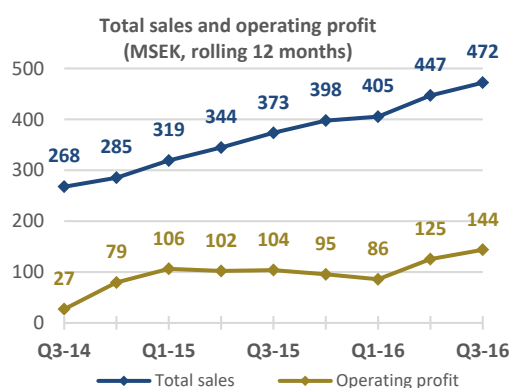


INTERIM REPORT JANUARY 1-SEPTEMBER 30, 2016

"Revenues from RayStation® rose 52 percent to SEK 113 M [74] and prospects for the rest of the year look favorable. The development of RayCare® is progressing as planned, and within short we will sign additional long-term collaboration agreements with world-leading cancer clinics regarding RayCare," says Johan Löf, CEO of RaySearch.

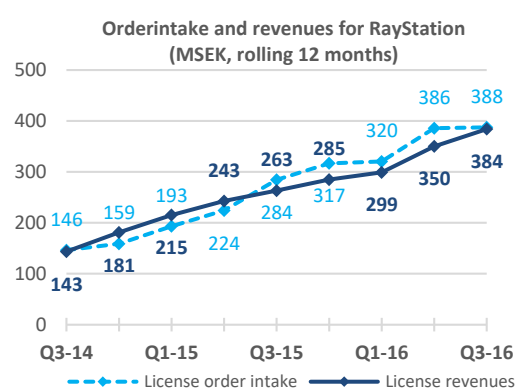
THIRD QUARTER (JULY-SEPTEMBER, 2016)

- Net sales SEK 125.7 M [100.6], of which RayStation SEK 112.6 M [73.9]
- Profit after tax SEK 28.9 M [14.5] and earnings per share before/after dilution SEK 0.84 [0.42]
- Operating profit SEK 38.5 M [20.1]
- Cash flow negative SEK 4.2 M [neg: 6.5]
- Order intake excl. service agreements SEK 101.1 M [109.0], of which RayStation SEK 91.2 M [89.6]
- Order backlog for RayStation was SEK 55.5 M [59.3] at the end of the period



NINE MONTHS (JANUARY-SEPTEMBER, 2016)

- Net sales SEK 340.1 M [265.6], of which RayStation SEK 301.2 M [190.9]
- Profit after tax SEK 75.5 M [36.9] and earnings per share before/after dilution SEK 2.20 [1.08]
- Operating profit SEK 99.3 M [51.0]
- Cash flow negative SEK 30.4 M [neg: 8.8]
- Order intake excl. service agreements SEK 312.1 M [267.3] of which RayStation SEK 284.6 M [214.0]



SIGNIFICANT EVENTS DURING THE THIRD QUARTER

- RaySearch continued to win major orders from some of the world's largest and most respected cancer clinics, including University Medical Center Groningen (UMCG) in the Netherlands, UZ Leuven University Hospital, UCL Saint-Luc University Hospital and AZ Sint-Jan Brugge-Oostende AV in Belgium, Queen Elizabeth Hospital Birmingham in the UK, and others.
- Strategic alliance with IBA to offer a comprehensive and integrated solution for adaptive radiation therapy using protons, and expanded partnership with Mevion in relation to RayCare and support for HYPERSCAN Adaptive Aperture.
- The company's credit facility was increased from SEK 50 M to SEK 100 M, whereby mortgages were increased to SEK 100 M.
- Victoria Sörving, General Counsel, left the company in September.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- Erik Hedlund resigned as Chairman and resigned from the Board on 17 November 2016. Carl Filip Bergendal was appointed new Chairman until the Annual General Meeting which will be held on 24 May, 2017.

FINANCIAL SUMMARY

AMOUNTS IN SEK 000S	JUL-SEP		JAN-SEP		OCT 2015-SEP 2016	FULL-YEAR
	2016	2015	2016	2015	SEP 2016	2015
Net sales	125,730	100,570	340,113	265,643	472,070	397,600
Operating profit	38,465	20,085	99,310	51,042	143,612	95,344
Operating margin, %	30.6	20.0	29.2	19.2	30.4	24.0
Profit for the period	28,887	14,480	75,484	36,898	108,795	70,209
Earnings per share before/after dilution, SEK	0.84	0.42	2.20	1.08	3.17	2.05
Cash flow from operating activities	10,211	13,093	46,982	70,202	88,206	111,426
Cash flow before financing activities	13,109	-5,486	-28,760	-6,089	-15,100	7,571
Return on equity, %	8.6	5.8	22.5	14.8	32.4	24.6
Equity/assets ratio, %, at the end of the period	65.8	62.3	65.8	62.3	65.8	65.9
Share price at the end of the period, SEK	198.50	119.00	198.50	119.00	198.50	122.50



CEO COMMENTS

SALES REMAIN STRONG IN EUROPE

Our favorable trend continued in the third quarter, in terms of both sales and earnings. In the third quarter, order intake for RayStation rose 2 percent to SEK 91 M [90]. This is positive, considering the strong year-on-year order intake, which included winning major orders from MD Anderson and the University of Florida in the US, as well as Gustave Roussy in France.

During the first nine months, order intake for RayStation rose 33 percent to SEK 285 M [214], mainly driven by a strong order intake in Europe.

RayStation is now firmly established in all major markets worldwide as the most advanced treatment planning system for radiation therapy in the market, with support for adaptive radiation therapy, automated workflows and unique multi-criteria optimization. Another advantage for RayStation is that the system supports such a wide range of radiation therapy devices, more than any other treatment planning system. RayStation helps to improve the radiation therapy process and to extend the lifetime of therapy devices, which means they can be used more efficiently. This means that clinics that want to improve and develop their care are no longer dependent on buying the latest hardware, instead they can achieve similar, positive outcomes by choosing RayStation as their treatment planning system.

We are continuing to expand our global marketing organization and now have subsidiaries in the US, Canada, Germany, France, Belgium, the UK, Singapore, South Korea and Japan, while several other subsidiaries are currently being established.

IMPROVED RESULTS

During the quarter, revenues from RayStation rose 52 percent to SEK 113 M [74], while sales via partners declined to SEK 13 M [26]. Overall, revenues rose 25 percent to SEK 126 M [101] in the third quarter, and operating profit increased sharply to SEK 38 M [20]. In the first nine months, revenues rose 28 percent to SEK 340 M [266] and operating profit rose to SEK 99 M [51], representing an operating margin of 29 percent [19]. These were our highest sales and best earnings by far for the first nine months.

DEVELOPMENT OF RAYCARE CONTINUES AS PLANNED

RayCare is the next-generation oncology information system. When the system is launched in 2017, cancer clinics worldwide will gain access to a comprehensive information system covering the most important methods for cancer treatment – radiation therapy, chemotherapy and surgery. RayCare will be able to manage workflows and store information about a cancer patient's entire treatment plan, which offers new opportunities for data analysis and the evaluation of treatment outcomes. To ensure that we meet the needs of these clinics, our development activities are taking place in close collaboration with leading cancer clinics. We are currently collaborating with the University of California, San Francisco in the US, the University Medical Center Groningen in the Netherlands and the radiation therapy department of Iridium Kankernetwerk in Belgium, and within short we will sign additional long-term collaboration agreements with world-leading cancer clinics regarding RayCare. Solving the coordination, safety and efficiency needs of the world's largest cancer care providers is one of the most exciting challenges for us to date. Our partnership model provides excellent conditions for success, based on the vast clinical knowledge and resources of our partners combined with RaySearch's ability to develop innovative software solutions.

The great interest in RayCare and RayStation was clear at the 2016 Annual General Meeting of the American Society for Radiation Oncology (ASTRO) in Boston at the end of September, where our booth was one of the most well-attended in the entire Exhibit Hall, and our demo stations were almost fully booked.

CLEAR PLAN AND SOLID BASE FOR CONTINUED FOCUS

Our sales and earnings will continue to vary by quarter, since order intake and deliveries remain subject to relatively large fluctuations. However, I take great pleasure in confirming that our sales have now reached record year-on-year levels for twelve consecutive quarters. We also expect this growth to continue and that our recurring support revenues from RayStation will grow steadily. This provides a stable base for continued focus on both RayStation and RayCare.

To date, 347 cancer clinics in 25 countries have purchased RayStation. At the same time, there are more than 8,000 radiation therapy clinics worldwide and that number will undoubtedly grow over the next decade. The driving forces include rising cancer rates, growing awareness of the benefits of radiation therapy and major investments in cancer care in Asia. Consequently, the market is growing steadily, however, we will continue to grow considerably faster than the market. We aim to achieve a global market share of at least 30 percent in the not too distant future.

It is a privilege to lead a company like RaySearch. The drive and innovative spirit in this company is exceptional, and we have excellent prospects for succeeding with our joint mission – to continue the advancement of cancer care by developing innovative software solutions that save lives and improve the quality of life for cancer patients.

Stockholm, November 18, 2016

Johan Löff

President and CEO of RaySearch Laboratories AB (publ)

FINANCIAL INFORMATION

ORDER INTAKE

In the third quarter of 2016, order intake, excluding service agreements, declined 7.2 percent to SEK 101.1 M (109.0), of which order intake for RayStation rose 1.8 percent to SEK 91.2 M (89.6). Order intake in Europe remained strong, while order intake in both North America and Asia was lower than the corresponding period in 2015.

Order intake (amounts in SEK M)	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Rolling 12 months	Full-year 2015
License order intake – RayStation	89.6	102.9	72.6	120.8	91.2	387.5	316.9
License order intake – Partners	19.4	15.0	9.3	8.3	9.8	42.4	68.3
Total order intake	109.0	117.9	81.9	129.1	101.1	430.0	385.2
Order backlog for RayStation, at the end of the period	59.3	49.1	47.1	65.2	55.5	55.5	49.1

In the first nine months of 2016, order intake, excluding service agreements, increased 16.8 percent to SEK 312.1 M (267.3), of which order intake for RayStation rose 33.0 percent to SEK 284.6 M (214.0). At September 30, 2016, the order backlog for RayStation was SEK 55.5 M (59.3).

REVENUES

In the third quarter of 2016, sales rose 25.0 percent and amounted to SEK 125.7 M (100.6). Sales consist of license revenues from sales of the RayStation treatment planning system, sales of software modules via partners, and support revenues. The sales increase was largely a result of sharply increased revenues from RayStation, which rose 52.4 percent and amounted to SEK 112.6 M (73.9). In the third quarter, sales the following geographic distribution:

North America, 30 percent (63); Asia, 5 percent (19); Europe and the rest of the world, 65 percent (18).

Revenues (amounts in SEK M)	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Rolling 12 months	Full-year 2015
License revenues – RayStation	70.5	105.0	74.0	100.7	104.5	384.1	285.0
License revenues – Partners	19.4	15.0	9.3	8.3	9.8	42.4	68.3
Support revenues – RayStation	3.1	4.1	6.7	6.9	8.0	25.6	12.6
Support revenues – Partners	6.9	7.5	5.4	2.8	3.3	19.0	28.9
Training and other revenues – RayStation	0.6	0.4	0.1	0.3	0.1	0.9	2.8
Total sales	100.6	132.0	95.4	119.0	125.7	472.1	397.6
Growth in net sales, %, corresp. period	40.5%	22.4%	8.7%	53.6%	25.0%	26.4%	39.5%
Organic growth in sales, %, corresp. period	18.6%	14.5%	8.7%	55.4%	24.0%	24.2%	32.9%

In the first nine months of 2016, sales increased 28.0 percent to SEK 340.1 M (265.6), of which revenues from RayStation rose 57.8 percent to SEK 301.2 M (190.9). During the first nine months of the year, sales had the following geographic distribution: North America, 37 percent (50); Asia, 10 percent (17); Europe and the rest of the world, 53 percent (33).

OPERATING PROFIT/LOSS

In the third quarter of 2016, operating profit increased to SEK 38.5 M (20.1), representing an operating margin of 30.6 percent (20.0). The earnings increase was mainly due to sharply increased sales of RayStation.

Other operating income and expenses refers to exchange-rate gains and losses, with the net of these amounting to income of SEK 2.2 M (1.9) in the third quarter of 2016. This was mainly because the major portion of accounts receivable was denominated in USD and EUR, which both strengthened in the third quarter compared with the end of the second quarter.

During the first nine months of the year, operating profit increased to SEK 99.3 M (51.0), representing an operating margin of 29.2 percent (19.2). RaySearch is continuing to expand its global marketing organization, which has led to higher costs for marketing and for personnel in sales, service and administration, however this cost increase has been more than offset by increased sales in 2016.

Currency effects

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.

At unchanged exchange rates, sales would have increased 24.0 percent in the third quarter and 28.0 percent during the first nine months of the year, compared with the year-on-year period. Currency effects have therefore had a positive impact on sales in 2016.

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 nine months of 2016 would be +/- SEK 28.1 M, and that the corresponding effect of a +/-10 percent change in the average EUR exchange rate would be about +/- SEK 11.1 M. The company pursues the financial policy established by the Board of Directors, whereby exchange-rate changes are not hedged.

Capitalization of development expenditure

At September 30, 2016, some 107 (101) employees were engaged in research and development. Research and development expenditure include payroll costs, consulting fees, computer equipment and premises. As of 2016, costs related to the quality department, patents, internal IT support and so forth, have been reallocated from the development department to central administration. Increased capitalization of development expenditure pertained mainly to RayCare, which is planned to be launched in 2017.

Capitalization of development expenditure	Q3-15	Q4-15	Q1-16	Q2-16	Q3-16	Rolling 12 months	Full-year 2015
Research and development expenditure	32.6	37.0	30.6	35.5	32.9	135.9	132.5
Capitalization of development expenditure	-17.4	-28.6	-24.8	-25.7	-22.8	-102.0	-81.0
Amortization of capitalized development expenditure	12.6	12.0	13.7	14.8	14.0	54.6	50.0
Research and development expenditure after adjustments for capitalization and amortization of development expenditure	27.8	20.4	19.5	24.6	24.1	88.5	101.5

During the first nine months of the year, research and development expenditure before capitalization and amortization of development expenditure amounted to SEK 99.0 M [95.6]. Capitalized development expenditure amounted to SEK 73.4 M [52.4] and during the nine-month period, amortization of capitalized development expenditure amounted to SEK 42.6 M [37.9]. After adjustments for capitalization and amortization of development expenditure, research and development expenditure amounted to SEK 68.2 M [81.1].

Amortization and depreciation

In the third quarter of 2016, total amortization and depreciation was SEK 16.8 M [14.5], of which amortization of intangible fixed assets amounted to SEK 14.0 M [12.6], primarily related to capitalized development expenditure, and depreciation of tangible fixed assets amounted to SEK 2.8 M [1.9].

Total amortization and depreciation during the first nine months of the year was SEK 50.8 M [42.2], of which amortization of intangible fixed assets totaled SEK 42.6 M [37.9], primarily attributable to capitalized development expenditure, and depreciation of tangible fixed assets totaled SEK 8.3 M [4.3].

PROFIT/LOSS FOR THE PERIOD AND EARNINGS PER SHARE

In the third quarter of 2016, profit after tax totaled SEK 28.9 M [14.5], representing earnings per share before and after dilution of SEK 0.84 [0.42]. In the first nine months of 2016, profit after tax was SEK 75.5 M [36.9], representing earnings per share before and after dilution of SEK 2.20 [1.08]

Tax expense for the first nine months of the year amounted to SEK 22.4 M [expense: 12.5], corresponding to an effective tax rate of 22.9 percent [25.3].

CASH FLOW AND LIQUIDITY

In the third quarter of 2016, cash flow from operating activities amounted to SEK 10.2 M [13.1]. Improved earnings were offset by an increase in working capital. The working capital has increased primarily due to an increase in accounts receivable and accrued income following the high sales growth during the quarter, but the share of overdue invoices has also increased slightly. During the first nine months of the year, cash flow from operating operations was SEK 46.9 M [70.2].

In the third quarter, cash flow from investing activities was a negative SEK 23.3 M (neg: 18.6). Investments in intangible fixed assets amounted to SEK 22.8 M (17.4), and comprised capitalized development expenditure attributable to RayStation and RayCare. Investments in tangible fixed assets amounted to SEK 0.5 M (1.2), and a finance lease agreement was also used to finance an additional SEK 1.4 M.

During the first nine months of the year, cash flow from investing activities was a negative SEK 75.7 M (neg: 76.3). Investments in intangible fixed assets amounted to SEK 73.4 M (52.4), and comprised capitalized development expenditure. Investments in tangible fixed assets amounted to SEK 2.3 M (36.7), and a finance lease agreement was also used to finance an additional SEK 1.4 M. In the third quarter of 2016, cash flow before financing activities was a negative SEK 13.1 M (neg: 5.5), and a negative SEK 28.7 M (neg: 6.1) in the first nine months of the year.

In the third quarter of 2016, cash flow from financing activities was SEK 8.9 M (neg: 1.0) and included an increased revolving credit facility of SEK 10 M. In the first nine months of 2016, cash flow from financing activities was a negative SEK 1.6 M (neg: 2.7).

Cash flow for the first nine months of 2016 was a negative SEK 30.4 M (neg: 8.8) and at September 30, 2016, consolidated cash and cash equivalents amounted to SEK 29.8 M (47.6).

FINANCIAL POSITION

RaySearch's total assets amounted to SEK 586 M (460) at September 30, 2016, and the equity/assets ratio was 65.8 percent (62.3).

At September 30, 2016, current receivables totaled SEK 289.6 M (188.3). The receivables mainly comprised accounts receivable and the increase was largely due to sharply increased sales growth. The size of accounts receivable in relation to sales increased slightly during the third quarter due to the major portion of sales conducted at the end of the period.

In September 2016, the company's credit facility was increased from SEK 50 M to SEK 100 M, whereby chattel mortgages increased to SEK 100 M. The credit facility matures in September 2019, and consists of an overdraft facility of SEK 25 M and a revolving credit facility of up to SEK 75 M. At September 30, 2016, SEK 35 M had been utilized under the terms of the revolving loan. Of the company's overdraft facility of SEK 25 M, SEK 4.0 M has been blocked as collateral for bank guarantees.

The provision pertaining to the settlement with Prowess was reclassified as a liability during 2014, as a result of the signed settlement agreement. The remaining liability of USD 1.6 M is in USD and discounted, since the amount does not carry any interest until final payment falls due in October 2016. During the year, currency and discounting effects have had a negative impact of SEK 0.3 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 their carrying amounts. RaySearch has not applied net accounting to any financial assets or liabilities, and has no agreements that permit offsetting.

EMPLOYEES

At the end of the third quarter, the Group had 191 (171) employees, of whom 159 were based in Sweden, and 32 in foreign subsidiaries. The average number of employees during the January-September period of 2016 was 185 (164).

PARENT COMPANY

RaySearch Laboratories AB (publ) is the Parent Company of the RaySearch Group. 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. However, the capitalization of development expenditure and adjustments related to finance leases are recognized in the Group, but not in the Parent Company. The Parent Company's current receivables mainly comprise receivables from Group companies and accounts receivable.

SIGNIFICANT EVENTS DURING THE PERIOD

RaySearch transferred to Mid Cap on Nasdaq Stockholm

On January 4, 2016, the Class B RaySearch share (RAY B) was transferred from the Small Cap to the Mid Cap segment of Nasdaq Stockholm, following Nasdaq's annual review of Nordic market capitalization segments.

RayStation 5 launched, with support for carbon-ion treatment planning and more

In February, it was announced that version 5 of the RayStation treatment planning system had been launched for clinical use in the UK, Australia and New Zealand, and will be launched in most major markets during the first half of 2016.

At present, RayStation 5 is the only commercially available treatment planning system that offers support for carbon-ion therapy – the most advanced form of radiation therapy. RayStation 5 also offers several new features, such as robust optimization based on 4D-CT scans, and Plan Explorer – a treatment planning tool that combines automated treatment planning and high-performance algorithms with the ability to generate a range of delivery techniques in a manner that presents totally new opportunities for determining the most effective treatment for each patient.

Long-term collaboration agreement with the University of California, San Francisco, regarding RayCare

In February, it was announced that RaySearch had signed a long-term collaboration agreement with the University of California, San Francisco (UCSF) regarding the RayCare oncology information system that RaySearch is developing. "UCSF is the perfect partner for this development. The university is a world-leading institution for cancer treatment, and also offers an extensive and diverse set of treatment devices and other systems, offering a challenging and ideal environment for the development of RayCare," says Johan Löf.

RayStation has been selected by leading cancer clinics

In 2016, some of the largest and most respected cancer clinics in the world has selected RaySearch as their treatment planning system, including

- The University of California, San Francisco (UCSF), which has radically expanded its RayStation installation and is transitioning to RayStation as its sole treatment planning system for all linac-based treatments
- The Miami Cancer Institute, the first proton therapy center in South Florida
- The Holland Particle Therapy Centre (Holland PTC), the first proton therapy center in the Netherlands
- The University Medical Center Groningen (UMCG) in the Netherlands, which has selected RayStation for its new proton therapy center, and to replace the hospital's existing treatment planning system for radiation therapy using photons
- The UZ Leuven, UCL Saint-Luc and AZ Sint-Jan Brugge-Oostende AV in Belgium
- The Queen Elizabeth Hospital Birmingham in the UK
- Several new proton therapy centers in Japan, together with Mitsubishi Electric's proton therapy system.

Strategic alliance with IBA

In September, it was announced that IBA and RaySearch, global leaders in proton therapy solutions and software for treatment planning, had signed a long-term strategic alliance to combine each of their technologies, and take adaptive radiation therapy using protons to the next level. As part of this partnership, the RayCare oncology information system, which is currently under development by RaySearch, will be adapted for optimal use together with IBA's proton therapy devices. In both RayStation and RayCare, as well as in IBA's proton therapy system, joint features, custom software interfaces and modified graphical user interfaces will enable seamless workflow integration for maximum performance. The result will be a complete, turnkey solution for all hardware and software needed to deliver a highly efficient and adaptive proton therapy treatment.

Expanded collaboration with Mevion

In September, it was announced that RaySearch and Mevion would be expanding their collaboration to include the RayCare oncology information system, as well as the development of algorithms in order to fully benefit from the advanced functionality of the Mevion S250i proton therapy system with Adaptive Aperture technology.

Increased credit facility

In September, an agreement was signed to increase the company's credit facility from SEK 50 M to SEK 100 M, whereby chattel mortgages increased to SEK 100 M. The credit facility matures in September 2019, and consists of an overdraft facility of SEK 25 M and a revolving credit facility of up to SEK 75 M.

Changes to the Executive Management team

Victoria Sörving, General Counsel, decided to leave the company in September. The recruitment of her successor is ongoing.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Changes to the Board of Directors

In November, it was announced that Erik Hedlund resigned as Chairman and resigned from the Board on 17 November 2016. Carl Filip Bergendal was appointed new Chairman until the Annual General Meeting, which will be held on 24 May, 2017.

THE COMPANY'S SHARE

In March 2016, 750 Class A shares were converted to Class B shares at the request of shareholders. At September 30, 2016, the total number of registered shares in RaySearch was 34,282,773, of which 10,262,064 were Class A and 24,020,709 Class B shares. The quotient value is SEK 0.50 and the company's share capital is SEK 17,141,386.50. Each Class A share carries 10 votes, and each Class B share carries one vote, at a general meeting. At June 30, 2016, the total number of voting rights in RaySearch was 126,641,349.

SHARE OWNERSHIP

At September 30, 2016, the number of shareholders in RaySearch was 5,651 and, according to Euroclear, the largest shareholders were as follows:

Name	Class A shares	Class B shares	Total shareholding	Share capital, %	Votes, %
Johan Löf	6,243,084	618,393	6,861,477	20.0	49.8
Lannebo Funds	0	4,774,466	4,774,466	13.9	3.8
Montanaro funds	0	2,880,000	2,880,000	8.4	2.3
Second AP Fund	0	1,891,775	1,891,775	5.5	1.5
Erik Hedlund	1,567,089	128,699	1,695,788	5.0	12.5
Anders Brahme	1,390,161	20,000	1,410,161	4.1	11.0
First AP Fund	0	1,409,118	1,409,118	4.1	1.1
Swedbank Robur Funds	0	1,390,557	1,390,557	4.1	1.1
Carl Filip Bergendal	1,061,577	144,920	1,206,497	3.5	8.5
JPMorgan Chase (UK)	0	1,036,115	1,036,115	3.0	0.8
Total, 10 largest shareholders	10,261,911	14,294,043	24,555,954	71.6	92.3
Others	153	9,726,666	9,726,819	28.4	7.7
Total	10,262,064	24,020,709	34,282,773	100	100

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 reporting requirements for 2016 have not impacted RaySearch during the period.

RISKS AND UNCERTAINTIES

As a global Group with operations in different parts of the world, RaySearch is exposed to various risks and uncertainties, such as market risk, operational and legal risk, as well as financial risk pertaining to exchange-rate fluctuations, liquidity and financing opportunities. Risk management at RaySearch aims to identify, measure and reduce risks related to the Group's transactions and operations. No significant changes have been made to the risk assessment compared with the 2015 Annual Report. For a more detailed description of RaySearch's risks and risk management, refer to pages 31-32 of the 2015 Annual Report.

SEASONAL VARIATIONS

Revenues from RaySearch are subject to seasonal variations that are typical of the industry, whereby the fourth quarter is normally the strongest, while the second quarter is usually slightly weaker.

ENVIRONMENT AND SUSTAINABILITY

RaySearch works actively to reduce its negative environmental impact and to become a sustainable company. The company's products, comprising software to improve radiation therapy for cancer treatment, have a limited negative impact on the environment. The company's environmental impact is mainly related to the purchase of goods and services, energy use and transportation. RaySearch aims to contribute to sustainable development and therefore works actively to improve the company's environmental performance wherever this is financially viable. RaySearch has an established environmental policy, and promotes social responsibility and long-term sustainable development based on sound ethical, social and environmental principles.

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 affecting 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 18, 2016

The Board of Directors of RaySearch Laboratories AB (publ)

Johan Löf

President/CEO and Board member

AUDITORS' REVIEW REPORT

RaySearch Laboratories AB (publ), corporate identity number 556322-6157

INTRODUCTION

We have reviewed the condensed interim report for RaySearch Laboratories AB (publ) as at September 30, 2016 and for the nine months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 Review of Interim Financial Statements Performed by the Independent Auditor of the Entity. A review 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 International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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 Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Stockholm, November 18, 2016

Ernst & Young AB

Per Hedström

Authorized Public Accountant

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The information contained in the interim report is such that RaySearch Laboratories AB (publ) is obliged to disclose under the EU's Market Abuse Regulation and the Securities Market Act. The information was submitted for publication on November 18, 2016 at 7:45 a.m CET.

FORTHCOMING FINANCIAL INFORMATION

Year-end report, 2016	February 17, 2017
Interim report for the first quarter, 2017	May 12, 2017
2017 Annual General Meeting	May 24, 2017
Interim report for the first six months of 2017	August 25, 2017
Interim report for the third quarter, 2017	November 24, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000S	JUL-SEP		JAN-SEP		OCT 2015-	FULL-YEAR
	2016	2015	2016	2015	SEP 2016	2015
Net sales	125,730	100,570	340,113	265,643	472,070	397,600
Cost of goods sold ¹⁾	-2,240	-5,740	-13,147	-12,446	-24,391	-23,690
Gross profit	123,490	94,830	326,966	253,197	447,679	373,910
Other operating income	2,348	1,983	8,754	13,682	8,754	13,682
Selling expenses	-42,233	-38,704	-113,623	-96,792	-155,191	-138,360
Administrative expenses	-20,856	-10,147	-49,244	-30,014	-62,470	-43,240
Research and development expenditure	-24,106	-27,877	-68,160	-81,105	-88,569	-101,514
Other operating expenses	-178	-	-5,383	-7,926	-6,591	-9,134
Operating profit	38,465	20,085	99,310	51,042	143,612	95,344
Result from financial items	-394	-585	-1,380	-1,680	-1,554	-1,854
Profit before tax	38,071	19,500	97,930	49,362	142,058	93,490
Tax	-9,184	-5,020	-22,446	-12,464	-33,263	-23,281
Profit for the period²⁾	28,887	14,480	75,484	36,898	108,795	70,209
Other comprehensive income						
Items to be reclassified to profit or loss						
Translation difference of foreign operations for the period	411	-446	-495	-2,001	-734	-2,240
Comprehensive income for the period²⁾	29,298	14,034	74,989	34,897	108,061	67,969
Earnings per share before and after dilution (SEK)	0.84	0.42	2.20	1.08	3.17	2.05

¹⁾ Does not include amortization of capitalized development expenditure, which is included in research and development expenditure.²⁾ 100 percent attributable to Parent Company shareholders.**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY**

AMOUNTS IN SEK 000S	JUL-SEP		JAN-SEP		FULL-YEAR
	2016	2015	2016	2015	2015
Opening balance	356,638	272,411	319,517	251,548	251,548
Profit for the period	28,887	14,480	75,484	36,898	70,209
Translation difference for the period	411	-446	-495	-2,001	-2,240
Dividend paid	-	-	-8,570	-	-
Closing balance	385,936	286,445	385,936	286,445	319,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	SEP 30, 2016	SEP 30, 2015	DEC 31, 2015
ASSETS			
Intangible fixed assets	225,911	178,551	195,114
Tangible fixed assets	37,407	45,072	41,760
Deferred tax assets	57	-	57
Other long-term receivables	3,302	-	-
Total fixed assets	266,677	223,623	236,931
Current receivables	289,596	188,319	187,854
Cash and cash equivalents	29,837	47,577	59,705
Total current assets	319,433	235,896	247,559
TOTAL ASSETS	586,110	459,519	484,490
EQUITY AND LIABILITIES			
Equity	385,936	286,445	319,517
Deferred tax liabilities	58,125	43,908	51,349
Long-term liabilities	46,531	52,393	38,164
Accounts payable	12,497	17,732	9,514
Other current liabilities	83,021	59,041	65,946
TOTAL EQUITY AND LIABILITIES	586,110	459,519	484,490
Pledged assets	104,000	53,800	54,000

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JUL-SEP		JAN-SEP		FULL-YEAR
	2016	2015	2016	2015	2015
Profit before tax	38,071	19,500	97,930	49,362	93,490
Adjusted for non-cash items ¹⁾	21,111	16,308	55,458	42,052	46,857
Taxes paid	-3,581	-5,344	-15,155	-10,671	-13,595
Cash flow from operating activities before changes in working capital	55,601	30,464	138,233	80,743	126,752
Cash flow from changes in working capital	-45,390	-17,371	-91,251	-10,541	-15,326
Cash flow from operating activities	10,211	13,093	46,982	70,202	111,426
Cash flow from investing activities	-23,320	-18,579	-75,742	-76,291	-103,855
Cash flow from financing activities	8,955	-1,012	-1,649	-2,712	-3,946
Cash flow for the period	-4,154	-6,498	-30,409	-8,801	3,625
Cash and cash equivalents at the beginning of the period	33,526	53,906	59,705	56,085	56,085
Exchange-rate difference in cash and cash equivalents	465	169	541	293	-5
Cash and cash equivalents at the end of the period	29,837	47,577	29,837	47,577	59,705

1) These amounts primarily include amortization of capitalized development expenditure.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JUL-SEP		JAN-SEP		FULL-YEAR
	2016	2015	2016	2015	2015
Net sales	111,865	85,714	294,165	224,620	337,060
Cost of goods sold ¹⁾	-846	-3,825	-6,073	-7,909	-12,040
Gross profit	111,019	81,889	288,092	216,711	325,020
Other operating income	2,348	1,983	8,754	13,682	13,682
Selling expenses	-31,516	-27,782	-80,792	-64,565	-94,992
Administrative expenses	-21,039	-10,397	-49,915	-30,695	-44,166
Research and development expenditure	-32,890	-32,627	-98,957	-95,575	-132,547
Other operating expenses	-178	-	-5,383	-7,926	-9,134
Operating profit	27,744	13,066	61,799	31,632	57,863
Result from financial items	-251	-435	-943	-1,230	1,470
Profit after financial items	27,493	12,631	60,856	30,402	59,333
Appropriations	-	-	-	-	-16,521
Profit before tax	27,493	12,631	60,856	30,402	42,812
Tax	-7,237	-2,951	-15,162	-7,287	-10,217
Profit for the period	20,256	9,680	45,694	23,115	32,595

¹⁾ Does not include amortization of capitalized development expenditure, which is included in research and development expenditure.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JUL-SEP		JAN-SEP		FULL-YEAR
	2016	2015	2016	2015	2015
Profit for the period	20,256	9,680	45,694	23,115	32,595
Other comprehensive income	-	-	-	-	-
Comprehensive income for the period	20,256	9,680	45,694	23,115	32,595

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	SEP 30, 2016	SEP 30, 2015	DEC 31, 2015
ASSETS			
Tangible fixed assets	23,115	27,900	26,272
Financial fixed assets	640	484	485
Deferred tax assets	57	-	57
Other long-term receivables	3,302	-	-
Total fixed assets	27,114	28,384	26,814
Current receivables	303,131	225,138	241,528
Cash and cash equivalents	16,507	32,456	25,831
Total current assets	319,638	257,594	267,359
TOTAL ASSETS	346,752	285,978	294,173
EQUITY AND LIABILITIES			
Equity	206,427	159,823	169,302
Untaxed reserves	37,551	21,029	37,551
Deferred tax liabilities	163	-	163
Long-term liabilities	35,000	37,995	25,000
Accounts payable	16,443	19,974	9,929
Other current liabilities	51,168	47,157	52,228
TOTAL EQUITY AND LIABILITIES	346,752	285,978	294,173
Pledged assets	104,000	53,800	54,000

GROUP QUARTERLY OVERVIEW

AMOUNTS IN SEK 000s	2016			2015				2014
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Income statement								
Net sales	125,730	118,982	95,401	131,957	100,570	77,342	95,401	107,782
Operating profit	38,465	37,493	23,352	44,302	20,085	-2,114	23,352	52,767
Operating margin, %	30.6	31.5	24.5	33.6	20.0	-2.7	24.5	49.0
Profit/loss for the period	28,887	28,837	17,760	33,311	14,480	-2,605	17,760	40,696
Net margin, %	23.0	24.2	18.6	25.2	14.4	-3.4	18.6	37.8
Cash flow								
Operating activities	10,211	14,908	21,863	41,224	13,093	18,458	21,863	22,478
Investing activities	-23,320	-26,347	-26,075	-27,564	-18,579	-27,546	-26,075	-16,071
Cash flow before financing activities	-13,109	-11,439	-4,212	13,660	-5,486	-9,088	-4,212	6,407
Financing activities	8,955	-9,591	-1,013	-1,234	-1,012	-1,004	-1,013	24,345
Cash flow for the period	-4,154	-21,030	-5,225	12,426	-6,498	-10,092	-5,225	30,752
Capital structure								
Equity/assets ratio, %	65.8	64.3	66.5	65.9	62.3	63.4	66.5	64.5
Per share data, SEK								
Earnings/loss per share before dilution	0.84	0.83	0.52	0.97	0.42	-0.08	0.52	1.19
Earnings/loss per share after dilution	0.84	0.83	0.52	0.97	0.42	-0.08	0.52	1.19
Equity per share	11.26	10.40	9.85	9.32	8.36	7.95	9.85	7.34
Cash flow from operating activities	0.30	0.43	0.64	1.20	0.38	0.54	0.64	0.66
Closing share price	198.50	119.00	120.50	122.50	119.00	108.00	120.50	53.00
Other								
Earnings per share before and after dilution, 000s	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8	34,282.8
Average no. of employees	185	181	177	175	164	150	177	136

GROUP, ROLLING 12 MONTHS

AMOUNTS IN SEK 000s	Oct 2015- Sep 2016	Jul 2015- Jun 2016	Apr 2015- Mar 2016	Jan 2015- Dec 2015	Oct 2014- Sep 2015	Jul 2014- Jun 2015	Apr 2014- Mar 2015	Jan 2014- Dec 2014
Income statement								
Net sales	472,070	446,909	405,268	397,600	373,423	344,455	318,971	285,217
Operating profit	143,612	125,232	85,625	95,344	103,809	101,949	106,205	79,360
Operating margin, %	30.4	28.0	21.1	24.0	27.8	29.6	33.3	27.8

DEFINITIONS OF KEY RATIOS

The interim report refers to a number of non-IFRS performance measures, which are used to assist investors and management with analysis of RaySearch's operations. Below is a description of the various non-IFRS performance measures that are used to complement the financial information reported in accordance with IFRS.

Non-IFRS performance measure	Definition	Motivation for using the measure
Order intake excluding service agreements	The value of orders received and changes to existing orders during the current period excluding the value of service agreements.	Order intake is an indicator of future revenues and, thus comprises a key performance measure for the management of Raysearch's operations.
Order backlog	The value of orders at the end of the period that the company has yet to deliver and recognize as revenue.	The order backlog shows the value of orders already booked by RaySearch under operating activities that will be converted to revenues in the future.
Organic sales growth	Sales growth excluding currency effects.	This measure is used to monitor underlying sales growth driven by changes in volume, pricing and mix for comparable units between different periods.
Gross profit	Net sales minus cost of goods sold.	Gross profit is used to illustrate the margin before sales, research, development and administration expenses.
Operating profit/loss	Calculated as earnings before financial items and tax.	Operating profit/loss provides an overall picture of the total generation of earnings in operating activities.
Operating margin	Operating profit/loss expressed as a percentage of net sales.	Together with sales growth, the operating margin is a key element for monitoring value creation.
Net margin	Profit for the period as a percentage of net sales for the period.	The net margin illustrates the percentage of net sales remaining after the company's expenses have been deducted.
Rolling 12 months sales, operating profit/loss or other results	Sales, operating profit/loss or other results measured over the last 12 month period.	This measure is used to more clearly illustrate the trends for sales, operating profit/loss and other results, which is relevant because RaySearch's revenues are subject to monthly variations.
Working capital	The Group's working capital is calculated as current operating receivables less current operating liabilities.	This measure shows how much working capital is tied up in operations and can be shown in relation to net sales to demonstrate the efficiency with which working capital has been used.
Return on equity	Calculated as profit/loss for the period as a percentage of average equity. Average equity is calculated as the sum of equity at the end of the period plus equity at the end of the year-earlier period, divided by two.	This illustrates from a shareholder perspective the return generated on the owners' invested capital.
Equity/assets ratio	Equity expressed as a percentage of total assets.	This is a standard measure to show financial risk, and is expressed as the percentage of the total restricted equity financed by the owners.

Other performance measures	Definition
Earnings per share	Net earnings divided by the average number of shares during year.
Cash flow from operating activities per share	Cash flow from operating activities divided by average number of shares.
Equity per share	Equity divided by number of shares at year-end.

CALCULATION OF FINANCIAL MEASURES NOT INCLUDED IN THE IFRS REGULATORY FRAMEWORK

AMOUNTS IN SEK 000s	Sep 30, 2016	Sep 30, 2015	Dec 31, 2015
Working capital			
Accounts receivable	212,244	167,077	168,973
Other current receivables	80,654	21,242	18,881
Accounts payable	-12,497	-17,732	-9,514
Other current liabilities	-83,022	-59,042	-65,946
Working capital	197,379	111,545	112,394

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ABOUT RAYSEARCH

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch develops and markets the RayStation treatment planning system to clinics all over the world and distributes the products through licensing agreements with leading medical technology companies. The company is also developing the next-generation oncology information system, RayCare, which comprises a new product area for RaySearch, and will be launched in 2017. RaySearch's software is currently used by over 2,600 clinics in more than 65 countries. The company was founded in 2000 as a spin-off from the Karolinska Institute in Stockholm and the share has been listed on Nasdaq Stockholm since November 2003. More information about RaySearch is available at www.raysearchlabs.com.

BUSINESS CONCEPT

RaySearch's vision is to contribute to the advancement of cancer care by developing innovative software solutions that improve quality of life for cancer patients and save lives.

BUSINESS MODEL

RaySearch's revenues are generated when customers pay an initial license fee for the right to use RaySearch's software and an annual service fee for access to updates and support. The RayStation treatment planning system is being developed at RaySearch's head office in Stockholm, and is distributed and supported by the company's global marketing organization.

STRATEGIES

RaySearch's strategy is to offer advanced software solutions for improved radiation therapy of cancer. Essentially, a radiation therapy clinic needs two software platforms for its operations: an information system and a treatment planning system. Through RayStation and the planned launch of RayCare in 2017, RaySearch will further strengthen its position and continue to grow with high profitability. The strategy rests on a strong focus on software development, leading functionality, broad support for many different types of treatment techniques and radiation therapy devices, as well as extensive investments in research and development.