

# RAYSEARCH LABORATORIES AB (PUBL)

INTERIM REPORT JANUARY 1 – JUNE 30, 2014

## JANUARY 1 – JUNE 30, 2014

- Net sales for the period amounted to SEK 105.8 M (75.4)
- Profit after tax was SEK 5.9 M (loss: 10.8) and earnings per share were SEK 0.17 (loss: 0.32)
- Operating profit amounted to SEK 8.4 M (loss: 11.1)
- Cash flow was a negative SEK 11.3 M (neg: 19.3)
- License order intake amounted to SEK 101.6 M (62.7)
- Of the license order intake, the contribution from RayStation® was SEK 59.1 M (18.2)
- RayStation® order backlog amounted to SEK 66.5 M, of which SEK 45.4 M is expected to be converted into revenues in 2014
- First order for RayStation® from the UK
- Distribution agreements signed for Australia and New Zealand
- Settlement agreement signed regarding patent dispute with Prowess
- Sales and service company established in Germany
- First proton therapy treatments with RayStation®

“We made many more installations of RayStation® during the first half of the year than in the year-earlier period, which led to high revenue growth from RayStation®. Overall, revenues rose 40 percent to SEK 106 M during the six-month period, leading to a sharp increase in operating profit to SEK 8.4 M,” says Johan Löf, CEO of RaySearch.

“The year has started well and we tripled the order intake for RayStation® during the first half of the year compared with the same period in the previous year. This means that RaySearch has entered a new era so I am looking forward to the rest of 2014 with great confidence,” Johan Löf concludes.

## SUMMARY OF FINANCIAL RESULTS

AMOUNTS IN SEK 000S	JAN-JUN		APR-JUN		FULL-YEAR
	2014	2013	2014	2013	2013
Net sales	105,833	75,400	51,856	27,500	204,470
Operating profit/loss	8,368	-11,122	2,142	-19,232	-25,721
Operating margin, %	7.9	-14.7	4.13	-69.9	-12.6
Profit/loss for the period	5,935	-10,825	1	-15,999	-20,841
Earnings/loss per share, SEK	0.17	-0.32	0.00	-0.47	-0.61
Share price at the end of the period, SEK	39.60	26.20	39.60	26.20	27.40

The information in the interim report is such that RaySearch is required to 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 August 27, 2014 at 7:45 a.m.

## CEO COMMENTS

### INTEREST IN RAYSTATION® CONTINUED TO GROW

The positive trend we saw during the first quarter also continued in the second quarter. We recently returned from the annual AAPM radiation therapy trade show which was held in Austin, Texas. The meeting was highly successful and we performed more than 170 product demonstrations for prospective customers and attracted some 200 listeners to our user meeting, where our customers spoke about their experiences with RayStation®. We also secured many important orders during the quarter and the order intake for RayStation® rose sharply during the first half of the year to SEK 59.1 M [18.2]. For example, we received several orders from the US, China, Italy and South Korea, as well as our first order from the UK. As a result, 125 clinics in 18 countries have now purchased RayStation®.

We are continuing to build our sales organization. In April, for example, we opened a subsidiary in Germany, and in July, we participated for the first time as an exhibitor at the major German Radiation Oncology Congress, DEGRO. We also signed a new distribution agreement with the Australian distributor AlphaXRT, which thereby assumed responsibility for the marketing, sales and service of RayStation® in Australia and New Zealand on April 1. Our local distributor in Japan, Hitachi Medical Systems, also assumed responsibility for marketing, sales and service of RayStation® as of April 1, so it will be very exciting to see how sales develop in these markets.

### SHARPLY IMPROVED EARNINGS THANKS TO RAYSTATION®

We made many more installations of RayStation® during the first half of the year than in the year-earlier period, which led to high revenue growth from RayStation®. This was offset by a decline in partner sales during the period, due to Philips and Nucletron reporting lower sales than in the first half of 2013. However, revenues from IBA Dosimetry and Varian increased.

Overall, revenues rose 40.4 percent to SEK 105.8 M [75.4] during the six-month period, leading to a sharp increase in operating profit to SEK 8.4 M [loss: 11.1]. Decreasing legal costs due to the settlement with Prowess also contributed to the profit increase.

### PATENT PROCESS CONCLUDED

In May 2011, we were sued by the US company Prowess, which claimed that we infringe on a US patent that they license. RaySearch believed that there was no infringement and, in addition, that the patent should be invalidated since there was prior art in numerous older publications describing the same methods. However, the cost of running this case all the way to trial and through a potential appeal process would have been very high. We therefore entered into a settlement agreement with Prowess. Under this agreement, RaySearch pays Prowess a fixed amount spread out over three years and Prowess drops the lawsuit. We can now put this behind us once and for all and focus fully on RaySearch's continued growth. The total cost for the settlement amounted to SEK 34.8 M and was charged to 2013. This resulted in a full-year loss for 2013 for the first time ever in our history. However, I would like to emphasize that RaySearch's underlying business performed favorably also in 2013. Excluding costs for legal fees and the settlement, operating profit amounted to SEK 31.6 M in 2013.

### CONTINUED FOCUS ON RAYSTATION®

We are continuing to develop our global sales, marketing and support organization for RayStation®. However, we are proceeding cautiously and will build the infrastructure step by step with the goal that direct sales will also make a positive contribution to earnings in the short term, but since there are major variations in deliveries, earnings fluctuate significantly from quarter to quarter. This was very evident in 2013, when the fourth quarter was by far the strongest.

We released version 4.0 of RayStation® in July 2013 and the next new version, RayStation® 4.5, was finalized this summer. It is now being rolled out in Europe and Oceania, and is awaiting regulatory market clearance in North America and Asia. We will continue to collaborate with our partners in parallel with these activities. We are currently completing one project for Brainlab and another one for IBA Dosimetry, and are also working on development projects with other partners. Although we are investing considerable resources in RayStation®, the partner model is – and will remain – a key component of our operations.

The year has started well and we tripled the order intake for RayStation® during the first half of the year compared with the same period in the previous year. This means that RaySearch has entered a new era so I am looking forward to the rest of 2014 with great confidence.

Stockholm, August 27, 2014

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

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# SIGNIFICANT EVENTS

## EVENTS UNDER THE PERIOD JANUARY 1 – JUNE 30, 2014

### ***First RayStation® order from the UK***

In January, it was announced that RaySearch had been awarded a treatment planning system contract and will supply RayStation® to Tayside Cancer Centre at Ninewells Hospital & Medical School in Dundee, UK. Ninewells will be the first clinical installation of RayStation® in the UK.

### ***Distribution agreement signed for Australia and New Zealand***

In March, RaySearch signed an exclusive distribution agreement with AlphaXRT (formerly CMS Alphatech), based in Sydney, Australia, and Auckland, New Zealand. The agreement entails that AlphaXRT will be responsible for marketing, sales and service of RayStation® in Australia and New Zealand from April 1, 2014.

### ***Settlement agreement signed regarding patent dispute with Prowess***

In May 2011, the US company Prowess filed a lawsuit against RaySearch at a court in Baltimore, Maryland, in the US. Prowess claimed that RaySearch infringed on a US patent for which Prowess has the license. RaySearch believed that there was no infringement and, in addition, that the patent should be invalidated. In January 2014, RaySearch entered into settlement negotiations at a settlement conference arranged by the court as part of the legal process, and as a result of this, RaySearch entered into a settlement agreement with Prowess in April 2014. The agreement entails that RaySearch is to pay Prowess a fixed amount over three years and that Prowess withdraws its lawsuit. The total cost for the settlement was SEK 34.8 M and was charged to 2013.

### ***Sales and service company established in Germany***

In April, it was announced that RaySearch had established a German subsidiary, RaySearch Germany GmbH. The new subsidiary is responsible for marketing, sales and service of RayStation® in Germany, Austria and the German-speaking parts of Switzerland. The company will provide support for both new and existing customers, including DKFZ and WPE in Germany, and MedAustron in Austria.

### ***First proton treatments with RayStation®***

In May, the first patient underwent proton therapy with pencil beam scanning (PBS) at the Provision Center for Proton Therapy in Knoxville, Tennessee, which is the only proton therapy facility in Tennessee. The clinical treatment plans were created using RayStation® and delivered with the proton therapy system from IBA. PBS is the most sophisticated form of proton therapy delivery. Earlier this year, the first patients underwent uniform scanning proton therapy.

## EVENTS AFTER THE REPORTING PERIOD

There were no significant events after the end of the reporting period.

## FINANCIAL INFORMATION

### SALES AND EARNINGS FOR THE SECOND QUARTER OF 2014

During the second quarter of 2014, sales rose 88.6 percent year-on-year to SEK 51.8 M (27.5). Operating profit improved during the quarter to SEK 2.1 M (loss: 19.2), corresponding to an operating margin of 4.13 percent (neg: 69.9). Profit after tax during the quarter amounted to SEK 0.0 M (loss: 16.0). The increase in revenues and earnings is mainly attributable to increased sales of RayStation®.

### SALES AND EARNINGS FOR THE FIRST HALF OF 2014

#### *Revenues and currency effects*

During the first half of 2014, sales rose 40.4 percent year-on-year and amounted to SEK 105.8 M (75.4). 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 996 (777) and license revenues during the first half of 2014 amounted to SEK 92.3 M (62.8). The rise in license revenues was due to increased revenues from direct sales of RayStation® and increased product sales from the partnerships with IBA Dosimetry and Varian. License order intake amounted to SEK 101.6 M (62.7). Of the license order intake, the contribution from RayStation® was SEK 59.1 M (18.2). At June 30, RayStation® order backlog amounted to SEK 66.5 M, of which SEK 45.4 M is expected to be converted into revenues in 2014. Support revenues in the first half of 2014 rose to SEK 13.6 M (12.6).

The company is dependent on developments in the USD and EUR exchange rates against the SEK, since most invoicing is in USD and EUR, while most costs are incurred in SEK. During the first half of 2014, revenues in USD were recognized at an average exchange rate of SEK 6.58, compared with SEK 6.53 in the year-earlier period. During the first half of 2014, revenues in EUR were recognized at an average exchange rate of SEK 8.98, compared with SEK 8.52 in the year-earlier period. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased 37.6 percent year-on-year. A sensitivity analysis of currency exposure indicates that the impact of a  $\pm 10$ -percent change in the average USD exchange rate on operating profit in the first half of 2014 was  $\pm$  SEK 5.1 M and that the corresponding effect of a  $\pm 10$ -percent change in the average EUR exchange rate was  $\pm$  SEK 2.7 M. The company pursues the currency policy established by the Board of Directors.

#### *Expenses and profit*

Operating profit in the first half of 2014 amounted to SEK 8.4 M (loss: 11.1), corresponding to an operating margin of 7.9 percent (neg: 14.7). Operating expenses, excluding exchange-rate gains and losses, increased SEK 9.4 M to SEK 95.4 M, compared with the year-earlier period. Other operating income and expenses refers to exchange-rate gains and losses, with the net of these amounting to income of SEK 1.7 M (1.5) in the first half of 2014. The increase in operating expenses was mainly due to higher marketing and personnel costs for sales and service due to activities related to direct sales of RayStation®.

At June 30, 2014, 80 (73) 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 expenditure, research and development costs totaled SEK 47.5 M (48.0).

During the first half of 2014, capitalized development costs amounted to SEK 28.3 M [30.2]. Amortization of capitalized development expenditure in the first half of 2014 amounted to SEK 29.1 M [25.6]. After adjustments for capitalization and amortization of development expenditure, research and development costs totaled SEK 48.3 M [43.4].

Amortization of intangible fixed assets in the first half of 2014 amounted to SEK 29.1 M [25.6] and depreciation of tangible fixed assets totaled SEK 0.6 M [0.5]. Total amortization and depreciation during the first half of 2014 amounted to SEK 29.7 M [26.1]. Amortization and depreciation pertained to capitalized development expenditure.

Profit after tax for the first half of 2014 amounted to SEK 5.9 M [loss: 10.8], corresponding to earnings per share before and after dilution of SEK 0.17 [loss: 0.32]

#### ***Geographic distribution of license revenues***

License revenues in the first half of 2014 were distributed as follows: North America 31 percent [32], Asia 39 percent [28], Europe and the rest of the world 30 percent [40].

### **LIQUIDITY AND FINANCING**

Cash flow from operating activities in the first half of 2014 rose to SEK 19.0 M [11.5] primarily due to improved earnings. Cash flow from investing activities amounted to a negative SEK 30.3 M [neg: 30.8].

Cash flow for the period was a negative SEK 11.3 M [neg: 19.3]. At June 30, 2014, cash and cash equivalents amounted to SEK 27.0 M, compared with SEK 42.6 M at June 30, 2013. At June 30, 2014, current receivables totaled SEK 94.6 M, compared with SEK 64.5 M at June 30, 2013. The receivables primarily comprised accounts receivables.

RaySearch has no interest-bearing liabilities. The company's committed line of credit was increased from SEK 20 M to SEK 30 M in May and pledged assets increased to SEK 30 M as collateral for the line of credit. At the same time, a new bank guarantee of EUR 0.7 M was furnished for RaySearch's customer MedAustron in Austria. Total bank guarantees issued to MedAustron thus amount to EUR 2.5 M. Available line of credit has now been reduced by SEK 25.4 M as collateral for these bank guarantees.

The provision for the settlement with Prowess was reclassified to a liability as a settlement agreement was executed during the period. The liability is denominated in USD and has been discounted as it is not interest-bearing. The currency and discounting effect has impacted the result from financial items negatively by SEK 1.4 M during the six-month period. Payments related to the settlement agreement amounted to SEK 6.4 M during the period, which had a negative impact on the cash flow from operating activities.

### **FINANCIAL INSTRUMENTS**

RaySearch's financial assets and liabilities comprise accounts receivable, cash and cash equivalents, accrued income, accrued supply expenses, accounts payable and a liability attributable to the settlement agreement signed with Prowess in April. The liability pertaining to the settlement is discounted, all other financial assets and liabilities have short terms. Accordingly, the fair values of all financial instruments are deemed to correspond approximately to the recorded amounts. RaySearch has not applied net accounting to any financial assets or liabilities and has no agreements that permit offsetting.

### **INVESTMENTS**

Fixed assets primarily comprise capitalized development costs. In the first half of 2014, investments in intangible fixed assets amounted to SEK 28.3 M [30.2] and investments in tangible fixed assets to SEK 2.0 M [0.7].

## **EMPLOYEES**

At the end of the first half-year, RaySearch had 125 employees (106). The average number of employees during the January-June 2014 period was 119 (107).

## **PARENT COMPANY**

Since the Parent Company's operations match the Group's operations in all material respects, 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 STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000S	JAN-JUN		APR-JUN		FULL-YEAR
	2014	2013	2014	2013	2013
Net sales	105,833	75,400	51,856	27,500	204,470
Cost of goods sold	-3,832	-2,043	-1,447	-1,749	-6,059
<b>Gross profit</b>	<b>102,001</b>	<b>73,357</b>	<b>50,409</b>	<b>25,751</b>	<b>198,411</b>
Other operating income	3,902	2,084	3,249	2,084	3,008
Selling expenses	-32,827	-20,824	-18,597	-12,575	-53,024
Administrative expenses	-14,190	-21,739	-6,680	-11,061	-80,108
Research and development costs	-48,346	-43,451	-24,911	-23,431	-90,720
Other operating expenses	-2,172	-549	-1,328	-	-3,288
<b>Operating profit/loss</b>	<b>8,368</b>	<b>-11,122</b>	<b>2,142</b>	<b>-19,232</b>	<b>-25,721</b>
Result from financial items	-302	370	-364	126	754
<b>Profit/loss before tax</b>	<b>8,066</b>	<b>-10,752</b>	<b>1,778</b>	<b>-19,106</b>	<b>-24,967</b>
Tax	-2,131	-73	-1,777	-3,107	4,126
<b>Profit/loss for the period<sup>1)</sup></b>	<b>5,935</b>	<b>-10,825</b>	<b>1</b>	<b>-15,999</b>	<b>-20,841</b>
<b>Other comprehensive income</b>					
<b>Items to be reclassified to profit or loss</b>					
Translation difference of foreign operations for the period	-1,084	-899	-1,055	-873	57
<b>Items not to be reclassified to profit or loss</b>					
	-	-	-	-	-
<b>Comprehensive income for the period<sup>1)</sup></b>	<b>4,851</b>	<b>-11,724</b>	<b>-1,054</b>	<b>-16,872</b>	<b>-20,784</b>
Earnings/loss per share before and after dilution (SEK)	0.17	-0.32	0.00	-0.47	-0.61

1) 100% attributable to Parent Company shareholders.



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	JUN 30, 2014	JUN 30, 2013	DEC 31, 2013
<b>ASSETS</b>			
Intangible fixed assets	165,855	170,485	166,678
Tangible fixed assets	7,060	3,867	5,567
Financial fixed assets	-	-	403
<b>Total fixed assets</b>	<b>172,915</b>	<b>174,352</b>	<b>172,648</b>
Current receivables	94,573	64,537	88,283
Cash and cash equivalents	27,010	42,615	38,231
<b>Total current assets</b>	<b>121,583</b>	<b>107,152</b>	<b>126,514</b>
<b>TOTAL ASSETS</b>	<b>294,498</b>	<b>281,504</b>	<b>299,162</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	201,452	205,830	196,601
Deferred tax liabilities	36,488	41,976	36,669
Provisions	-	-	34,759
Long-term liabilities	23,050	-	-
Accounts payable	7,326	5,139	6,925
Other current liabilities	26,182	28,559	24,208
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>294,498</b>	<b>281,504</b>	<b>299,162</b>
Pledged assets	55,400	37,500	37,500
Contingent liabilities	-	-	-

## CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN-JUN		APR-JUN		FULL-YEAR
	2014	2013	2014	2013	2013
Profit/loss before tax	8,066	-10,752	1,778	-19,106	-24,967
Adjusted for non-cash items <sup>1)</sup>	26,941	24,984	12,628	11,740	87,511
Taxes paid	-8,211	-1,772	-4,412	-975	-3,596
<b>Cash flow from operating activities before changes in working capital</b>	<b>26,796</b>	<b>12,460</b>	<b>9,993</b>	<b>-8,341</b>	<b>58,949</b>
Cash flow from changes in working capital	-7,762	-927	-2,847	3,652	-27,667
<b>Cash flow from operating activities</b>	<b>19,034</b>	<b>11,533</b>	<b>7,146</b>	<b>-4,689</b>	<b>31,282</b>
Cash flow from investing activities <sup>2)</sup>	-30,316	-30,851	-15,014	-15,202	-56,542
Cash flow from financing activities	-	-	-	-	1,563
<b>Cash flow for the period</b>	<b>-11,282</b>	<b>-19,318</b>	<b>-7,868</b>	<b>-19,891</b>	<b>-23,697</b>
Cash and cash equivalents at the beginning of the period	38,231	61,875	34,749	62,291	61,875
Exchange-rate difference in cash and cash equivalents	61	58	129	215	53
<b>Cash and cash equivalents at the end of the period</b>	<b>27,010</b>	<b>42,615</b>	<b>27,010</b>	<b>42,615</b>	<b>38,231</b>

1) These amounts primarily include amortization of capitalized development costs and for the full year 2013 also a provision for a settlement of a dispute.

2) These amounts primarily include capitalized development costs.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S	JAN–JUN		FULL-YEAR
	2014	2013	2013
Opening balance	196,601	217,553	217,553
Profit/loss for the period	5,935	-10,824	-20,842
Sales of treasury stock	-	-	1,563
Tax effect sales of treasury stock	-	-	-1,730
Translation difference for the period	-1,084	-899	57
Closing balance	201,452	205,830	196,601

## CHANGES IN NUMBER OF SHARES

	JAN–JUN	FULL-YEAR
	2014	2013
Total number of shares (opening and closing balance)	34,282,773	34,282,773
Holding of treasury stock, opening balance	-	299,628
Sales of treasury stock	-	-299,628
Holding of treasury stock, closing balance	-	0

## KEY FIGURES AND CONDENSED FINANCIAL DATA

AMOUNTS IN SEK 000S	JAN–JUN			FULL-YEAR
	2014	2013	2012	2013
Net sales	105,833	75,400	65,005	204,470
Operating profit/loss	8,368	-11,122	-3,240	-25,721
Operating margin, %	7.9	neg	-5.0	-12.6
Profit margin, %	7.6	neg	-4.6	-12.2
Profit/loss for the period	5,935	-10,824	-4,037	-20,841
Earnings/loss per share, SEK	0.17	-0.32	-0.12	-0.61
Return on capital employed <sup>4</sup> , %	4.2	8.0	neg	-12.0
Return on equity <sup>4</sup> , %	2.9	6.6	neg	-10.1
Equity/assets ratio, %	68.4	73.1	74.0	65.7
Adjusted equity per share at the end of the period, SEK	5.88	6.00	5.62	5.73
Share price at the end of the period, SEK	39.60	26.20	21.00	27.40

For definitions of key figures, refer to the inside cover of the 2013 Annual Report.

<sup>4</sup>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.

## PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN-JUN		APR-JUN		FULL-YEAR
	2014	2013	2014	2013	2013
Net sales	90,104	74,696	37,609	25,054	179,178
Cost of goods sold	-1,385	-42	-130	-1	-809
<b>Gross profit</b>	<b>88,719</b>	<b>74,654</b>	<b>37,479</b>	<b>25,053</b>	<b>178,369</b>
Other operating income	3,902	2,084	3,249	2,084	3,008
Selling expenses	-20,429	-12,251	-12,209	-7,809	-34,561
Administrative expenses	-14,179	-21,726	-6,677	-11,053	-80,085
Research and development costs	-47,523	-48,041	-24,212	-25,869	-91,516
Other operating expenses	-2,172	-549	-1,328	-	-3,288
<b>Operating profit/loss</b>	<b>8,318</b>	<b>-5,829</b>	<b>-3,698</b>	<b>-17,594</b>	<b>-28,073</b>
Result from financial items	-318	377	-373	133	2,176
<b>Profit/loss after financial items</b>	<b>8,000</b>	<b>-5,452</b>	<b>-4,071</b>	<b>-17,461</b>	<b>-25,897</b>
Appropriations	-	-	-	-	20,326
<b>Profit/loss before tax</b>	<b>8,000</b>	<b>-5,452</b>	<b>-4,071</b>	<b>-17,460</b>	<b>-5,571</b>
Tax	-1,905	1,012	-1,905	3,712	403
<b>Profit/loss for the period</b>	<b>6,095</b>	<b>-4,440</b>	<b>-5,976</b>	<b>-13,749</b>	<b>-5,168</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN-JUN		APR-JUN		FULL-YEAR
	2014	2013	2014	2013	2013
Profit/loss for the period	6,095	-4,440	-5,976	-13,749	-5,168
Other comprehensive income	-	-	-	-	-
<b>Comprehensive income/loss for the period</b>	<b>6,095</b>	<b>-4,440</b>	<b>-5,976</b>	<b>-13,749</b>	<b>-5,168</b>

## PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	JUN 30, 2014	JUN 30, 2013	DEC 31, 2013
<b>ASSETS</b>			
Intangible fixed assets	-	13	-
Tangible fixed assets	5,520	2,936	4,549
Financial fixed assets	2,493	2,171	2,669
<b>Total fixed assets</b>	<b>8,013</b>	<b>5,120</b>	<b>7,218</b>
Current receivables	130,258	101,463	117,159
Cash and cash equivalents	20,412	37,714	26,305
<b>Total current assets</b>	<b>150,670</b>	<b>139,177</b>	<b>143,464</b>
<b>TOTAL ASSETS</b>	<b>158,683</b>	<b>144,297</b>	<b>150,682</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	96,328	90,961	90,232
Untaxed reserves	-	20,326	-
Provisions	-	-	34,759
Long-term liabilities	23,050	-	-
Accounts payable	8,057	5,089	7,634
Other current liabilities	31,248	27,921	18,057
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>158,683</b>	<b>144,297</b>	<b>150,682</b>
Pledged assets	55,400	37,500	37,500
Contingent liabilities	-	See Note	-

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## OTHER INFORMATION

### ACCOUNTING POLICIES IN ACCORDANCE WITH IFRS

This condensed interim report 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 measurement bases applied in the most recent Annual Report were used to prepare the Group and Parent Company accounts. New or revised IFRS standards during 2014 have not affected RaySearch during the period and no known changes are expected to affect RaySearch in 2014.

### RISKS AND UNCERTAINTIES IN THE GROUP AND THE PARENT COMPANY

#### *Financial risk management*

RaySearch's financial policy governing the management of financial risks has been 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 primarily affected 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, legal disputes and strategic partnerships. RaySearch currently has partnerships with Philips, Nucletron, IBA, Varian, and Brainlab. 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. The risk assessment has not changed in any significant way compared with the 2013 Annual Report.

For a more detailed description of RaySearch's risks and risk management, refer to page 68 of the 2013 Annual Report.

### RELATED-PARTY TRANSACTIONS

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

### 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 not been reviewed by the company's auditors.

The Board of Directors and President give their assurance that the six-month report provides a true and fair view of the Group and Parent Company's operation, position and earnings, and describes the significant risks and uncertainties facing the Parent Company and the companies included in the Group.

Stockholm, August 27, 2014

Erik Hedlund  
*Chairman of the Board*

Johan Löf  
*President and Board member*

Carl Filip Bergendal  
*Board member*

Hans Wigzell  
*Board member*

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**FINANCIAL REPORTING**

Interim report for the third quarter	November 27, 2014
Year-end Report	February 12, 2015

**ABOUT RAYSEARCH**

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch markets the RayStation® treatment planning system to clinics all over the world. In addition, RaySearch's products are distributed through licensing agreements with leading partners such as Philips, Nucletron, IBA, Varian and Brainlab. To date, 15 products have been launched via partners and RaySearch's software is used by over 2,500 clinics in more than 65 countries. 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](http://www.raysearchlabs.com).