

“We summarize 2019 and note that: RaySearch continues to develop at a rapid pace. Order intake rose 30 percent and cash flow adjusted for amortization of bank loans increased to SEK 72 M (-48). Product development proceeds according to plan.”

Johan Löf, CEO of RaySearch. Comments on page 2.

FOURTH QUARTER (OCTOBER-DECEMBER 2019)

- Order intake SEK 277.2 M (294.9)
- Net sales SEK 234.5 M (219.4)
- Operating profit SEK 22.5 M (41.7)
- Profit after tax SEK 18.9 M (32.8) and earnings per share before/after dilution SEK 0.55 (0.96)
- Cash flow SEK 7.8 M (56.8)

TWELVE MONTHS (JANUARY-DECEMBER 2019)

- Order intake SEK 1,046.2 M (805.2)
- Net sales SEK 741.6 M (627.2)
- Operating profit SEK 68.2 M (94.5)
- Profit after tax SEK 50.4 M (78.5) and earnings per share before/after dilution SEK 1.47 (2.29)
- Cash flow SEK -3.4 M (1.8)
- Order backlog SEK 1,160.0 M (828.0) at the end of the period
- The Board of Directors proposes that no dividend be paid for 2019

SIGNIFICANT EVENTS DURING THE FOURTH QUARTER

- The RayStation® treatment planning system was chosen by several prominent cancer centers, including the Shanghai Proton and Heavy Ion Center (SPHIC) in China, the Yonsei Cancer Center in South Korea, Universitätsklinikum Erlangen in Germany, the Royal Brisbane and Women's Hospital in Australia, Providence Health Care in Canada, and the Mercy Hospital St. Louis and the Summa Health Cancer Institute in the US.
- The RayCare® oncology information system was chosen by Yonsei Cancer Center in South Korea and Provision CARES Proton Therapy Orlando in the US.
- RaySearch received new regulatory clearance for RayStation in China.
- In December, RayCare 3B* and RayStation 9B* were released. These are the latest versions of RaySearch's software, which now also include support for the planning of chemotherapy and enhanced machine learning possibilities.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

- In February 2020, MD Anderson Cancer Center in the US ordered additional RayStation licenses for about SEK 40 million to replace its existing treatment planning systems.

FINANCIAL SUMMARY¹

AMOUNTS IN SEK 000s	OCT-DEC		JAN-DEC	
	2019 ²	2018 ³	2019 ²	2018 ³
Net sales	234,499	219,443	741,584	627,218
Operating profit/loss	22,468	41,673	68,169	94,460
Operating margin, %	9.6	19.0	9.2	15.1
Profit for the period	18,937	32,649	50,411	78,523
Earnings per share before/after dilution, SEK	0.55	0.95	1.47	2.29
Cash flow from operating activities	81,139	120,614	320,145	178,472
Cash flow for the period	7,777	56,758	-3,385	1,805
Return on equity, %	2.8	5.3	7.4	12.7
Equity/assets ratio at the end of the period, %	55.6	59.5	55.6	59.5
Share price at the end of the period, SEK	107.2	96.5	107.2	96.5

¹ For definitions of key figures, see page 21. ² IFRS 16 compliance. ³ IAS 17 compliance.

* Regulatory clearance is required in some markets.

CEO COMMENTS



WEAKER LICENSE SALES IN SECOND HALF-YEAR

After a record first half of the year, license sales were weaker in both the third and fourth quarters, and the total order intake declined by 6 percent to SEK 277 M (295) in the fourth quarter. Nonetheless, net sales increased 7 percent to SEK 234 M (219), while operating profit decreased to SEK 22 M (42). Operating profit was impacted by factors including negative currency translation effects and, adjusted for these, operating profit would have amounted to SEK 37 M (38).

A LONGER PERSPECTIVE

We operate in a market with uneven order flows where large individual orders can have a substantial impact on revenues between quarters. Our operations should therefore be seen in a longer perspective. In 2019, order intake increased 30 percent to SEK 1,046 M (805) and net sales rose 18 percent to SEK 742 M (627). If we go two years back, our order intake has increased by 60 percent [see graph].

Operating profit for the full year decreased to SEK 68 M (94), which corresponds to an operating margin of 9 (15) percent. The lower margin is partly due to our large investments in development and marketing organizations. This leads to squeezed margins in the short term, but it is a conscious investment that is expected to deliver better growth and profitability in the longer term. Cash flow adjusted for amortization of bank loans increased to SEK 72 (-48) million. All in all, the longer perspective shows that our expansive strategy is working and that RaySearch's innovative software solutions for improved cancer treatment are continuously gaining new ground.

CONTINUED SUCCESS WITH WORLD-LEADING CLINICS

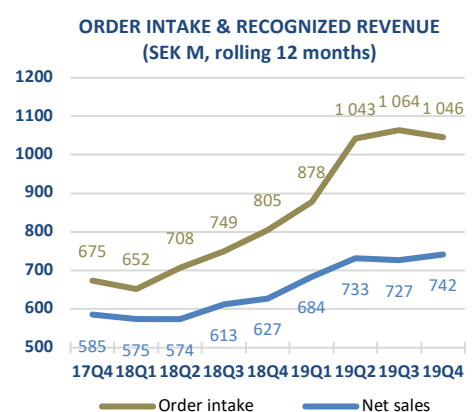
In 2019, RaySearch continued to reap great success among several of the world's leading cancer clinics. For example, 11 of the 20 highest-ranked cancer clinics in the United States have purchased RayStation. Several of our largest clients, including Princess Margaret Cancer Centre, MD Anderson, Moffitt Cancer Center, University of Washington Medical Center and Massachusetts General Hospital, have also decided to gradually replace their existing dose planning systems and only use RayStation.

During the fourth quarter, we also received a significant order for RayStation and RayCare from a carbon ion clinic under construction at the Yonsei Cancer Center in South Korea and a large order for RayStation from the Shanghai Proton and Heavy Ion Center (SPHIC) in China.

This clearly shows that RayStation is the technologically most advanced and effective treatment planning system in the global marketplace and confirms our market leading position among the largest and most prominent clinics. It also creates an increased opportunity for RaySearch to sell its other products to existing and new customers.

CHALLENGE TO RETURN THE SMALL CLINIC

Our market share is still relatively small among the small clinics in the US, ie clinics that have one or two treatment machines. These usually have both software systems and processing machines from a single supplier and make up about 80 percent of the total number of clinics. They have different conditions and needs than the largest clinics. We therefore see it as a particularly important task for us to intensify the work of reaching out to small clinics in 2020, in order to demonstrate in concrete terms what great benefits RayStation offers to all clinics, regardless of size.



DEVELOPMENT WILL CONTINUE AT A FAST PACE

Our development work is continuing unabated. RayStation and RayCare are already the leading systems on the market for simplifying and streamlining the highly complex workflows of cancer centers, and we are determined to advance our leading position in 2020.

More and more clinics are implementing RayCare in clinical use. We achieved an important milestone for our strategic collaboration with IBA when we completed all validation tests for RayCare and the connection to IBA's proton processing system on February 6, 2020. The tests were performed at the UZ Leuven hospital in Belgium and they are a crucial step for UZ Leuven to start treating patients with proton therapy.

The development work for our treatment control system RayCommand and our machine learning system RayIntelligence is proceeding according to plan, and we expect to be able to launch both products in December this year.

All in all, we have both challenges and opportunities - I look forward to an intense and exciting year 2020.

Stockholm, February 14, 2020

Johan Löf

CEO of RaySearch Laboratories AB (publ)

FINANCIAL INFORMATION

RaySearch operates in a market with uneven order flows where large individual orders can have a substantial impact on revenue recognition between the quarters and because the company has limited (less than 10 percent) variable costs for license revenue, operating profit is affected by an amount that is nearly as high. For this reason, a longer perspective than a few quarters should be taken.

ORDER INTAKE AND ORDER BACKLOG

In the fourth quarter of 2019, order intake declined by 6.0 percent year-on-year to SEK 277.2 M (294.9). License order intake remained weak in the fourth quarter following a very strong first half of the year. This was only partially offset by a rise in order intake for support agreements.

Order intake (amounts in SEK M)	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Full-year 2019	Full-year 2018
Licenses	130.3	87.2	197.0	101.7	197.4	516.2	508.0
Hardware	21.0	20.8	15.6	24.2	16.5	81.6	62.6
Support (incl. warranty support)	115.9	83.0	147.7	70.9	73.5	417.5	213.2
Training and other	10.0	5.8	10.3	4.9	8.0	30.9	21.4
Total order intake	277.2	196.8	370.6	201.6	294.9	1,046.2	805.2
Order backlog (amounts in SEK M)	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18		
Licenses	123.8	147.1	139.1	74.9	69.9		
Hardware	36.4	44.3	28.7	27.0	32.7		
Support (incl. warranty support)	956.2	892.7	837.3	742.5	697.3		
Training and other	43.6	40.6	38.0	32.5	28.1		
Total order backlog at the end of the period	1,160.0	1,124.7	1,043.1	876.9	828.0		

For full-year 2019, order intake rose 29.9 percent to SEK 1,046.2 M (805.2). License order intake rose 1.6 percent to SEK 516.2 M (508.0) and order intake for support agreements rose 95.8 percent to SEK 417.5 M (213.2).

At December 31, 2019, the total order backlog amounted to SEK 1,160 M (828), which is expected to generate revenue of approximately SEK 374 M over the next 12 months. The remaining amount in the order backlog mainly comprises support commitments that are primarily expected to generate revenues during a subsequent four-year period.

The reported order intake and order backlog do not include the order totaling SEK 127 M from MedAustron International GmbH, secured in the second quarter of 2019, and relating to a cancer center in Iran. RaySearch is working on the order, but due to the prevailing sanctions related to projects involving this specific country, it is currently difficult to predict when payment can be obtained.

REVENUE

In the fourth quarter of 2019, net sales rose 6.9 percent to SEK 234.5 M (219.4). This change is mainly attributable to higher support revenue and hardware revenue, as well as positive currency effects. The organic change in sales amounted to SEK 1.4 percent (4.3).

License revenue for RayStation and RayCare declined by 8.0 percent, mainly due to lower license sales in the US. Recurring support revenue rose sharply as a result of a larger installed customer base and positive currency effects. The application of IFRS 15 *Revenue from Contracts with Customers* from January 1, 2018 temporarily reduced the company's revenue recognition in 2018 and accounts for almost a third of the increase in support revenue from RayStation during the fourth quarter compared with the year-earlier period.

Revenue (amounts in SEK M)	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Full-year 2019	Full-year 2018
License revenue – RayStation/RayCare	135.5	76.2	115.4	92.3	147.3	419.4	411.5
License revenue – Partners	10.0	5.3	8.2	6.9	10.6	30.4	38.8
Hardware revenue	26.5	6.9	13.2	30.0	18.6	76.6	53.6
Support revenue – RayStation/RayCare	54.0	48.6	45.2	38.6	37.5	186.4	104.4
Support revenue – Partners	2.7	3.0	2.9	3.1	2.6	11.7	10.9
Training and other revenue	5.8	4.4	4.7	2.2	2.8	17.2	7.9
Net sales	234.5	144.3	189.7	173.1	219.4	741.6	627.2
Sales growth, corresp. period, %	6.9%	-4.0%	34.5%	48.9%	7.1%	21.0%	7.2%
Organic sales growth, corresp. period, %	1.4%	-8.9%	27.7%	41.9%	4.3%	11.8%	5.8%

For full-year 2019, net sales rose 18.2 percent to SEK 741.6 M (627.2). The improvement was mainly due to higher support revenue for RayStation, increased hardware sales and positive currency effects.

Organic sales growth was 11.8 per cent (5.8), and recognized net sales accounted for 71 percent (78) of total order intake.

For the full-year, net sales had the following geographic distribution: North America, 42 percent (42); Asia, 18 percent (20); Europe and the rest of the world, 39 percent (38).

License revenue for RayStation and RayCare rose 2 percent to SEK 419.3 M (411.5). Recurring support revenue rose 72 percent to SEK 198.2 M (115.3), representing 27 percent (18) of net sales. Hardware sales, which have a limited profit margin, rose 43 percent to SEK 76.6 M (53.6). Excluding hardware sales, sales rose 16 percent.

Revenue from sales of software modules via partners declined 15 percent to SEK 42.1 M (49.8), representing 6 percent (8) of net sales for the year.

OPERATING PROFIT/LOSS

In the fourth quarter of 2019, operating profit declined to SEK 22.5 M (41.7), representing an operating margin of 9.6 percent (19.0). The decline in profit was mainly due to lower license sales in the US, increased selling, research and development costs, which are largely an investment in future growth, and increased depreciation.

In the fourth quarter, operating expenses increased 19.3 percent to SEK 212.0 M (177.8). This was largely due to the increase in number of employees, but also higher costs for premises and depreciation.

Due to the application of IFRS 16 *Leases* on January 1, 2019, the operating result was impacted by a reduction in operating lease charges and an increase in depreciation. In the fourth quarter of 2019, IFRS 16 had a positive impact of SEK 0.6 M on the operating result.

Other operating income and expenses pertain to exchange-rate gains and losses. During the fourth quarter of 2019, the net of these exchange-rate gains and losses amounted to SEK -14.9 (3.6). A large proportion of the Group's receivables are denominated in USD and EUR, which weakened against the SEK in the fourth quarter compared with the end of the third quarter. Adjusted for the effects of these currency translations, operating profit for the fourth quarter of 2019 would have amounted to SEK 37.4 M (38.1) and operating expenses would have risen by 8.7 percent.

For the full-year 2019, operating profit decreased to SEK 68.2 M (94.5), representing an operating margin of 9.2 percent (15.1).

Currency effects

Since the majority (more than 85 percent) of invoicing is made in USD and EUR, while most of the Group's costs are in SEK, the company is affected by the SEK's performance against these currencies, in particular.

At unchanged exchange rates, organic sales growth was 1.4 percent in the fourth quarter of 2019, compared with the year-earlier period. In addition, the company also had exchange-rate losses of SEK 14.9 M (3.6) for balance sheet items in the fourth quarter. In total, currency effects thus had a slightly negative effect on operating profit in the fourth quarter of 2019.

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 5.2 M in 2019, while a corresponding change in the EUR exchange rate would have impacted consolidated operating profit by approximately +/- SEK 2.2 M.

The company follows the financial policy established by the Board, whereby exchange-rate fluctuations are not hedged.

Capitalization of development costs

RaySearch is a research and development-oriented company that makes significant investments in the development of various software solutions for improved cancer treatment. At December 31, 2019, some 190 [145] employees were engaged in research and development, corresponding to 51 percent [49] of the total number of employees.

Capitalization of development costs	Q4-19	Q3-19	Q2-19	Q1-19	Q4-18	Full-year 2019	Full-year 2018
Research and development costs	66.8	52.2	56.2	50.3	55.4	225.5	202.0
Capitalization of development costs	-49.7	-36.5	-40.0	-38.2	-40.5	-164.4	-149.9
Amortization of capitalized development costs	29.7	29.9	27.2	26.8	25.5	113.6	95.6
Research and development costs	46.8	45.6	43.4	38.9	40.4	174.7	147.7

In 2019, RaySearch continued to invest substantially in existing and future products. In total, research and development costs rose 11.6 percent to SEK 225.5 M [202.0], corresponding to 30 percent [32] of the company's net sales.

Development costs of SEK 164.4 M [149.9] were capitalized, corresponding to 73 percent [74] of total research and development costs.

Amortization of capitalized development costs rose 18.8 percent to SEK 113.6 M [95.6], and the increase was due to the expansion of development activities for RayStation and RayCare.

After adjustments for capitalization and amortization of development costs, research and development costs rose 18.3 percent to SEK 174.7 M [147.7].

Amortization and depreciation

In the fourth quarter of 2019, total amortization and depreciation increased 54.0 percent to SEK 47.9 M [31.1], of which amortization of intangible fixed assets accounted for SEK 29.7 M [25.5], primarily related to capitalized development costs. Depreciation of tangible fixed assets increased to SEK 18.1 M [5.6], primarily due to the company's investments in new offices in North America, but also the application of IFRS 16, refer to Notes 1-2.

Total amortization and depreciation for the year amounted to SEK 182.5 M [113.8], of which amortization of intangible fixed assets totaled SEK 113.7 M [95.6], primarily related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 68.8 M [18.2].

PROFIT/LOSS AND EARNINGS PER SHARE

In the fourth quarter of 2019, profit after tax totaled SEK 18.9 M [32.6], representing earnings per share before and after dilution of SEK 0.55 [0.95]. Profit after tax for full-year 2019 totaled SEK 50.4 M [78.5], representing earnings per share before and after dilution of SEK 1.47 [2.29].

Tax expense for the year amounted to SEK -12.2 M [-12.2], corresponding to an effective tax rate of 19.5 percent [13.5].

CASH FLOW AND LIQUIDITY

For the fourth quarter of 2019, cash flow from operating activities amounted to SEK 81.1 M [120.6], and the reduction was mainly attributable to higher operating receivables. At the same time, non-cash items increased, mainly due to leases being recognized as depreciation and interest expenses in accordance with IFRS 16, whereas they were recognized in operating activities in the preceding year.

Working capital mainly comprises various types of customer receivables, such as accounts receivable and current and long-term unbilled customer receivables in instances where payment plans exist.

For the full-year 2019, cash flow from operating activities was SEK 320.1 M [178.5].

At the end of the period, the company's total customer receivables accounted for 55 percent [72] of net sales over the past 12 months, and working capital for 26 percent [45] of net sales during the same period. The decline was mainly due to higher payments from customers.

Our payment model

A typical transaction for RaySearch involves various performance obligations, such as the delivery of licenses, hardware, support and training.

When RaySearch has fulfilled its performance obligation to a customer, for example, delivered licenses, and an unconditional right to consideration exists, a revenue and corresponding receivable are recognized.

A number of payment alternatives are subsequently available:

- *Payment within an invoice period of 30 or 60 days from delivery.*
- *Payment over a certain period, normally 6 to 12 months from delivery.*

In the vast majority of cases, payment is received for hardware and support within 30 to 60 days. However, RaySearch has a high proportion of new customers and it is common that new customers require up to 12 months to acquire and install separate IT infrastructure to gain maximum performance from our software. Accordingly, many new customers opt for a payment plan for our licenses, resulting in a subsequent delay in RaySearch invoicing the customer and receiving payment.

Irrespective of the payment model, a revenue and its corresponding receivable are recognized when the company has fulfilled its performance obligation. RaySearch has three types of customer receivables: Accounts receivable (current billed customer receivables) and, in the event of a payment plan, Current and Long-term unbilled customer receivables.

The increase in unbilled customer receivables over the past year was the result of more agreements with payment plans, primarily in North America. RaySearch assesses that the credit risk is low since the customers are institutions with high credit ratings.

Cash flow from investing activities was SEK -61.0 M [-73.3] in the fourth quarter. Investments in intangible fixed assets amounted to SEK -49.7 M [-40.9], comprising capitalized development costs for RayStation, RayCare and RayCommand. Investments in tangible fixed assets amounted to SEK -11.4 M [-32.3], mainly comprised investments in IT equipment.

For the full-year 2019, cash flow from investing activities was SEK -212.0 M [-223.6]. Investments in intangible fixed assets amounted to SEK -164.8 M [-150.4], comprising capitalized development costs. Investments in tangible fixed assets amounted to SEK -47.2 M [-73.3].

Cash flow from financing activities was SEK -12.4 M [9.4] in the fourth quarter of 2019, mainly due to paid lease payments in accordance with IFRS 16. For the full year, cash flow from financing activities was SEK -111.5 M [47.0], primarily as a result of repayment of SEK 75 M of the company's revolving loan facility, and lease payments paid in accordance with IFRS 16.

Cash flow for the period was SEK 7.8 M [56.8] in the fourth quarter, and SEK -3.4 M [1.8] for the full-year.

At December 31, 2019, consolidated cash and cash equivalents was SEK 113.9 M [112.2].

FINANCIAL POSITION

At December 31, 2019, RaySearch's total assets amounted to SEK 1,264 M [1,105] and the equity/assets ratio was 55.8 percent [59.5].

IFRS 16 *Leases* has been applied since January 1, 2019, which increases the company's total assets. Without application of the new accounting policies, the equity/assets ratio would have been 61.6 percent.

Current receivables amounted to SEK 463.3 M [482.3]. The receivables mainly comprised various types of customer receivables, and the decrease, despite high sales growth, was primarily due to a rise in payments from customers.

In the third quarter of 2019, the company signed a ten-year rental lease for a new head office in Stockholm with commencement in the third quarter of 2021.

In 2017, the company's line of credit was increased from SEK 100 M to SEK 350 M. The credit line expires in May 2022 and comprises a revolving loan facility of up to SEK 300 M, and an overdraft facility of SEK 50 M. Chattel mortgages amounted to SEK 100 M. At December 31, 2019, a short-term loan of SEK 49 M [124] was raised under the company's revolving loan facility and SEK 0 M [0] of the credit facility had been drawn.

At December 31, 2019, the Group's net debt totaled SEK 56.9 M [19.3]. IFRS 16 *Leases* has been applied since January 1, 2019, which increases the company's net debt, mainly because the remaining lease commitments are recognized as liabilities on the balance sheet. Without application of the new accounting policies, net debt would have amounted to SEK -64.3 M, refer to Note 2.

EMPLOYEES

In 2019, the average number of employees in the Group was 331 [293]. At the end of the fourth quarter, the Group had 376 [293] employees, of whom 279 [218] were based in Sweden, and 97 [75] 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.

Differences in profitability between the Parent Company and the Group are attributable to the Parent Company accounting for a relatively high proportion of operating expenses, and to the capitalization of development costs being recognized in the Group but not in the Parent Company. The Parent Company was also not affected by the changes under IFRS 16, and instead continues to recognize lease charges on a straight-line basis over the period of contract. This reduces operating profit compared with if IFRS 16 had been applied.

The Parent Company's current receivables mainly comprise receivables from Group companies and external customers.

SIGNIFICANT EVENTS DURING THE FULL YEAR

RayStation selected by several leading cancer centers

In 2019, the RayStation® treatment planning system was chosen by several leading cancer centers, including Moffitt Cancer Center, Loma Linda University Medical Center, Oklahoma Proton Center, UC Davis Medical Center and Hoag Memorial Hospital in the US, Genolier Clinic (part of the Swiss Medical Network) in Switzerland, AKH Vienna/Medical University of Vienna in Austria, Velindre Cancer Center and Cambridge University Hospitals in the UK, Universitätsklinikum Düsseldorf and Universitätsklinikum Erlangen in Germany, Centre d'Oncologie Saint Vincent and Centre de Cancérologie les Dentellières in France, Nagoya City West Medical Center in Japan, Shanghai Proton and Heavy Ion Center (SPHIC) in China, Yonsei Cancer Center in South Korea, the Royal Brisbane and Women's Hospital in Australia, and Proton Therapy Center Czech in the Czech Republic. In addition, Emory Proton Treatment Center in the US expanded its existing installation.

Expanded collaboration with Mevion

RaySearch and Mevion Medical Systems extended their strategic collaboration to further advance capabilities of Mevion's HYPERSCAN® proton therapy system and the unique Adaptive Aperture® proton multi-leaf collimator (pMLC) in the treatment planning system RayStation.

RayCare selected by several leading cancer centers

In 2019, several prominent cancer centers chose RayCare as their oncology information system (OIS). These included Genolier Clinic (part of the Swiss Medical Network) in Switzerland, MedAustron in Austria, Yonsei Cancer Center in South Korea and Provision CARES Proton Therapy Orlando in the US. This means that RaySearch has to date received ten commercial orders for RayCare, five of which were secured in 2019.

Further orders for RayCommand

In June 2019, MedAustron selected RayCommand as its treatment control system. RaySearch had previously received its first order for RayCommand from Advanced Oncotherapy (AVO) in the UK in 2018. RayCommand is under development and launch is preliminarily scheduled for the second half of 2020.

RayStation 9A and 9B were released

In June 2019, RayStation 9A was released with greater support for additional treatment machines and treatment techniques, as well as enhanced integration with RayCare.

In December, RayStation 9B was released, which is the latest version of RaySearch's treatment planning system that now also includes support for the planning of chemotherapy and enhanced machine learning possibilities.

FDA clearance for machine learning applications

In June 2019, RaySearch received FDA clearance for RayStation 8B, which includes the first machine learning applications in a treatment planning system on the market.

RayCare 3A and 9B were released

In July 2019, RayCare 3A was launched with several new functions, as was the RayCare Flow feature package that is designed to improve resource management, increase efficiency of the treatment planning workflow and automate image management.

In December, RayCare 3B was released, which is the latest version of RaySearch's oncology information system containing several new functions and improvements.

Long-term development partnership with Vision RT

RaySearch and Vision RT, a leader in Surface Guided Radiation Therapy (SGRT), have entered into a long-term development partnership, whose aims include developing interfaces and functions to ensure seamless workflows between the companies' respective products.

New regulatory clearance for RayStation in China

In October, RaySearch received a new regulatory clearance from the Chinese authorities NMPA (previously CFDA) for the treatment planning system RayStation.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD*Significant additional order for RayStation from MD Anderson Cancer Center*

In February 2020, MD Anderson Cancer Center in the US ordered additional RayStation licenses for about SEK 40 M to replace its existing treatment planning systems.

THE COMPANY'S SHARE

At December 31, 2019, 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 December 31, 2019, the total number of voting rights in RaySearch was 110,377,548.

SHARE OWNERSHIP

At December 31, 2019, the total number of shareholders in RaySearch was 6,943, according to Euroclear, and the largest shareholders were as follows:

Name	Class A shares	Class B shares	Total shares	Share capital,	
				%	Votes, %
Johan Löf	6,243,084	418,393	6,661,477	19.4	56.9
Oppenheimer Funds	0	4,000,000	4,000,000	11.7	3.6
Swedbank Robur Funds	0	2,100,000	2,100,000	6.1	1.9
First AP Fund	0	1,982,448	1,982,448	5.8	1.8
Wasatch Advisors	0	1,535,000	1,535,000	4.5	1.4
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Carl Filip Bergendal	1,061,577	139,920	1,201,497	3.5	9.7
Nordnet Pension	0	1,082,914	1,082,914	3.2	1.0
Montanaro Funds	0	1,052,000	1,052,000	3.1	1.0
La Financière de l'Echiquier	0	867,707	867,707	2.5	0.8
Total, 10 largest shareholders	8,454,822	13,378,382	21,833,204	63.7	88.7
Others	153	12,449,416	12,449,569	36.3	11.3
Total	8,454,975	25,827,798	34,282,773	100.0	100.0

Source: Euroclear, FI, MorningStar and Montanaro.

OTHER INFORMATION

2020 ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) of RaySearch Laboratories AB (publ) will be held on Tuesday, May 19, 2020 at 6:00 p.m. at the company's office on Sveavägen 44, Stockholm, Sweden. Light refreshments will be served from 5:00 p.m. when registration begins. Shareholders are entitled to have a matter addressed at the AGM by submitting a written request to the Board of Directors by March 31, 2020, or after this date but within such a time that the matter can be included in the Notice of the Annual General Meeting. Further information about registration for the Annual General Meeting and the Board's proposed decision items will also be posted on the company's website when notice of the Annual General Meeting is given. Notice of the 2020 Annual General Meeting is expected to be published on the company's website on April 14, 2020. RAYSEARCH'S 2019 Annual Report, including the Sustainability Report, is expected to be published on the company's website around April 29, 2020. A printed version of the Annual Report can be ordered from ir@raysearchlabs.com.

Proposed dividend

Since the company is in the midst of an expansive and capital-intensive phase, the Board of Directors of RaySearch proposes that no dividend be paid for the 2019 fiscal year.

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, business risk, compliance risk, operational risk and financial risk. RaySearch's risk management 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 2018 Annual Report. For more information about risks and risk management, refer to pages 9-10 and 36-38 of RaySearch's 2018 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.

ENVIRONMENT AND SUSTAINABILITY

Sustainability is a key aspect of RaySearch's strategy and operations, and the company is working actively to become a sustainable enterprise. The primary aim of RaySearch's operations is to help cancer centers improve and save the lives of cancer patients. With our innovative software solutions, we are continuously striving to improve and streamline workflows in clinical environments and to improve treatment outcomes for cancer patients. The customer value we create presents business opportunities for RaySearch, but also major social benefit and economic gains.

The negative environmental impact of the company's products is limited. 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 economically reasonable.

REVIEW

This year-end report has not been reviewed by the company's auditors.

Stockholm, February 14, 2020

Johan Löf
CEO and Board member

FOR FURTHER INFORMATION, PLEASE CONTACT:

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The information contained in this 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 February 14, 2020 at at 7:45 a.m. CET.

TELECONFERENCE IN CONNECTION WITH THE INTERIM REPORT

CEO Johan Löf and CFO Peter Thysell will present RaySearch's year-end report for January-December 2019 at a teleconference to be held in English on Friday, February 14, 2020 at 4:00 p.m. CET.

For login details to the teleconference, please register on:

<http://emea.directeventreg.com/registration/6642347>

FINANCIAL CALENDAR

2019 Annual Report (published on website)	April 29, 2020
Interim report for the first quarter, 2020	May 5, 2020
2020 Annual General Meeting	May 19, 2020
Interim report for the first six months of 2020	August 26, 2020
Interim report for the third quarter, 2020	November 18, 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000s		OCT-DEC		JAN-DEC	
	Note	2019 ¹	2018 ²	2019 ¹	2018 ²
Net sales	2.3	234,499	219,443	741,584	627,218
Cost of goods sold ¹		-25,862	-24,322	-72,365	-56,024
Gross profit		208,637	195,121	669,219	571,194
Other operating income		-13,311	8,808	27,406	35,391
Selling expenses		-94,183	-83,693	-345,425	-261,911
Administrative expenses		-30,190	-32,962	-100,135	-91,983
Research and development costs		-46,887	-40,366	-174,670	-147,691
Other operating expenses		-1,598	-5,234	-8,226	-10,540
Operating profit/loss		22,468	41,673	68,169	94,460
Profit/loss from financial items		-1,855	-1,958	-5,561	-3,696
Profit/loss before tax		20,613	39,716	62,608	90,764
Tax		-1,676	-7,067	-12,197	-12,241
Profit for the period²		18,937	32,649	50,411	78,523
Other comprehensive income					
Items to be reclassified to profit or loss					
Translation difference of foreign operations for the period		-325	-156	-433	-1,495
Comprehensive income for the period²		18,612	32,493	49,978	77,028
Earnings per share before and after dilution (SEK)		0.55	0.95	1.47	2.29

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000s		OCT-DEC		JAN-DEC	
		2019 ¹	2018 ²	2019 ¹	2018 ²
Opening balance		686,856	624,960	657,453	580,425
Effect of IFRS 16		—	—	-1,963	—
Opening balance after adjustments for IFRS 16		686,856	624,960	655,490	580,425
Profit for the period		18,937	32,649	50,411	78,523
Translation difference for the period		-325	-156	-433	-1,495
Closing balance		705,468	657,453	705,468	657,453

¹ IFRS 16 compliance.² IAS 17 compliance.³ Comprises costs for hardware and royalties but not the amortization of capitalized development costs, which is included in research and development costs.⁴ Fully (100 percent) attributable to Parent Company shareholders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000s	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Intangible fixed assets		428,406	377,341
Tangible fixed assets	1, 2	221,349	93,081
Deferred tax assets		12,193	7,408
Other long-term receivables		20,473	23,454
Total fixed assets		682,421	501,284
Inventories		4,623	9,617
Current receivables		463,322	482,323
Cash and cash equivalents		113,858	112,198
Total current assets		581,803	604,138
TOTAL ASSETS		1,264,224	1,105,422
EQUITY AND LIABILITIES			
Equity	2	705,468	657,453
Deferred tax liabilities		115,145	103,954
Long-term interest-bearing liabilities	1, 2	85,796	7,215
Total long-term liabilities		200,941	111,169
Accounts payable		33,202	32,366
Current interest-bearing liabilities	1, 2	84,931	124,283
Other current liabilities	2	239,682	180,151
Total current liabilities		357,815	336,800
TOTAL EQUITY AND LIABILITIES		1,264,224	1,105,422

CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000s	Note	OCT-DEC		JAN-DEC	
		2019 ¹	2018 ²	2019 ¹	2018 ²
Profit before tax		20,613	39,716	62,608	90,764
Adjusted for non-cash items ³		67,086	28,860	181,971	91,475
Taxes paid		16,393	-3,523	-7,275	-40,922
Cash flow from operating activities before changes in working capital		104,092	65,053	237,304	141,317
Cash flow from changes in operating receivables		-40,154	39,811	38,823	-20,307
Cash flow from changes in operating liabilities		17,200	15,750	44,018	57,462
Cash flow from operating activities		81,139	120,614	320,145	178,472
Cash flow from investing activities		-60,992	-73,258	-212,046	-223,625
Cash flow from financing activities		-12,370	9,401	-111,484	46,958
Cash flow for the period		7,777	56,756	-3,385	1,805
Cash and cash equivalents at the beginning of the period		107,482	52,893	112,198	104,156
Exchange-rate difference in cash and cash equivalents		-1,402	2,548	5,045	6,237
Cash and cash equivalents at the end of the period		113,858	112,198	113,858	112,198

¹ IFRS 16 compliance. ² IAS 17 compliance. ³ These amounts mainly include amortization of capitalized development costs and right-of-use assets.

PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000s		OCT-DEC		JAN-DEC	
	Note	2019	2018	2019	2018
Net sales		167,690	160,514	533,127	466,157
Cost of goods sold ¹⁾		-7,647	-11,443	-34,400	-26,006
Gross profit		160,043	149,071	498,727	440,151
Other operating income		-13,370	8,507	26,905	35,090
Selling expenses		-53,034	-49,152	-202,356	-153,986
Administrative expenses		-30,111	-33,139	-99,691	-91,824
Research and development costs		-67,074	-55,405	-226,089	-202,007
Other operating expenses		-1,390	-4,879	-4,869	-10,197
Operating profit/loss		-4,936	15,003	-7,373	17,227
Profit/loss from financial items		-50	5,227	2,372	3,858
Profit/loss after financial items		-4,986	20,230	-5,001	21,085
Appropriations		-4,673	-12,739	-4,673	-12,739
Profit/loss before tax		-9,659	7,491	-9,674	8,346
Tax on profit for the period		4,068	-2,844	880	-4,637
Profit/loss for the period		-5,591	4,647	-8,794	3,709

¹⁾ Comprises costs for hardware and royalties but not the amortization of capitalized development costs, which is included in research and development costs.

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000s		OCT-DEC		JAN-DEC	
		2019	2018	2019	2018
Profit for the period		-5,591	4,647	-8,794	3,709
Other comprehensive income		—	—	—	—
Comprehensive income for the period		-5,591	4,647	-8,794	3,709

PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000s	Note	Dec 31, 2019	Dec 31, 2018
ASSETS			
Intangible fixed assets		708	427
Tangible fixed assets		42,484	38,023
Shares and participations		1,911	1,772
Deferred tax assets		6,011	3,132
Long-term receivables from Group companies	8	73,136	152,507
Other long-term receivables		13,616	16,665
Total fixed assets		137,866	212,526
Inventories		2,332	763
Current receivables		398,785	404,661
Cash and bank balances		80,262	9,375
Total current assets		481,379	414,799
TOTAL ASSETS		619,245	627,325
EQUITY AND LIABILITIES			
Equity		266,969	275,763
Untaxed reserves		114,921	110,248
Accounts payable		30,127	21,308
Current interest-bearing liabilities		49,532	124,283
Other current liabilities		157,696	95,723
Total current liabilities		237,355	241,314
TOTAL EQUITY AND LIABILITIES		619,245	627,325

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 2018 Annual Report for RaySearch Laboratories AB (publ), which is available at 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.

New or revised accounting standards applicable to annual reporting periods beginning on or after January 1, 2019.

IFRS 16 Leases has been applied since January 1, 2019. The application of IFRS 16 entails that identified leases, primarily rental leases, will be recognized on the balance sheet. This impacts numerous financial performance measures and key figures, such as EBITDA, operating profit, net financial items, shareholders' equity, return on equity and net debt. RaySearch applied the standard's modified retrospective method, which means that no comparative figures were restated. The lease liability was measured at the present value of the lease payments, and the right-of-use asset for all contracts equaled the calculated depreciated value from the lease commencement, with the application of the incremental borrowing rate at the date of transfer. RaySearch has also elected to apply the exemption rules for short-term leases and leases where the underlying asset is of low value. In addition, RaySearch has elected not to reassess if a contract is, or contains, a lease at the date of initial application. Nor does RaySearch exclude non-lease components in any contracts.

For leases previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability was measured at January 1, 2019 at the carrying amount of the lease asset and lease liability under IAS 17 immediately prior to that date.

When transitioning to IFRS 16, the Group recognized right-of-use assets at SEK 165 M and new lease liabilities at SEK 167 M, of which current lease liabilities account for SEK 31 M. The difference between assets and liabilities depends on prepaid lease payments recognized as assets on December 31, 2018, which were added to right-of-use assets at January 1, 2019. There was also an impact of SEK 2 M on shareholders' equity due to measuring the right-of-use asset as if the standard had been applied since the lease commencements. At the end of the quarter, the lease liability amounted to SEK 121.2 M. The right-of-use assets are presented on the fixed assets line on the consolidated balance sheet and the lease liabilities are presented as line items under long-term and current interest-bearing liabilities. A summary of opening lease liabilities is presented in the table below:

AMOUNTS IN SEK 000s	Jan 1, 2019
<u>Operating lease commitments at December 31, 2018</u>	181,478
Discounting with the Group's incremental borrowing rate at January 1, 2019	-13,779
Plus: liabilities for finance leases at December 31, 2018	7,215
(Less): short-term leases expensed on a straight-line basis	-125
(Less): leases for which the underlying asset is low value that are expensed on a straight-line basis	-81
Lease liability recognized at January 1, 2019	174,708
- of which current lease liability	34,262
- of which long-term lease liability	140,446

When measuring the lease liability, the Group discounted the lease payments using the incremental borrowing rate at January 1, 2019. The weighted average rate of interest used was 2.6 percent.

In accordance with IFRS 16 transition options, the lease liability for leases previously classified as financial leases has, in the initial amount for 2019 as specified above, been recognized at the same amount as at the end of 2018.

NOTE 2 IMPACT OF CHANGES IN SIGNIFICANT ACCOUNTING POLICIES*IFRS 16 Leases*

The recognized right-of-use assets and lease liabilities changed as follows during the period:

AMOUNTS IN SEK 000s	RIGHT-OF-USE ASSETS			LEASE LIABILITIES
	Premises	Other	Total	
Opening balance, January 1, 2019	160,003	12,966	172,969	-174,708
Additional leases (+)	378	186	564	-512
Amortization and depreciation (-)	-32,941	-7,509	-40,450	-
Revaluation of leases (+/-)	-20,936	0	-20,936	20,936
Translation difference for the year	3,267	63	3,330	-3,404
Interest expense (-)	-	-	-	-3,883
Lease payments paid (+)	-	-	-	40,368
Closing balance, December 31, 2019	109,771	5,706	115,477	-121,203

In the table above, revaluation of leases pertains to a new assessment of rental leases for office premises in Stockholm, for which an extension option will likely be exercised until the third quarter of 2021.

To-date during the year, IFRS 16 has impacted consolidated profit or loss as follows:

AMOUNTS IN SEK 000s	FULL-YEAR
	2019
Operating expenses	42,608
Amortization and depreciation	-40,446
Operating profit	2,162
Interest expense	-3,878
Profit/loss before tax	-1,716

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

AMOUNTS IN SEK 000s	OCT-DEC 2019			OCT-DEC 2018		
	RayStation/RayCare	Partners	Total	RayStation/RayCare	Partners	Total
<u>Revenue by type</u>						
Licenses	135,456	9,972	145,428	147,258	10,642	157,900
Support	53,999	2,720	56,719	37,527	2,633	40,160
Hardware	26,513	0	26,513	18,677	0	18,677
Training and other	5,839	0	5,839	2,706	0	2,706
Total revenue from contracts with customers	221,807	12,692	234,499	206,168	13,275	219,443
<u>Revenue by geographic market</u>						
North America	101,291	1,768	103,059	92,875	628	93,502
APAC	47,456	2,693	50,149	40,348	3,364	43,712
Europe and rest of the world	73,060	8,231	81,291	72,945	9,283	82,228
Total revenue from contracts with customers	221,807	12,692	234,499	206,168	13,275	219,443
<u>Revenue by date for revenue recognition</u>						
Goods/services transferred at a point in time	161,969	9,972	171,941	165,935	10,642	176,577
Services transferred over time	59,838	2,720	62,558	40,233	2,633	42,866
Total revenue from contracts with customers	221,807	12,692	234,499	206,168	13,275	219,443

AMOUNTS IN SEK 000s	JAN-DEC 2019			JAN-DEC 2018		
	RayStation/RayCare	Partners	Total	RayStation/RayCare	Partners	Total
<u>Revenue by type</u>						
Licenses	419,319	30,357	449,676	411,498	38,848	450,346
Support	186,447	11,742	198,189	104,399	10,909	115,308
Hardware	76,577	0	76,577	53,633	0	53,633
Training and other	17,142	0	17,142	7,932	0	7,932
Total revenue from contracts with customers	699,485	42,099	741,584	577,462	49,757	627,219
<u>Revenue by geographic market</u>						
North America	310,067	3,397	313,464	260,137	2,352	262,489
APAC	126,612	8,797	135,409	113,012	12,609	125,621
Europe and rest of the world	262,806	29,905	292,711	204,313	34,796	239,109
Total revenue from contracts with customers	699,438	42,099	741,584	577,462	49,757	627,219
<u>Revenue by date for revenue recognition</u>						
Goods/services transferred at a point in time	495,896	30,357	526,253	465,131	38,848	503,979
Services transferred over time	203,589	11,742	215,331	112,331	10,909	123,240
Total revenue from contracts with customers	699,485	42,099	741,584	577,462	49,757	627,219

¹ Licenses and hardware.

² Support, training and other

NOTE 4 ESTIMATES

Preparation of the interim report requires that company management make 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 billed and unbilled receivables, cash and cash equivalents, accrued expenses, accounts payable, bank loans and lease liabilities. Long-term receivables and lease liabilities are discounted, while other financial assets and liabilities have short maturities. Accordingly, the fair values of all financial instruments are deemed to correspond approximately to their carrying amounts.

The provision for expected credit losses is a weighted assessment of payment history, reports from external credit rating agencies and other customer-specific information. At the end of December 2019, the credit loss provision was SEK 20.4 M (15.1).

The improvement was mainly due to credit loss provisions for receivables in Iran and China. Historically, the Group's credit losses have been limited. Since the company was founded in 2000, actual credit losses have amounted to 0.02 percent and provisions for expected credit losses to 0.5 percent of total sales.

NOTE 6 RELATED-PARTY TRANSACTIONS

No transactions were conducted between RaySearch and related parties with any material impact on the company's position and earnings during the period.

NOTE 7 PLEDGED ASSETS IN THE GROUP AND PARENT COMPANY

AMOUNTS IN SEK 000s	Dec 31, 2019	Dec 31, 2018
Chattel mortgages	100,000	100,000
Guarantees	6,586	6,096

NOTE 8 LONG-TERM RECEIVABLES FROM GROUP COMPANIES

At December 31, 2018, the Parent Company issued two long-term loans to its US subsidiary – a five-year loan of USD 7 M to finance the subsidiary's investments in new offices, and a three-year loan of USD 10 M to finance the subsidiary's payment plans to external customers. In 2019, these were repaid in a total of USD 3.6 M.

GROUP QUARTERLY OVERVIEW

	2019				2018			
AMOUNTS IN SEK 000s	Q4 ⁵	Q3 ⁵	Q2 ⁵	Q1 ⁵	Q4 ³	Q3 ³	Q2 ³	Q1 ³
Income statement								
Net sales	234,499	144,349	189,658	173,078	219,443	150,479	141,039	116,257
Sales change, %	6.9	-4.1	63.1	49.0	7.0	34.7	-0.4	-8.3
Operating profit/loss	22,468	-6,345	28,809	23,237	41,673	12,421	26,258	14,108
Operating margin, %	9.6	-4.4	15.2	13.4	19.0	8.3	18.6	12.1
Profit for the period	18,937	-7,525	21,833	17,166	32,649	13,500	20,595	11,779
Net margin, %	8.1	-5.2	11.5	9.9	14.9	9.0	14.6	10.1
Cash flow								
Operating activities	81,495	51,761	136,938	50,307	120,614	-12,883	14,720	56,021
Investing activities	-60,992	-48,568	-57,067	-45,419	-73,258	-43,298	-64,003	-43,066
Financing activities	-12,370	-16,668	-75,740	-6,706	9,401	39,150	-979	-614
Cash flow for the period	7,777	-13,475	4,131	-1,818	56,756	-17,031	-50,262	12,341
Capital structure								
Equity/assets ratio, %	55.8	55.6	55.9	52.0	59.5	59.9	61.4	63.5
Net debt	56,869	77,991	92,024	181,649	19,300	69,105	13,595	-34,701
Debt/equity ratio	0.1	0.1	0.1	0.3	0.0	0.1	0	-0.1
Net debt/EBITDA	0.3	0.3	0.4	0.8	0.1	0.3	0.1	-0.2
Per share data, SEK								
Earnings per share before dilution	0.55	-0.22	0.64	0.50	0.95	0.39	0.60	0.34
Earnings per share after dilution	0.55	-0.22	0.64	0.50	0.95	0.39	0.60	0.34
Equity per share	20.60	20.03	20.25	19.62	19.18	18.23	17.84	17.28
Share price at the end of the period	107.2	160.70	132.60	103.70	96.50	122.30	105.00	123.00
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	331	317	306	299	293	286	280	267

GROUP, ROLLING 12 MONTHS

AMOUNTS IN SEK 000s	Jan 2019- Dec 2019 ^{1,5}	Oct 2018- Sep 2019 ^{1,4}	Jul 2018- Jun 2019 ^{1,4}	Apr 2018- Mar 2019 ^{1,4}	Jan 2018- Dec 2018 ^{1,3}	Oct 2017- Sep 2018 ^{2,3}	Jul 2017- Jun 2018 ^{2,3}	Apr 2017- Mar 2018 ^{2,3}
Income statement								
Net sales	741,584	726,528	732,658	684,039	627,218	612,736	573,960	574,555
Operating profit	68,169	87,374	106,140	103,589	94,460	151,485	139,730	140,311
Operating margin, %	9.2	12.0	14.5	15.1	15.1	24.7	24.3	24.4

¹ IFRS 15 compliance.² IFRS 15 compliance in 2018, and IAS 18 compliance in the remaining quarters.³ IAS 17 compliance.⁴ IFRS 16 compliance as of 2019, and IAS 17 compliance in the remaining quarters.⁵ IFRS 16 compliance.

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 measures used to complement the IFRS financial statements are described below.

Non-IFRS measures	Definition	Reason for using the measure
Order intake	The value (transaction price) of all orders received and changes to existing orders during the current period	Order intake is an indicator of future revenue and thus a key figure 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, meaning remaining performance obligations.	The order backlog shows the value of orders already booked by RaySearch that will be converted to revenue in the future.
Net sales / Order intake	Recognized net sales in relation to total order intake during the corresponding period	The measurement is used to monitor the recognized revenue in relation to sales, which is part of the reason for the change in order backlog.
Sales change	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
Change in organic sales	Change in growth excluding currency effects	This measure is used to monitor underlying sales change driven by alterations 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 measure the margin before sales, research, development and administrative expenses
Operating profit	Calculated as operating profit before financial items and tax	Operating profit provides an overall picture of the total generation of earnings in operating activities
Operating margin	Operating profit 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 shows the percentage of net sales remaining after the company's expenses have been deducted
Cash flow adjusted for changes in bank loans	Cash flow for the period less cash flow from changes to bank loans	The measurement shows the underlying cash flow before financing activities, but including amortization of lease liabilities.
Equity per share	Equity divided by number of shares at the end of the period	The measurement shows the return generated on the owners' invested capital per share
Rolling 12 months' sales, operating profit or other results	Sales, operating profit or other results measured over the past 12-month period	This measure is used to more clearly illustrate the trends for sales, operating profit 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 current/long-term 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	Shows the return generated on the owners' invested capital from a shareholder perspective
Equity/assets ratio	Equity expressed as a percentage of total assets at the end of the period	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	This measure shows the Group's total indebtedness
Equity/assets ratio and net debt excluding IFRS 16	Equity/assets ratio and net debt adjusted for right-of-use assets and lease liabilities	Shows measurements made according to IAS 17 instead of IFRS 16 for comparability with earlier periods.
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
EBITDA	Operating profit before financial items, tax, depreciation/amortization and impairment	The measurement is a way to evaluate the result without taking into consideration financial decisions or taxes
Net debt/EBITDA	Net debt at the end of the period 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 handle its debt

CALCULATION OF FINANCIAL MEASURES NOT INCLUDED IN THE IFRS FRAMEWORK

AMOUNTS IN SEK 000s	Dec 31, 2019	Dec 31, 2018
Working capital		
Accounts receivable (current billed customer receivables)	194,752	276,473
Current unbilled customer receivables	191,064	154,763
Long-term unbilled customer receivables	20,370	23,118
Inventories	4,623	9,617
Other current receivables (excl. tax)	54,334	30,385
Accounts payable	-33,202	-32,366
Other current liabilities (excl. tax)	-238,885	-179,802
Working capital	193,056	282,188
AMOUNTS IN SEK 000s	Dec 31, 2019 ¹	Dec 31, 2018 ²
Net debt		
Current interest-bearing liabilities	84,931	124,283
Long-term interest-bearing liabilities	85,796	7,215
Cash and cash equivalents	-113,858	-112,198
Net debt	56,869	19,300
AMOUNTS IN SEK 000s	Dec 31, 2019 ²	Dec 31, 2018 ²
Net debt excluding IFRS 16		
Current interest-bearing liabilities	49,532	124,283
Long-term interest-bearing liabilities	0	7,215
Cash and cash equivalents	-113,858	-112,198
Net debt excluding IFRS 16	-64,326	19,300
AMOUNTS IN SEK 000s	Dec 31, 2019 ²	Dec 31, 2018 ²
Equity/assets ratio excluding IFRS 16		
Equity	702,369	657,453
Total assets	1,139,930	1,105,422
Equity/assets ratio	61.6	59.5
AMOUNTS IN SEK 000s	Full-year 2019 ¹	Full-year 2018 ²
EBITDA		
Operating profit	68,169	94,461
Amortization and depreciation	182,497	113,844
EBITDA	250,666	208,305
CHANGE IN ORGANIC SALES	Full-year 2019	Full-year 2018
Net sales for the year	741,584	627,218
Currency adjustment	-40,106	-8,430
Adjusted net sales	701,478	618,788
Net sales, preceding year.	627,218	585,086
Change in organic sales	11.8%	5.8%

¹ IFRS compliance.² IAS 17 compliance.

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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 and RayCare oncology information system to cancer centers all over the world and distributes the products through licensing agreements with leading medical technology companies. The company is also developing a new treatment control system, RayCommand, which is expected to be launched at the beginning of 2021. 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 for trading on Nasdaq Stockholm since 2003.

More information about RaySearch is available at www.raysearchlabs.com

VISION AND BUSINESS CONCEPT

The company's vision is a world where cancer is conquered and RaySearch's business concept is to provide innovative software to continuously improve cancer treatment.

STRATEGY

A radiation therapy center essentially needs two software platforms for its operations: a treatment planning system, and an 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.

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. All software systems are developed at RaySearch's head office in Stockholm, and distributed and supported by the company's global marketing organization.