

RAYSEARCH LABORATORIES AB (PUBL)

INTERIM REPORT JANUARY 1 – MARCH 31, 2015

JANUARY 1 – MARCH 31, 2015

- Net sales for the period amounted to SEK 87.7 M (54.0)
- Profit after tax totaled SEK 25.0 M (5.9) and earnings per share were SEK 0.73 (0.17)
- Operating profit amounted to SEK 33.1 M (6.2)
- Cash flow was SEK 7.8 M (neg: 3.4)
- Order intake excluding service agreements amounted to SEK 86.3 M (54.8), of which RayStation® accounted for SEK 69.1 M (34.7)
- RayStation® order backlog totaled SEK 30.6 M (61.0)
- First proton therapy treatments with RayStation® in Europe
- Sales and service company formed in Singapore for Asian market

EVENTS AFTER THE END OF THE REPORT PERIOD

- First RayStation® proton therapy treatments for Mevion S250
- Texas Center for Proton Therapy, part of the national collaboration The US Oncology Network, has selected RayStation®

“Our successes with RayStation® continue and we have started the year excellently. During the first quarter, revenues from RayStation® rose approximately 130 percent to SEK 62.8 M (27.3). In total, revenues rose 62.5 percent to SEK 87.7 M (54.0) and operating profit increased sharply to SEK 33.1 M (6.2), the highest revenue and profit levels ever for the first quarter,” says Johan Löf, CEO of RaySearch.

“RaySearch will celebrate its 15th anniversary in June and, in connection with this milestone, I will be able to state that we have an excellent platform for continued successes. We are now embarking upon a journey toward an exciting phase of development with a continuously growing customer base and new strategic opportunities. I look forward to the future with great confidence.” concludes Johan Löf.

SUMMARY OF FINANCIAL RESULTS

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2015	2014	2014
Net sales	87,731	53,977	285,217
Operating profit	33,071	6,226	79,360
Operating margin, %	37.7	11.5	27.8
Profit for the period	25,023	5,934	59,832
Earnings per share, SEK	0.73	0.17	1.75
Share price at the end of the period, SEK	72.50	30.80	53.00

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. This information was submitted for publication on May 8, 2015 at 7.45 a.m.

CEO COMMENTS

SUCCESSSES WITH RAYSTATION® CONTINUE

“Our successes with RayStation® continue and we have started the year excellently. Order intake for RayStation® doubled to SEK 69.1 M [34.7], which includes several important orders from proton clinics in Europe and the US that could boost sales in the future. To date, 210 cancer clinics in 19 countries have purchased RayStation® and almost half of these customers have been added in the past 12-month period. I view this as the breakthrough for RayStation®. At the same time, since there are more than 8,000 radiation-therapy clinics worldwide, the growth potential remains very strong.

The reasons for the sales successes for RayStation® include high calculation speed, automated workflow, advanced support for adaptive radiation therapy, unique multi-criteria optimization and radiation therapy interfaces. The keen interest in RayStation® was also apparent at the European radiation therapy fair, ESTRO 2015, which took place in Barcelona in late April. The number of product demonstrations was up more than 50 percent compared with the 2014 fair, and just over 330 people attended our lunch symposium.

We are continuing to build our sales and support organization and in March, for example, we started up a subsidiary in Singapore for the Asian market. During the year, we will also be expanding our already established subsidiaries in Europe and the US, and entering into collaborations with additional distributors in relevant markets.

SHARPLY IMPROVED EARNINGS

Volume growth for RayStation® has been high and we are also benefiting from the strong USD. During the first quarter, revenues from RayStation® rose approximately 130 percent to SEK 62.7 M [27.3], at the same time as our partners' sales declined slightly to SEK 25.0 M [26.7].

Overall, revenues rose 62.5 percent to SEK 87.7 M [54.0], and worth mentioning, last year revenues were at all-time high for the first quarter. Moreover, operating profit increased sharply to SEK 33.1 M [6.2]. These were the highest ever revenue and profit levels for the first quarter.

STABLE BASE FOR CONTINUED EFFORTS

2014 was a very successful year for RaySearch. Sales of RayStation® gained real momentum and the system is now well-established in all major markets around the world. Our revenues and profits will continue to vary from quarter to quarter, since outward deliveries are subject to major fluctuations. However, it is with great delight that I state that we have noted record sales for six consecutive quarters compared to the corresponding quarter in the previous year. This provides us with a stable base for continued focus on RayStation®.

One strategically important project that has been under way at RaySearch for some time is the development of an information system for radiation therapy, an Oncology Information System, or quite simply an OIS. The system is called RayCare® and it will contain many new features that will both improve the radiation therapy process and make it more efficient. Essentially, a radiation therapy clinic needs two software platforms to conduct its activities: an information system and a treatment planning system. Through RayCare® and RayStation®, we will be able to provide the entire information management and treatment planning infrastructure for a clinic. The launch of RayCare® will give us new opportunities, clinically and in terms of markets, but it should be noted that it still lies a couple of years ahead.

RaySearch will celebrate its 15th anniversary in June and, in connection with this milestone, I will be able to state that we have an excellent platform for continued successes. We are now embarking upon a journey toward an exciting phase of development with a continuously growing customer base and new strategic opportunities. I look forward to the future with great confidence.

Stockholm May 8, 2015

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

SIGNIFICANT EVENTS

EVENTS DURING THE PERIOD JANUARY 1 – MARCH 31, 2015

New interim CFO

In January 2015, it was announced that RaySearch's CFO, Anders Martin-Löf, had decided to leave the company in April to become CFO at another company. In March, Peter Thysell was appointed interim CFO, and a process to find a permanent successor has been initiated.

First proton therapy treatments with RayStation® in Europe.

In February, it was announced that Westdeutsches Protontherapiezentrum Essen (WPE) in Germany was the first proton center in Europe to use RayStation® for clinical treatments.

EVENTS AFTER THE END OF THE REPORT PERIOD

First RayStation® proton therapy treatments for Mevion S250

In May, it was announced that the Ackerman Cancer Center in Jacksonville, USA, had started to use RayStation® for clinical proton therapy together with Mevion S250 equipment.

Texas Center for Proton Therapy selected RayStation®

In May, it was announced that the Texas Center for Proton Therapy had chosen the RayStation® treatment planning system. RayStation® has also been added as one of the preferred treatment planning systems for The US Oncology Network, a national collaboration encompassing about 100 US radiation-therapy clinics.

FINANCIAL INFORMATION

SALES AND EARNINGS FOR THE FIRST QUARTER OF 2015

Revenues and currency effects

During the first quarter of 2015, sales rose 62.5 percent year-on-year to SEK 87.7 M (54.0). Sales consist of license revenues via direct sales and partners, as well as support revenues. The number of licenses sold via direct sales and partners totaled SEK 518 M (510) and license revenues during the first quarter of 2015 amounted to SEK 77.4 M (46.8). The increase in license revenues derived mainly from a rise in revenues from direct sales of RayStation®. Order intake excluding service agreements amounted to SEK 86.3 M (54.8). Of the order intake, the contribution from RayStation® was SEK 69.1 M (34.7). At March 31, RayStation® had an order backlog of SEK 30.6 M. Support revenues rose to SEK 10.4 M (7.2) during the first quarter of 2015.

The company is dependent on exchange-rate trends in the USD and EUR against the SEK, since invoicing is mainly denominated in USD and EUR, while most of the costs are in SEK. During the first quarter of 2015, revenues in USD were recognized at an average exchange rate of SEK 8.34, compared with SEK 6.48 in the year-earlier period. During the first quarter of 2015, revenues in EUR were recognized at an average exchange rate of SEK 9.38, compared with SEK 8.90 in the year-earlier period. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased 37.2 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 for the first quarter of 2015 was +/- SEK 15.1 M and that the corresponding effect of a +/-10 percent change in the average EUR exchange rate was +/- SEK 6.5 M. The company pursues the currency policy established by the Board of Directors, whereby exchange-rate changes are not hedged.

Expenses and profit

Operating profit for the first quarter of 2015 amounted to SEK 33.1 M (6.2), corresponding to an operating margin of 37.7 percent (11.5). Operating expenses, excluding exchange-rate gains and losses, increased SEK 12.7 M to SEK 57.9 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 the focus on direct sales of RayStation®. Other operating income and expenses pertained to exchange-rate gains with the net of these, in the first quarter of 2015, amounting to a gain of SEK 7.8 M (loss: 0.2). The increase was mainly due to the large proportion of accounts receivable in USD, which strengthened substantially during the first quarter.

At March 31, 2015, some 87 (76) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees and costs for computer equipment and premises. Before capitalization and amortization of development expenditure, research and development costs totaled SEK 28.4 M (23.3).

During the first quarter of 2015, capitalized development expenditure amounted to SEK 16.5 M (14.3). Amortization of capitalized development expenditure during the first quarter of 2015 amounted to SEK 12.8 M (14.4). After adjustments for capitalization and amortization of development costs, research and development costs totaled SEK 24.7 M (23.4).

Amortization of intangible fixed assets in the first quarter of 2015 amounted to SEK 12.8 M (14.4) and depreciation of tangible fixed assets totaled SEK 0.8 M (0.3). Amortization and depreciation during the first quarter of 2015 totaled SEK 13.6 M (14.7) and pertained primarily to capitalized development expenditure.

Profit after tax for the first quarter of 2015 amounted to SEK 25.0 M (5.9), corresponding to earnings per share before and after dilution of SEK 0.73 (0.17).

Geographic distribution of license revenues

License revenues in the first quarter of 2015 were distributed as follows: North America 42 percent (19), Asia 18 percent (40), Europe and the rest of the world 40 percent (41).

LIQUIDITY AND FINANCING

Cash flow from operating activities during the first quarter of 2015 rose to SEK 38.6 M (11.9) primarily due to improved earnings. Cash flow from investing activities was a negative SEK 30.2 M (neg: 15.3), of which investments in tangible fixed assets accounted for SEK 13.7 M (1.0) and intangible fixed assets for SEK 16.5 M (14.3). Cash flow for the period amounted to SEK 7.8 M (neg: 3.4). At March 31, 2015, cash and cash equivalents amounted to SEK 64.5 M, compared with SEK 34.7 M at March 31, 2014. At the same date, current receivables totaled SEK 173.8 M compared with SEK 89.0 M at March 31, 2014. The receivables mainly comprise accounts receivable, and the increase was due mainly to a sharp rise in sales and to the appreciation of the USD against SEK.

In November 2014, the company's credit facility was expanded 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 loan of up to SEK 25 M extending until November 4, 2017. Within the framework of the revolving loan, an amount of SEK 25 M was borrowed over three months.

Of the company's credit facility of SEK 25 M, SEK 3.8 M has been blocked as collateral for bank guarantees totaling EUR 0.4 M to MedAustron.

The provision pertaining to the settlement with Prowess was reclassified as a liability during 2014, as a result of the signed settlement. The liability is in USD and it has been discounted since it does not carry interest. Currency and discounting effects during the year had a negative impact of SEK 0.2 M on profit from financial items.

FINANCIAL INSTRUMENTS

RaySearch's financial assets and liabilities comprise accounts receivable, cash and cash equivalents, accrued income, accrued expenses, bank loans, accounts payable and a liability attributable to the settlement agreement signed with Prowess in April 2014. 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 quarter of 2015 amounted to SEK 16.5 M (14.3) and in property, plant and equipment to SEK 19.5 M (0.9).

EMPLOYEES

At the end of the first quarter, RaySearch had 142 (118) employees. The average number of employees during January-March 2015 was 139 (117).

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. Development expenditure and adjustments related to financial leasing are capitalized in the Group but not in the Parent Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR	APR 2014-
	2015	2014	2014	MAR 2015
Net sales	87,731	53,977	285,217	318,971
Cost of goods sold ¹⁾	-4,533	-2,385	-11,627	-13,775
Gross profit	83,198	51,592	273,590	305,196
Other operating income	11,699	653	16,803	27,849
Selling expenses	-24,351	-14,230	-78,433	-88,554
Administrative expenses	-8,905	-7,510	-30,736	-32,131
Research and development costs	-24,728	-23,435	-95,069	-96,362
Other operating expenses	-3,842	-844	-6,795	-9,793
Operating profit	33,071	6,226	79,360	106,205
Result from financial items	-489	62	-659	-1,210
Profit before tax	32,582	6,288	78,701	104,995
Tax	-7,559	-354	-18,869	-26,074
Profit for the period ²⁾	25,023	5,934	59,832	78,921
Other comprehensive income				
Items to be reclassified to profit or loss				
Translation difference of foreign operations for the period	-2,834	-29	-4,885	-7,690
Items not to be reclassified to profit or loss				
	-	-	-	-
Comprehensive income for the period²⁾	22,189	5,905	54,947	71,231
Earnings/loss per share before and after dilution (SEK)	0.73	0.17	1.75	2.30

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

²⁾ 100% attributable to Parent Company shareholders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	MAR. 31, 2015	MAR. 31, 2014	DEC. 31, 2014
ASSETS			
Intangible fixed assets	167,786	166,554	164,081
Tangible fixed assets	31,744	6,303	12,951
Financial fixed assets	-	403	-
Total fixed assets	199,530	173,260	177,032
Current receivables	173,882	88,987	156,636
Cash and cash equivalents	64,540	34,749	56,085
Total current assets	238,422	123,736	212,721
TOTAL ASSETS	437,952	296,996	389,753
EQUITY AND LIABILITIES			
Equity	273,737	202,506	251,548
Deferred tax liabilities	41,539	36,642	40,724
Provisions	-	34,759	-
Long-term liabilities	48,080	-	41,096
Accounts payable	21,278	6,289	9,034
Other current liabilities	53,318	16,800	47,351
TOTAL EQUITY AND LIABILITIES	437,952	296,996	389,753
Pledged assets	53,800	37,500	53,800
Contingent liabilities	-	-	-

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2015	2014	2014
Profit before tax	32,582	6,288	78,701
Adjusted for non-cash items ¹⁾	7,018	14,313	46,315
Taxes paid	-1,808	-3,799	-15,247
Cash flow from operating activities before changes in working capital	37,792	16,802	109,769
Cash flow from changes in working capital	859	-4,914	-59,496
Cash flow from operating activities	38,651	11,888	50,273
Cash flow from investing activities	-30,166	-15,302	-57,844
Cash flow from financing activities	-696	-	24,345
Cash flow for the period	7,789	-3,414	16,774
Cash and cash equivalents at the beginning of the period	56,085	38,231	38,231
Exchange-rate difference in cash and cash equivalents	666	-68	1,080
Cash and cash equivalents at the end of the period	64,540	34,749	56,085

1 These amounts include amortization of capitalized development costs of SEK 13.6 M (14.7) and exchange-rate losses of SEK 7.5 M (loss: 0.4).

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2015	2014	2014
Opening balance	251,548	196,601	196,601
Profit for the period	25,023	5,934	59,832
Translation difference for the period	-2,834	-29	-4,885
Closing balance	273,737	202,506	251,548

CHANGES IN NUMBER OF SHARES

	JAN–MAR	FULL-YEAR
	2015	2014
Total number of shares (opening and closing balance)	34,282,773	34,282,773
Holding of treasury stock, opening balance	-	-
Sales of treasury stock	-	-
Holding of treasury stock, closing balance	-	-

KEY FIGURES AND CONDENSED FINANCIAL DATA

AMOUNTS IN SEK 000S	JAN-MAR			FULL-YEAR
	2015	2014	2013	2014
Net sales	87,731	53,977	47,900	285,217
Operating profit	33,071	6,226	8,110	79,360
Operating margin, %	37.7	11.5	16.9	27.8
Profit margin, %	37.1	11.7	17.4	27.6
Profit for the period	25,023	5,934	5,174	59,832
Earnings per share, SEK	0.73	0.17	0.15	1.75
Return on capital employed, %	13.2	3.0	11.8	33.7
Return on equity, %	10.0	2.8	9.6	26.7
Equity/assets ratio, %	62.5	68.2	74.8	64.5
Adjusted equity per share at the end of the period, SEK	7.98	5.91	6.49	7.34
Share price at the end of the period, SEK	72.50	30.80	31.10	53.00

For definitions of key figures, see page 48 of the 2014 Annual Report.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2015	2014	2014
Net sales	74,842	52,495	250,363
Cost of goods sold	-3,193	-1,255	-7,223
Gross profit	71,649	51,240	243,140
Other operating income	11,699	653	16,803
Selling expenses	-13,904	-8,220	-50,669
Administrative expenses	-9,090	-7,502	-30,912
Research and development costs	-28,433	-23,311	-92,472
Other operating expenses	-3,842	-844	-6,795
Operating profit	28,079	12,016	79,095
Result from financial items	-387	55	1,565
Profit after financial items	27,692	12,071	80,660
Appropriations	-	-	-21,029
Profit before tax	27,692	12,071	59,631
Tax	-6,240	-	-13,651
Profit for the period	21,452	12,071	45,980

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN–MAR		FULL-YEAR
	2015	2014	2014
Profit for the period	21,452	12,071	45,980
Other comprehensive income for the period	-	-	-
Comprehensive income for the period	21,452	12,071	45,980

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	MAR. 31, 2015	MAR. 31, 2014	DEC. 31, 2014
ASSETS			
Tangible fixed assets	19,734	4,918	6,975
Financial fixed assets	2,493	2,669	2,493
Total fixed assets	22,227	7,587	9,468
Current receivables	212,231	121,361	185,239
Cash and cash equivalents	51,368	27,042	47,935
Total current assets	263,599	148,403	233,174
TOTAL ASSETS	285,826	155,990	242,642
EQUITY AND LIABILITIES			
Equity	157,664	102,304	136,213
Untaxed reserves	21,029	-	21,029
Provisions	-	34,759	36,853
Long-term liabilities	38,175	-	-
Accounts payable	21,861	6,424	9,823
Other current liabilities	47,097	12,503	38,724
TOTAL EQUITY AND LIABILITIES	285,826	155,990	242,642
Pledged assets	53,800	37,500	53,800
Contingent liabilities	-	-	-

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 2015 have not affected RaySearch during the period and no known changes are expected to affect RaySearch in 2015.

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. The predominant part of RaySearch's net sales is 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. For a more detailed description of RaySearch's risks and risk management, refer to page 27 of the 2014 Annual Report. No significant changes have been made to the risk assessment compared with the 2014 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.

Stockholm May 8, 2015

Johan Löf
President and Board member

FOR FURTHER INFORMATION, PLEASE CONTACT:

Johan Löf, President
Tel: +46 8 510 530 00
johan.lof@raysearchlabs.com

RaySearch Laboratories AB (publ)
Corporate Registration Number 556322-6157
Sveavägen 44
SE-111 34 Stockholm, Sweden

FORTHCOMING FINANCIAL INFORMATION

Annual General Meeting	May 28, 2015
	The Annual General Meeting will be held in Grönwaldsalen in the Stockholm Concert Hall, Hötorget 8, Stockholm
Interim report for the first six months	August 28, 2015
Interim report for the third quarter	November 25, 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