

# RAYSEARCH LABORATORIES AB (PUBL)

INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2014

## JANUARY 1 – SEPTEMBER 30, 2014

- Net sales for the period amounted to SEK 177.4 M (114.4)
- Profit after tax was SEK 19.1 M (loss: 25.9) and earnings per share were SEK 0.56 (loss: 0.76)
- Operating profit amounted to SEK 26.6 M (loss: 26.1)
- Cash flow was a negative SEK 14.0 M (neg: 28.0)
- Order intake excluding service agreements amounted to SEK 144.4 M (94.8)
- Of the order intake, the contribution from RayStation® was SEK 88.5 M (31.4)
- RayStation® order backlog totaled SEK 44.8 M, of which SEK 12.9 M is expected to be converted to sales 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 started in Germany
- First proton therapy treatments with RayStation®
- Strategic collaboration agreement signed with Mevion

## EVENTS AFTER THE END OF THE REPORT PERIOD

- RayStation® 4.5 was cleared for sales in the US
- Credit facilities expanded

"In the third quarter, we achieved the highest quarterly sales ever for RayStation® and the revenues increased 84 percent to SEK 72 M. During the nine-month period the revenues rose 55 percent to SEK 177 M, resulting in a significant increase in operating profit to SEK 27 M," says Johan Löf, CEO of RaySearch.

"To date, 2014 has been a very good year and the order intake for RayStation® has nearly tripled compared with the year-earlier period. I am therefore looking forward to the end of the year with great confidence," Johan Löf concludes.

## SUMMARY OF FINANCIAL RESULTS

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2014	2013	2014	2013	2013
Net sales	177,435	114,357	71,602	38,957	204,470
Operating profit/loss	26,593	-26,127	18,225	-15,005	-25,721
Operating margin, %	15.0	-22.8	25.5	-38.5	-12.6
Profit/loss for the period	19,136	-25,934	13,201	-15,109	-20,841
Earnings/loss per share, SEK	0.56	-0.76	0.39	-0.44	-0.61
Share price at the end of the period, SEK	41.70	27.30	41.70	27.30	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 November 27, 2014 at 7:45 a.m.

## CEO COMMENTS

### **INTEREST IN RAYSTATION® CONTINUES TO GROW**

Throughout 2014, we have been seeing increased interest in RayStation®, with many significant orders. This led to a strong increase in order intake for RayStation® during January to September to SEK 88.5 M (31.4). 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, about 140 clinics in 18 countries have now purchased RayStation®.

We are also 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, DEGR0. We also signed a new distribution agreement with the Australian distributor AlphaXRT, which thereby assumed responsibility for marketing, sales and service of RayStation® in Australia and New Zealand as of April 1. Our local distributor in Japan, Hitachi Medical Systems, also assumed responsibility for marketing, sales and service of RayStation® as of April 1. Hitachi Medical Systems has secured its first order, so it will be very exciting to see the sales trend in Japan, which is a very important market.

### **SHARPLY IMPROVED EARNINGS THANKS TO SALES RECORD FOR RAYSTATION®**

During the first half of the year, revenues from RayStation® were significantly higher year-on-year. The trend continued during the third quarter and we achieved the highest quarterly sales ever for RayStation®. This was offset by a decline in partner sales during the period, due to Philips and Nucletron reporting lower sales than in the year-earlier period. However, revenues from IBA Dosimetry and Varian increased.

In the third quarter, the revenues increased 83.8 percent to SEK 71.6 M (38.9). Overall, revenues rose 55.1 percent to SEK 177.4 M (114.4) during the nine-month period, resulting in a significant increase in operating profit to SEK 26.6 M (loss: 26.1). The decline in legal costs resulting from the settlement with Prowess also contributed to the earnings improvement.

### **PATENT PROCESS CONCLUDED**

In May 2011, we were sued by the US company Prowess, which claimed that we infringe on a US patent licensed by Prowess. 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, since the cost of running this case all the way to trial and through a potential appeal process would have been very high, we entered into a settlement agreement with Prowess in April. Under this agreement, RaySearch will pay Prowess a fixed amount spread over three years and Prowess has dropped the lawsuit. The total cost of the settlement was SEK 34.8 M, which was charged to 2013.

### **NEW PARTNERSHIP AGREEMENTS COMBINED WITH INVESTMENT IN RAYSTATION®**

We are continuing to develop 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 that direct sales will make a positive contribution to earnings also in the short-term, although since there are major fluctuations in deliveries, earnings fluctuate significantly from quarter to quarter. This was 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 completed this summer. It has now been rolled out in Europe and Oceania and, in October, we received market clearance to begin selling this version in the US, our principal market. We continue to collaborate with our partners in parallel with these activities. For example, we have recently completed new versions of products for Brainlab and IBA Dosimetry. We also signed a new partnership agreement with Mevion Medical Systems, a supplier of treatment equipment in the field of proton therapy, similar to IBA, with whom we signed an agreement in 2013. These new partnerships differ slightly from our previous partnerships since they are based on RayStation® rather than on customized products for each partner. I believe we will be able to enter into more agreements of this type. So although we may lose some partners, the partner model is and will remain a key component of our operations.

To date, 2014 has been a very good year and the order intake for RayStation® has nearly tripled compared with the year-earlier period. This must be viewed as a strategic shift and it resulted in record sales of RayStation® in the third quarter. I am therefore looking forward to the end of the year with great confidence.

Stockholm, November 27, 2014

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

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## SIGNIFICANT EVENTS

### EVENTS DURING THE PERIOD JANUARY 1 – SEPTEMBER 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 is responsible for marketing, sales and service of RayStation® in Australia and New Zealand as of 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 pays Prowess a fixed amount over three years and that Prowess withdraws its lawsuit. The total cost of the settlement was SEK 34.8 M, which was charged to 2013.

#### ***Sales and service company formed 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 therapy 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 medical devices from IBA. PBS is the most sophisticated form of proton therapy delivery. Earlier this year, the first patients underwent uniform scanning proton therapy.

#### ***Strategic collaboration agreement signed with Mevion***

In September, a collaboration agreement was announced with Mevion Medical Systems Inc. The collaboration will focus on validating the use of RayStation® for Mevion's new HYPERSCAN pencil beam scanning technology..

## EVENTS AFTER THE END OF THE REPORT PERIOD

### *RayStation® 4.5 was cleared for sales in the US*

In October, RaySearch received 510(k) clearance from the FDA for version 4.5 of its treatment planning system RayStation®. The new version includes a wide range of new features that will help cancer centers improve their treatment planning process and also enable them to take adaptive planning a step further.

### *Credit facilities expanded*

The company's credit facilities were expanded in November from SEK 30 M to SEK 50 M, whereby chattel mortgages were increased to SEK 50 M. The credit facility comprises an overdraft facility of SEK 25 M and a revolving credit facility of SEK 25 M. SEK 25 M was borrowed over three months within the framework for the revolving credit facility.

## FINANCIAL INFORMATION

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

During the third quarter of 2014, sales rose 83.8 percent year-on-year to SEK 71.6 M [38.9]. Operating profit improved during the quarter to SEK 18.2 M (loss: 15.0), corresponding to an operating margin of 25.5 percent (neg: 38.5). Profit after tax during the quarter amounted to SEK 13.2 M (loss: 15.1). The increase in sales and earnings was mainly attributable to higher sales of RayStation®.

### SALES AND EARNINGS FOR THE FIRST NINE MONTHS OF 2014

#### *Revenues and currency effects*

During the first nine months of 2014, sales rose 55.1 percent year-on-year to SEK 177.4 M [114.4]. 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 was 1,501 [1,082] and license revenues during the first nine months of 2014 totaled SEK 156.9 M [96.3]. 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 144.4 M [94.8]. Of the license order intake, the contribution from RayStation® was SEK 88.5 M [31.4]. At September 30, RayStation® order backlog amounted to SEK 44.8 M, of which it is estimated that SEK 12.9 M will be converted to sales in 2014. Support revenues in the nine-month period of 2014 rose to SEK 20.5 M [18.1].

The company is dependent on trends 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 nine months of 2014, revenues in USD were recognized at an average exchange rate of SEK 6.67, compared with SEK 6.53 in the year-earlier period. During the first nine months of 2014, revenues in EUR were recognized at an average exchange rate of SEK 9.05, compared with SEK 8.58 in the year-earlier period. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased 50.1 percent year-on-year. A sensitivity analysis of currency exposure indicates that the impact on operating profit of a  $\pm 10$  percent change in the average USD exchange rate in the first nine months of 2014 was  $\pm$  SEK 8.5 M and that the corresponding effect of a  $\pm 10$  percent change in the average EUR exchange rate was  $\pm$  SEK 4.9 M. The company pursues the currency policy established by the Board of Directors.

#### *Expenses and profit*

Operating profit in the first nine months of 2014 amounted to SEK 26.6 M (loss: 26.1), corresponding to an operating margin of 15.0 percent (neg: 22.8). Operating expenses, excluding exchange-rate gains and losses, increased SEK 12.8 M to SEK 149.2 M, compared with the year-earlier period. The increase in operating expenses was mainly due to higher marketing and personnel costs for sales and service resulting from activities related to direct sales of RayStation®. This was partly offset by decreasing administrative expenses due to declining legal fees as the legal process with Prowess was ended. Other operating income and expenses refer to exchange-rate gains and losses, with the net of these amounting to income of SEK 4.6 M (expense: 1.2) for the first nine months of 2014.

At September 30, 2014, 81 (76) 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 expenditures, research and development costs totaled SEK 66.5 M [66.8].

During the first nine months of 2014, capitalized development costs totaled SEK 39.1 M [39.9]. Amortization of capitalized development costs during the first nine months of 2014 amounted to SEK 43.4 M [38.9]. After adjustments for capitalization and amortization of development expenditure, research and development costs totaled SEK 70.8 M [65.8].

Amortization of intangible fixed assets in the first nine months of 2014 amounted to SEK 43.4 M [39.0] and depreciation of tangible fixed assets totaled SEK 0.8 M [0.8]. Amortization/depreciation during the first nine months of 2014 totaled SEK 44.2 M [39.8]. Amortization/depreciation primarily pertained to capitalized development expenditure.

Profit after tax for the first nine months of 2014 amounted to SEK 19.1 M [loss: 25.9], corresponding to earnings per share before and after dilution of SEK 0.56 [loss: 0.76]

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

License revenues in the first nine months of 2014 were distributed as follows: North America 30 percent [33], Asia 34 percent [29], Europe and the rest of the world 36 percent [38].

### **LIQUIDITY AND FINANCING**

Cash flow from operating activities during the first nine months of 2014 rose to SEK 27.8 M [14.0], which was primarily attributable to improved earnings. Cash flow from investing activities was a negative SEK 41.8 M (neg: 42.0).

Cash flow for the period was a negative SEK 13.9 M (neg: 27.9). At September 30, 2014, cash and cash equivalents amounted to SEK 24.8 M, compared with SEK 33.8 M on September 30, 2013. At September 30, 2014, current receivables amounted to SEK 109.7 M, compared with SEK 62.1 M on September 30, 2013. The receivables primarily comprised accounts receivables. The increase is mainly explained by the fact that a large share of the sales were generated in the end of the period and the associated receivables were not yet due for payment. At September 30, RaySearch had no interest-bearing liabilities. Of the overdraft facility totaling SEK 30 M the available amount has been reduced by SEK 25.4 M as collateral for bank guarantees of EUR 2.5 M issued to MedAustron.

The provision pertaining to the settlement with Prowess was reclassified as a liability during the period, as a result of the signed settlement. The liability is in USD and because it is not subject to interest, it is discounted. Currency and discounting effects during the year had a negative impact of SEK 2.4 M on profit from financial items. Payment connected to the settlement during the period amounted to SEK 6.4 M and had an impact on cash flow from operating activities.

### **FINANCIAL INSTRUMENTS**

RaySearch's financial assets and liabilities comprise accounts receivable, cash and cash equivalents, accrued income, accrued expenses, accounts payable and a liability attributable to the settlement agreement signed with Prowess in April. The liability pertaining to the settlement is discounted, while other financial assets and liabilities have short terms. Accordingly, the fair values of all financial instruments are deemed to correspond approximately to the carrying 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. Investments in intangible fixed assets during the first nine months of 2014 totaled SEK 39.1 M [39.9] and investments in tangible fixed assets SEK 2.6 M [2.1].

## **EMPLOYEES**

At the end of the third quarter, RaySearch had 132 (112) employees. The average number of employees during January-September 2014 was 123 (110).

## **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-SEP		JUL-SEP		FULL-YEAR
	2014	2013	2014	2013	2013
Net sales	177,435	114,357	71,602	38,957	204,470
Cost of goods sold	-6,334	-2,893	-2,502	-850	-6,059
<b>Gross profit</b>	<b>171,101</b>	<b>111,464</b>	<b>69,100</b>	<b>38,107</b>	<b>198,411</b>
Other operating income	9,213	2,084	5,311	-	3,008
Selling expenses	-56,155	-36,427	-23,328	-15,603	-53,024
Administrative expenses	-22,218	-34,098	-8,028	-12,359	-80,108
Research and development expenditure	-70,796	-65,862	-22,450	-22,411	-90,720
Other operating expenses	-4,552	-3,288	-2,380	-2,739	-3,288
<b>Operating profit/loss</b>	<b>26,593</b>	<b>-26,127</b>	<b>18,225</b>	<b>-15,005</b>	<b>-25,721</b>
Result from financial items	-470	520	-168	150	754
<b>Profit/loss before tax</b>	<b>26,123</b>	<b>-25,607</b>	<b>18,057</b>	<b>-14,855</b>	<b>-24,967</b>
Tax	-6,987	-327	-4,856	-254	4,126
<b>Profit/loss for the period<sup>1)</sup></b>	<b>19,136</b>	<b>-25,934</b>	<b>13,201</b>	<b>-15,109</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	-2,510	477	-1,426	1,376	57
<b>Items not to be reclassified to profit or loss</b>					
	-	-	-	-	-
<b>Comprehensive income/loss for the period<sup>1)</sup></b>	<b>16,626</b>	<b>-25,457</b>	<b>11,775</b>	<b>-13,733</b>	<b>-20,784</b>
Earnings/loss per share before and after dilution (SEK)	0.56	-0.76	0.39	-0.44	-0.61

1) 100% attributable to Parent Company shareholders.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	SEP. 30, 2014	SEP. 30, 2013	DEC. 31, 2013
<b>ASSETS</b>			
Intangible fixed assets	162,400	166,812	166,678
Tangible fixed assets	7,367	4,985	5,567
Financial fixed assets	-	-	403
<b>Total fixed assets</b>	<b>169,767</b>	<b>171,797</b>	<b>172,648</b>
Current receivables	109,707	62,109	88,283
Cash and cash equivalents	24,778	33,855	38,231
<b>Total current assets</b>	<b>134,485</b>	<b>95,964</b>	<b>126,514</b>
<b>TOTAL ASSETS</b>	<b>304,252</b>	<b>267,761</b>	<b>299,162</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	213,227	192,096	196,601
Deferred tax liabilities	35,728	41,170	36,669
Provisions	-	-	34,759
Long-term liabilities	24,924	-	-
Accounts payable	5,023	6,956	6,925
Other current liabilities	25,350	27,539	24,208
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>304,252</b>	<b>267,761</b>	<b>299,162</b>
Pledged assets	55,400	37,500	37,500
Contingent liabilities	-	See Note	-

## CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2014	2013	2014	2013	2013
Profit/loss before tax	26,123	-25,607	18,057	-14,855	-24,967
Adjusted for non-cash items <sup>1)</sup>	37,242	38,638	10,301	13,655	87,511
Taxes paid	-13,961	-2,793	-5,750	-1,021	-3,596
<b>Cash flow from operating activities before changes in working capital</b>	<b>49,404</b>	<b>10,238</b>	<b>22,608</b>	<b>-2,221</b>	<b>58,949</b>
Cash flow from changes in working capital	-21,609	3,764	-13,847	4,691	-27,667
<b>Cash flow from operating activities</b>	<b>27,795</b>	<b>14,002</b>	<b>8,761</b>	<b>2,470</b>	<b>31,282</b>
Cash flow from investing activities <sup>2)</sup>	-41,773	-41,995	-11,457	-11,144	-56,542
Cash flow from financing activities	-	-	-	-	1,563
<b>Cash flow for the period</b>	<b>-13,978</b>	<b>-27,993</b>	<b>-2,696</b>	<b>-8,674</b>	<b>-23,697</b>
Cash and cash equivalents at the beginning of the period	38,231	61,875	27,010	42,615	61,875
Exchange-rate difference in cash and cash equivalents	525	-27	464	-86	53
<b>Cash and cash equivalents at the end of the period</b>	<b>24,778</b>	<b>33,855</b>	<b>24,778</b>	<b>33,855</b>	<b>38,231</b>

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

2) These amounts primarily include capitalized development costs.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		FULL-YEAR
	2014	2013	2013
Opening balance	196,601	217,553	217,553
Profit/loss for the period	19,136	-25,934	-20,842
Sales of treasury stock	-	-	1,563
Tax effect sales of treasury stock	-	-	-1,730
Translation difference for the period	-2,510	477	57
Closing balance	213,227	192,096	196,601

## CHANGES IN NUMBER OF SHARES

	JAN-SEP	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	-	-

## KEY FIGURES AND CONDENSED FINANCIAL DATA

AMOUNTS IN SEK 000S	JAN-SEP			FULL-YEAR
	2014	2013	2012	2013
Net sales	177,435	114,357	105,208	204,470
Operating profit/loss	26,593	-26,127	-3,686	-25,721
Operating margin, %	15.0	-22.8	-3.5	-12.6
Profit margin, %	14.7	-22.7	-5.2	-12.2
Profit/loss for the period	19,136	-25,934	-5,501	-20,841
Earnings/loss per share, SEK	0.56	-0.76	-0.16	-0.61
Return on capital employed <sup>4</sup> , %	13.3	0.7	6.0	-12.0
Return on equity <sup>4</sup> , %	9.4	neg	0.7	-10.1
Equity/assets ratio, %	70.1	71.7	73.6	65.7
Adjusted equity per share at the end of the period, SEK	6.22	5.60	5.59	5.73
Share price at the end of the period, SEK	41.70	27.30	19.50	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-SEP		JUL-SEP		FULL-YEAR
	2014	2013	2014	2013	2013
Net sales	151,759	108,407	61,655	33,711	179,178
Cost of goods sold	-2,428	-143	-1,043	-101	-809
<b>Gross profit</b>	<b>149,331</b>	<b>108,264</b>	<b>60,612</b>	<b>33,610</b>	<b>178,369</b>
Other operating income	9,213	2,084	5,311	-	3,008
Selling expenses	-35,968	-23,033	-15,539	-10,782	-34,561
Administrative expenses	-22,204	-34,079	-8,025	-12,353	-80,085
Research and development expenditure	-66,518	-66,792	-18,995	-18,751	-91,516
Other operating expenses	-4,552	-3,288	-2,380	-2,739	-3,288
<b>Operating profit/loss</b>	<b>29,302</b>	<b>-16,844</b>	<b>20,984</b>	<b>-11,015</b>	<b>-28,073</b>
Result from financial items	-490	522	-172	145	2,176
<b>Profit/loss after financial items</b>	<b>28,812</b>	<b>-16,322</b>	<b>20,812</b>	<b>-10,870</b>	<b>-25,897</b>
Appropriations	-	-	-	-	20,326
<b>Profit/loss before tax</b>	<b>28,812</b>	<b>-16,322</b>	<b>20,812</b>	<b>-10,870</b>	<b>-5,571</b>
Tax	-7,280	-	-5,375	-1,012	403
<b>Profit/loss for the period</b>	<b>21,532</b>	<b>-16,322</b>	<b>15,437</b>	<b>-11,882</b>	<b>-5,168</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2014	2013	2014	2013	2013
Profit/loss for the period	21,532	-16,322	15,437	-11,882	-5,168
Other comprehensive income	-	-	-	-	-
<b>Comprehensive income/loss for the period</b>	<b>21,532</b>	<b>-16,322</b>	<b>15,437</b>	<b>-11,882</b>	<b>-5,168</b>

## PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	SEP. 30, 2014	SEP. 30, 2013	DEC. 31, 2013
<b>ASSETS</b>			
Intangible fixed assets	-	-	-
Tangible fixed assets	5,772	4,046	4,549
Financial fixed assets	2,493	2,259	2,669
<b>Total fixed assets</b>	<b>8,265</b>	<b>6,305</b>	<b>7,218</b>
Current receivables	144,209	96,837	117,159
Cash and cash equivalents	7,962	28,870	26,305
<b>Total current assets</b>	<b>152,171</b>	<b>125,707</b>	<b>143,464</b>
<b>TOTAL ASSETS</b>	<b>160,436</b>	<b>132,012</b>	<b>150,682</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	111,765	79,078	90,232
Untaxed reserves	-	20,326	-
Provisions	-	-	34,759
Long-term liabilities	24,924	-	-
Accounts payable	5,770	7,583	7,634
Other current liabilities	17,977	25,025	18,057
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>160,436</b>	<b>132,012</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 has been 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 have been 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 have been 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. No significant changes have been made to the risk assessment 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.

Stockholm, November 27, 2014

Johan Löf  
*President and Board member*

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# AUDITORS' REPORT ON THE REVIEW OF THE INTERIM REPORT

## INTRODUCTION

We have conducted a review of the interim report for RaySearch Laboratories AB (publ) as of September 30, 2014 and the nine-month period that ended on that date. The Board of Directors and the President are responsible for preparing and presenting this financial interim information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

## FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditors of the Company*. A review consists of making inquiries, primarily to persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with 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 opinion 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, in all material respects, the accompanying interim report for the Group has not been prepared in accordance with IAS 34 and the Annual Accounts Act, and the interim report for the Parent Company has not been prepared in accordance with the Annual Accounts Act.

Stockholm, November 27, 2014

Ernst & Young AB

Per Hedström  
Authorized Public Accountant

**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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**FINANCIAL REPORTING**

Year-end report	February 12, 2015
Interim report for the first quarter	May 8, 2015
Annual General Meeting	May 28, 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 medical technology companies 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 Institute in Stockholm and the company is listed in the Small Cap segment on Nasdaq Stockholm.

More information about RaySearch is available at [www.raysearchlabs.com](http://www.raysearchlabs.com).