

# RAYSEARCH LABORATORIES AB (PUBL)

INTERIM REPORT JANUARY 1 – SEPTEMBER 30, 2013

## JANUARY 1 – SEPTEMBER 30, 2013

- Net sales for the period amounted to SEK 114.4 M (105.2)
- A loss after tax of SEK 25.9 M (loss: 5.5) was reported, as well as a loss per share of SEK 0.76 (loss: 0.16)
- The operating loss was SEK 26.1 M (loss: 3.7)
- Cash flow amounted to a negative SEK 28.0 M (pos: 14.9)
- First orders for RayStation® from Spain and France
- Collaboration agreement signed with IBA
- Partnership agreement with Brainlab announced
- RayStation® 4.0 released
- RayStation® approved for sales in China and the first Chinese order received
- First patient in Oceania treated with RayStation®
- US proton center selected RayStation®

## AFTER THE END OF THE PERIOD

- First Scandinavian order for RayStation®
- Distribution agreement signed with Hitachi Medical Corporation
- First patient in China treated with RayStation®

”Sales rose during the first nine months of the year as a result of increased deliveries of RayStation® and growing partner sales. However, the result for the period fell due to investments in the build-up of infrastructure for sales, marketing and support of RayStation®, higher development costs and higher legal fees related to the patent dispute in the US”, says Johan Löf, President of RaySearch.

”Several strategic milestones have been reached to date in 2013 and RayStation® is evolving at a fast pace. While a great deal of work remains ahead for expanding our sales and service organization, interest in the system is rising continuously and we are involved in an increasing number of business discussions throughout the world. It is difficult to predict how rapidly the interest will translate into orders and deliveries, but the prospects are favorable for a very strong end of 2013”, concludes Johan Löf.

## SUMMARY OF FINANCIAL RESULTS

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2013	2012	2013	2012	2012
Net sales	114,357	105,208	38,957	40,203	182,087
Operating profit/loss	-26,127	-3,686	-15,005	-446	22,546
Operating margin, %	-22.8	-3.5	-38.5	-1.1	12.4
Profit/loss for the period	-25,934	-5,501	-15,109	-1,464	19,863
Earnings per share, SEK	-0.76	-0.16	-0.44	-0.04	0.58
Share price at the end of the period, SEK	27.30	19.50	27.30	19.50	20.80

The information in the interim report is such that RaySearch is required to disclose publicly in accordance with the Swedish Securities and Clearing Operations Act and/or the Swedish Financial Instruments Trading Act. The information was submitted for publication on November 27, 2013, at 7:45 a.m.

## CEO COMMENTS

### GLOBAL INTEREST IN RAYSTATION®

During the first nine months of the year, we focused intensely on sales of our RayStation® treatment planning system throughout the world.

Asia is a highly important region for RaySearch and it is of major strategic significance that we received regulatory approval for RayStation® in China in July. We also secured our first order in the Chinese market in August. China is one of the largest radiation therapy markets globally and is also the most rapidly growing market. We have received additional orders and in November the first patient in China was treated with RayStation®, so we have really taken off well in China together with our local distributor Kang Li Da.

In November, we signed a long-term distribution agreement with Hitachi Medical Corporation that will be responsible for marketing, sales and service of RayStation® in the Japanese market from April 1, 2014. The Japanese market for radiation therapy equipment is very large with approximately 700 radiation therapy clinics, and Hitachi has longstanding experience of treatment planning systems and a large customer base, so this agreement is very important for RaySearch.

Although the US economy was characterized by a certain level of financial uncertainty during the period, we still secured many important orders in the US through our local sales company RaySearch Americas. For example we received an order in August for a system for proton therapy from Provision Cancer Center in Knoxville, Tennessee and in November we received another proton order from Procure in Seattle, Washington.

In Europe, we are continuing to build our sales organization and, during the summer, we recruited sales representatives in both France and the UK. We also secured our first RayStation® customers in Spain and France at the beginning of the year and, in October, Oslo University Hospital became our first customer in Scandinavia. Several other important European customers were also secured, such as major hospitals in Marseilles, France, and Groningen in the Netherlands.

We were also successful in Oceania and have several customers in Australia and New Zealand. In the summer, the first patient treatment with RayStation® in the region was delivered at Auckland Radiation Oncology in Auckland, New Zealand.

We now have more than 60 RayStation® customers worldwide and this figure will grow even faster as the system becomes more established and our infrastructure for sales and service continues to expand.

### STRATEGIC COLLABORATION IN PROTON THERAPY

We entered into a collaboration agreement with Belgian company IBA in May. The collaboration aims at enhancing the tools in RayStation® for treatment planning of various types of proton therapy.

IBA is the global leader in equipment for radiation therapy using protons and has about half of the world's proton centers as its customers. The partnership allows us to ensure that RayStation® is the most competitive treatment planning system for radiation therapy using IBA treatment machines, and it will create the conditions for us to capture a significant market share in the proton field. The orders that we secured from Provision Cancer Center and Procure are signs of the significance of this partnership.

### PARTNERSHIP AGREEMENT WITH BRAINLAB

In July we announced a long-term license and development agreement with the German company Brainlab, a world-leading supplier of equipment for Neurosurgery and Stereotactic Body Radiation Therapy. Under the agreement, RaySearch will develop software modules for optimizing radiation therapy that will be licensed to Brainlab and integrated into software systems that Brainlab markets to clinics.

RaySearch and Brainlab complement each other well and there is a solid foundation for this partnership to be highly fruitful for both companies for many years to come.

### **INCREASED REVENUES BUT WEAK EARNINGS**

Revenues rose 8.7 percent to SEK 114.4 M [105.2] during the first nine months of the year. This was the result of increased deliveries of RayStation® and also growing partner sales via Nucletron, Varian and IBA Dosimetry.

However, costs rose during January to September 2013 compared with the year-earlier period, primarily due to the build-up of infrastructure for sales, marketing and support of RayStation®, higher development costs as a result of increased amortization of capitalized development expenses and higher legal fees in the US related to the patent dispute with Prowess. Accordingly, the result for the period fell to a loss of SEK 25.9 M (loss: 5.5).

### **PATENT PROCESS CONTINUES**

In May 2011 we were sued by the US company Prowess, which claims that we have infringed on a US patent that they license. We believe there is no infringement and, in addition, that the patent should be invalidated since there is prior art in numerous older publications describing the same methods. We have a strong defense and hope to win the case.

The process continues and we are focusing a great deal of energy on the matter to defend ourselves in the best possible manner. It remains difficult to predict how long it will take to resolve the dispute and the total costs this will entail for RaySearch. However, it is clear that we will continue to incur substantial legal costs through the end of 2013 and the beginning of 2014.

### **CONTINUED FOCUS ON RAYSTATION®**

We are continuing to develop a global sales, marketing and support organization for RayStation®. However, we are proceeding cautiously and will build the infrastructure step by step with the goal of a positive profit contribution from the direct sales effort also in the short-term but since there are major fluctuations in deliveries, earnings fluctuate from quarter to quarter and the final quarter of the year is usually the strongest by far.

We released version 3.5 of RayStation® in March and a new version, RayStation® 4.0, was released as recently as July. This means that we are maintaining a significantly higher development pace than our competitors. The system now supports all treatment techniques with all relevant machines from the leading hardware suppliers for standard radiation therapy with photons. From RayStation® 4.0 the system also includes market-leading tools for treatment planning of radiation therapy with electrons and protons, complementing RayStation's extensive tools for radiation therapy with photons. Treatment planning for protons is an area of growing importance for RaySearch, particularly considering our new partnership with IBA.

We will continue to collaborate with our partners parallel to these activities. We are nearing the end of our first development project with our new partner Brainlab and are also working on other development projects together with existing partners. Although we are investing considerable resources in RayStation®, the partner model is and will remain a key component of our operations.

Several strategic milestones have been reached to date in 2013 and RayStation® is evolving at a fast pace. While a great deal of work remains ahead for expanding our sales and service organization, interest in the system is rising continuously and we are involved in an increasing number of business discussions throughout the world. It is difficult to predict how rapidly the interest will translate into orders and deliveries, but with our new partnerships and a growing sales organization in existing and new markets, the prospects are favorable for a very strong end of 2013.

Stockholm, November 27, 2013

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

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# SIGNIFICANT EVENTS

## EVENTS DURING JANUARY 1 – SEPTEMBER 30, 2013

### ***First orders for RayStation® from Spain and France***

In January, RaySearch received the first Spanish order for RayStation® from Consorcio Hospitalario Provincial de Castellón (CHPC) in Castellón, Spain. In January, the first French RayStation® order was also received from Institut de Cancérologie Lucien Neuwirth (ICLN) in Saint Priest en Jarez, France.

### ***Collaboration agreement signed with IBA***

In May, RaySearch signed a collaboration agreement with the Belgian company IBA, a world-leading supplier of equipment for proton therapy. The aim of the collaboration is to further enhance the tools in RayStation® for the various treatment modalities of proton therapy. It will allow clinics throughout the world to make better use of the strength of IBA's treatment machines for a large amount of clinical indications and IBA will add RayStation® to its offering to customers.

### ***Partnership agreement with Brainlab announced***

A new long-term license and development agreement with the German company Brainlab, a world-leading supplier of equipment for Neurosurgery and Stereotactic Body Radiation Therapy, was announced in July. Under the agreement, RaySearch will develop software modules for optimizing radiation treatments, which will be licensed to Brainlab and integrated into a software system that Brainlab markets to clinics.

### ***RayStation® 4.0 released***

RayStation® 3.5 was released in March and later received US market approval in May. By July, it had already been announced that the next new version, RayStation® 4.0, had been released for clinical use in several European countries, the US, Japan, Australia and New Zealand, with launch also planned for Canada, China and South Korea. The new version includes a large number of new functions and improvements.

### ***RayStation® approved for sales in China and the first Chinese order received***

In July, RaySearch received regulatory approval for RayStation® from the Chinese regulatory agency CFDA, which means that RayStation® can be sold in the Chinese market. In August, RaySearch secured the first order for RayStation® in China from Ganzhou People's Hospital in Ganzhou, the province of Jiangxi, China. Since November 2011, RaySearch has been represented in the Chinese market by the distributor Kang Li Da Trading Corporation, which is now responsible for marketing, sales and service of RayStation® in the entire Chinese market. China is one of the largest radiation therapy markets globally with approximately 1,300 radiation therapy clinics.

### ***First patient in Oceania treated with RayStation®***

It was announced in August that the first cancer patient in Oceania had been treated with a treatment plan created with RayStation®. The system has been used clinically in North America and Europe for some time and this was the first treatment carried out in the region. The treatment took place at Auckland Radiation Oncology in Auckland, New Zealand.

***US proton center selected RayStation®***

In August, RaySearch received an order for the RayStation® treatment planning system from the Provision Center for Proton Therapy in Knoxville, Tennessee. The order from Provision was an important milestone since it was the first proton center to select RayStation® since RaySearch and IBA initiated a collaboration in the field of proton therapy in May.

**EVENTS AFTER THE END OF THE REPORT PERIOD**

***First Scandinavian order for RayStation® received***

In October, the first Scandinavian order for RayStation® was received from Oslo University Hospital in Oslo, Norway.

***Distribution agreement signed with Hitachi Medical Corporation***

In November, RaySearch announced a new long-term distribution agreement with Hitachi Medical Corporation (Hitachi), based in Tokyo, Japan. Under the agreement, Hitachi will be fully responsible for marketing, sales and support of RayStation® in the Japanese market from April 1, 2014. The Japanese market for radiation therapy is one of the largest in the world, with approximately 700 radiation therapy clinics.

***First patient in China treated with RayStation®***

It was announced in November that the first patient in China has been treated with a treatment plan created with RayStation®. The treatment took place at the First Hospital of China Medical University in Liaoning, China.

## FINANCIAL INFORMATION

### SALES AND EARNINGS FOR THE THIRD QUARTER OF 2013

During the third quarter of 2013, sales declined 3.1 percent year-on-year to SEK 38.9 M [40.2]. The operating result declined during the quarter to a loss of SEK 15.0 M [loss: 0.4], corresponding to a negative operating margin of 38.5 percent (neg: 1.1). The loss after tax for the quarter was SEK 15.1 M [loss: 1.5]. The earnings decline was due primarily to higher costs for the development, marketing and expansion of sales and service for RayStation®.

### SALES AND EARNINGS FOR THE FIRST NINE MONTHS OF 2013

#### *Revenues*

During the first nine months of 2013, sales rose 8.7 percent year-on-year to SEK 114.4 M [105.2]. Sales consist of license revenues via partners and direct sales, as well as support revenues. The total number of licenses sold via partners and direct sales amounted to 1,082 (990) and license revenues during the first nine months of 2013 totaled SEK 96.3 M (89.8). The increase in license revenues derived from a rise in revenues from direct sales of RayStation®, as well as higher sales of products from partnerships with Nucletron, Varian and IBA Dosimetry. Support revenues in the first nine months of 2013 rose to SEK 18.1 M [15.3].

Since invoicing is denominated in USD and EUR, while most of the costs are in SEK, the company is dependent on exchange-rate trends in the USD and EUR against the SEK. During the first nine months of 2013, revenues in USD were recognized at an average exchange rate of SEK 6.53, compared with SEK 6.71 in the year-earlier period. During the first nine months of 2013, revenues in EUR were recognized at an average exchange rate of SEK 8.58, compared with SEK 8.70 in the year-earlier period. Accordingly, currency effects had a negative impact on sales. At unchanged exchange rates, sales would have increased 12.6 percent year-on-year. A sensitivity analysis of currency exposure indicates that the impact on operating profit of a  $\pm 10$  percent change in the average USD exchange rate in the first nine months of 2013 was  $\pm$  SEK 6.1 M and that the corresponding effect of a  $\pm 10$  percent change in the average EUR exchange rate was  $\pm$  SEK 2.8 M. The company pursues the currency policy established by the Board of Directors.

#### *Expenses and profit*

An operating loss of SEK 26.1 M [loss: 3.7] was reported in the first nine months of 2013, corresponding to a negative operating margin of 22.8 percent (neg: 3.5). Operating expenses, excluding exchange-rate gains and losses, increased by SEK 31.0 M to SEK 136.4 M, compared with the year-earlier period. Other operating revenues and other operating expenses refer to exchange-rate gains and losses, with the net of these for the first nine months of 2013 amounting to an expense of SEK 1.2 M [expense: 3.1]. The increase in operating expenses derived mainly from higher marketing and personnel costs for sales and service due to activities related to direct sales of RayStation®, higher amortization of capitalized development expenses pertaining to RayStation® and higher legal costs resulting from the patent dispute with Prowess.

At September 30, 2013, 76 (69) employees were engaged in research and development. Research and development costs include payroll costs, consulting fees, computer equipment and premises. Before capitalization and amortization of development expenses, research and development costs totaled SEK 66.8 M [61.4].

During the first nine months of 2013, capitalized development expenses amounted to SEK 39.9 M (37.5). Amortization of capitalized development expenses in the first nine months of 2013 amounted to SEK 38.9 M (32.8). After adjustments for capitalization and amortization of development expenses, research and development costs totaled SEK 65.8 M (56.7).

Amortization of intangible fixed assets in the first nine months of 2013 amounted to SEK 39.0 M (32.9) and depreciation of tangible fixed assets totaled SEK 0.8 M (0.8). Total amortization and depreciation during the first nine months of 2013 totaled SEK 39.8 M (33.7). Amortization and depreciation pertained primarily to capitalized development expenses.

For the first nine months of 2013, a loss after tax of SEK 25.9 M (loss: 5.5) was reported, corresponding to a loss per share before and after dilution of SEK 0.76 (loss: 0.16)

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

License revenues in the first nine months of 2013 were distributed as follows: North America 33 percent (34), Asia 29 percent (34) and Europe and the rest of the world 38 percent (32).

### **LIQUIDITY AND FINANCING**

Cash flow from operating activities during the first nine months of 2013 declined to SEK 14.0 M (53.4), primarily due and increased operating loss and to working decreasing slightly during January to September 2013, while decreasing sharply in the year-earlier period as a result of a strong decline in accounts receivable. Cash flow from investing activities declined to a negative SEK 41.9 M (neg: 38.5).

Cash flow for the period amounted to a negative SEK 27.9 M (pos: 14.9) At September 30, 2013, cash and cash equivalents amounted to SEK 33.8 M, compared with SEK 43.2 M on September 30, 2012. At September 30, 2013, current receivables totaled SEK 62.1 M, compared with SEK 47.6 M on September 30, 2012. The receivables primarily comprised accounts receivables. RaySearch has no interest-bearing liabilities.

At September 30, 2013, SEK 17.5 M of RaySearch's cash and cash equivalents were blocked as collateral for a bank guarantee of EUR 1.8 M issued to the customer MedAustron in Austria. After the closing date, the collateral was renegotiated to allow the granted the credit facility to instead be utilized as collateral. Accordingly, no cash and cash equivalents are no longer blocked but the available credit facility has declined by SEK 17.5 M.

### **FINANCIAL INSTRUMENTS**

RaySearch's financial assets and liabilities comprise accounts receivables, cash and cash equivalents, accrued income, accrued costs and accounts payable. Since financial assets and liabilities have short terms, the fair values of all financial instruments are deemed to approximate to the carrying amounts. RaySearch has not offset any financial assets or liabilities and has no agreements that permit offsetting.

### **INVESTMENTS**

Fixed assets primarily comprised capitalized development costs. Investments in intangible fixed assets in the first nine months of 2013 amounted to SEK 39.9 M (36.8) and investments in tangible fixed assets to SEK 2.1 M (1.7).

### **EMPLOYEES**

At the end of the third quarter, the number of employees in RaySearch was 112 (95). The average number of employees during the January–September 2013 period was 110 (90).

## **PARENT COMPANY**

Since in all material respects the financial reporting of the Parent Company matches the financial reporting of the Group, the comments for the Group are also largely relevant for the Parent Company. Capitalization of development costs is recognized in the Group, but not in the Parent Company.



## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2013	2012	2013	2012	2012
Net sales	114,357	105,208	38,957	40,203	182,087
Cost of goods sold	-2,893	-362	-850	-113	-3,029
<b>Gross profit</b>	<b>111,464</b>	<b>104,846</b>	<b>38,107</b>	<b>40,090</b>	<b>179,058</b>
Other operating income	2,084	1,882	-	-	1,032
Selling expenses	-36,427	-23,097	-15,603	-7,792	-36,267
Administrative expenses	-34,098	-25,635	-12,359	-10,191	-39,279
Research and development costs	-65,862	-56,718	-22,411	-19,361	-78,657
Other operating expenses	-3,288	-4,964	-2,739	-3,192	-3,341
<b>Operating profit/loss</b>	<b>-26,127</b>	<b>-3,686</b>	<b>-15,005</b>	<b>-446</b>	<b>22,546</b>
Result from financial items	520	342	150	103	1,018
<b>Profit/loss before tax</b>	<b>-25,607</b>	<b>-3,344</b>	<b>-14,855</b>	<b>-343</b>	<b>23,564</b>
Tax	-327	-2,157	-254	-1,121	-3,701
<b>Profit/loss for the period<sup>1)</sup></b>	<b>-25,934</b>	<b>-5,501</b>	<b>-15,109</b>	<b>-1,464</b>	<b>19,863</b>
<b>Other comprehensive income</b>					
<b>Items to be reclassified to profit or loss</b>					
Translation difference of foreign operations for the period	477	758	1,376	756	993
<b>Items not to be reclassified to profit or loss</b>					
	-	-	-	-	-
<b>Profit/loss for the period<sup>1)</sup></b>	<b>-25,457</b>	<b>-4,743</b>	<b>-13,733</b>	<b>-708</b>	<b>19,863</b>
Earnings per share before and after dilution (SEK)	-0.76	-0.16	-0.44	-0.04	0.58

<sup>1)</sup> 100% attributable to shareholders in the Parent Company.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION IN SUMMARY

AMOUNTS IN SEK 000S	SEP 30, 2013	SEP 30, 2012	DEC 31, 2012
<b>ASSETS</b>			
Intangible fixed assets	166,812	165,721	165,926
Tangible fixed assets	4,985	4,132	3,711
<b>Total fixed assets</b>	<b>171,797</b>	<b>169,853</b>	<b>169,637</b>
Current receivables	62,109	47,630	61,515
Cash and cash equivalents	33,855	43,238	61,875
<b>Total current assets</b>	<b>95,964</b>	<b>90,868</b>	<b>123,390</b>
<b>TOTAL ASSETS</b>	<b>267,761</b>	<b>260,721</b>	<b>293,027</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	192,096	191,954	217,553
Deferred tax liabilities	41,170	47,604	40,966
Other long-term liabilities	-	642	-
Accounts payable	6,956	4,986	11,717
Other current liabilities	27,539	15,535	22,791
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>267,761</b>	<b>260,721</b>	<b>293,027</b>
Pledged assets	37,500 <sup>1)</sup>	20,000 <sup>1)</sup>	37,500 <sup>1)</sup>
Contingent liabilities	See Note	See Note	See Note

## CONSOLIDATED STATEMENT OF CASH FLOW IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2013	2012	2013	2012	2012
Profit/loss before tax	-25,607	-3,344	-14,855	-343	23,564
Adjusted for non-cash items <sup>2)</sup>	38,638	35,001	13,655	12,908	50,551
Taxes paid	-2,793	1,434	-1,021	-491	-3,010
<b>Cash flow from operating activities before changes in working capital</b>	<b>10,238</b>	<b>33,091</b>	<b>-2,221</b>	<b>12,074</b>	<b>71,105</b>
Cash flow from changes in working capital	3,764	20,261	4,691	-7,742	16,346
<b>Cash flow from operating activities</b>	<b>14,002</b>	<b>53,352</b>	<b>2,470</b>	<b>4,332</b>	<b>87,451</b>
Cash flow from investing activities <sup>3)</sup>	-41,995	-38,476	-11,144	-10,534	-54,165
Cash flow from financing activities	-	-	-	-	-
<b>Cash flow for the period</b>	<b>-27,993</b>	<b>14,876</b>	<b>-8,674</b>	<b>-6,202</b>	<b>33,286</b>
Cash and cash equivalents at the beginning of the period	61,875	28,704	42,615	49,771	28,704
Exchange-rate difference in cash and cash equivalents	-27	-342	-86	-331	-115
<b>Cash and cash equivalents at the end of the period</b>	<b>33,855</b>	<b>43,238</b>	<b>33,855</b>	<b>43,238</b>	<b>61,875</b>

<sup>1)</sup> In September 2012, pledged assets increased to SEK 20 M as collateral for an increase in the committed line of credit to the same amount. In November, RaySearch issued a bank guarantee of EUR 1.8 M to the Austrian customer MedAustron. Due to this, cash and cash equivalents amounting to SEK 17.5 M have been blocked.

<sup>2)</sup> These amounts include amortization of capitalized development costs.

<sup>3)</sup> These amounts include amortization of capitalized development costs.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		FULL-YEAR
	2013	2012	2012
Opening balance	217,553	196,697	196,697
Profit/loss for the period	-25,934	-5,501	19,863
Translation difference for the period	477	758	993
Closing balance	192,096	191,954	217,553

## CHANGES IN NUMBER OF SHARES

	JAN-SEP	FULL-YEAR
	2013	2012
Total number of shares (opening and closing balance)	34,282,773	34,282,773
Holding of treasury shares, opening balance	299,628	299,628
Holding of treasury shares, closing balance	299,628	299,628
Average number of treasury shares	299,628	299,628

## KEY DATA AND FINANCIAL INFORMATION IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP			FULL-YEAR
	2013	2012	2011	2012
Net sales	114,357	105,208	80 331	182,087
Operating profit/loss	-26,127	-3,686	12,981	22,546
Operating margin, %	-22.8	-3.5	16.2	12.4
Profit margin, %	-22.7	-5.2	17.3	12.9
Profit/loss for the period	-25,934	-5,501	10,214	19,863
Earnings per share, SEK	-0.76	-0.16	0.30	0.58
Return on capital employed, %	0.7	6.0	15.7	11.4
Return on equity, %	neg	0.7	11.5	9.6
Equity/assets ratio, %	71.7	73.6	76.1	74.2
Adjusted equity per share at the end of the period, SEK	5.60	5.59	5.54	6.35
Share price at the end of the period, SEK	27.30	19.50	14.10	20.80

For definitions of key data, refer to the inside cover of the 2012 annual report.

## PARENT COMPANY INCOME STATEMENT IN SUMMARY

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2013	2012	2013	2012	2012
Net sales	108,407	103,629	33,711	40,347	181,289
Cost of goods sold	-143	-114	-101	-37	-265
<b>Gross profit</b>	<b>108,264</b>	<b>103,515</b>	<b>33,610</b>	<b>40,310</b>	<b>181,024</b>
Other operating income	2,084	110	-	-	1,032
Selling expenses	-23,033	-11,675	-10,782	-4,132	-19,366
Administrative expenses	-34,079	-25,622	-12,353	-10,175	-38,673
Research and development costs	-66,792	-61,400	-18,751	-18,738	-83,559
Other operating expenses	-3,288	-3,192	-2,739	-3,192	-3,341
<b>Operating profit/loss</b>	<b>-16,844</b>	<b>1,736</b>	<b>-11,015</b>	<b>4,073</b>	<b>37,117</b>
Result from financial items	522	326	145	87	-8,889
<b>Profit/loss after financial items</b>	<b>-16,322</b>	<b>2,062</b>	<b>-10,870</b>	<b>4,160</b>	<b>28,228</b>
Appropriations	-	-	-	-	-4,985
<b>Profit/loss before tax</b>	<b>-16,322</b>	<b>2,062</b>	<b>-10,870</b>	<b>4,160</b>	<b>23,243</b>
Tax	-	-896	-1,012	-1,256	-9,035
<b>Profit/loss for the period</b>	<b>-16,322</b>	<b>1,166</b>	<b>-11,882</b>	<b>2,904</b>	<b>14,208</b>

## PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

AMOUNTS IN SEK 000S	JAN-SEP		JUL-SEP		FULL-YEAR
	2013	2012	2013	2012	2012
Profit/loss for the period	-16,322	1,166	-11,882	2,904	14,208
Translation difference for the period	-	-	-	-	-
<b>Comprehensive income for the period</b>	<b>-16,322</b>	<b>1,166</b>	<b>-11,882</b>	<b>2,904</b>	<b>14,208</b>

## PARENT COMPANY BALANCE SHEET IN SUMMARY

AMOUNTS IN SEK 000S	SEP 30, 2013	SEP 30, 2012	DEC 31, 2012
<b>ASSETS</b>			
Intangible fixed assets	-	59	44
Tangible fixed assets	4,046	3,546	3,124
Financial fixed assets	2,259	11,420	2,171
<b>Total fixed assets</b>	<b>6,305</b>	<b>15,025</b>	<b>5,339</b>
Current receivables	96,837	67,441	84,140
Cash and cash equivalents	28,870	34,065	56,682
<b>Total current assets</b>	<b>125,707</b>	<b>101,506</b>	<b>140,822</b>
<b>TOTAL ASSETS</b>	<b>132,012</b>	<b>116,531</b>	<b>146,161</b>
<b>EQUITY AND LIABILITIES</b>			
Equity	79,078	82,358	95,400
Untaxed reserves	20,326	15,341	20,326
Accounts payable	7,583	5,048	10,047
Other current liabilities	25,025	13,784	20,388
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>132,012</b>	<b>116,531</b>	<b>146,161</b>
Pledged assets	37,500	20,000	37,500
Contingent liabilities	See Note	See Note	See Note

### NOTE

In May 2011, the US company Prowess filed a lawsuit against RaySearch at the court in Baltimore, Maryland, USA. Prowess claims that RaySearch infringed on a US patent for which Prowess has the license. RaySearch believes that there is no infringement and, in addition, that the patent should be invalidated since there is prior art in numerous older publications describing the same methods. The court process is continuing and it is difficult to predict how long it will take to resolve the dispute and the total costs this will entail for RaySearch. However, it is clear that RaySearch will be forced to continue paying substantial legal costs through the end of 2013 and the beginning of 2014 to defend the company in the best possible manner.

## OTHER INFORMATION

### ACCOUNTING POLICIES IN ACCORDANCE WITH IFRS

This condensed interim report for the Group was prepared in accordance with IAS 34 Interim Financial Reporting and the applicable provisions of the Swedish Annual Accounts Act for the Group, as well as with the Swedish Annual Accounts Act for the Parent Company. The same accounting policies and basis of computation that were applied in the most recent Annual Report were used to prepare the Group and Parent Company accounts. New or revised IFRS standards during 2013 did not affect RaySearch during the period and no known changes are expected to affect RaySearch in 2013.

Since RaySearch has only one segment, no segment reporting was prepared.

### RISKS AND UNCERTAINTIES IN THE GROUP AND THE PARENT COMPANY

#### *Financial risk management*

RaySearch's financial policy governing the management of financial risks was established by the Board of Directors and represents a framework of guidelines and rules in the form of risk mandates and limits for financial activities. RaySearch is affected primarily by exchange-rate risk. All of RaySearch's net sales are denominated in USD and EUR. In accordance with the established financial policy, no currency hedging is employed. The financial policy is updated at least once annually.

#### *Operational risks*

As a result of its activities, RaySearch is exposed to various operational risks, including the following: dependence on key persons, competition, legal disputes and strategic partnerships. RaySearch currently has partnerships with Philips, Nucletron, IBA, Varian, Accuray and Brainlab. If RaySearch were to lose one or more of these partners, this could have a major impact on the company's sales, profit and financial position. The company is also involved in a patent dispute in the US. If RaySearch were to lose the dispute, the damages awarded could have a major impact on the financial position. Refer to the note on page 16.

For more detailed information about RaySearch's financial risk management and operational risks, refer to page 75 of the 2012 Annual Report.

### RELATED-PARTY TRANSACTIONS

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

In 2002, RaySearch Series B shares were reserved in RayIncentive AB to be used for RaySearch's employee options program. The last options program expired on December 31, 2012. In October, 246,894 of RayIncentive's shares were divested to the profit-sharing foundation RayFoundation. The remaining 52,734 shares were sold on the market to cover tax expenses related to the transaction. Following this, RayIncentive has no remaining holding in RaySearch.

### ESTIMATES

Preparation of the interim report requires that company management makes estimates that affect the carrying amounts of assets, liabilities, revenues and expenses. The actual outcome could deviate from these estimates. The critical sources of uncertainty in the estimates are the same as those stipulated in the most recent Annual Report.

Stockholm, November 27, 2013

Johan Ljöf

*President and Board member*

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# AUDITORS' REPORT PERTAINING TO THE REVIEW OF THE INTERIM REPORT

## INTRODUCTION

We have conducted a review of the interim report for RaySearch Laboratories AB (publ) as of September 30, 2013 and the nine-month period ending on that date. The Board of Directors and the President are responsible for preparing this financial interim information in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express an opinion on this interim report based on our review.

## FOCUS AND SCOPE OF THE REVIEW

We have conducted our review in accordance with the Standard on Review Engagements (SÖG) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different direction and is substantially more limited in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing practices. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the opinion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

## OPINION

Based on our review, nothing has come to our attention that causes us to believe that, in all material respects, the interim report for the Group has not been prepared in accordance with IAS 34 and the Annual Accounts Act, and the interim report for the Parent Company has not been prepared in accordance with the Annual Accounts Act.

Stockholm, November 27, 2013

Ernst & Young AB

Per Hedström  
Authorized Public Accountant



**FOR FURTHER INFORMATION, PLEASE CONTACT:**

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**FINANCIAL REPORTING**

Year-end report	February 13, 2014
Interim report for the first quarter	May 16, 2014
Annual General Meeting	May 27, 2014

**ABOUT RAYSEARCH**

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch's products are mainly sold through license agreements with leading partners such as Philips, Nucletron, IBA, Varian, Accuray and Brainlab. To date, 15 products have been launched through partners and RaySearch's software is used at over 2,300 clinics in more than 30 countries. In addition, RaySearch offers the proprietary treatment planning system RayStation® directly to clinics. RaySearch was founded in 2000 as a spin-off from Karolinska Institutet in Stockholm and the company is listed in the Small Cap segment on NASDAQ OMX Stockholm.

For more information about RaySearch, visit [www.raysearchlabs.com](http://www.raysearchlabs.com)