

RAYSEARCH LABORATORIES AB (PUBL)

INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2012

JANUARY 1 – SEPTEMBER 30, 2012

- Net sales for the period amounted to SEK 105.2 M (80.3)
- Loss after tax of SEK 5.5 M (profit: 10.2) was reported and loss per share was SEK 0.16 (earnings: 0.30)
- Operating loss was SEK 3.7 M (profit: 13.0)
- Cash flow amounted to SEK 14.8 M (deficit: 30.8)
- The first complete version of RayStation® was released in January and an additional new version in August
- A total of 14 orders for RayStation® were received from Australia, Italy, Canada, Switzerland, South Korea, Germany and the US
- Distribution agreement signed for Spain in May
- RaySearch licensed pioneering technology from Princess Margaret Hospital in September

AFTER THE END OF THE PERIOD

- Record order for RayStation® from Austrian particle therapy center received in October

“The sharply increasing sales of RayStation® combined with continued strong sales of partner products led to a 31.0 percent revenue increase during the January to September period. However, earnings for the period were negative, due to higher costs for sales and marketing of RayStation® and high legal fees in the US,” says Johan Löf, President of RaySearch.

“During the first half of the year, we secured several key orders for RayStation® in North America, Europe and Asia and the positive trend continued after the end of the six-month period. Another major success was the order we received in October from the Austrian particle therapy center MedAustron for carbon ion treatment planning. The order is our largest to date and further strengthens our position in the particle therapy field,” concludes Johan Löf.

SUMMARY OF FINANCIAL RESULTS

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2012	2011	2012	2011	2011
Net sales	105,208	80,331	40,203	32,761	126,103
Operating profit/loss	-3,686	12,981	-446	11,017	27,624
Operating margin, %	-3.5	16.2	-1.1	33.4	21.9
Profit/loss for the period	-5,501	10,214	-1,464	8,949	17,007
Earnings/loss per share, SEK	-0.16	0.30	-0.04	0.26	0.50
Share price at the end of the period, SEK	19.50	14.10			14.45

The information in the interim report is such that RaySearch must disclose publicly in accordance with the Swedish Securities and Clearing Operations Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on November 16, 2012 at 7:45 a.m.

CEO COMMENTS

RECORD ORDER FOR RAYSTATION®

During the first half year, we secured several key orders for our RayStation® treatment planning system in North America, Europe and Asia and the positive trend continued after the end of the six-month period. For example, in August, we received our first order from Australia and in September we received an order from a clinic in USA that will introduce proton therapy, which is an advanced form of radiation therapy and a key niche for RaySearch.

Another major success was the order we received in October from the Austrian ion beam therapy center, MedAustron. It is a highly advanced clinic that is the build-up phase and will treat patients using protons and carbon ions. Treatment with carbon ions enables radiation therapy with extremely high precision and is currently only available at three locations worldwide since the technology is so advanced. This involves real cutting-edge technology, so we are very proud to have been chosen as supplier in this area. The order is our largest to date, with an order value in excess of EUR 3.5 M plus support revenue as long as the system is in clinical use. In total, we have secured 16 orders to date this year from Australia, Italy, Canada, Switzerland, South Korea, Germany, the US and Austria.

The intense sales effort continues. In early November, we returned from the Annual Meeting of the American Society for Radiation Oncology (ASTRO) in Boston, Massachusetts, where we participated as exhibitors. Despite the fact that the exhibition was closed one afternoon due to Hurricane Sandy, we conducted more demonstrations and held more interesting business discussions than ever before, which is a sign of growing interest in RayStation® in the US market. Interest is also high in Europe and we are conducting a lot of sales activities with our South-European distributors. For example, we organized our first European user meeting in Stockholm in September.

We also continued to build up our sales and service organization. For example, we worked intensely with our Asian distributors in South Korea, where sales are progressing at full speed and in China where we expect to receive regulatory approval shortly. We are also negotiating with potential distributors in new markets and planning to recruit sales staff in Europe.

STRONG REVENUE GROWTH BUT NEGATIVE EARNINGS

Sales of partner products rose during the January to September period, which were attributable to the fact that sales via Philips and Nucletron were higher than the year-earlier period. Revenues via Accuray, IBA Dosimetry and Varian remained largely unchanged. The cooperation with Siemens is being terminated following Siemens' decision to leave the radiation therapy field. It is currently difficult to say what this will entail, but regardless of the direction chosen by Siemens, RaySearch is guaranteed revenues from this cooperation for several more years.

The sharply increasing sales of RayStation® combined with the sales of partner products led to a 31.0 percent revenue increase to SEK 105.2 M (80.3). However, earnings for the period declined to a loss of SEK 5.5 M, primarily due to the development of sales and marketing for RayStation® generating higher costs than a year earlier, as well as higher legal fees in the US. It's also worth mentioning that despite the loss in the nine-month period, the cash flow was positive and rose to SEK 14.8 M (deficit: 30.8).

PATENT PROCESS CONTINUES

In May 2011 we were sued by the US company Prowess, which claims that we have infringed on a US patent that they license. We believe there is no infringement and in addition, that the patent should be invalidated since there is prior art in numerous older publications describing the same methods. We have a strong defense and hope to win the case.

The process continues and we are focusing a great deal of energy on the matter to defend ourselves in the best possible manner. It is still difficult to predict how long it will take to resolve the dispute and the total costs this will entail for RaySearch. However, it is clear that we will continue to incur substantial legal costs in 2012 and 2013.

CONTINUED FOCUS ON RAYSTATION®

The remainder of 2012 will be characterized by continued development of a global sales, marketing and support organization for RayStation®. However, we are proceeding cautiously and will build the infrastructure step by step with the goal of a positive profit contribution from the direct sales effort also in the short-term but since there are major fluctuations in deliveries the earnings may also fluctuate from quarter to quarter.

The first version of RayStation® for general use was released in January and already in August, we released the next version. This means that we are maintaining a significantly higher development pace than our competitors and this development work will continue. RayStation® is already a fantastic product but there is still much we wish to add and we will be focusing on the many improvement proposals that stem from the clinical reality experienced at our customers. In September, we also signed a license agreement with the world-leading clinic, Princess Margaret Cancer Centre, which entitles us to incorporate very interesting technology for automatic treatment planning in RayStation®. This technology has been developed and tested clinically at Princess Margaret and has major potential to simplify the work with preparing treatment plans for breast-cancer patients.

In parallel, we continue the development programs together with our partners. For example, we recently completed a new version of our products in the collaboration with Nucletron and are in the process of completing a new version of the quality assurance system COMPASS® jointly with IBA Dosimetry.

We have already secured many key orders for RayStation® and interest in the system is continuously increasing. It is extremely difficult to predict how rapidly the interest will turn into orders and deliveries, but considering the number of exciting business discussions in progress in several markets, my view of the end of the year is very positive.

Stockholm, November 16, 2012

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

SIGNIFICANT EVENTS

EVENTS DURING THE THIRD QUARTER OF 2012

A total of three orders for RayStation® were received from Australia and the US

In August, it was announced that RaySearch had received its first order for RayStation® in the Australian market from the Radiation Oncology Institute (ROI) in New South Wales, Australia. ROI operates two radiation treatment clinics in Wahroonga and Gosford and will be using RayStation® as a treatment planning system for both conventional 3D-CRT treatments and for more advanced treatments such as IMRT and VMAT. In September, RaySearch received an order for RayStation® from First Coast Oncology in Jacksonville, Florida, USA. First Coast Oncology comprises three clinics in North-East Florida and treats all types of cancer. In addition to the tools for conventional radiation therapy included in the order, RaySearch will also partner with both Mevion Medical Systems and First Coast Oncology to provide planning services for the proton therapy program that is scheduled to open in 2013. During the quarter, RaySearch also received an order from Focal Therapeutics in Portola Valley, California, USA.

RayStation 3.0 released

In August, it was announced that version 3.0 of RayStation® had been released for clinical use in the EU, the US, Japan and Australia, and is pending regulatory approval in Canada, China, New Zealand and South Korea. The new version includes a wide range of new features and improvements. RayStation® already included all of RaySearch's market-leading optimization algorithms for VMAT, IMRT and 3D-CRT. Version 3.0 adds numerous tools for traditional 3D-CRT planning. This means that RayStation is truly the state-of-the-art treatment planning systems for all types of radiation treatments with photons, ranging from the more traditional standard treatments to the most sophisticated advanced treatments.

RaySearch licensed pioneering technology from the Princess Margaret Cancer Centre

In September, RaySearch signed an exclusive license agreement with University Health Network's Princess Margaret Cancer Centre in Toronto, Canada, regarding techniques for automated planning of breast cancer treatments. The Princess Margaret has for a long time developed and refined a technique for automated planning of IMRT for breast cancer patients. The technique emulates the often time-consuming steps that are performed during treatment planning. Therefore, dosimetrists can produce complete clinical treatment plans and automated quality assurance reporting in just a few minutes instead of spending up to several hours on each plan. The new agreement gives RaySearch the right to integrate algorithms and know-how from Princess Margaret Cancer Centre's technology for automated planning of breast treatments into RayStation®. The technology will be built into a future product for automated treatment planning.

EVENTS AFTER THE END OF THE PERIOD

Largest RayStation order to date from Austrian particle therapy center

In October, RaySearch received an order for RayStation® from MedAustron in Wiener Neustadt, Austria. MedAustron is an Austrian national interdisciplinary center focused on the treatment of cancer using ion therapy. MedAustron is in a development phase and approximately EUR 200 M has been invested in the center, which is scheduled for completion in 2015. Ion beam therapy is the most advanced form of external radiotherapy where the tumor is irradiated with protons or carbon ions instead of photons that are used in standard radiation therapy. The advantage is that the radiation dose can be delivered even more precisely to the tumor, leading to a reduction of treatment-related side effects. RayStation® will be used at MedAustron for treatment planning of all radiation treatments, which include treatments with protons or carbon ions and also standard radiation treatments whenever applicable. The order comprises all of RayStation's current functionality and the system will be extended with state-of-the-art functionality to support planning for carbon ion beams. The order value exceeds EUR 3.5 M, of which approximately half will be recognized in 2012. In addition RaySearch will receive maintenance fees for as long as the system remains clinically operational.

FINANCIAL INFORMATION

SALES AND EARNINGS FOR THE THIRD QUARTER OF 2012

During the third quarter of 2012, sales rose 22.7 percent year-on-year to SEK 40.2 M (32.8). The operating result declined during the quarter to a loss of SEK 0.4 M (profit: 11.0), corresponding to a negative operating margin of 1.1 percent (pos: 33.4). The loss after tax for the quarter was SEK 1.5 M (profit: 8.9). The earnings decline was due primarily to higher costs for the development, marketing and expansion of sales and service for RayStation®, as well as legal costs in the US resulting from the patent dispute with Prowess.

SALES AND EARNINGS FOR THE FIRST NINE MONTHS OF 2012

Revenues and currency effects

During the first nine months of 2012, sales rose 31.0 percent year-on-year to SEK 105.2 M (80.3). Sales consist of license revenues via partners and direct sales, as well as support revenues. The total number of licenses sold via partners and direct sales amounted to 990 (658) and license revenues during the nine-month period of 2012 totaled SEK 89.8 M (67.6). The increase in license revenues resulted from a substantial rise in revenues from direct sales of RayStation®, as well as higher sales of products from partnerships with Philips and Nucletron. Support revenues in the nine-month period of 2012 rose to SEK 15.3 M (12.8).

The company is dependent on exchange-rate trends in the USD and EUR against the SEK, since invoicing is denominated in USD and EUR, while most of the costs are in SEK. During the first nine months of 2012, revenues in USD were recognized at an average exchange rate of SEK 6.71, compared with SEK 6.40 in the year-earlier period. During the nine-month period of 2012, revenues in EUR were recognized at an average exchange rate of SEK 8.70, compared with SEK 9.05 in the year-earlier period. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased 28.2 percent year-on-year. A sensitivity analysis of currency exposure indicates that the impact of a ± 10 percent change in the average USD exchange rate on operating profit in the first nine months of 2012 was \pm SEK 6.3 M and that the corresponding effect of a ± 10 percent change in the average EUR exchange rate was \pm SEK 2.8 M. The company pursues the currency policy established by the Board of Directors.

Operating expenses and revenues

An operating loss of SEK 3.7 M (profit: 13.0) was reported in the first nine months of 2012, corresponding to a negative operating margin of 3.5 percent (pos: 16.2). Operating expenses, excluding exchange-rate gains and losses, increased SEK 37.5 M to SEK 105.4 M, compared with the year-earlier period. Other operating revenues and other operating expenses refer to exchange-rate gains and losses, with the net of these for the nine-month period of 2012 amounting to an expense of SEK 3.1 M (income: 0.9). The increase in operating expenses derived mainly from higher marketing and personnel costs for sales and service due to activities related to direct sales of RayStation®, higher amortization of capitalized development costs pertaining to RayStation®, and to higher legal costs resulting from the patent dispute with Prowess.

As of September 30, 2012, 69 (68) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees, computer equipment and premises. Before capitalization and amortization of development costs, research and development costs totaled SEK 61.4 M (62.2). During the first nine months of 2012, capitalized development costs amounted to SEK 37.5 M (45.0). Amortization of capitalized development costs in the nine-month period of 2012 amounted to SEK 32.8 M (25.1). After adjustments for capitalization and amortization of development costs, research and development costs totaled SEK 56.7 M (42.3).

Amortization of intangible fixed assets in the nine-month period of 2012 amounted to SEK 32.9 M (25.1) and depreciation of tangible fixed assets totaled SEK 0.8 M (0.5). Total amortization and depreciation during the nine-month period of 2012 totaled SEK 33.7 M (25.6). Amortization and depreciation pertained primarily to capitalized development costs.

The loss after tax for the first nine months of 2012 was SEK 5.5 M (profit: 10.2), corresponding to a loss per share before and after dilution of SEK 0.16 (earnings: 0.30).

Geographic distribution of license revenues

License revenues in the first nine months of 2012 were distributed as follows: North America 34 percent (34), Asia 34 percent (29), Europe and the rest of the world 32 percent (37).

LIQUIDITY AND FINANCING

Cash flow from operating activities during the first nine months of 2012 rose to SEK 53.4 M (37.2), which was primarily attributable to a reduction in working capital. Cash flow from investing activities improved to a negative SEK 38.5 M (neg: 46.2).

Cash flow for the period amounted to SEK 14.9 M (neg: 30.8). At September 30, 2012, cash and cash equivalents amounted to SEK 43.2 M, compared with SEK 44.0 M on September 30, 2011. At September 30, 2012, current receivables amounted to SEK 47.6 M, compared with SEK 43.6 M on September 30, 2011. The receivables primarily comprised accounts receivable. RaySearch has no interest-bearing liabilities. In September the committed line of credit was increased from SEK 5 M to SEK 20 M.

INVESTMENTS

Fixed assets primarily comprised capitalized development costs. Investments in intangible fixed assets in the nine-month period 2012 amounted to SEK 36.8 M (45.0) and investments in tangible fixed assets to SEK 1.7 M (2.0).

EMPLOYEES

At the end of the third quarter of 2012, the number of employees in RaySearch was 95 (85). The average number of employees during the January – September, 2012 period was 90 (75).

PARENT COMPANY

Since in all material respects the financial reporting of the Parent Company matches the financial reporting of the Group, the comments for the Group are also largely relevant for the Parent Company. Capitalization of development costs is recognized in the Group, but not in the Parent Company.

CONSOLIDATED INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2012	2011	2012	2011	2011
Net sales	105,208	80,331	40,203	32,761	126,103
Cost of goods sold	-362	-382	-113	-36	-442
Gross profit	104,846	79,949	40,090	32,725	125,661
Other operating income	1,882	1,623	-	1,305	1,067
Selling expenses	-23,097	-11,011	-7,792	-4,913	-19,215
Administrative expenses	-25,635	-14,576	-10,191	-5,031	-21,369
Research and development costs	-56,718	-42,310	-19,361	-13,069	-57,575
Other operating expenses	-4,964	-694	-3,192	-	-945
Operating profit/loss	-3,686	12,981	-446	11,017	27,624
Result from financial items	342	888	103	279	1,078
Profit/loss before tax	-3,344	13,869	-343	11,296	28,702
Tax	-2,157	-3,655	-1,121	-2,347	-11,695
Profit/loss for the period¹⁾	-5,501	10,214	-1,464	8,949	17,007
Earnings/loss per share before dilution (SEK)	-0.16	0.30	-0.04	0.26	0.50
Earnings/loss per share after dilution (SEK)	-0.16	0.30	-0.04	0.26	0.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2012	2011	2012	2011	2011
Profit/loss for the period	-5,501	10,214	-1,464	8,949	17,007
Translation difference for the period	758	-222	756	-130	-81
Comprehensive income/loss for the period¹⁾	-4,743	9,992	-708	8,819	16,926

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	SEP 30, 2012	SEP 30, 2011	DEC 31, 2011
ASSETS			
Intangible fixed assets	165,721	153,701	161,096
Tangible fixed assets	4,132	4,044	3,978
Deferred tax assets	-	3,842	-
Total fixed assets	169,853	161,587	165,074
Current receivables	47,630	43,615	67,220
Cash and cash equivalents	43,238	44,016	28,704
Total current assets	90,868	87,631	95,924
TOTAL ASSETS	260,721	249,218	260,998
EQUITY AND LIABILITIES			
Equity	191,954	189,761	196,697
Deferred tax liabilities	47,604	44,830	46,372
Other long-term liabilities	642	642	642
Accounts payable	4,986	4,428	6,582
Other current liabilities	15,535	9,557	10,705
TOTAL EQUITY AND LIABILITIES	260,721	249,218	260,998
Pledged assets	20,000 ¹⁾	5,000	5,000
Contingent liabilities	See Note	None	None

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2012	2011	2012	2011	2011
Profit/loss before tax	-3,344	13,869	-343	11,296	28,702
Adjusted for non-cash items ²⁾	35,001	25,597	12,908	9,240	35,153
Taxes paid	1,434	-2,223	-491	-506	-3,639
Cash flow from operating activities before changes in working capital	33,091	37,243	12,074	20,030	60,216
Cash flow from changes in working capital	20,261	-4,824	-7,742	-8,776	-26,364
Cash flow from operating activities	53,352	32,419	4,332	11,254	33,852
Cash flow from investing activities ³⁾	-38,476	-46,206	-10,534	-15,012	-63,092
Cash flow from financing activities	-	-16,991	-	-	-16,991
Cash flow for the period	14,876	-30,778	-6,202	-3,758	-46,231
Cash and cash equivalents at the beginning of the period	28,704	75,016	49,771	47,904	75,016
Exchange-rate difference in cash and cash equivalents	-342	-222	-331	-130	-81
Cash and cash equivalents at the end of the period	43,238	44,016	43,238	44,016	28,704

¹⁾ In September pledged assets were increased to SEK 20 M as collateral for an increase of the committed line of credit to the same amount.

²⁾ These amounts include amortization of capitalized development costs.

³⁾ These amounts include capitalized development costs.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		FULL-YEAR
	2012	2011	2011
Opening balance	196,697	196,760	196,762
Profit/loss for the period	-5,501	10,214	17,007
Translation difference for the period	758	-222	-81
Dividend paid	-	-16,991	-16,991
Closing balance	191,954	189,761	196,697

Dividend of SEK 0.50 per share was paid out with a record day of May 30, 2011.

CHANGES IN NUMBER OF SHARES

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

KEY DATA AND FINANCIAL INFORMATION IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP			FULL-YEAR
	2012	2011	2010	2011
Net sales	105,208	80,331	82,970	126,103
Operating profit/loss	-3,686	12,981	24,502	27,624
Operating margin, %	-3.5	16.2	29.5	21.9
Profit/loss margin, %	-3.2	17.3	29.6	22.8
Profit/loss for the period	-5,501	10,214	17,541	17,007
Earnings/loss per share, SEK	-0.16	0.30	0.51	0.50
Return on capital employed, %	6.0	15.7	27.7	14.6
Return on equity, %	0.7	11.5	20.1	8.6
Equity/assets ratio, %	73.6	76.1	77.5	75.4
Adjusted equity per share at the end of the period, SEK	5.59	5.54	5.41	5.74
Share price at the end of the period, SEK	19.50	14.10	41.80	14.45

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2012	2011	2012	2011	2011
Net sales	103,629	80,697	40,347	33,127	131,827
Cost of goods sold	-114	-382	-37	-36	-442
Gross profit	103,515	80,315	40,310	33,091	131,385
Other operating income	110	1,623	-	1,305	1,067
Selling expenses	-11,675	-6,146	-4,132	-2,972	-10,564
Administrative expenses	-25,622	-14,560	-10,175	-5,025	-21,346
Research and development costs	-61,400	-62,204	-18,738	-18,932	-84,886
Other operating expenses	-3,192	-694	-3,192	-	-945
Operating profit/loss	1,736	-1,666	4,073	7,467	14,711
Result from financial items	326	759	87	270	940
Profit/loss after financial items	2,062	-907	4,160	7,737	15,651
Appropriations	-	8,427	-	-	9,800
Profit/loss before tax	2,062	7,520	4,160	7,737	25,451
Tax	-896	-627	-1,256	-806	-7,077
Profit/loss for the period	1,166	6,893	2,904	6,931	18,374

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2012	2011	2012	2011	2011
Profit/loss for the period	1,166	6,893	2,904	6,931	18,374
Translation difference for the period	-	-	-	-	-
Comprehensive income/expense for the period	1,166	6,893	2,904	6,931	18,374

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	SEP 30, 2012	SEP 30, 2011	DEC 31, 2011
ASSETS			
Intangible fixed assets	59	139	117
Tangible fixed assets	3,546	4,044	3,978
Financial fixed assets	11,420	7,477	11,420
Deferred tax assets	-	3,842	-
Total fixed assets	15,025	15,502	15,515
Current receivables	67,441	43,849	72,753
Cash and cash equivalents	34,065	40,927	25,399
Total current assets	101,506	84,776	98,152
TOTAL ASSETS	116,531	100,278	113,667
EQUITY AND LIABILITIES			
Equity	82,358	69,712	81,193
Untaxed reserves	15,341	16,713	15,341
Accounts payable	5,048	4,364	6,497
Other current liabilities	13,784	9,489	10,636
TOTAL EQUITY AND LIABILITIES	116,531	100,278	113,667
Pledged assets	20,000	5,000	5,000
Contingent liabilities	See Note	None	None

NOTE

In May 2011, the US company Prowess filed a lawsuit against RaySearch at the court in Baltimore, Maryland, USA. Prowess claims that RaySearch infringed on a US patent for which Prowess has the license. RaySearch believes that we have not committed an infringement and, in addition, that the patent should be invalidated since the methods concerned had been published prior to the patent application. The court process is continuing and it is still difficult to predict how long it will take to resolve the dispute and the total costs this will entail for RaySearch. However, it is clear that RaySearch will be forced to continue paying substantial legal costs in 2012 and 2013 to defend the company in the best possible manner.

In November RaySearch issued a bank guarantee of EUR1.8 M to the Austrian customer MedAustron.

OTHER INFORMATION

ACCOUNTING POLICIES

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

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

RISKS AND UNCERTAINTIES IN THE GROUP AND THE PARENT COMPANY

Financial risk management

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

Operational risks

As a result of its activities, RaySearch is exposed to various operational risks, including the following: dependence on key persons, competition and strategic partnerships. RaySearch currently has partnerships with Philips, Nucletron, IBA Dosimetry, Varian, Accuray and Siemens. RaySearch also has several research partnerships. If RaySearch were to lose one or more of these partners, this could have a major impact on the company's sales, profit and financial position. This risk decreases as the percentage of direct sales increases.

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

RELATED-PARTY TRANSACTIONS

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

ESTIMATES

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

REVIEW

This interim report has been reviewed by the company's auditors. The review report is found on page 14.

Stockholm, November 16, 2012

Johan Löf
President and Board member

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the interim report of RaySearch Laboratories AB (publ), corporate identity number 556322-6157, as of 30 September, 2012 and for the nine month period then ended. The Board of Directors and the President are responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim annual report based on our review.

Scope of Review

We conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

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

Stockholm, November 16, 2012

KPMG AB

Anders Malmeby
Authorized Public Accountant

FOR FURTHER INFORMATION, PLEASE CONTACT:

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RaySearch Laboratories AB (publ)

Corporate Registration Number 556322-6157

Sveavägen 25

SE-111 34 Stockholm, Sweden

FINANCIAL REPORTING

Year-end report	February 14, 2013
Interim report for the first quarter	May 16, 2013
Annual General Meeting	May 22, 2013

ABOUT RAYSEARCH

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are mainly sold through license agreements with such leading partners as Philips, Nucletron, IBA Dosimetry, Varian, Accuray and Siemens. To date, 15 products have been launched through partners and RaySearch's software is used at more than 2,000 clinics in more than 30 countries. In addition, RaySearch offers the proprietary treatment planning system RayStation® directly to clinics. RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm and the company is listed in the Small Cap segment on NASDAQ OMX Stockholm.

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