (accounts receivable) are non-interest bearing and generally have terms of 30 to 90 days. Current unbilled receivables are non-interest bearing and fall due within 12 months of the balance-sheet date. Non-current unbilled receivables are non-interest bearing and fall due later than 12 months from the balance-sheet date.

PERFORMANCE OBLIGATIONS

Customer contract	When the obligation is typically satisfied	When payment typically falls due	How the transaction price is determined
License and product revenues			
Software licenses	Upon delivery of license key or when the license is available for download (at a point in time).	Within 30–60 days of delivery (RayStation) or installation (RayCare), provided a payment plan does not exist.	Remaining amount after allocation of transaction price to other performance obligations.
Additional features	Upon delivery of license key or when the license is available for download (at a point in time).	Within 30–60 days of delivery.	Estimated fair market value of features for which development is carried out.
Hardware	When control of the hardware is transferred to the customer, typically upon delivery of the hardware.	Within 30–90 days of delivery, provided a payment plan does not exist.	Observable purchase price plus market-based margin of 20 percent.
Support revenue			
Updates of software licenses and customer support	Proportional over the warranty period or support agreement (over time).	Within 30 days of commencement of the contract period, or allocated in periods over the length of the contract period.	Observable price according to separate contract or agreement to renew.
Professional services			
Training services	When the training is provided (over time).	Within 30–90 days of performing the service.	Observable price according to agreement with customer where the service is sold separately.

At December 31, the remaining obligations at the end of the period are distributed as follows:

SEK 000s	Dec 31, 2020	Dec 31, 2019
Within 1 year	303,400	374,235
Later than one year	855,174	785,797
	1,158,574	1,160,032

The above remaining performance obligations primarily pertain to support obligations (including warranty support). These accounted for 74 percent (84) of the total order backlog at year-end.

NOTE 4 COST OF GOODS SOLD

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Royalty cost	-6,401	-8,439	-6,401	-8,439
Hardware cost	-36,973	-63,926	-17,694	-25,961
	-43,374	-72,365	-24,095	-34,400

NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

COSTS FOR REMUNERATION OF PARENT COMPANY AND GROUP EMPLOYEES

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Salaries, benefits and social security costs	298,496	269,501	184,414	153,053
Pension costs, defined-contribution plans	36,751	32,356	34,416	30,010
Social security contributions	64,273	56,951	50,459	45,879
	399,520	358,808	269,289	228,942

AVERAGE NUMBER OF EMPLOYEES

In the Parent Company, the average number of employees was 292 (244), of whom 181 (149) were men and 111 (95) women.

In the Group, the average number of employees was 394 (331), of whom 250 (212) were men and 144 (119) women.

The average number of employees by country in the Group was 292 (244) in Sweden, 48 (45) in the US, 10 (6) in Belgium, 10 (8) in France, 5 (4) in the UK, 8 (6) in Germany, 4 (4) in Singapore, 7 (6) in China, 6 (4) in Japan, 2 (2) in Korea, 2 (2) in India and 1 (0) in Australia.

GENDER DISTRIBUTION IN COMPANY MANAGEMENT

There is one female senior executive in the Parent Company, corresponding to 9 percent (11), and two female Board members, corresponding to 40 percent (40).

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES TO SENIOR EXECUTIVES AND OTHER EMPLOYEES

GROUP, SEK 000s	2020		2019	
	Senior executives and Board members (16)	Other employees	Senior executives and Board members (12)	Other employees
Salaries and other remuneration	23,521	274,975	21,672	247,829
(of which, bonus)	731	455	2,136	903
Social security costs	12,277	88,747	11,605	77,703
(of which pension costs)	3,933	32,818	3,759	28,597
Group total	35,798	363,722	33,277	325,532

SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES TO SENIOR EXECUTIVES AND OTHER EMPLOYEES, THE PARENT COMPANY

PARENT COMPANY, SEK 000s	2020		2019	
	Senior executives and Board members (16)	Other employees	Senior executives and Board members (12)	Other employees
Salaries and other remuneration	23,521	160,893	21,672	131,381
(of which, bonus)	731	455	2,136	903
Social security costs	12,277	72,598	11,605	64,284
(of which pension costs)	3,933	30,483	3,759	26,251
Parent Company total	35,798	233,491	33,277	195,665

NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont'd.

SALARIES AND OTHER REMUNERATION OF BOARD MEMBERS AND GROUP MANAGEMENT

2020	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Lars Wollung	700	–	–	–	700
Board member Carl Filip Bergendal	250	–	–	–	250
Board member Hans Wigzell	250	–	–	–	250
Board member Johanna Öberg	250	–	–	–	250
Board member Britta Wallgren	250	–	–	–	250
CEO Johan Löf	5,612	–	461	530	6,603
Other senior executives (10)	14,386	731	632	3,403	19,152
Total	21,698	731	1,093	3,933	27,455

2019	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Lars Wollung ¹	436	–	–	–	436
Chairman of the Board Carl Filip Bergendal	250	–	–	–	250
Board member Hans Wigzell	250	–	–	–	250
Board member Johanna Öberg	250	–	–	–	250
Board member Britta Wallgren	250	–	–	–	250
CEO Johan Löf	5,507	1,269	469	496	7,742
Other senior executives (8)	11,763	867	685	3,263	16,578
Total	18,707	2,136	1,154	3,759	25,756

¹ Lars Wollung, Chairman of the Board from May 21, 2019

Basic salary includes vacation pay, pension costs excluding special employer's contribution.
No share-based remuneration was paid.

VARIABLE REMUNERATION

Variable remuneration payable to the CEO is based on the Group's earnings and amounts to 2 percent of consolidated profit before tax and is capped at 12 months' salary. The Director of Sales and Marketing and the Director of Sales for Asia & Pacific receive variable remuneration based on sales in their respective regions. For the employees of foreign subsidiaries, variable remuneration related to sales and achievement of established targets is paid.

PENSIONS

All pension plans are defined-contribution plans. The retirement age for the CEO and senior executives is 65, and the pension premium is equivalent to the Swedish ITP plan. No other pension obligations exist.

SEVERANCE PAY

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

DECISION-MAKING PROCESS

The decision-making process regarding remuneration and benefits is described in greater detail in the Administration Report.

NOTE 6 AUDITORS' FEES AND COMPENSATION FOR EXPENSES

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
EY				
Auditing assignments	3,600	3,389	3,300	3,297
Audit activities other than audit assignment	700	615	500	615
Tax advice	412	155	412	155
Other services	–	–	–	–
	4,712	4,159	4,212	4,067
Other auditors				
Auditing assignments	432	131	–	–
Tax advice	424	–	–	–
	856	131	–	–

NOTE 7 LEASE DEBT

Lease liabilities fall due for payment as follows:	Future lease payments	Interest	Present value of lease payments
2020			
Within 1 year	41,086	1,946	39,140
2–5 years	41,051	1,415	39,636
More than 5 years	17,618	615	17,003
	99,755	3,976	95,779
2019			
Within 1 year	66,756	3,225	63,531
2–5 years	41,616	5,815	35,801
More than 5 years	24,222	2,352	21,870
	132,594	11,392	121,202

See Note 19 for information about the Group's right-of-use assets. See Note 12 for a maturity analysis of lease liabilities.

SEK 000s	GROUP	
	2020	2019
Opening balance	121,202	174,708
Acquisitions during the period	4,860	1,405
Redemption	–756	–894
Remeasurement of leases ¹	24,344	–20,936
Lease payments paid	–48,288	–40,368
Interest expense	3,089	3,884
Currency changes	–8,672	3,403
Closing balance	95,779	121,202
Of which short-term portion	42,870	35,399

¹ Concerns changed contract conclusion pertaining to office premises on Sveavägen in connection with the expected transfer to new premises.

The calculation of lease liability does not include short-term leases with an annual cost of TSEK 386 (125), nor low-value leases of TSEK 65 (80).

In the third quarter of 2019, the company signed a ten-year rental lease for a new head office in Stockholm with commencement in the third quarter of 2021. This lease is not included in the calculation of lease liability.

The Group is not exposed to any significant variable lease payments.

The Group has leases for premises that include options to extend clauses. No options to extend were considered reasonably certain to be exercised, which is why no such extensions are included in the value of the Group's lease liabilities. Significant leases pertain to a rental agreement for the head office in Stockholm, which expires on November 30, 2021. The base rent is indexed annually. Future lease payments include rental agreements for offices in New York (Nov 12, 2018–Nov 12, 2028) and San Francisco (Mar 16, 2018–Mar 16, 2024).

NOTE 8 OPERATING EXPENSES SPECIFIED BY TYPE OF COSTS

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Cost of goods sold ¹	–43,374	–72,365	–24,095	–34,400
Personnel expenses	–235,745	–241,265	–288,215	–262,268
Amortization and impairment losses ²	–213,293	–182,497	–19,027	–18,833
Exchange-rate losses	–47,427	–8,226	–38,713	–4,869
Other expenses	–133,522	–196,468	–210,422	–247,035
	–673,361	–700,821	–580,472	–567,405

¹ Cost of goods sold comprises costs of sold hardware and royalties for licensed software included in the company's software. This also includes depreciation of hardware leased to customers of TSEK 504 (38). Amortization of capitalized development costs is not included in cost of goods sold. Amortization and capitalization of development costs are included in the recognized research and development costs.

² Amortization of capitalized development costs is included in amortization and impairment losses in the table above.

NOTE 9 OTHER OPERATING INCOME

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Exchange-rate gains on operating receivables/liabilities	18,283	27,406	9,163	26,905
	18,283	27,406	9,163	26,905

NOTE 10 OTHER OPERATING EXPENSES

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Exchange-rate losses on operating receivables/liabilities	–47,427	–8,226	–38,713	–4,869
	–47,427	–8,226	–38,713	–4,869

NOTE 11 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Intangible fixed assets				
Amortization and impairment according to function				
Administrative expenses	-223	-128	-222	-128
Research and development	-137,247	-113,618	-	-
	-137,469	-113,746	-222	-128
Tangible fixed assets				
Cost of goods sold	-506	-38	-	-
Selling expenses	-37,767	-30,854	-2,232	-756
Administrative expenses	-10,521	-14,968	-4,884	-8,313
Research and development	-27,535	-22,929	-11,689	-9,636
	-76,329	-68,789	-18,805	-18,705
Total depreciation/amortization	-213,799	-182,535	-19,027	-18,833
Depreciation of right-of-use assets amounts to	-45,342	-40,450		

NOTE 12 MATURITY ANALYSIS LEASES

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Lease payments for the year	51,377	46,345	35,593	27,989
Contracted future lease payments payable:				
Within 1 year	41,086	51,674	26,420	38,639
Later than one but within five years	41,051	68,346	2,744	20,188
Later than five years	17,618	28,638	-	-
	99,755	148,658	29,164	58,827

NOTE 13 FINANCIAL INCOME AND EXPENSE

SEK 000s	GROUP		PARENT COMPANY	
	2020	2019	2020	2019
Interest income on cash and cash equivalents	2,526	316	6	62
Interest income on accounts receivable and other receivables	211	942	570	942
Interest income Group companies	-	-	2,048	4,230
Total interest income according to effective interest method	2,737	1,258	2,624	5,234
Interest expense on other liabilities to credit institutions ¹	-2,607	-2,862	-2,607	-2,862
Interest expense lease liabilities	-3,089	-3,878	-	-
Other financial expenses	-53	-79	-	-
Total interest expense according to effective interest method	-5,749	-6,819	-2,607	-2,862
Net	-3,012	-5,561	17	2,372

¹ The interest expense for the credit facility is based on STIBOR + 1.5 percent with a floor for STIBOR at 0 percent.

All interest income and interest expense is derived from financial assets and liabilities measured at amortized cost.

NOTE 14 APPROPRIATIONS

SEK 000s	PARENT COMPANY	
	2020	2019
Tax allocation reserve, provision during the year	-	-3,400
Tax allocation reserve, reversal during the year	77,722	-
Accelerated depreciation for tax purposes, equipment	4,584	-1,273
	82,306	-4,673

NOTE 15 TAX ON PROFIT FOR THE YEAR

SEK 000s	GROUP	
	2020	2019
Current tax expense		
Tax expense for the period	-5,618	-8,259
Tax related to previous years	1,472	3,048
	-4,146	-5,211
Deferred tax expense/income		
Deferred tax for temporary differences on capitalized development costs and leases	-12,073	-10,502
Untaxed reserves/deferred tax attributable to loss carryforwards	-4,237	-1,028
Deferred tax related to other temporary differences	17,854	4,544
	1,544	-6,986
Total tax expense/income recognized in the Group	-2,602	-12,197
Reconciliation of effective tax		
Recognized profit before tax	-6,478	62,608
Tax at current tax rate of 21.4% (22)	1,386	-13,411
Effect of other tax rates for foreign companies	-955	219
Tax attributable to earlier years	1,472	3,048
Effect of non-taxable income	-	-
Effect of non-deductible costs	-554	-2,839
Foreign tax paid (withholding tax) ¹	-3,985	-
Utilization of non-capitalized loss carryforwards	151	861
Standard interest on tax allocation reserve	-117	-75
Reported effective tax	-2,602	-12,197

SEK 000s	PARENT COMPANY	
	2020	2019
Current tax expense		
Tax expense for the period	-4,511	-2,218
Tax related to previous years	507	219
Change in deferred tax	-132	2,879
Total tax expense recognized in the Parent Company	-4,136	880
Reconciliation of effective tax		
Recognized profit before tax	637	-9,674
Tax at current tax rate of 21.4% (22)	-136	2,070
Effect of non-taxable income	-	-
Effect of non-deductible costs	-406	-1,334
Effect of changed tax rate in Sweden	-	-
Foreign tax paid (withholding tax) ¹	-3,985	-
Tax attributable to earlier years	507	219
Standard interest on tax allocation reserve	-116	-75
Reported effective tax	-4,136	880

¹ Foreign tax paid largely stems from an order in Korea

NOTE 16 DIVIDEND PER SHARE, EARNINGS PER SHARE AND NUMBER OF SHARES

	2020	2019
Proposed dividend per share		–
Total number of shares at beginning of the year	34,282,773	34,282,773
Number of shares outstanding at beginning of the year	34,282,773	34,282,773
Number of shares outstanding at year-end	34,282,773	34,282,773
Average number of shares outstanding during the period	34,282,773	34,282,773
Profit/loss for the year attributable to Parent Company shareholders (before and after dilution)	–9,080	50,411
Earnings per share before/after dilution	–0.26	1.47

NOTE 17 CAPITALIZED DEVELOPMENT COSTS

SEK 000s	GROUP	
	Dec 31, 2020	Dec 31, 2019
Accumulated cost		
Opening balance	1,065,551	901,151
Internally developed assets during the year	195,559	164,400
Closing balance	1,261,110	1,065,551
Accumulated amortization and impairment losses		
Opening balance	–637,855	–524,237
Amortization for the year	–137,247	–113,618
Closing balance	–775,102	–637,855
Closing carrying amount	486,008	427,696

Development costs for the year pertains to the development of new versions of RaySearch's software products. These development costs are capitalized and amortized over a period of five years from when the products are released on the market and the asset is thus regarded as starting to contribute to the company's revenue.

IMPAIRMENT TESTING OF INTERNALLY GENERATED INTANGIBLE ASSETS

Internally generated intangible assets are tested annually for impairment, and whenever there is an indication of impairment. The recoverable amount is determined based on value-in-use.

An annual impairment test of internally generated intangible assets has been conducted. Cash flows are based on budget forecasts, assessments and market plans prepared by management. Cash flows beyond this period are extrapolated using a growth rate estimated at 2 percent (2) based on company management's expectations of the future market trend. The assessment of operating margin is based on previously achieved earnings weighted by company management's expectations of the future market trend. The future cash flows have been discounted to their present value using an interest rate before tax of 12.0 percent (9.0). The discount interest rate is determined on the basis of risk-free interest plus a surcharge for the risk premium for the particular operating segment. The estimated value-in-use exceeds the carrying amount by such a high margin that company management believes there are no reasonably possible changes in assumptions that would lead to impairment.

NOTE 18 OTHER INTANGIBLE FIXED ASSETS

SEK 000s	GROUP AND PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019
Accumulated cost		
Opening balance	2,010	1,599
New acquisitions	322	411
Closing balance	2,332	2,010
Accumulated depreciation		
Opening balance	–1,300	–1,172
Amortization during the year	–223	–128
Closing balance	–1,523	–1,300
Closing carrying amount	809	710

Assets pertain to software licenses.

NOTE 19 TANGIBLE FIXED ASSETS

SEK 000s	GROUP								PARENT COMPANY	
	Dec 31, 2020				Dec 31, 2019				Dec 31, 2020	Dec 31, 2019
	Equipment, fixtures and fittings	Rented buildings	Vehicles and other	Total tangible fixed assets	Equipment, fixtures and fittings	Rented buildings	Vehicles and other	Total tangible fixed assets	Equipment, fixtures and fittings	Equipment, fixtures and fittings
Accumulated cost										
Opening balance	172,689	142,716	13,215	328,620	145,966	–	–	145,966	94,643	74,358
IFRS 16 reclassification ¹	–	–	–	–	–18,971	–	7,476	–11,495	–	–
Remeasurement	–	26,202	–	26,202	–	160,003	5,490	165,493	–	–
New acquisitions and additional leases	27,073	870	4,237	32,180	47,235	378	1,052	48,665	20,396	23,432
Divestments, disposals and terminated leases	–1,731	–997	–1,359	–4,087	–3,264	–20,936	–866	–25,066	–811	–3,147
Translation difference for the year	–10,138	–10,613	–227	–20,978	1,723	3,271	63	5,057	–	–
Closing balance	187,893	158,178	15,866	361,937	172,689	142,716	13,215	328,620	114,228	94,643
Accumulated depreciation										
Opening balance	–66,825	–32,937	–7,509	–107,271	–52,885	–	–	–52,885	–52,159	–36,335
IFRS 16 reclassification ¹	–	–	–	–	11,495	–	–	11,495	–	–
Divestments, disposals and terminated leases	645	844	712	2,201	2,998	–	–	2,998	599	2,881
Amortization for the year	–30,987	–42,362	–2,980	–76,329	–28,343	–32,937	–7,509	–68,789	–18,805	–18,705
Translation difference for the year	3,200	2,793	237	6,230	–90	–	–	–90	–	–
Closing balance	–93,967	–71,662	–9,540	–175,169	–66,825	–32,937	–7,509	–107,271	–70,365	–52,159
Closing carrying amount	93,926	86,516	6,326	186,768	105,864	109,779	5,706	221,349	43,863	42,484

¹ The opening balance tangible fixed assets for 2019 includes leases with a carrying amount of SEK 7,476. In conjunction with the adoption of IFRS 16, these were classified as right-of-use assets. See Note 19b.

SIGNIFICANT LEASES

Significant leases include rented office premises, furniture and other office equipment, computer equipment and company cars, where office premises in Sweden and the US account for the greatest obligations.

Rental agreements for office premises are normally signed for between one and ten years, and usually include options to extend when the agreements expire. Rental agreements in Sweden generally include annually indexed rent.

For a breakdown of lease liability attributable to the right-of-use assets, see Note 7. See also Note 7 for a description of the Group's future lease payments attributable to the estimated lease liability pertaining to the Group's right-of-use assets and liability development in 2020.

At December 31, 2020, consolidated profit was charged with costs attributable to leases, comprising depreciation expense of TSEK –45,342 [–40,446] and interest expense of TSEK –3,089 [–3,878].

In 2020, total cash outflow for leases was TSEK 45,199 [40,575].

NOTE 20 PARTICIPATIONS IN GROUP COMPANIES
--

SEK 000s	PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019
Accumulated cost		
Opening balance	1,911	1,772
Contributions to subsidiaries	–	139
Closing balance	1,911	1,911

SPECIFICATION OF PARENT COMPANY AND GROUP HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES.

Group company/Corp. Reg. No./Reg. office/Country	No./ Participations in %	Adjusted equity/ Profit for the year ¹	Carrying amount
RaySearch Americas Inc, Delaware, US	100	9,662 / 8,588	0
RaySearch Belgium Sprl, 0838.244.504, Brussels, Belgium	99.0 ²	1,619 / 325	170
RaySearch France SAS, 794 582 841 RCS Paris, France	100	3,294 / 507	87
RaySearch UK Ltd, 8579149, London, UK	100	878 / 306	0
RaySearch Germany GmbH, HRB 157539, Berlin, Germany	100	1,881 / 400	228
RaySearch Singapore Pte Ltd, 201S508409H, Singapore	100	835 / 206	1
RaySearch Japan K.K., 010401124903, Tokyo, Japan	100	718 / 369	801
RaySearch Korea LLC., 1101140177029, Seoul, South Korea	100	297 / 814	79
RaySearch (Shanghai) Medical Device Co., Ltd 91310115MA1K3M628Y, Shanghai, China	100	560 / 288	406
RaySearch Canada Inc.755835923RC0001, Saint John, New Brunswick, Canada	100	0 / 0	0
RaySearch India Private Limited, U74999DL2018FTC342299, New Delhi, India	100	22 / 44	139
RaySearch Australia Pty Ltd, 643 927 511, Sydney, Australia	100	0 / 14	0
			1,911

¹ Adjusted equity refers to the owned share of the company's equity, including the equity component of untaxed reserves. Profit for the year refers to the ownership share of the company's profit after tax, including the equity share in the change for the year in untaxed reserves.

² SAS RaySearch France owns the remaining 1.0 percent of the entity.

NOTE 21 FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT

This Note provides information about the Group's financial instruments and financial risk management, including:

- a) Financial assets
- b) Financial liabilities
- c) Fair value
- d) Financial risk factors and risk management

A) FINANCIAL ASSETS

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Financial assets measured at amortized cost				
Long-term unbilled customer receivables (Note 26)	26,928	20,370	9,411	13,513
Other long-term assets	–	103	–	103
Billed customer receivables (Note 22)	156,811	194,752	80,856	113,016
Unbilled customer receivables (Note 22)	143,941	191,063	58,197	82,853
Receivables from Group companies	–	–	125,720	130,298
Cash and cash equivalents (Note 24)	168,746	113,858	107,711	80,262
Total financial assets	496,426	520,146	381,895	420,045

B) FINANCIAL LIABILITIES

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Financial liabilities measured at amortized cost				
Long-term interest-bearing liabilities	53,788	85,796	879	–
Accounts payable	19,864	33,202	19,035	30,127
Liabilities to Group companies	–	–	20,509	10,892
Current interest-bearing liabilities	92,519	84,931	49,649	49,532
Accrued expenses	52,734	45,168	37,106	19,123
Total financial liabilities	218,905	249,097	127,178	109,674

The company has a credit facility with Skandinaviska Enskilda Banken (publ) (SEB) with a credit limit of SEK 350 M. The credit facility comprises 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 December 31, 2020, a short-term loan of SEK 50 M (50) was raised under the company's revolving loan facility and SEK 0 M (0) of the credit facility had been drawn.

According to the loan agreement, the Company is obligated to provide estimates for the level of the equity/assets ratio, equity and an adjusted EBITDA metric.

In December 2020 and in March 2021, RaySearch breached the EBITDA-based covenant in the company's credit facility with SEB. In April 2021, SEB subsequently demanded repayment of SEK 50 M, which was the amount of credit withdrawn. However, the credit facility will be available for drawing as soon as the company once again meets all covenants contained in the agreement.

C) FAIR VALUE

Fair value measurement contains a measurement hierarchy for the inputs used to measure fair value. The three levels comprise:

Level 1: Listed prices (unadjusted) in active markets for identical assets or liabilities to which the company has access at the time of measurement.

Level 2: Inputs other than the quoted prices in Level 1, which are directly or indirectly observable for the asset or liability. This may also pertain to input data other than the listed prices that are observable for the asset or liability, such as interest rates, yield curves, volatility and multiples.

Level 3: Non-observable input data for the asset or liability. At this level, the assumptions which market players would use for pricing of the asset or liability, including risk taking, must be taken into account.

For all items under points A) and B), the carrying amount is an approximation of the fair value, which is why these items have not been categorized according to the fair value hierarchy. Since the long-term unbilled receivables carry variable interest and other external borrowings carry fixed interest, which is essentially considered to correspond to current market rates, the carrying amounts of loans are also considered to correspond to their fair value.

NOTE 21 FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT, cont'd.

D) FINANCIAL RISK FACTORS AND RISK MANAGEMENT

The Group's main financial liabilities correspond to loans and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's main financial assets include billed and unbilled receivables and cash and cash equivalents.

Through its operations, the RaySearch Group is exposed to various types of financial risk including currency risk, interest rate risk, liquidity risk and credit risk. Risks are managed by the Group's Finance Department, which identifies, evaluates and hedges financial risks. This is carried out in accordance with the Board's established policies for overall risk management and the Group's financial policy, which form a framework of guidelines and rules in the form of risk mandates and limits for financial activities.

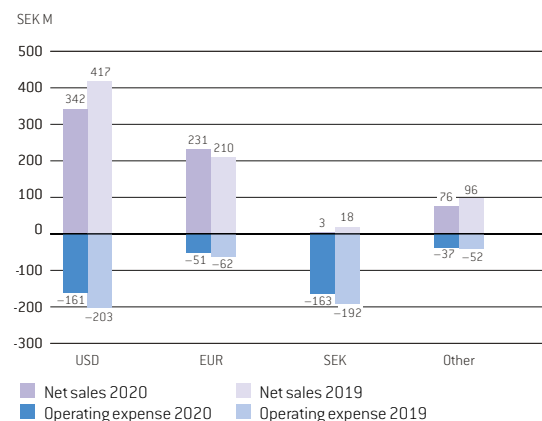
Currency risk

Currency risk is the risk for changes in value due to changes in exchange rates. With its international operations, the Group is exposed to currency risk in form of transaction exposure and translation exposure. Transaction exposure arises through future transactions, and translation exposure through assets and liabilities denominated in a foreign currency.

The RaySearch Group's currency risk is mainly the result of the company receiving most of its revenue in USD and EUR, while most of its costs are in SEK. The company has no currency hedging, in accordance with the established financial policy. The financial policy is updated at least once a year.

Transaction exposure

The Group's net sales and operating expenses per currency are shown in the following diagram:

NET SALES AND OPERATING EXPENSES PER CURRENCY

Based on the year's revenue, cost and currency structure (transaction exposure), a general change of one percentage point in the SEK rate against other currencies would have an impact of approximately +/- SEK 4.4 M (5.1) on consolidated operating profit and +/- SEK 3.5 M (3.0) on consolidated equity. A one percentage point change in the USD rate against the SEK would have an impact of +/- SEK 2.4 M (3.1) on consolidated operating profit, while a corresponding change in the EUR exchange rate would have an impact of +/- SEK 1.8 M (1.6) on consolidated operating profit and equity.

Translation exposure

The Group's translation exposure related to balance-sheet items in foreign currency is mainly distributed between the USD and EUR. Other currencies in the Group correspond to SGD, GBP, CNY and KRW.

SEK 000s	2020	2019
USD		
Accounts receivable	101,928	82,358
Current unbilled customer receivables	83,816	137,807
Accounts payable	-9,298	-6,529
	176,446	213,636
EUR		
Accounts receivable	37,382	54,139
Current unbilled customer receivables	45,157	28,036
Accounts payable	-8,299	-16,864
	74,240	65,311
Other currencies		
Accounts receivable	17,500	8,359
Current unbilled customer receivables	14,968	6,894
Accounts payable	-2,267	-4,091
	30,201	11,162

Based on the year's revenue, cost and currency structure (transaction exposure), a general change of one percentage point in the SEK rate against other currencies would have an impact of approximately +/- SEK 2.6 M (2.9) on consolidated operating profit and +/- SEK 2.1 M (2.3) on consolidated equity. A one percentage point change in the USD rate against the SEK would have an impact of +/- SEK 1.6 M (2.1) on consolidated operating profit, while a corresponding change in the EUR exchange rate would have an impact of +/- SEK 0.7 M (0.7) on consolidated operating profit.

Interest rate risk

Interest rate risk refers to the risk that changes in interest rates will have a negative impact on RaySearch's results due to, for example, increased costs for the company's variable rate loans. At December 31, 2020, interest-bearing liabilities amounted to SEK 146.3 M (170.7), of which SEK 95.8 M (116.4) pertained to finance leases, and cash and cash equivalents and interest-bearing receivables amounted to SEK 168.7 M (113.8). This means that the Group had positive (negative) interest-bearing net debt of SEK 22.4 M (59.5).

Based on the balance-sheet structure at year-end, and assuming that all other variables were constant, a general change of one percentage point in the interest rate for loans and investments would have an impact of approximately +/- SEK 1.5 M (1.7) on consolidated earnings.

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations as a result of insufficient liquidity or difficulty in securing external loans. At Group level, rolling forecasts for the Group's liquidity reserve are monitored to ensure that the Group has sufficient cash funds to meet its ongoing business needs, while maintaining a sufficient amount of unutilized credit. Surplus liquidity in Group companies is transferred centrally and managed by the Group's financial function.

In accordance with the established financial policy, investment is made in interest-bearing accounts with Swedish banks or the Swedish state.

NOTE 21 FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT, cont'd.

To reduce liquidity risk, RaySearch strives to have available cash and cash equivalents of at least 10 percent of net sales. At December 31, 2020, cash and cash equivalents amounted to SEK 168.7 M (113.8), corresponding to 26 percent (15) of net sales. In addition, RaySearch had SEK 300 M (296) in undrawn credit facilities. See also Note 12 for future payment undertakings.

Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with a financial instrument or customer contract, which could lead to a financial loss. The Group is exposed to credit risk from its operating activities (mainly customer receivables) and from financing activities, including deposits with banks and financial institutions, currency transactions and other financial instruments.

Credit risk in cash and cash equivalents

In accordance with the established financial policy, RaySearch's liquidity is invested in Swedish banks or the Swedish state with the objective of maintaining high liquidity with low credit risk. Expected loss provisioning is applied for cash and cash equivalents. The calculation of expected credit losses is based on an external credit rating. The counterparties have credit ratings ranging from Low to Low Moderate. No provision was recognized, since the expected credit losses are not considered significant.

Credit risk in receivables

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with a financial instrument or customer contract, which could lead to a financial loss. The Group is exposed to credit risk in its operating activities, mainly in relation to customer receivables.

Credit risk in accounts receivable is mainly managed at Group level, but coordinated with each of the Group companies. In connection with quotations/contract negotiations, the customer's creditworthiness is checked, which affects the customer's ability to meet the terms of any payment plans. The credit risk for a new customer is determined using a rating scale, and individual credit limits are defined on the basis of this assessment.

Regular risk assessments of creditworthiness are carried out by considering the customer's financial position on every occasion. Other influencing factors, such as payment patterns and previous experiences, are also critical for the assessment. For license deliveries to major customers, collateral such as letters of credit, or other types of credit insurance from reputable banks and other financial institutions is used. These may be invoked if the counterparty has outstanding debts under the terms of the agreement. At the end of 2020, 9 percent (3) of the billed accounts receivable were protected by a letter of credit.

The Group's credit risks are usually limited because customers' operations are largely financed, either directly or indirectly, with public funds. Credit losses have also been very low historically.

Regarding credit risk concentration, the Group's largest receivable is from Hitachi, Ltd. and accounts for 7.6 percent of total receivables from customers of SEK 328 M. Hitachi, Ltd. has a high credit rating – A-1/A from Moody's. Otherwise, no other customer accounts for more than 3 percent of the Group's total customer receivables.

Most of the receivables in the 2020 financial statements were subject to an individual credit assessment, which led to an impairment loss of SEK 20.3 M (5.0) for the year for receivables. At the end of the 2020 fiscal year, the provision for expected credit losses amounted to SEK 23.6 M (20.1). For an age analysis of accounts receivable and provisions for expected credit losses, refer to Note 22.

The Group's credit risk is relatively low since the receivables are spread over a large number of creditworthy companies and institutions.

The credit risk for a new customer is determined using external credit ratings, and individual credit limits are defined on the basis of this assessment. Other variables in the assessment of expected credit losses is based on the existence of credit insurance, the customer's historical ability to pay, whether the customer is state or privately funded, the amount and payment terms of the receivable, number of days overdue and the likelihood of a dispute. Details emerging from the specific dialogue with the customer are also taken into account. Finally, other circumstances, such as sanctions and other policy measures, may also determine whether a receivable is deemed uncertain. All of these individual circumstances provide a broad basis for the assessment of future credit losses.

The above assessment of expected credit losses is made on an individual basis for almost all receivables. In the 2020 financial statements, more than 90 percent of all customer receivables had been individually assessed. The main selection criterion for this assessment is the amount of the receivable, which means that the largest receivables in the Group's customer base have been individually assessed, amounting to a 90-percent coverage.

When assessing a credit risk in that part of the customer portfolio that has not been subject to individual assessment, historical credit loss information is the most critical factor for assessment, based on an average loss ratio. The average loss ratio can be adjusted if necessary to meet a change in relation to credit risk, to achieve fair future loss provisioning. The Group's historical credit losses are limited, about 0.5 percent of the Group's sales has been identified as credit losses in the past five years. The general provision for collectively assessed receivables amounts to approximately 2 percent of total customer receivables.

The Group does not have any netting agreements and offsetting has not been applied for any financial instruments.

Note 22 below presents an age structure of the Group's billed receivables and information about the expected payment of unbilled receivables.

NOTE 22 CUSTOMER RECEIVABLES

SEK 000s	GROUP, Dec 31, 2020					
	Unbilled receivables	Due date structure, billed receivables				Total
		Not overdue	< 30 days	30–90 days	> 90 days	
Customer receivables						
RaySearch products	170,869	97,825	26,466	12,807	19,713	156,811
Total customer receivables	170,869	97,825	26,466	12,807	19,713	156,811
Receivables by geographic market						
North America	101,374	30,710	17,404	8,666	18,492	75,272
APAC	22,387	28,780	8,071	1,759	0	38,610
Europe and rest of the world	47,108	38,335	991	2,382	1,221	42,929
Total receivables by geographic market	170,869	97,825	26,466	12,807	19,713	156,811

SEK 000s	GROUP, Dec 31, 2019					
	Unbilled receivables	Due date structure, billed receivables				Total
		Not overdue	< 30 days	30–90 days	> 90 days	
Receivables by type						
RaySearch products	211,434	127,806	53,161	4,875	8,910	194,752
Total receivables by type	211,434	127,806	53,161	4,875	8,910	194,752
Receivables by geographic market						
North America	134,256	47,099	30,470	–270	6,084	83,382
APAC	20,447	32,116	511	743	0	33,370
Europe and rest of the world	56,731	48,592	22,180	4,402	2,826	78,000
Total receivables by geographic market	211,434	127,806	53,161	4,875	8,910	194,752

SEK 000s	PARENT COMPANY, Dec 31, 2020					
	Unbilled receivables	Due date structure, billed receivables				Total
		Not overdue	< 30 days	30–90 days	> 90 days	
Receivables by type						
RaySearch products	67,608	68,076	7,035	4,524	1,221	80,856
Total receivables by type	67,608	68,076	7,035	4,524	1,221	80,856
Receivables by geographic market						
North America	5,879	961	1,582	386	0	2,929
APAC	14,621	28,780	4,462	1,759	0	35,001
Europe and rest of the world	47,108	38,335	991	2,379	1,221	42,926
Total receivables by geographic market	67,608	68,076	7,035	4,524	1,221	80,856

SEK 000s	PARENT COMPANY, Dec 31, 2019					
	Unbilled receivables	Due date structure, billed receivables				Total
		Not overdue	< 30 days	30–90 days	> 90 days	
Receivables by type						
RaySearch products	96,366	83,632	22,433	5,145	1,806	113,016
Total receivables by type	96,366	83,632	22,433	5,145	1,806	113,016
Receivables by geographic market						
North America	19,295	4,187	–	–	–	4,187
APAC	20,340	32,116	511	743	–	33,370
Europe and rest of the world	56,731	47,071	22,180	4,402	1,806	75,459
Total receivables by geographic market	96,366	83,374	22,691	5,145	1,806	113,016

NOTE 22 CUSTOMER RECEIVABLES, cont'd.

RaySearch has contracts with customers whereby deliveries have long payment terms, which is standard in the industry. The company recognizes customer receivables when delivery has occurred and an unconditional right to consideration exists. The subsequent effect is that the Group's accounts receivable and unbilled customer receivables add up to relatively high amounts compared with net sales.

At the end of the period, the Group's accounts receivable (current billed customer receivables) amounted to SEK 157 M (195), corresponding to 24 percent (26) of net sales in 2020. Total customer receivables amounted to SEK 328 M (406), corresponding to 50 percent (52) of net sales for the year.

At December 31, 2020, the Group's overdue invoices amounted to SEK 59 M (67), corresponding to 18 percent (15) of total customer receivables.

In 2020, the company's accounts receivable continued to decrease in relation to net sales, the result of an active process to increase payments from customers and to shorten payment terms for customers in combination with lower sales.

UNBILLED RECEIVABLES

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Expected date of payment				
Payment within three months	27,895	28,118	8,276	8,276
Payment within 3–12 months	116,046	163,169	49,921	74,577
Payment after 12 months	26,928	20,147	9,411	13,513
Total unbilled receivables	170,868	211,433	67,608	96,366

This is an estimate. The date of payment is partly dependent on the date of installation on the customer's site, i.e. not the agreed payment dates, but is our best assessment based on previous history on the balance-sheet date.

PROVISION FOR EXPECTED CREDIT LOSSES

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Change in provision for expected credit losses				
Opening balance	20,128	15,062	19,725	15,062
Impairment for the year recognized in administrative expenses	20,262	5,066	10,034	4,663
Actual credit losses for the year	-12,103	-	-10,154	-
Translation difference	-4,650	-	-3,803	-
Closing balance	23,637	20,128	15,802	19,725

Impairment for the year largely corresponded to provisions for receivables due to specific country risk. The provision for expected credit losses corresponded to 7 percent (5) of the company's total receivables. The accounts receivable that were impaired during the reporting period are subject to enforcement actions, which means that debt collection activities are ongoing.

In view of the creditworthiness and other circumstances of its customers, the company assesses that the credit risk will remain low and that the provision for expected credit losses will not increase significantly. Refer also to a description of the company's assessment of credit risk in receivables in Note 21d.

NOTE 23 PREPAID EXPENSES

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Prepaid rent	-	-	9,057	6,448
Prepaid insurance	1,904	1,910	1,903	1,808
Prepaid license and hardware costs	9,795	11,381	9,795	11,329
Prepaid pension costs	2,822	110	2,821	110
Accrued interest income	-	-	-	-
Other prepaid expenses	23,180	27,198	11,730	17,450
	37,701	40,599	35,306	37,145

NOTE 24 CASH AND CASH EQUIVALENTS

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
The following sub-components are included in cash and cash equivalents:				
Bank balances	168,746	113,858	107,711	80,262
	168,746	113,858	107,711	80,262

Cash and cash equivalents consist of bank deposits. In addition to this, the company has a revolving loan facility of up to SEK 300 M that matures on May 31, 2022, and an overdraft facility of SEK 50 M. At Dec 31, 2020, a total of SEK 50 M (50) had been utilized within the framework of the company's revolving loan facility. Refer also to liquidity risk in Note 21.

NOTE 25 DEFERRED TAX ASSETS AND TAX LIABILITIES

SEK 000s	GROUP	
	Dec 31, 2020	Dec 31, 2019
Deferred tax liabilities for:		
Intangible assets		
Opening balance	89,014	78,160
Change during the year	12,063	10,854
Closing balance	101,077	89,014
Leases		
Opening balance	848	1,540
Change during the year	-351	-692
Closing balance	497	848
Untaxed reserves		
Opening balance	25,283	24,254
Change during the year	-18,108	1,029
Closing balance	7,175	25,283
Carrying amount	108,749	115,145
Deferred tax assets related to:		
Tangible assets		
Opening balance	1,642	996
Change during the year	496	646
Closing balance	2,138	1,642
Accounts receivable		
Opening balance	4,369	2,135
Change during the year	-629	2,234
Closing balance	3,740	4,369
Leases		
Opening balance	1,645	1,486
Change in accounting policy	-	495
Change during the year	-378	-336
Closing balance	1,267	1,645
Other temporary differences		
Opening balance	4,537	2,791
Change during the year	-4,455	1,746
Closing balance	82	4,537
Carrying amount	7,227	12,193

Valuation is based on the nominal tax rate with account for the new tax rates to be introduced in Sweden.

NOTE 26 LONG-TERM RECEIVABLES

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Long-term unbilled customer receivables	26,928	20,370	9,411	13,513
Other items	-	103	-	103
Closing balance	26,928	20,473	9,411	13,616

Long-term unbilled customer receivables comprise customer receivable with a maturity date more than 12 months after the period.

NOTE 27 UNTAXED RESERVES

SEK 000s	PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019
Accumulated excess depreciation		
Opening balance, January 1	5,999	4,726
Reversals/excess depreciation for the year	-4,584	1,273
Closing balance, December 31	1,415	5,999
Tax-allocation reserves		
Provisions for fiscal year 2014	-	20,073
Provisions for fiscal year 2015	-	15,349
Provisions for fiscal year 2016	-	40,000
Provisions for fiscal year 2017	17,200	19,500
Provisions for fiscal year 2018	10,600	10,600
Provisions for fiscal year 2019	3,400	3,400
	31,200	108,922
Total untaxed reserves	32,615	114,921

NOTE 28 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

SEK 000s	GROUP							Dec 31, 2020
	Dec 31, 2019	Remeasurement of leases	Cash flows	New leases	Redemption of leases	Translation differences	Borrowing costs	
Lease liability	121,202	24,344	-45,199	4,860	-756	-8,672	-	95,779
Other long-term liabilities	-	879						879
Current interest-bearing liabilities	49,524	-	-	-	-	8	117	49,649
Total interest-bearing liabilities	170,726	25,223	-45,199	4,860	-756	-8,664	117	146,307

SEK 000s	GROUP							Dec 31, 2019	
	Dec 31, 2018	Changed accounting policy IFRS 16	Remeasurement of leases	Cash flows	New leases	Redemption of leases	Translation differences		Borrowing costs
Lease liability	7,215	167,493	-20,936	-36,484	1,405	-894	3,403	-	121,202
Current interest-bearing liabilities	124,283			-75,000	-	-	-9	250	49,524
Total interest-bearing liabilities	131,498	167,493	-20,936	-111,484	1,405	-894	3,394	250	170,726

SEK 000s	PARENT COMPANY							Dec 31, 2020	
	Dec 31, 2019			Cash flows	New leases	Redemption of leases	Translation differences		Borrowing costs
Current interest-bearing liabilities	49,532			-	-	-	-	117	49,649
Total interest-bearing liabilities	49,532			0	-	-		117	49,649

SEK 000s	PARENT COMPANY							Dec 31, 2019	
	Dec 31, 2018			Cash flows	New leases	Redemption of leases	Translation differences		Borrowing costs
Current interest-bearing liabilities	124,282			-75,000	-	-		250	49,532
Total interest-bearing liabilities	124,282			-75,000	-	-		250	49,532

SEK 000s	GROUP AND PARENT COMPANY					TOTAL
	Within one month	1-3 months	3-12 months	1-2 years	2-5 years	
Interest 2020						
Bank loans	0	186	559	745	1,055	2,545
Interest 2019						
Bank loans	0	186	557	743	1,053	2,539

The credit facility matures on May 23, 2022. In the table, the revolving loan is assumed to continue with unchanged utilization and the current interest rate has been used. For more information about leases, such as a maturity analysis, see Note 7.

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

SEK 000s	GROUP		PARENT COMPANY	
	Dec 31, 2020	Dec 31, 2019	Dec 31, 2020	Dec 31, 2019
Social security expenses and vacation pay liability	26,409	21,820	23,458	19,351
Other personnel-related costs	13,665	21,170	3,297	2,248
Contract liabilities	248,694	161,180	119,081	102,293
Accrued interest expense	–	121	–	121
Other accrued expenses	12,660	23,878	10,351	16,754
	301,428	228,168	156,187	140,767

NOTE 30 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK 000s	Dec 31, 2020	Dec 31, 2019
Pledged assets		
Chattel mortgages	100,000	100,000
Guarantees	14,340	6,586
Total	114,340	106,586

In May 2017, the company's line of credit was increased from SEK 100 M to SEK 350 M. The credit line expires in May 2022 and comprises a revolving loan facility of up to SEK 300 M, and an overdraft facility of SEK 50 M. Chattel mortgages amounted to SEK 100 M.

At December 31, 2020, a short-term loan totaling SEK 50 M (50) had been utilized within the framework of the company's revolving loan facility.

Guarantees amounted to SEK 14.3 M and did not affect the company's credit facility. No contingent liabilities exist for the Group or the Parent Company.

NOTE 31 RELATED-PARTY TRANSACTIONS

For a description of transactions with senior executives, refer to Note 5. The Parent Company had one related-party transaction with its subsidiaries, refer to Note 20.

SEK 000s	SUMMARY PARENT COMPANY				
	Sale of goods/ services to related parties	Purchase of goods/ services from related parties	Dividend paid	Receivables from related parties Dec 31	Liabilities to related parties Dec 31
2020	119,629	–78,288	–	151,146	20,509
2019	91,632	–80,209	–	203,434	10,892

Sales to related parties pertain primarily to sale of licenses to foreign subsidiaries and purchases from related parties pertain primarily to purchases of services from foreign subsidiaries. Receivables from related parties pertain primarily to receivables from the US subsidiary.

In 2017, RaySearch entered into an agreement with the non-profit association Venture Cup, which organizes an annual competition to inspire entrepreneurship and creativity in business. CEO Johan Löf is Chairman of the association and RaySearch sponsors the competition by contributing SEK 1 M per year in exchange for exposure as a partner in Venture Cup's marketing material. This collaboration and the sponsorship fee amount is based on the arm's length principle and accepted commercial terms.

NOTE 32 SIGNIFICANT EVENTS AFTER THE BALANCE-SHEET DATE**Short-term loan**

In March 2021, the Parent Company issued a short-term loan of TSEK 200 to the Vinstandelsstiftelsen RayFoundation on commercial terms.

Breach of loan covenant

In March 2021, RaySearch breached an EBITDA-based covenant in the company's credit facility with Skandinaviska Enskilda Banken (publ) (SEB) with a credit limit of SEK 350 M, of which SEK 50 M was utilized. In April 2021, SEB subsequently demanded repayment of SEK 50 M, which was the utilized amount. However, the credit facility will be available again as soon as the company once again meets all covenants contained in the agreement, see also Note 21.

NOTE 33 PROPOSED ALLOCATION OF THE PARENT COMPANY'S PROFIT

The following is at the disposal of the AGM:

SEK 000s	
Retained earnings	206,198
Profit/loss for the year	–3,499
Total	202,699

The Board and CEO propose that TSEK 202,699 be carried forward.

The undersigned certify that the annual report and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and with generally accepted accounting practices, and give a true and fair view of the financial position and results of the Group and the Parent Company and that the Administration Report provides a fair overview of the development of the Group's and the Parent Company's operations, financial position and results, as well as a fair description of significant risks and uncertainties faced by the companies included in the Group. The annual report and consolidated financial statements were approved for issue by the Board of Directors on April 29, 2021. The consolidated statement of comprehensive income and consolidated statement of financial position, and the Parent Company income statement and balance sheet will be submitted to the AGM for adoption which will be held not later than June 30, 2021.

Stockholm, April 29, 2021

Lars Wollung
Chairman of the
Board

Johan Löf
CEO and Board member

Carl Filip Bergendal
Board member

Britta Wallgren
Board member

Hans Wigzell
Board member

Johanna Öberg
Board member

Our audit report was submitted on the date specified in our electronic signature

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of RaySearch Laboratories AB (publ), corporate identity number 556322-6157

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated RaySearch Laboratories AB (publ) for the year 2020. The annual accounts and consolidated accounts of the company are included on pages 4–46 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2020 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2020 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statements and statements of financial position for the group and income statements and balance sheets for the parent company.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation [537/2014] Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation [537/2014] Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue from contract with customers

Description

Revenue from contracts with customers totals 651 612 TSEK in the consolidated statement of comprehensive income, and 489 623 TSEK in the parent company income statement, for the year 2020.

Recognition of revenue from contracts with customers requires that the company has adequate routines to identify performance obligations, and to ensure that revenue is recognized as these performance obligations are performed. Revenue recognition connected to contracts that encompass multiple performance obligations requires, in certain cases, that management makes judgments regarding the allocation of the transaction price between different performance obligations. The recognition of revenue from contracts with customers was a key audit area due to the significance of the reported amounts, and due to the involvement of significant judgment by the company.

A description of the judgments on which revenue recognition is based is provided under the section "Significant judgments and estimates" under Note 1, and disclosures regarding the distribution of revenue are provided under Note 3.

How our audit addressed this key audit matter

We have reviewed the company's processes for revenue recognition, and performed testing of contracts with customers on a sample basis. Our audit procedures have encompassed review of the identification of performance obligations, and the allocation of the transaction price between these. We have also assessed the reasonableness of the judgments on which the allocation of the transaction price is based.

We have also performed procedures to review whether the performance obligations which were identified have been performed. These audit procedures have encompassed determining whether license keys, as well such equipment as is necessary to use the company's products, have been transferred to the company's customers.

We have reviewed disclosures made in the annual report.

Capitalized development costs**Description**

Capitalized development costs of 486 008 TSEK are recorded in the consolidated statement of financial position as of 31 December 2020. RaySearch tests at least annually, and on indication of impairment, that recorded values do not exceed calculated recoverable values for assets which the company has not yet started using.

A description of the judgments on which the reporting of capitalized development costs for the group is based is provided under the section "Significant judgments and estimates" under Note 1. The impairment tests which are performed are based on management's judgments, and for this reason capitalized development costs is considered a key audit matter.

A description of the impairment test is provided under Note 17.

How our audit addressed this key audit matter

We have assessed management's process for performing the impairment test, which has encompassed evaluating the historical precision of forecasts and assumptions.

We have, with the support of our valuation specialists, reviewed the company's model and method for performing the impairment test, and have performed sensitivity analyses of key assumptions and possible factors which could affect these. With the support of our valuation specialists we have also assessed the reasonableness of assumptions regarding discount rate and long-term growth.

We have reviewed disclosures made in the annual report

Receivables towards customers**Description**

Receivables towards customers of 327 680 TSEK are recorded in the consolidated statement of financial position as of 31 December 2020, and consists of invoiced receivables of 156 811 TSEK as well as uninvoiced receivables of 170 869 TSEK.

Receivables towards customers of 148 464 TSEK (excluding intragroup receivables) are recorded in the parent company balance sheet as of 31 December 2020, and consists of invoiced receivables of 80 856 TSEK as well as uninvoiced receivables of 67 608 TSEK.

The amounts are reported net of reserves for expected credit losses of 23 637 TSEK for the consolidated accounts and of 15 802 TSEK the parent company. The reserves for expected credit losses are subject to significant estimation and judgments by management, and consequently receivables towards customer has been determined to be a key audit matter. A description of the key inputs on which managements judgments are based is provided under the section "Significant judgments and estimates" under Note 1, and disclosures regarding receivables towards customers are provided under Note 22.

How our audit addressed this key audit matter

We have assessed management's process for estimating reserves for expected credit losses, which has encompassed evaluating the historical precision of forecasts and assumptions, receipt of external confirmations of outstanding receivables from the company's customers at the balance sheet date, and review of routines for collection of accounts receivables and the treatment of bad debt.

We have reviewed disclosures made in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–3 and 51–76. The Board of Directors and the Managing Director are responsible for this other information. The remuneration report for the financial year 2020 also constitutes other information which is expected to be made available to us after the date of this auditor's report.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remuneration report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director

intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures

are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of RaySearch Laboratories AB (publ) for the year 2020 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Hamngatan 26, 111 47 Stockholm, was appointed auditor of RaySearch Laboratories AB (publ.) by the general meeting of the shareholders on the June 30, 2020 and has been the company's auditor since the May 22, 2013.

Stockholm April 29, 2021

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

THROUGH GOOD CONTROL AND A HEALTHY CORPORATE CULTURE, RAYSEARCH'S CORPORATE GOVERNANCE SHALL ENSURE SYSTEMATIC RISK MANAGEMENT AND LONG-TERM VALUE CREATION FOR SHAREHOLDERS.

This Corporate Governance Report was prepared by RaySearch's Board of Directors and describes RaySearch's corporate governance during the 2020 fiscal year. The report has been audited, and the Auditor's opinion can be found at the end of the report.

GENERAL

RaySearch is a Swedish public limited liability company with its registered office in Stockholm, and the company's Class B shares have been admitted to trading on Nasdaq Stockholm. This means that RaySearch's corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act and applicable EU regulations, and the rules and practices that apply to companies listed on Nasdaq Stockholm. RaySearch also applies the Swedish Corporate Governance Code ("the Code"), with the exceptions set out below. The aim of the Code is to build confidence in Swedish listed companies by promoting good corporate governance in these companies. The current Code is available at www.bolagsstyrning.se.

Companies that apply the Code must take an active position on the company's approach to the various provisions of the Code. If a company chooses to deviate from the Code's provisions, this must be reported in accordance with the "comply or explain" principle. This means that the company does not have to follow every provision of the Code but can choose other solutions deemed more appropriate under the given circumstances, provided the company openly states any such deviation, describes the solution it has chosen instead, and provides a good explanation. The size and complexity of companies applying the Code are varied and for individual companies, solutions other than the Code may also ensure good corporate governance. RaySearch is a relatively small company with a clear majority shareholder who is also active as the CEO of the company. This is the reason why RaySearch has chosen to deviate from some of the Code's provisions.

In addition to the external regulatory framework, there is an internal framework with a number of Group-wide governing documents, of which the most important are the Articles of Association as adopted by the AGM, the Board's rules of procedure and the Board's instructions for the CEO. In addition, there is a large number of internal policies, instructions and delegations that clarify responsibilities and powers within various areas. RaySearch's most important governing documents are gathered in the com-

pany's quality management system, which also describes the company's main processes and joint working methods.

GENERAL MEETING

The General Meeting is the company's supreme decision-making body. The date and location of the Annual General Meeting (AGM) is announced in connection with the third-quarter report and is simultaneously published on the company's website. Following motions by the shareholders, the Meeting Chairman as well as the Board of Directors and Chairman of the Board are elected at the AGM for a term of office until the close of the following AGM. Following motions by the Audit Committee, the audit firm is elected. The AGM is to be held within six months of the end of the fiscal year to resolve on matters including adoption of the income statement and balance sheet, and the allocation of profit. There are no special provisions regarding the function of the AGM in either the Articles of Association or, to the knowledge of RaySearch, in shareholder agreements. Nor are there any provisions in the Articles of Association regarding the appointment and dismissal of Board members, or amendments to the Articles of Association.

RaySearch may issue two classes of shares: Class A and Class B. RaySearch's Articles of Association do not contain any restrictions on how many votes each shareholder may cast at a general meeting. When voting at the AGM, each Class A share carries ten votes and each Class B share carries one vote. At December 31, 2020, the total number of shares in RaySearch was 34,282,773, comprising 8,454,975 Class A and 25,827,798 Class B shares, and the total number of votes was 110,377,548.

Shareholders representing 47.5 percent of the total number of shares and 74.3 percent of the total number of votes in the company participated in RaySearch's AGM on June 30, 2020 in Stockholm, Sweden. A number of precautionary measures were in place in conjunction with the 2020 AGM to reduce the risk of infection with the novel coronavirus. These included a recommendation that shareholders submit postal votes instead of physically attending the Meeting and only a small number of representatives from the Board and company management took part.

AUTHORIZATIONS PROVIDED BY THE AGM

The AGM has not currently authorized the Board to make decisions regarding a new issue of shares or a repurchase of own shares.

NOMINATION COMMITTEE

The company deviates from the rules of the Code by not appointing a Nomination Committee. In view of the shareholders' composition, a Nomination Committee has not been considered necessary. Proposals for, and the required information about, the Chairman of the Meeting, Board members, Chairman of the Board, audit firms and fees paid to Board members and audit firms, have instead been submitted by shareholders, the Board and the Audit Committee.

BOARD OF DIRECTORS

Under the Articles of Association, RaySearch's Board shall comprise no fewer than three and no more than eight members, with no more than three deputies. The company's Board of Directors is responsible for the company's organization and management of the company's affairs and, together with the CEO and company management, defines and continuously supervises the company's vision, mission and values. The role of the Chairman of the Board includes leading the Board's work and ensuring that the Board of Directors fulfills its duties.

At the AGM on June 30, 2020, six Board members were elected without deputies, including the Chairman of the Board, for the period until the close of the 2021 AGM. Carl Filip Bergendal, Johan Löf (CEO), Britta Wallgren, Hans Wigzell, Lars Wollung and Johanna Öberg were re-elected as Board members and Lars Wollung was also re-elected as Chairman of the Board. The composition of the Board fulfills the Code's requirements in respect of the independence of Board members. The independence of Board members is presented in the table below. The Board is presented on pages 56–57, along with the members' other significant assignments and shareholdings in RaySearch. Once each fiscal year, the Board undertakes an evaluation of its own performance using a systematic and structured process. The evaluation provides a basis for the Board's future work. The Board also evaluates

the CEO's performance and instructions regularly, at least once annually, but in this respect the company deviates from rule 8.2 of the Code's provisions by allowing the CEO to participate in the evaluation. The reason being that the CEO is a Board member, and the Board believes that the CEO's participation will not have a negative effect on the evaluation.

Those shareholders (representing approximately 67 percent of the voting rights in the company) who submitted a proposal for the composition of the Board prior to the 2020 AGM applied rule 4.1 of the Corporate Governance Code as a diversity policy. The aim of the policy is that the Board should be characterized by versatility and breadth in terms of the skills, experience and background of the AGM-elected members with consideration for the company's operations, phase of development and otherwise appropriate composition, and strive to achieve an even gender distribution. The 2020 AGM resolved in accordance with the submitted proposal, whereby the Board as of the 2020 AGM has consisted of six members (all re-elected), of whom two members were women (33 percent women). The members also have a broad mix of professional backgrounds and skills, and represents various sectors of the business community.

THE BOARD'S WORK IN 2020

The Board's work is governed by a formal work plan that is adopted annually and regulates such issues as the decision-making structure in the company, the Board meeting schedule and the duties of the Chairman. The Board as a whole addresses internal control issues that are its responsibility. In addition, the company's auditor personally reports their review observations to the Board every year. The Board held 13 meetings during the year, six of which was per capsulam. Due to the COVID-19 pandemic and to reduce the risk of spreading the virus, most of the Board's meetings were held as teleconference or video conference meetings. The attendance of the members is presented below.

THE BOARD'S INDEPENDENCE

Name	Position	Independent in relation to the Company and its management	Independent in relation to major shareholders
Carl Filip Bergendal	Board member,	Yes	Yes
Johan Löf	Board member, CEO	No (CEO of the company)	No (is personally such a shareholder)
Britta Wallgren	Board member	Yes	Yes
Hans Wigzell	Board member	Yes	Yes
Lars Wollung	Board member, Chairman	Yes	Yes
Johanna Öberg	Board member	Yes	Yes

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

Name	Class A shares	Class B shares	Total shares	Capital, %	Votes, %
Johan Löf	6,243,084	418,393	6,661,477	19.4	56.9
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Others	1,061,730	25,009,405	26,071,135	76.0	32.3
Total	8,454,975	25,827,798	34,282,773	100.0	100.0

In 2020, the Board resolved to establish an Audit Committee and Carl Filip Bergendal, Lars Wollung (Chairman) and Johanna Öberg were elected members of the Committee. The Audit Committee was established in August and held two meetings in 2020. All members of Committee participated in both meetings. The Committee's function is primarily preparatory, and the issues addressed by the Committee are minuted and reported at the following Board meeting. The Audit Committee's role includes quality assurance of financial reporting and the efficiency of the company's internal control. During the year, the Board has also considered the need to establish a Remuneration Committee, but found it more appropriate that these tasks be carried out by the Board in its entirety under the leadership of the Chairman. The reason being that the size of the Board and the company is not deemed to motivate a special committee for these duties, and that it is important that the Board has full insight into, and takes an active role in, these important tasks.

The Board determines the CEO's remuneration (without the CEO's participation). The remuneration of other senior management is determined following negotiations between the CEO and the individual employees, based on the guidelines adopted by the AGM. Application of the guidelines is monitored and evaluated by the Board, which also evaluates the variable remuneration of senior management.

ATTENDANCE AT BOARD MEETINGS 2020

Name	Attendance at board meetings ¹
Carl Filip Bergendal	7/7
Johan Löf	7/7
Britta Wallgren	7/7
Hans Wigzell	6/7
Lars Wollung	7/7
Johanna Öberg	7/7

¹ Not including per capsulam.

MAJOR DIRECT OR INDIRECT SHAREHOLDINGS

Shareholders with a direct or indirect shareholding in RaySearch who represent at least one-tenth of the votes in the company are presented in the table on the preceding page.

COMPANY MANAGEMENT

RaySearch's CEO leads the operations based on the framework established by the Board and appoints other members of senior management. RaySearch's senior management consists of the company's CEO, Deputy CEO, CFO, General Counsel, Chief Science Officer, Director of Research, Director of Development, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Service, Head of Machine Learning and the company's Quality and Regulatory Affairs Director.

During the year, business briefings under the CEO's leadership were conducted at least monthly, except during holiday periods when they occurred less frequently.

Company management also meets representatives of the US and European sales and marketing organizations on a regular basis, mainly through

the CEO and Director of Sales and Marketing, respectively, to monitor and evaluate the Group's operations in their entirety. Monitoring is based on the Group's annually established targets and budgets, including RaySearch's strategies, short and long-term targets, operational objectives, and competitor analyses. The Board is continuously informed about senior management's monitoring and evaluation measures.

INTERNAL CONTROL AND RISK MANAGEMENT

The role of the Board is to ensure that RaySearch has sound internal control and continuously remains informed of, and evaluates, the effectiveness of the company's internal control system. In view of the company's limited size and operational structure, the Board, in its annual assessment of the possible need for a separate function to review the company's internal financial controls, has concluded that there is no need for an internal audit function.

The control environment underlies all other components of RaySearch's internal control and risk management. In order to create and maintain a functioning control environment for financial reporting, the Board has established a number of basic documents, including special rules of procedure for the Board and instructions for the CEO. The Board has delegated responsibility for maintaining the Board's control environment framework to the CEO. The Board also determines the authorization instructions that delegate the CEO's authorization responsibilities to other senior executives at RaySearch. The CEO submits regular reports on the business situation and financial performance in relation to the budget and forecast to the Board and senior management. In addition, reports are also submitted by RaySearch's auditor. The internal control also builds upon a management system based on RaySearch's organization and manner of conducting business with clearly defined roles and areas of responsibility, and delegated authority. RaySearch has also documented the division of responsibilities within the organization through policies and instructions. RaySearch is a process-oriented company and has integrated risk assessment with business processes. RaySearch's senior management regularly assesses risks of material misstatement of the financial statements, as well as other operational risks. Risk management is also incorporated into each process and systematic methods are used to assess and mitigate risks, and to ensure that risks linked to the company's operations are managed in accordance with established regulations, instructions and monitoring procedures.

RaySearch's control structure includes clear roles and an effective delegation of responsibilities aimed at timely prevention of the risk of material misstatement of the financial statements. Company management has been tasked with implementing, further developing and maintaining the company's control structure. Process managers at various levels are responsible for the implementation of controls in respect of financial reporting. The closing accounts and reporting processes include checks in respect of valuations, reporting principles and estimates. RaySearch's CFO plays a key role in the internal control process by ensuring that financial reporting is accurate, timely and complete.

RaySearch has information and communication systems and processes to ensure complete and accurate financial reporting. The relevant employees are regularly informed about changes in accounting policies and report-

ing requirements or other information. The Board receives regular financial statements. External information and communication is governed by RaySearch's communication policy, which describes the company's general principles for information disclosure. The Board and senior management monitor RaySearch's compliance with adopted policies and guidelines. A whistleblower system is also in place to enable employees and others to report their concerns regarding suspected errors in RaySearch's financial reporting, failure to comply with the company's policies and regulations or other serious irregularities. RaySearch's financial situation is addressed at all scheduled Board meetings. The Board and management review the financial reporting before Interim and Annual Reports are pub-

lished. The auditor's duties also include an annual review of RaySearch's internal control, and a review of the Group's nine-monthly interim report. On at least one occasion each year the Board of Directors meets the auditor without the attendance of the CEO or any other members of company management when the auditor presents an account, and a discussion is held concerning the audit's focus and observations.

FURTHER INFORMATION

For more information about the Board and the CEO, refer to pages 56–57 and Note 5 in the Annual Report. For more information about the auditors, refer to page 56 and Note 6 in the Annual Report.

Stockholm, April 29, 2021

Lars Wollung
Chairman of the Board

Carl Filip Bergendal
Board member

Johan Löf
CEO
and Board member

Britta Wallgren
Board member

Hans Wigzell
Board member

Johanna Öberg
Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF RAYSEARCH LABORATORIES AB (PUBL.),
CORPORATE IDENTITY NUMBER 556322-6157

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2020 on pages 51–54 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 29, 2020

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

BOARD AND AUDITORS

1. CARL FILIP BERGENDAL

Board member since 2000.

Other significant assignments: Board member of Cafibe AB.

Year of birth: 1945.

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

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

Shareholding: 1,061,577 Class A and 139,920 Class B shares.

2. JOHAN LÖF

CEO. Board member since 2000.

Other significant assignments: Chairman of the RayFoundation profit-sharing foundation and Venture Cup Sweden. Several Board assignments for other companies in the RaySearch Group.

Year of birth: 1969.

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

Professional experience: CEO of RaySearch since 2000.

Shareholding: 6,243,084 Class A and 418,393 Class B shares.

3. BRITTA WALLGREN

Board member since 2018.

Other significant assignments: Board member of Stadsmissionen

Year of birth: 1963

Educational background: Registered medical practitioner, specialist in anesthesiology and intensive care. Leadership training in health and medical care at the Stockholm School of Economics and Harvard Business School.

Professional experience: Country President of Capio in Sweden since 2017 and member of Group Executive Committee of Ramsay General de Sante since February 2019. Business Area Manager of Capio S:t Görans Hospital 2009–2017. Head of Clinic for Anesthesiology and Intensive Care, Medical Director of Clinic for Anesthesiology and Intensive Care, Capio S:t Görans Hospital, Stockholm. Anesthetist Capio S:t Görans Hospital.

Shareholding: 5,000 Class B and 2,000 Class B shares via related parties

4. HANS WIGZELL

Board member since 2004. Professor emeritus at the Karolinska Institutet in Solna.

Other significant assignments: Chairman of the Board of Rhenman & Partners Asset Management AB. Board member of Karolinska Development AB, Sarepta Pharmaceuticals AB, Cadilla Pharmaceuticals Svenska AB and Wigzellproduktion AB. Chairman of the Stockholm School of Entrepreneurship. Member of the Royal Swedish Academy of Science and the Academy of Engineering Science.

Year of birth: 1938.

Educational background: Doctor of Medicine.

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

Shareholding: 0.

5. LARS WOLLUNG

Board member and Chairman since May 2019.

Other significant assignments: Chairman of the Board of Dignisia AB, Sundbom&Partners Group AB, mySafety Group AB and TPS Investment AB, and Board member of BlueStep Bank AB and Hoist Finance AB (publ).

Year of birth: 1961

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

Professional experience: Founder and CEO of Dignisia AB. Former CEO of Intrum Justitia AB (publ) (2009–2015) and Acando AB (publ) (2001–2008) as well as consultant at Operative Management Partners (own company) (1996–2001) and at McKinsey & Company (1987–1995). Industry advisor to EQT since 2016.

Shareholding: 7,343 Class B shares.

6. JOHANNA ÖBERG

Board member since 2017.

Other significant assignments: Chairman of the Board of Joint Academy, Board member of Coala Life AB and The Grand Group AB.

Year of birth: 1975.

Educational background: Graduate in Business Management from the Stockholm School of Economics.

Professional experience: Johanna is currently President and CEO of Memira. She has held several senior management positions in the media industry over the past 20 years, including 10 years with the Kinnevik Group, for both MTG and the world's largest newspaper Metro, where she served as CEO of Metro Puerto Rico. She was CEO of Stampen Media from January 2015 to April 2017.

Shareholding: 1,390 Class B shares.

AUDITOR

Auditing firm Ernst & Young AB

Anna Svanberg (auditor-in-charge)

Auditor of RaySearch Laboratories AB.

Authorized Public Accountant, Ernst & Young AB.

Year of birth: 1976.

Auditor for Feelgood Svenska AB (publ), Hemnet AB, Calliditas Therapeutics AB, Orexo AB, Oncopeptides AB, Benify AB and others.

1.



2.



3.



4.



5.



6.



MEET OUR SENIOR MANAGEMENT

(From left to right)

PETRA JANSSON
General Counsel

DAVID HEDFORS
Quality and Regulatory
Affairs Director

LARS JORDEBY
Director of Sales
for Asia & Pacific

JOHAN LÖF
CEO and founder

PETER KEMLIN
Director of Sales and
Marketing



PETER THYSELL
Chief Financial Officer

NICLAS BORGLUND
Director of Service

FREDRIK LÖFMAN
Head of Machine
Learning

HENRIK FRIBERGER
Director of Develop-
ment

KJELL ERIKSSON
Chief Science Officer

BJÖRN HÅRDEMARK
Deputy CEO



Senior executives, previous spread (from left).

1. PETRA JANSSON, GENERAL COUNSEL

Year of birth: 1973.

Educational background: Law degree from Lund University and Master of Law from the University of Cambridge.

Professional experience: Petra Jansson was appointed General Counsel in July 2017. Petra recently served as General Counsel at EKN. Her previous positions include Deputy General Counsel at Gambro and a lawyer at Mannheimer Swartling.

Shareholding: 1,000 Class B shares.

2. DAVID HEDFORS, QUALITY AND REGULATORY AFFAIRS DIRECTOR

Year of birth: 1976.

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

Professional experience: David Hedfors was appointed Quality and Regulatory Affairs Director of RaySearch in 2010. He was first employed in 2002 as a developer and has also worked as team and project manager. David is the company's Data Protection Officer.

Shareholding: 21,968 Class B shares.

3. LARS JORDEBY, DIRECTOR OF SALES FOR ASIA & PACIFIC

Year of birth: 1965.

Professional experience: Lars has almost 20 years of experience from sales and marketing activities in the radiotherapy industry at companies such as Scanditronix Medical AB, IBA Dosimetry AB, C-Rad AB and ScandiDos AB. His various positions include direct sales and sales management in markets including Europe, Asia and North America. He is also one of the founders and partners of the company ScandiNova Systems AB.

Shareholding: 1,800 Class B shares.

4. JOHAN LÖF, CEO AND FOUNDER

Member of the Board of RaySearch since 2000.

Other directorships: Chairman of the RayFoundation profit-sharing foundation and Venture Cup Sweden. Several Board assignments for other companies in the RaySearch Group.

Year of birth: 1969.

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

Professional experience: CEO of RaySearch since 2000.

Shareholding: 6,243,084 Class A and 418,393 Class B shares.

5. PETER KEMLIN, DIRECTOR OF SALES AND MARKETING

Year of birth: 1974.

Educational background: M.Sc. in Industrial Engineering from Chalmers University of Technology.

Professional experience: For the greater part of his career, Peter has worked in the medical technology sector as a consultant working for Swedish hospitals in order to implement cost-effective procurements as well as with sales and marketing, primarily in the radiation therapy business. In his role as Trade Commissioner at the Swedish Trade Council, he also established a large number of Swedish companies in new markets. Employed at RaySearch since 2012.

Shareholding: 300 Class B shares (and 1,098 via related parties)

6. PETER THYSELL, CHIEF FINANCIAL OFFICER

Year of birth: 1970.

Educational background: Graduate in Business Management from the Stockholm School of Economics.

Professional experience: Before joining RaySearch in March 2015, Peter worked as IPO Leader and acting Director Business Control for Scandic Hotels. Prior to that, he was Interim CFO of Åkers AB, President of SiC Processing GmbH, CFO of Generic Sweden AB (publ) and a management consultant at McKinsey & Company.

Shareholding: 1,000 Class B shares.

7. NICLAS BORGLUND, DIRECTOR OF SERVICE

Year of birth: 1971.

Educational background: Doctor of Physics, Stockholm University.

Professional experience: After completing his doctoral studies, Niclas Borglund worked at Savantic AB as a technical consultant, mainly with software development in high-tech projects. He joined RaySearch in 2006 as project manager in the development department. Director of Service since 2010.

Shareholding: 400 Class B shares.

8. FREDRIK LÖFMAN, HEAD OF MACHINE LEARNING

Year of birth: 1978.

Educational background: M.Sc. in Engineering Physics from Chalmers University of Technology and Doctor in Applied Mathematics in optimized radiation therapy from the Royal Institute of Technology in Stockholm.

Professional experience: Fredrik Löfman did his Ph.D. at RaySearch 2003–2008, after that he worked as a research engineer, developer and project manager of RayStation. Between 2011 and 2017 Fredrik worked at SEB with financial risk modeling. Fredrik re-joined RaySearch in 2017 to start and build up a machine learning department.

Shareholding: 1,400 Class B shares.

9. HENRIK FRIBERGER, DIRECTOR OF DEVELOPMENT

Year of birth: 1971.

Educational background: M.Sc. in Electronics from the Royal Swedish Institute of Technology. Human Physiology, one-term course at Karolinska Institutet.

Professional experience: After graduating in 1997, Henrik Friberger worked as a software developer at Pacesetter AB (later St Jude Medical AB) in the field of pacemaker systems until he joined RaySearch in 2001. Since that time, he has worked with software development and team and project management, and also managed one of the teams in the development department at RaySearch. He has served as RaySearch's Director of Development since 2013.

Shareholding: 16,500 Class B shares.

10. KJELL ERIKSSON, CHIEF SCIENCE OFFICER

Year of birth: 1973.

Educational background: M.Sc. in Engineering Physics from Uppsala University.

Professional experience: Kjell was appointed Chief Science Officer in RaySearch in 2015. He was first employed in 2001 as a developer and has worked as a Research Engineer since 2003.

Shareholding: 24,000 Class B shares.

11. BJÖRN HÅRDEMARK, DEPUTY CEO

Year of birth: 1977.

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

Professional experience: Björn Hårdemark completed his degree project at RaySearch in 2002 and has since held positions as Research Engineer, System Developer, Physicist, Head of Physics and Chief Science Officer at the company.

Shareholding: 18,000 Class B shares.

SUSTAINABILITY REPORT 2020

SUSTAINABLE STRATEGY

OUR VISION IS 'A WORLD WHERE CANCER IS CONQUERED.'

Our **mission** is to contribute to the continued advancement of cancer care by developing innovative software solutions that improve quality of life for cancer patients and save lives.



STRATEGY

SOFTWARE DEVELOPMENT AND R&D

- Product and patient safety
- Leading functionality for improved treatment outcomes
- Resource efficiency to reduce environmental impact

STRATEGIC PARTNERSHIPS

- Customers – cancer centers
- Research institutions
- Medical device suppliers

PROFITABLE AND SUSTAINABLE GROWTH

- Long-term profitability
- High ethical standards

ATTRACTIVE EMPLOYER

- Committed employees with a high level of expertise in an innovative culture
- Social sustainability (work environment, gender equality, etc.)

INNOVATIVE CULTURE

HIGH ETHICAL STANDARDS INCLUDING ANTI-CORRUPTION

RaySearch's activities aim to steadily improve cancer treatment to save and prolong human life and improve quality of life for cancer patients. Our vision is 'a world where cancer is conquered.'

We achieve this by developing innovative, safe and effective software solutions, which are used by cancer centers all over the world. RaySearch's software is currently used by over 2,600 centers in more than 65 countries. Together with our customers, we are striving to steadily optimize resources and streamline workflows in clinical environments, in order to improve treatment outcomes for cancer patients. This contributes to greater well-being for people and substantial economic benefits to society, which constitutes our most important contribution to global sustainable development. In parallel, this creates business opportunities for RaySearch.

FIGHT CANCER WITH INNOVATIVE SOFTWARE SOLUTIONS



Sustainable Development Goal 3, Target 3.4

By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

To achieve our aim and our vision, sustainability is naturally integrated into our business model, read more on page 1, and in our strategy. Our focus is particularly on the following areas:

- High level of patient and product safety
- Optimized resources and efficiency enhancements for the highest quality and reduced environmental impact
- Attractive employer with an innovative culture and committed employees
- High ethical standards

SUMMARY TABLE OF MOST IMPORTANT KPIS

Area	Why it is important	How we follow up	Target	Outcome 2020
High level of patient and product safety	To ensure that patients are not injured when our software is used in the provision of medical care	Number of patient safety incidents	0	3 (2)
Optimized resources and efficiency enhancements for the highest quality and reduced environmental impact	As more effective work flows at cancer centers will mean the lives of more patients can be saved and improved while reducing environmental impact	The number of new products/versions launched that will help cancer centers to optimize and enhance future treatments.	4	6 (4)
Attractive employer with an innovative culture and committed employees	To achieve our aim, we need to attract and retain committed employees with specialized skills	ESI/eNPS (employee net promoter score), meaning the number of employees who recommend RaySearch as an employer	100%	Not measured in 2020 owing to the current pandemic. Instead, regular pulse surveys were carried out. 2019: 86%
High ethical standards	A high standard of ethics and transparent approach are fundamental if we are to achieve our aim and for an expanding, profitable business	Number of confirmed incidents of corruption and actions taken	0	0 (0)

HIGH LEVEL OF PATIENT AND PRODUCT SAFETY

RaySearch's entire business is permeated by patient and product safety. Ensuring that patients are not injured when our software is used in the provision of medical care is key to us. It is also a prerequisite if we are to be a leading medical software manufacturer and broaden our product portfolio.

A robust quality management system ensures RaySearch's commitment to patient and product safety. This is audited annually, both internally and externally and the system is certified according to ISO 13485:2016 – the internationally agreed standard that sets out the requirements for a quality management system specific to the medical devices industry. The quality management system is certified by external regulators, for example every year in all markets affiliated with the MDSAP (Medical Device Single Audit Program) framework. Our software complies with relevant ISO and IEC standards, and several industry protocols for communication between medical devices. This contributes to our high level of patient safety, while also facilitating collaboration with new and existing partners by simplifying integration with their systems.

This enables us to comply with the rigorous regulatory requirements in all markets. One example is the EU's new medical device regulation (MDR), where we are well advanced in the certification process. The US, Chinese and Japanese quality system regulations and regulatory frameworks for medi-

cal devices are other examples. The regulatory frameworks for products using machine learning are new in all markets. We will continue to cooperate with the authorities on how these should be interpreted.

Together with other relevant departments, our Quality Department is responsible for ensuring that the company's operations comply with applicable product and patient safety regulations. The Quality and Regulatory Affairs Director is responsible for ensuring that the quality management system meets requirements.

Few incidents

RaySearch monitors the number of patient safety incidents. We send safety announcements to the market when needed and these are also reported to the databases of all relevant authorities. Our approach to patient safety is proactive and we would rather provide too much information for our customers than too little. The number of incidents is low and does not rise with a higher number of customers. This is due to a proactive approach to patient safety and we are proud of this work.

Summaries are presented in our Periodic Safety Update Report (PSUR) and the area is reported twice a year at Management Reviews. Our Medical Device Safety Officer from the Development department compiles and monitors handling.

OPTIMIZED RESOURCES AND EFFICIENCY ENHANCEMENTS FOR THE HIGHEST QUALITY AND REDUCED ENVIRONMENTAL IMPACT

For RaySearch, constant innovation is a prerequisite if we are to be successful. More than half of our employees are engaged in research and development. One key component in developing new RaySearch software is to constantly contribute to higher resource efficiency in cancer care in terms of time, quality, costs and materials. At the same time, the environmental impact can be reduced.

More effective work flows and better appliances for treatment at cancer centers will mean the lives of more patients can be saved and improved. Cancer centers that want to improve their treatments are not dependent on changing to the latest hardware. They can achieve similar positive outcomes by choosing RayStation for their treatment planning, as our software can, for example, increase the performance and lifespan of radiation therapy devices. The productivity increase could amount to 25–40 percent, which leads to higher quality in healthcare, greater capacity to treat more patients and reduced environmental impact. Our oncology information system, RayCare, also provides powerful tools for automating and creating more efficient workflows, as well as optimizing resource utilization for cancer centers. This has been particularly important during the current COVID-19 pandemic, when efficiency enhancements have saved valuable time and resources.

Machine learning continues to grow

Our machine learning department was started in 2017 and has since grown rapidly. The focus is on developing machine learning applications for RaySearch's products. Since 2018, machine learning applications have been available in RayStation to automate organ segmentation and treatment plan generation. Substantial time savings in patient treatment have been achieved through the use of automated organ segmentation. The time saving is in the region of 30–45 minutes per patient. This has helped to compensate for the shortage of physicians specialized in radiation therapy, which has been particularly valuable during the COVID-19 pandemic. In December 2020, the first version of RayIntelligence was launched, a series of new products based on new technology that can make it easier for cancer centers to use their data to streamline, improve and personalize future treatments. New versions of these products will be released throughout 2021.

Crucial strategic partnerships

Working together with strategic partners is another essential prerequisite. To develop the best, safest and most efficient software solutions, we collaborate with both leading medical device suppliers and the most eminent cancer centers. Our entire development model is based on these partnerships, which provide us with extensive clinical knowledge and resources. It is crucial that we understand and meet the real needs of these clinics. Our development work is conducted in close collaboration with the Royal Institute of Technology in Stockholm, Princess Margaret Cancer Centre (PMCC) in Canada, UMCG in the Netherlands, Heidelberg University Hospital in Germany, and Massachusetts General Hospital and the MD Anderson Cancer Center in the US.

Digital technology reduces our own environmental footprint

RaySearch's own environmental and climate-change impacts are limited. The main impact is derived from electricity consumption for computers, the heating of premises, transportation and business travel. Most of RaySearch's employees work in environmentally certified premises located centrally in Stockholm, that are easy to reach by public transport or other sustainable means of transport. We also use modern communication devices to reduce the need for business travel.

RaySearch is very well-adapted to digital collaboration. In conjunction with the COVID-19 outbreak, the company quickly switched to remote working. Training sessions that were previously held at the office are now held, very successfully, as webinars. Most internal and external meetings can be effectively held using digital tools. In other words, the company's delivery capacity has remained relatively unchanged, with a reduced environmental impact.

ATTRACTIVE EMPLOYER – PIONEERS WITH A CLEAR MISSION

In order to accomplish our mission to conquer the enormous challenge that cancer now poses for people all over the world, we must attract and retain committed and motivated employees with specialized skills in a number of different fields. We must also create a culture characterized by a pioneering spirit. Having the courage to challenge ourselves and think innovatively, without losing our customer and patient focus, is a prerequisite for remaining successful. This places high demands on us as an employer and on our employees.

RaySearch's employees have a very high level of education – 99 percent have university or college education. In the Research and Development departments, which accounts for half of RaySearch's employees, more than 20 percent also held a doctoral degree at the end of the year, majoring in various specialist fields.

Continued growth despite global pandemic

Even though the world experienced a global pandemic for most of 2020, RaySearch continued its global growth. We feel highly privileged to have welcomed 61 new employees to the company during the year, which means an increase of about 8 percent in the number of employees. At year-end, the total number of employees in the RaySearch Group was 395, of whom 293 were based at the head office in Stockholm and 102 in the international subsidiaries. During the year, the company also expanded through a new subsidiary in Australia, this is in addition to the existing subsidiaries in ten countries in Europe, the US and Asia.

Continuous growth places high demands on a good introduction at the commencement of employment. Given the impact the pandemic had on opportunities for social interaction and the recommendations issued for remote working, we worked hard to redirect our onboarding program and increase opportunities for social interaction online. These included a virtual Christmas dinner and other social activities worldwide, not least to allow us to get to know new colleagues.

Innovative company culture with clear focus on quality

Our shared values help us to focus on what makes a real difference for cancer patients. We endeavor to uphold an innovative culture without losing focus on high quality and a long-term approach, which permeates everything that we do. In RaySearch's Code of Conduct, we have compiled the most important factors for us. All employees become acquainted with these guidelines through both introductory seminars and regular training.

RaySearch strives to create a workplace that supports both professional and personal development for employees and that promotes health and well-being. Retaining and attracting new employees with a high level of expertise, and who match current and future needs for competence, is essential if we are to remain successful.

Strength through diversity

We are all different, and our differences are needed if we are to succeed with our joint mission. The number of employees of different nationalities increased sharply in 2020, from 23 nationalities to 31, which we consider positive from a diversity point of view. Having employees from different cultural backgrounds and with different language skills is a strength for RaySearch, particularly when in contact with customers in the global market.

Treating each other with respect is a basic premise of our operations. Every individual is to be encouraged to reach their full potential. Everyone's knowledge, skills and abilities should be respected and valued regardless of sex, gender identity, ethnicity, religion, disability, sexual orientation or age. No form of discrimination, bullying or harassment is tolerated. Our anti-discrimination and harassment policy contains clear guidelines for preventing, managing and monitoring such situations. RaySearch is constantly engaged in proactive work for equal opportunities, which was put to the test during the COVID-19 pandemic, when RaySearch as a company managed the special needs that arose relating to employees' parenthood and living situations. Many employees have had far from perfect conditions to work undisturbed from home and many of our employees, primarily in the subsidiaries, have had to combine paid employment by RaySearch with shared working hours and space at home with their partner and care for sick children in parallel with home schooling.

Responsive leadership, adapting the working situation and demands on employees to suit each individual's specific situation, was crucial in enabling employees to continue to reach their full potential. One interesting, and worrying, change we noted in 2020 from the perspective of equality was that the proportion of parental leave taken by women almost doubled compared with parental leave taken by men in the Parent Company versus the preceding year, when the split between the genders was equal. This follows a global development identified during the COVID-19 pandemic. It is, however, a trend we expect to see reverse when the pandemic ends.

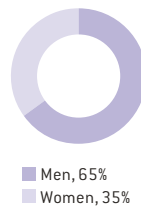
The company's plans to review and conduct in-depth training sessions in the area of discrimination and harassment were rescheduled to 2021 in the wake of COVID-19. However, the company continued its purposeful work during the pandemic with a focus on equal opportunity and gender equality.

It is important to create a workplace where all employees have the same conditions and opportunities. RaySearch has retained a percentage of women that is relatively high for the industry and women accounted for 35 percent of its global workforce in 2020. The proportion of women in senior positions largely corresponds to the general composition of the organization.

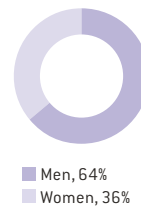
Work continued during the year towards non-discriminatory recruitment within the framework of our competence-based recruitment process. This is to intensify the focus on an objective evaluation of competence. As part of its work for equal rights and opportunities, RaySearch also prepared new procedures for internal recruitment aimed at promoting opportunities for career development and fair selection based on qualifications. It is clear from the salary survey conducted every year that RaySearch has been successful in its endeavor to offer equal pay to women and men. Despite substantial growth again in 2020, RaySearch still has few cases of unequal pay and as these are continuously monitored through action plans, there is a gradual decrease in unjustified pay differentials between men and women, which we have noted over the past four years.

Due to the problems of physically attending employer trade fairs in 2020, RaySearch decided not to participate in "Womenhack" which has previously offered our female workers an opportunity to engage in the issue of diversity by representing RaySearch as a company that promotes gender equality and supports the participation of women in a technology-intensive workplace.

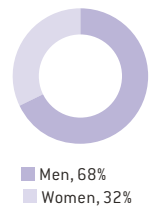
GENDER DISTRIBUTION, TOTAL



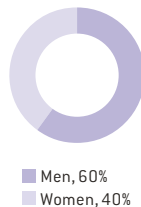
GENDER DISTRIBUTION, SWEDEN



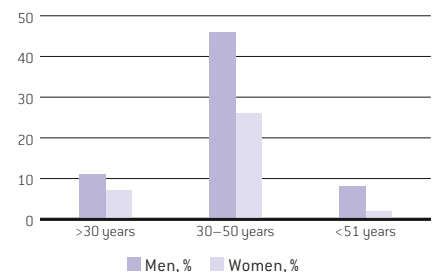
SENIOR POSITIONS, SWEDEN



GENDER DISTRIBUTION, BOARD



AGE DISTRIBUTION



Innovative culture needs constant competence development

Competence development and performance monitoring are key to a company like RaySearch, where innovation and development are vital for continued success. We have a firmly established process in place to ensure that every employee has the best conditions for being able to contribute to the company's mission and targets. The foundation is provided by regular talks between managers and employees focusing on constructive feedback and positive reinforcement of desired behaviors. Competence development at RaySearch is in part achieved by taking on new roles and challenging assignments together with colleagues, with opportunities to use the latest software development technologies. Our employees are encouraged to take part in various training courses, both internal and external, and to attend trade fairs and other external events.

RaySearch has a long-term vision to concentrate its efforts more on learning and development. In 2020, the company began a focused initiative to implement a learning and training platform to increase the range and availability of competence development initiatives for our employees. This work will continue in both 2021 and 2022.

Leadership more important than ever during the coronavirus crisis

Leadership naturally demands change in a major crisis, which RaySearch has also experienced. Since the start of the pandemic, RaySearch's main priority has been the health and safety of the company's employees. In a team effort, the company has also worked to ensure continuous high levels of productivity in all business functions to facilitate expected deliveries to customers. Similar to most organizations, the company has faced new challenges in terms of leadership. Our managers have needed to switch to a style of leadership with greater responsiveness and individual adjustments, to manage the transition all employees have experienced in their changed work and living conditions. Certain issues have been a problem, such as how to ensure a good working environment when staff are working from home, how we can ensure safe business travel for personnel and how we can handle the trend of growing mental ill-health in the wake of COVID-19, something that RaySearch has also seen traces of. One key success factor is that we are highly adaptable as a company and have worked actively with various technological solutions to manage the transition to remote working. Most of the company has established a new virtual meeting structure and digital channels to increase information flows and stimulate social interaction. Both customer deliveries and our employee satisfaction surveys indicate that we have managed the transition in a commendable manner.

During the year, we continued to train employees in various forms of leadership, not only managers. RaySearch has a high level of ambition, with the target that 100 percent of our managers and employees in senior roles will have undergone leadership training. At the end of the year, 100 percent of managers had completed leadership training. The leadership initiatives will continue in 2021 since RaySearch has filled a number of senior positions as project managers and team leaders during the year. New managers at RaySearch undergo both internal and external management training.

Wellness and social activities – adjustments during the pandemic

We always want to offer our employees a positive physical and psychosocial work environment, and a healthy work-life balance. During the pandemic, we also continued to work actively with workplace ergonomics. In March 2020 when we switched to remote working following government recommendations, we allowed all employees to take their office chairs and technical working tools home, in order to encourage good ergonomics when working remotely. Employees can also lease height-adjustable desks through the company for their home office.

We also highlighted the private preventive health insurance and occupational health care schemes that cover all employees at the head office in Stockholm. In 2020, we noted an increase in use, particularly related to mental ill-health. However, we have noted a reduction in our sick leave figures compared with last year. The proportion was low, 1.77 percent in the Parent Company in 2020, which is lower than the national average.

RaySearch wants to make it easy for our employees to include exercise and physical activity in their daily routines and RaySearch offers a generous wellness subsidy. During the pandemic, we saw a high utilization rate of 80 percent of employees in 2020.

In this year's employee satisfaction surveys we identified an interest among employees for more physical activity and social interaction and therefore arranged social activities and physical training online within the company.

Remote working does not suit everyone, and we therefore decided at an early stage that the Stockholm office would remain open to meet the needs of employees who did not want to or found it difficult to work remotely.

Follow-up for continuous improvements

Normally, RaySearch conducts annual employee satisfaction surveys of the entire company in order to measure and monitor the results of implemented activities, to identify improvement areas and to give employees an opportunity to present their views. During the pandemic, RaySearch chose to adapt and hold the employee satisfaction surveys more frequently. During the first stage of the pandemic, RaySearch sent daily pulse surveys to employees with a focus on identifying health and productivity issues linked to the transition to remote working.

In summary, we identified that employees considered that the transition to remote working was well managed with continued high productivity. Managers were considered to be available and supportive and teamwork worked well. Challenges identified included collaboration between departments, home ergonomics and a lack of interaction and social contacts.

RaySearch also carried out a more comprehensive employee satisfaction survey where we identified that employees continue to believe that company information is adequately available, that their performance remains good and that they are coping well with remote working. However, almost 20 percent of the Parent Company's personnel reported physical and mental health-related problems, something we take very seriously and are studying further to implement the necessary improvement initiatives.

We were not surprised by the slight increase in employee turnover in 2020. During the year, it amounted to 11 percent, which is still low compared with the industry average for the high-tech companies in Sweden of about 15 percent. Our focus in 2020 was to transition our working methods and leadership and to ensure the health and safety of the company's employees, at the same time as we sought to retain continuous high levels of productivity in all business functions to facilitate expected deliveries to customers.

HIGH ETHICAL STANDARDS

RaySearch's operations must be pursued in a manner that meets the high demands and expectations of our stakeholders. Everything we do should be characterized by responsibility and high ethical standards. Unethical business culture may pose a risk for our customers, patients, employees, business partners, for society at large, and for us as a company. If RaySearch is to pursue a long-term sustainable and profitable business operation that can grow and develop, high ethical standards and a transparent and proactive approach are fundamental. This is a prerequisite for nurturing the RaySearch brand.

Responsible business the key to success

All internal relationships as well as relationships with customers, business partners and other stakeholder groups should be characterized by responsible, ethical and sound business principles. RaySearch follows all applicable local and international laws and rules, and does not tolerate any form of corruption, including bribery, fraud and anti-competitive practices, or violation of human rights.

The responsibility for business ethics lies with each respective department. The Legal Department has overall responsibility for the Code of Conduct and the company's anti-corruption policy and the guidelines for collaboration are based on the medtech industry's ethical codes (Global Policy on Interactions with Healthcare Professionals). The department is also responsible for training and informing all employees about these codes. The company's Quality Department performs regular audits of the company's policies and processes, while the responsibility for implementation and decision-making lies with each department. The Legal Department assists in drawing up contract templates and offers continuous advice in accordance with applicable laws, rules and ethical codes, such as when new research projects and contracts with healthcare and medical services are initiated. The Board is regularly informed of matters concerning business ethics and compliance by the CEO and General Counsel.

Code of Conduct for ethics at all stages

RaySearch's Code of Conduct provides a framework for what RaySearch considers responsible and sustainable behavior. The Code of Conduct defines the company's principles and policies for business ethics. The Code of Conduct was adopted by the Board at the end of 2017 and subsequently implemented in the quality management system in early 2018. The Code of Conduct has been adapted for RaySearch's operations and is based on the Uni-

versal Declaration of Human Rights, the ILO Conventions, the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Part of the Code of Conduct describes RaySearch's zero tolerance of working conditions similar to modern slavery, internally and by suppliers. As part of these efforts, a Modern Slavery Statement is prepared every year, where the Board presents the measures taken to ensure that modern slavery and trafficking do not exist in any part of our supply chain. RaySearch's Modern Slavery Statement for the 2020 fiscal year is available on our external website.

The Code of Conduct covers all employees, Board members, independent consultants and other people acting on behalf of RaySearch. It is available to all employees on the intranet and is included in the introductory manual that all employees become acquainted with when their employment commences. The Code of Conduct is also a key component of RaySearch's Compliance Program Training, which all employees undergo every year. In 2020, 89 percent of employees completed this training. The Code of Conduct is also given prominence during the Legal Intro seminar, which is held for all new employees.

RaySearch monitors its business ethics measures by reporting the number of confirmed corruption incidents and actions taken during the year, as well as the number of legal disputes in regard to anti-competitive practices. In 2020, there were no confirmed corruption incidents or legal disputes in regard to anti-competitive practices.

Screening of distributors and agents

In markets where RaySearch does not have its own sales organization, we work with external distributors and agents. This business model place high demands on internal strategies and processes to identify and prevent corruption risks. RaySearch conducts business activities in several geographic markets where corruption is both a risk and a real hindrance to development and growth. There is also a clear link between countries with widespread corruption and a lack of respect for human rights.

RaySearch's Business Partner Background Check and Customer Screening Procedure ensures effective due diligence using internal and external tools. This review process for customers and external partners has been in place since 2017. Our Code of Conduct is distributed to business partners in certain high-risk countries, especially distributors and agents, together with the requirement to sign our Code of Conduct Compliance Form. More than 20 business partners signed the form in 2020. No breaches arose during the year.

Responsibility for reviewing and monitoring suppliers lies with each respective department.

ABOUT RAYSEARCH'S SUSTAINABILITY REPORT

RaySearch's sustainability report has been prepared in accordance with the Swedish Annual Accounts Act. The sustainability report relates to the 2020 fiscal year and comprises RaySearch's operations as they appeared at the beginning of 2020. This is the third year that RaySearch has published a sustainability report. RaySearch intends to publish a sustainability report on an annual basis. The report and its contents have not been reviewed externally.

In 2017, RaySearch began to apply a more structured approach to sustainability and in 2018, conducted a materiality assessment to identify the most material topics for RaySearch. The materiality assessment was based on the Global Reporting Initiative's (GRI) guidelines to identify and prioritize the company's most important sustainability topics, and to validate the process and results. The identification of sustainability topics that can reasonably be considered material for RaySearch was based on the actual impact of our operations on the environment, people, society and the economy.

Ongoing dialog with the company's stakeholders is a key component of the materiality assessment and during this process, we approached a range of stakeholder groups, that in various ways are part of, or impacted by, our business in order to include their needs, wishes and expectations. The

stakeholder dialog was conducted with customers (cancer centers and hospitals that treat patients), employees, investors and shareholders, business partners, distributors, suppliers, regulators, policy makers and industry organizations.

The assessment was presented to management and resulted in five strategic material topics, including the overarching aim to fight cancer with innovative software solutions. All of the areas are within the framework of RaySearch's core business. Work to further develop levels of ambition, targets and metrics linked to the identified sustainability topics continued in 2020. It will also continue to develop as we move forward.

As part of the materiality assessment, RaySearch also assessed the company's risks and opportunities across the entire value chain. A description of the primary risks and how RaySearch manages these risks can be found in "Risks and risk management" on pages 9–11.

For more information, please contact:

Peter Thysell, CFO

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E-mail: peter.thysell@raysearchlabs.com

Stockholm, April 29, 2021

Lars Wollung
Chairman of the Board

Carl Filip Bergendal
Board member

Johan Löf
CEO and Board member

Britta Wallgren
Board member

Hans Wigzell
Board member

Johanna Öberg
Board member

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF RAYSEARCH LABORATORIES AB, CORPORATE IDENTITY NUMBER 556322-6157

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement for the year 2020 on pages 62–68 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability

statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm, April 29, 2021

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

SHARES AND OWNERSHIP

NUMBER OF SHARES AND SHARE CAPITAL

At December 31, 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 share capital in the company amounted to SEK 17,141,386.50. All shares carry equal rights in the company's assets and earnings. Each Class A share carries 10 votes and each Class B share carries one vote. At December 31, 2020, the total number of votes in the company was 110,377,548. All shareholders entitled to vote at the AGM may vote for the full number of shares owned or represented by them, with no restrictions on voting rights. The proportion of foreign owners' shareholdings in RaySearch decreased from 38.5 percent at December 31, 2019 to 35.5 percent at December 31, 2020. The number of shareholders increased and at December 31, 2020 was 7,221 [6,843].

OWNERSHIP STRUCTURE – SHAREHOLDER CATEGORIES, %	Capital	Votes
Foreign shareholders	35.5	11.0
Swedish shareholders	64.5	89.0
<i>of which, institutions</i>	23.8	7.4
<i>individuals</i>	40.6	81.6

STATEMENT FROM SOME OF THE PRINCIPAL SHAREHOLDERS

The aim of the principal owners – Johan Löf, Anders Brahme and Carl Filip Bergendal – is to remain significant long-term shareholders of RaySearch.

SHAREHOLDER AGREEMENTS

As far as the Board of Directors of RaySearch is aware, there are no shareholder agreements for either Class A or Class B shares.

OWNERSHIP STRUCTURE – 10 LARGEST SHAREHOLDERS AT DEC 31, 2020

Name	Class A shares	Class B shares	Total shares	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
First AP Fund	0	1,982,448	1,982,448	5.8	1.8
Swedbank Robur Funds	0	1,800,000	1,800,000	5.3	1.6
La Financière de l'Echiquier	0	1,747,176	1,747,176	5.1	1.6
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	926,391	926,391	2.7	0.8
Second AP Fund	0	880,942	880,942	2.6	0.8
C WorldWide Asset Management	0	851,612	851,612	2.5	0.8
Total, 10 largest shareholders	8,454,822	12,946,882	21,401,704	62.4	88.3
Others	153	12,880,916	12,881,069	37.6	11.7
Total	8,454,975	25,827,798	34,282,773	100.0	100.0

OWNERSHIP STRUCTURE – SIZE OF HOLDING AT DEC 31, 2020

	No. of shareholders	Number of Class A shares	Number of Class B shares	Capital, %	Votes, %
1–500	5,754	153	656,746	1.92	0.60
501–1,000	643	0	522,185	1.52	0.47
1,001–2,000	366	0	568,859	1.66	0.52
2,001–5,000	250	0	815,610	2.38	0.74
5,001–10,000	77	0	569,626	1.66	0.52
10,001–20,000	51	0	745,783	2.18	0.68
20,001–50,000	37	0	1,191,024	3.47	1.08
50,001–100,000	12	0	908,130	2.65	0.82
100,001–500,000	18	0	4,289,209	12.51	3.89
500,001–1,000,000	6	0	4,436,218	12.94	4.02
1,000,001–5,000,000	6	2,211,738	10,706,015	37.68	29.74
5,000,001–10,000,000	1	6,243,084	418,393	19.43	56.94
Total	7,221	8,454,975	25,827,798	100.00	100.00

LISTING ON NASDAQ STOCKHOLM

RaySearch's share has been listed on Nasdaq Stockholm since 2003. On January 4, 2016, RaySearch was moved to the Mid Cap segment following Nasdaq's annual review of Nordic market capitalization segments.

SHARE TRADING AND SHARE PRICE TREND

In 2020, a total of 28.6 million (16.6) RaySearch shares were traded at a value of SEK 2,337 M (2,120). This corresponds to an average price of SEK 81.6 (127.4). The highest price paid in 2020 was SEK 113.4 on July 7. The lowest price paid during the same period was SEK 50.45 on March 3. On the last trading day of the year, December 30, the closing price was SEK 82.7 (107.2). In 2020, RaySearch's share price fell 25 percent (rose 10), while the OMXS30 rose 5.8 percent (rose 25.78) for 2020. At the end of December,

RaySearch's market capitalization was SEK 2,835 M (3,675). In this calculation, Class A shares, which are not listed on the stock exchange, have been assigned the same value as the listed Class B shares.

OPTION PROGRAMS

RaySearch currently has no options programs outstanding.

DIVIDEND POLICY

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

CHANGES IN SHARE CAPITAL OF RAYSEARCH

Year	Transaction	Quotient value, SEK	Change in number of shares	Increase in share capital	Number of Class A shares	Number of Class B shares	Total number of shares	Total share capital, SEK
2005	Opening balance	1.5			4,237,604	6,275,457	10,513,061	15,769,591.50
	Non-cash issue (B)		914,530	1,371,795	4,237,604	7,189,987	11,427,591	17,141,386.50
	Reclassification 2005				-24,596	24,596		
	Closing balance	1.5			4,213,008	7,214,583	11,427,591	17,141,386.50
2006	Reclassification 2006				-100	100		
	Closing balance	1.5			4,212,908	7,214,683	11,427,591	17,141,386.50
2008	3:1 share split, 2008		22,855,182		8,425,816	14,429,366		
	Closing balance	0.5			12,638,724	21,644,049	34,282,773	17,141,386.50
2009	Reclassification 2009				-252,756	252,756		
	Closing balance	0.5			12,385,968	21,896,805	34,282,773	17,141,386.50
2011	Reclassification 2011				-1,061,577	1,061,577		
	Closing balance	0.5			11,324,391	22,958,382	34,282,773	17,141,386.50
2015	Reclassification 2015				-1,061,577	1,061,577		
	Closing balance	0.5			10,262,814	24,019,959	34,282,773	17,141,386.50
2016	Reclassification 2016				-1,567,839	1,567,839		
	Closing balance	0.5			8,694,975	25,587,798	34,282,773	17,141,386.50
2017	Reclassification 2017				-40,000	40,000		
	Closing balance	0.5			8,654,975	25,627,798	34,282,773	17,141,386.50
2018	Reclassification 2018				-200,000	200,000		
	Closing balance	0.5			8,454,975	25,827,798	34,282,773	17,141,386.50

SHAREHOLDER REGISTER, COMPLETE – RAYSEARCH LABORATORIES AB (PUBL) AT DEC 31, 2020 – LARGEST SHAREHOLDER COUNTRIES

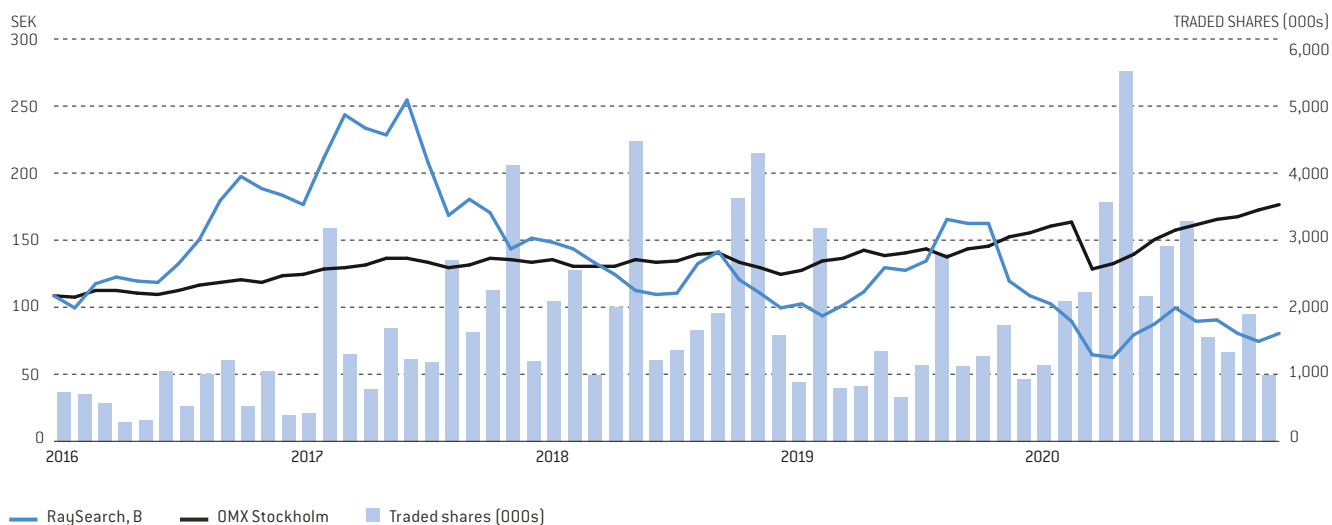
Name	No. of shareholders	Shareholders (%)	Holding	Holding, %	Votes	Voting rights, %	Market capitalization (SEK 000s)
Domiciled in Sweden	6,866	94.87	22,099,645	64.46	98,194,420	88.96	1,827,641
Rest of the world	371	5.13	12,183,128	35.54	12,183,128	11.04	1,007,545
Total Dec 31, 2020	7,237	100.00	34,282,773	100.00	110,377,548	100.00	2,835,185

SHAREHOLDER REGISTER, COMPLETE - RAYSEARCH LABORATORIES AB (PUBL) AT DEC 31, 2020 – LEGAL-NATURAL PERSONS

Name	No. of shareholders	Shareholders (%)	Holding	Holding, %	Votes	Voting rights, %	Market capitalization (SEK 000s)
Natural persons	6,747	93.44	14,012,959	40.87	90,107,707	81.64	1,158,872
of whom domiciled in Sweden	6,682	92.54	13,933,570	40.64	90,028,318	81.56	1,152,306
Legal persons	474	6.56	20,269,814	59.13	20,269,841	18.36	1,676,314
of whom domiciled in Sweden	184	2.55	8,166,075	23.82	8,166,102	7.40	675,334
Total Dec 31, 2020	7,221	100.00	34,282,773	100.00	110,377,548	100.00	2,835,185
of whom domiciled in Sweden	6,866	95.08	22,099,645	64.46	98,194,420	88.96	1,827,641

SHARE PRICE TREND

The diagram shows the share price trend for RaySearch from January 2016 up to and including December 2020, and the number of shares traded per month.



MULTI-YEAR OVERVIEW – KEY FIGURES

KEY FIGURES AND CONDENSED FINANCIAL DATA

The summary shows how the core business developed between 2010–2018, and has been prepared in accordance with IFRS.

GROUP	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Income statement										
Net sales, SEK M	651.6	741.6	627.2	585.1	531.5	397.6	285.2	204.5	182.1	126.1
Sales growth, %	-12.1	18.2	7.2	10.1	33.7	39.4	39.5	12.3	44.4	7.1
Operating profit, SEK M	-3.5	68.2	94.5	159.7	199.6	95.3	79.4	-25.7	22.5	27.6
Operating margin, %	-0.5	9.2	15.1	27.3	37.5	24.0	27.8	-12.6	12.4	21.9
Equity/assets ratio, %	54.0	55.8	59.5	63.4	64.2	65.9	64.5	65.7	74.2	75.4
Equity/assets ratio (without IFRS 16), %	58.0	61.6	59.5	63.4	64.2	65.9	64.5	65.7	74.2	75.4
Capital employed, SEK M	840.7	876.2	789.0	664.2	521.7	357.7	292.6	196.6	217.5	196.7
Return on capital employed ² , %	-0.4	8.2	13.0	27.3	45.4	29.4	32.6	-12.0	11.4	14.6
Equity, SEK M	694.4	705.5	657.5	580.4	460.2	319.5	251.5	196.6	217.6	196.7
Return on equity ² , %	-1.3	7.1	12.7	22.6	38.8	24.6	26.7	-10.1	9.6	8.6
Interest-bearing liabilities, SEK M	146.3	170.7	131.5	83.8	61.5	38.2	41.1	-	-	-
Net debt, SEK M	-22.4	56.8	19.3	-20.4	-26.2	-21.5	-15.0	-38.2	-61.9	-28.7
Net debt (without IFRS 16), SEK M	-118.2	-64.3	19.3	-20.4	-26.2	-21.5	-15.0	-38.2	-61.9	-28.7
Debt/equity ratio	0.0	0.1	0.0	0.0	-0.2	-0.1	-0.1	-0.2	-0.3	-0.1
EBITDA, SEK M	210.3	250.7	208.3	231.0	266.9	151.8	137.6	28.2	72.1	62.6
Net debt/EBITDA	-0.1	0.2	0.1	-0.1	-0.1	-0.1	-0.1	-1.4	-0.9	-0.5
Per share data										
Earnings/loss per share before dilution, SEK	-0.26	1.47	2.29	3.43	4.42	2.05	1.75	-0.61	0.58	0.50
Earnings/loss per share after dilution, SEK	-0.26	1.47	2.29	3.43	4.42	2.05	1.75	-0.61	0.58	0.50
Equity per share, SEK	20.25	20.58	19.18	16.93	13.42	9.32	7.34	5.73	6.35	5.74
Cash flow from operating activities per share, SEK	9.67	9.34	5.21	4.30	3.53	3.25	1.47	0.91	2.55	0.99
Dividend per share, SEK	-1	-	-	-	-	0.25	-	-	-	-
Share price at year-end, SEK	82.7	107.2	96.5	171.0	184.5	122.5	53.0	27.4	20.8	14.5
P/E ratio	-312.2	72.9	42.1	49.8	41.8	59.8	30.4	neg.	35.9	29.1
Other										
Number of shares outstanding before dilution	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283
Number of shares outstanding after dilution	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283
Average no. of employees	394	331	283	228	184	157	126	107	92	78

¹ According to the Board's proposal.

² In preceding years, an income measurement based on rolling 12-month figures was used but as of 2013, and for the comparative figures, an annual income measurement has been used.

DEFINITIONS OF KEY RATIOS

The Annual Report refers to a number of non-IFRS 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
Return on equity	Profit after tax, as a percentage of average equity	Shows the return generated on the owners' invested capital from a shareholder perspective
Return on capital employed	Operating profit plus financial income, as a percentage of average total assets excluding non-interest-bearing liabilities	A central measure for measuring the return on all tied-up working capital
Gross profit	Net sales minus cost of goods sold	Gross profit is used to measure the margin before sales, research, development and administrative expenses
EBITDA	Profit before depreciation/amortization and impairment	Relevant as a measure of the company's ability to generate cash flow before capital tied up in operations and financial flows
Equity per share	Equity divided by number of shares outstanding at the end of the period	Shows the return generated on the owners' invested capital per share from a shareholder perspective
Cash flow from ongoing operations per share	Cash flow from operating activities divided by the average number of shares during the period	Shows the cash flow generated by operating activities per share
Net margin	Profit after tax, as a percentage of net sales	The net margin shows the percentage of net sales remaining after the company's expenses have been deducted
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
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
Net debt/EBITDA	Net debt in relation to operating profit before depreciation and amortization	A relevant measure from a credit perspective that shows the company's ability to handle its debt
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
Order intake	The value of all orders received and changes to existing orders (performance obligations) in the order backlog that the company has not delivered during the period	Order intake is an indicator of future revenue and thus a key figure for the management of RaySearch's operations
Organic sales growth	Sales growth adjusted for 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
P/E ratio	Share price at year-end divided by earnings per share	Shows how the market values the share from a shareholder perspective in relation to the company's recognized profit after tax
Interest-bearing liabilities	Liabilities requiring the payment of interest	Shows the actual interest-bearing debt burden
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
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
Operating profit	Operating profit before financial items and tax	Operating profit provides an overall picture of the total generation of earnings in operating activities
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
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
Equity/assets ratio and net debt (without IFRS 16)	Equity/assets ratio and net debt adjusted for right-of-use assets and lease liabilities	Shows measurements made according to IAS 17 instead of IFRS 16 for comparability with earlier periods
Capital employed	Total assets less non-interest-bearing liabilities and deferred tax liabilities	This measure shows how much capital is used in the business and is therefore one of two components for measuring return from the operations
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
Dividend per share	Dividend divided by number of shares outstanding at year-end	Shows the direct return generated from a shareholder perspective

CALCULATION OF NON-IFRS FINANCIAL MEASURES, AMOUNTS IN SEK 000S

Working capital	Dec 31, 2020	Dec 31, 2019
Accounts receivable (current billed customer receivables)	156,811	194,752
Current unbilled customer receivables	143,941	191,064
Long-term unbilled customer receivables	26,928	20,370
Inventories	9,110	4,623
Other current receivables (excl. tax)	74,980	54,334
Accounts payable	-19,864	-33,202
Other current liabilities (excl. tax)	-312,791	-238,885
Working capital	79,115	193,056

Capital employed	Dec 31, 2020	Dec 31, 2019 ¹
Total assets	1,284,904	1,264,224
Current interest-bearing liabilities	-335,497	-272,884
Deferred tax liabilities	-108,749	-115,145
Capital employed	840,658	876,195

Net debt	Dec 31, 2020 ²	Dec 31, 2019 ¹
Current interest-bearing liabilities	92,519	84,931
Long-term interest-bearing liabilities	53,788	85,796
Cash and cash equivalents	-168,746	-113,858
Net debt	-22,439	56,869

Net debt (without IFRS 16)	Dec 31, 2020 ²	Dec 31, 2019 ²
Net debt	-22,439	56,869
Less: Lease liabilities	-95,779	-121,202
Net debt	-118,218	-64,333

Equity/assets ratio (without IFRS 16)	Dec 31, 2020 ¹	Dec 31, 2019 ¹
Equity	691,339	702,369
Total assets	1,191,640	1,139,930
Equity/assets ratio	58.0	61.6

EBITDA	2020 ²	2019 ²
Operating profit/loss	-3,466	68,169
Amortization and depreciation	213,799	182,497
EBITDA	210,333	250,666

Change in organic sales	2020 ²	2019 ²
Net sales for the year	651,612	741,584
Currency adjustment	13,805	-40,106
Adjusted net sales	665,417	701,478
Net sales, preceding year	741,584	627,218
Change in organic sales	-10.3%	11.8%

¹ IAS 17 compliance.

² IFRS 16 compliance.

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