

“During the first quarter 2018, net sales decreased 8 percent to SEK 116 M (127) and operating margin declined to 12 percent (26), primarily due to changes in accounting policies. With unchanged accounting policies, net sales would have been the same as the corresponding quarter of 2017, i.e., SEK 127 M, and the operating margin 19 percent. Cash flow before financing activities improved to SEK 13 M (8). We are secure in our long-term strategy and our expansion is continuing,” says Johan Löf, CEO of RaySearch.

THREE MONTHS (JANUARY-MARCH 2018)

- Net sales SEK 116.3 M (126.8), of which revenues from RayStation/RayCare SEK 104.2 M (112.3)
- Profit after tax SEK 11.8 M (26.3), and earnings per share before/after dilution SEK 0.34 (0.77)
- Operating profit SEK 14.1 M (33.5)
- Cash flow for the period SEK 12.3 M (neg: 3.0)
- Order intake excl. service agreements SEK 106.6 M (104.9), of which RayStation/RayCare SEK 97.4 M (93.8)
- At the end of the period, the order backlog excl. service agreements for RayStation/RayCare was SEK 58.5 M (58.1)

CHANGES TO ACCOUNTING POLICIES

- IFRS 15 *Revenue from Contracts with Customers* applies as of January 1, 2018, which has reduced the company's license revenue from RayStation by 12.5 percent during the first quarter 2018 compared with previous accounting policy (IAS 18), see Notes 1-2. The changed accounting policies also have a negative impact on net sales and earnings in the last 12-months period.

SIGNIFICANT EVENTS DURING THE FIRST QUARTER

- RayStation was selected by several leading cancer centers, including Georgia Proton Treatment Center and Mission Hospital – SECU Cancer Center in the US, CHU de Québec-Université Laval in Canada, and Universitätsmedizin Rostock and Klinikum rechts der Isar der TU München in Germany.
- RaySearch entered into a strategic partnership with MD Anderson with intention of improving radiation therapy.
- In March 2018, 200,000 Class A shares were converted to Class B at the request of a shareholder.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- RayStation has been selected as the treatment planning system for the two proton and carbon ion therapy centers, Heidelberg Ion Beam Therapy Center (HIT) and Marburg Ion Beam Therapy Center (MIT), in Germany.
- RaySearch has entered into a long-term collaborative agreement for RayCare with Heidelberg University Hospital in Germany.

FINANCIAL SUMMARY

AMOUNTS IN SEK 000S	JAN-MAR		APR 2017-	
	2018 ¹	2017 ²	MAR 2018 ³	2017 ²
Net sales	116,257	126,788	574,555	585,086
Operating profit	14,108	33,466	140,311	159,669
Operating margin, %	12.1	26.4	24.4	27.3
Profit for the period	11,779	26,274	103,132	117,627
Earnings per share before/after dilution, SEK	0.34	0.77	3.01	3.43
Cash flow from operating activities	56,021	39,387	164,115	147,481
Cash flow before financing activities	12,955	7,985	4,319	-651
Return on equity, %	2.2	6.4	19.1	22.6
Equity/assets ratio at the end of the period, %	63.5	66.2	63.5	63.4
Share price at the end of the period, SEK	123.00	235.00	123.00	171.00

¹ Accounting in accordance with IFRS 15, see Notes 1-2.

² Accounting in accordance with IAS 18.

³ Accounting in accordance with IFRS 15 in Q1-18 and IAS 18 in the remaining three quarters.



CEO COMMENT

EXPANDED PARTNERSHIPS

RaySearch had a positive start to 2018, even if this cannot yet be seen in the sales figures. For example, we entered into a long-term collaborative agreement with Heidelberg University Hospital for RayCare, and the two proton and carbon ion therapy centers nearby, Heidelberg Ion Beam Therapy Center (HIT) and Marburg Ion Beam Therapy Center (MIT), both selected RayStation for their treatment planning. All carbon ion therapy centers in Europe have thus now selected RayStation. We have also enhanced our cooperation with MD

Anderson through a strategic partnership with intention of improving radiation therapy, which will result in several new products in the future.

REDUCED PROFITS AFTER CHANGES TO ACCOUNTING POLICIES

During the first quarter 2018, the total order intake excluding service agreements increased 2 percent to SEK 107 M (105), of which order intake for RayStation improved 4 percent to SEK 97 M (94). Sales were relatively strong in North America, but weak in Asia.

Net sales declined 8 percent to SEK 116 M (127) due to changes in accounting policies, IFRS 15, which delay our revenue recognition. Adjusted for changes in accounting policies and currency effects, organic net sales growth was over 4 percent.

Operating profit decreased to SEK 14 M (33), representing an operating margin of 12 percent (26). The decline in profit was due primarily to changes in accounting policies, increased amortization arising from the launch of RayCare, and higher operating expenses following the expansion of our global marketing organization.

Cash flow before financing activities improved to SEK 12 M (neg: 3).

CONTINUED EXPANSION

We feel secure in our long-term strategy, and in 2018 we will continue to expand our global marketing organization to address the entire market systematically, to accelerate sales of both RayStation and RayCare and to ensure the best-possible customer service. This may reduce the company's operating margin in the short term, but will lead to high growth with healthy margins in the future.

In 2018, we will move into new geographic markets and we will have a stronger focus on smaller clinics around the world. Our solutions are perfectly suited to help small and mid-sized clinics to provide optimal patient treatment, enhance efficiency and to get the most from their resources.

"We feel secure in our long-term strategy. We are making large investments in our research and development organization and we are driving the operations forward at full force"

RAYCARE – NEXT-GENERATION ONCOLOGY SOFTWARE

The primary aim of RaySearch's operations is to improve and save the lives of cancer patients, which is the underlying driver of everything we create and all our decisions. With our innovative software solutions, we are continuously endeavoring to improve and increase the efficiency of clinical workflows, and to improve treatment outcomes for cancer patients.

RayCare is radically different to other OISs and we have invested a great deal of time and energy into creating something that will fundamentally transform cancer care. For example, RayCare brings integrated cancer care within reach of many cancer centers, and our goal is to further develop cancer care with powerful tools that combine treatment planning, clinical work flow and data management, resource optimization, machine learning and efficient follow-up.

Our development model is based on partnerships with leading clinics worldwide and provides ideal conditions for success by combining the extensive clinical knowledge and resources of our partners with RaySearch's ability to develop innovative software solutions.

CLEAR PLAN AND SOLID BASE FOR CONTINUED INVESTMENT

Our sales and earnings will continue to vary by quarter since the order intake remains subject to relatively large fluctuations. However, we are seeing a steady rise in our recurring support revenues. Combined with a clear strategic plan, this provides a stable base for continued investment in both RayStation and RayCare.

To date, 490 cancer centers in 32 countries have purchased RayStation. At the same time, there are more than 8,000 radiation therapy clinics worldwide and that number is expected to grow rapidly over the next decade. The driving forces include rising cancer rates, growing awareness of the advantages of radiation therapy and major investment in cancer therapies in Asia. The market is therefore growing steadily and we will continue to grow considerably faster than the market. Our aim is that at least 3,000 clinics will have purchased RayStation within ten years, representing a market share of about 30 percent.

These are exciting times. We have made fantastic progress so far and, above all, we have established a platform for greater expansion and new strategic opportunities. Through cooperation, openness and innovation, we will continue to strive to achieve our vision of a world where cancer is conquered.

Stockholm May 9, 2018

Johan Löf
CEO of RaySearch Laboratories AB (publ)

FINANCIAL INFORMATION

ORDER INTAKE

In the first quarter of 2018, order intake, excluding service agreements, increased 1.6 percent to SEK 106.6 M [104.9], of which order intake for RayStation/RayCare, excluding service agreements, rose 3.8 percent and amounted to SEK 97.4 M [93.8].

(amounts in SEK M)	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Rolling 12 months	Full- year 2017
Order intake excl. service agreements – RayStation/RayCare	97.4	183.2	92.8	98.0	93.8	471.4	467.8
Order intake excl. service agreements – Partners	9.2	9.4	9.3	10.8	11.1	38.7	40.5
Total order intake excl. service agreements	106.6	192.6	102.0	108.8	104.9	510.1	508.4
Order backlog excl. service agreements for RayStation/RayCare, at the end of the period	58.5	50.0	39.1	36.0	58.1	58.5	50.0

At March 31, 2018, the order backlog for RayStation/RayCare, excluding service agreements, was SEK 58.5 M (58.1).

REVENUE

In the first quarter of 2018, net sales declined 8.3 percent to SEK 116.3 M [126.8]. The decrease is primarily due to the application of IFRS 15 *Revenue from Contracts with Customers* as of January 1, 2018, which will delay revenue recognition and reduce the company's license revenue from RayStation by 12.5 percent and net sales by 8.5 percent during the first quarter 2018 compared with previous accounting policy (IAS 18), see Notes 1-2. In addition, currency effects, mainly the weaker USD, had an adverse impact on net sales of 4.0 percent compared with the year-earlier period. Adjusted for changes in accounting policies, organic net sales growth was 4.2 percent.

Revenues (amounts in SEK M)	Q1-18 ¹	Q4-17 ²	Q3-17 ²	Q2-17 ²	Q1-17 ²	Rolling 12 months ³	Full-year 2017 ²
License revenue – RayStation/RayCare	75.0	162.1	81.9	106.9	87.7	425.9	438.5
Hardware revenue – RayStation/RayCare	11.0	11.2	3.9	9.0	12.1	35.1	36.2
License revenue – Partners	9.2	9.4	9.3	10.8	11.1	38.7	40.5
Support revenue – RayStation	16.7	18.9	13.1	11.1	11.5	59.8	54.6
Support revenue – Partners	2.9	2.9	3.3	3.2	3.4	12.3	12.8
Training and other revenue – RayStation	1.4	0.5	0.3	0.6	1.0	2.8	2.3
Net sales	116.3	205.0	111.7	141.6	126.8	574.6	585.1
Sales growth, corresp. period, %	-8.3%	7.1%	-11.2%	19.0%	32.9%	2.1%	10.1%
Organic sales growth, corresp. period, %	-4.3%	12.2%	-7.8%	13.8%	28.1%	4.4%	10.4%

¹ Accounting in accordance with IFRS 15, see Notes 1-2.

² Accounting in accordance with IAS 18.

³ Accounting in accordance with IFRS 15 in Q1-18 and IAS 18 in the remaining three quarters.

Recurring support revenues from RayStation rose 45 percent to SEK 16.7 M (11.5), representing 14 percent (9) of total revenues during the period.

Revenues from sales of software modules via partners declined 16 percent to SEK 12.1 M (14.5), representing 10 percent (11) of net sales.

In the first quarter, net sales had the following geographic distribution: North America, 53 percent (37); Asia, 8 percent (4); Europe and the rest of the world 39 percent (59).

OPERATING PROFIT

In the first quarter of 2018, operating profit declined to SEK 14.1 M [33.5], representing an operating margin of 12.1 percent [26.4]. The earnings decline is partly explained by the application of IFRS 15 as of January 1, 2018, which will delay the company's revenue recognition and reduce the company's operating profit by SEK 10.1 M during the first quarter 2018, see Notes 1-2. In addition, the weaker earnings were attributable to increased amortization, due primarily to the launch of RayCare, and higher operating expenses, given that the company increased the number of employees by approximately 33 percent since the first quarter of last year, mainly within the global marketing organization and in research and development, which has not yet generated higher order intake.

Other operating income and expenses pertained to exchange-rate gains with the net of these, in the first quarter of 2018, amounting to a gain of SEK 6.4 M [loss: 4.2]. This was mainly due to the major portion of accounts receivable denominated in USD and EUR, which strengthened against the SEK in the first quarter compared with the end of the fourth quarter.

Currency effects

The company is impacted by USD and EUR to SEK exchange-rate trends since most sales are invoiced in USD and EUR, while most costs are in SEK. At unchanged exchange rates, organic sales growth was a negative 4.3 percent in the first quarter of 2018, compared with the year-on-year period. Currency effects thus had a negative impact on sales in the first quarter of 2018.

A sensitivity analysis of the company's currency exposure shows that a 1-percentage point change in the USD exchange rate against the SEK would have impacted consolidated operating profit by approximately +/- SEK 3.3 M in the first quarter of 2018, while a corresponding change in the EUR exchange rate would have impacted consolidated operating profit by approximately +/- SEK 1.0 M.

The company follows the financial policy established by the Board, whereby exchange-rate fluctuations are not hedged. Exchange-rate fluctuations had a positive impact on operating profit of SEK 2 M for the first quarter.

Capitalization of development costs

At March 31, 2018, some 146 [116] employees were engaged in research and development.

For the quarter, research and development costs amounted to SEK 50.4 M [39.6], of which development costs of SEK 38.7 M [29.8] were capitalized. The increase is mainly due to higher development costs for RayCare. Amortization of capitalized development costs during the first quarter of 2018 amounted to SEK 23.1 M [14.7]. After adjustments for capitalization and amortization of development costs, research and development costs totaled SEK 34.8 M [24.5].

	Q1-18	Q4-17	Q3-17	Q2-17	Q1-17	Rolling 12 months	Full-year 2017
Capitalization of development costs							
Research and development costs	50.4	59.7	41.7	42.7	39.6	194.5	183.7
Capitalization of development costs	-38.7	-46.2	-30.7	-31.1	-29.8	-146.7	-137.8
Amortization of capitalized development costs	23.1	13.7	14.8	15.2	14.7	66.8	58.4
Research and development costs after adjustments for capitalization and amortization of development costs	34.8	27.2	25.8	26.8	24.5	114.6	104.3

Amortization and depreciation

In the first quarter of 2018, total amortization and depreciation was SEK 25.6 M [17.7], of which amortization of intangible fixed assets accounted for SEK 23.1 M [14.7], primarily related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 2.5 M [3.0].

PROFIT AND EARNINGS PER SHARE

Profit after tax for the first quarter of 2018 was SEK 11.8 M [26.3], corresponding to earnings per share before and after dilution of SEK 0.34 [0.77].

Tax expense for the year amounted to SEK 2.0 M [expense: 6.4], corresponding to an effective tax rate of 15.0 percent [19.5]. The low tax expense was primarily due to the revalued and dissolved tax reserve in the North American subsidiary, and a lower corporate tax rate in the US due to the US Tax Reform, which applies as of January 1, 2018.

CASH FLOW AND LIQUIDITY

In the first quarter of 2018, cash flow from operating activities increased to SEK 56.0 M [39.4], attributable to a reduction in working capital. Working capital primarily comprises accounts receivable and accrued income. At the end of the period, accounts receivable represented 54 percent [43] of net sales over the past 12 months and accrued income for 14 percent [18] of net sales over the past 12 months.

RaySearch has agreements with customers whereby deliveries have long payment terms, which is normal in the industry. The company recognizes accounts receivable when delivery has occurred and an invoice issued, and accrued income when delivery has occurred but before an invoice has been issued, for example, when a payment plan exists. The subsequent effect is that the Group's accounts receivable and accrued income, respectively, add up to relatively high amounts compared with net sales. In the past 12 months, accounts receivable increased in relation to net sales, as the company signed more agreements with longer payment terms. However, the company has signed fewer agreements with payment plans. The company expects its credit risk to remain low since the counterparties are institutions with high credit ratings.

In the first quarter, cash flow from investing activities was a negative SEK 43.1 M (neg: 31.4). Investments in intangible fixed assets amounted to a negative SEK 38.8 M (neg: 29.8), and comprised capitalized development costs for RayStation and RayCare. Investments in intangible fixed assets amounted to a negative SEK 4.3 M (neg: 1.6).

Cash flow before financing activities was SEK 13.0 M (8.0) in the first quarter of 2018.

In the first quarter of 2018, cash flow from financing activities was a negative SEK 0.6 M (neg: 11.0).

Cash flow for the period amounted to SEK 12.3 M (neg: 3.0) and at March 31, 2018, the Group's cash and cash equivalents amounted to SEK 117.8 M [84.4].

FINANCIAL POSITION

At March 31, 2018, RaySearch's total assets amounted to SEK 933 M [736] and the equity/assets ratio was 63.5 percent [66.2].

Current receivables amounted to SEK 431 M [341]. The receivables mainly comprised accounts receivable and accrued income, and the increase was primarily the result of more agreements with longer payment terms.

During the fourth quarter of 2017, the company entered a six-year lease for new office premises in San Francisco and a ten-year lease for new office premises in New York, both with estimated access in the second or third quarter of 2018 due to rebuilding.

In 2017, the company's line of credit was increased from SEK 100 M to SEK 350 M. The credit facility runs until May 2020 and comprises a revolving loan facility of up to SEK 300 M and an overdraft facility of SEK 50 M. Chattel mortgages amount to SEK 100 M. At March 31, 2018, a short-term loan totaling SEK 75 M had been utilized within the framework of the company's revolving loan facility. At March 31, 2018, the Group had negative net debt of SEK 34.7 M (neg: 32.9).

EMPLOYEES

In the January-March period of 2018, the average number of employees in the Group was 267 [201]. At the end of the first quarter, the Group had 273 [208] employees, of whom 213 [168] were based in Sweden, and 60 [40] in foreign subsidiaries.

PARENT COMPANY

RaySearch Laboratories AB (publ) is the Parent Company of the RaySearch Group. Since the Parent Company's operations are consistent with 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 costs and items related to finance leases are recognized in the Group, but not in the Parent Company.

The differences in earnings between the Parent Company and the Group are explained by the Parent Company accounting for a relatively high proportion of operating expenses and that capitalization of development expenses is reported in the Group, but not in the Parent Company.

The earnings decline for the Parent Company is partly explained by the application of IFRS 15 as of January 1, 2018, which delays the company's revenue recognition and reduces the company's operating profit by approximately 3.5 M during the first quarter 2018. In addition, the weaker earnings were attributable to increased amortization, due primarily to the launch of RayCare, and higher operating expenses, given that the Parent Company increased the number of employees by approximately 27 percent since the first quarter of last year, mainly within the market organization and in research and development, which has not yet generated higher order intake.

The Parent Company's current receivables mainly comprise receivables from Group companies and accounts receivable.

SIGNIFICANT EVENTS DURING THE PERIOD

Strategic partnership with MD Anderson with intention of improving radiation therapy

In February 2018, it was announced that the University of Texas MD Anderson Cancer Center and RaySearch had entered a strategic alliance with the aim of improving radiation therapy. The aim is to achieve greater precision when treating tumors and to improve and increase access to an already existing radiation therapy – adaptive radiation therapy (ART) – which, at present, is largely limited to highly specialized cancer centers.

RayStation was selected by several leading cancer centers

During the first quarter 2018, several of the world's largest and most respected cancer centers selected RayStation as their treatment planning system, including Georgia Proton Treatment Center and Mission Hospital – SECU Cancer Center in the US, CHU de Québec-Université Laval in Canada, and Universitätsmedizin Rostock and Klinikum rechts der Isar der TU München in Germany.

In addition, the University Medical Center Groningen in the Netherlands has expanded its existing RayStation installation.

Share conversion

In March 2018, 200,000 Class A shares were converted to Class B at the request of a shareholder. The total number of votes in RaySearch thereafter amounted to 110,377,548. The total number of registered shares in RaySearch amounts to 34,282,773, of which 8,454,975 are Class A and 25,827,798 Class B.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

RayStation was selected by the proton and carbon ion therapy centers in Heidelberg and Marburg

In April 2018, it was announced that RayStation had been selected as the treatment planning system for the two proton and carbon ion therapy centers, Heidelberg Ion Beam Therapy Center (HIT) and Marburg Ion Beam Therapy Center (MIT), in Germany. All carbon ion therapy centers in Europe have thus now selected RayStation.

Collaborative agreement with Heidelberg University Hospital for RayCare

In April 2018, it was announced that RaySearch had entered into a long-term collaborative agreement for RayCare with Heidelberg University Hospital in Germany. The partnership will also involve the two affiliated sites Heidelberg Ion Beam Therapy Center (HIT) and Marburg Ion Beam Therapy Center (MIT).

THE COMPANY'S SHARE

At March 31, 2018, the total number of registered shares in RaySearch was 34,282,773, of which 8,454,975 were Class A and 25,827,798 Class B shares. The quotient value is SEK 0.50 and the company's share capital amounts to SEK 17,141,386.50. Each Class A share entitles the holder to ten votes, and each Class B share to one vote, at a general meeting. At March 31, 2018, the total number of votes in RaySearch was 110,377,548.

SHARE OWNERSHIP

At March 31, 2018, the total number of shareholders in RaySearch was 6,843 and, according to Euroclear, the largest shareholders were as follows:

Name	Class A shares	Class B shares	Total shares	Share capital, %	Votes, %
Johan Löf	6,243,084	618,393	6,861,477	20.0	57.1
Lannebo Funds	0	3,230,771	3,230,771	9.4	2.9
Swedbank Robur Funds	0	2,864,138	2,864,138	8.4	2.6
First AP Fund	0	2,116,073	2,116,073	6.2	1.9
Second AP Fund	0	1,929,651	1,929,651	5.6	1.7
Montanaro Funds	0	1,560,249	1,560,249	4.6	1.4
State Street Bank & Trust (Boston)	0	1,435,000	1,435,000	4.2	1.3
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Carl Filip Bergendal	1,061,577	144,920	1,206,497	3.5	9.7
Fourth AP Fund	0	715,266	715,266	2.1	0.6
Total, 10 largest shareholders	8,454,822	14,814,461	23,269,283	67.9	90.0
Others	153	11,013,337	11,013,490	32.1	10.0
Total	8,454,975	25,827,798	34,282,773	100.0	100.0

OTHER INFORMATION

2018 ANNUAL GENERAL MEETING

The 2018 Annual General Meeting of RaySearch Laboratories AB (publ) will be held at the company's office, Sveavägen 44 in Stockholm, Sweden, on Wednesday, May 30, 2018 at 6:00 p.m. Light refreshments will be served from 5:00 p.m. when registration begins.

Draft decisions

Shareholders representing approximately 67 percent of the total number of votes propose the reelection of Board members Carl Filip Bergendal, Johan Löf, Hans Wigzell and Johanna Öberg, the election of Britta Wallgren as member of the Board and that Carl Filip Bergendal be elected as Chairman of the Board. Full details of the draft decisions are available on the company's website, www.raysearchlabs.com.

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 risk and financial risk. Risk management within 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 2017 Annual Report. For more information about risks and risk management, see pages 8-10 and 33-34 of RaySearch's 2017 Annual Report.

SEASONAL VARIATIONS

RaySearch's operations are somewhat characterized by seasonal variations that are typical for the industry, whereby the fourth quarter is normally the strongest – mainly because many customers have budgets that follow the calendar year – and the second quarter is normally the weakest.

REVIEW

This interim report has not been reviewed by the company's auditors.

Stockholm May 9, 2018

Johan Löf
CEO

FOR FURTHER INFORMATION, PLEASE CONTACT:

Johan Löf, CEO

Tel: +46 8 510 530 00

E-mail: johan.lof@raysearchlabs.com

Peter Thysell, CFO

Tel: +46 70 661 05 59

E-mail: peter.thysell@raysearchlabs.com

The information contained in the interim report is such that RaySearch Laboratories AB (publ) is obliged to disclose under the EU Market Abuse Regulation and the Swedish Securities Market Act. The information was submitted for publication on May 9, 2018 at 7:45 a.m. CET.

FINANCIAL CALENDAR

2018 Annual General Meeting

May 30, 2018

Interim report for the first six months of 2018

August 23, 2018

Interim report for the third quarter, 2018

November 15, 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000S		JAN-MAR		APR 2017-	FULL-YEAR
	Note	2018 ¹	2017 ²	MAR 2018 ³	2017 ²
Net sales	1,2,3	116,257	126,788	574,555	585,086
Cost of goods sold ⁴		-9,464	-9,982	-36,132	-36,650
Gross profit		106,793	116,806	538,423	548,436
Other operating income		7,611	-	14,623	7,012
Selling expenses		-45,455	-38,953	-211,354	-204,852
Administrative expenses		-18,885	-15,624	-66,508	-63,247
Research and development costs		-34,766	-24,513	-114,557	-104,304
Other operating expenses		-1,190	-4,250	-20,316	-23,376
Operating profit		14,108	33,466	140,311	159,669
Result from financial items		-248	-841	-3,175	-3,768
Profit before tax		13,860	32,625	137,136	155,901
Tax		-2,081	-6,351	-34,004	-38,274
Profit for the period⁵		11,779	26,274	103,132	117,627
Other comprehensive income					
Items to be reclassified to profit or loss					
Translation difference of foreign operations for the period		127	378	2,359	2,610
Items not to be reclassified to profit or loss		-	-	-	-
Comprehensive income for the period⁵		11,906	26,652	105,491	120,237
Earnings per share before and after dilution (SEK)		0.34	0.77	3.01	3.43

¹ Accounting in accordance with IFRS 15, see Notes 1-2.² Accounting in accordance with IAS 18.³ Accounting in accordance with IFRS 15 in Q1-18 and IAS 18 in the remaining three quarters.⁴ Does not include amortization of capitalized development costs, which is included in research and development costs.⁵ Fully (100 percent) attributable to Parent Company shareholders.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S		JAN-MAR		FULL- YEAR
		2018	2017	2017
Opening balance		580,425	460,188	460,188
Profit for the period		11,779	26,274	117,627
Translation difference for the period		127	378	2,610
Dividend paid		-	-	-
Closing balance		592,331	486,840	580,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	MAR 31, 2018	MAR 31, 2017	DEC 31, 2017
ASSETS			
Intangible fixed assets	338,211	258,305	322,598
Tangible fixed assets	37,892	35,336	36,114
Deferred tax assets	780	455	780
Other long-term receivables	7,169	15,941	11,684
Total fixed assets	384,052	310,037	371,176
Inventories	921	-	33
Current receivables	430,606	341,427	439,699
Cash and cash equivalents	117,871	84,432	104,156
Total current assets	549,398	425,859	543,888
TOTAL ASSETS	933,450	735,896	915,064
EQUITY AND LIABILITIES			
Equity	592,331	486,840	580,425
Deferred tax liabilities	95,859	73,920	92,424
Long-term liabilities to credit institutions	9,037	51,563	9,751
Accounts payable	22,700	13,156	27,403
Current liabilities to credit institutions	74,133	-	74,033
Other current liabilities	139,390	110,417	131,028
TOTAL EQUITY AND LIABILITIES	933,450	735,896	915,064

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN-MAR		FULL-YEAR
	2018	2017	2017
Profit before tax	13,860	32,625	155,901
Adjusted for non-cash items ¹⁾	20,332	11,093	56,181
Taxes paid	-20,652	-4,166	-11,724
Cash flow from operating activities before changes in working capital	13,540	39,552	200,358
Cash flow from changes in working capital	42,481	-165	-52,877
Cash flow from operating activities	56,021	39,387	147,481
Cash flow from investing activities	-43,066	-31,402	-148,132
Cash flow from financing activities	-614	-10,991	19,773
Cash flow for the period	12,341	-3,006	19,122
Cash and cash equivalents at the beginning of the period	104,156	87,720	87,720
Exchange-rate difference in cash and cash equivalents	1,374	-282	-2,686
Cash and cash equivalents at the end of the period	117,871	84,432	104,156

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

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN-MAR		FULL-YEAR
	2018 ¹	2017 ²	2017 ²
Net sales	89,108	102,035	480,774
Cost of goods sold ³	-4,011	-6,649	-19,548
Gross profit	85,097	95,386	461,226
Other operating income	7,611	-	7,012
Selling expenses	-27,444	-23,705	-133,066
Administrative expenses	-18,840	-15,749	-64,065
Research and development costs	-50,380	-39,599	-183,683
Other operating expenses	-1,189	-4,250	-23,376
Operating profit/loss	-5,145	12,083	64,048
Result from financial items	-127	-656	2,887
Profit/loss after financial items	-5,272	11,427	66,935
Appropriations	-	-	-19,815
Profit before tax	-5,272	11,427	47,120
Tax	-	-2,775	-13,227
Profit/loss for the period	-5,272	8,652	33,893

¹ Accounting in accordance with IFRS 15, see Notes 1-2.² Accounting in accordance with IAS 18.³ Does not include amortization of capitalized development costs, which is included in research and development costs.**PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME**

AMOUNTS IN SEK 000S	JAN-MAR		FULL-YEAR
	2018	2017	2017
Profit/loss for the period	-5,272	8,652	33,893
Other comprehensive income	-	-	-
Comprehensive income/loss for the period	-5,272	8,652	33,893

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	MAR 31, 2018	MAR 31, 2017	DEC 31, 2017
ASSETS			
Tangible fixed assets	24,486	21,219	23,686
Shares and participations	1,046	640	1,046
Deferred tax assets	780	455	780
Other long-term receivables	6,997	2,275	10,405
Total fixed assets	34,309	24,589	35,917
Inventories	921		33
Current receivables	437,839	358,396	458,270
Cash and cash equivalents	53,050	62,080	42,857
Total current assets	491,810	420,476	501,160
TOTAL ASSETS	526,119	445,065	537,077
EQUITY AND LIABILITIES			
Equity	266,783	246,813	272,054
Untaxed reserves	97,510	77,695	97,510
Deferred tax liabilities	-	-	-
Long-term liabilities to credit institutions	-	40,000	-
Accounts payable	25,635	16,256	30,168
Current liabilities to credit institutions	74,133		74,033
Other current liabilities	62,058	64,301	137,345
TOTAL EQUITY AND LIABILITIES	526,119	445,065	537,077

NOTES, GROUP

NOTE 1 ACCOUNTING POLICIES

The RaySearch Group applies International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies applied are consistent with those described in the 2017 Annual Report for RaySearch Laboratories AB (publ), which is available on www.raysearchlabs.com. This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company applies the Swedish Annual Accounts Act and RFR 2 Accounting for Legal Entities. The interim report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act, Chapter 9, Interim report.

New and revised accounting standards applicable to fiscal years beginning on or after January 1, 2018.

As of January 1, 2018, RaySearch applies IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*.

IFRS 9 *Financial Instruments* replaced IAS 39 *Financial Instruments: Recognition and Measurement*. The new principles for classifying financial assets had no impact the Group's earnings and position. The new model for calculating credit losses impacts the impairment process, but had no significant impact on the Group's earnings and position. The company follows the financial policy established by the Board, whereby exchange-rate changes are not hedged, and are not therefore impacted by the new principles for hedge accounting.

IFRS 15 *Revenue from Contracts with Customers* has replaced previously issued revenue standards and interpretations. According to IFRS 15, revenue shall be recognized when promised goods or services are transferred to the customer, which can take place over time or at a single time. Revenue shall constitute the amount the company expects to receive as payment for the transferred goods or services.

IFRS 15 is applicable as of January 1, 2018. The transition to the standard was achieved using a forward-looking retroactive transitional method, meaning any transitional effects are recognized against shareholders' equity on January 1, 2018 and that the income statement will be presented in accordance with IFRS 15 as of 2018. As no significant agreements were in effect at the end of the year, according to the previously applied accounting policies, no transition effect arose at January 1, 2018.

The transition to IFRS 15 impacts license and support revenues from RayStation and RayCare, primarily attributable to the warranty period offered by the company. According to IFRS 15, recognized license revenue shall be reduced by an amount corresponding to the value of the support included during the agreed warranty period, and this amount shall thereafter be taken up as income on an ongoing basis during the warranty period. The transition to IFRS 15 reduced the company's license revenues from RayStation and RayCare by approximately 12 percent compared with previously applied accounting policies, at the same time as the company's support revenues increased by a corresponding amount, though with an average delay of about nine months.

Overall, the transition to IFRS 15 is expected to result in a temporary reduction in revenue of approximately 7-9 percent for the full-year 2018 compared with the previously applied accounting policies.

New and revised accounting standards not yet effective but will apply during the forthcoming periods

IFRS 16 *Leases* will come into effect on January 1, 2019. RaySearch has begun work to evaluate the impact of the new standard. The initial assessment is that the new standard will impact RaySearch with respect to rental leases for premises, vehicles and other large leased assets as these will be recognized in the balance sheet.

NOTE 2 IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES*IFRS 15 Revenue from Contracts with Customers*

The following tables summarize the impact of a transition to IFRS 15 on the consolidated income statement for the first quarter 2018 and the consolidated balance sheet as of March 31, 2018. The transition to IFRS 15 has no material effect on consolidated cash flow.

AMOUNTS IN SEK 000S	JAN-MAR 2018		
	Recognized in accordance with IFRS 15	Adjustments	Amount according to previous standard (IAS 18)
Revenue			
License revenue – RayStation/RayCare	75,012	10,741	85,753
Hardware revenue – RayStation	11,024	0	11,024
License revenue – Partners	9,244	0	9,244
Support revenue – RayStation	16,678	-6	16,672
Support revenue – Partners	2,853	0	2,853
Training and other	1,446	0	1,446
Net sales	116,257	10,735	126,992
Operating expenses	-102,148	-656	-102,804
Operating profit	14,108	10,079	24,187
Profit before tax	13,860	10,079	23,939
Loss before tax	-2,081	-2,218	-4,299
Profit for the period	11,779	7,861	19,640
Comprehensive income for the period	11,906	7,861	19,767

AMOUNTS IN SEK 000S	MAR 31, 2018		
	Recognized in accordance with IFRS 15	Adjustments	Amount according to previous standard (IAS 18)
Equity and liabilities			
Equity	592,331	7,861	600,192
Deferred tax liabilities	95,859	0	95,859
Long-term interest-bearing liabilities	9,037	0	9,037
Accounts payable	22,700	0	22,700
Current liabilities to credit institutions	74,133	0	74,133
Other current liabilities	139,390	-7,861	131,529
Total liabilities and equity	933,450	0	933,450

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

RaySearch conducts sales of goods and services in various regions. Revenue from the sale of licenses and hardware is recognized in profit or loss at a specific point in time, while revenue from sales of training and support is accrued over time.

AMOUNTS IN SEK 000S	JAN-MAR 2018	
	RayStation/ RayCare	Partner
<u>Revenue by type</u>		
Licenses	75,012	9,244
Support	16,678	2,853
Hardware	11,024	-
Training and other	1,446	-
Total revenue from contracts with customers	104,160	12,097
<u>Revenue by geographic market</u>		
North America	54,901	6,376
APAC	8,199	952
Europe and rest of the world	41,060	4,769
Total revenue from contracts with customers	104,160	12,097
<u>Revenue by date for revenue recognition</u>		
Goods transferred at a single time	86,036	9,244
Services transferred over time	18,124	2,853
Total revenue from contracts with customers	104,160	12,097

NOTE 4 ESTIMATES

Preparation of the interim report requires that company management makes estimates that affect the carrying amounts. 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.

NOTE 5 FINANCIAL INSTRUMENTS

RaySearch's financial assets and liabilities comprise accounts receivable, cash and cash equivalents, accrued income, accrued expenses, accounts payable, bank loans and a finance lease. Long-term accounts receivable and accrued income are discounted, while other financial assets and liabilities have short-term maturities. 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.

NOTE 6 RELATED-PARTY TRANSACTIONS

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

NOTE 7 PLEDGED ASSETS IN THE GROUP AND PARENT COMPANY

AMOUNTS IN SEK 000S	MAR 31, 2018	MAR 31, 2017
Chattel mortgages	100,000	100,000
Guarantees	8,960	16,152

GROUP QUARTERLY OVERVIEW

	2018	2017				2016		
AMOUNTS IN SEK 000s	Q1 ¹	Q4 ²	Q3 ²	Q2 ²	Q1 ¹	Q4 ²	Q3 ²	Q2 ²
Income statement								
Net sales	116,257	204,961	111,703	141,634	126,788	191,355	125,730	118,982
Sales growth, %	-8.3	7.1	-11.2	19.0	32.9	45.0	25.0	53.8
Operating profit	14,108	98,698	666	26,839	33,466	100,249	38,465	37,493
Operating margin, %	12.1	48.2	0.6	18.9	26.4	52.4	30.6	31.5
Profit/loss for the period	11,779	72,289	-1,028	20,092	26,274	75,924	28,887	28,837
Net margin, %	10.1	35.3	-0.9	14.2	20.7	39.7	23.0	24.2
Cash flow								
Operating activities	56,021	46,785	35,669	25,640	39,387	73,866	10,211	14,908
Investing activities	-43,066	-46,207	-33,412	-37,111	-31,402	-31,207	-23,320	-26,347
Cash flow before financing activities	12,955	578	2,257	-11,471	7,985	42,659	-13,109	-11,439
Financing activities	-614	34,028	-1,025	-2,239	-10,991	13,940	8,955	-9,591
Cash flow for the period	12,341	34,606	1,232	-13,710	-3,006	56,599	-4,154	-21,030
Capital structure								
Equity/assets ratio, %	63.5	63.4	67.2	67.1	66.2	64.2	65.8	64.3
Net debt	-34,701	-20,372	-20,062	-20,841	-32,869	-26,193	30,420	16,018
Debt/equity ratio	-0.1	0.0	0.0	-0.0	-0.1	-0.1	0.1	0.0
Net debt/EBITDA	-0.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.1	0.1
Per share data, SEK								
Earnings/loss per share before dilution	0.34	2.11	-0.03	0.59	0.77	2.21	0.84	0.83
Earnings/loss per share after dilution	0.34	2.11	-0.03	0.59	0.77	2.21	0.84	0.83
Equity per share	17.28	16.93	14.82	14.83	14.20	13.42	11.26	10.40
Share price at the end of the period	123.0	171.0	173.5	235.5	235.0	184.5	198.50	119.00
Other								
No. of shares 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	267	253	240	219	201	192	185	181

GROUP, ROLLING 12 MONTHS

AMOUNTS IN SEK 000s	Apr 2017- Mar 2018 ³	Jan 2017-Dec 2017 ²	Oct 2016- Sep 2017 ²	Jul 2016- Jun 2017 ²	Apr 2016- Mar 2017 ²	Jan 2016- Dec 2016 ²	Oct 2015- Sep 2016 ²	Jul 2015- Jun 2016 ²
Income statement								
Net sales	574,555	585,086	571,480	585,507	562,855	531,468	472,070	446,909
Operating profit	140,311	159,669	161,220	199,019	209,673	199,559	143,612	125,232
Operating margin, %	24.4	27.3	28.2	34.0	37.3	37.5	30.4	28.0

¹ Accounting in accordance with IFRS 15, see Notes 1-2.

² Accounting in accordance with IAS 18.

³ Accounting in accordance with IFRS 15 in Q1-18 and IAS 18 in the remaining three quarters.

DEFINITIONS OF KEY RATIOS

The interim report refers to a number of non-IFRS financial measures that are used to provide investors and company management with additional information to assess the company's operations. The various non-IFRS financial measures that are used to complement the financial information reported in accordance with IFRS are described below.

Non-IFRS financial measures	Definition	Reason for using the measure
Order intake excluding service agreements	The value of all 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 is thus a key figure for the management of RaySearch's operations.
Order intake for RayStation/ RayCare excluding service agreements	The value of orders received and changes to existing orders for RayStation during the current period, excluding the value of service agreements.	Order intake is an indicator of future revenues and is thus a key figure for the management of RaySearch's main operational areas.
Order backlog for RayStation/ RayCare	The value of orders for RayStation 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 that will be converted to revenues in the future.
Sales growth	The change in net sales compared with the year-earlier period expressed as a percentage	The measure is used to track the performance of the company's operations between periods
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 administrative expenses
Operating profit	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
Equity per share	Equity divided by number of shares at the end of the period	Illustrates the return generated on the owners' invested capital per share from a shareholder perspective
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 revenue is subject to monthly variations
Working capital	Working capital comprises inventories, operating receivables and operating liabilities, and is obtained from the statement of financial position. Operating receivables comprise accounts receivable, other receivables and non-interest bearing prepaid expenses and accrued income. Operating liabilities include other non-interest bearing long-term liabilities, advance payments from customers, accounts payable, other current liabilities and non-interest bearing accrued expenses and deferred income.	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	Illustrates the return generated on the owners' invested capital from a shareholder perspective
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
Net debt	Interest-bearing liabilities less cash and cash equivalents and interest-bearing current and long-term receivables	The measure shows the Group's total indebtedness
Debt/equity ratio	Net debt in relation to equity	The measure shows financial risk and is used by management to monitor the Group's indebtedness
Net debt/EBITDA	Net debt in relation to operating profit before depreciation over the past 12-month period	A relevant measure from a credit perspective that shows the company's ability to repay its debts

CALCULATION OF FINANCIAL MEASURES NOT INCLUDED IN THE IFRS REGULATORY FRAMEWORK

AMOUNTS IN SEK 000s	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Working capital			
Accounts receivable	309,106	242,133	335,125
Inventories	921	-	33
Accrued income – long-term	6,953	15,941	11,468
Accrued income – current	74,624	84,037	78,482
Other current receivables (excl. tax)	36,618	15,079	25,742
Accounts payable	-22,700	-13,156	-27,403
Other current liabilities (excl. tax)	-139,302	-100,457	-118,888
Working capital	266,220	243,576	304,559

AMOUNTS IN SEK 000s	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
Net debt			
Current interest-bearing liabilities	74,133	-	74,033
Long-term interest-bearing liabilities	9,037	51,563	9,751
Cash and cash equivalents	-117,871	-84,432	-104,156
Interest-bearing receivables	-	-	-
Net debt	-34,701	-32,869	-20,372

AMOUNTS IN SEK 000s	Apr 2017- Mar 2018	Apr 2016- Mar 2017	Full-year 2017
EBITDA			
Operating profit	140,311	209,673	159,669
Amortization and depreciation	78,696	68,594	70,757
EBITDA	219,007	278,267	230,426

HEAD OFFICE

RaySearch Laboratories AB (publ)
Box 3297
SE-103 65 Stockholm, Sweden

STREET ADDRESS

Sveavägen 44, Floor 7
SE-111 34 Stockholm, Sweden

Tel: +46 8 510 530 00
www.raysearchlabs.com
Corporate Registration Number: 556322-6157

ABOUT RAYSEARCH

RaySearch Laboratories AB (publ) is a medical technology company that develops innovative software solutions for improved cancer treatment. The company 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 also develops and markets the next-generation oncology information system, RayCare, which was launched in December 2017 and represents a new product category for RaySearch. RaySearch's software is currently used by over 2,600 centers 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 2003. More information about RaySearch is available at www.raysearchlabs.com.

BUSINESS CONCEPT

RaySearch's mission 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 and the RayCare oncology information system are developed at RaySearch's head office in Stockholm, and distributed and supported by the company's global marketing organization.

STRATEGY

A radiation therapy clinic essentially needs two software platforms for its operations: a treatment planning system and an oncology information system. With RayStation and RayCare, RaySearch will 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.