

# ANNUAL REPORT/2014

ADVANCING  
CANCER  
TREATMENT

RaySearch  
Laboratories 

Nota bene: The English version of the Annual Report is for information purposes only, in case of discrepancy the original Annual Report, issued in Swedish in accordance with Chapter 2, § 5 of the Swedish Annual Accounts Act (1995:1554), shall prevail.

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# ADMINISTRATION REPORT

## OPERATIONS

RaySearch Laboratories is a medical technology company that develops advanced software solutions for improved radiation therapy of cancer. RaySearch markets the RayStation® treatment planning system to clinics all over the world. RaySearch's products are also distributed through licensing agreements with leading medical technology companies such as Philips, Nucletron, IBA, Varian and Brainlab. To date, 15 products have been launched via partners and RaySearch's software is used by over 2,500 clinics in more than 65 countries. RaySearch was founded in 2000 as a spin-off from Karolinska Institute in Stockholm and the company is listed in the Small Cap segment on NASDAQ OMX Stockholm.

During 2014, RaySearch continued its strategic shift whereby the company is transitioning from being exclusively dependent on partners to also selling directly to clinics, in parallel with the partner-based business model. Accordingly, RaySearch devoted a great deal of energy to developing its proprietary treatment planning system, RayStation, and the organization for sales and service was expanded. The market trend for RayStation was highly favorable, the customer base was doubled and revenues from RayStation rose sharply, while revenues from partner sales declined. During 2014 and for the first time, RayStation accounted for most of the company's revenues. Accordingly, the phase of establishing RayStation is now complete and the strategic shift has been successfully implemented. However, a majority of the employees still work with research and development.

The development work is focused on transforming market demands, customer preferences and research findings into products. This involves the creation of new products combined with enhancements and maintenance of existing products. The development work conducted in 2014 focused on RaySearch's treatment planning system, RayStation, as well as new versions of existing products for other partners. The development work thus covered a broad range of product applications that included treatment planning for rotational therapy and conventional radiation therapy, radiation therapy with protons, adaptive radiation therapy and quality assurance of radiation treatment procedures.

Research is more future-oriented and forms the basis of the next generation of products. The research work is concentrated primarily in the following areas: adaptive radiation therapy, multi-criteria optimization and tools for robust optimization with regard to disturbances and errors arising during the course of treatment. Research operations are conducted in close cooperation with such organizations as the Royal Institute of Technology in Stockholm, Princess Margaret Hospital in Canada, Massachusetts General Hospital and Stanford University in the US, and Fraunhofer ITWM in Germany.

The Parent Company and the Group present their financial statements in SEK.

## HIGHLIGHTS OF THE YEAR

### Sales and service company formed in Germany and distribution agreements signed for Australia, New Zealand and Thailand

In April, it was announced that RaySearch had established a German subsidiary, RaySearch Germany GmbH. The new subsidiary is responsible for marketing,

sales and service of RayStation in Germany, Austria and the German-speaking parts of Switzerland. The company will provide support for both new and existing customers, including DKFZ and WPE in Germany, and MedAustron in Austria.

In March, RaySearch signed an exclusive distribution agreement with AlphaXRT (formerly CMS Alphatech), based in Sydney, Australia, and Auckland, New Zealand. The agreement entails that AlphaXRT has been responsible for marketing, sales and service of RayStation® in Australia and New Zealand as of April 1, 2014. In December, a distribution agreement was entered into with Kamol Sukosol Electric Co. [KEC] based in Bangkok, Thailand. Under the agreement, KEC will be responsible for marketing, sales and service of RayStation in the Thai market.

### First orders for RayStation from the UK and Thailand

In January, it was announced that RaySearch had been awarded a treatment planning system contract and will supply RayStation to Tayside Cancer Centre at Ninewells Hospital & Medical School in Dundee, UK. Ninewells will be the first clinical installation of RayStation in the UK. In December, the first RayStation order from Thailand was secured, from Lopburi Cancer Hospital in the Mueang district.

### First proton therapy treatments with RayStation

In May, the first patient underwent proton therapy with pencil beam scanning (PBS) at the Provision Center for Proton Therapy in Knoxville, Tennessee, which is the only proton therapy facility in Tennessee. The clinical treatment plans were created using RayStation and delivered with medical devices from IBA.

### RayStation 4.5 and RayStation 4.7 released

In July, version 4.5 of RayStation was released for sales in Europe and some Asian markets, and in October, the US Food and Drug Administration (FDA) granted marketing clearance. The new version included many new features that help cancer clinics improve the treatment planning process and also enables new steps in adaptive radiation therapy. In December, the next new version, RayStation 4.7, was released, which contains a number of improvements, including multicriteria and proton optimization, as well as certain functionality for optimization of carbon-ion radiation.

### Settlement agreement signed regarding patent dispute with Prowess

In May 2011, the American company Prowess filed a lawsuit against RaySearch at a court in Baltimore, Maryland, in the US. Prowess claimed that RaySearch had infringed on a US patent to which Prowess holds an exclusive license. RaySearch believed that there was no infringement and, in addition, that the patent should be invalidated. In January 2014, RaySearch entered into settlement negotiations at a settlement conference arranged by the court as part of the legal process and, as a result of this, RaySearch entered into a settlement agreement with Prowess in April 2014. The agreement entails that RaySearch will pay Prowess a fixed amount over three years and that Prowess will withdraw its lawsuit. The total cost of the settlement was SEK 34.8 M, which was charged to 2013.

### Strategic collaboration agreement signed with Mevion

In September, a collaboration agreement with Mevion Medical Systems Inc. was announced. The collaboration aims to validate the use of RayStation to create proton therapy treatments with the pencil beam scanning technique performed with Mevion's new HYPERSCAN technology.

### Credit facility expanded

In November, the company's credit facility was expanded from SEK 30 M to SEK 50 M, whereby chattel mortgages were increased to SEK 50 M. The credit facility comprises an overdraft facility of SEK 25 M and a revolving credit facility of up to SEK 25 M. The revolving credit facility entitles RaySearch to decide on loan principals and maturities during the contractual period, which extends over a term of three years from the date the contract comes into effect. Accordingly, RaySearch has a possibility to borrow SEK 10–25 M at maturities starting at one month until the loan term expires in November 2017.

### IMPORTANT EVENTS AFTER FISCAL YEAR-END

#### CFO left RaySearch

In January 2015, RaySearch's CFO, Anders Martin-Löf, announced that he would be leaving the company in April to become CFO at another company. Anders retained his areas of responsibility as CFO until he left RaySearch in April. His duties are currently being performed by an interim CFO and a process to find a permanent successor has been initiated.

#### WPE first proton center in Europe to use RayStation clinically

In February 2015, it was announced that Westdeutsches Protonentherapiezentrum Essen (WPE), a unit of the University Hospital Essen in Germany, had started to use RaySearch's treatment planning system RayStation for clinical treatment. WPE is the first university-based proton therapy in Germany and was the first clinic to choose RayStation as a treatment planning system.

### SALES AND EARNINGS

Total sales for 2014 increased 39.5 percent year-on-year and amounted to SEK 285.2 M (204.5). Sales consist of license revenues via direct sales and partners, as well as support revenues. The total number of licenses sold via direct sales and partners amounted to 2,172 (1,700) and license revenues in 2014 totaled SEK 256.1 M (179.9). The rise in license revenues was due to increased revenues from direct sales of RayStation and higher product sales from the partnerships with IBA Dosimetry and Varian. In 2014, support revenues rose to SEK 29.1 M (24.5).

Operating expenses, excluding exchange-rate gains and losses, declined SEK 19.6 M compared with 2013 to SEK 204.2 M. The decrease in operating expenses was mainly due to 2013 being charged with the high legal fees and settlement costs arising from the patent process with Prowess, which was finalized in early 2014. However, marketing and personnel costs for sales and service rose, due to the focus on direct sales of RayStation. Other operating income and expenses refer to exchange-rate gains and losses, with the net of these

amounting to income of SEK 10.0 M (expense: 0.3) in 2014. The increase was mainly due to the large proportion of accounts receivable denominated in USD, which strengthened substantially during the year.

In 2014, operating profit totaled SEK 79.4 M (loss: 25.7), corresponding to an operating margin of 27.8 percent (neg: 12.6).

Profit after tax was SEK 59.8 M (loss: 20.8), corresponding to earnings per share before and after dilution of SEK 1.75 M (loss: 0.61).

### CAPITALIZATION OF DEVELOPMENT EXPENDITURE

At December 31, 2014, 81 (76) 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 expenditures, research and development costs totaled SEK 92.5 M (91.5). In 2014, capitalized development costs totaled SEK 54.4 M (53.6). Amortization of capitalized development costs amounted to SEK 57.0 M (52.8) in 2014. After adjustments for capitalization and amortization of development expenditure, research and development costs totaled SEK 95.1 M (90.7). Refer to Note 16.

### LIQUIDITY AND FINANCIAL POSITION

At December 31, 2014, cash and cash equivalents amounted to SEK 56.1 M, compared with SEK 38.2 M at December 31, 2013. On the same date, current receivables totaled SEK 156.6 M, compared with SEK 88.3 M at December 31, 2013. The receivables primarily comprised accounts receivable. The increase derived mainly from a substantial rise in sales, and the fact that a large proportion of sales occurred at the end of the period and the receivables had not yet matured by the end of the reporting period. In November, the company's credit facility was expanded from SEK 30 M to SEK 50 M, whereby chattel mortgages were increased to SEK 50 M. The credit facility comprises an overdraft facility of SEK 25 M and a revolving loan of up to SEK 25 M extending until November 4, 2017. SEK 25 M has been borrowed for a term of three months within the framework of the revolving loan.

Of the company's credit facility of SEK 25 M, SEK 3.8 M has been blocked as collateral for bank guarantees totaling EUR 0.4 M to MedAustron. The remaining SEK 21.2 M is unutilized.

### CASH FLOW

In 2014, cash flow from operating activities rose to SEK 50.3 M (31.3), primarily due to improved earnings. Cash flow from investing activities was a negative SEK 57.8 M (neg: 56.5), which derived from investments in capitalized development expenditure. Cash flow from financing activities amounted to 24.3 (1.6) MSEK. Cash flow for the year amounted to SEK 16.8 M (neg: 23.7).

### CURRENCY EFFECTS

The company is dependent on trends in the USD and EUR exchange rates against the SEK, since most invoicing is in USD and EUR, while most costs are incurred

in SEK. In 2014, revenues in USD were recognized at an average exchange rate of SEK 6.89, compared with SEK 6.51 in 2013. In 2014, revenues in EUR were recognized at an average exchange rate of SEK 9.18, compared with SEK 8.78 in 2013. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased 32.9 percent compared with 2013. A sensitivity analysis of the currency exposure indicates that the impact on operating profit in 2014 of a change in the average USD exchange rate of +/- 10 percent is +/- SEK 14.1 M, and that the corresponding impact of a change in the average EUR exchange rate of +/- 10 percent is +/- SEK 7.7 M. The company pursues the currency policy established by the Board of Directors. Refer to the sensitivity analysis in Note 28.

### INVESTMENTS

Fixed assets primarily comprised capitalized development expenditure relating to the development of new versions of RaySearch's software products. This development expenditure is capitalized and amortized over a period of five years from when the products are released on the market. In 2014, investments in intangible fixed assets amounted to SEK 54.4 M (53.6) and investments in tangible fixed assets to SEK 9.2 M (2.9).

### EMPLOYEES

At year-end 2014, the number of employees in RaySearch was 136 (114). The average number of employees was 126 (107).

Employees have a high level of education; 12.7 percent have Ph.Ds and 85.9 percent have other university/technical institute education. At year-end, 35.2 percent of the company's employees were women and 64.8 percent men. RaySearch has an equal opportunities plan.

### ENVIRONMENT

RaySearch's products comprise software with no significant environmental impact. The company has an established environmental policy.

### BONUS AND PROFIT-SHARING FOUNDATION

Of the employees in the Swedish company, RaySearch Laboratories, the President, the Director of Sales and Marketing and the Director of Sales for Asia & Pacific are the only employees covered by a bonus program. However, other employees in Sweden participate in a profit-sharing foundation.

The profit-sharing foundation covers all employees, including senior executives, except for the President. An allocation to the profit-sharing foundation is made in a given year if the consolidated operating profit for the preceding year reached a level in excess of an operating margin of 20 percent. In such a case, the amount reserved is 10 percent of that part of the operating profit above the limit. The allocation has a maximum outcome of 30 percent of the dividend paid. If a dividend is not paid or if the operating margin does not reach 20 percent, no allocation is made. Since no dividend is proposed for the 2014 fiscal year, no provision has been made for the year.

Employees in RaySearch's foreign-based sales companies – RaySearch Americas, RaySearch Belgium, RaySearch France, RaySearch UK and RaySearch Germany – are covered by bonus schemes based on sales-related targets for each sales company.

### WORK OF THE BOARD

The Board of Directors of RaySearch Laboratories consists of four members elected by the Annual General Meeting on May 27, 2014. The company's President is a member of the Board. The Board held seven meetings during 2014. The Board conducts its work in accordance with special rules of procedure and instructions that regulate the division of work between the Board and the President. At each scheduled meeting, the Board reviews specific reports and decision points. The Board considers strategic, structural and organizational issues, as well as research and development issues. The Board also addresses cooperation agreements, interim reports and the annual financial statements, as well as audit and budget-related issues. In addition to the President, who is the reporting party during Board meetings, other company employees also participate as required.

The President's remuneration and benefits for the 2014 fiscal year were approved by the Board of Directors. The President, in consultation with the Chairman of the Board, determined the remuneration of other senior executives. The Board has neither a Remuneration Committee nor a Nomination Committee.

The company's auditor attends at least one Board meeting each year.

A separate Corporate Governance Report has been prepared and is available on pp. 34–36.

### PARENT COMPANY

RaySearch Laboratories AB (publ) is the Parent Company of the Group.

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. However, capitalization of development expenditure and adjustments related to financial leasing are recognized in the Group but not in the Parent Company. In addition, the Parent Company invoices the subsidiary, RaySearch Americas, for licenses sold to American customers, which impacts the Parent Company but not the Group. Profit before tax amounted to SEK 59.6 M (loss: 5.6).

At December 31, 2014, the Parent Company had cash and cash equivalents amounting to SEK 47.9 M (26.3).

### TREASURY STOCK

The company had no treasury stock in 2014.

### SHARES AND OWNERSHIP

RaySearch's share capital amounts to SEK 17,141,386.50. The total number of registered shares in the company at December 31, 2014 was 34,282,773, of which 11,324,391 shares were Class A and 22,958,382 Class B shares. The quotient value per share is SEK 0.50. All shares carry equal rights to the company's

assets and earnings. Each Class A share carries ten votes and each Class B share carries one vote at the Annual General Meeting (AGM). At December 31, 2014, the total number of votes in the company was 136,202,292. All shareholders entitled to vote at the AGM may vote for the full number of shares owned or represented by them, with no restrictions on voting rights.

At year-end 2014, the largest shareholders in RaySearch were Johan Löf, who owned 20.0 percent of the capital and 46.3 percent of the voting rights; Lannebo fonder, which owned 12.8 percent of the capital and 1.9 percent of the voting rights; Montanaro, which owned 8.2 percent of the capital and 2.1 percent of the voting rights, and Erik Hedlund who owned 5.2 percent of the capital and 11.7 percent of the voting rights.

The AGM has authorized the Board to decide on the issuance of new shares or acquisitions of treasury stock. The number of shares that may be issued pursuant to the authorization may not exceed the equivalent of 10 percent of the share capital. The shares may be issued either as a rights issue or by disapplying the preemptive rights of the shareholders, and may also be issued either as or not as a non-cash issue or an issue offsetting debt. The authorization is valid until the immediately following AGM.

To the knowledge of the Board of Directors of RaySearch, there are no shareholder agreements for either Class A or Class B shares. There are no special rules in the Articles of Association regarding appointment and removal of Board members or amendments to the Articles of Association. Should a public offer be tendered to acquire shares in the company, there is no agreement between the company and Board members or employees prescribing any payments should these persons resign, be given notice without reasonable grounds or should their employment cease.

#### GUIDELINES FOR REMUNERATION OF SENIOR EXECUTIVES

The starting point for the Board is that remuneration and other conditions of employment for members of company management shall be on market terms. The principles for remuneration and other employment conditions for senior executives of the Swedish company RaySearch Laboratories AB during 2014 are described below.

#### Salary and other remuneration

The President has a fixed basic salary and variable remuneration. The variable remuneration amounts to 2.0 percent of the Group's profit before tax, subject to a maximum payment of six months' salary. In addition, the President is entitled to other customary benefits, such as a company car.

The President's salary is reviewed annually. This review is performed through negotiations between the President and the Chairman of the Board, after which the Chairman presents a proposal to the other Board members. The President is not present when the Board discusses and decides on this matter.

Other senior executives comprise the CFO, Director of Research, Director of Development, Director of Products, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Services and the General Counsel.

The Director of Sales and Marketing is to have a fixed basic salary plus variable remuneration. The variable remuneration corresponds to a certain proportion of global sales of RayStation.

The Director of Sales for Asia & Pacific is to have a fixed basic salary plus variable remuneration. The variable remuneration corresponds to a certain proportion of sales of RayStation in the Asia & Pacific region.

The CFO, Director of Research, Director of Development, Director of Products, the Director of Services and the General Counsel are to have a fixed basic salary but no variable remuneration.

The salaries of other senior executives are also to be reviewed annually. This is performed through negotiations between the President and the individual employee.

#### Incentive program

There is no specific incentive program for senior executives and no such program has been proposed. However, the senior executives, with the exception of the President, together with other employees are entitled to participate in the options and profit-sharing programs applied by the company.

#### Pension

All pension undertakings are defined-contribution plans. Retirement age for the President and other senior executives is 65, and the pension premium is equivalent to the Swedish ITP plan.

#### Termination of employment

If the President chooses to terminate his employment, his term of notice will be six months; if the company terminates his employment, the term of notice will be 12 months. In both cases, the President is entitled to pay during the term of notice. Other senior executives are subject to a mutual three-month term of notice during which salary is paid.

#### Severance pay

Neither the President nor other senior executives are entitled to any severance pay, in the formal sense, if their employment ceases. However, as stated above, the President and other senior executives are entitled to salary during the notice period.

#### Deviations

The Board proposes that the Board be permitted to deviate from the above guidelines if there are special reasons for such deviation.

#### Proposed guidelines in 2015

For 2015, the same guidelines as for 2014 are proposed, except for the fact that the General Counsel is not included in the category of senior executives.

#### RISKS AND UNCERTAINTIES

##### Financial risk management

The Board has formulated the Group's financial risk management policy, which constitutes a framework of guidelines and regulations in the form of risk mandates and limits for financial activities. RaySearch is mainly subject to exchange-rate risk, since the greater part of net sales is invoiced in USD and EUR while SEK accounts for the lion's part of costs. In accordance with the established financial policy, currency hedging has not been performed. 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, and Brainlab. If RaySearch were to lose one or more of these business partners, this could have a major impact on the company's sales, profit and financial position.

For more information about RaySearch's risks and risk management, refer to Note 28 on page 27.

#### INTERNAL CONTROL

Refer to Disclosures in the Corporate Governance Report on page 35.

#### FUTURE PROSPECTS

RaySearch has undergone a strategic shift and transitioned from being exclusively dependent on partners to also selling directly to clinics, in parallel with the partner-based business model. The proprietary product RayStation has been launched successfully in the global market. Revenues from RayStation are growing sharply and now account for the majority of the company's revenues, at the same time as Raysearch still has only a small market share globally. Accordingly, the potential for growth in direct sales continues to be highly favorable. In parallel, cooperation with five business partners continues. Although these partnerships remain significant, their relative importance is expected to decline.

#### PROPOSAL FOR ALLOCATION OF THE COMPANY'S PROFIT

The following is at the disposal of the AGM:

SEK 000s	
Retained earnings	29,462
Profit for the year	45,980
<b>Total</b>	<b>75,442</b>

The Board and the President propose that SEK 75,442,000 be carried forward.

#### DIVIDEND POLICY

In accordance with the Board's dividend policy, RaySearch is to distribute about 20 percent of the Group's profit after tax to shareholders, provided that a healthy capital structure is maintained. However, since RaySearch has entered an expansive and capital-intensive development phase, the Board of Directors proposes that no dividend be paid for the 2014 fiscal year.

#### GROUP EARNINGS AND FINANCIAL POSITION

The Group's earnings and financial position are presented in the following income statements, balance sheets and financial position and cash flow statements, with accompanying notes to the financial statements.

# MULTI-YEAR OVERVIEW

## CONSOLIDATED INCOME STATEMENTS

SEK 000s	2014	2013	2012	2011	2010
Net sales	285,217	204,470	182,087	126,103	117,728
Cost of goods sold	-11,627	-6,059	-3,029	-442	-92
<b>Gross profit</b>	<b>273,590</b>	<b>198,411</b>	<b>179,058</b>	<b>125,661</b>	<b>117,636</b>
Research and development expenditure	-95,069	-90,720	-78,657	-57,575	-53,500
Other operating expenses	-99,161	-133,412	-77,855	-40,462	-24,263
<b>Operating profit/loss</b>	<b>79,360</b>	<b>-25,721</b>	<b>22,546</b>	<b>27,624</b>	<b>39,873</b>
Net financial items	-659	754	1,018	1,078	249
<b>Profit/loss before tax</b>	<b>78,701</b>	<b>-24,967</b>	<b>23,564</b>	<b>28,702</b>	<b>40,122</b>
Tax	-18,869	4,126	-3,701	-11,695	-11,227
<b>Profit/loss for the year</b>	<b>59,832</b>	<b>-20,841</b>	<b>19,863</b>	<b>17,007</b>	<b>28,895</b>
Earnings per share before dilution	1.75	-0.61	0.58	0.50	0.84
Earnings per share after dilution	1.75	-0.61	0.58	0.50	0.84

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000s	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
<b>ASSETS</b>					
Intangible fixed assets	164,081	166,678	165,926	161,096	133,981
Other fixed assets	12,951	5,970	3,711	3,978	6,999
<b>Total fixed assets</b>	<b>177,032</b>	<b>172,648</b>	<b>169,637</b>	<b>165,074</b>	<b>140,980</b>
<b>Total current assets</b>	<b>212,721</b>	<b>126,514</b>	<b>123,390</b>	<b>96,710</b>	<b>114,946</b>
<b>TOTAL ASSETS</b>	<b>389,753</b>	<b>299,162</b>	<b>293,027</b>	<b>261,784</b>	<b>255,926</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>					
Shareholders' equity attributable to Parent Company shareholders	251,548	196,601	217,553	196,697	196,762
Liabilities	138,205	102,561	75,474	65,087	59,164
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>389,753</b>	<b>299,162</b>	<b>293,027</b>	<b>261,784</b>	<b>255,926</b>

## CONSOLIDATED CASH-FLOW STATEMENTS

SEK 000s	2014	2013	2012	2011	2010
Cash flow from operating activities	50,273	31,282	87,451	33,852	62,785
Cash flow from investing activities	-57,844	-56,542	-54,165	-63,092	-50,791
Cash flow from financing activities	24,345	1,563	-	-16,991	-16,991
<b>Cash flow for the year</b>	<b>16,774</b>	<b>-23,697</b>	<b>33,286</b>	<b>-46,231</b>	<b>-4,997</b>

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	NOTE	2014	2013
Net sales	2, 3	285,217	204,470
Cost of goods sold		-11,627	-6,059
<b>Gross profit</b>	7	<b>273,590</b>	<b>198,411</b>
Other operating income	8	16,803	3,008
Selling expenses		-78,433	-53,024
Administrative expenses	10	-30,736	-80,108
Research and development expenditure	10	-95,069	-90,720
Other operating expenses	9	-6,795	-3,288
<b>Operating profit/loss</b>	4, 5, 7, 11	<b>79,360</b>	<b>-25,721</b>
Financial income		310	852
Financial expenses		-969	-98
<b>Net financial items</b>	12	<b>-659</b>	<b>754</b>
<b>Profit/loss before tax</b>		<b>78,701</b>	<b>-24,967</b>
Tax	14	-18,869	4,125
<b>Profit/loss for the year<sup>1</sup></b>		<b>59,832</b>	<b>-20,842</b>
<b>Other comprehensive income</b>			
<b>Items to be reclassified to profit or loss</b>			
Translation difference of foreign operations for the year		-4,885	57
<b>Items not to be reclassified to profit or loss</b>		-	-
<b>Total comprehensive income for the year<sup>1</sup></b>		<b>54,947</b>	<b>-20,785</b>
Earnings per share before and after dilution	15	1.75	-0.61

<sup>1</sup> 100 percent attributable to Parent Company shareholders.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000s	NOTE	Dec. 31, 2014	Dec. 31, 2013
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Intangible fixed assets</b>			
Capitalized development expenditure	16	164,081	166,678
Software	17	0	0
		<b>164,081</b>	<b>166,678</b>
<b>Tangible fixed assets</b>			
Equipment, fixtures and fittings	18	12,951	5,567
		12,951	5,567
<b>Financial fixed assets</b>			
Deferred tax assets	23	–	403
		0	403
<b>Total fixed assets</b>		<b>177,032</b>	<b>172,648</b>
<b>CURRENT ASSETS</b>			
Accounts receivable	20	147,810	80,918
Tax receivable		118	20
Other receivables		10	738
Prepaid expenses and accrued income	21	8,698	6,607
Cash and cash equivalents	22	56,085	38,231
<b>Total current assets</b>		<b>212,721</b>	<b>126,514</b>
<b>TOTAL ASSETS</b>	29	<b>389,753</b>	<b>299,162</b>

SEK 000s	NOTE	Dec. 31, 2014	Dec. 31, 2013
<b>SHAREHOLDERS' EQUITY</b>			
Share capital		17,141	17,141
Other contributed capital		1,975	1,975
Retained earnings including net profit for the year		232,432	177,485
<b>Shareholders' equity attributable to Parent Company shareholders</b>		<b>251,548</b>	<b>196,601</b>
<b>Total equity</b>		<b>251,548</b>	<b>196,601</b>
<b>LIABILITIES</b>			
Deferred tax liabilities	23	40,724	36,669
Provisions	25	–	21,950
Other long-term liabilities	6, 26	41,096	–
<b>Total long-term liabilities</b>		<b>81,820</b>	<b>58,619</b>
Provisions	25	–	12,809
Accounts payable		9,034	6,925
Tax liabilities		5,666	5,883
Other liabilities	26	17,311	1,667
Accrued expenses and deferred income	27	24,374	16,658
<b>Total current liabilities</b>		<b>56,385</b>	<b>43,942</b>
<b>Total liabilities</b>		<b>138,205</b>	<b>102,561</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	29	<b>389,753</b>	<b>299,162</b>
<b>Pledged assets</b>	30	<b>53,800</b>	<b>37,500</b>
<b>Contingent liabilities</b>		–	–

# STATEMENT OF CHANGES IN CONSOLIDATED EQUITY

SEK 000s	Share capital	Other contributed capital	Translation reserve	Retained earnings, including net loss for the year	Total
<b>Opening equity Jan. 1, 2013</b>	<b>17,141</b>	<b>1,975</b>	<b>912</b>	<b>197,525</b>	<b>217,553</b>
Transactions with shareholders					
Sales of treasury stock <sup>1</sup>				1,563	1,563
<b>Tax effect, sales of treasury stock</b>				<b>-1,730</b>	<b>-1,730</b>
<b>Total transactions with shareholders</b>				<b>-167</b>	<b>-167</b>
Loss for the year				-20,842	-20,842
Other comprehensive income for the year			57		57
<b>Comprehensive income/loss for the year</b>			<b>57</b>	<b>-20,842</b>	<b>-20,785</b>
<b>Closing equity Dec. 31, 2013</b>	<b>17,141</b>	<b>1,975</b>	<b>969</b>	<b>176,516</b>	<b>196,601</b>
<b>Opening equity Jan. 1, 2014</b>					
Profit for the year				59,832	
Other comprehensive income for the year			-4,885		
<b>Comprehensive income/loss for the year</b>			<b>-4,885</b>	<b>59,832</b>	<b>54,947</b>
<b>Closing equity Dec. 31, 2014</b>	<b>17,141</b>	<b>1,975</b>	<b>-3,916</b>	<b>236,348</b>	<b>251,548</b>

<sup>1</sup> In October 2013, 246,894 of RayIncentive's shares were sold to the profit sharing foundation RayFoundation for a carrying amount corresponding to SEK 00.62 per share. The remaining 52,734 shares were sold on the market at an average price of SEK 26.97 per share to cover tax expenses related to the transaction. The tax charges comprised withdrawal taxation due to the sale to RayFoundation being completed at a price that was lower than the market price.

## CAPITAL MANAGEMENT

RaySearch's managed capital comprises shareholders' equity. Changes in managed equity are described above. For information on the terms and conditions for the Group's external borrowing, reference is made to Note 26.

RaySearch's long-term financial target is to have high sales growth and an EBIT margin exceeding 30 percent. This target will be achieved by establishing RaySearch as the leading global provider of treatment planning systems for radiation therapy.

RaySearch has the following dividend policy: The Board of Directors' intention is to pay as dividends approximately 20 percent of the Group's profit after tax on condition that a healthy capital structure is retained. The quotient value is SEK 0.50 per share.

## TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences arising from the conversion of financial statements from foreign operations that prepare their financial statements in a currency other than the currency used in the consolidated financial statements. The Parent Company and the Group present their financial statements in SEK.

# CONSOLIDATED STATEMENT OF CASH FLOWS

SEK 000s	NOTE	2014	2013
<b>Operating activities</b>			
Profit/loss before tax		78,701	-24,967
Adjusted for non-cash items <sup>1</sup>	10, 26	46,315	87,511
Taxes paid		-15,247	-3,596
<b>Cash flow from operating activities before changes in working capital</b>		<b>109,769</b>	<b>58,949</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		-48,391	-26,646
Increase (+)/Decrease (-) in operating liabilities		-11,105	-1,021
<b>Cash flow from operating activities</b>		<b>50,273</b>	<b>31,282</b>
<b>Investing activities</b>			
Capitalized development expenditure	16	-54,426	-53,576
Acquisition of tangible fixed assets	18	-3,418	-2,966
<b>Cash flow from investing activities</b>		<b>-57,844</b>	<b>-56,542</b>
<b>Financing activities</b>			
Sale of treasury stock		-	1,563
Loans raised		25,000	-
Amortization of financial leasing	6, 26	-655	-
<b>Cash flow from financing activities</b>		<b>24,345</b>	<b>1,563</b>
<b>Cash flow for the year</b>		<b>16,774</b>	<b>-23,697</b>
Cash and cash equivalents at the beginning of the year		38,231	61,875
Exchange-rate differences		1,080	53
<b>Cash and cash equivalents at year-end</b>		<b>56,085</b>	<b>38,231</b>

<sup>1</sup> These amounts include amortization of capitalized development costs of SEK 54 M (53), exchange-rate gains/losses of SEK 11.9 M (loss: 1.2) and for 2013 a provision of SEK 34.8 M for the legal patent settlement with ProWess.

Cash and cash equivalents comprise bank balances.

## SUPPLEMENTARY DISCLOSURE TO THE CASH-FLOW STATEMENT

	GROUP	
	Dec. 31, 2014	Dec. 31, 2013
Interest received	310	852
Interest paid	-969	-98

# PARENT COMPANY

INCOME STATEMENT			
SEK 000s	NOTE	2014	2013
Net sales	2, 3	250,363	179,178
Cost of goods sold		-7,223	-809
<b>Gross profit</b>	28	<b>243,140</b>	<b>178,369</b>
Other operating income	8	16,803	3,008
Selling expenses		-50,669	-34,561
Administrative expenses	10	-30,912	-80,085
Research and development expenditure	10	-92,472	-91,516
Other operating expenses	9	-6,795	-3,288
<b>Operating profit/loss</b>	4, 5, 7, 11	<b>79,095</b>	<b>-28,073</b>
Interest income and similar items		2,965	2,234
Interest expense and similar items		-1,400	-58
<b>Profit/loss after financial items</b>	12	<b>80,660</b>	<b>-25,897</b>
Appropriations	13	-21,029	20,326
<b>Profit/loss before tax</b>		<b>59,631</b>	<b>-5,571</b>
Tax	14	-13,651	403
<b>Profit/loss for the year</b>		<b>45,980</b>	<b>-5,168</b>

COMPREHENSIVE INCOME		
SEK 000s	2014	2013
Profit/loss for the year	45,980	-5,168
Other comprehensive income	0	0
<b>Comprehensive income/loss for the year</b>	<b>45,980</b>	<b>-5,168</b>

BALANCE SHEET			
SEK 000s	NOTE	Dec. 31, 2014	Dec. 31, 2013
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Tangible fixed assets</b>			
Equipment, fixtures and fittings	18	6,975	4,549
<b>Financial fixed assets</b>			
Participations in Group companies	19	2,493	2,266
Deferred tax assets	23	0	403
<b>Total fixed assets</b>		<b>9,468</b>	<b>7,218</b>
<b>CURRENT ASSETS</b>			
<b>Current receivables</b>			
Accounts receivable	20	91,656	60,819
Receivables from Group companies		79,989	47,590
Other receivables		1,107	978
Prepaid expenses and accrued income	21	12,487	7,772
<b>Total current receivables</b>		<b>185,239</b>	<b>117,159</b>
Cash and bank balances	22	47,935	26,305
<b>Total current assets</b>		<b>233,174</b>	<b>143,464</b>
<b>TOTAL ASSETS</b>		<b>242,642</b>	<b>150,682</b>

SHAREHOLDERS' EQUITY AND LIABILITIES			
SEK 000s	NOTE	Dec. 31, 2014	Dec. 31, 2013
<b>SHAREHOLDERS' EQUITY</b>			
<b>Restricted equity</b>			
Share capital [11,324,391 Class A shares, 22,958,382 Class B shares]		17,141	17,141
Statutory reserve		43,630	43,630
<b>Total restricted equity</b>		<b>60,771</b>	<b>60,771</b>
<b>Non-restricted equity</b>			
Retained earnings		29,462	34,629
Profit/loss for the year		45,980	-5,168
<b>Total unrestricted equity</b>		<b>75,442</b>	<b>29,461</b>
<b>Total equity</b>		<b>136,213</b>	<b>90,232</b>
<b>Untaxed reserves</b>	24	<b>21,029</b>	–
<b>Provisions</b>	25	–	<b>21,950</b>
<b>Long-term liabilities</b>			
Bank loans		25,000	–
Other long-term liabilities		11,853	–
<b>Total long-term liabilities</b>	25, 26	<b>36,853</b>	<b>0</b>
<b>Current liabilities</b>			
Provisions	25	–	12,809
Accounts payable		8,459	6,167
Liabilities to Group companies		1,364	1,467
Tax liabilities		1,992	3,099
Other liabilities	26	19,682	1,612
Accrued expenses and deferred income	27	17,050	13,346
<b>Total current liabilities</b>		<b>48,547</b>	<b>38,500</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>242,642</b>	<b>150,682</b>
<b>Pledged assets</b>	30	<b>53,800</b>	<b>37,500</b>
<b>Contingent liabilities</b>		–	–

CASH FLOW STATEMENT			
SEK 000s	NOTE	2014	2013
<b>Operating activities</b>			
Profit/loss after financial items		80,660	-25,897
Adjusted for non-cash items <sup>1</sup>	10, 26	1,634	36,140
Taxes paid		-14,355	-3,668
<b>Cash flow from operating activities before changes in working capital</b>		<b>67,939</b>	<b>6,575</b>
<b>Cash flow from changes in working capital</b>			
Increase (-)/Decrease (+) in operating receivables		-68,080	-33,019
Increase (+)/Decrease (-) in operating liabilities		1,057	-953
<b>Cash flow from operating activities</b>		<b>916</b>	<b>-27,397</b>
<b>Investing activities</b>			
Acquisition of subsidiaries		-227	–
Acquisition of tangible fixed assets		-4,059	-2,980
<b>Cash flow from investing activities</b>		<b>-4,286</b>	<b>-2,980</b>
<b>Financing activities</b>			
Loans raised		25,000	–
<b>Cash flow from financing activities</b>	26	<b>25,000</b>	–
<b>Cash flow for the year</b>		<b>21,630</b>	<b>-30,377</b>
Cash and cash equivalents at the beginning of the year		26,305	56,682
Cash and cash equivalents at year-end		47,935	26,305

#### SUPPLEMENTARY DISCLOSURE TO THE CASH-FLOW STATEMENT

	Dec. 31, 2014	Dec. 31, 2013
Interest received	289	807
Interest paid	-1,400	-58

#### STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK 000s	Share capital	Statutory reserve	Retained earnings, including net profit for the year	Total
<b>Opening equity Jan. 1, 2013</b>	<b>17,141</b>	<b>43,630</b>	<b>34,629</b>	<b>95,400</b>
Total comprehensive income for the year			-5,168	-5,168
<b>Closing equity Dec. 31, 2013</b>	<b>17,141</b>	<b>43,630</b>	<b>29,461</b>	<b>90,232</b>
Total comprehensive income for the year			45,980	45,980
<b>Closing equity Dec. 31, 2014</b>	<b>17,141</b>	<b>43,630</b>	<b>75,442</b>	<b>136,213</b>

# NOTES

## NOTE 1 ACCOUNTING POLICIES

### COMPLIANCE WITH STANDARDS AND LAWS

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU. In addition, the Swedish Financial Reporting Board's recommendation RFR 1:2 Supplementary Accounting Rules for Groups has been applied.

The Parent Company implements the same accounting policies as the Group except in those instances specified below under the section "Parent Company's accounting policies."

### INFORMATION REGARDING THE PARENT COMPANY

RaySearch Laboratories AB (publ) is a Swedish registered limited liability company headquartered in Stockholm. The Parent Company's shares are listed in the Small Cap segment of Nasdaq Stockholm. The address of the head office is Sveavägen 44, SE-111 34 Stockholm, Sweden.

### ASSUMPTIONS WHEN PREPARING THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

The Parent Company's functional currency is the Swedish krona (SEK), which also constitutes the reporting currency for the Parent Company and the Group. This means that financial statements are presented in SEK. All amounts, unless otherwise specified, are rounded off to the nearest thousand.

Assets and liabilities are recognized at their historical cost. Preparing financial statements in accordance with IFRS requires that company management make assessments and estimates as well as assumptions that impact the application of the accounting policies and the recognized amounts of assets, liabilities, revenues and expenses. Actual results may vary from these estimates and assumptions.

The estimates and assumptions are reviewed regularly. Changes to estimates are recognized in the period the change is made if the changes affect only that period and in the current period and future periods if the changes affect both the current period and future periods.

In implementing IFRS, estimates made by company management that have a significant impact on the financial statements and estimates made that could involve significant adjustments to subsequent years' financial statements are described in greater detail on page 18.

The accounting policies specified below for the Group have been applied consistently during all periods presented in the Group's financial statements, unless otherwise stated below. The Group's accounting policies have been applied consistently in regards to the recognition and consolidation of the Parent Company and the subsidiaries.

### NEW ACCOUNTING POLICIES

A number of new or revised accounting standards and interpretations apply for the fiscal year commencing on January 1, 2014. The IFRS rules that became effective for the fiscal year commencing on January 1, 2014 had no impact on the consolidated financial statements.

### NEW IFRS AND INTERPRETATIONS NOT YET APPLIED

A number of new or revised IFRS will come into effect in forthcoming fiscal years but were not applied in advance when preparing these financial statements. The IFRSs that are expected to impact, or that may impact, the Group's financial statements are described below. In addition to the IFRSs described below, no other changes approved by IASB at December 31, 2014 are expected to have any impact on the Group's financial statements.

IFRS 9 Financial Instruments becomes effective on January 1, 2018 and will then replace IAS 39 Financial Instruments: Recognition and measurement. The new standard has been revised in various components, one applying to recognition and measurement of financial assets, and financial liabilities. IFRS 9 classifies financial assets in three categories. Classification is determined on initial recognition on the basis of characteristics of the asset and the company's business model. The second component refers to hedge accounting. To a considerable extent, the new policies provide better conditions for recognition that provides a true and fair impression of a company's management of financial risks associated with financial instruments. Finally, new policies have been introduced in respect of impairment losses on financial assets, whereby the model is based on expected losses. The purpose of the new model for impairment losses includes the aim of having provisions for loan losses posted at an earlier stage. It remains unclear whether IFRS 9 will impact the Group. The EU has not yet approved the standard.

IFRS 15 Revenue from Contracts with Customers becomes effective on January 1, 2017 and will then replace all previously issued standards and interpretations addressing revenues (i.e. IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue – Barter Transactions Involving Advertising Services). IFRS 15 contains an integrated model for revenue recognition of customer contracts. The idea underlying the standard is that everything originates from a contract between two parties regarding the sale of a product or a service. Initially, a customer contract is to be identified, which on the part of the seller generates an asset (rights, a promise to provide compensation) and a debt (undertaking, a promise to transfer goods/services). According to the model, revenue must then be recognized thereby proving that the undertaking to deliver the promised goods or services to the customer is being fulfilled. The EU has not yet approved the standard. It remains unclear whether IFRS 15 will impact the Group. During the year, an inquiry will be launched to determine how the effects of the new standard could impact the Group.

Amendments to IAS 1 Presentation of Financial Statements, "Disclosure Initiative", become effective on January 1, 2016. The purpose of these amendments is to provide additional encouragement to companies to apply their professional judgment in determining what information to disclose and how to structure it in the financial statements. To facilitate this, a number of specific improvements have been done in the areas of materiality, disaggregation and subtotals, note structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments.

### SEGMENT REPORTING

An operating segment is a part of the Group that conducts business activities from which it generates income and incurs costs, and for which independent financial information is available. The results of an operating segment are also monitored by the company's chief operating decision maker. In accordance with IFRS 8, segment information is provided for the Group only. Identifying reportable segments is based on the internal reporting to the chief operating decision maker, which is the President at Raysearch. In the internal reporting, the Group is a segment.

### CLASSIFICATION

Fixed assets and long-term liabilities in the Parent Company and the Group essentially comprise amounts that are expected to be recovered or paid more than twelve months after the balance-sheet date. Current assets and current liabilities in the Parent Company and the Group essentially comprise amounts that the company expects to recover or receive payment for within twelve months of the balance-sheet date.

### CONSOLIDATION PRINCIPLES

#### Subsidiaries

Subsidiaries are companies that are under the controlling influence of the Parent Company, RaySearch Laboratories. Controlling influence means that RaySearch is exposed to a variable return on its investments and can impact this return through its influence over the company. When determining whether a controlling influence exists, such factors as shares carrying potential voting rights are taken into consideration.

### CONSOLIDATION PRINCIPLES

Subsidiaries are recognized in accordance with the purchase method. According to this method, the acquisition of a subsidiary is viewed as a transaction through which the Group indirectly acquires the subsidiary's assets and liabilities. The consolidated cost is determined through an acquisition analysis conducted in conjunction with the acquisition of the operation. In the analysis, the cost is determined for the shares or operations and for the fair value of the acquired identifiable assets and assumed liabilities. Transaction costs, with the exception of transaction costs arising from the issue of equity or debt instruments, are recognized directly in profit or loss for the year. The difference between the cost of subsidiary shares and the fair value of acquired assets and liabilities constitutes consolidated goodwill. When the difference is negative, it is recognized directly in profit or loss. Conditional purchase considerations are recognized in the consolidated financial statements at fair value, with changes in value recognized in profit or loss.

#### Transactions to be eliminated on consolidation

Receivables and liabilities, and revenues or costs and unrealized gains and losses arising from intra-Group transactions are eliminated in the consolidated financial statements. Unrealized losses are eliminated in the same manner as unrealized gains but only insofar as no impairment requirement exists.

### FOREIGN CURRENCY

#### Transactions in foreign currency

Transactions in foreign currency are translated to the functional currency at the exchange rate prevailing on the transaction date. The functional currency is the currency in the primary economic environments in which the companies conduct their business operations. Monetary assets and liabilities in foreign currency are recalculated to the functional currency at the exchange rate prevailing on the closing day. Exchange rate differences arising in translation are recognized in profit for the year. Non-monetary assets and liabilities that are recognized at historic costs are translated to the exchange rate prevailing on the transaction date.

#### Financial statements of foreign operations

All translation differences that arise from currency translation of the results and financial position of Group companies from the company's functional currency

to the Group's reporting currency are recognized in other comprehensive income and accrued in a separate component in equity. Assets and liabilities in foreign operations are translated to SEK based on the exchange rates applying at the balance sheet date, while revenue and cost items are translated using average exchange rate for the year.

### REVENUES

#### Licenses and support sales

Two types of revenue are included in net sales: licenses and support sales. Licenses and support are sold both via partners and directly to end customers. For license sales via partners, the partner is responsible for the end user's installation. For license sales directly to end customers, RaySearch is responsible for the customer's installation.

Revenue is recognized in profit and loss when it is probable that the future economic benefits will flow to the company and that these benefits can be reliably measured. All revenues are recognized at the fair value of the consideration received or receivable, less discounts granted, VAT and after the elimination of intra-Group transactions. Revenues are recognized as follows:

- In cases where licenses are sold via partners, the Group reports its license revenue when software is delivered.
- In cases where RaySearch sells software directly to end customers, the Group reports its license revenue when software is delivered or installed.
- Support revenues are accrued on a straight-line basis throughout the support period.

### COST OF GOODS SOLD

Cost of goods sold comprises costs of sold hardware and royalties for licensed software included in the company's software. Amortization of capitalized development expenditure is not included in cost of goods sold.

### OPERATING EXPENSES AND FINANCIAL INCOME AND EXPENSE

#### Government assistance

The company has received contributions from the EU for a research project, and from Västerbotten County Council pertaining to a joint research project. The contributions are recognized net against research and development expenditure. The contributions received do not add up to any significant amounts. The government assistance is not subject to any repayment obligation.

#### Financial income and expense

Financial income and expense comprise interest income on bank accounts and receivables and interest-bearing securities, dividend income and exchange rate differences.

### FINANCIAL INSTRUMENTS

Financial instruments are measured and recognized in the Group in accordance with the regulations of IAS 39.

Financial assets are recognized initially at the cost corresponding to the instrument's fair value plus transaction costs for all financial instruments. Subsequent recognition is based on how they are classified as below.

A financial asset or financial liability is recognized in the statement of financial position when the company becomes a party in accordance with the contractual terms and conditions of the instrument. Accounts receivable are recognized in the statement of financial position when the invoice is sent. Liabilities are recognized

when the counterparty has performed and there is a contractual obligation to pay, even though the invoice has not yet been received. Accounts payable are recognized when the invoice is received.

A financial asset is derecognized from the statement of financial position when the rights of the contract are realized, expire or the company loses control over them. The same applies for components of a financial asset. A financial liability is derecognized from the statement of financial position when the obligation in the contract is fulfilled or extinguished in some other manner. The same applies for components of a financial liability.

The fair value of listed financial assets corresponds to the listed bid price on the balance sheet date. At each reporting date, the company performs tests to determine if there is any objective indication that a financial asset or a group of financial assets requires impairment.

IAS 39 classifies financial instruments in categories. The classification depends on the intention behind the acquisition of the financial instrument. Company management determines the classification at the original time of acquisition. The following categories are held by the company:

#### Loan receivables and accounts receivable

“Loan receivables and accounts receivable” are financial assets that have determined or determinable payments that are not listed on an active market. These items are measured at cost. Accounts receivable are recognized at the amount expected to flow in, meaning less a deduction for doubtful receivables.

#### Other financial liabilities

Comprises financial liabilities not held for trading. The Group's accounts payable are included in this category. These items are measured at cost.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash funds and on-demand deposits with banks and similar institutions as well as short-term liquid investments with maturities of less than three months, which are subject to only an insignificant risk of value fluctuations. Changes in value are recognized in net financial items. Short-term liquid investments are recognized in the category “Financial assets measured at fair value in profit and loss.”

#### TANGIBLE FIXED ASSETS

##### Assets owned

Tangible fixed assets are recognized in the consolidated financial statements at cost less accumulated depreciation and any impairment. The cost includes the purchase price and costs directly attributable to the asset to deliver it in place and in condition to be used in the manner intended by the acquisition. The accounting policies for impairment are presented below.

The carrying amount of a tangible fixed asset is derecognized from the statement of financial position upon disposal or divestment or when no future economic benefit is expected from use or disposal/divestment of the asset. The gain or loss arising from the disposal or divestment of an asset is the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognized as “Other operating income/ expenses.”

#### Leased assets

IAS 17 applies to leased assets. Lease agreements are classified in the consolidated financial statements as a finance or operating lease. A finance lease is a lease that essentially transfers all the risks and rewards associated with ownership of an asset to the lessee. If this is not the case, it is an operating lease.

Under an operating lease, the leasing fee is expensed over the term based on use, which can differ from what is paid de facto as leasing fees during the year.

Assets held under financial lease agreements are recognized as fixed assets and commitments for future payments are recognized as a liability in the balance sheet.

The Group has both operating and financial lease agreements in accordance with these rules.

#### Depreciation principles

Depreciation is based on the original cost less any residual value. Depreciation is straight-line over the estimated useful life of the asset. Estimated useful lives:

- computers 3–5 years
- equipment, tools, fixtures and fittings 5 years
- building equipment 5 years

The residual value and useful life of an asset are tested annually.

#### INTANGIBLE FIXED ASSETS

##### Research and development

Expenditure for research activities that relate to obtaining new scientific or technical knowledge is recognized as an expense as incurred.

Expenditure for development activities, whereby the research results or other knowledge is applied to achieve new or improved products or processes, is recognized as an intangible asset in the statement of financial position, provided the product or process is technically and commercially feasible and the company has sufficient resources to complete development, and is subsequently able to use or sell the intangible asset. The carrying amount includes all directly attributable expenses, such as personnel costs and cost of premises. Other expenses for development are expensed in profit for the year as they arise. In the statement of financial position, capitalized development expenditure is recognized at cost less accumulated amortization and any impairment losses.

#### Other intangible assets

Other intangible assets acquired by the company are recognized at cost less accumulated amortization and any impairment losses.

#### Amortization principles

Amortization is recognized in profit for the year on a straight-line basis over the estimated useful lives of intangible assets. The useful lives are reviewed at least once annually. Capitalized development expenditure for which amortization has not commenced is tested for impairment annually or whenever circumstances indicate that the asset may be impaired. Intangible assets with determinable useful lives are amortized from the date on which the assets are available for use. The estimated useful lives are:

- capitalized development expenditure 5 years
- software 3–5 years

#### IMPAIRMENT LOSSES

The carrying amounts of the Group's assets are tested on each balance-sheet date to determine whether there is any indication of impairment. If any such indication is found, the recoverable amount of the asset is calculated as the higher of the value in use and the fair value less selling costs. An impairment loss is recognized if the recoverable amount is less than the carrying amount. The recoverable amount is determined based on discounted estimated future cash flow from the cash-generating units.

#### SHARE CAPITAL

##### Treasury stock

Holdings of own shares (treasury stock) and other equity instruments are recognized as a reduction of shareholders' equity. Acquisitions of such instruments are recognized as deductions from retained earnings. Proceeds from the divestment of equity instruments are recognized as an increase in retained earnings. Any transaction costs are charged directly against shareholders' equity.

#### Dividends

Dividends are recognized as a liability after approval of the dividend by the Annual General Meeting.

#### Earnings per share

Earnings per share are calculated on the basis of consolidated earnings attributable to the Parent Company's shareholders and on the weighted average number of shares outstanding during the year. When calculating earnings per share after dilution, profit and the average number of shares are adjusted to take into account the impact of dilutive potential common shares, which during the reported periods originated from options issued to employees. Dilution resulting from options affects the number of shares and arises only when the exercise price is lower than the share price. Dilution increases as the difference between the exercise price and the share price rises.

#### REMUNERATION TO EMPLOYEES

##### Short-term remuneration

Short-term remuneration of employees is estimated without discounting and is expensed when the related services have been received.

A provision is recognized for the expected cost of the profit-sharing and bonus payments when the Group becomes subject to a legal or informal obligation to make such payments because the services performed by the employees and the obligation can be measured reliably.

#### Defined-contribution plans

Plans in which the company's commitment is limited to the fees the company has undertaken to pay are classified as defined-contribution plans. In such cases, the size of the employee's pension depends on the fees the company pays into the plan or to an insurance company and the capital return the fees generate. Accordingly, it is the employee who carries the actuarial risks (that the remuneration will be lower than expected) and the investment risk (that the invested assets will be adequate to provide the expected remuneration). The company's commitments to the plans are expensed against profit for the year as they are vested by the employees performing the services for the company

over a period of time. The Group only has defined-contribution pensions. The Group's obligation for each period is determined by the amounts that the Group is to contribute for the actual period.

#### Termination of employment

An expense associated with the termination of employment is only recognized when the company is obligated to terminate an employment before the normal date.

#### Profit-sharing foundation

The profit-sharing foundation covers all employees of the Parent Company including senior executives, except the President. An allocation to the profit-sharing foundation is made in a given year if operating profit reached a level exceeding an operating margin of 20 percent. In such a case, the amount reserved is 10 percent of the part of the operating profit above the limit. The allocation has a maximum outcome of 30 percent of the dividend paid. If a dividend is not paid or if the operating margin does not reach 20 percent, no allocation is made. The allocation is recognized as a pension cost. For further information, refer to Note 4.

#### TAXES

Income tax comprises current and deferred tax. Income tax is recognized in profit or loss for the year except when the underlying transactions are recognized in other comprehensive income or in shareholders' equity, whereby the associated tax effect is recognized in other comprehensive income or in shareholders' equity.

Current tax is the tax payable or refundable for the current year, using the tax rates enacted or substantively enacted on the balance-sheet date. Current tax also includes any adjustment to tax payable in respect of previous years.

Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences in subsidiaries and associated companies are not taken into account when they will probably not be reversed in the foreseeable future. The amount of deferred tax is based on the expected manner of realization or settlement of the underlying assets and liabilities. Deferred tax is computed using tax rates enacted or substantially enacted on the balance sheet date.

A deferred tax asset relating to deductible temporary differences and loss carry-forwards is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. The value of deferred tax assets is reduced when it is no longer considered probable that they will be utilized.

#### PROVISIONS

Provisions are recognized in the balance sheet when the Group has an obligation (legal or constructive) due to a past event and since it is probable that an outflow of resources associated with economic benefits will be required to settle the obligation and the amount can be reliably estimated. Provisions are also made for events after the balance-sheet date to the extent they provide evidence of conditions that existed at the balance-sheet date, such as court rulings on disputes. If the Group expects to receive compensation corresponding to a provision made, through an insurance contract for example, the compensation is recognized as an asset in the balance sheet when it is virtually certain that compensation will

be received. If the effect of the time value for the future payment is considered significant, the provision's value is determined by calculating the present value of the expected future payment using a discount rate before tax that reflects the current market assessment of the time value and any risks associated with the obligation. The gradual increase in the provisional amount entailed by the present value calculation is recognized as an interest expense in profit and loss.

#### CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation that arises from past events and whose existence will only be confirmed by one or more uncertain future events, or when there is an obligation that is not recognized as a liability or provision because it is not probable that an outflow of resources will be required.

#### PARENT COMPANY'S ACCOUNTING POLICIES

The Parent Company prepared its Annual Report in accordance with the Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. The Swedish Financial Reporting Board's statements pertaining to listed companies were also applied. Under RFR 2, the Parent Company in its annual report for the legal entity shall apply all the IFRS and interpretations adopted by the EU to the extent possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act, also considering the relationship between financial reporting and taxation. The recommendation states the exceptions from and additions to IFRS that should be made. The differences between the accounting policies applied in the consolidated financial statements and those applied by the Parent Company are presented below. The accounting policies presented below for the Parent Company have been applied consistently in all periods presented in the Parent Company's financial statements.

#### Amended accounting policies

Unless otherwise specified below, the Parent Company's accounting policies during 2014 changed in the same manner as for the Group.

#### Classification and presentation

For the Parent Company, the terms balance sheet and cash-flow statement are used for the statements that the Group calls statement of financial position and statement of cash flows. The income statement and balance sheet for the Parent Company are presented in the manner specified in the Annual Accounts Act, while the statement of comprehensive income, the statement of changes in equity and the cash-flow statement are based on IAS 1 Presentation of Financial Statements and IAS 7 Statement of Cash Flows, respectively.

#### Research and development

All expenditure for research and development is recognized in the Parent Company's income statement. Such reporting is permitted in accordance with RFR 2. In the consolidated financial statements, these development expenditures are recognized as assets in accordance with IAS 38.

#### Taxes

In contrast to the Group, untaxed reserves in the Parent Company are recognized without being divided into shareholders' equity and deferred tax liabilities. Similarly in the income statement, the Parent Company does not report part of appropriations as deferred tax assets.

#### Subsidiaries

Participations in subsidiaries are recognized in the Parent Company financial statements in accordance with the cost method. This entails that transaction expenses are included in the carrying amount.

Conditional purchase considerations are measured on the basis of the probability of the purchase consideration being paid. Any changes in the provision/receivable are to be added to/reduced from cost.

Bargain acquisitions that match future anticipated losses and expenses are reversed over the periods in which the losses and expenses are expected to arise.

#### SIGNIFICANT ESTIMATES AND ASSESSMENTS

##### Recovering the value of development expenditure

The Group invests considerable amounts in research and development, parts of which are recognized as intangible assets, refer also to Note 10. Recognition of future development expenditure as an asset requires assumptions that the product is expected to become technically and commercially viable and that future economic benefits are probable. Capitalized development expenditure is amortized over a maximum estimated useful life of five years. The estimated sales volume and useful life, respectively, may be retested, which may result in impairment.

## NOTE 2 INFORMATION ABOUT GEOGRAPHIC AREAS

Identifying reportable segments is based on the internal reporting to the chief operating decision maker, which is the President at Raysearch. In the internal reporting, the Group is a segment.

#### DISTRIBUTION OF FIXED ASSETS, GROUP

SEK 000s	Tangible fixed assets		Intangible fixed assets	
	2014	2013	2014	2013
Sweden	11,247	4,549	164,081	166,678
US	1,424	924	–	–
Belgium	158	34	–	–
France	55	31	–	–
UK	21	29	–	–
Germany	46	–	–	–
	<b>12,951</b>	<b>5,567</b>	<b>164,081</b>	<b>166,678</b>

The distribution is specified by the company's registered offices.

#### SALES

RaySearch's products are sold directly to end customers and via partners. The information presented regarding segment revenues refers to the geographic areas grouped by where end customers are located.

%	Sweden		North America		Asia		Europe and the rest of the world	
	2014	2013	2014	2013	2014	2013	2014	2013
Sales	0.3	0.2	31.0	34.2	32.0	27.3	36.7	38.3

The division of sales is based solely on license revenues and not on support revenues since no regional information is available for support revenues, which also comprise a small portion of the total.

Sales of RayStation directly to end customers and via distributors amounted to SEK 190,229 (79,872), corresponding to 67 percent. Of the company's five commercial partners, Philips and Varian accounted for the largest share of sales. In 2014, sales through Philips totaled SEK 49,629,000 (52,095,000) and through Varian SEK 19,196,000 (17,853,000).

## NOTE 3 INCOME DISTRIBUTION

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
License revenues	256,107	179,930	189,264	138,928
Support revenues	29,110	24,540	25,718	23,251
Intra-Group revenues	–	–	35,381	16,999
	<b>285,217</b>	<b>204,470</b>	<b>250,363</b>	<b>179,178</b>

## NOTE 4 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

#### COSTS FOR REMUNERATION OF PARENT COMPANY AND GROUP EMPLOYEES

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Salaries and remuneration	88,225	69,318	63,661	55,409
Pension costs, defined-contribution plans	14,524	11,161	14,252	10,967
Social security expenses	18,353	18,864	16,058	17,497
	<b>121,102</b>	<b>99,343</b>	<b>93,971</b>	<b>83,873</b>

#### AVERAGE NUMBER OF EMPLOYEES

In the Parent Company, the average number of employees was 106 (95), of whom 66 (64) were men and 40 (38) women. In the Group, the average number of employees was 126 (107), of whom 83 (76) were men and 44 (41) women. The average number of employees per country in the Group was 106 (95) in Sweden, 15 (11) in the US, 2 (2) in Belgium, 2 (1) in France, 1 (1) in the UK and 1 (0) in Germany.

#### GENDER DISTRIBUTION IN MANAGEMENT

There are no women on the Board or any female senior executives who are active in the Group or Parent Company.

**SALARIES, OTHER REMUNERATION AND SOCIAL SECURITY EXPENSES TO SENIOR EXECUTIVES AND OTHER EMPLOYEES**

GROUP	2014		2013	
	Senior executives and Board members (12)	Other employees	Senior executives and Board members (11)	Other employees
Salaries and other remuneration	15,382	72,843	11,034	58,284
(of which, bonus)	2,137	1,372	156	837
Social security expenses	7,878	24,999	5,949	23,641
(of which, pension costs)	2,822	11,701	2,484	8,676
<b>Group total</b>	<b>23,260</b>	<b>97,842</b>	<b>16,983</b>	<b>81,925</b>

PARENT COMPANY	2014		2013	
	Senior executives and Board members (12)	Other employees	Senior executives and Board members (11)	Other employees
Salaries and other remuneration	15,382	48,278	11,034	44,375
(of which, bonus)	2,137	0	156	–
Social security expenses	7,878	22,432	5,949	22,274
(of which, pension costs)	2,822	11,429	2,484	8,483
<b>Parent Company total</b>	<b>23,260</b>	<b>70,710</b>	<b>16,983</b>	<b>66,649</b>

**SALARIES AND OTHER REMUNERATION OF BOARD MEMBERS AND GROUP MANAGEMENT**

2014	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Erik Hedlund	435	–	–	–	435
Board member Carl Filip Bergendal	156	–	–	–	156
Board member Hans Wigzell	156	–	–	–	156
President Johan Löf	4,188	1,577	413	552	6,730
Other senior executives (9)	7,601	560	296	2,270	10,727
<b>Total</b>	<b>12,536</b>	<b>2,137</b>	<b>709</b>	<b>2,822</b>	<b>18,204</b>

2013	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Erik Hedlund	410	–	–	–	410
Board member Carl Filip Bergendal	141	–	–	–	141
Board member Hans Wigzell	141	–	–	–	141
President Johan Löf	3,793	–	354	486	4,633
Other senior executives (7)	6,391	156	215	1,997	8,759
<b>Total</b>	<b>10,876</b>	<b>156</b>	<b>569</b>	<b>2,483</b>	<b>14,084</b>

No financial instruments or other share-related remuneration have been paid.

**Variable remuneration**

The President has a fixed basic salary and variable remuneration. The variable remuneration amounts to 2.0 percent of the Group's profit before tax, which is capped at the equivalent of six months' salary. Other senior executives have a fixed basic salary with the exception of the Director of Sales and Marketing, who has both a fixed basic salary and variable remuneration. For the employees of foreign subsidiaries, variable remuneration related to sales and achievement of established targets is paid. In 2008, the bonus was removed for all employees in the Swedish company except the President and replaced by a profit-sharing foundation. The profit-sharing foundation covers all employees in the Swedish company, including senior executives, except for the President. A provision is allocated to the profit-sharing foundation in a given year if the operating profit in the preceding year reached a level exceeding an operating margin of 20 percent. In such a case, the amount allocated is 10 percent of the portion of the operating profit that exceeds the limit level. The allocation has a maximum outcome of 30 percent of the dividend paid. If a dividend is not paid or if the operating margin does not reach 20 percent, no allocation is made.

**Pensions**

All pension undertakings are defined-contribution plans. The age of retirement for the President is 65 and the pension premium is equivalent to the Swedish ITP plan. The pension commitments for other senior executives are to be equivalent to the Swedish ITP plan. The age of retirement is 65 for all other senior executives. No other pension obligations exist.

**Severance pay**

If the President chooses to terminate his employment, the term of notice is six months; if the employer terminates his employment, the term of notice is 12 months. In either case, the President is not entitled to any special severance pay, but in both cases the President receives salary during the term of notice. The company and other senior executives have a mutual term of notice of three months during which salary is paid. Members of the Board do not receive any severance pay.

**Decision-making process**

The decision-making process regarding remuneration and benefits is described in greater detail in the Administration Report.

**NOTE 5 AUDITORS' FEES AND COMPENSATION FOR EXPENSES**

SEK 000s	2014	2013
<b>GROUP</b>		
EY		
Auditing assignments	535	315
Auditing assignments in addition to the audit assignment	270	577
Tax consultancy services	60	25
Other services	303	368
	<b>1,168</b>	<b>1,285</b>
<b>KPMG</b>		
Auditing assignments	–	250
Auditing assignments in addition to the audit assignment	–	–
Tax consultancy services	–	35
Other services	–	–
	<b>–</b>	<b>285</b>
<b>PARENT COMPANY</b>		
EY		
Auditing assignments	470	265
Auditing assignments in addition to the audit assignment	195	577
Tax consultancy services	55	25
Other services	290	348
	<b>1,010</b>	<b>1,215</b>
<b>KPMG</b>		
Auditing assignments	–	244
Auditing assignments in addition to the audit assignment	–	–
Tax consultancy services	–	35
Other services	–	–
	<b>–</b>	<b>279</b>

**NOTE 6 FINANCIAL LEASING DEBT**

	Future minimum lease fees	Interest	Present value of minimum lease fees
Financial leasing debt falls due for payment as follows:			
Within one year	1,383	137	1,246
2–5 years	3,100	103	2,997
	<b>4,483</b>	<b>240</b>	<b>4,243</b>

There was no financial leasing in 2013.

SEK 000s	GROUP	
	2014	2013
Opening balance	0	0
Acquisitions during the year	4898	–
Amortization	-655	–
Closing balance	<b>4,243</b>	<b>0</b>
	<b>4,243</b>	<b>0</b>

At December 31, 2014, earnings in the Group were charged with costs attributable to financial leasing with amortization accounting for 626 (0) and interest expenses for 141 (0).

**SIGNIFICANT LEASE AGREEMENTS**

Leasing of company vehicles to members of Group management.

Leasing of furniture and other office equipment; agreement expires on January 31, 2020.

**NOTE 7 OPERATING EXPENSES SPECIFIED BY TYPE OF COSTS**

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Cost of goods sold <sup>1</sup>	-11,627	-6,059	-7,223	-809
Personnel costs	-87,295	-68,637	-103,098	-94,566
Amortization and impairment losses	-58,194	-53,926	-1,634	-1,598
Exchange-rate losses	-6,795	-3,288	-6,795	-3,288
Other costs	-58,748	-101,289	-69,321	-109,997
	<b>-222,659</b>	<b>-233,199</b>	<b>-188,071</b>	<b>-210,258</b>

<sup>1</sup> Cost of goods sold comprises costs of sold hardware and royalties for licensed software included in the company's software. Amortization of capitalized development expenditure is not included in cost of goods sold. Amortization and capitalization of development expenditure are included in research and development expenses.

<sup>2</sup> Amortization of capitalized development expenditure is included in amortization and impairment losses in the table above.

**NOTE 8 OTHER OPERATING INCOME**

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Exchange-rate gains on operating receivables/liabilities	16,803	3,008	16,803	3,008
	<b>16,803</b>	<b>3,008</b>	<b>16,803</b>	<b>3,008</b>

**NOTE 9 OTHER OPERATING EXPENSES**

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Exchange-rate gains on operating receivables/liabilities	-6,795	-3,288	-6,795	-3,288
	<b>-6,795</b>	<b>-3,288</b>	<b>-6,795</b>	<b>-3,288</b>

**NOTE 10 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS**

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
<b>Intangible fixed assets</b>				
Depreciation/amortization and impairment according to function				
Administrative expenses	–	–	–	–
Research and development	-57,023	-52,824	–	-44
	<b>-57,023</b>	<b>-52,824</b>	<b>–</b>	<b>-44</b>
<b>Tangible fixed assets</b>				
Depreciation according to function				
Administrative expenses	-1,171	-565	-1,005	-1,017
Research and development	–	-537	-629	-537
	<b>-1,171</b>	<b>-1,102</b>	<b>-1,634</b>	<b>-1,554</b>
<b>Total depreciation/amortization</b>	<b>-58,194</b>	<b>-53,926</b>	<b>-1,634</b>	<b>-1,598</b>

**NOTE 11 OPERATIONAL LEASING**

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Leasing fees for the year	11,537	10,953	10,453	10,093
<b>Contractual future lease fees for leases that mature:</b>				
Within one year	11,235	11,268	10,315	10,408
Later than one but within five years	63,692	63,640	61,449	61,490
Later than five years	–	–	–	–
	<b>74,927</b>	<b>74,908</b>	<b>71,764</b>	<b>71,898</b>

Significant operating agreements pertain to two leases, of which one expires on December 31, 2014 and the other extends from December 1, 2014 until December 31, 2019. The baseline rent is indexed annually.

**NOTE 12 FINANCIAL INCOME AND EXPENSES**

SEK 000s	GROUP		PARENT COMPANY	
	2014	2013	2014	2013
Interest income on cash and cash equivalents	136	637	114	592
Interest income on accounts receivable and loan receivables	178	203	178	203
Other interest income	-4	12	-4	12
Other financial income	–	–	–	–
Interest income Group companies	–	–	2,677	1,427
	<b>310</b>	<b>852</b>	<b>2,965</b>	<b>2,234</b>
Interest expense on other liabilities <sup>1</sup>	-969	-97	-1,400	-58
	<b>-969</b>	<b>-97</b>	<b>-1,400</b>	<b>-58</b>
<b>Net</b>	<b>-659</b>	<b>754</b>	<b>1,565</b>	<b>2,176</b>

<sup>1</sup> Interest expense for the credit facility is based on STIBOR T/N + 1.50 percent

**NOTE 13 APPROPRIATIONS**

SEK 000s	2014	2013
	Tax allocation reserve, provision for the year	-20,073
Tax allocation reserve, reversals for the year	–	20,759
Accelerated depreciation for tax purposes, equipment	-956	-433
	<b>-21,029</b>	<b>20,326</b>

**NOTE 14 TAX ON PROFIT FOR THE YEAR**

SEK 000s	GROUP	
	2014	2013
<b>Current tax expense</b>		
Tax expense for the year	-14,411	-574
	<b>-14,411</b>	<b>-574</b>
<b>Deferred tax expense/income</b>		
Deferred tax for temporary differences regarding capitalized development expenditure	571	-175
Untaxed reserves/deferred tax attributable to loss carryforwards	-5,029	4,875
	<b>-4,458</b>	<b>4,700</b>
<b>Total tax expense/income recognized in the Group</b>	<b>-18,869</b>	<b>4,126</b>

**RECONCILIATION OF EFFECTIVE TAX**

SEK 000s	GROUP	
	2014	2013
Recognized profit before tax	78,701	-24,967
Tax at current tax rate of 22%	-17,314	5,493
Effect of other tax rates for foreign companies	15	10
Effect of non-taxable income	–	3
Effect of non-deductible costs	-1,589	-1,271
Standard interest on tax allocation reserve	–	-68
Losses for which deferred tax has not previously been recognized	19	-41
<b>Recognized effective tax</b>	<b>-18,869</b>	<b>4,126</b>

SEK 000s	PARENT COMPANY	
	2014	2013
<b>Current tax expense</b>		
Tax expense for the year	-13,248	–
Change in deferred tax	-403	403
<b>Total tax expense recognized in the Parent Company</b>	<b>-13,651</b>	<b>403</b>

**RECONCILIATION OF EFFECTIVE TAX**

SEK 000s	PARENT COMPANY	
	2014	2013
Recognized profit before tax	59,631	-5,571
Tax at current tax rate of 22%	-13,119	1,226
Effect of non-taxable income	1	–
Effect of non-deductible costs	-533	-755
Standard interest on tax allocation reserve	0	-68
<b>Recognized effective tax</b>	<b>-13,651</b>	<b>403</b>

**NOTE 15** DIVIDEND PER SHARE, EARNINGS PER SHARE AND NUMBER OF SHARES

	2014	2013
Dividend per share	–	–
Total number of shares at beginning of the year	34,282,773	34,282,773
Of which treasury stock	–	-299,628
Number of shares outstanding at beginning of the year	34,282,773	33,983,145
Sales of treasury stock October 2013	–	299,628
Number of shares outstanding at year-end	34,282,773	34,282,773
Average number of shares outstanding during the period	34,282,773	34,049,820
Earnings per share before/after dilution	1.75	-0.61
<b>Profit for the year attributable to Parent Company shareholders (before and after dilution)</b>	<b>59,832</b>	<b>-20,841</b>

Treasury stock at December 31, 2012 amounted to 299,628 Class B shares in RaySearch Laboratories through RayIncentive AB. Shares in RayIncentive were allocated already before RaySearch's listing on the stock exchange in 2003 to be used for incentive programs for employees. Since all existing warrants programs had expired, the Board decided to transfer the remaining shares to the profit-sharing foundation, RayFoundation. For further information about the profit-sharing foundation, refer to Note 4. In October 2013, 246,894 of RayIncentive's shares were sold to RayFoundation for a carrying amount corresponding to SEK 00.62 per share. The remaining 52,734 shares were sold on the market at an average price of SEK 26.97 per share to cover tax expenses related to the transaction. Thereafter, RayIncentive had no remaining shares in RaySearch and, at December 31, 2013 and December 31, 2014, there was no treasury stock. No potential common shares that could generate dilution exist.

**NOTE 16** CAPITALIZED DEVELOPMENT EXPENDITURE

	GROUP	
	Dec. 31, 2014	Dec. 31, 2013
SEK 000s		
<b>Accumulated cost</b>		
Opening balance	373,601	320,025
Internally developed assets	54,426	53,576
<b>Closing balance</b>	<b>428,027</b>	<b>373,601</b>
<b>Accumulated amortization/depreciation and impairment according to plan</b>		
Opening balance	-206,923	-154,143
Amortization according to plan for the year	-57,023	-52,780
Impairment losses for the year	–	–
<b>Closing balance</b>	<b>-263,946</b>	<b>-206,923</b>
<b>Closing carrying amount</b>	<b>164,081</b>	<b>166,678</b>

Capitalized development expenditure pertains to the development of new versions of RaySearch's software products. This development expenditure is capitalized and amortized over a period of five years from the time when the products are released on the market.

**NOTE 17** SOFTWARE

	GROUP AND PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013
SEK 000S		
<b>Accumulated cost</b>		
Opening balance	3,658	3,658
New acquisitions	–	–
<b>Closing balance</b>	<b>3,658</b>	<b>3,658</b>
<b>Accumulated amortization</b>		
Opening balance	-3,658	-3,614
Amortization according to plan for the year	–	-44
<b>Closing balance</b>	<b>-3,658</b>	<b>-3,658</b>
<b>Closing carrying amount</b>	<b>0</b>	<b>0</b>

**NOTE 18** TANGIBLE FIXED ASSETS

	GROUP		PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
SEK 000s				
<b>Equipment, tools, fixtures and fittings</b>				
<b>Accumulated cost</b>				
Opening balance	17,682	14,724	17,043	14,064
New acquisitions	9,184	2,958	4,059	2,979
Divestments and disposals	–	–	–	–
<b>Closing balance</b>	<b>26,866</b>	<b>17,682</b>	<b>21,102</b>	<b>17,043</b>
<b>Accumulated depreciation according to plan</b>				
Opening balance	-12,115	-11,013	-12,494	-10,940
Divestments and disposals	–	–	–	–
Depreciation according to plan for the year <sup>1</sup>	-1,800	-1,102	-1,633	-1,554
<b>Closing balance</b>	<b>-13,915</b>	<b>-12,115</b>	<b>-14,127</b>	<b>-12,494</b>
<b>Closing carrying amount</b>	<b>12,951</b>	<b>5,567</b>	<b>6,975</b>	<b>4,549</b>

<sup>1</sup> Of the Group's depreciation, SEK 537,000 (958,000) was capitalized. Tangible fixed assets include financial leasing in a carrying amount of SEK 4,272,000 (0).

**NOTE 19** PARTICIPATIONS IN GROUP COMPANIES

	PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013
SEK 000s		
<b>Accumulated cost</b>		
Opening balance	2,266	2,171
Acquisition	227	95
Impairment loss on subsidiaries	–	–
<b>Closing balance</b>	<b>2,493</b>	<b>2,266</b>

Specification of Parent Company's and Group's holdings of participations in Group companies.

**NOTE 19. PARTICIPATIONS IN GROUP COMPANIES, cont.**

GROUP COMPANY/CORP. REG. NO/REG. OFFICE	NUMBER/PARTICIPATIONS IN %	ADJUSTED EQUITY/PROFIT FOR THE YEAR <sup>2</sup>	CARRYING AMOUNT
RayIncentive AB, 556635-8247, Stockholm, Sweden	100.0	2,505 / 23	2,009
RayIncentive Americas Inc Delaware, USA	100.0	-30,282 / -907	0
RaySearch Belgium Sprl Brussels, Belgium	99.0	445 / 73	170
RaySearch France SAS Paris, France	100.0	259 / 117	87
RaySearch UK Ltd London, England	100.0	118 / 86	0
RaySearch Germany GmbH Berlin, Germany	100.0	294 / 53	227
			2,493

<sup>2</sup> Adjusted equity refers to the share of the company's equity, including the equity component of untaxed reserves. Profit for the year refers to the ownership share of the company's profit after tax, including the equity share in the change for the year in untaxed reserves.

**NOTE 20** ACCOUNTS RECEIVABLE

At December 31, 2014, the company made provisions of SEK 2,295,000 (0) for doubtful debts. The company estimates that the credit risk will remain very low and that the credit quality is high.

	GROUP		PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
<b>AGE ANALYSIS, CARRYING AMOUNT</b>				
Not past due	100,443	67,413	73,172	52,295
Past due 0–30 days	13,349	5,559	4,890	2,571
Past due 30–90 days	18,431	3,901	9,340	2,923
Past due more than 90 days	15,587	4,047	4,253	3,031
<b>Total</b>	<b>147,810<sup>1</sup></b>	<b>80,918</b>	<b>91,656</b>	<b>60,819<sup>1</sup></b>

<sup>1</sup> At March 31, 2015, SEK 58,699,000 has been paid in.

## NOTE 20. ACCOUNTS RECEIVABLE, cont.

AGE ANALYSIS, RECEIVABLES FROM GROUP COMPANIES	PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013
Not past due	20,783	1,530
Past due 0–30 days	11,264	3,255
Past due 30–90 days	0	2,284
Past due more than 90 days	47,942	40,521
<b>Total</b>	<b>79,989</b>	<b>47,590</b>

## NOTE 21 PREPAID EXPENSES AND ACCRUED INCOME

SEK 000s	GROUP		PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Prepaid rent	4,584	2,565	4,437	2,378
Prepaid insurance	263	212	233	182
Accrued interest income	–	–	4,073	1,396
Other items	3,851	3,830	3,744	3,816
	<b>8,698</b>	<b>6,607</b>	<b>12,487</b>	<b>7,772</b>

## NOTE 22 CASH AND CASH EQUIVALENTS

SEK 000s	GROUP		PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
<b>The following sub-components are included in cash and cash equivalents:</b>				
Cash and bank balances	56,085	38,231	47,935	26,305
	<b>56,085</b>	<b>38,231</b>	<b>47,935</b>	<b>26,305</b>

Cash and cash equivalents comprise bank balances. Of the company's credit facility of SEK 25 M, SEK 3.8 M has been blocked as collateral for bank guarantees totaling EUR 0.4 M to MedAustron. The remaining SEK 21.2 M is unutilized.

## NOTE 23 DEFERRED TAX ASSETS AND TAX LIABILITIES

SEK 000s	GROUP	
	Dec. 31, 2014	Dec. 31, 2013
<b>Deferred tax liabilities for:</b>		
<b>Intangible assets</b>		
Opening balance	36,669	36,494
Change during the year	-571	175
<b>Closing balance</b>	<b>36,098</b>	<b>36,669</b>

## Attributable to untaxed reserves

Opening balance	0	4,472
Change during the year	4,626	-4,472
<b>Closing balance</b>	<b>4,626</b>	<b>0</b>
<b>Carrying amount</b>	<b>40,724</b>	<b>36,669</b>

## Deferred tax assets in respect of loss carry-forwards

Opening balance	403	0
Change during the year	-403	403
<b>Closing balance</b>	<b>0</b>	<b>403</b>

Valuation is based on the nominal tax rate.

## NOTE 24 UNTAXED RESERVES

SEK 000s	PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013
<b>Accumulated depreciation/amortization in excess of plan:</b>		
Opening balance, January 1	0	-433
Reversals/depreciation/amortization in excess of plan for the year	956	433
<b>Closing balance, December 31</b>	<b>956</b>	<b>0</b>
<b>Untaxed reserves</b>		
Allocated at taxation in 2015	20,073	0
	<b>21,029</b>	<b>0</b>

## NOTE 25 PROVISIONS

SEK 000s	GROUP AND PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013
Opening balance	34,759	0
Provision for the year	–	34,759
Reclassification as liability	-34,759	
<b>Closing balance</b>	<b>0</b>	<b>34,759</b>
of which, short-term component	–	12,809
of which long-term component	–	21,950

The provision for 2013 pertains to the long and short-term component for Prowess in accordance with the legal settlement of disputes. The provision was reclassified in 2014 to long-term and current liabilities. The payment plan is divided into four stages. The first date of payment is April 30, 2014 for an amount of USD 1 M, the second date of payment is November 1, 2014 for an amount of USD 1 M, the third date of payment is November 1, 2015 for an amount of USD 2 M and the final date of payment is November 1, 2016 for the remaining amount of USD 1.6 M. The total amount of USD 5.6 M is at nominal value. The long-term liability does not carry any interest as per agreement and is therefore calculated according to present value. During the year, the currency and discount effect had a negative impact of SEK 4.6 M on profit from financial items. Payment for the year connected to the settlement amounted to SEK 13.6 M.

## NOTE 26 LONG-TERM LIABILITIES

SEK 000s	Dec. 31, 2014	Dec. 31, 2013
	Opening balance	0
Raising of bank loans <sup>1</sup>	25,000	–
Reclassification from provision <sup>2</sup>	11,853	–
Debt pertaining to financial leasing	4,243	–
<b>Closing balance Group</b>	<b>41,096</b>	<b>0</b>
Less financial leasing	-4,243	–
<b>Closing balance Parent Company</b>	<b>36,853</b>	<b>0</b>

<sup>1</sup> RaySearch has signed a revolving loan for up to SEK 25 M. SEK 25 M has been borrowed over a term of three months within the framework of the revolving loan. The bank loan carries STIBOR interest rates and a margin that reflects the current interest rate of 2.76 percent, which will be paid quarterly. The bank loan is subject to covenants regarding the fulfillment of key figures connected to earnings and shareholders' equity. The revolving loan is repayment free until May 18, 2015, after which RaySearch could choose to repay or continue with the loan until November 4, 2017 at the latest.

<sup>2</sup> The total debt to Prowess for dispute settlement amounted to 27,085, of which 11,853 is long-term debt and 15,232 is short-term debt. The short-term debt is recognized as other liabilities. For the maturity structure, see Note 25.

Interest	GROUP AND PARENT COMPANY					TOTAL
	WITHIN 1 MONTH	1–3 MONTHS	3–12 MONTHS	1–2 YEARS	2–5 YEARS	
Bank loan	0	200	600	800	1600	3200

The loan extends until November 4, 2017. In the table, the revolving loan is expected to continue and the prevailing interest rate has been used.

For more information about financial leasing, see Note 6.

## NOTE 27 ACCRUED EXPENSES AND DEFERRED INCOME

SEK 000s	GROUP		PARENT COMPANY	
	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2014	Dec. 31, 2013
Social security expenses and vacation costs	8,385	6,532	7,735	6,074
Other personnel-related costs	4,579	3,506	1,861	1,841
Deferred income	4,430	1,285	826	223
Legal expenses	0	1,348	0	1,348
Other items	6,980	3,987	6,628	3,860
	<b>24,374</b>	<b>16,658</b>	<b>17,050</b>	<b>13,346</b>

## NOTE 28 RISKS AND RISK MANAGEMENT

## FINANCIAL RISK MANAGEMENT

The Group is exposed to various types of financial risks through its operations. The term "financial risks" refers to fluctuations in the company's earnings and cash flow due to changes in exchange rates, interest rates, financing and credit risks. The Board has formulated the Group's financial risk management policy, which constitutes a framework of guidelines and regulations in the form of risk mandates and limits for financial activities.

## Foreign-exchange risk

Foreign-exchange risk refers to the risk of fluctuations in the value of a financial instrument because of changes in exchange rates. Foreign-exchange risk derive from changes in expected and contractual payment flows (transaction exposure), receivables and liabilities in foreign currency (translation exposure) and financial exposure in the form of currency risk associated with payment flows and investments. The Group has mainly had net payments in USD and EUR entailing a foreign-exchange risk. No hedging has been made.

**NOTE 28. RISKS AND RISK MANAGEMENT, cont.****Transaction exposure**

Translated to SEK, the Group's transaction exposure is distributed among the following currencies:

	Dec. 31, 2014	Dec. 31, 2013
EUR	76,619	67,357
USD	140,952	96,541
Other currencies	19,684	6,720
	<b>237,255</b>	<b>170,618</b>

The consolidated income statement includes exchange-rate gains of SEK 16,803,000 and exchange-rate losses of SEK 6,795,000. This generates an effect of SEK 10,008,000 (neg: 280,000) on operating profit and 0 (0) on net financial items. Transaction exposure has not been hedged.

Translation exposure	Dec. 31, 2014	Dec. 31, 2013
USD		
Accounts receivable	103 229	38 011
Accounts payable	-667	-2 912
	<b>102,562</b>	<b>35,099</b>

EUR	Dec. 31, 2014	Dec. 31, 2013
Accounts receivable	28,781	38 165
Accounts payable	-770	-59
	<b>28,011</b>	<b>38,106</b>

OTHER CURRENCIES	Dec. 31, 2014	Dec. 31, 2013
Accounts receivable	15 800	4 241
Accounts payable	-2 886	-18
	<b>12,914</b>	<b>4,223</b>

**Sensitivity analysis**

Because most invoicing is in USD and EUR while most costs are incurred in SEK, the company is exposed to trends in the USD and EUR exchange rates against the SEK. In 2014, revenues in USD were recognized at an average exchange rate of SEK 6.89, compared with SEK 6.51 in 2013. In 2014, revenues in EUR were recognized at an average exchange rate of SEK 9.18, compared with SEK 8.78 in 2013. Accordingly, currency effects had a positive impact on sales. At unchanged exchange rates, sales would have increased 32.9 percent compared with 2013. A sensitivity analysis of the currency exposure indicates that the impact on operating profit in 2014 of a change in the average USD exchange rate of +/- 10 percent was +/- SEK 14.1 M, and that the corresponding impact of a change in the average EUR exchange rate of +/- 10 percent was +/- SEK 7.7 M. The company has a debt of USD 3.6 M due to the settlement with Prowess. During the year, the currency effect had a negative impact of SEK 2.0 M on profit from financial items.

**Interest-rate risk**

Interest-rate risk corresponds to the impact on earnings that a possible change in interest rates would cause. At December 31, 2014, an interest-rate change of +/-1 percent would have impacted the Group's profit before tax by approximately +/- SEK 0.4 M (0.8).

**Effective rate of interest and loan-maturity structure**

RaySearch's cash and cash equivalents are liquid funds in bank accounts carrying an effective interest rate of 0.31 percent. In accordance with the company's financial policy, investments are made in K1-rated interest-bearing securities.

**Financing risk**

Financing risk refers to the risk that the company will need to borrow funds in a strained credit market. The Group's operations are financed mainly with shareholders' equity. The Group works actively with its liquidity monitoring and continuously updates forecasts for the expected liquidity trend. This facilitates necessary action in a timely manner. Based on currently known conditions, the assessment is that the Group has sufficient liquidity to conduct its operations in accordance with current plans.

**Credit risk**

The company's credit risk consists of credit risk for receivables from Philips, Nucletron, IBA, Varian and Brainlab, which were the company's five commercial partners with which products have been launched, and clinics to which the company directly sold systems. The company assesses that this very low level of credit risk will continue and that the quality of credit is high.

**Liquidity risk**

Liquidity risk refers to the risk that liquid assets may be insufficient for the activities planned and the risk that difficulties may arise in obtaining or repaying external loans. The Group works actively with its liquidity monitoring and continuously updates forecasts for the expected liquidity trend. This facilitates necessary action in a timely manner. Based on currently known conditions, the assessment is that the Group has sufficient liquidity to conduct its operations in accordance with current plans. RaySearch's cash and cash equivalents are invested in liquid assets with low credit risk.

**Operational risks**

The Group is exposed to various operational risks through its operations, including the following:

**Dependence on key individuals**

RaySearch's future development is partly dependent on a number of key individuals with specialized expertise remaining in the organization. The loss of one or more of these key individuals could have an adverse impact on the Group's operations. Some employees have been participating in incentive programs and many employees currently hold shares in RaySearch.

**Competition**

RaySearch's main competitors are Varian, Elekta and Philips. These have large development divisions and invest major resources in developing products that compete with RayStation's products. They also utilize their positions as hardware suppliers that sell turnkey solutions with both software and hardware to customers. RaySearch currently sells only software and cannot compete in that type of business.

**Strategic partnerships**

RaySearch currently has partnerships with Philips, Nucletron, IBA, Varian, and Brainlab. RaySearch also has several research partnerships. 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. RaySearch is continuously engaged in discussions with several partners concerning further collaboration.

**Alternative treatment methods**

Of the three primary forms of cancer treatment – surgery, radiation therapy and chemotherapy – radiation therapy is the form that has increased most for cura-

tive groups over the past 20 years. RaySearch estimates that radiation therapy will continue to be an important treatment option in the future.

**US insurance system**

Should the US insurance system choose not to compensate clinics for treatment involving adaptive radiation therapy, this would have a negative impact on RaySearch.

**Regulatory approval**

Medical technology products require regulatory approval. Should any product that any of RaySearch's partners plan to sell not receive regulatory approval, this would have a negative impact on RaySearch.

**Product development**

RaySearch develops highly advanced products, for which RaySearch assumes the risk from the development stage through to launch, which could result in higher costs than anticipated. This is offset through continuous project follow-up and quality assurance.

**NOTE 29 DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE GROUP****CLASSIFICATION AND CATEGORIZATION OF GROUP ASSETS AND LIABILITIES, Dec. 31, 2014**

Dec. 31, 2014	Loan receivables/ accounts receivable	Total financial assets	Non-financial assets	Total
<b>Assets</b>				
Intangible assets	–	0	164,081	<b>164,081</b>
Tangible assets	–	0	12,951	<b>12,951</b>
Accounts receivable	147,810	<b>147,810</b>	–	<b>147,810</b>
Tax receivable	–	0	118	<b>118</b>
Other receivables	–	0	10	<b>10</b>
Prepaid expenses and accrued income	4,073	<b>4,073</b>	4,625	<b>8,698</b>
Cash and cash equivalents	56,085	<b>56,085</b>	–	<b>56,085</b>
	<b>207,968</b>	<b>207,968</b>	<b>181,785</b>	<b>389,753</b>

**NOTE 29. DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE GROUP, cont.**

Dec. 31, 2014	Financial liabilities measured at amortized cost	Non-financial liabilities	Total
<b>Equity and liabilities</b>			
Shareholders' equity	–	251,548	<b>251,548</b>
Deferred tax liabilities	–	40,724	<b>40,724</b>
Other long-term liabilities	41,096	–	<b>41,096</b>
Accounts payable	9,034	–	<b>9,034</b>
Tax liabilities	–	5,666	<b>5,666</b>
Other liabilities	15,302	2,009	<b>17,311</b>
Accrued expenses and deferred income	11,410	12,964	<b>24,374</b>
	<b>76,842</b>	<b>312,911</b>	<b>389,753</b>

Dec. 31, 2013	Loan receivables/ Accounts receivable	Total financial assets	Non-financial assets	Total
<b>Assets</b>				
Intangible assets	–	0	166,678	<b>166,678</b>
Tangible assets	–	0	5,567	<b>5,567</b>
Accounts receivable	80,918	<b>80,918</b>	–	<b>80,918</b>
Tax receivable	–	0	20	<b>20</b>
Other receivables	–	0	1,141	<b>1,141</b>
Prepaid expenses and accrued income	1,396	<b>1,396</b>	5,211	<b>6,607</b>
Cash and cash equivalents	38,231	<b>38,231</b>	–	<b>38,231</b>
	<b>120,545</b>	<b>120,545</b>	<b>178,617</b>	<b>299,162</b>

Dec. 31, 2013	Financial liabilities measured at amortized cost	Non-financial liabilities	Total
<b>Equity and liabilities</b>			
Shareholders' equity	–	196,601	<b>196,601</b>
Deferred tax liabilities	–	36,669	<b>36,669</b>
Provisions, long-term component	–	21,950	<b>21,950</b>
Provisions, short-term component	–	12,809	<b>12,809</b>
Accounts payable	6,925	–	<b>6,925</b>
Tax liabilities	–	5,883	<b>5,883</b>
Other liabilities	–	1,667	<b>1,667</b>
Accrued expenses and deferred income	7,461	9,197	<b>16,658</b>
	<b>14,386</b>	<b>284,776</b>	<b>299,162</b>

**NOTE 29. DISCLOSURES ON FINANCIAL INSTRUMENTS IN THE GROUP, cont.**

Fair value measurement contains a measurement hierarchy for the inputs used to measure fair value. The three levels are:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities to which the company has access on the measurement date.

**Level 2:** Inputs other than the quoted prices in Level 1, which are directly or indirectly observable for the access or liability. This may also include inputs other than quoted prices that are observable for the access or liability, such as interest-rate levels, yield curves, volatility and multiples.

**Level 3:** Unobservable inputs for the asset or liability. This level takes into account the assumptions that a market participant would apply when pricing the asset or liability, including risk assumptions.

For all of the above items, with the exception of borrowing, the carrying amount is an approximation of the fair value, which is why these items have not been divided into levels according to the measurement hierarchy. Since the loans carry variable interest and other external borrowing carries fixed interest, which in all significant respects is adjudged to correspond to prevailing market interest rates, the assessment is that the carrying amounts of loans essentially matches the fair value.

**NOTE 30 PLEDGED ASSETS**

	Dec. 31, 2014	Dec. 31, 2013
SEK 000s		
Pledged assets		
Chattel mortgages	50,000	20,000
Restricted bank funds/restricted credit facility	3,800	17,500
<b>Total</b>	<b>53,800</b>	<b>37,500</b>

In November, the company's credit facility was expanded from SEK 30 M to SEK 50 M, whereby chattel mortgages were increased to SEK 50 M. The credit facility comprises an overdraft facility of SEK 25 M and a revolving credit facility of up to SEK 25 M. SEK 25 M has been borrowed over a term of three months within the framework of the revolving loan. Of the company's credit facility of SEK 25 M, SEK 3.8 M has been blocked as collateral for bank guarantees totaling EUR 0.4 M to MedAustron.

**NOTE 31 RELATED PARTIES**

For a description of transactions with senior executives, refer to Note 4. The Parent Company has a related-party relationship with its subsidiaries, see Note 19.

**SUMMARY PARENT COMPANY**

SEK 000s	Sales of goods/services to Group companies	Purchase of goods/services from Group companies	Dividends	Receivables from Group companies Dec. 31	Liabilities to Group companies Dec. 31
2014	35,381	–11,161	–	79,989	1,364
2013	16,999	–4,872	–	47,590	1,467

**NOTE 32 EVENTS AFTER BALANCE SHEET DATE****CFD left RaySearch**

In January 2015, RaySearch's CFO, Anders Martin-Löf, announced that he would be leaving the company in April to become CFO at another company. Anders retained his areas of responsibility as CFO until he left RaySearch in April. His duties are currently being performed by the interim CFO, Peter Thysell, and a process to find a permanent successor has been initiated.

**WPE first proton center in Europe to use RayStation clinically**

In February 2015, it was announced that Westdeutsches Protonentherapiezentrum Essen (WPE), a unit of the University Hospital Essen in Germany, had started to use RaySearch's treatment planning system RayStation for clinical treatment. WPE is the first university-based proton therapy in Germany and was the first clinic to choose RayStation as a treatment planning system.

# AUDITORS' REPORT

## TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF RAYSEARCH LABORATORIES AB (PUBL) CORPORATE REGISTRATION NUMBER 556322-6157

### REPORT ON THE ANNUAL ACCOUNTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the annual accounts and consolidated financial statements for RaySearch Laboratories AB (publ) for 2014. The company's annual accounts and consolidated financial statements are included on pages 1–32.

#### Responsibilities of the Board of Directors and the President for the annual accounts and consolidated financial statements

The Board of Directors and the President are responsible for preparing an annual report that provides a true and fair view in accordance with the Swedish Annual Accounts Act, and consolidated financial statements that provide a true and fair view in accordance with International Financial Reporting Standards, such as those adopted by the EU and the Swedish Annual Accounts Act, and for the internal control that the Board of Directors and the President deem necessary for the preparation of annual reports and consolidated financial statements that are free of material misstatement, whether they be due to impropriety or error.

#### Auditor's responsibility

Our responsibility is to express an opinion on the annual accounts and consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance that the annual accounts and consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated financial statements. The auditor chooses such procedures based on such assessments as the risk of material misstatement in the annual accounts and consolidated financial statements, whether such misstatement is due to fraud or error. In making these risk assessments, the auditor considers internal control measures relevant to the company's preparation and fair presentation of the annual accounts and consolidated financial statements in order to design audit procedures that are appropriate taking the circumstances into account, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President, as well as evaluating the overall presentation of the annual accounts and consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present a fair view, in all material respects, of the financial position of the Parent Company as of December 31, 2014 and of its financial performance and cash flows for the year in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present a fair view, in all material respects, of the financial position of the Group as of December 31, 2014 and its financial per-

formance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is compatible with the other parts of the Annual Report and consolidated financial statements.

We therefore recommend that the annual general meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the statement of comprehensive income and statement of financial position for the Group.

#### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of RaySearch Laboratories (publ) for the year 2014.

#### Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

#### Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined whether the proposal complies with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated financial statements, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, April 22, 2015  
Ernst & Young AB

Per Hedström  
Authorized Public Accountant

The Board of Directors hereby provides assurance that the annual accounts were prepared in accordance with generally accepted accounting policies in Sweden and that the consolidated financial statements were prepared in accordance with the international accounting standards referred to in the European Parliament and Council regulation (EC) no. 1606/2002 dated July 19, 2002 on the application of international accounting standards. The Annual Report and the consolidated financial statements provide a true and fair view of the Group's and Parent Company's financial position and earnings. The Administration Report for the Parent Company and the Group provides a fair summary of the Parent Company's and Group's operations, financial position and earnings, and describes the significant risks and uncertainties faced by the Parent Company and the companies in the Group.

As stated above, the annual accounts and the consolidated financial statements were approved for publication by the Board of Directors on April 22, 2015. The statement of comprehensive income and statement of financial position, and the Parent Company's income statement and balance sheet will be submitted for adoption at the Annual General Meeting on May 28, 2015.

Erik Hedlund  
Chairman of the Board

Johan Löf  
President/CEO and  
Board member

Carl Filip Bergendal  
Board member

Hans Wigzell  
Board member

Our audit report was submitted on April 22, 2015

Ernst & Young AB

Per Hedström  
Authorized Public Accountant

# CORPORATE GOVERNANCE REPORT

## GENERAL

Corporate governance in RaySearch is based on the Swedish Companies Act, the Swedish Annual Accounts Act, the Nasdaq Stockholm Issuers Rules, the Articles of Association and RaySearch's application of the Swedish Corporate Governance Code (the "Code"). Companies listed on Nasdaq Stockholm are obligated to apply the Swedish Code of Corporate Governance. The aim of the Code is to improve the governance of Swedish companies and, in particular, to ensure that companies are managed in the best interests of their shareholders. In turn, a high level of corporate governance enhances confidence in listed companies among capital market players and the public at large. For more information on the Code, see [www.bolagsstyning.se](http://www.bolagsstyning.se).

The term "apply the Code" entails that companies must actively make a decision regarding their approach to the various regulations of the Code. If a company chooses to deviate from the Code's rules, it must explain why in accordance with the principle of "comply or explain."

Since the Code's rules are primarily designed for larger companies with diversified ownership, they may be unnecessarily burdensome and difficult to apply for smaller companies with a more concentrated ownership structure. RaySearch is a small company with a majority shareholder who is also actively involved in the company in his role as President. In most cases, this is the reason why RaySearch has opted not to observe certain Code regulations.

RaySearch submits Corporate Governance Reports in connection with the submission of annual reports for each fiscal year.

## ANNUAL GENERAL MEETING

Following motions by the shareholders, the Board of Directors and the audit firm (with an auditor-in-charge) are elected at the Annual General Meeting (AGM) for a term of office until the close of the following AGM. The date of the AGM is announced no later than in conjunction with the third-quarter interim report and is simultaneously published on the company's website. Shareholders representing 44.3 percent of the total number of shares and 69.8 percent of the total number of votes in the company participated in RaySearch's AGM on May 27, 2014 in Stockholm. RaySearch's President, Chairman of the Board Erik Hedlund, Member of the Board Carl Filip Bergendal and RaySearch's auditors attended the AGM.

## FUNCTION OF THE AGM

RaySearch is permitted to issue shares in two class, known as Class A and Class B. In voting at the AGM, each Class A share carries ten votes and each Class B share carries one vote. The total number of shares in RaySearch is currently 34,282,773, of which 11,324,391 are Class A and 22,958,382 are Class B

shares. There are no special provisions regarding the function of the AGM in the Articles of Association or, to the knowledge of RaySearch, in shareholder agreements.

## AUTHORIZATION PROVIDED BY THE AGM

The AGM on May 27, 2014 resolved, in accordance with the Board's motion, to authorize the Board, on one or several occasions during the period up to the following AGM, to make decisions on the issue of new Class B shares. The number of shares that may be issued pursuant to the authorization may not exceed the equivalent of 10 percent of the registered share capital on the date of the official notice of the AGM, which was SEK 17,141,386.50. The shares may be issued either as a rights issue or by disapplying the preemptive rights of the shareholders, and may also be issued either as or not as a non-cash issue or an issue offsetting debt. The purpose of the authorization is to increase the company's financial flexibility. Disapplying the existing shareholders' preferential rights, the issue price is to be the market price. Other terms and conditions may be decided by the Board of Directors.

## NOMINATION COMMITTEE

The company diverges from the Code's rules by not appointing a Nomination Committee. In view of the ownership structure, the Board believes that such a committee would not fulfill any function, but would simply give rise to additional costs.

## BOARD OF DIRECTORS

RaySearch's Board of Directors makes decisions on matters regarding the company's strategic direction, structure and organization and research and development matters. The Board also addresses partnership agreements, interim reports, the annual accounts, auditing issues, budget and key policies. Moreover, it is the Board's duty to ensure that correct information is provided to the stock market. The Board's work is regulated in such documents as the Companies Act, the Articles of Association and the formal work plan adopted by the Board. Under the Articles of Association, the Board shall comprise no fewer than three and no more than eight members, with no more than three deputies.

After the AGM on May 27, 2014, the Board of RaySearch comprised four members elected by the AGM, and no deputies.

The AGM on May 27, 2014 elected Erik Hedlund as Chairman of the Board until the next Annual General Meeting. The Board fulfills the independence requirement for Board members pursuant to the Code. Once each fiscal year, the Board undertakes an evaluation of its own performance using a systematic and structured process. The evaluation provides a basis for the Board's future work. The Board

also evaluates the work of the President but, in this respect, the company deviates from the Code in that the President may participate in the evaluation. The reason being that the President is a Board member and the Board believes that the President's participation will not affect the evaluation negatively.

## WORK OF THE BOARD IN 2014

The Board's work is governed by a formal work plan that is adopted annually and regulates such issues as the decision-making structure in the company, the Board meeting schedule and the duties of the Chairman. The Board as a whole addresses internal control issues that are its responsibility. In addition, the company's auditors personally report their observations from their audit and their assessment of the internal control to the Board each year. The Board held seven meetings during the year, and all Board members attended each of the meetings. Considering the size of the Board, it was not deemed necessary to introduce a separate delegation of duties among Board members. For the same reason, no committees were established.

## REMUNERATION COMMITTEE

RaySearch deviates from the Code by not establishing a Remuneration Committee. This is because the size of the Board and the company does not warrant such a committee. The remuneration of the President is determined by the Board (without the participation of the President) following negotiations between the President and the Chairman of the Board, while remuneration of other senior executives is determined following negotiations between the President and the individual employees.

## MAJOR DIRECT OR INDIRECT SHAREHOLDINGS

Shareholders with a direct or indirect shareholding in RaySearch who represent at least one-tenth of the votes in the company are listed in the table on the preceding page.

## PROVISIONS OF THE ARTICLES OF ASSOCIATION

RaySearch's Articles of Association do not contain any restrictions on how many votes each shareholder may cast at the AGM. Nor do RaySearch's Articles of Association contain any specific provisions on the appointment and dismissal of Board members, or amendments to the Articles of Association.

## AUDIT COMMITTEE

RaySearch also deviates from the Code by not appointing an Audit Committee. This is because the size of the Board and the company does not warrant any such committee. The Board as a whole performs the duties of an Audit Committee.

## INTERNAL CONTROL

Under the Swedish Code of Corporate Governance, the Board is to ensure that RaySearch has sound internal control and continuously remains informed of, and evaluates, the effectiveness of the company's internal control system. A key feature of the control environment is that the organization, decision-making procedures, responsibility and authority are clearly defined and communicated in governance documentation. The Board, in its annual assessment of the possible need for a separate function to review the company's internal financial controls, has concluded that there is no need for an internal audit function.

## CONTROL ENVIRONMENT

As part of the effort to create and maintain an effective control environment, the Board has established a number of fundamental and significant documents for financial reporting, including special rules of procedure for the Board and instructions for the President. The Board has delegated to the President to maintain the control environment as directed by the Board. The Board also determines the authorization instructions that delegate the President's authorization responsibilities to other senior executives at RaySearch. The President submits regular reports to the Board and executive management of RaySearch containing comments on the business situation and the financial performance compared with the budget and forecast. In addition, reports are also submitted by RaySearch's auditor. The internal control also builds upon a management system based on RaySearch's organization and manner of conducting business with clearly defined roles and areas of responsibility, and delegated authority. Governing documents, such as policies and guidelines, also have an important function in the control structure.

## RISK ASSESSMENT

RaySearch's executive management performs regular risk assessments to identify significant risks relating to financial reporting. As regards financial reporting, the primary risk is deemed to be material misstatement of the financial statements, such as the recognition and measurement of assets, liabilities, income and expenses or other abnormalities. Fraud and loss through embezzlement is another risk. Risk management is incorporated into each process and various methods are used to measure and minimize risks and to ensure that the risks to which RaySearch is exposed are managed in line with established regulations, instructions and monitoring procedures. The purpose of this is to reduce potential risks and promote accurate accounting, reporting and disclosures.

## CONTROL ACTIVITIES

The purpose of the control activities is to manage the risks that the Board and the company's executive management consider significant for the operations, internal control and financial reporting. The control structure includes distinct roles that permit effective allocation of responsibility of specific control functions aimed at the timely identification and prevention of the risk of reporting errors. Such control functions include clear decision-making procedures for major decisions such as acquisitions, other types of major investments, divestments, agreements and analytical monitoring. Another significant task for RaySearch's management is to implement, further develop and maintain the company's control procedures as well as conducting internal checks aimed at critical business issues. Process managers at various levels are responsible for the implementation of controls in respect of financial reporting. The closing accounts and reporting processes include checks in respect of valuations, reporting principles and estimates. The regular analyses made of financial reporting are highly important in ensuring that the financial reports do not include any material errors. RaySearch's CFO plays a key role in the internal control process by checking that financial reporting is accurate and complete and delivered on time.

## OWNERSHIP STRUCTURE – SHAREHOLDERS WITH AT LEAST 10% OF TOTAL VOTES

Name	Class A shares	Class B shares	Total shares	Share capital %	Votes %
Johan Löf	6,243,084	618,393	6,861,477	20.0	46.3
Erik Hedlund	1,567,089	228,699	1,795,788	5.2	11.7
Anders Brahme	1,390,161	35,989	1,426,150	4.2	10.2
Others	2,124,057	22,075,301	24,199,358	70.6	31.8
<b>Total</b>	<b>11,324,391</b>	<b>22,958,382</b>	<b>34,282,773</b>	<b>100.0</b>	<b>100.0</b>

# AUDITORS' REPORT ON THE CORPORATE GOVERNANCE REPORT

## INFORMATION AND COMMUNICATION

RaySearch cooperates with the communications consultant Cision to ensure that financial reporting to the market is complete and accurate. The relevant employees are regularly informed about changes in accounting policies and reporting requirements or other information. The Board receives regular financial statements. External information and communication is governed by RaySearch's information policy, which describes the company's general principles for providing information.

## MONITORING

The Board and executive management monitor RaySearch's compliance with adopted policies and guidelines. RaySearch's financial situation is dealt with at each Board meeting. The Board and executive management review the financial reporting before Interim and Annual Reports are published. The auditor's duties also include an annual examination of RaySearch's internal control. The Board meets RaySearch's auditor at least once per year, partly to review the internal control but also, in special cases, to assign additional internal controls to the auditor with a special focus on a particular area.

## EXECUTIVE MANAGEMENT

Under the Swedish Companies Act, the Board is responsible for the company's organization and management. If a President is appointed, according to the Swedish Companies Act, he is responsible for the ongoing management of the

company according to the guidelines and instructions provided by the Board. RaySearch's President leads the Group's operations based on the frameworks established by the Board and appoints the other members of executive management. At the end of 2014, RaySearch's executive management consisted of the President, the CFO, Chief Science Officer, Director of Development, Chief Technology Officer, Director of Sales and Marketing, Director of Sales Asia & Pacific, the Director of Services and the General Counsel.

During the year, business briefings under the President's leadership were usually conducted every second week, except during holiday periods when they occurred less frequently.

Executive management also meets representatives for the US and European sales and marketing organizations on a regular basis, mainly through the President and Director of Sales and Marketing, respectively, to monitor and evaluate the Group's operations in their entirety. Monitoring is based on the Group's annually established targets and budgets, including RaySearch's strategies, short and long-term targets, operational objectives, competitor analyses, and so forth. The Board is continuously informed about executive management's monitoring and evaluation measures.

## FURTHER INFORMATION

For more information about the Board and the President, refer to pages 38–43 and Note 4 in the Annual Report. For more details regarding the auditors, refer to page 21 and Note 5 in the Annual Report.

Stockholm, April 22, 2015

Erik Hedlund  
Chairman of the Board

Johan Löf  
President and  
Board member

Carl Filip Bergdendal  
Board member

Hans Wigzell  
Board member

## TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF RAYSEARCH

### LABORATORIES AB (PUBL) CORPORATE REGISTRATION NUMBER 556322-6157

The Board of Directors is responsible for the 2014 Corporate Governance Report on pages 34–36 and that it is prepared in accordance with the Swedish Annual Accounts Act.

We have read the Corporate Governance Report and based on this and our knowledge about the company and the Group, we believe that we have sufficient basis for our opinions. This means that our statutory review of the Corporate Governance Report has another direction and is of a considerably smaller scope compared with the direction and scope of an audit in accordance with International Standards on Auditing and generally accepted standards in Sweden.

It is our opinion that a Corporate Governance Report has been prepared, and that its statutory content is consistent with the annual accounts and the consolidated financial statements.

Stockholm, April 22, 2015  
Ernst & Young AB

Per Hedström  
Authorized Public Accountant

# BOARD AND AUDITORS

## 1. ERIK HEDLUND

Chairman and member of the Board of RaySearch since 2000.

**Other assignments:** Chairman of the Boards of Scandiflash AB, hhDesign AB, Beamocular AB and RayIncentive AB.

**Born:** 1948.

**Educational background:** M.Sc. in Electrical Engineering from the Royal Institute of Technology (KTH) and MBA from Stockholm University.

**Professional experience:** A number of senior positions in major international groups, including Siemens and Saab, as well as in small and mid-sized companies. He has concentrated on high-tech companies with the focus on medical technology. Since 1994, his main focus has been on radiation therapy and radiation physics. He is an independent Board member in relation to RaySearch but not in relation to major shareholders in the company.

**Shareholding:** 1,567,089 Class A and 228,699 Class B.

## 2. JOHAN LÖF

President and member of the Board of RaySearch since 2000.

**Other directorships:** RayIncentive AB, RaySearch Americas Inc and RaySearch UK Ltd.

**Born:** 1969.

**Educational background:** M.Sc. in Engineering Physics from the Royal Institute of Technology and Ph.D. from the Department of Medical Radiation Physics at the Department of Oncology-Pathology, Karolinska Institute. As a doctoral student, he worked with mathematical models for optimization of radiation therapy and also developed the prototype for ORBIT.

**Professional experience:** President and CEO of RaySearch since 2000. He is not an independent Board member in relation to RaySearch, or in relation to major shareholders in the company.

**Shareholding:** 6,243,084 Class A and 618,393 Class B.

## AUDITOR

Auditing firm Ernst & Young AB

Per Hedström (auditor-in-charge)

Auditor at RaySearch Laboratories.

Authorized Public Accountant, Ernst & Young AB.

Born in: 1964

Auditor of companies including Alltele, Dibs Payment Services, Medcore, Smarteq and Shelton Petroleum.

## 3. CARL FILIP BERGENDAL

Member of the RaySearch Board since 2000.

**Other directorships:** Member of the Boards of RayIncentive AB and Cafibe AB.

**Born:** 1945.

**Educational background:** M.Sc. in Engineering Physics from the Royal Institute of Technology in Stockholm and B.Sc., Master of Business Administration Stockholm School of Economics, Sweden.

**Professional experience:** A number of senior positions in the Modo Group (1972–1980) and the medical technology company Stille-Werner (1980–1987), with the two final years as President and CEO. He has worked since 1988 as a certified process manager in Lots® and in this role has also provided support for managers in large and mid-size companies undergoing restructuring processes. Independent Board member in relation to RaySearch and in relation to major shareholders in the company.

**Shareholding:** 1,061,577 Class A and 154,920 Class B.

## 4. HANS WIGZELL

Member of the RaySearch Board since 2004. Professor Emeritus at Karolinska Institute in Solna.

**Other directorships:** Chairman of the Board of Rhenman & Partners Asset Management AB. Board member of Karolinska Development AB, Swedish Orphan Biovitrum AB (publ) (SOBI), Cadila Pharmaceuticals Sweden AB, PRFA Management AB, CPL BCX Pharma AB, Sarepta Pharmaceuticals Inc and AB Wigzellproduktion.

**Other assignments:** Chairman of the Stockholm School of Entrepreneurship.

Member of the Royal Swedish Academy of Science and the Academy of Engineering Science.

**Born:** 1938.

**Educational background:** Doctor of Medicine.

**Professional experience:** Dean of Karolinska Institute in Solna, 1995–2003. Independent Board member in relation to RaySearch and in relation to major shareholders in the company.

**Shareholding:** 0. Options: 0.



1.



3.



2.



4.

# SENIOR MANAGEMENT



Anders Martin-Löf and Thomas Pousette are not pictured in the photograph.

LARS JORDEBY  
SALES DIRECTOR ASIA & PACIFIC

1.

ANDERS LIANDER  
CHIEF TECHNOLOGY OFFICER

2.

PETER KEMLIN  
DIRECTOR SALES AND MARKETING

3.

JOHAN LÖF  
PRESIDENT

4.

HENRIK FRIBERGER  
DIRECTOR OF DEVELOPMENT

5.

PETER THYSELL  
INTERIM CFO

6.

BJÖRN HÅRDEMARK  
DIRECTOR OF RESEARCH

7.

NICLAS BORGLUND  
DIRECTOR OF SERVICES

8.

Senior executives, previous spread (from left).

#### 1. LARS JORDEBY, DIRECTOR OF SALES ASIA & PACIFIC

**Born:** 1965

**Professional experience:** International business operations in both major corporations and small start-up companies. Nearly 20 years of experience from sales and marketing work in the radiation therapy area, from such companies as: Scanditronix Medical AB, IBA Dosimetry AB, C-RAD AB and ScandiDos AB.

His various executive positions include direct sales and sales management in markets including Europe, Asia and North America. He is also one of the founders and partners of the company ScandiNova Systems AB.

**Shareholding:** 1,800 Class B. Options: 0

#### 2. ANDERS LIANDER, CHIEF TECHNOLOGY OFFICER

**Born:** 1971.

**Educational background:** M.Sc. in Electrical Engineering from the Royal Institute of Technology, Stockholm, with a focus on medical technology.

**Professional experience:** He began at the Division of Medical Radiation Physics at the Department of Oncology-Pathology, Karolinska Institute in 1996 and was employed for two years as a doctoral student with the main task of developing ORBIT together with Johan Löf. He was employed for two years as a doctoral student with the primary task of developing ORBIT together with Johan Löf. Since RaySearch was founded, he has held various positions and roles in software development including Developer, Architect, Project Manager and Head of Development. He joined RaySearch when the company was founded in 2000.

**Shareholding:** 1,061,577 Class A, 140,157 Class B.

#### 3. PETER KEMLIN, DIRECTOR OF SALES AND MARKETING

**Born:** 1974.

**Educational background:** M.Sc.in Engineering, Industrial Business at Chalmers University of Technology.

**Professional experience:** For the greater part of his career, Peter has worked in the medical technology sector as a consultant working for Swedish hospitals in order to implement cost-effective procurements as well as with sales and marketing, primarily in the radiation therapy business. He also established several Swedish companies in new markets as part of his position as Trade Commissioner at the Swedish Trade Council.

**Shareholding:** 0. Options: 0.

#### 4. JOHAN LÖF, PRESIDENT AND CEO

Member of the RaySearch Board since 2000.

**Born:** 1969.

**Other directorships:** RayIncentive AB, RaySearch Americas Inc and RaySearch UK Ltd.

**Educational background:** M.Sc. in Engineering Physics from the Royal Institute of Technology and Ph.D. from the Department of Medical Radiation Physics at the Department of Oncology-Pathology, Karolinska Institute. As a doctoral student, he worked with mathematical models for optimization of radiation therapy and also developed the prototype for ORBIT.

**Professional experience:** President and CEO of RaySearch since 2000.

**Shareholding:** 6,243,084 Class A and 843,393 Class B.

#### 5. HENRIK FRIBERGER, DIRECTOR OF DEVELOPMENT

**Born:** 1971.

**Educational background:** M.Sc. in Electronics from the Royal Swedish Institute of Technology. Human Physiology, one-term course at Karolinska Institutet.

**Professional experience:** After graduating in 1997, Henrik Friberger worked as a software developer at Pacesetter AB (later St Jude Medical AB) in the field of pacemaker systems until he joined RaySearch in 2001. Since that time, he has worked with software development team and project management, and has also managed one of the groups in the development department. He has held the Director of Development title since 2013.

**Shareholding:** 23,799 Class B shares. Options: 0.

#### 6. PETER THYSELL, INTERIM CFO<sup>1)</sup>

**Born:** 1970.

**Educational background:** Graduate in Business Management from the Stockholm School of Economics.

**Professional experience:** Peter Thysell joins RaySearch from a position as Interim Director Business Control at Scandic Hotels. Prior to that, he was Interim CFO of Åkers AB, CEO of SiC Processing GmbH, CFO of Generic Sweden AB (publ) and a management consultant at McKinsey & Co.

**Shareholding:** 0. Options: 0.

Peter Thysell joined the group of senior executives during 2014.

<sup>1)</sup>As of April 2015.

#### 7. BJÖRN HÅRDEMARK, DIRECTOR OF RESEARCH

**Born:** 1977.

**Educational background:** M.Sc. in Engineering Physics from the Royal Institute of Technology in Stockholm. Received an award for academic excellence in 2003.

**Professional experience:** Björn Hårdemark wrote his thesis at RaySearch in 2002 and has since held positions as a Research Engineer, Developer, Project Manager and Head of Physics. Prior to joining RaySearch, he worked at the Swedish National Defense Radio Establishment, where he also served his military service.

**Shareholding:** 18,000 Class B.

#### 8. NICLAS BORGLUND, DIRECTOR OF SERVICES

**Born:** 1971.

**Educational background:** Doctor of Physics, Stockholm University.

**Professional experience:** After completing his doctoral studies, Niclas Borglund worked at Savantic AB in a position that mainly involved software development in high-tech projects. He joined RaySearch in 2006 as project manager in the development department. Director of Services since 2010.

**Shareholding:** 400 Class B. Options: 0.

#### ANDERS MARTIN-LÖF, CHIEF FINANCIAL OFFICER

**Born:** 1971.

**Educational background:** M.Sc. in Engineering Physics from the Royal Institute of Technology and ENSIMAG in Grenoble, France. B.Sc. in Business Administration and Economics from Stockholm University.

**Professional experience:** Before joining RaySearch, Anders Martin-Löf served as Director of Investor Relations and held various business development positions for the biotech company Swedish Orphan Biovitrum AB (publ) (SOBI). Prior to that, he was a management consultant with the Boston Consulting Group, Cell Network and co-founder and CEO of ScienceCap, a consulting firm focused on small-cap companies in the biotech and medtech sectors. Han har också genomgått Försvarets Tolkskola och arbetat på Sveriges Generalkonsulat i St. Petersburg. Anställd i RaySearch sedan 2007.

**Shareholding:** 0.

Anders Martin-Löf left RaySearch in mid-April 2015.

#### THOMAS POUSETTE, GENERAL COUNSEL

General Counsel at RaySearch since January 2010. Secretary of the Board since 2000.

**Born:** 1964.

**Other directorships:** RaySearch Americas Inc., Vinstandelsstiftelsen RayFoundation.

**Educational background:** LL.M. (Stockholm University), LLM (King's College London).

**Professional experience:** County Administrative Court, Jämtland County 1991–1993, Administrative Court of Appeal in Sundsvall 1993–1994, Advokatfirman DLA Nordic 1994–2011 and General Counsel of RaySearch since 2010.

**Shareholding:** 12,000 Class B.

Thomas Pousette is no longer a member of the executive management team.

# SHARES AND OWNERSHIP

## SHARE CAPITAL

RaySearch's share capital amounts to SEK 17,141,386.50. The total number of registered shares in the company at December 31, 2014 was 34,282,773, of which 11,324,391 shares were Class A and 22,958,382 Class B shares. The quotient value per share is SEK 0.50. All shares carry equal rights to the company's assets and earnings. Each Class A share carries ten votes and each Class B share carries one vote at the Annual General Meeting (AGM). At December 31, 2014, the total number of votes in the company was 136,202,292. All shareholders entitled to vote at the AGM may vote for the full number of shares owned or represented by them, with no restrictions on voting rights. A slight shift in ownership has occurred from foreign to Swedish shareholders. Foreign owners' shareholdings in RaySearch increased from 19.1 percent at December 31, 2013 to 19.2 percent at December 31, 2014. The number of shareholders increased in 2014. At December 31, 2014, there were 5,228 (4,885) shareholders.

## OWNERSHIP STRUCTURE – SHAREHOLDER

CATEGORIES, %	Capital	Votes
Foreign shareholders	19.2	4.8
Swedish shareholders	80.8	95.2
<i>of which, institutions</i>	<i>32.3</i>	<i>8.1</i>
<i>individuals</i>	<i>48.5</i>	<i>87.1</i>

## OWNERSHIP STRUCTURE – 20 LARGEST SHAREHOLDERS

Name	Class A shares	Class B shares	Total shares	Capital, %	Votes, %
Johan Löf	6,243,084	618,393	6,861,477	20.0	46.3
Lannebo funds	0	4,375,925	4,375,925	12.8	3.2
Montanaro	0	2,800,000	2,800,000	8.2	2.1
Erik Hedlund	1,567,089	228,699	1,795,788	5.2	11.7
JPMorgan Chase	0	1,479,676	1,479,676	4.3	1.1
Anders Brahme	1,390,161	35,989	1,426,150	4.2	10.2
Second AP Fund	0	1,287,369	1,287,369	3.8	1.0
Anders Liander	1,061,577	185,157	1,246,734	3.6	7.9
Carl Filip Bergendal	1,061,577	154,920	1,216,497	3.6	7.9
Aktie-Ansvar Sverige	0	1,100,000	1,100,000	3.2	0.8
Fourth AP Fund	0	675,573	675,573	2.0	0.5
Home Capital	0	609,460	609,460	1.8	0.5
Swedbank Robur funds	0	505,000	505,000	1.5	0.4
Handelsbanken Liv	0	502,285	502,285	1.5	0.4
Kalmar County	0	424,000	424,000	1.2	0.3
Avanza pension	0	418,782	418,782	1.2	0.3
RayFoundation	0	296,098	296,098	0.9	0.2
SEB	0	278,952	278,952	0.8	0.2
NTC	0	180,210	180,210	0.5	0.1
Nordnet Pension	0	159,840	159,840	0.5	0.1
Others	903	6,642,054	6,642,957	19.4	4.9
<b>Total</b>	<b>11,324,391</b>	<b>22,958,382</b>	<b>34,282,773</b>	<b>100</b>	<b>100</b>

## STATEMENT FROM CERTAIN OF THE PRINCIPAL SHAREHOLDERS

Principal shareholders Johan Löf, Erik Hedlund and Anders Brahme intend to remain significant, long-term shareholders of RaySearch.

## SHAREHOLDER AGREEMENTS

To the knowledge of the Board of Directors of RaySearch, there are no shareholder agreements concerning either Class A or Class B shares.

## LISTING ON NORDIC EXCHANGE

RaySearch is listed for trading on the NASDAQ Nordic Exchange in Stockholm in the Small Cap segment.

## SHARE TRADING AND SHARE PRICE TREND

During 2014, a total of 10,025,233 (11,634,907) RaySearch shares were traded at a value of SEK 380.4 M (321.9). This corresponds to an average price of SEK 37.94 (27.67). The highest price paid in 2014 was SEK 54.00 on December 30. The lowest price paid during the year was SEK 26.50 on January 9. On the last trading day of the year, December 30, the closing price was SEK 53.00 (27.40). During 2014, the price of the RaySearch share rose 93 percent (32), while the OMXS increased 12 percent (23). At the end of December, RaySearch's market capitalization was SEK 1,817 M (939). In this calculation, Class A shares, which

are not listed on the stock exchange, have been assigned the same value as the listed Class B shares.

## SHARE PRICE TREND

The diagram on the next page shows the share price trend for RaySearch from January 2010 through March 2015, and the number of shares traded per month.

## LIQUIDITY PROVIDER

To increase the liquidity of its share, RaySearch had an agreement with Erik Penser Bankaktiebolag. This entailed that the liquidity provider committed to quoting

daily bid and ask prices on the NASDAQ OMX Stockholm Exchange for RaySearch's Class B shares. The liquidity provider was to work to ensure that the difference between the bid and ask prices for RaySearch shares did not exceed 2 percent. The agreement was terminated in March 2015.

## OPTIONS PROGRAM

RaySearch may issue an options program to more easily attract, motivate and retain personnel. RaySearch currently has no options programs outstanding.

OWNERSHIP STRUCTURE – SIZE OF HOLDING	Number of shareholders	Number of Class A shares	Number of Class B shares	Holding, %	Votes, %	Market capitalization [SEK 000s]
1–500	3,454	153	538,466	1.6	0.40	28,539
501–1,000	690	750	578,638	1.7	0.43	30,668
1,001–2,000	486	0	777,231	2.3	0.57	41,193
2,001–5,000	369	0	1,214,657	3.5	0.89	64,377
5,001–10,000	103	0	748,095	2.2	0.55	39,649
10,001–20,000	65	0	951,262	2.8	0.70	50,417
20,001–50,000	25	0	796,637	2.2	0.56	40,314
50,001–100,000	5	0	329,460	1.0	0.24	17,461
100,001–500,000	15	0	3,729,831	9.2	2.32	167,536
500,001–1,000,000	6	0	4,305,047	10.8	2.71	195,393
1,000,001–5,000,000	9	5,080,404	8,989,058	42.8	44.34	508,473
5,000,001–10,000,000	1	6,243,084	0	20.0	46.29	32,775

## CHANGES IN RAYSEARCH'S SHARE CAPITAL

Year	Transaction	Quotient value, SEK	Change in number of shares	Increase in share capital	Number of Class A shares	Number of Class B shares	Total number of shares	Total share capital, SEK
2005	Opening balance	1.5			4,237,604	6,275,457	10,513,061	15,769,591.50
	Non-cash issue (B)		914,530	1,371,795	4,237,604	7,189,987	11,427,591	17,141,386.50
	Reclassification 2005				-24,596	24,596		
	Closing balance	1.5			4,213,008	7,214,583	11,427,591	17,141,386.50
2006	Reclassification 2006				-100	100		
	Closing balance	1.5			4,212,908	7,214,683	11,427,591	17,141,386.50
2008	3:1 share split, 2008		22,855,182		8,425,816	14,429,366		
	Closing balance	0.5			12,638,724	21,644,049	34,282,773	17,141,386.50
2009	Reclassification 2009				-252,756	252,756		
	Closing balance	0.5			12,385,968	21,896,805	34,282,773	17,141,386.50
2011	Reclassification 2011				-1,061,577	1,061,577		
	Closing balance	0.5			11,324,391	22,958,382	34,282,773	17,141,386.50
2014	Closing balance	0.5			11,324,391	22,958,382	34,282,773	17,141,386.50

KEY RATIOS <sup>1</sup>	Dec. 31, 2014	Dec. 31, 2013	Dec. 31, 2012	Dec. 31, 2011	Dec. 31, 2010
Number of shares before full dilution	34,282,773	34,282,773	34,282,773	34,282,773	34,282,773
Equity per share, SEK	7.34	5.73	6.35	5.74	5.74
Earnings/loss per share, SEK	1.75	-0.61	0.58	0.50	0.84
Earnings/loss per share after full dilution, SEK	1.75	-0.61	0.58	0.50	0.84
Share price, SEK	53.00 <sup>2</sup>	27.40	20.80	14.45	38.0
P/E ratio before dilution	30.3	neg.	35.9	28.9	45
P/E ratio after dilution	30.3	neg.	35.9	28.9	45
Dividend, SEK	0 <sup>(2)</sup>	0	0	0	0.50
Price/adjusted equity per share, multiple	7.2	4.8	3.3	2.5	6.6

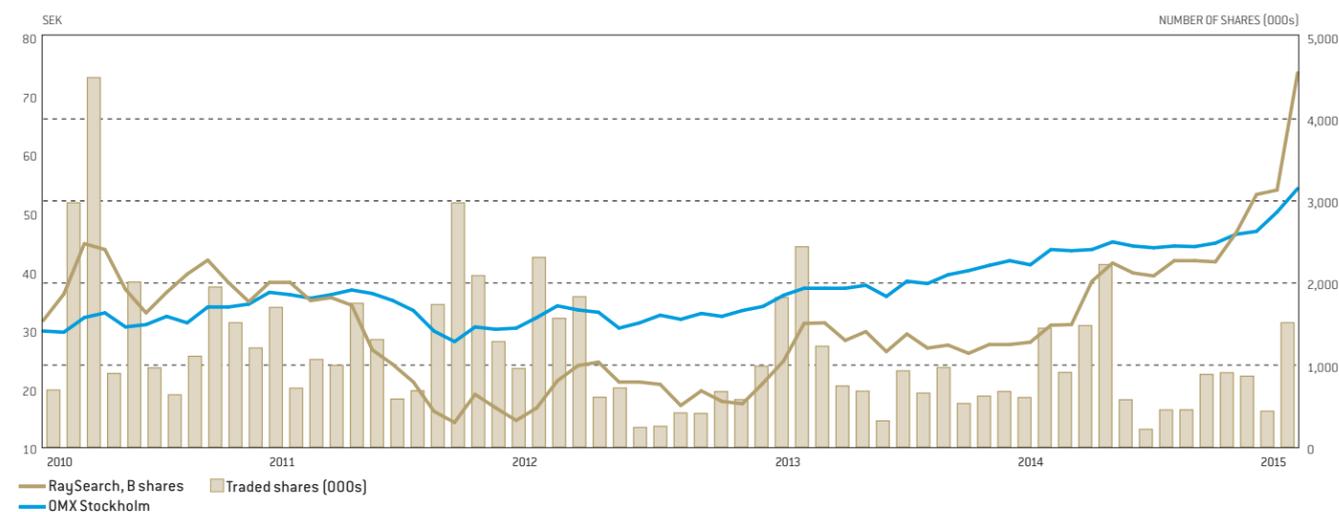
<sup>1</sup> Definitions of key figures, see inside cover.

<sup>2</sup> According to the Board's proposal.

#### DIVIDEND POLICY

The Board of Directors' intention is to pay as dividends approximately 20 per cent of the Group's profit after tax on condition that a healthy capital structure is retained.

#### SHARE PRICE TREND DIAGRAM



# KEY FIGURES

#### KEY FIGURES AND CONDENSED FINANCIAL DATA

The summary shows how the core business developed between 2005 and 2014 and was prepared in accordance with IFRS.

GROUP	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Net sales, SEK M	285.2	204.5	182.1	126.1	117.7	83.7	62.7	64.7	69	69.9
Growth in net sales, %	39.5	12.3	44.4	7.1	40.7	33.5	-3	-6.2	-1.3	77
Operating profit, SEK M	79.4	-25.7	22.5	27.6	39.9	40.9	21.1	25.8	33.5	39.6
Operating margin, %	27.8	-12.6	12.4	21.9	33.9	48.8	33.6	39.8	48.6	56.7
Profit margin, %	27.6	-12.2	12.9	22.8	34.1	49.3	38.5	43.3	50.5	57.3
Net profit/loss, SEK M	59.8	-20.8	19.9	17	28.9	30.1	18.2	19.8	36.2	29.1
Earnings/loss per share, SEK <sup>3</sup>	1.75	-0.61	0.58	0.5	0.84	0.88	0.53	0.58	1.06 <sup>4</sup>	0.85
Cash flow per share <sup>3</sup>	1.47	0.91	2.55	0.99	1.83	1.44	0.76	1.1	0.88	1.21
Dividend per share, SEK <sup>3</sup>	- <sup>2</sup>	-	-	-	0.5	0.5	-	0.17	-	-
Capital employed, SEK M	276.5	196.6	217.5	196.7	196.8	184.9	150.4	137.9	118.1	81.9
Interest-bearing liabilities, SEK M	25.0	-	-	-	-	-	-	-	-	-
Total assets, SEK M	389.7	299.2	293	261.8	255.9	233.1	188.1	173.2	146.2	107.2
Equity per share, SEK <sup>3</sup>	7.34	5.73	6.35	5.74	5.74	5.39	4.39	4	3.44	2.39
Equity/assets ratio, %	64.5	65.7	74.2	75.4	76.9	79.3	80	79.6	80.7	76.4
Share of risk-bearing capital, %	75.0	78.0	88.2	93.1	93.2	94.3	93.9	92.8	92.9	89.3
Return on capital employed <sup>4</sup> , %	33.7	-12.0	11.4	14.6	21	24.6	16.8	22.2	34.9	66.1
Return on total capital <sup>4</sup> , %	23.1	-8.4	8.5	11.1	16.4	19.6	13.4	17.8	27.5	49.5
Return on equity <sup>4</sup> , %	26.7	-10.1	9.6	8.6	15.1	18	12.6	15.5	36.2	48
Share price at year-end <sup>3</sup>	53.0	27.4	20.8	14.45	38	29.5	11.5	63.3	50	59
Average number of employees	126	107	92	78	64	52	48	37	28	27

<sup>1</sup> SEK 0.73 excl. capitalization of tax loss carry-forwards in 2006.

<sup>2</sup> According to the Board's proposal.

<sup>3</sup> Adjusted for 3:1 share split, 2008.

<sup>4</sup> In preceding years, an income measurement based on rolling 12-month figures was used but as of 2013, and for the comparative figures, an annual income measurement has been used.

# DEFINITIONS

**Share of risk-bearing capital, %**

Equity plus deferred tax liabilities expressed as a percentage of total assets.

**Return on equity, %**

Net income expressed as a percentage of average shareholders' equity.

**Return on capital employed, %**

Operating profit plus financial income expressed as a percentage of average capital employed.

**Return on total capital, %**

Operating profit plus financial income expressed as a percentage of average total assets.

**Equity per share**

Equity divided by number of shares at year-end.

**Cash flow per share**

Cash flow from operating activities divided by average number of shares during the year.

**Price/Adjusted equity per share**

Share price divided by adjusted equity per share at year-end.

**P/E-ratio**

Share price divided by earnings per share, before and after dilution.

**Earnings per share**

Net earnings divided by average number of shares during year.

**Operating margin, %**

Operating profit expressed as a percentage of net sales.

**Equity/assets ratio, %**

Equity expressed as a percentage of total assets.

**Capital employed**

Total assets less non-interest-bearing liabilities and deferred tax liabilities.

**Dividend per share**

Dividend divided by number of shares at year-end.

**Profit margin, %**

Income after financial items expressed as a percentage of net sales.

There are no minority interests within the Group for accounting purposes.

