ANNUAL REPORT | 2019

CONTENTS

ADVANCED CANCER TREATMENT

2019 IN NUMBERS

622
RAYSTATION CENTERS
in 39 countries

11
RAYSEARCH OFFICES
around the world

8
RAYCARE PARTNERS
in 5 countries

373
RAYSEARCH EMPLOYEES
as of December 2019

56
PARTICLE THERAPY CENTERS
use RayStation

195
EMPLOYEES
in Research and/or Development

18
GRANTED PATENTS
worldwide

24
NATIONALITIES
of RaySearch staff

19
PARTNERSHIPS
with clinics, universities and equipment manufacturers

39
AVERAGE AGE
of RaySearch staff

ABOUT RAYSEARCH

RaySearch Laboratories AB (publ) is a medical technology company that develops innovative software solutions for improved cancer treatment. The company develops and markets the RayStation* treatment planning system and RayCare* oncology information system to cancer centers all over the world and distributes products through licensing agreements with leading medical technology companies. The company is also developing a new treatment control system, RayCommand*, which is expected to be launched in December 2020. RaySearch's software is currently used by over 2,600 centers in more than 65 countries. The company was founded in 2000 as a spin-off from the Karolinska Institute in Stockholm and the share has been listed for trading on Nasdaq Stockholm since 2003. To learn more about RaySearch, visit www.raysearchlabs.com

VISION AND MISSION

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

* Subject to regulatory clearance in some markets.

BUSINESS MODEL

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

STRATEGY

A radiation therapy center essentially needs two software platforms for its operations: one information system, and one treatment planning system. With RayStation and RayCare, RaySearch will further strengthen its position and continue to grow with high profitability. The strategy rests on a strong focus on software development, leading functionality, broad support for many different types of treatment techniques and radiation therapy devices, as well as extensive investments in research and development.

INNOVATE, CONSOLIDATE, ACCELERATE

THAT MANTRA SERVED RAYSEARCH WELL IN 2019, A YEAR OF SIGNIFICANT ACHIEVEMENT AND PROGRESS ACROSS ALL OUR ACTIVITIES: RESEARCH, DEVELOPMENT, CLINICAL VALIDATION AND CUSTOMER SERVICE. THROUGH 2020, WE WILL INTENSIFY OUR COLLECTIVE ENDEAVORS AS RAYSEARCH APPROACHES ITS 20TH ANNIVERSARY WITH AN AMBITIOUS DEVELOPMENT ROADMAP THAT WILL DRIVE NEW-CUSTOMER ACQUISITION AND COMPELLING GROWTH OPPORTUNITIES.

RELENTLESS INNOVATION

The pace of innovation across the RaySearch product portfolio shows no sign of slowing – the result of our sustained investments in R&D and ongoing collaboration with our global network of clinical and technology partners. We ended 2019 with the 9B release of our treatment planning system RayStation. Among a raft of enhancements is a new module for chemotherapy treatment planning[1] – the first step of many beyond RaySearch's core domain of radiation oncology. Last year also saw machine learning functionality being put through its paces by clinical customers. The Princess Margaret Cancer Centre in Canada is now treating prostate cancer patients using machine-learning-generated plans in RayStation[2] – a world first.

Now two years old, our next-generation oncology information system RayCare is generating interest from clinics around the world. RayCare customers added in 2019 include the Swiss Medical Network, one of Switzerland's two largest private clinic groups; Yonsei Cancer Center in Seoul, South Korea; and Provision CARES Proton Therapy Center in Florida, US. Carrying that momentum into 2020, we achieved a significant milestone in February for our strategic collaboration with IBA when we completed all validation tests for the integration of RayCare with the vendor's proton therapy system. Testing took place at the UZ Leuven Hospital in Belgium and represented a crucial step in the hospital's roll-out of proton therapy for the treatment of cancer patients.

Development of our treatment control system, RayCommand[1], is also proceeding to plan, with initial commercial release scheduled for December 2020. For the end user, RayCommand represents a technology for online adaptive radiotherapy, offering unified control and management of key systems in the treatment room – including the treatment machine, patient couch, imaging systems and patient positioning devices.

CONSOLIDATE AND DIVERSIFY

Consolidation was another defining theme for us in 2019, with the Research, Development and Machine Learning teams laying the groundwork for significant diversification of our product offering. In December, we will release RayIntelligence, a suite of data-driven products (Ray-Data, RayAnalytics and RayMachine) that will give clinics the robust data infrastructure they need to fast-track implementation of machine learning across the radiation oncology workflow.

RayIntelligence[1] will integrate with RayStation and RayCare to further optimize and individualize patient treatments. This will be done by learning from prior clinical experience and the work of other cancer centers. Operational management will also benefit, with RayIntelligence using data-driven insights into process bottlenecks, and cost/efficiency issues as the patient moves from reception, consultation and treatment planning all the way into the treatment room and subsequent clinical follow up. There are significant opportunities to fast track the evaluation of treatment response versus tumor control and radiation toxicity.

There's plenty more to come. Our teams are busy specifying software tools to support surgeons in planning surgical procedures[1] for tumor removal – as well as assisting their work inside the operating theatre. Ultimately, the vision is for RayStation and RayCare to provide a unified system for the planning, optimization and management of combined cancer treatments across multiple modalities – medical oncology, radiation oncology and surgical oncology.

SMALL CLINICS, BIG OPPORTUNITIES

Commercially, RaySearch continues to operate from a position of strength, 11 of the 20 highest-ranked cancer clinics in the US are RayStation customers. Day in, day out those top-tier clients are redefining what's possible in radiation oncology and, not surprisingly, they set an exceptionally high bar for their treatment planning systems. Validation aside, it's gratifying to know that so many pioneering clinics in the US and globally put their trust in RaySearch – our scientists, our engineers and our products.

Conversely, our market share is still limited among smaller clinics in the US. These centers, which account for around 80 percent of the total number of radiation therapy clinics, typically rely on one or two treatment machines sourced from a single supplier. Our task in 2020, as we intensify our efforts to build market share in North America, is to work closely with these smaller clinics. That means demonstrating the operational benefits and clinical

[1] Subject to regulatory clearance in some markets.
[2] Plan review, approval and export were performed in the clinically deployed version available on the Canadian market.

impact that RayStation can deliver within their treatment programs. More broadly, it falls to us to show smaller clinics how they can reduce and redirect their capital spend into ongoing software-driven innovation. This strategy will ultimately keep their clinical performance at the cutting edge at the cutting edge for longer, giving more patients access to the best possible cancer treatment, wherever they are.

EFFECTS OF THE NOVEL CORONAVIRUS DISEASE (COVID-19)

In the first quarter of 2020, the outbreak of the novel coronavirus disease (COVID-19) rapidly became a serious pandemic. The COVID-19 outbreak has not had any major impact on RaySearch to date. The company is well-adapted to digital collaboration, financially robust, and our R&D and delivery capacity is relatively unaffected. However, the pandemic is expected to have a major impact on the global economy, society as a whole and the healthcare sector in general, both globally and in individual countries or regions.

It is not possible at present to estimate the full effect of COVID-19 on the company. Our preliminary assessment is that COVID-19 could have a significantly adverse effect on the second quarter, mainly due to the fact that orders may be delayed when some hospitals are forced to temporarily prioritize the treatment of COVID-19 patients over investments in our products. We are monitoring the situation closely and are prepared to take action if needed.

IT'S ALL ABOUT THE PEOPLE

It's our close relationship with clinical customers that sets RaySearch apart— whether jointly developing new products and functionality or providing the support and service that users need to deliver enhanced patient outcomes. With this in mind, our North American offices in Silicon Valley and New York City consolidated their presence as regional service hubs in 2019 with a ramped-up schedule of training workshops for RayStation customers. The Silicon Valley office in Santa Clara also provides strong connections to US technology partners such as Accuray, Mevion Medical Systems and ProNova.

Closer to home, preparations are gathering pace for the 2021 relocation of RaySearch global headquarters to our own purpose-built office complex located in the Hagastaden life-sciences district in Stockholm. With the company set to pass 400 employees globally by mid-2020, it's good to know that we have capacity to accommodate up to 800 people, leaving us plenty of scope to grow into our new surroundings over the coming years.

Summer 2020 is a very special milestone for RaySearch. In June, it will be 20 years since I launched the company, building the business on the back of my PhD dissertation on the optimization of radiation therapy. It's been a collective effort all the way and a huge thank you goes out to all our fantastic staff, clinical customers and technology partners. In fact, everyone who's helped us get from there to here and, of course, where we're heading next.

Stockholm April 29, 2020

Johan Löf
Founder and CEO
RaySearch Laboratories AB (publ)

ADMINISTRATION REPORT

The Board of Directors and CEO of RaySearch Laboratories AB (publ), Corporate Registration Number 556322-6157, hereby present the annual accounts and consolidated financial statements for the fiscal year of January 1–December 31, 2019. The Parent Company and Group present their financial statements in SEK. The company's Board of Directors is based in Stockholm.

OPERATIONS

RaySearch is a medical technology company that develops innovative software solutions to continuously improve cancer care. The company develops and markets the RayStation® treatment planning system and RayCare® oncology information system to radiation therapy centers all over the world, and also distributes software products through licensing agreements with leading medical technology companies. The company is also developing a new treatment control system, RayCommand, which is expected to be launched in December 2020. RaySearch's software is currently used by over 2,600 centers in more than 65 countries. The company was founded in 2000 as a spin-off from the Karolinska Institutet in Stockholm and the company's share has been traded on Nasdaq Stockholm since 2003.

RaySearch's mission is to improve cancer treatment by developing innovative software solutions that improve quality of life for cancer patients and save lives. The company's vision is a world where cancer is conquered. RaySearch's main revenue is generated when customers pay an initial license fee for the right to use RaySearch's software and an annual service fee for access to updates and support.

Software is driving a high proportion of advances in cancer care today and a radiation therapy center essentially requires two software platforms for its operations: one treatment planning system, and one information system. With the RayStation treatment planning system and the RayCare oncology information system, RaySearch will strengthen its position and continue to grow with profitability. The company's strategy rests on a strong focus on software development, leading functionality, broad support for many different types of treatment techniques and radiation therapy devices, and extensive investment in research and development.

RayStation is already established in all major global markets as one of the most advanced treatment planning systems for cancer radiation therapy. The company's sales success is based on RayStation's high calculation speed, support for adaptive radiation therapy, automated workflows, unique multi-criteria optimization and user-friendly interfaces. Yet another strength for RayStation is the wide range of radiation therapy devices supported by the system – more than any other treatment planning system. RayStation helps to improve the radiation therapy process and to extend the lifetime of therapy devices, which means they can be used more effectively. This means that centers that want to improve and develop their care are no longer dependent on buying the latest hardware – they can achieve similar, positive outcomes by choosing RayStation as their treatment planning system. Overall, more and more highly regarded cancer centers can now confirm that RayStation is helping them to optimize their radiation therapy process, and to use their existing radiation devices more effectively.

Treatment planning for proton therapy (protons/carbon ions/BNCT) is a key area of focus for RaySearch. Within this advanced market segment, the company has a market share of more than 50 percent globally. At present, less than 1 percent of all patients receiving radiation therapy receive proton therapy, but an estimated 20 percent could benefit from treatment with protons. This shows the major potential for growth in this area.

Ever since RayStation was first launched, RaySearch has focused on and achieved major sales success in several of the world's most advanced and renowned radiation therapy centers. To date, more than 620 cancer centers in some 38 countries have purchased RayStation. At the same time, there are more than 8,000 radiation therapy centers around the world, so the company's growth potential is still highly favorable. In 2019, the company continued to expand its global marketing organization to address the entire market more systematically, to accelerate sales of both RayStation and RayCare, and to ensure the best-possible customer service. During 2019, the company also launched more groundbreaking applications for machine learning and deep learning, such as automated treatment planning and organ segmentation.

At the end of 2017, RaySearch launched the first version of RayCare, a next-generation oncology information system (OIS). RayCare is radically different from other OISs and RaySearch has invested a great deal of time and energy in the creation of something that will fundamentally improve cancer care. The system has been designed to support and optimize the work flow of modern cancer centers. Many cancer patients receive a combination of treatments and unlike existing systems, RayCare is a comprehensive information system that supports the three main types of cancer treatment – radiation therapy, chemotherapy and surgery. It brings integrated cancer care within reach of many cancer centers, and will create clinical possibilities that are unachievable for competing systems. RayCare coordinates all activities efficiently and provides advanced features for clinical resource optimization, workflow automation and adaptive radiation therapy. The system has been developed to meet tomorrow's need for advanced analysis and decision support.

To ensure that RayCare meet clinical needs, our development activities are conducted in close collaboration with leading cancer centers, such as the MD Anderson Cancer Center, the University of California San Francisco, the Princess Margaret Cancer Centre, the University of Wisconsin-Madison and Provision Healthcare in the US, Heidelberg University Hospital in Germany, the University Medical Center Groningen in the Netherlands and Iridium Kankernetwerk in Belgium. Solving the coordination, safety and efficiency needs of the world's largest cancer centers is one of RaySearch's most exciting challenges to date. The company's partnerships with leading centers provide ideal conditions for success by combining their extensive clinical know-how with RaySearch's ability to develop innovative software solutions.

RaySearch is a research and development company and about half of the company's employees are engaged in R&D. The research activities are forward-looking and underpin next-generation systems and products. The research is mainly focused on the following areas: chemotherapy and surgical planning, adaptive radiation therapy, automated planning, multi-criteria optimization, MRI-based treatment planning, clinical resource optimization, and robust optimization tools for handling disruptions and errors arising during treatment. Various machine learning applications, including organ segmentation, are studied in close collaboration with the machine learning department, which also works with automated planning based on historical data. Research is conducted in close collaboration with the Royal Institute of Technology in Stockholm, Princess Margaret Cancer Centre (PMCC) in Canada, UMCG in the Netherlands, Heidelberg University Hospital in Germany, and Massachusetts General Hospital and the MD Anderson Cancer Center in the US.

Development is focused on transforming customer demands and the company's innovations into commercial products. This takes place by creating new products, and by further developing and maintaining existing products. Development activities are based on an agile method using modern tools in close collaboration with cancer centers all around the world. In 2019, RayStation 9 and RayCare 3 were developed and released for clinical use.

The machine learning department has grown rapidly since its inception in 2017 and is focused on the development of machine learning applications for RaySearch products. Since 2018, machine learning applications have been available in RayStation to automate organ segmentation and treatment plan generation. In 2020, the department will develop RayIntelligence, a series of new products that will make it easier for cancer centers to use their data to streamline, improve and personalize future treatments.

HIGHLIGHTS OF THE YEAR

RayStation selected by several leading cancer centers

In 2019, the RayStation treatment planning system was selected by several leading cancer centers, including:

- Moffitt Cancer Center, Loma Linda University Medical Center, Oklahoma Proton Center, UC Davis Medical Center and Hoag Memorial Hospital in the US
- Genolier Clinic (part of the Swiss Medical Network) in Switzerland
- Vienna General Hospital in Austria
- Velindre Cancer Center and Cambridge University Hospitals in the UK
- The University Hospital Düsseldorf and University Hospital Erlangen in Germany
- Centre d'Oncologie Saint Vincent and Centre de Cancérologie les Dentellières in France
- Nagoya City West Medical Center in Japan
- Shanghai Proton and Heavy Ion Center (SPHIC) in China
- Yonsei Cancer Center in South Korea
- Royal Brisbane and Women's Hospital in Australia, and
- Proton Therapy Center Czech in Czechia.

In addition, Emory Proton Treatment Center in the US expanded its existing RayStation installation.

Expanded collaboration with Mevion

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

RayCare selected by several leading cancer centers

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

Further orders for RayCommand

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

RayStation 9A and 9B were released

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

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

FDA clearance for machine learning applications

In June 2019, RaySearch received FDA clearance for RayStation 8B and the very first machine learning applications in a treatment planning system.

RayCare 3A and 9B were released

In July 2019, RayCare 3A was released with several new features and improvements, as well as the RayCare Flow package which is designed to improve resource management, increase the efficiency of treatment planning, and automate image management.

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

Long-term development partnership with Vision RT

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

New regulatory clearance for RayStation in China

In October 2019, RaySearch received a new regulatory clearance from the Chinese authority NMPA (formerly CFDA) for the RayStation treatment planning system.

SIGNIFICANT EVENTS AFTER THE END OF THE REPORTING PERIOD

Significant additional order for RayStation from MD Anderson Cancer Center

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

Effects of the novel coronavirus disease (COVID-19)

In the first quarter of 2020, the outbreak of the novel coronavirus disease (COVID-19) rapidly became a serious pandemic. The COVID-19 outbreak has not had any major impact on RaySearch to date. The company is well-adapted to digital collaboration, financially robust and our delivery capacity is relatively unchanged. However, the pandemic is expected to have a major impact on the global economy, society as a whole and the healthcare sector in general, both globally and in individual countries or regions.

It is not possible at present to estimate the full effect of COVID-19 on the company. The company's preliminary assessment is that COVID-19 could have a significantly adverse effect on the second quarter of 2020, mainly due to the fact that orders may be delayed when some hospitals are forced to temporarily prioritize the treatment of COVID-19 patients over investments in our products. We are monitoring the situation closely and prepared to take action if needed.

ORDER INTAKE AND ORDER BACKLOG

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

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

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

Order intake (amounts in SEK M)	2019	2018
Licenses	516.2	508.0
Hardware	81.6	62.6
Support (incl. warranty support)	417.5	213.2
Training and other	30.9	21.4
Total order intake	**1,046.2**	**805.2**

Order backlog (amounts in SEK M)	Dec 31, 2019	Dec 31, 2018
Licenses	123.8	69.9
Hardware	36.4	32.7
Support (incl. warranty support)	956.2	697.3
Training and other	43.6	28.1
Total order backlog at the end of the period	**1,160.0**	**828.0**

REVENUE

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

Organic sales growth was 11.8 percent (5.8), and recognized net sales accounted for 71 percent (78) of total order intake in 2019.

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

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

Revenue distribution (amounts in SEK M)	2019	2018
License revenue – RayStation/RayCare	419.4	411.5
License revenue – Partners	30.4	38.8
Hardware revenue	76.6	53.6
Support revenue – RayStation	186.4	104.4
Support revenue – Partners	11.7	10.9
Training and other revenue	17.2	7.9
Net sales	**741.6**	**627.2**
Sales growth, corresp. period, %	18.2%	7.2%
Organic sales growth, corresp. period, %	11.8%	5.8%

In 2019, net sales had the following geographic distribution: North America, 42 percent (42); Asia, 18 percent (20); Europe and the rest of the world, 39 percent (38).

OPERATING PROFIT

In 2019, operating profit decreased to SEK 68.2 M (94.5), representing an operating margin of 9.2 percent (15.1). The weaker earnings were primarily attributable to increased operating expenses, which rose 26.4 percent to SEK 673.4 M (532.8), mainly due to a 17-percent increase in the average number of employees and a 60.4-percent increase in amortization/depreciation to SEK 182.5 M (113.8). In 2019, the net of other operating income and expenses amounted to SEK 19.2 M (24.9) Adjusted for these currency effects, operating expenses would have increased by 24.2 percent in 2019.

Currency effects

The company is impacted by USD and EUR to SEK exchange-rate trends, since the majority of sales are invoiced in USD and EUR, while most costs are denominated in SEK. At unchanged exchange rates, organic sales growth was 11.8 percent (5.8) in 2019. In addition, exchange-rate gains on balance sheet items amounted net to SEK 19.2 M (24.9) Currency effects therefore had a positive impact on net sales and operating profit in 2019.

A sensitivity analysis of the company's currency exposure shows that a 1-percentage point change in the USD exchange rate against the SEK would have impacted consolidated operating profit by approximately +/– SEK 3.1 M, while a corresponding change in the EUR exchange rate would have impacted consolidated operating profit by approximately +/– SEK 1.6 M in 2019.

The company follows the financial policy established by the Board, whereby exchange-rate fluctuations are not hedged. Refer to the sensitivity analysis in Note 28 on page 46.

Capitalization of development expenses

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

Capitalization of development expenses	2019	2018
Research and development expenses	225.5	202.0
Capitalization of development expenses	–164.4	–149.9
Amortization of capitalized development expenses	113.6	95.6
Research and development expenses	**174.7**	**147.7**

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

Development expenses of SEK 164.4 M (149.9) were capitalized, corresponding to 73 percent (74) of total research and development expenses.

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

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

Amortization and depreciation

In 2019, total amortization and depreciation increased 60.4 percent to SEK 182.5 M (113.8), of which amortization of intangible fixed assets accounted for SEK 113.7 M (95.6), primarily related to capitalized development costs. Depreciation of tangible fixed assets amounted to SEK 68.8 M (18.2), of which depreciation of right-of-use assets in accordance with IFRS 16 accounted for SEK 40.4 M (0).

PROFIT/LOSS FOR THE PERIOD AND EARNINGS PER SHARE

In 2019, profit after tax totaled SEK 50.4 M (78.5), representing earnings per share before and after dilution of SEK 1.47 (2.29).

Tax expense for the year amounted to SEK –12.2 M (–12.2), corresponding to an effective tax rate of 19.5 percent (13.5).

CASH FLOW AND LIQUIDITY

In 2019, cash flow from operating activities rose to SEK 320.1 M (178.5). The improvement was partly due to a sharp increase in non-cash items, mainly the result of replacing rent expense with depreciation and interest expense in accordance with IFRS 16, whereas it was recognized in operating activities in the preceding year. In addition, the improvement was also due to a decrease in working capital. Working capital mainly comprises various types of customer receivables, such as accounts receivable and current and long-term unbilled customer receivables in instances where payment plans exist.

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

Our payment model – a typical license transaction

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

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

A number of payment options are subsequently available:

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

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

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

In 2019, the increase in unbilled customer receivables was the result of more agreements with payment plans, primarily in North America. RaySearch assesses that the credit risk is low since the customers are institutions with high credit ratings.

Cash flow from investing activities was a negative SEK 212.0 M (neg: 223.6). Investments in intangible fixed assets amounted to SEK 164.8 M (150.4) and mainly comprised capitalized development costs for RayStation and RayCare. Investments in tangible fixed assets amounted to SEK 11.4 M (73.3), mainly comprising investments in IT equipment.

Cash flow from financing activities was a negative SEK 111.5 M (pos: 47.0). The decrease was primarily due to a repayment of SEK 75 M on the company's revolving loan facility, and lease payments paid in accordance with IFRS 16.

Cash flow for the year was a negative SEK 3.4 M (pos: 1.8) and at December 31, 2019, consolidated cash and cash equivalents amounted to SEK 113.9 M (112.2).

FINANCIAL POSITION

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

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

Current receivables amounted to SEK 463.3 M (482.3). The receivables mainly comprised various types of customer receivables, and the decrease, despite high sales growth, was primarily due to higher payments from customers.

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

In 2017, the company's line of credit was increased from SEK 100 M to SEK 350 M. The credit line expires in May 2022 and comprises a revolving loan facility of up to SEK 300 M, and an overdraft facility of SEK 50 M. Chattel mortgages amounted to SEK 100 M.

At December 31, 2019, a short-term loan of SEK 49 M (124) was borrowed under the company's revolving loan facility and SEK 0 M (0) of the credit facility had been drawn.

At December 31, 2019, the Group's net debt totaled SEK 56.9 M (19.3). IFRS 16 Leases has been applied since January 1, 2019, which has increased the company's net debt, mainly because the remaining lease commitments are recognized as liabilities on the balance sheet. Without application of the new accounting policies, net debt would have amounted to neg. SEK 64.3 M, see page 76.

EMPLOYEES

In 2019, the average number of employees in the RaySearch Group was 331 (282) and the number of employees at year-end was 376 (293), of whom 279 (218) were employed in Sweden and 97 (75) in foreign subsidiaries.

Employees have a high level of education, 97 percent (97) have university or college eduction, and 11 percent (11) have a doctorate degree. At year-end, 37 percent (36) of the company's employees were women and 63 percent (64) men.

RaySearch strives to offer a positive work environment with attractive and stimulating development opportunities for employees. The company's continued ability to develop high-quality software solutions is dependent on competent, engaged and innovative employees. RaySearch imposes high workplace standards with regard to the environment, health, safety and individualized working conditions.

RaySearch actively promotes diversity and equality and has clear goals to increase the proportion of women in technical and managerial positions. The company strives to help employees achieve a work/life balance and offers flexible solutions as far as possible.

To ensure that all employees are paid fair salaries, regular salary surveys are conducted in Sweden in order to detect, remedy and prevent any unjustified pay differences. In 2019, the survey did not reveal any unjustified or material pay differences in the company.

All employees in the RaySearch Group are entitled to join unions or other organizations.

Sustainability Report

Sustainability is a key aspect of RaySearch's strategy and operations, and the company is working actively to become a sustainable enterprise. RaySearch has prepared a Sustainability Report in accordance with the Swedish Annual Accounts Act.

The Sustainability Report can be found on pages 64–69. Other disclosures can be found on the following pages: Risks and risk management: pages 9–10.

SEASONAL VARIATIONS

RaySearch's revenue is subject to seasonal variations that are typical of the industry, whereby the fourth quarter is normally the strongest – mainly because many customers have budgets that follow the calendar year.

FUTURE PROSPECTS

Every year, more than 14 million new cases of cancer are reported worldwide, and this figure is expected to reach 24 million by 2030. RaySearch has successfully established RayStation as one the most advanced and leading treatment planning systems in all major markets around the world, and the sales success for RayStation is continuing. Despite continued expansion of its global marketing organization, the company still holds a relatively small share of the worldwide market, so the growth potential for RayStation is expected to remain high.

At the same time, marketing and sales partnerships are continuing with three partners. While the decline in relative importance of partner sales is expected to continue, these partnerships remain significant for the company's earnings and financial position.

RaySearch has noted keen interest in RayCare, the groundbreaking oncology information system that the company is developing. A radiation therapy center essentially needs two software platforms for its operations: one information system, and one treatment planning system. RayCare and RayStation will enable RaySearch to provide the entire infrastructure for a clinic's information management and treatment planning. The continued development of RayCare is expected to open new possibilities for RaySearch, both clinically and commercially, which are confirmed by the company's long-term collaborative agreements with several leading cancer centers, such as the University of California, San Francisco and the University of Texas MD Anderson Cancer Center in the US, the Princess Margaret Cancer Center in Canada, Heidelberg University Hospital in Germany, the University Medical Center Groningen in the Netherlands, the radiation therapy department of the Iridium Kankernetwerk in Belgium, and several leading medical device suppliers including IBA, Accuray and Mevion.

While the COVID-19 outbreak will entail significant risk and uncertainties during the coming fiscal year, the long-term market outlook remains essentially unchanged and overall, RaySearch's future prospects are expected to remain favorable.

RISKS AND UNCERTAINTIES

As a global Group with operations in different parts of the world, RaySearch is exposed to various risks and uncertainties, such as market risk, operational risk and financial risk. Risk management within RaySearch aims to identify, measure and reduce risks related to the Group's transactions and operations.

Market risk

RaySearch's presence in a large number of geographic markets entails exposure to political and financial risks both globally, and in individual countries or regions. Weak economic growth and strained finances may, in some markets, have a negative impact on government investment in cancer care and make it more difficult for private customers to secure funding.

The novel coronavirus disease (COVID-19)

In the first quarter of 2020, the outbreak of the novel coronavirus disease (COVID-19) rapidly became a serious pandemic.

The pandemic is expected to have a major impact on the global economy, society as a whole and the healthcare sector in general, both globally and in individual countries or regions.

RaySearch has paid particular attention to how the effects of the COVID-19 outbreak could affect the company's future development, and/or risks that could affect the financial statements during the coming fiscal year. The assessment arrived at the following risks and uncertainties:

- Risk of a significant decline in sales and profit, for example, due to
  - Delayed orders of RaySearch's products, for example when some hospitals are forced to temporarily prioritize the treatment of COVID-19 patients over investments in the company's products for cancer treatment.
  - Delayed revenue recognition, for example, resulting from the inability to fulfill certain performance obligations due to travel restrictions.
- Risk of weaker cash flow, for example, if certain customers experience liquidity problems.

Operational risk

Competition

RaySearch operates in a competitive arena and mainly competes with Varian, Elekta and Philips, which invest major resources in the development of systems and technological solutions that compete with RaySearch's products. RaySearch sells software only, and in some situations there is a risk that the company's competitors could use their positions as hardware suppliers to sell packaged solutions with both hardware and software to customers.

Product development

New products and improved therapies are continuously being launched and future developments in the medical technology market could affect RaySearch's ability to compete. RaySearch develops highly advanced systems and technological solutions, and assumes the risk from development stage through to release, which could result in higher costs than anticipated. This is mitigated by continuously monitoring projects, and with quality assurance.

It is also important that the new systems and technological solutions developed by RaySearch develops are protected from illicit use by competitors. In most cases, RaySearch's advanced software products are protected by copyright, and where possible and appropriate, RaySearch also protects its products through patents and trademark registration.

Strategic partnerships

The medical technology industry is characterized by relatively rapid technological development with advances in industrial knowledge and competence. RaySearch's system and software products are developed in close collaboration with leading cancer centers and research institutions, including MD Anderson and UCSF in the US, the Princess Margaret Cancer Center in Canada, Heidelberg University Hospital in Germany and others RaySearch's ability to uphold these long-term and close relationships is crucial to understanding and meeting customer needs.

RaySearch also has strategic partnerships with a number of medical device suppliers including IBA, Accuray, Mevion, and collaborative partnerships with Philips, Varian and IBA Dosimetry, which sell the company's products. If RaySearch were to lose one or more of these strategic partners, this could have an adverse impact on the company's sales, earnings and financial position.

Alternative therapies

Of the three main types of cancer treatment – radiation therapy, surgery and chemotherapy – radiation therapy is the therapeutic approach that has increased most for curative groups over the past 20 years. RaySearch also expects radiation therapy to be an important treatment option in the future.

Sales organization

RaySearch sells its system and products both through its own sales organization and through an external network of distributors and partners. The company's continued success is dependent on the ability to build and maintain successful customer relations, and to establish and maintain an efficient marketing organization and successful partnerships with external sales channels.

Corruption

Corruption is an obstacle to development and growth in some of the countries in which RaySearch operates. RaySearch has zero tolerance of all forms of corruption, including bribery, fraud and anti-competitive practices. RaySearch therefore works continuously to strengthen its existing compliance program with, for example, background screening processes and certification of business partners, and other internal procedures to address and prevent the various anti-corruption issues that may arise within the framework of the business operations.

Regulatory approval and processes

RaySearch operates in a range of geographic markets, which exposes the Group to a large number of laws, regulations, policies and guidelines in relation to health and safety, the environment, trade barriers, competition, exchange control and the delivery of systems and products. As a developer of medical devices, RaySearch's operations are governed by the requirements and standards determined by healthcare regulators. Consequently, changes may result in increased costs or barriers to sales of RaySearch's systems and products.

Some examples of regulatory requirements are the EU's current (MDD) and coming (MDR) Medical Device Regulation, the FDA's Quality System Regulations (QSR) for medical devices, and Health Canada's Medical Device Single Audit Program (MDSAP).

Like other companies in the same industry, RaySearch is dependent on assessments and decisions by the relevant authorities in most of the markets in which the company operates. Such assessments include product safety and permission to market and sell medical devices. Applications to such authorities require extensive documentation, and unforeseen circumstances may delay the opportunity to introduce, market, sell and deliver systems and products, as well as prevent or restrict the commercial benefit and/or cause substantial additional costs.

To consistently produce high-quality products, reduce duplication of documentation for applications and to meet legal requirements, RaySearch conducts its operations in accordance with a quality management system that also complies with product safety standards issued by the International Electrotechnical Commission (IEC) and the International Organization for Standardization (ISO). The quality management system is evaluated and certified by external regulators and inspected regularly. Should serious exceptions be identified, for example, this could result in delays and suspended deliveries of RaySearch's systems and products.

RaySearch continuously evaluates the conditions for entering new markets. The opportunities and risks involved are taken into account. Many markets have their own regulatory requirements for registration, which could potentially delay marketing authorization and product launches.

Dependence on qualified personnel and key individuals

RaySearch is dependent on expertise to develop its advanced medical technology systems, which requires highly qualified employees. The company's ability to attract, recruit and retain qualified personnel, a number of key individuals with specialized skills, and management is crucial, and highly significant for the Group's future success.

Changes to reimbursement systems

RaySearch's ability to commercialize its solutions depends on the level of reimbursement that hospitals and clinics can receive. Reimbursement policies vary between countries and changes to current reimbursement systems in relation to health care products or the introduction of new rules could have a direct impact on demand for RaySearch's products.

Legal disputes

Through its operations, RaySearch is occasionally at risk of becoming involved in disputes related to its operating activities. Such disputes may involve product liability, contractual matters, intellectual property rights and alleged defects in deliveries of goods and services. Disputes can be costly, time-consuming and impede ongoing operations. Disputes relating to intellectual property rights are costly and may have a material impact on RaySearch's business and financial position. It may also be difficult to predict the outcome of complex disputes. Disputes related to RaySearch's product liability could include alleged negligence, warranty breach or malpractice, and lead to substantial costs regardless of whether or not RaySearch is held liable. RaySearch has product liability insurance, but there is a risk that future claims may exceed or fall outside the scope of the insurance coverage.

Changes to tax systems

RaySearch's business includes the development and delivery of software solutions and services in a wide range of jurisdictions. The activities are taxed in accordance with the laws of that jurisdiction. Changes in tax systems may affect the Group's tax liabilities and tax expenses, which may result in an increase or decrease of the financial results depending on the type of change that occurs.

International regulations governing the global tax environment are also subject to regular changes. The OECD (Organization for Economic Co-operation and Development) has proposed a number of changes through the introduction of BEPS (Base Erosion and Profit Shifting). The implementation of these changes may result in a reallocation of profits between different jurisdictions and an increase or decrease in related tax expense and cash flows.

Financial risk

Through its operations, the RaySearch Group is exposed to various types of financial risk, such as currency risk, interest rate risk, credit risk and liquidity risk.

Currency risk is the risk of fluctuations in the value of future business transactions and recognized assets and liabilities in foreign currency due to changes in exchange rates. Interest rate risk refers to the risk that changes in interest rates will have a negative impact on RaySearch's results. Credit risk arises partly through financial credit risk related to cash and cash equivalents and balances with banks and financial institutions, through credit exposure from transactions with customers and distributors. Liquidity risk refers to the risk of not being able to meet payment obligations as a result of insufficient liquidity or difficulty in securing external loans. Some of RaySearch's loan agreements include financial covenants, such as net debt/EBITDA and the equity/assets ratio. The inability to maintain levels of net debt/EBITDA and the equity/assets ratio could result in a violation of the company's financial covenants whereby loan agreements must be renegotiated or existing loans repaid.

RaySearch's risk management is managed by the Group's Finance Department, which identifies, evaluates and hedges financial risks. This is carried out in accordance with the Board's established policies for overall risk management and the Group's financial policy, which form a framework of guidelines and rules in the form of risk mandates and limits for financial activities.

RaySearch has increased exposure to exchange-rate fluctuations due to its international business and structure. Exposure is mainly the result of having costs in SEK, while most of the company's revenue is in USD and EUR.

The company has no currency hedging, in accordance with the established financial policy. The financial policy is updated at least once a year.

For more information about financial risk and financial risk management, refer to Note 28 on page 46.

PARENT COMPANY

RaySearch Laboratories AB (publ) is the Parent Company of the RaySearch Group. Since the operations of the Parent Company match the operations and financial reporting of the Group in all material respects, the comments for the Group are also largely relevant to the Parent Company. However, capitalization of development costs and right-of-use assets are recognized in the Group but not in the Parent Company. The Parent Company's current receivables mainly comprise receivables from Group companies and accounts receivable. The Parent Company's loss before tax totaled SEK 9.7 M (profit: 8.3) and at December 31, 2019, the Parent Company's cash and cash equivalents amounted to SEK 80.3 M (9.4).

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

TREASURY STOCK

The company had no treasury stock in 2019.

SHARES AND OWNERSHIP

At December 31, 2019, the total number of registered shares in RaySearch was 34,282,773, of which 8,454,975 were Class A and 25,827,798 Class B. The quotient value was SEK 0.50 and the company's share capital amounted to SEK 17,141,386.50. Each Class A share entitles the holder to ten votes, and each Class B share to one vote, at a general meeting. At December 31, 2018, the total number of voting rights in RaySearch was 110,377,548.

All shareholders entitled to vote at a general meeting may vote for the full number of shares owned or represented by them, with no restrictions on voting rights.

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

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

Source: Euroclear, FI, MorningStar and Montanaro.

As far as the Board of Directors of RaySearch is aware, there are no shareholder agreements for either Class A or Class B shares. There are no special provisions in the Articles of Association regarding the appointment and dismissal of Board members, or amendments to the Articles of Association. Should a public offer be tendered to acquire shares in the company, there are no agreements 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.

BONUSES AND PROFIT-SHARING FOUNDATION

Of the employees in the Swedish Parent Company, RaySearch Laboratories AB (publ), only the CEO and sales personnel are covered by bonus schemes.

The RayFoundation profit-sharing foundation covers all employees in the Parent Company, including all senior executives, except for the CEO. An allocation is paid to the profit-sharing foundation in a given year if consolidated operating profit amounts to a level exceeding an operating margin of 20 percent, whereby 10 percent of that portion of the operating profit that exceeds the threshold level is allocated. The allocation is calculated on the operating margin before allocation to the profit-sharing foundation and the CEO's variable remuneration.

In relation to the results for 2019, a total of SEK 0 M (0) was allocated to the RayFoundation profit-sharing foundation during the year, including a special employer's contribution of SEK 0 M (0).

Sales personnel in RaySearch's foreign-based sales company are covered by a bonus scheme based on sales-related targets for each of the regions.

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 applied for senior executives of RaySearch Laboratories AB in 2019 are described below.

Salary and other remuneration

The CEO is to have a fixed basic salary plus variable remuneration. The variable remuneration amounts to 2.0 percent of consolidated profit before tax after allocation to the RayFoundation profit-sharing foundation, but not more than 12 months' salary. In addition, the CEO is entitled to other customary benefits, such as a company car.

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

At the beginning of 2019, other senior executives included the Deputy CEO, CFO, Chief Science Officer, Director of Development, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Service and General Counsel.

The Director of Sales and Marketing is to have a fixed basic salary plus variable remuneration. The variable remuneration shall be based on a certain percentage of sales of RayStation and RayCare in Europe. The Director of Sales for Asia & Pacific is to have a fixed basic salary plus variable remuneration. The variable remuneration shall be based on a certain percentage of sales of RayStation and RayCare in the Asia & Pacific region. The Deputy CEO, CFO, Chief Science Officer, Director of Development, Director of Service and General Counsel are to have a fixed basic salary, but no variable remuneration.

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

Incentive program

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

Pension

All pension plans are defined-contribution plans. The retirement age for the CEO and other senior executives is 65, and the pension premiums are equivalent to the Swedish ITP plan.

Termination of employment

If the CEO terminates their employment, the term of notice will be six months; if the company terminates the CEO's employment, the term of notice will be 12 months. In both cases, the CEO is entitled to salary during their 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 CEO nor other senior executives are entitled to severance pay, in formal terms, if their employment ceases. However, as stated above, the CEO and other senior executives are entitled to salary during their notice period.

Deviations

The Board proposes that the Board be permitted to deviate from the above guidelines should special reasons for doing so exist.

PROPOSED REMUNERATION GUIDELINES FOR SENIOR EXECUTIVES IN 2020

The Board proposes the Annual General Meeting to adopt the following guidelines for remuneration to the CEO and other members of senior management (senior executives).

The guidelines are forward-looking, i.e. they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Annual General Meeting 2020. These guidelines do not apply to any remuneration decided or approved by the General Meeting.

The guidelines' promotion of the company's business strategy, long-term interests and sustainability

For information regarding the company's business strategy, please see https://www.raysearchlabs.com/.

A prerequisite for the successful implementation of the company's business strategy and safeguarding of its long-term interests, including its sustainability, is that the company is able to recruit and retain qualified personnel. To this end, it is necessary that the company offers competitive remuneration. These guidelines enable the company to offer the executive management a competitive total remuneration.

Variable cash remuneration covered by these guidelines shall aim at promoting the company's business strategy and long-term interests, including its sustainability.

Types of remuneration, etc.

The remuneration shall be on market terms and may consist of the following components: fixed cash salary, variable cash remuneration, pension benefits and other benefits. All senior executives except the CEO, shall be covered by the profit-sharing foundation RayFoundation as all other employees in RaySearch Laboratories AB (publ), and may thereby also receive variable cash remuneration. Additionally, the General Meeting may – irrespective of these guidelines – resolve on, among other things, share-related or share price-related remuneration.

The satisfaction of criteria for awarding variable cash remuneration shall be measured over a period of one year. The variable cash remuneration may amount to not more than 100 per cent of the fixed annual cash salary.

Pension benefits, including health insurance (Sw: sjukförsäkring), shall be premium defined. Variable cash remuneration shall not qualify for pension benefits. The pension premiums shall be equal to the Swedish ITP plan which corresponds to not more than 10 per cent of the fixed annual cash salary for the CEO and not more than 30 per cent of the fixed annual cash salary for the other senior executives. The retirement age is normally 65 years.

Other benefits may include, for example, life insurance, medical insurance and company cars. Such benefits may amount to not more than 10 per cent of the fixed annual cash salary.

Criteria for awarding variable cash remuneration, etc.

Any variable cash remuneration shall be linked to predetermined and measurable criteria which can be financial or non-financial. They may also be individualized, quantitative or qualitative objectives. The criteria shall be designed so as to contribute to the company's business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the executive's long-term development.

Variable cash remuneration for the CEO shall amount to 2.0 per cent of the Group's earnings before tax after allocations to the profit-sharing foundation RayFoundation. For senior executives working with sales, any variable cash remuneration shall be linked to sales of the company's products. Allocation to RayFoundation is made if the operating profit for the preceding year reached a level in excess of an operating margin of twenty per cent. In such a case, the amount allocated will be ten per cent of the part of the operating profit that exceeds the limit.

As the criteria that determine whether allocation to RayFoundation is to be made, as well as other variable remuneration, are linked to the company's profit or sale, they contribute to the implementation of the company's business strategy and long-term interests, including its sustainability.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be evaluated/determined when the measurement period has ended. The Board is responsible for the evaluation so far as it concerns variable remuneration to the CEO. For variable cash remuneration to other senior executives, the CEO is responsible for the evaluation. For financial objectives, the evaluation shall be based on the latest financial information made public by the company.

Termination of employment

The notice period may not exceed twelve months if notice of termination of employment is made by the company. Fixed cash salary during the period of notice and severance pay may together not exceed an amount equivalent to the fixed cash salary for 18 months. The period of notice may not exceed six months without any right to severance pay when termination is made by the executive.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the company have been taken into account by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

The decision-making process to determine, review and implement the guidelines

The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the general meeting. The guidelines shall be in force until new guidelines are adopted by the General Meeting. The Board shall also monitor and evaluate programs for variable remuneration for the executive management, the application of the guidelines for executive remuneration as well as the current remuneration structures and compensation levels in the company. The CEO and other members of the executive management do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are personally affected by such matters.

Deviations

The Board may temporarily resolve to deviate from the guidelines, in whole or in part, if in a specific case there is special cause for the deviation and a deviation is necessary to serve the company's long-term interests, including its sustainability, or to ensure the company's financial viability.

INTERNAL CONTROL

Refer to disclosures in the Corporate Governance Report on page 55.

DIVIDEND POLICY AND PROPOSAL

According to the Board's dividend policy, RaySearch is to distribute about 20 percent of consolidated profit after tax to its shareholders, provided that a healthy capital structure can be maintained. Since the company is currently in the midst of an expansive and capital-intensive phase, the Board of RaySearch proposes that no dividend be paid for the 2019 fiscal year. No dividend was paid for the 2018 fiscal year.

The Group's results and financial position are presented in the following statements of comprehensive income, financial position and cash flow, with the accompanying notes.

PROPOSED ALLOCATION OF THE PARENT COMPANY'S PROFIT

The following is at the disposal of the AGM:

SEK 000s	
Retained earnings	214,992
Loss for the year	–8,794
Total	**206,198**

The Board of directors and CEO propose that SEK 206,198,000 be carried forward.

MULTI-YEAR OVERVIEW

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	2019	2018	2017	2016	2015
Net sales[1]	741,584	627,218	585,086	531,468	397,600
Cost of goods sold	–72,365	–56,024	–36,650	–26,872	–23,690
Gross profit	**669,219**	**571,194**	**548,436**	**504,596**	**373,910**
Research and development costs	–174,670	–147,691	–104,304	–93,207	–101,514
Other operating expenses	–426,380	–329,043	–284,463	–211,830	–177,052
Operating profit	**68,169**	**94,460**	**159,669**	**199,559**	**95,344**
Net financial items	–5,561	–3,696	–3,768	–1,474	–1,854
Profit before tax	**62,608**	**90,764**	**155,901**	**198,085**	**93,490**
Tax	–12,197	–12,241	–38,274	–46,677	–23,281
Profit for the year	**50,411**	**78,523**	**117,627**	**151,408**	**70,209**
Earnings per share before dilution	1.47	2.29	3.43	4.42	2.05
Earnings per share after dilution	1.47	2.29	3.43	4.42	2.05

[1] IFRS 15 2019 and 2018 compliance. Prior years in accordance with IAS 18.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000s	Dec 31, 2019[1]	Dec 31, 2018[2]	Dec 31, 2017[2]	Dec 31, 2016[2]	Dec 31, 2015[2]
ASSETS					
Intangible fixed assets	428,406	377,341	322,598	243,219	195,114
Other fixed assets	254,016	123,943	48,578	38,446	41,817
Total fixed assets	**682,422**	**501,284**	**371,176**	**281,665**	**236,931**
Total current assets	**581,802**	**604,138**	**543,888**	**435,589**	**247,559**
TOTAL ASSETS	**1,264,224**	**1,105,422**	**915,064**	**717,254**	**484,490**
SHAREHOLDERS' EQUITY AND LIABILITIES					
Shareholders' equity attributable to Parent Company shareholders	705,468	657,453	580,425	460,188	319,517
Liabilities	558,756	447,969	334,639	257,066	164,973
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**1,264,224**	**1,105,422**	**915,064**	**717,254**	**484,490**

[1] IFRS 16 compliance.
[2] IAS 17 compliance.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK 000s	2019	2018	2017	2016	2015
Cash flow from operating activities	320,145	178,472	147,481	120,848	111,426
Cash flow from investing activities	–212,046	–223,625	–148,132	–106,949	–103,855
Cash flow from financing activities	–111,484	46,958	19,773	12,291	–3,946
Cash flow for the year	**–3,385**	**1,805**	**19,122**	**26,190**	**3,625**

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK 000s	NOTE	2019	2018
Net sales	2, 3	741,584	627,218
Cost of goods sold[1]	4	–72,365	–56,024
Gross profit	8	**669,219**	**571,194**
Other operating income	9	27,406	35,391
Selling expenses		–345,425	–261,911
Administrative expenses	11	–100,135	–91,983
Research and development costs	11	–174,670	–147,691
Other operating expenses	10	–8,226	–10,540
Operating profit	5, 6, 8, 12	**68,169**	**94,460**
Financial income		1,258	283
Financial expenses		–6,819	–3,979
Net financial items	13	**–5,561**	**–3,696**
Profit before tax		**62,608**	**90,764**
Tax	15	–12,197	–12,241
Profit for the year[2]		**50,411**	**78,523**
Other comprehensive income			
Items to be reclassified to profit or loss			
Translation difference of foreign operations for the year		–433	–1,495
Items not to be reclassified to profit or loss		–	–
Comprehensive income for the year[2]		**49,978**	**77,028**
Earnings per share before and after dilution	16	1.47	2.29

[1] Does not include amortization of capitalized development costs. Amortization and capitalization of development costs are included in research and development costs.
[2] 100 percent attributable to Parent Company shareholders.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

SEK 000s	NOTE	Dec 31, 2019[1]	Dec 31, 2018[2]
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalized development costs	2, 17	427,696	376,914
Other intangible fixed assets	18	710	427
		428,406	**377,341**
Tangible fixed assets			
Equipment, fixtures and fittings	2, 19a	105,865	93,081
Right-of-use assets	19b	115,485	–
		221,350	**93,081**
Other fixed assets			
Deferred tax assets	25	12,193	7,408
Long-term receivables	26	20,473	23,454
		32,666	**30,862**
Total fixed assets		**682,422**	**501,284**
Current assets			
Accounts receivable (current billed customer receivables)	22	194,752	276,473
Current unbilled customer receivables	22	191,063	154,763
Inventories		4,623	9,617
Tax assets	25	23,172	20,702
Other receivables		13,735	7,419
Prepaid expenses	23	40,599	22,966
Cash and cash equivalents	24	113,858	112,198
Total current assets		**581,802**	**604,138**
TOTAL ASSETS		**1,264,224**	**1,105,422**

[1] IFRS 16 compliance.
[2] IAS 17 compliance.

SEK 000s	NOTE	Dec 31, 2019[1]	Dec 31, 2018[2]
SHAREHOLDERS' EQUITY			
Share capital		17,141	17,141
Other paid-in capital		1,975	1,975
Reserves		–7,641	–7,207
Retained earnings, including profit/loss for the year		693,993	645,544
Shareholders' equity attributable to Parent Company shareholders		**705,468**	**657,453**
Total shareholders' equity		**705,468**	**657,453**
LIABILITIES			
Deferred tax liabilities	25	115,145	103,954
Long-term interest-bearing liabilities	7, 28	85,796	7,215
Total long-term liabilities		**200,941**	**111,169**
Accounts payable	21	33,202	32,366
Tax liabilities	25	799	349
Current interest-bearing liabilities	28	84,931	124,283
Other liabilities		10,715	6,878
Accrued expenses and deferred income	29	228,168	172,924
Total current liabilities		**357,815**	**336,800**
Total liabilities		**558,756**	**447,969**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	30	**1,264,224**	**1,105,422**

[1] IFRS 16 compliance.
[2] IAS 17 compliance.

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

SEK 000s	Share capital	Other paid-in capital	Translation reserve	Retained earnings including net profit for the year	Total shareholders' equity attributable to Parent Company shareholders
Opening shareholders' equity, Jan 1, 2018	**17,141**	**1,975**	**–5,713**	**567,022**	**580,425**
Profit for the year				78,523	78,523
Other comprehensive income for the year			–1,495		–1,495
Comprehensive income for the year	**0**	**0**	**–1,495**	**78,523**	**77,028**
Closing shareholders' equity, Dec 31, 2018	**17,141**	**1,975**	**–7,208**	**645,545**	**657,453**
Effect of IFRS 16				–1,963	**–1,963**
Opening shareholders' equity, Jan 1, 2019	**17,141**	**1,975**	**–7,208**	**643,582**	**655,490**
Profit for the year				50,411	50,411
Other comprehensive income for the year			–433		–433
Comprehensive income for the year			**–433**	**50,411**	**49,978**
Closing shareholders' equity, Dec 31, 2019	**17,141**	**1,975**	**–7,641**	**693,993**	**705,468**

CAPITAL MANAGEMENT

RaySearch's managed capital comprises shareholders' equity. Changes in managed equity are described above. For information about the terms for the Group's external borrowing, refer to Note 28. RaySearch's long-term financial target is high sales growth, with an operating margin of more than 40 percent. This target will be achieved by establishing RaySearch as the leading global provider of treatment planning systems for radiation therapy and oncology information systems.

RaySearch has the following dividend policy: The Board intends to pay out approximately 20 percent of consolidated profit after tax to shareholders provided that a healthy capital structure can be maintained. Since the company is currently in the midst of an expansive and capital-intensive phase, the Board of RaySearch proposes that no dividend be paid for the 2019 fiscal year.

TRANSLATION RESERVE

The translation reserve includes all exchange-rate differences resulting from translating financial statements from foreign operations that have been prepared in a functional 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	2019	2018
Operating activities			
Profit before tax		62,608	90,764
Adjusted for non-cash items[1]	11	180,438	91,475
Taxes paid		–7,275	–40,922
Cash flow from operating activities before changes in working capital		**235,771**	**141,317**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in operating receivables		45,337	–20,307
Increase (+)/Decrease (–) in operating liabilities		39,037	57,462
Cash flow from operating activities		**320,145**	**178,472**
Investing activities			
Investments in capitalized development costs	17, 18	–164,811	–150,364
Acquisition of tangible fixed assets	19	–47,235	–73,270
Divestment of tangible fixed assets		–	9
Cash flow from investing activities		**–212,046**	**–223,625**
Financing activities			
Loans raised		–	49,850
Repayment of loans		–75,000	–
Repayment of lease liabilities	7, 28	–36,484	–2,892
Cash flow from financing activities		**–111,484**	**46,958**
Cash flow for the year		**–3,385**	**1,805**
Cash and cash equivalents at the beginning of the year		112,198	104,156
Exchange-rate difference in cash and cash equivalents		5,045	6,237
Cash and cash equivalents at year-end		**113,858**	**112,198**

[1] These amounts include amortization of SEK 114 M (96) on capitalized development costs, depreciation of SEK 69 M (18) on tangible fixed assets and unrealized exchange rate losses of SEK 2 M (loss: 25).

Cash and cash equivalents consist of bank deposits.

SUPPLEMENTARY DISCLOSURES TO THE CASH-FLOW STATEMENT

	GROUP	
	Dec 31, 2019	Dec 31, 2018
Interest received	50	79
Interest paid	–5,653	–1,292

PARENT COMPANY

INCOME STATEMENT

SEK 000s	NOTE	2019	2018
Net sales	2, 3	533,127	466,157
Cost of goods sold		–34,400	–26,006
Gross profit	8	**498,727**	**440,151**
Other operating income	9	26,905	35,090
Selling expenses		–202,356	–153,986
Administrative expenses	11	–99,691	–91,824
Research and development costs	11	–226,089	–202,007
Other operating expenses	10	–4,869	–10,197
Operating profit	5, 6, 8, 12	**–7,373**	**17,227**
Interest income and similar profit items		5,234	6,982
Interest expense and similar loss items		–2,862	–3,124
Profit/loss after financial items	13	**–5,001**	**21,085**
Appropriations	14	–4,673	–12,739
Profit/loss before tax		**–9,674**	**8,346**
Tax	15	880	–4,637
Profit/loss for the year		**–8,794**	**3,709**

COMPREHENSIVE INCOME

SEK 000s	2019	2018
Profit/loss for the year	–8,794	3,709
Other comprehensive income	–	–
Comprehensive income for the year	**–8,794**	**3,709**

STATEMENT OF FINANCIAL POSITION

SEK 000s	NOTE	Dec 31, 2019	Dec 31, 2018
ASSETS			
Fixed assets			
Intangible fixed assets			
Intangible fixed assets	18	708	427
Tangible fixed assets			
Equipment, fixtures and fittings	19	42,484	38,023
Financial fixed assets			
Participations in Group companies	20	1,911	1,772
Deferred tax assets	25	6,011	3,132
Long-term receivables from Group companies		73,136	152,507
Other long-term receivables	26	13,616	16,665
Total fixed assets		**137,866**	**212,526**
Current assets			
Inventories		2,332	763
Current receivables			
Accounts receivable (current billed customer receivables)	22	113,016	127,224
Current unbilled customer receivables	22	82,853	85,366
Receivables from Group companies		130,298	145,987
Tax assets		23,119	18,374
Other receivables		12,354	7,163
Prepaid expenses and accrued interest income	23	37,145	20,547
Total current receivables		**398,785**	**404,661**
Cash and bank balances	24	80,262	9,375
Total current assets		**481,379**	**414,799**
TOTAL ASSETS		**619,245**	**627,325**

SEK 000s	NOTE	Dec 31, 2019	Dec 31, 2018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital[1]		17,141	17,141
Statutory reserve		43,630	43,630
Total restricted equity		**60,771**	**60,771**
Unrestricted equity			
Retained earnings		214,992	211,283
Profit/loss for the year		−8,794	3,709
Total non-restricted equity		**206,198**	**214,992**
Total shareholders' equity		**266,969**	**275,763**
Untaxed reserves	27	**114,921**	**110,248**
Current liabilities			
Accounts payable		30,127	21,308
Liabilities to Group companies		10,892	7,911
Liabilities to credit institutions	28	49,532	124,283
Tax liabilities		0	0
Other liabilities		6,037	4,913
Accrued expenses and deferred income	29	140,767	82,899
Total current liabilities		**237,355**	**241,314**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**619,245**	**627,325**

[1] Share capital at Dec 31, 2019: 8,454,975 Class A shares, 25,827,798 Class B shares.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Restricted equity			
SEK 000s	Share capital	Statutory reserve	Unrestricted equity	Total
Opening shareholders' equity, Jan 1, 2018	**17,141**	**43,630**	**211,283**	**272,054**
Comprehensive income for the year			3,709	3,709
Closing shareholders' equity, Dec 31, 2018	**17,141**	**43,630**	**214,992**	**275,763**
Opening shareholders' equity, Jan 1, 2019	**17,141**	**43,630**	**214,992**	**275,763**
Comprehensive income for the year			−8,794	−8,794
Closing shareholders' equity, Dec 31, 2019	**17,141**	**43,630**	**206,198**	**266,969**

CASH FLOW STATEMENT

SEK 000s	NOTE	2019	2018
Operating activities			
Profit/loss after financial items		–5,001	21,085
Adjusted for non-cash items	11, 28	9,984	5,856
Taxes paid		–6,122	–35,354
Cash flow from operating activities before changes in working capital		**–1,139**	**–8,413**
Cash flow from changes in working capital			
Increase (–)/Decrease (+) in operating receivables		104,163	–87,514
Increase (+)/Decrease (–) in operating liabilities		66,843	39,013
Cash flow from operating activities		**169,867**	**–56,914**
Investing activities			
Contributions to subsidiaries	20	–139	–726
Acquisition of intangible and tangible fixed assets	18, 19	–23,841	–25,692
Cash flow from investing activities		**–23,980**	**–26,418**
Financing activities			
Loans raised		–	49,850
Prepaid borrowing costs		–	–
Repayment of loans		–75,000	–
Cash flow from financing activities	28	**–75,000**	**49,850**
Cash flow for the year		**70,887**	**–33,482**
Cash and cash equivalents at the beginning of the year		9,375	42,857
Cash and cash equivalents at year-end		80,262	9,375

SUPPLEMENTARY DISCLOSURES TO THE CASH-FLOW STATEMENT

	Dec 31, 2019	Dec 31, 2018
Interest received	50	79
Interest paid	–2,393	–1,292

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. RFR 1, Supplementary accounting rules for corporate groups, issued by the Swedish Financial Reporting Board, has also been applied.

The Parent Company applies the same accounting policies as the Group except in the cases listed below in the section "Parent Company 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 have been listed on Nasdaq Stockholm since 2003, and in the Mid Cap segment as of 2016. The street address of the head office is Sveavägen 44, SE-111 34 Stockholm, Sweden.

PRESENTATION OF THE PARENT COMPANY'S AND THE CONSOLIDATED FINANCIAL STATEMENTS

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

Assets and liabilities are recognized at their historical cost. Preparing the 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 carrying amounts of assets, liabilities, income and expenses. The actual outcome may vary from these estimates and assessments.

The estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made if the change only affects this period, or during the period in which the change is made and future periods if the change affects both the current period and future periods.

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

Assessments made by company management in the application of IFRSs that have a significant impact on the financial statements and estimates that could require substantial adjustments in the financial statements of future years are described in greater detail in below.

NEW ACCOUNTING POLICIES

IFRS 16 Leases

IFRS 16 Leases has been applied since January 1, 2019. The application of IFRS 16 entails that identified leases, primarily rental and vehicle leases, will be recognized on the balance sheet. This impacts numerous financial performance measures and key figures, such as EBITDA, operating profit, net financial items, shareholders' equity, return on equity and net debt.

The lease liability is measured at the present value of the lease payments over the remaining lease term, and the right-of-use asset for all contracts equals the calculated depreciated value from the lease commencement, with adjustment for the interest rate that applied on the transition date. RaySearch has also elected to apply the exemption rules for short-term leases and leases where the underlying asset is of low value. In addition, RaySearch has elected not to reassess if a contract is, or contains, a lease at the date of initial application. Nor does RaySearch exclude non-lease components in any contracts.

IFRS 16 will be applied for reporting periods beginning on or after January 1, 2019 and has superseded IAS 17 Leases and related interpretations. IFRS 16 sets out the principles for the recognition of rental leases and requires the Lessee to recognize all leases on the balance sheet, similar to the recognition of finance leases under IAS 17. The standard contains two recognition and measurement exemptions for Lessees – leases where the underlying asset has a low value (such as personal computers) and short-term leases (leases with a lease term of 12 months or less). If the recognition and measurement exemptions are applied, these leases do not need to be included in the amounts reported in the statement of financial position. At the commencement of a lease, the lessee recognizes a lease liability on the balance sheet equal to the present value of all future lease payments, and a right-of-use asset equal to its right to use the underlying asset during the lease term. Lease payments are discounted using the interest rate implicit in the lease, if the interest rate can be readily determined. If the implicit interest rate is difficult to determine, the lessee's incremental borrowing rate is used. The lessee recognizes interest on the lease liability, and depreciation of the right-of-use asset, in profit or loss.

Transition to IFRS 16

RaySearch applied the modified retrospective method when this standard was adopted, which means that no comparative figures are restated. The opening lease liability comprises the discounted remaining lease payments at January 1, 2019. The opening right-of-use asset is measured as if the standard had been applied on the commencement date of the contracts, but discounted by the incremental borrowing rate at January 1, 2019. No contracts were reclassified, and only contracts classified as leases under IAS 17 are covered by IFRS 16. For leases previously classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and lease liability was measured at January 1, 2019 at the carrying amount of the lease asset and lease liability under IAS 17 immediately prior to the application of IFRS 16.

The application of IFRS 16 entails that identified leases, primarily rental leases, will be recognized on the balance sheet. The interest rate used corresponds to the incremental borrowing rate for each company in the Group. If the length of the lease is not specified in the contract, the useful life of the asset has been estimated. Should company management be aware of an imminent extension of the contract, and it is reasonably certain that this option will be exercised, this extension has been taken into account when determining the lease term. For simplicity, the tax rate used to calculate the deferred tax asset is 20.6% for all leases. This is the fairest option, since the most significant lease arrangements will remain in place until 2021 or longer.

For leases in the Parent Company, the exemption in RFR 2 is applied. This means that Parent Company's accounting policies for recognizing leases will remain unchanged.

Impact on the statement of financial position at January 1, 2019:

When transitioning to IFRS 16, the Group recognized right-of-use assets at SEK 165 M and new lease liabilities at SEK 167 M, of which current lease liabilities account for SEK 31 M. The difference between assets and liabilities is due to the recognition of prepaid lease payments as assets on December 31, 2018, which were added to the right-of-use assets at January 1, 2019. There was also an impact of SEK 2 M on shareholders' equity due to measuring the right-of-use asset as if the standard had been applied since the lease commencements.

A summary of opening lease liabilities is presented in the table below:

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

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

SEGMENT REPORTING

An operating segment is a part of the Group that conducts business activities from which it generates revenue 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 CEO of RaySearch. In this internal reporting, the Group is a segment because the costs of the company's products are not clearly separable.

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 12 months after the balance-sheet date. Current assets and current liabilities in the Parent Company and Group essentially only comprise amounts that the company expects to recover or receive payment for within 12 months of the balance sheet date.

CONSOLIDATION PRINCIPLES

Subsidiaries

Subsidiaries are companies that are under the controlling influence of the Parent Company, RaySearch Laboratories AB (publ). 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.

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.

Transactions to be eliminated on consolidation

Receivables and liabilities, revenue 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 using 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 operations. Monetary assets and liabilities denominated in foreign currency are translated to the functional currency using the exchange rate prevailing on the balance-sheet date. Exchange-rate differences arising from currency translations are recognized in profit for the year. Non-monetary assets and liabilities 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 an average exchange rate for the year.

NOTE 1 ACCOUNTING POLICIES, cont'd.

REVENUE

Four types of revenue

A sales transaction at RaySearch normally involves four types of revenue: license revenue, support revenue, hardware revenue and revenue for training and other activities. Licenses and support are sold via partners, distributors and directly to end customers.

Revenue is recognized in profit or loss when a promised good or service is transferred to a customer, which may be over time or at a point in time. Revenue is the amount of consideration the company expects to receive for transferring the goods or services. All revenue is recognized at the consideration the company expects to receive, less discounts granted, VAT and after elimination of intra-Group transactions. The Group recognizes license revenue in connection with delivery, while support revenue is accrued on a straight-line basis over the support period. Hardware revenue is recognized when the hardware is delivered. Revenue for training is recognized over the period during which the training is provided.

For pricing between the various performance obligations within a customer order, the Group applies the residual approach, which means the recognized revenue from a software license may vary between different customers.

For pricing between the various performance obligations within a customer order, the Group applies the residual approach, which means the recognized revenue from a software license may vary between different customers.

Performance obligation	Allocation of revenue	Stand-alone selling prices
License revenue	Upon delivery of license key or similar	Remaining amount of transaction price
Support revenue	Straight-line over the support period	Estimated market price for services performed
Hardware revenue	Upon delivery of the hardware	Purchase price plus percentage mark-up
Training and other	In connection with training sessions	Estimated market price for services performed

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 costs is not included in cost of goods sold.

FINANCIAL INCOME AND EXPENSE

Financial income and expense

Financial income and expense comprises interest income on bank accounts and receivables, and exchange-rate differences.

FINANCIAL INSTRUMENTS

Financial instruments are measured and recognized in the Group in accordance with IFRS 9. Financial instruments recognized on the balance sheet include cash and cash equivalents, long-term and current unbilled customer receivables, accounts receivable (current billed customer receivables), accounts payable, interest-bearing liabilities and accrued expenses.

A financial asset or liability is recognized on the balance sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable and accounts payable are recognized on the balance sheet when an invoice has been sent, respectively received. Financial assets are recognized on the balance sheet until the right to use the lease has been realized, or the company no longer has a right to use the asset. The same applies for components of a financial asset. Financial liabilities are derecognized from the balance sheet when RaySearch has satisfied its obligation, or when the obligation is otherwise extinguished. The same applies for components of a financial liability.

RaySearch recognizes financial instruments that are due for settlement within 12 months as current assets and liabilities. Financial instruments not due to be settled within 12 months, and for which the company has an unconditional right to defer settlement of the assets or liabilities for at least 12 months after the reporting period, are recognized as long-term assets and liabilities.

The classification of financial assets that are debt instruments is based on the Group's business model within which the asset is held, and contractual cash flows of the asset. The Group's debt instruments are measured at amortized cost.

Financial assets measured at amortized cost

All financial assets, including cash and cash equivalents, accounts receivable and unbilled customer receivables are measured at amortized cost. According to the business model, assets measured at amortized cost are held to collect contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets in this category are initially measured at fair value plus transaction costs. Receivables arise when RaySearch provides money, goods or services directly to a debtor with no intention of trading the receivable. Accounts receivable are initially recognized at the invoice amount. A financial instrument containing a financing component and with a credit period of more than year is initially recognized at the present value of all future payments. The assets are subsequently recognized using the effective interest method. Expected loss provisioning is applied for these assets. Refer also to Note 21A.

Financial liabilities measured at amortized cost

Financial liabilities are measured at amortized cost. Financial liabilities measured at amortized cost are initially measured at fair value including transaction costs. The liabilities are subsequently measured at amortized cost using the effective interest method, whereby the calculated change in value (effective interest) is recognized as interest income or interest expense in profit or loss. Refer also to Note 21B.

Impairment of financial assets

The Group's financial assets are subject to impairment for expected credit losses. Impairment recognition under IFRS 9 is forward-looking, and a loan loss provision is set aside to mitigate credit risk, normally at initial recognition. Expected credit losses reflect the present value of all expected shortfall in contractual cash flows attributable to default for either the next 12 months or the expected remaining maturity of the financial instruments, depending on the class of asset and changes in credit quality since initial recognition. Expected credit losses reflect an objective, probability-weighted outcome that accounts for multiple scenarios based on reasonable and supportable forecasts.

NOTE 1 ACCOUNTING POLICIES, cont'd.

The simplified approach is applied for all accounts receivable and unbilled customer receivables. Under the simplified approach, a loan loss provision is recognized for the expected remaining maturity of the receivable.

For other items subject to expected credit losses, a three-stage approach to impairment is applied. Initially, and at each balance-sheet date, a loan loss provision is recognized for the next 12 months, alternatively, for a shorter period of time depending on the remaining maturity (stage 1). The Group has determined its assets to be in stage 1, which means that credit risk has not increased significantly since initial recognition.

The Group has defined default as when contractual payments are more than 90 days past due, or when other factors indicate that a payment suspension exists. At the balance-sheet date, no significant increase in credit risk was considered to exist for any receivable or asset. Such assessments are based on whether payments are more than 30 days past due, or there has been a significant deterioration in credit risk, entailing a rating below investment grade.

The calculation of expected credit losses is based on various models. The model for accounts receivable and unbilled customer receivables is presented in the Credit risk in receivables section in Note 21 D. For other financial assets, a ratings-based approach is generally applied by referring to an external credit rating source. Expected credit losses are calculated as the product of probability of default, loss given default and exposure at default. In addition, any other current and forward-looking information is taken into account. A loan loss provision is recognized unless deemed insignificant. The calculation of expected credit losses accounts for any collateral and other credit enhancements in the form of guarantees. The financial assets are measured at amortized cost on the balance sheet, meaning the net of their gross value and loan loss provision. Changes in the loan loss provision are recognized in profit or loss. The Group writes off a receivable when it is certain that the debt will not be paid, and any active measures to collect payment have been terminated.

TANGIBLE FIXED ASSETS

Assets owned

Property, plant and equipment are stated on a consolidated basis at cost after deduction of accumulated depreciation and amortization, and potential impairment. Cost includes the purchase price and any expenses that are directly attributable to the asset to put it in place and in the condition to be utilized for the purpose for which it was acquired. Accounting policies for impairment are described 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.

Right-of-use assets

RaySearch primarily leases office premises and vehicles. The leases normally apply for different durations and may include an option to extend.

An agreement may include both lease and non-lease components. RaySearch allocates the consideration in the agreement to lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The leases contain no special terms or restrictions with the exception that the lessor retains the right to pledge leased assets. The leased assets may not be used as collateral for loans.

Leased tangible fixed assets were classified as either finance or operational leases until the end of the 2018 fiscal year. As of January 1, 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured at their present value. Lease liabilities include the present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any benefits in connection with signing the lease to receive variable lease payments dependent on an index or a rate, initially measured using an index or price on the commencement date
- amounts expected to be payable by the lessee under residual value guarantees

Lease payments to be made for reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If this rate cannot be readily determined, which is normally the case for the Group's leases, the lessee's incremental borrowing rate is used, which is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Group determines the incremental borrowing rate as follows:

- where possible, financing recently received from a third party is used as a starting point and is then adjusted to reflect changes in financing conditions since the financing was obtained
- adjustments are made for the specific terms of the agreement, such as lease term, country, currency and security.

The right-of-use asset is usually depreciated over the shorter of the useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use is amortized over the useful life of the underlying asset.

Payments associated with short-term leases relating to equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Depreciation principles

Depreciation is based on the original cost less any residual value. Depreciation is applied straight-line over the estimated useful life. The estimated useful lives are as follows:

- computers 3–5 years
- equipment, tools, fixtures and fittings 5 years
- building equipment 5 years
- Right-of-use assets over the lease's useful life

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

NOTE 1 ACCOUNTING POLICIES, cont'd.

INTANGIBLE ASSETS

Research and development

Research costs related to obtaining new scientific or technical knowledge are recognized as an expense as incurred.

Development costs, whereby the research results or other knowledge is applied to achieve new or improved products or processes, are recognized as an 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 subsequently 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 costs are recognized at cost less accumulated amortization and any impairment.

Other intangible assets

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

Depreciation 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 costs for which amortization has not commenced are 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 costs 5 years
- software 3–5 years

INVENTORIES

Inventories are measured at the lower of cost and net realizable value, in accordance with IAS 2. Cost is determined using the first-in-first-out (FIFO) method or weighted average cost. The cost of inventories includes all costs for purchasing hardware. Net realizable value is the expected selling price during the normal course of business less the estimated costs associated with the completion and sale of an asset.

When inventories are sold, the value of those inventories is recognized as an expense in the same period as the corresponding revenue is recognized. Inventories are written down to their net realizable value and all losses related to inventories are recognized as an expense in the same period as the write down or loss occurs.

IMPAIRMENT LOSSES

The carrying amounts of the Group's tangible and intangible assets are tested at every 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

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 liabilities following the AGM's approval of the dividend.

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.

EMPLOYEE BENEFITS

Short-term remuneration

Short-term remuneration to 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 contributions paid by the company to the plan or to an insurance company plus the capital return that the contributions yield. Consequently, it is the employee who bears the actuarial risk (that remuneration can be lower than expected) and the investment risk (that the invested assets will be insufficient for 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.

RayFoundation profit-sharing foundation

The profit-sharing foundation covers all employees of the Parent Company including senior executives, except the CEO. 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 allocated is 10 percent of the portion of operating profit that exceeds the limit level. For further information, refer to Note 5.

NOTE 1 ACCOUNTING POLICIES, cont'd.

TAXES

Income taxes consist of current tax 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 to be paid or received for the current year, applying the tax rate decided or decided in principle on the balance-sheet date. Current tax also includes adjustments of current tax attributable to prior periods.

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 are not taken into account when they are not expected to be reversed in the foreseeable future. The measurement of deferred tax is based on how the underlying assets or liabilities are expected to be realized or settled. Deferred tax is calculated with the application of the tax rates and tax rules established or decided in practice on the balance sheet date.

Deferred tax assets pertaining to deductible temporary differences and tax loss carryforwards are only recognized insofar as they are likely to be utilized in the future. The value of deferred tax assets is reduced when it is no longer considered probable that they will be utilized.

PROVISIONS

Provisions are recognized on the balance sheet when the Group has an obligation (legal or constructive) due to a past event and 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 be confirmed only by the occurrence or non-occurrence of one or more uncertain future events or when there is a present obligation that cannot be 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 for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company.

Classification and presentation

For the Parent Company, the terms income statement, balance sheet and cash-flow statement are used for the statements that the Group designates as statement of comprehensive income, 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 development costs are recognized in the Parent Company's income statement as they arise. Such reporting is permitted in accordance with RFR 2. In the consolidated financial statements, these development costs are recognized as an asset 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 expense.

Leased assets

In the Parent Company, all leases are recognized on a straight-line basis over the lease term.

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.

Financial instruments

Due to the link between recognition and taxation, the requirements for recognition and measurement of financial instruments in IFRS 9 are not applied in the Parent Company as a legal entity. The Parent Company applies the cost method in accordance with the Swedish Annual Account Act instead. In the Parent Company, financial assets are therefore measured at cost and current assets according to the lower value method, with the application of impairment for expected credit losses according to IFRS 9 in relation to assets that are debt instruments. For other financial assets, impairment is based on their market value.

NOTE 1 ACCOUNTING POLICIES, cont'd.

Impairment of intra-Group receivables

The Parent Company applies a ratings-based method for estimating expected credit losses for intra-Group receivables based on the probability of default, expected loss and exposure at default. The Parent Company has defined default as when contractual payments are more than 90 days past due, or when other factors indicate that a payment suspension exists. The Parent Company's receivables from subsidiaries correspond, in all material respects, to receivables from the US subsidiary. At the balance-sheet date, no significant increase in credit risk was considered to exist for any intra-Group receivable. Such assessments are based on a review of the subsidiary's long-term repayment capacity. The Parent Company applies the general approach when recognizing the intra-Group receivables. Based on the Parent Company's assessments according to the method described above, with account for other known information and forward-looking factors, expected credit losses were not deemed significant and no provision was therefore recognized.

SIGNIFICANT ESTIMATES AND ASSESSMENTS

Preparation of the financial statements in accordance with IFRS and generally accepted accounting principles in Sweden requires estimates and assumptions to be made that affect the recognized asset and liability items, revenue and expense items, and other information provided.

These estimates and assumptions are usually based on historical experience, but also on other factors including expectations of future events. Other estimates and assumptions may produce different results and the actual outcome will rarely be fully consistent with the estimated outcome. RaySearch assesses that the areas in which the estimates and assumptions will have the greatest impact are:

- Revenue from Contracts with Customers
- Customer receivables
- Recognition and impairment testing of capitalized development costs

Revenue from Contracts with Customers

Revenue is recognized in profit or loss when RaySearch has satisfied a performance obligation. The definition of when a such an obligation has been satisfied is when the control of the promised goods or services has been transferred to the customer. Revenue can be recognized over time, or at a point in time. When the obligation has been satisfied, there is an unconditional right to receive consideration.

In some cases, allocation of the transaction price to each specific performance obligation requires estimates be made to determine how the transaction price should be allocated. This allocation is based on the stand-alone selling price for each of the performance obligations.

Customer receivables

When revenue is recognized in the manner described above a receivable arises. RaySearch has three types of customer receivables depending on whether a payment plan exists, the due date for payment and whether billing has taken place. These receivables are classified as Long-term unbilled receivables, Current unbilled receivables and Current billed receivables (accounts receivable). The names have been adapted to the definitions contained in the new IFRS 15 accounting standard.

The Group's and Parent Company's billed and unbilled customer receivables add up to a significant amount. The recognition of loan loss provisions for expected credit losses on accounts receivable and unbilled customer receivables therefore requires an assessment of which of these hold a risk for loss. The measurement of expected bad debt is based on regularly updated forecasts and assumptions regarding the ability of counterparties to pay. See a further explanation in Note 21D.

Recognition and impairment testing of capitalized development costs

The Group invests considerable amounts in research and development, parts of which are recognized as intangible assets, refer also to Note 11. The recognition of development costs as an asset requires assessments that the product is expected to become technically and commercially viable and that future economic benefits are probable. Capitalized development costs are 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. See a further explanation in Note 17.

NOTE 2 INFORMATION ABOUT GEOGRAPHIC AREAS

Identifying reportable segments is based on the internal reporting to the chief operating decision maker, which is the CEO of RaySearch. In this internal reporting, the Group is a segment.

DISTRIBUTION OF FIXED ASSETS, GROUP

	Tangible fixed assets		Intangible fixed assets	
SEK 000s	2019	2018	2019	2018
Sweden	83,384	45,499	428,406	377,341
US	136,122	47,439	–	–
Belgium	41	–	–	–
France	1,148	72	–	–
UK	0	–	–	–
Germany	52	71	–	–
Singapore	90	–	–	–
Japan	72	–	–	–
South Korea	204	–	–	–
China	237	–	–	–
	221,350	**93,081**	**428,406**	**377,341**

The distribution is broken down among the registered offices of the Group's legal entities.

Sales

RaySearch's products are sold directly to end customers, via distributors and via partners. Sales had the following geographic distribution based on the location of end customers:

DISTRIBUTION OF SALES, LOCATION OF END CUSTOMER

	RayStation/RayCare		Partner	
SEK 000s	2019	2018	2019	2018
Sweden	3,020	1,573	–	–
US	310,067	260,136	3,397	2,352
Japan	81,571	97,473	207	639
UK	69,203	54,374	645	3,001
Germany	25,033	45,834	3,136	1,015
France	37,660	40,114	382	370
Austria	53,293	143	63	170
Netherlands	16,259	21,556	–	–
Belgium	12,537	4,973	–	–
South Korea	16,702	1,583	207	232
China	2,930	141	7,369	8,771
Other countries	71,210	49,562	26,693	33,206
	699,485	**577,462**	**42,099**	**49,756**

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS

RaySearch's products are sold directly to end customers, via distributors and via partners. Sales had the following geographic distribution based on the location of the end customers.

REVENUE DISTRIBUTION – GROUP

	2019			2018		
SEK 000s	RayStation/ RayCare	Partner	Total	RayStation/ RayCare	Partner	Total
Revenue by type						
Licenses	419,319	30,357	449,676	411,498	38,847	450,345
Support	186,447	11,742	198,189	104,399	10,909	115,308
Hardware	76,577	0	76,577	53,633	0	53,633
Training and other	17,142	0	17,142	7,932	0	7,932
Total revenue by type	**699,485**	**42,099**	**741,584**	**577,462**	**49,756**	**627,218**
Revenue by geographic market						
North America	310,067	3,397	313,464	260,137	2,352	262,489
APAC	126,612	8,797	135,409	113,012	12,609	125,621
Europe and rest of the world	262,806	29,905	292,711	204,313	34,796	239,109
Total revenue by geographic market	**699,485**	**42,099**	**741,584**	**577,462**	**49,757**	**627,219**
Revenue recognized at a point in time						
Goods/services transferred at a point in time	495,896	30,357	526,253	465,131	38,848	503,979
Services transferred over time	203,589	11,742	215,331	112,331	10,909	123,240
Total revenue recognized at a point in time	**699,485**	**42,099**	**741,584**	**577,462**	**49,757**	**627,219**

REVENUE DISTRIBUTION – PARENT COMPANY

	2019			2018		
SEK 000s	RayStation/ RayCare	Partner	Total	RayStation/ RayCare	Partner	Total
Revenue by type						
Licenses	346,474	30,357	376,831	330,132	38,848	368,980
Support	99,656	11,742	111,398	54,104	10,909	65,013
Hardware	30,795	0	30,795	23,597	0	23,597
Training and other	8,484	0	8,484	3,355	0	3,355
Intra-Group management fee	5,619	0	5,619	5,212	0	5,212
Total revenue by type	**491,028**	**42,099**	**533,127**	**416,400**	**49,757**	**466,157**
Revenue by geographic market						
Sweden	3,020	0	3,020	1,573	0	1,573
North America	104,078	3,397	107,475	100,007	2,352	102,359
APAC	132,287	8,797	141,084	112,080	12,609	124,689
Europe and rest of the world	251,643	29,905	281,548	202,740	34,796	237,536
Total revenue by geographic market	**491,028**	**42,099**	**533,127**	**427,424**	**53,350**	**466,157**
Revenue recognized at a point in time						
Goods/services transferred at a point in time	377,269	30,357	407,626	353,729	38,848	392,577
Services transferred over time	113,759	11,742	125,501	62,671	10,909	73,580
Total revenue recognized at a point in time	**491,028**	**42,099**	**533,127**	**427,424**	**53,350**	**466,157**

NOTE 3 REVENUE FROM CONTRACTS WITH CUSTOMERS, cont'd.

CUSTOMER RECEIVABLES AND CONTRACT BALANCES

SEK 000s	Dec 31, 2019	Dec 31, 2018
Accounts receivable (current billed customer receivables) (Note 22)	194,752	276,473
Current unbilled customer receivables (Note 22)	191,063	154,763
Long-term unbilled customer receivables (Note 26)	20,370	23,119
Contract liabilities (Note 29)	–161,180	–111,983
Revenue recognized during the period, of which		
Revenue included in opening contract liabilities	100,180	42,256
Revenue attributable to performance obligations wholly or partly satisfied in previous periods	–	–

When RaySearch has fulfilled a performance obligation to a customer and an unconditional right to consideration exists, a revenue and a corresponding receivable are recognized. RaySearch has three types of customer receivables depending on whether a payment plan exists, the due date for payment and whether billing has taken place. These receivables are classified as Long-term unbilled receivables, Current unbilled receivables and Current billed receivables (accounts receivable). Previously, unbilled receivables were referred to as accrued income. The increase in receivables was the result of entering into more agreements with payment plans. Current billed receivables (accounts receivable) are non-interest bearing and generally have terms of 30 to 90 days.

Contract liabilities include prepaid warranty and support revenue that have been billed but where the revenue has been allocated to the period in which the customer received the support.

PERFORMANCE OBLIGATIONS

Customer contract	When the obligation is typically satisfied	When payment typically falls due	How the transaction price is determined
License and product revenues			
Software licenses	Upon delivery of license key or when the license is available for download (at a point in time).	Within 30–60 days of delivery (RayStation) or installation (RayCare), provided a payment plan does not exist.	Remaining amount after allocation of transaction price to other performance obligations.
Additional features	Upon delivery of license key or when the license is available for download (at a point in time).	Within 30–60 days of delivery.	Estimated fair market value of features for which development is carried out.
Hardware	When control of the hardware is transferred to the customer, typically upon delivery of the hardware.	Within 30–90 days of delivery, provided a payment plan does not exist.	Observable purchase price plus market-based margin of 20 percent.
Support revenue			
Updates of software licenses and customer support	Proportional over the warranty period or support agreement (over time).	Within 30 days of commencement of the contract period.	Observable price according to separate contract or agreement to renew.
Professional services			
Training services	When the training is provided (over time).	Within 30–90 days of performing the service.	Observable price according to agreement with customer where the service is sold separately.

At December 31, the remaining obligations at the end of the period are distributed as follows:

SEK 000s	Dec 31, 2019	Dec 31, 2018
Within 1 year	374,235	248,123
Later than one year	785,797	579,881
	1,160,032	**828,004**

The above remaining performance obligations primarily pertain to support obligations (including warranty support). These accounted for 84 percent of the total order backlog at year-end.

NOTE 4 COST OF GOODS SOLD

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Royalty cost	–8,439	–7,207	–8,439	–7,207
Hardware cost	–63,926	–48,817	–25,961	–18,799
	–72,365	**–56,024**	**–34,400**	**–26,006**

NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION TO SENIOR EXECUTIVES

COSTS FOR REMUNERATION OF PARENT COMPANY AND GROUP EMPLOYEES

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Salaries, benefits and social security costs	269,501	222,881	153,053	133,272
Pension costs, defined-contribution plans	32,356	26,841	30,010	25,115
Social security contributions	56,951	48,116	45,879	39,369
	358,808	**297,839**	**228,942**	**197,755**

AVERAGE NUMBER OF EMPLOYEES

In the Parent Company, the average number of employees was 244 (217), of whom 149 (137) were men and 95 (80) women.

In the Group, the average number of employees was 331 (283), of whom 212 (183) were men and 119 (100) women.

The average number of employees by country in the Group was 244 (217) in Sweden, 45 (36) in the US, 6 (5) in Belgium, 8 (7) in France, 4 (3) in the UK, 6 (3) in Germany, 4 (4) in Singapore, 6 (5) in China, 4 (2) in Japan, 2 (1) in South Korea and 2 (0) in India.

GENDER DISTRIBUTION IN COMPANY MANAGEMENT

There is one female senior executive in the Parent Company, corresponding to 9 percent (11), and two female Board members, corresponding to 40 percent (40).

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

	2019		2018	
GROUP, SEK 000s	Senior executives and Board members (12)	Other employees	Senior executives and Board members (12)	Other employees
Salaries and other remuneration	21,672	247,829	20,447	202,434
(of which, bonus)	2,136	903	2,421	2,753
Social security costs	11,605	77,703	10,724	64,233
(of which pension costs)	4,795	27,561	3,959	22,883
Group total	**33,277**	**325,532**	**31,171**	**266,667**

SALARIES AND OTHER REMUNERATION TO SENIOR EXECUTIVES AND OTHER EMPLOYEES, AND SOCIAL SECURITY EXPENSES IN THE PARENT COMPANY

	2019		2018	
PARENT COMPANY, SEK 000s	Senior executives and Board members (12)	Other employees	Senior executives and Board members (12)	Other employees
Salaries and other remuneration	21,672	131,381	20,447	112,825
(of which, bonus)	2,136	903	2,421	0
Social security costs	11,605	64,284	10,724	53,759
(of which pension costs)	4,795	25,215	3,959	21,156
Parent Company total	**33,277**	**195,665**	**31,171**	**166,584**

SENIOR EXECUTIVES WHO WERE APPOINTED DURING THE YEAR:

Lars Wollung, Chairman of the Board (from May 21, 2019)

NOTE 5 EMPLOYEES, PERSONNEL COSTS AND REMUNERATION OF SENIOR EXECUTIVES, cont'd.

SALARIES AND OTHER REMUNERATION OF BOARD MEMBERS AND GROUP MANAGEMENT

2019	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Lars Wollung*	436		–	–	436
Chairman of the Board Carl Filip Bergendal	250	–	–	–	250
Board member Hans Wigzell	250	–	–	–	250
Board member Johanna Öberg	250	–	–	–	250
Board member Britta Wallgren	250	–	–	–	250
CEO Johan Löf	5,403	1,269	466	616	7,755
Other senior executives (8)	11,562	867	715	4,179	17,323
Total	**18,401**	**2,136**	**1,181**	**4,795**	**26,514**

* Lars Wollung, Chairman of the Board from May 21, 2019

2018	Basic salary, Board fees	Variable remuneration	Other benefits	Pension costs	Total
Chairman of the Board Carl Filip Bergendal	480	–	–	–	480
Board member Hans Wigzell	250	–	–	–	250
Board member Johanna Öberg	250	–	–	–	250
Board member Britta Wallgren	147	–	–	–	147
CEO Johan Löf	5,328	1,815	455	612	8,209
Other senior executives (8)	10,485	605	631	3,347	15,069
Total	**16,940**	**2,421**	**1,086**	**3,959**	**24,405**

No share-based remuneration was paid.

VARIABLE REMUNERATION

Variable remuneration payable to the CEO is based on the Group's earnings and amounts to 2 percent of consolidated profit before tax and is capped at 12 months' salary. The Director of Sales and Marketing and the Director of Sales for Asia & Pacific receive variable remuneration based on sales in their respective regions. All employees in the Swedish Parent Company, except for the CEO, are covered by a profit-sharing foundation. 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 operating profit that exceeds the limit level. For the employees of foreign subsidiaries, variable remuneration related to sales and achievement of established targets is paid.

In 2019, SEK 0 M (0) was allocated to the profit-sharing foundation, excluding special employer's contribution.

PENSIONS

All pension plans are defined-contribution plans. The retirement age for the CEO and senior executives is 65, and the pension premium is equivalent to the Swedish ITP plan. No other pension obligations exist.

SEVERANCE PAY

If the CEO chooses to terminate their employment, the term of notice is six months; if the employer terminates the CEO's employment, the term of notice is 12 months. In either case, the CEO is not entitled to any special severance pay, but in both cases receives a 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 6 AUDITORS' FEES AND COMPENSATION FOR EXPENSES

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
EY				
Auditing assignments	3,389	2,237	3,297	2,164
Audit activities other than audit assignment	615	534	615	534
Tax advice	155	260	155	260
Other services	–	–	–	–
	4,159	**3,031**	**4,067**	**2,958**
Other auditors				
Auditing assignments	131	28	–	–
	131	**28**	**–**	**–**

NOTE 7 LEASE DEBT

Lease liabilities fall due for payment as follows:	Future lease payments	Interest	Present value of lease payments
Within 1 year	66,756	3,225	63,531
2–5 years	41,616	5,815	35,801
More than 5 years	24,222	2,352	21,870
	132,594	**11,392**	**121,202**

IFRS 16 Leases came into effect on January 1, 2019, which affected the recognition of leases. See Note 1 for information about how the transition to IFRS 16 has affected the Group. See Note 19b for information about the Group's right-of-use assets. See Note 12 for a maturity analysis of lease liabilities.

	GROUP	
SEK 000s	2019	2018
Opening balance	**174,708**	**9,751**
Acquisitions during the period	1,405	2,015
Redemption	–894	–1,669
Remeasurement of leases[1]	–20,936	–
Lease payments paid	–40,368	–3,339
Interest expense	3,884	457
Currency changes	3,403	–
Closing balance	**121,202**	**7,215**
Of which short-term portion	**35,399**	**0**

[1] Concerns changed contract conclusion pertaining to office premises on Sveavägen in connection with the expected transfer to new premises.

The calculation of lease liability does not include short-term leases with an annual cost of TSEK 125, nor low-value leases of less than TSEK 80.

In the third quarter of 2019, the company signed a ten-year rental lease for a new head office in Stockholm with commencement in the third quarter of 2021. This lease is not included in the calculation of lease liability.

The Group is not exposed to any significant variable lease payments.

The Group has leases for premises that include options to extend clauses. No options to extend were considered reasonably certain to be exercised, which is why no such extensions are included in the value of the Group's lease liabilities.

NOTE 8 OPERATING EXPENSES SPECIFIED BY TYPE OF COSTS

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Cost of goods sold[1]	–72,365	–56,024	–34,400	–26,006
Personnel expenses	–241,265	–187,831	–262,268	–228,045
Amortization and impairment losses[2]	–182,497	–113,844	–18,833	–10,928
Exchange-rate losses	–8,226	–10,540	–4,869	–10,197
Other expenses	–196,468	–199,910	–247,035	–208,844
	–700,821	**–568,149**	**–567,405**	**–484,020**

[1] Cost of goods sold comprises costs of sold hardware and royalties for licensed software included in the company's software. Amortization of capitalized development costs is not included in cost of goods sold. Amortization and capitalization of development costs are included in the recognized research and development costs.

[2] Amortization of capitalized development costs is included in amortization and impairment losses in the table above.

NOTE 9 OTHER OPERATING INCOME

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Exchange-rate gains on operating receivables/liabilities	27,406	35,391	26,905	35,090
	27,406	**35,391**	**26,905**	**35,090**

NOTE 10 OTHER OPERATING EXPENSES

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Exchange-rate losses on operating receivables/liabilities	–8,226	–10,540	–4,869	–10,197
	–8,226	**–10,540**	**–4,869**	**–10,197**

NOTE 11 DEPRECIATION, AMORTIZATION AND IMPAIRMENT OF TANGIBLE AND INTANGIBLE FIXED ASSETS

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Intangible fixed assets				
Amortization and impairment according to function				
Administrative expenses	–128	–7	–128	–7
Research and development	–113,618	–95,614	–	–
	–113,746	**–95,621**	**–128**	**–7**
Tangible fixed assets				
Selling expenses	–30,854	–3,913	–756	–126
Administrative expenses	–14,968	–10,301	–8,313	–6,786
Research and development	–22,929	–4,009	–9,636	–4,009
	–68,751	**–18,223**	**–18,705**	**–10,921**
Total depreciation/amortization	**–182,497**	**–113,844**	**–18,833**	**–10,928**
Depreciation of right-of-use assets amounts to	–40,450	–3,515		

NOTE 12 MATURITY ANALYSIS LEASES

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Lease payments for the year	46,345	36,750	27,989	27,127
Contracted future lease payments payable:				
Within 1 year	51,674	36,947	38,639	25,527
2-5 years	68,346	106,617	20,188	57,946
Later than 5 years	28,638	37,914	–	–
	148,658	**181,478**	**58,827**	**83,474**

Significant leases pertain to a rental agreement for the head office in Stockholm, which expires on Aug 31, 2021. The base rent is indexed annually. Future lease payments include rental agreements for new offices in New York (Nov 12, 2018–Nov 12, 2028) and San Francisco (Mar 16, 2018–Mar 16, 2024).

NOTE 13 FINANCIAL INCOME AND EXPENSE

	GROUP		PARENT COMPANY	
SEK 000s	2019	2018	2019	2018
Interest income on cash and cash equivalents	316	48	62	33
Interest income on accounts receivable and loan receivables	942	235	942	195
Interest income Group companies	–	–	4,230	6,754
Total interest income according to effective interest method	**1,258**	**283**	**5,234**	**6,982**
Interest expense on other liabilities to credit institutions[1]	–2,862	–2,282	–2,862	–1,427
Interest expense lease liabilities	–3,878			
Other financial expenses	–79	–1,697		–1,697
Total interest expense according to effective interest method	**–6,819**	**–3,979**	**–2,862**	**–3,124**
Net	**–5,561**	**–3,696**	**2,372**	**3,858**

[1] The interest expense for the credit facility is based on STIBOR + 1.5 percent with a floor for STIBOR at 0 percent.

All interest income and interest expense is derived from financial assets and liabilities measured at amortized cost.

NOTE 14 APPROPRIATIONS

	PARENT COMPANY	
SEK 000s	2019	2018
Tax allocation reserve, provision during the year	–3,400	–10,600
Accelerated depreciation for tax purposes, equipment	–1,273	–2,139
	–4,673	**–12,739**

NOTE 15 TAX ON PROFIT FOR THE YEAR

	GROUP	
SEK 000s	2019	2018
Current tax expense		
Tax expense for the period	–5,211	–7,296
	–5,211	**–7,296**
Deferred tax expense/income		
Deferred tax for temporary differences on capitalized development costs and leases	–10,502	–7,243
Untaxed reserves/deferred tax attributable to loss carryforwards	–1,028	–2,803
Deferred tax related to other temporary differences	4,544	5,101
	–6,986	**–4,945**
Total tax expense/income recognized in the Group	**–12,197**	**–12,241**
Reconciliation of effective tax		
Recognized profit before tax	62,608	90,764
Tax at current tax rate of 21.4% (22%)	–13,411	–19,968
Effect of other tax rates for foreign companies	219	1,451
Tax attributable to earlier years	3,048	2,088
Effect of non-taxable income	–	94
Effect of non-deductible costs	–2,839	–4,040
Effect of changed tax rate in Sweden	–	4,367
Utilization of non-capitalized loss carryforwards	861	3,843
Standard interest on tax allocation reserve	–75	–75
Reported effective tax	**–12,197**	**–12,241**

	PARENT COMPANY	
SEK 000s	2019	2018
Current tax expense		
Tax expense for the period	–1,999	–7,035
Change in deferred tax	2,879	2,398
Total tax expense recognized in the Parent Company	**880**	**–4,637**
Reconciliation of effective tax		
Recognized profit before tax	–9,674	8,346
Tax at current tax rate of 21.4% (22%)	2,070	–1,836
Effect of non-taxable income	0	0
Effect of non-deductible costs	–1,334	–2,498
Effect of changed tax rate in Sweden	–	–204
Tax attributable to earlier years	219	–24
Standard interest on tax allocation reserve	–75	–74
Reported effective tax	**880**	**–4,637**

NOTE 16 DIVIDEND PER SHARE, EARNINGS PER SHARE AND NUMBER OF SHARES

	2019	2018
Proposed dividend per share	–	–
Total number of shares at beginning of the year	34,282,773	34,282,773
Of which treasury stock	–	–
Number of shares outstanding at beginning of the year	34,282,773	34,282,773
Number of shares outstanding at year-end	34,282,773	34,282,773
Average number of shares outstanding during the period	34,282,773	34,282,773
Profit/loss for the year attributable to Parent Company shareholders (before and after dilution)	50,411	78,523
Earnings per share before/after dilution	**1.47**	**2.29**

NOTE 17 CAPITALIZED DEVELOPMENT COSTS

SEK 000s	GROUP Dec 31, 2019	GROUP Dec 31, 2018
Accumulated cost		
Opening balance	901,151	751,221
Internally developed assets during the year	164,400	149,930
Closing balance	**1,065,551**	**901,151**
Accumulated amortization and impairment losses		
Opening balance	–524,237	–428,623
Amortization for the year	–113,618	–95,614
Closing balance	**–637,855**	**–524,237**
Closing carrying amount	**427,696**	**376,914**

Capitalized development costs pertains to the development of new versions of RaySearch's software products. These development costs are capitalized and amortized over a period of five years from when the products are released on the market and the asset is thus regarded as starting to contribute to the company's revenue.

IMPAIRMENT TESTING OF INTERNALLY GENERATED INTANGIBLE ASSETS

Internally generated intangible assets are tested annually for impairment, and whenever there is an indication of impairment. The recoverable amount is determined based on value-in-use.

An annual impairment test of internally generated intangible assets has been conducted. Cash flows are based on budget forecasts, assessments and market plans prepared by management. Cash flows beyond this period are extrapolated using a growth rate estimated at 2 percent based on company management's expectations of the future market trend. The assessment of operating margin is based on previously achieved earnings weighted by company management's expectations of the future market trend. The future cash flows have been discounted to their present value using an interest rate before tax of 9.0 percent (15.1). The discount interest rate is determined on the basis of risk-free interest plus a surcharge for the risk premium for the particular operating segment. The estimated value-in-use exceeds the carrying amount by such a high margin that company management believes there are no reasonably possible changes in assumptions that would lead to impairment.

NOTE 18 OTHER INTANGIBLE FIXED ASSETS

SEK 000s	GROUP AND PARENT COMPANY Dec 31, 2019	GROUP AND PARENT COMPANY Dec 31, 2018
Accumulated cost		
Opening balance	1,599	1,165
New acquisitions	411	434
Closing balance	**2,010**	**1,599**
Accumulated depreciation		
Opening balance	–1,172	–1,165
Amortization during the year	–128	–7
Closing balance	**–1,300**	**–1,172**
Closing carrying amount	**710**	**427**

Acquisitions for the year pertain to the purchase of licenses.

NOTE 19a TANGIBLE FIXED ASSETS

SEK 000s	GROUP Dec 31, 2019	GROUP Dec 31, 2018	PARENT COMPANY Dec 31, 2019	PARENT COMPANY Dec 31, 2018
Equipment, fixtures and fittings				
Accumulated cost				
Opening balance	145,966	72,973	74,358	49,100
IFRS 16 reclassification[1]	–18,971	–	–	–
New acquisitions	47,235	75,285	23,432	25,258
Divestments and disposals	–3,264	–4,167	–3,147	–
Translation difference for the year	1,723	1,875	–	–
Closing balance	**172,689**	**145,966**	**94,643**	**74,358**
Accumulated depreciation				
Opening balance	–52,885	–36,859	–36,335	–25,414
IFRS 16 reclassification[1]	11,495			
Divestments and disposals	2,998	2,500	2,881	–
Amortization for the year	–28,343	–18,223	–18,705	–10,921
Translation difference for the year	–90	–303	–	–
Closing balance	**–66,825**	**–52,885**	**–52,159**	**–36,335**
Closing carrying amount	**105,864**	**93,081**	**42,484**	**38,023**

[1] The opening balance tangible fixed assets includes leases with a carrying amount of SEK 7,476. In conjunction with the adoption of IFRS 16, these were classified as right-of-use assets. See Note 19b.

NOTE 19b RIGHT-OF-USE ASSETS

IFRS 16 Leases came into effect on January 1, 2019, and affected the recognition of leases and the Group's tangible fixed assets. See Note 7 for a description of the Group's future lease payments attributable to the estimated lease liability pertaining to the Group's right-of-use assets and liability development in 2019.

SIGNIFICANT LEASES

Significant leases include rented office premises, furniture and other office equipment, computer equipment and company cars, where office premises in Sweden and the US account for the greatest obligations.

Rental agreements for office premises are normally signed for between one and ten years, and usually include options to extend when the agreements expire. Rental agreements in Sweden generally include annually indexed rent.

For a breakdown of lease liability attributable to the right-of-use assets, see Note 7.

SEK 000s	Dec 31, 2019 Buildings	Vehicles and other	Total right-of-use assets
Accumulated cost			
Opening balance	0	0	0
IFRS 16 reclassification	–	7,476	7,476
Change in accounting policy	160,003	5,490	165,493
Additional leases	378	1,052	1,430
Terminated leases and remeasurements	–20,936	–866	–21,802
Translation difference for the year	3,271	63	3,334
Closing balance	**142,716**	**13,215**	**155,931**
Accumulated depreciation			
Opening balance	0	0	0
Depreciation for the year	–32,937	–7,509	–40,446
Closing balance	**–32,937**	**–7,509**	**–40,446**
Closing carrying amount	**109,779**	**5,706**	**115,485**

At December 31, 2019, consolidated profit was charged with costs attributable to leases, comprising depreciation expense of SEK 40,446 and interest expense of SEK 3,878.

NOTE 19b RIGHT-OF-USE ASSETS, cont'd.

The effects of IFRS 16 on the consolidated income statement were as follows:

	2019
Operating expenses (lease payments)	39,668
Depreciation expense	–36,903
Operating profit	**2,765**
Interest expense	–3,536
Profit before tax	**–771**
Short-term leases	125
Low-value leases	80

In 2019, total cash outflow for leases was TSEK 40,575.

NOTE 20 PARTICIPATIONS IN GROUP COMPANIES

	PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018
Accumulated cost		
Opening balance	1,772	1,046
Contributions to subsidiaries	139	726
Closing balance	**1,911**	**1,772**

SPECIFICATION OF PARENT COMPANY AND GROUP HOLDINGS OF PARTICIPATIONS IN GROUP COMPANIES.

Group company/Corp. Reg. No./Reg. office/Country	No./Partici-pations in %	Adjusted equity/ Profit for the year[1]	Carrying amount
RaySearch Americas Inc, Delaware, US	100	2,301/13,540	0
RaySearch Belgium Sprl, 0838.244.504, Brussels, Belgium	99.0[2]	1,363/297	170
RaySearch France SAS, RCS Paris, France 794 582 841	100	3,294/528	87
RaySearch UK Ltd, 8579149, London, UK	100	878/290	0
RaySearch Germany GmbH, HRB 157539, Berlin, Germany	100	1,881/467	228
RaySearch Singapore Pte Ltd, 201S508409H, Singapore	100	835/228	1
RaySearch Japan K.K., 010401124903, Tokyo, Japan	100	718/405	801
RaySearch Korea LLC., 1101140177029, Seoul, South Korea	100	297/141	79
RaySearch (Shanghai) Medical Device Co., Ltd 91310115MA1K3M628Y, China (Shanghai)	100	560/220	406
RaySearch Canada Inc.755835923RC0001, Saint John, New Brunswick, Canada	100	0/0	0
RaySearch India	100	22/33	139
			1,911

[1] Adjusted equity refers to the owned 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.
[2] SAS RaySearch France owns the remaining 1.0 percent of the Group company.

NOTE 21 FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT

This Note provides information about the Group's financial instruments and financial risk management, including:

a) Financial assets

b) Financial liabilities

c) Fair value

d) Financial risk factors and risk management

A) FINANCIAL ASSETS

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Financial assets measured at amortized cost				
Accounts receivable (current billed customer receivables) (Note 22)	194,752	276,473	113,016	127,224
Current unbilled customer receivables (Note 22)	191,063	154,763	82,853	85,366
Receivables from Group companies	–	–	130,298	145,987
Long-term unbilled customer receivables (Note 26)	20,370	23,119	13,513	16,330
Other long-term assets	103	335	103	335
Cash and cash equivalents (Note 24)	113,858	112,198	80,262	9,375
Total financial assets	**520,146**	**566,888**	**420,045**	**384,617**

B) FINANCIAL LIABILITIES

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Financial liabilities measured at amortized cost				
Long-term interest-bearing liabilities	85,796	7,215	–	–
Accounts payable	33,202	32,366	30,127	21,308
Liabilities to Group companies	–	–	10,892	7,911
Current interest-bearing liabilities	84,931	124,283	49,532	124,283
Accrued expenses	45,168	60,940	19,123	29,292
Total financial liabilities	**249,097**	**224,804**	**109,674**	**182,794**

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

C) FAIR VALUE

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

Level 1: Listed prices (unadjusted) in active markets for identical assets or liabilities to which the company has access at the time of measurement.

Level 2: Inputs other than the quoted prices in Level 1, which are directly or indirectly observable for the asset or liability. This may also pertain to input data other than the listed prices that are observable for the asset or liability, such as interest rates, yield curves, volatility and multiples.

Level 3: Non-observable input data for the asset or liability. At this level, the assumption that market players would use for pricing of the asset or liability, including risk taking, must be taken into account.

For all items under points A) and B), the carrying amount is an approximation of the fair value, which is why these items have not been categorized according to the fair value hierarchy. Since the long-term unbilled receivables carry variable interest and other external borrowings carry fixed interest, which is essentially considered to correspond to current market rates, the carrying amounts of loans are also considered to correspond to their fair value.

D) FINANCIAL RISK FACTORS AND RISK MANAGEMENT

The Group's main financial liabilities correspond to loans and other liabilities. The main purpose of these financial liabilities is to finance the Group's operations. The Group's main financial assets include billed and unbilled receivables and cash and cash equivalents.

Through its operations, the RaySearch Group is exposed to various types of financial risk including currency risk, interest rate risk, liquidity risk and credit risk. Risks are managed by the Group's Finance Department, which identifies, evaluates and hedges financial risks. This is carried out in accordance with the Board's established policies for overall risk management and the Group's financial policy, which form a framework of guidelines and rules in the form of risk mandates and limits for financial activities.

Currency risk

Currency risk is the risk for changes in value due to changes in exchange rates. With its international operations, the Group is exposed to currency risk in form of transaction exposure and translation exposure. Transaction exposure arises through future transactions, and translation exposure through assets and liabilities denominated in a foreign currency.

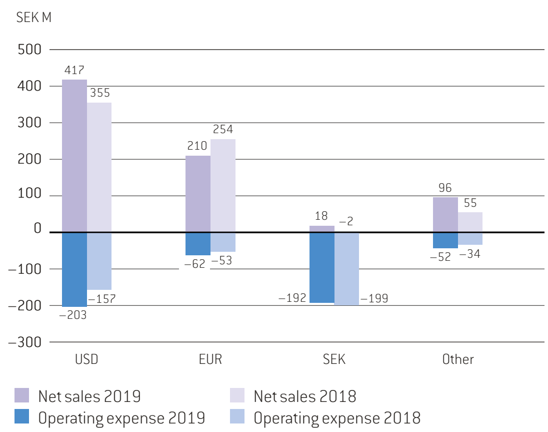
NOTE 21 FINANCIAL ASSETS AND LIABILITIES AND FINANCIAL RISK MANAGEMENT, cont'd.

The RaySearch Group's currency risk is mainly the result of the company receiving most of its revenue in USD and EUR, while most of its costs are in SEK. The company has no currency hedging, in accordance with the established financial policy. The financial policy is updated at least once a year.

Transaction exposure

The Group's net sales and operating expenses per currency are shown in the following diagram:

NET SALES AND OPERATING EXPENSES PER CURRENCY



Based on the year's revenue, cost and currency structure (transaction exposure), a general change of one percentage point in the SEK rate against other currencies would have an impact of approximately +/– SEK 5.1 M (4.5) on consolidated operating profit and +/– SEK 3.0 M (3.6) on consolidated equity. A one percentage point change in the USD rate against the SEK would have an impact of +/– SEK 3.1 M (2.1) on consolidated operating profit, while a corresponding change in the EUR exchange rate would have an impact of +/– SEK 1.6 M (2.1) on consolidated operating profit and equity.

Translation exposure

The Group's translation exposure related to balance-sheet items in foreign currency is mainly distributed between the USD and EUR. Other currencies in the Group correspond to SGD, GBP, CNY and KRW.

USD	2019	2018
Accounts receivable	82,358	146,237
Current unbilled customer receivables	137,807	0
Accounts payable	–6,529	–192
	213,636	**146,045**
EUR		
Accounts receivable	54,139	83,872
Current unbilled customer receivables	28,036	91,290
Accounts payable	–16,864	–14,974
	65,311	**160,188**
Other currencies		
Accounts receivable	8,359	24,354
Current unbilled customer receivables	6,894	550
Accounts payable	–4,091	–2,213
	11,162	**22,690**

Based on the year's receivable, liability and currency structure (translation exposure), a general change of one percentage point in the SEK rate against other currencies would have an impact of approximately +/– SEK 2.9 M (3.3) on consolidated operating profit and +/– SEK 2.3 M (2.6) on consolidated equity. A one percentage point change in the USD rate against the SEK would have an impact of +/– SEK 2.1 M (1.5) on consolidated operating profit, while a corresponding change in the EUR exchange rate would have an impact of +/– SEK 0.7 M (1.6) on consolidated operating profit.

Interest rate risk

Interest rate risk refers to the risk that changes in interest rates will have a negative impact on RaySearch's results due to, for example, increased costs for the company's variable rate loans. At December 31, 2019, interest-bearing liabilities amounted to SEK 170.7 M (131.5), of which SEK 116.4 M (7.2) pertained to leases, and cash and cash equivalents and interest-bearing receivables amounted to SEK 113.8 M (112.2). This means that the Group, excluding lease liabilities according to IFRS 16, had positive (negative) interest-bearing net debt of SEK 59.5 M.

Based on the balance-sheet structure at year-end, and assuming that all other variables were constant, a general change of one percentage point in the interest rate for loans and investments would have an impact of approximately +/– SEK 1.7 M (1.4) on consolidated earnings.

Liquidity risk

Liquidity risk refers to the risk of not being able to meet payment obligations as a result of insufficient liquidity or difficulty in securing external loans. At Group level, rolling forecasts for the Group's liquidity reserve are monitored to ensure that the Group has sufficient cash funds to meet its ongoing business needs, while maintaining a sufficient amount of unutilized credit. Surplus liquidity in Group companies is transferred centrally and managed by the Group's financial function.

In accordance with the established financial policy, investment is made in interest-bearing accounts with Swedish banks or the Swedish state.

To reduce liquidity risk, RaySearch strives to have available cash and cash equivalents of at least 10 percent of net sales. At December 31, 2019, cash and cash equivalents amounted to SEK 113.8 M (112.2), corresponding to 15 percent (18) of net sales. In addition, RaySearch had SEK 296 M (226) in undrawn credit facilities.

Credit risk

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with a financial instrument or customer contract, which could lead to a financial loss. The Group is exposed to credit risk from its operating activities (mainly customer receivables) and from financing activities, including deposits with banks and financial institutions, currency transactions and other financial instruments.

Credit risk in cash and cash equivalents

In accordance with the established financial policy, RaySearch's liquidity is invested in Swedish banks or the Swedish state with the objective of maintaining high liquidity with low credit risk. Expected loss provisioning is applied for cash and cash equivalents. The calculation of expected credit losses is based on an external credit rating. The counterparties have credit ratings ranging from Low to Low Moderate. No provision was recognized, since the expected credit losses are not considered significant.

Credit risk in receivables

Credit risk is the risk that a counterparty will fail to meet its obligations in accordance with a financial instrument or customer contract, which could lead to a financial loss. The Group is exposed to credit risk in its operating activities, mainly in relation to customer receivables.

Credit risk in accounts receivable is mainly managed at Group level, but coordinated with each of the Group companies. In connection with quotations/contract negotiations, the customer's creditworthiness is checked, which affects the customer's ability to meet the terms of any payment plans. The credit risk for a new customer is determined using a rating scale, and individual credit limits are defined on the basis of this assessment.

Regular risk assessments of creditworthiness are carried out by considering the customer's financial position on every occasion. Other influencing factors, such as payment patterns and previous experiences, are also critical for the assessment. For license deliveries to major customers, collateral such as letters of credit, or other types of credit insurance from reputable banks and other financial institutions is used. These may be invoked if the counterparty has outstanding debts under the terms of the agreement. At the end of 2019, SEK 6.4 M of the billed accounts receivable were protected by a letter of credit.

The Group's credit risks are usually limited because customers' operations are largely financed, either directly or indirectly, with public funds. Credit losses have also been very low historically.

Regarding credit risk concentration, the Group's largest receivable is from Hitachi, Ltd. and accounts for 5.3 percent of total receivables of SEK 406.2 M. Hitachi, Ltd. has a high credit rating – A-1/A from Moody's. Otherwise, no other customer accounts for more than 5 percent of the Group's total customer receivables.

Most of the receivables in the 2019 financial statements were subject to an individual credit assessment, which led to an impairment loss of SEK 5.0 M for the year for a few receivables. At the end of the 2019 fiscal year, the provision for expected credit losses amounted to SEK 20.1 M (15.1). For an age analysis of accounts receivable and provisions for expected credit losses, refer to Note 22.

The Group's credit risk is relatively low since the receivables are spread over a large number of creditworthy companies and institutions.

The credit risk for a new customer is determined using external credit ratings, and individual credit limits are defined on the basis of this assessment. Other variables in the assessment of expected credit losses is based on the existence of credit insurance, the customer's historical ability to pay, whether the customer is state or privately funded, the amount and payment terms of the receivable, number of days overdue and the likelihood of a dispute. Details emerging from the specific dialogue with the customer are also taken into account. Finally, other circumstances, such as sanctions and other policy measures, may also determine whether a receivable is deemed uncertain. All of these individual circumstances provide a broad basis for the assessment of future credit losses.

The above assessment of expected credit losses is made on an individual basis for almost all receivables. In the 2019 financial statements, more than 90 percent of all customer receivables had been individually assessed. The main selection criterion for this assessment is the amount of the receivable, which means that the largest receivables in the Group's customer base have been individually assessed, amounting to a 90-percent coverage.

When assessing a credit risk in that part of the customer portfolio that has not been subject to individual assessment, historical credit loss information is the most critical factor for assessment, based on an average loss ratio. The average loss ratio can be adjusted if necessary to meet a change in relation to credit risk, to achieve fair future loss provisioning. The Group's historical credit losses are limited, about 0.5 percent of the Group's total sales has been set aside for expected and actual credit losses since its foundation. The general provision for collectively assessed receivables is therefore negligible.

The Group does not have any netting agreements and offsetting has not been applied for any financial instruments.

Note 22 below presents an age structure of the Group's billed receivables and information about the expected payment of unbilled receivables.

NOTE 22 CUSTOMER RECEIVABLES

SEK 000s	Unbilled receivables	GROUP, Dec 31, 2019 — Due date structure, billed receivables: Not overdue	< 30 days	30–90 days	> 90 days	Total
Receivables by type						
RayStation/RayCare	211,434	119,201	53,161	4,875	8,910	186,147
Partner	–	8,605	–	–	–	8,605
Total receivables by type	**211,434**	**127,806**	**53,161**	**4,875**	**8,910**	**194,752**
Receivables by geographic market						
North America	134,256	47,099	30,470	–270	6,084	83,382
APAC	20,447	32,116	511	743	–	33,370
Europe and rest of the world	56,731	48,592	22,180	4,402	2,826	78,000
Total receivables by geographic market	**211,434**	**127,806**	**53,161**	**4,875**	**8,910**	**194,752**

SEK 000s	Unbilled receivables	GROUP, Dec 31, 2018 — Due date structure, billed receivables: Not overdue	< 30 days	30–90 days	> 90 days	Total
Receivables by type						
RayStation/RayCare	177,881	134,697	54,175	20,564	55,753	265,188
Partner	–	10,060	399	825	–	11,284
Total receivables by type	**177,881**	**144,757**	**54,574**	**21,389**	**55,753**	**276,473**
Receivables by geographic market						
North America	63,396	59,586	35,066	10,128	49,291	154,070
APAC	66,901	22,245	5,387	–	3,237	30,869
Europe and rest of the world	47,584	62,925	14,121	11,261	3,226	91,533
Total receivables by geographic market	**177,881**	**144,757**	**54,574**	**21,389**	**55,754**	**276,473**

SEK 000s	Unbilled receivables	PARENT COMPANY, Dec 31, 2019 — Due date structure, billed receivables: Not overdue	< 30 days	30–90 days	> 90 days	Total
Receivables by type						
RayStation/RayCare	96,366	75,027	22,433	5,145	1,806	104,411
Partner	–	8,605	–	–	–	8,605
Total receivables by type	**96,366**	**83,632**	**22,433**	**5,145**	**1,806**	**113,016**
Receivables by geographic market						
North America	19,295	4,187	–	–	–	4,187
APAC	20,340	32,116	511	743	–	33,370
Europe and rest of the world	56,731	47,071	22,180	4,402	1,806	75,459
Total receivables by geographic market	**96,366**	**83,374**	**22,691**	**5,145**	**1,806**	**113,016**

SEK 000s	Unbilled receivables	PARENT COMPANY, Dec 31, 2018 — Due date structure, billed receivables: Not overdue	< 30 days	30–90 days	> 90 days	Total
Receivables by type						
RayStation/RayCare	101,696	74,788	19,109	11,261	10,782	115,940
Partner	–	10,060	399	825	–	11,284
Total receivables by type	**101,696**	**84,848**	**19,508**	**12,086**	**10,782**	**127,224**
Receivables by geographic market						
North America	–	3,939	–	825	4,319	9,083
APAC	54,556	22,245	5,387	–	3,237	30,869
Europe and rest of the world	47,140	58,664	14,121	11,261	3,226	87,272
Total receivables by geographic market	**101,696**	**84,848**	**19,508**	**12,086**	**10,782**	**127,224**

NOTE 22 CUSTOMER RECEIVABLES, cont'd.

RaySearch has contracts with customers whereby deliveries have long payment terms, which is standard in the industry. The company recognizes customer receivables when delivery has occurred and an unconditional right to consideration exists. The subsequent effect is that the Group's accounts receivable and unbilled customer receivables add up to relatively high amounts compared with net sales.

At the end of the period, accounts receivable (current billed customer receivables) amounted to SEK 195 M (276), corresponding to 26 percent (44) of net sales in 2019. Total customer receivables corresponded to 52 percent (73) of net sales for the year.

At December 31, 2019, the Group's overdue invoices amounted to SEK 67 M (132), corresponding to 15 percent (29) of total customer receivables.

In 2019, the company's accounts receivable decreased in relation to net sales, the result of an active process to increase payments from customers and to shorten payment terms for customers.

UNBILLED RECEIVABLES

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Expected date of payment				
Payment within three months	28,118	13,032	8,276	9,472
Payment within 3–12 months	163,169	141,731	74,577	75,894
Payment after 12 months	20,147	23,119	13,513	16,330
Total unbilled receivables	**211,433**	**177,882**	**96,366**	**101,696**

This is an estimate. The date of payment is partly dependent on the date of installation on the customer's site, i.e. not the agreed payment dates, but is our best assessment based on previous history on the balance-sheet date.

PROVISION FOR EXPECTED CREDIT LOSSES

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Change in provision for expected credit losses				
Opening balance	15,062	6,174	15,062	6,174
Impairment for the year recognized in administrative expenses	5,066	8,334	4,663	8,334
Translation difference	–	554	–	554
Closing balance	**20,128**	**15,062**	**19,725**	**15,062**

Impairment for the year largely corresponded to provisions for receivables due to specific country risk. The provision for expected credit losses corresponded to 5 percent (3) of the company's total receivables. The accounts receivable that were impaired during the reporting period are subject to enforcement actions, which means that debt collection activities are ongoing.

In view of the creditworthiness and other circumstances of its customers, the company assesses that the credit risk will remain low and that the provision for expected credit losses will not increase significantly. Refer also to a description of the company's assessment of credit risk in receivables in Note 21d.

NOTE 23 PREPAID EXPENSES

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Prepaid rent	0	7,141	6,448	6,195
Prepaid insurance	1,910	3,371	1,808	3,041
Prepaid license and hardware costs	11,381	2,381	11,329	2,381
Prepaid pension costs	110	1,796	110	1,796
Accrued interest income	–	–	–	0
Other prepaid expenses	27,198	8,277	17,450	7,134
	40,599	**22,966**	**37,145**	**20,547**

NOTE 24 CASH AND CASH EQUIVALENTS

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
The following subcomponents are included in cash and cash equivalents:				
Bank balances	113,858	112,198	80,262	9,375
	113,858	**112,198**	**80,262**	**9,375**

Cash and cash equivalents consist of bank deposits. In addition to this, the company has a revolving loan facility of up to SEK 300 M that matures on May 31, 2022, and an overdraft facility of SEK 50 M. At Dec 31, 2019, a total of SEK 50 M (124) had been borrowed within the framework of the company's revolving loan facility. Refer also to liquidity risk in Note 21D.

NOTE 25 DEFERRED TAX ASSETS AND TAX LIABILITIES

	GROUP	
SEK 000s	Dec 31, 2019	Dec 31, 2018
Deferred tax liabilities for:		
Intangible assets		
Opening balance	78,160	70,971
Change during the year	10,854	7,189
Closing balance	**89,014**	**78,160**
Leases		
Opening balance	1,540	–
Change during the year	–692	1,540
Closing balance	**848**	**1,540**
Untaxed reserves		
Opening balance	24,254	21,453
Change during the year	1,029	2,801
Closing balance	**25,283**	**24,254**
Carrying amount	**115,145**	**103,954**
Deferred tax assets related to:		
Tangible assets		
Opening balance	996	780
Change during the year	646	216
Closing balance	**1,642**	**996**
Accounts receivable		
Opening balance	2,135	–
Change during the year	2,234	2,135
Closing balance	**4,369**	**2,135**
Leases		
Opening balance	1,486	–
Change in accounting policy	495	
Change during the year	–336	1,486
Closing balance	**1,645**	**1,486**
Other temporary differences		
Opening balance	2,791	–
Change during the year	1,746	2,791
Closing balance	**4,537**	**2,791**
Carrying amount	**12,193**	**7,408**

Valuation is based on the nominal tax rate with account for the new tax rates to be introduced in Sweden.

NOTE 26 LONG-TERM RECEIVABLES

	GROUP		PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Long-term unbilled customer receivables	20,370	23,119	13,513	16,330
Other items	103	335	103	335
Closing balance	**20,473**	**23,454**	**13,616**	**16,665**

Long-term unbilled customer receivables comprise customer receivables that mature more than 12 months after the period.

NOTE 27 UNTAXED RESERVES

	PARENT COMPANY	
SEK 000s	Dec 31, 2019	Dec 31, 2018
Accumulated excess depreciation		
Opening balance, January 1	4,726	2,588
Reversals/excess depreciation for the year	1,273	2,138
Closing balance, December 31	**5,999**	**4,726**
Tax-allocation reserves		
Provisions for fiscal year 2014	20,073	20,073
Provisions for fiscal year 2015	15,349	15,349
Provisions for fiscal year 2016	40,000	40,000
Provisions for fiscal year 2017	19,500	19,500
Provisions for fiscal year 2018	10,600	10,600
Provisions for fiscal year 2019	3,400	–
	108,922	**105,522**
Total untaxed reserves	**114,921**	**110,248**

NOTE 28 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	GROUP								
SEK 000s	Dec 31, 2018	Changed accounting policy IFRS 16	Remeasurement of leases	Cash flows	New leases	Redemption of leases	Translation differences	Borrowing costs	Dec 31, 2019
Lease liability	7,215	167,493	−20,936	−36,484	1,405	−894	3,403	–	121,202
Current interest-bearing liabilities	124,283			−75,000	–	–	−9	250	49,524
Total interest-bearing liabilities	**131,498**	167,493	−20,936	**−111,484**	**1,405**	**−894**	**3,394**	**250**	**170,726**

	GROUP						
SEK 000s	Dec 31, 2017	Cash flows	New leases	Redemption of leases	Translation differences	Borrowing costs	Dec 31, 2018
Lease liability	9,751	−2,892	2,015	−1,659		–	7,215
Current interest-bearing liabilities	74,033	49,850	–	–		400	124,283
Total interest-bearing liabilities	**83,784**	**46,958**	**2,015**	**−1,659**		**400**	**131,498**

	PARENT COMPANY						
SEK 000s	Dec 31, 2018	Cash flows	New leases	Redemption of leases	Translation differences	Borrowing costs	Dec 31, 2019
Current interest-bearing liabilities	124,282	−75,000	–	–		250	49,532
Total interest-bearing liabilities	**124,282**	**−75,000**	**–**	**–**		**250**	**49,532**

	PARENT COMPANY						
SEK 000s	Dec 31, 2017	Cash flows	New leases	Redemption of leases	Translation differences	Borrowing costs	Dec 31, 2018
Long-term interest-bearing liabilities			–	–		–	–
Current interest-bearing liabilities	74,033	49,850	–	–		400	124,283
Total interest-bearing liabilities	**74,033**	**49,850**	**–**	**–**		**400**	**124,283**

	GROUP AND PARENT COMPANY					
SEK 000s	Within one month	1–3 months	3–12 months	1–2 years	2–5 years	TOTAL
Interest 2019						
Bank loans	0	186	557	743	1,053	2,539
Interest 2018						
Bank loans	0	466	1,398	1,864	2,642	6,370

The credit facility matures on May 23, 2022. In the table, the revolving loan is assumed to continue with unchanged utilization and the current interest rate has been used. For more information about leases, see Note 7.

NOTE 29 ACCRUED EXPENSES AND DEFERRED INCOME

SEK 000s	GROUP Dec 31, 2019	GROUP Dec 31, 2018	PARENT COMPANY Dec 31, 2019	PARENT COMPANY Dec 31, 2018
Social security expenses and vacation pay liability	21,820	18,023	19,351	15,455
Other personnel-related costs	21,170	21,724	2,248	2,679
Contract liabilities	161,180	111,983	102,293	53,607
Accrued interest expense	121	305	121	305
Other accrued expenses	23,878	20,889	16,754	10,853
	228,168	**172,924**	**140,767**	**82,899**

NOTE 30 PLEDGED ASSETS AND CONTINGENT LIABILITIES

SEK 000s	Dec 31, 2019	Dec 31, 2018
Pledged assets		
Chattel mortgages	100,000	100,000
Guarantees	6,586	6,096
Total	**106,586**	**106,096**

In May 2017, the company's line of credit was increased from SEK 100 M to SEK 350 M. The credit line expires in May 2022 and comprises a revolving loan facility of up to SEK 300 M, and an overdraft facility of SEK 50 M. Chattel mortgages amounted to SEK 100 M.

At December 31, 2019, a short-term loan totaling SEK 50 M (124) had been utilized within the framework of the company's revolving loan facility.

Guarantees amounted to SEK 6.6 M and did not affect the company's credit facility. No contingent liabilities exist for the Group or the Parent Company.

NOTE 31 RELATED-PARTY TRANSACTIONS

For a description of transactions with senior executives, refer to Note 5. The Parent Company had one related-party transaction with its subsidiaries, refer to Note 20.

	SUMMARY PARENT COMPANY				
SEK 000s	Sale of goods/services to related parties	Purchase of goods/services from related parties	Dividend paid	Receivables from related parties Dec 31	Liabilities to related parties Dec 31
2019	91,632	–80,209	–	203,434	10,892
2018	116,405	–61,191	–	298,494	7,911

Sales to related parties pertain primarily to sales of licenses to foreign subsidiaries and purchases from related parties pertain primarily to purchases of services from foreign subsidiaries. Receivables from related parties pertain primarily to receivables from the US subsidiary.

In 2017, RaySearch entered into an agreement with the non-profit association Venture Cup, which organizes an annual competition to inspire entrepreneurship and creativity in business. CEO Johan Löf is Chairman of the association and RaySearch sponsors the competition by contributing SEK 1 M per year in exchange for exposure as a partner in Venture Cup's marketing material. This collaboration and the sponsorship fee amount is based on the arm's length principle and accepted commercial terms.

NOTE 32 SIGNIFICANT EVENTS AFTER THE BALANCE-SHEET DATE

ORDERS FOR RAYSTATION FROM THE US

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

SPREAD OF THE NOVEL CORONAVIRUS DISEASE (COVID-19)

In the first quarter of 2020, the outbreak of the novel coronavirus disease (COVID-19) rapidly became a serious pandemic.

The COVID-19 outbreak has not had any major impact on RaySearch to date, but the pandemic is expected to have a major impact on the global economy, society as a whole and the healthcare sector in general, both globally and in individual countries or regions.

RaySearch has paid particular attention to how the effects of the COVID-19 outbreak could affect the company's future development, and/or risks that could affect the financial statements during the coming fiscal year. The assessment arrived at the following risks and uncertainties:

- Risk of decreased sales and profit, for example, due to
  - Delayed orders of RaySearch's products, for example, when some hospitals are forced to temporarily prioritize the treatment of COVID-19 patients
  - Delayed revenue recognition, for example, resulting from the inability to fulfill certain performance obligations due to travel restrictions.
- Risk of weaker cash flow, for example, should certain customers experience payment problems.
- Risk of covenant violation, for example, if the company began to report a loss for a rolling 12-month period

The effects of the COVID-19 outbreak are difficult to assess, but the overall impact on RaySearch is expected to be limited and manageable.

NOTE 33 PROPOSED ALLOCATION OF THE PARENT COMPANY'S PROFIT

The following is at the disposal of the AGM:

SEK 000s	
Retained earnings	214,992
Profit/loss for the year	–8,794
Total	**206,198**

The Board and CEO propose that SEK 206,198,000 be carried forward.

The undersigned certify that the annual report and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, as adopted by the EU, and with generally accepted accounting practices, and give a true and fair view of the financial position and results of the Group and the Parent Company and that the Administration Report provides a fair overview of the development of the Group's and the Parent Company's operations, financial position and results, as well as a fair description of significant risks and uncertainties faced by the companies included in the Group. The annual report and consolidated financial statements were approved for issue by the Board of Directors on April 29, 2020. The consolidated statement of comprehensive income and consolidated statement of financial position, and the Parent Company income statement and balance sheet will be submitted to the AGM for adoption which will be held not later than June 30, 2020.

Stockholm, April 29, 2020

Lars Wollung
Chairman of the
Board

Johan Löf
CEO and Board member

Carl Filip Bergendal
Board member

Britta Wallgren
Board member

Hans Wigzell
Board member

Johanna Öberg
Board member

Our audit report was submitted on April 29, 2020

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

AUDITOR'S REPORT

To the general meeting of the shareholders of RaySearch Laboratories AB (publ), corporate identity number 556322-6157

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of RaySearch Laboratories AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 4-48 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

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

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue from contracts with customers

Description

Revenue from contracts with customers totals 741 584 TSEK in the consolidated statement of comprehensive income, and 533 127 TSEK in the parent company income statement, for the year 2019.

Recognition of revenue from contracts with customers requires that the company has adequate routines to identify performance obligations, and to ensure that revenue is recognized as these performance obligations are performed. Revenue recognition connected to contracts that encompass multiple performance obligations requires, in certain cases, that management makes judgments regarding the allocation of the transaction price between different performance obligations. The recognition of revenue from contracts with customers was a key audit area due to the significance of the reported amounts, and due to the involvement of significant judgment by the company.

A description of the judgments on which revenue recognition is based is provided under the section "Significant judgments and estimates" under Note 1, and disclosures regarding the distribution of revenue are provided under Note 3.

How our audit addressed this key audit matter

We have reviewed the company's processes for revenue recognition, and performed testing of contracts with customers on a sample basis. Our audit procedures have encompassed review of the identification of performance obligations, and the allocation of the transaction price between these. We have also assessed the reasonableness of the judgments on which the allocation of the transaction price is based.

We have also performed procedures to review whether the performance obligations which were identified have been performed. These audit procedures have encompassed determining whether license keys, as well such equipment as is necessary to use the company's products, have been transferred to the company's customers.

We have reviewed disclosures made in the annual report.

Capitalized development costs

Description

Capitalized development costs of 427 696 TSEK are recorded in the consolidated statement of financial position as of 31 December 2019. RaySearch tests at least annually, and on indication of impairment, that recorded values do not exceed calculated recoverable values for assets which the company has not yet started using.

A description of the judgments on which the reporting of capitalized development costs for the group is based is provided under the section "Significant judgments and estimates" under Note 1. The impairment tests which are performed are based on management's judgments, and for this reason capitalized development costs is considered a key audit matter. A description of the impairment test is provided under Note 17.

How our audit addressed this key audit matter

We have assessed management's process for performing the impairment test, which has encompassed evaluating the historical precision of forecasts and assumptions.

We have, with the support of our valuation specialists, reviewed the company's model and method for performing the impairment test, and have performed sensitivity analyses of key assumptions and possible factors which could affect these. With the support of our valuation specialists we have also assessed the reasonableness of assumptions regarding discount rate and long-term growth.

We have reviewed disclosures made in the annual report.

Receivables towards customers

Description

Receivables towards customers of 406 186 TSEK are recorded in the consolidated statement of financial position as of 31 December 2019, and consists of invoiced receivables of 194 752 TSEK as well as uninvoiced receivables of 211 434TSEK.

Receivables towards customers of 209 382 TSEK (excluding intragroup receivables) are recorded in the parent company balance sheet as of 31 December 2019, and consists of invoiced receivables of 113 016 TSEK as well as uninvoiced receivables of 96 366 TSEK.

The amounts are reported net of reserves for expected credit losses of 20 128 TSEK for the consolidated accounts and of 19 725 TSEK the parent company. The reserves for expected credit losses are subject to significant estimation and judgments by management, and consequently receivables towards customer has been determined to be a key audit matter. A description of the key inputs on which managements judgments are based is provided under the section "Significant judgments and estimates" under Note 1, and disclosures regarding receivables towards customers are provided under Note 22.

How our audit addressed this key audit matter

We have assessed management's process for estimating reserves for expected credit losses, which has encompassed evaluating the historical precision of forecasts and assumptions, receipt of external confirmations of outstanding receivables from the company's customers at the balance sheet date, and review of routines for collection of accounts receivables and the treatment of bad debt.

We have reviewed disclosures made in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-3 and 53-76. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of RaySearch Laboratories AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general 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 Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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 is in accordance with the Companies Act.

Ernst & Young AB, Jakobsbergsgatan 24, 111 44, Stockholm, was appointed auditor of RaySearch Laboratories ABs (publ) by the general meeting of the shareholders on the 21 May 2019 and has been the company's auditor since the 22 May 2013.

Stockholm 29 April, 2020

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

CORPORATE GOVERNANCE REPORT

THROUGH GOOD CONTROL AND A HEALTHY CORPORATE CULTURE, RAYSEARCH'S CORPORATE GOVERNANCE SHALL ENSURE SYSTEMATIC RISK MANAGEMENT AND LONG-TERM VALUE CREATION FOR SHAREHOLDERS.

This Corporate Governance Report was prepared by RaySearch's Board of Directors and describes RaySearch's corporate governance during the 2019 fiscal year. The report has been audited, and the Auditor's opinion can be found at the end of the report.

GENERAL

RaySearch is a Swedish public limited liability company with its registered office in Stockholm, and the company's Class B shares have been admitted to trading on Nasdaq Stockholm. This means that RaySearch's corporate governance is based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act and applicable EU regulations, and the rules and practices that apply to companies listed on Nasdaq Stockholm. RaySearch also applies the Swedish Corporate Governance Code ("the Code"), with the exceptions set out below. The aim of the Code is to build confidence in Swedish listed companies by promoting good corporate governance in these companies. The current Code is available at www.bolagsstyrning.se

Companies that apply the Code must take an active position on the company's approach to the various provisions of the Code. If a company chooses to deviate from the Code's provisions, this must be reported in accordance with the "comply or explain" principle. This means that the company does not have to follow every provision of the Code but can choose other solutions deemed more appropriate under the given circumstances, provided the company openly states any such deviation, describes the solution it has chosen instead, and provides a good explanation. The size and complexity of companies applying the Code are varied and for individual companies, solutions other than the Code may also ensure good corporate governance. RaySearch is a relatively small company with a clear majority shareholder who is also active as the CEO of the company. In most cases, this is the reason why RaySearch has chosen to deviate from some of the Code's provisions.

In addition to the external regulatory framework, there is an internal framework with a number of Group-wide governing documents, of which the most important are the Articles of Association as adopted by the AGM, the Board's rules of procedure and the Board's instructions for the CEO. In addition, there is a large number of internal policies, instructions and delegations that clarify responsibilities and powers within various areas. RaySearch's most important governing documents are gathered in the company's quality management system, which also describes the company's main processes and joint working methods.

GENERAL MEETING

The General Meeting is the company's supreme decision-making body. The date and location of the Annual General Meeting (AGM) is announced in connection with the third-quarter report and is simultaneously published on the company's website. Following motions by the shareholders, the Board of Directors and Chairman of the Board are elected at the AGM for a term of office until the close of the following AGM. Based on the Board's proposals, a Meeting Chairman and audit firm are elected. The AGM is to be held within six months of the end of the fiscal year to resolve on matters including adoption of the income statement and balance sheet, and the allocation of profit. There are no special provisions regarding the function of the AGM in either the Articles of Association or, to the knowledge of RaySearch, in shareholder agreements. Nor are there any provisions in the Articles of Association regarding the appointment and dismissal of Board members, or amendments to the Articles of Association.

RaySearch may issue two classes of shares: Class A and Class B. RaySearch's Articles of Association do not contain any restrictions on how many votes each shareholder may cast at a general meeting. When voting at the AGM, each Class A share carries ten votes and each Class B share carries one vote. At December 31, 2019, the total number of shares in RaySearch was 34,282,773, comprising 8,454,975 Class A and 25,827,798 Class B shares, and the total number of votes was 110,377,548. Shareholders representing 60.2 percent of the total number of shares and 78.3 percent of the total number of votes in the company participated in RaySearch's AGM on May 21, 2019 in Stockholm, Sweden.

AUTHORIZATIONS PROVIDED BY THE AGM

The AGM has not currently authorized the Board to make decisions regarding a new issue of shares or a repurchase of own shares

NOMINATION COMMITTEE

The company deviates from the rules of the Code by not appointing a Nomination Committee. In view of the shareholders' composition, a Nomination Committee has not been considered necessary. Proposals for, and the required information about, the Chairman of the Meeting, Board members, Chairman of the Board, audit firms and fees paid to Board members and audit firms, have instead been submitted by shareholders and the Board.

BOARD OF DIRECTORS

Under the Articles of Association, RaySearch's Board shall comprise no fewer than three and no more than eight members, with no more than three deputies. The company's Board of Directors is responsible for the company's organization and management of the company's affairs and, together with the CEO and company management, defines and continuously supervises the company's vision, mission and values. The role of the Chairman of the Board includes leading the Board's work and ensuring that the Board of Directors fulfills its duties.

At the AGM on May 21, 2019, six Board members were elected without deputies, including the Chairman of the Board, for the period until the close of the 2020 AGM. Lars Wollung was elected a new member of the Board and appointed Chairman of the Board. Carl Filip Bergendal, Johan Löf (CEO), Britta Wallgren, Hans Wigzell and Johanna Öberg were re-elected as Board members. The composition of the Board fulfills the Code's requirements in respect of the independence of Board members. The independence of Board members is presented in the table below. The Board is presented on page 58, along with the members' other significant assignments and shareholdings in RaySearch. 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 CEO's performance and instructions regularly, at least once annually, but in this respect the company deviates from rule 8.2 of the Code's provisions by allowing the CEO to participate in the evaluation. The reason being that the CEO is a Board member, and the Board believes that the CEO's participation will not have a negative effect on the evaluation.

Those shareholders (representing approximately 67 percent of the voting rights in the company) who submitted a proposal for the composition of the Board prior to the 2019 AGM applied rule 4.1 of the Corporate Governance Code as a diversity policy. The aim of the policy is that the Board should be characterized by versatility and breadth in terms of the skills, experience and background of the AGM-elected members with consideration for the company's operations, phase of development and otherwise appropriate composition, and strive to achieve an even gender distribution. The 2019 AGM resolved in accordance with the submitted proposal, whereby the Board as of the 2019 AGM has consisted of six members (five reelected and one newly elected), of whom two members were women (33 percent women). The members also have a broad mix of professional backgrounds and skills, and represents various sectors of the business community.

THE BOARD'S WORK IN 2019

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.

THE BOARD'S INDEPENDENCE

Name	Position	Independent in relation to the company and its management	Independent in relation to major shareholders
Carl Filip Bergendal	Board member,	Yes	Yes
Johan Löf	Board member, CEO	No (CEO of the company)	No (is personally such a shareholder)
Britta Wallgren	Board member	Yes	Yes
Hans Wigzell	Board member	Yes	Yes
Lars Wollung	Board member, Chairman	Yes	Yes
Johanna Öberg	Board member	Yes	Yes

OWNERSHIP STRUCTURE – SHAREHOLDERS WITH AT LEAST 10 PERCENT OF TOTAL VOTES

Name	Class A shares	Class B shares	Total shares	Capital, %	Votes, %
Johan Löf	6,243,084	418,393	6,661,477	19.4	56.9
Anders Brahme	1,150,161	200,000	1,350,161	3.9	10.6
Others	1,061,730	25,009,405	26,071,135	76.0	32.3
Total	**8,454,975**	**25,827,798**	**34,282,773**	**100.0**	**100.0**

In addition, the company's auditor personally reports their review observations to the Board every year. The Board held 11 meetings during the year, one of which was per capsulam. The attendance of the members is presented below. Considering the size of the Board, it was not deemed necessary to introduce a separate delegation of duties among Board members.

The Board has considered the need to establish Remuneration and Audit Committees, but found it more appropriate that these tasks be carried out by the Board in its entirety under the leadership of the Chairman. The reason being that the size of the Board and the company is not deemed to motivate special committees for these duties, and that it is important that the Board has full insight into, and takes an active role in, these important tasks.

The Board determines the CEO's remuneration (without the CEO's participation). The remuneration of other senior management is determined following negotiations between the CEO and the individual employees, based on the guidelines adopted by the AGM. Application of the guidelines is monitored and evaluated by the Board, which also evaluates the variable remuneration of senior management.

ATTENDANCE AT BOARD MEETINGS 2019

Name	Attendance at Board meetings
Carl Filip Bergendal	11/11
Johan Löf	10/11
Britta Wallgren	7/11
Hans Wigzell	10/11
Lars Wollung	7/11[1]
Johanna Öberg	9/11

[1] Lars Wollung was appointed new Board member by the 2019 AGM, and participated in all subsequent Board meetings.

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 presented in the table on the preceding page.

COMPANY MANAGEMENT

RaySearch's CEO leads the operations based on the framework established by the Board and appoints other members of senior management. RaySearch's senior management consists of the company's CEO, Deputy CEO, CFO, General Counsel, Chief Science Officer, Director of Research, Director of Development, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Service, Head of Machine Learning and the company's Quality and Regulatory Affairs Director.

During the year, business briefings under the CEO's leadership were conducted at least monthly, except during holiday periods when they occurred less frequently.

Company management also meets representatives of the US and European sales and marketing organizations on a regular basis, mainly through the CEO 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, and competitor analyses. The Board is continuously informed about senior management's monitoring and evaluation measures.

INTERNAL CONTROL AND RISK MANAGEMENT

The role of 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. In view of the company's limited size and operational structure, 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.

The control environment underlies all other components of RaySearch's internal control and risk management. In order to create and maintain a functioning control environment for financial reporting, the Board has established a number of basic documents, including special rules of procedure for the Board and instructions for the CEO. The Board has delegated responsibility for maintaining the Board's control environment framework to the CEO. The Board also determines the authorization instructions that delegate the CEO's authorization responsibilities to other senior executives at RaySearch. The CEO submits regular reports on the business situation and financial performance in relation to the budget and forecast to the Board and senior management. 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. RaySearch has also documented the division of responsibilities within the organization through policies and instructions. RaySearch is a process-oriented company and has integrated risk assessment with business processes. RaySearch's senior management regularly assesses risks of material misstatement of the financial statements, as well as other operational risks. Risk management is also incorporated into each process and systematic methods are used to assess and mitigate risks, and to ensure that risks linked to the company's operations are managed in accordance with established regulations, instructions and monitoring procedures.

RaySearch's control structure includes clear roles and an effective delegation of responsibilities aimed at timely prevention of the risk of material misstatement of the financial statements. Company management has been tasked with implementing, further developing and maintaining the company's control structure. 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. RaySearch's CFO plays a key role in the internal control process by ensuring that financial reporting is accurate, timely and complete.

RaySearch has information and communication systems and processes to ensure complete and accurate financial reporting. 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 communication policy, which describes the company's general principles for information disclosure. The Board and senior management monitor RaySearch's compliance with adopted policies and guidelines. A whistleblower system is also in place to enable employees and others to report their concerns regarding suspected errors in RaySearch's financial reporting, failure to comply with the company's policies and regulations or other serious irregularities. RaySearch's financial situation is addressed at all scheduled Board meetings. The Board and management review the financial reporting before Interim and Annual Reports are published. The auditor's duties also include an annual review of RaySearch's internal control, and a review of half-yearly and nine-monthly interim reports. On at least one occasion each year the Board of Directors meets the auditor without the attendance of the CEO or any other members of company management when the auditor presents an account, and a discussion is held concerning the audit's focus and observations.

FURTHER INFORMATION

For more information about the Board and the CEO, refer to pages 58–59 and to Note 5 in the Annual Report. For more information about the auditors, refer to page 58 and Note 6 in the Annual Report.

Stockholm, April 29, 2020

Lars Wollung Chairman of the Board	Carl Filip Bergendal Board member	Johan Löf CEO and Board member
Britta Wallgren Board member	Hans Wigzell Board member	Johanna Öberg Board member

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF RAYSEARCH LABORATORIES AB, CORPORATE IDENTITY NUMBER 556322-6157

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 on pages 53–56 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2–6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm, April 29, 2020

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

BOARD AND AUDITORS

1. CARL FILIP BERGENDAL

Board member since 2000.
Other significant assignments: Board member of Cafibe AB.
Year of birth: 1945.
Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology and MBA from the Stockholm School of Economics.
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 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.
Shareholding: 1,061,577 Class A and 139,920 Class B shares.

2. JOHAN LÖF

CEO. Board member since 2000.
Other significant assignments: Chairman of the RayFoundation profit-sharing foundation and Venture Cup Sweden. Several Board assignments for other companies in the RaySearch Group.
Year of birth: 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: CEO of RaySearch since 2000.
Shareholding: 6,243,084 Class A and 418,393 Class B shares.

3. BRITTA WALLGREN

Board member since 2018.
Other significant assignments: Board member of Stadsmissionen
Year of birth: 1963
Educational background: Registered medical practitioner, specialist in anesthesiology and intensive care. Leadership training in health and medical care at the Stockholm School of Economics and Harvard Business School.
Professional experience: Country President of Capio in Sweden since 2017 and member of Group Executive Committee of Ramsay General de Sante since February 2019. Business Area Manager of Capio S:t Görans Hospital 2009–2017. Head of Clinic for Anesthesiology and Intensive Care, Medical Director of Clinic for Anesthesiology and Intensive Care, Capio S:t Görans Hospital, Stockholm. Anesthetist Capio S:t Görans Hospital.
Shareholding: 5,000 Class B and 2,000 Class B shares via related parties

4. HANS WIGZELL

Board member since 2004. Professor emeritus at the Karolinska Institutet in Solna.
Other significant assignments: Chairman of the Board of Rhenman & Partners Asset Management AB. Board member of Karolinska Development AB, Sarepta Pharmaceuticals AB, Cadila Pharmaceuticals Svenska AB and Wigzellproduktion AB. Chairman of the Stockholm School of Entrepreneurship. Member of the Royal Swedish Academy of Science and the Academy of Engineering Science.
Year of birth: 1938.
Educational background: Doctor of Medicine.
Professional experience: Dean of Karolinska Institutet, 1995–2003.
Shareholding: 0.

5. LARS WOLLUNG

Board member and Chairman since May 2019.
Other significant assignments: Chairman of the Board of Dignisia AB, Sundbom&Partners Group AB, mySafety Group AB and TPS Investment AB, and Board member of BlueStep Bank AB and Hoist Finance AB (publ).
Year of birth: 1961
Educational background: M.Sc. from the Royal Institute of Technology and MBA from the Stockholm School of Economics.
Professional experience: Founder and CEO of Dignisia AB. Former CEO of Intrum Justitia AB (publ) (2009–2015) and Acando AB (publ) (2001–2008) as well as consultant at Operative Management Partners (own company) (1996–2001) and at McKinsey & Company (1987–1995). Industry advisor to EQT since 2016.
Shareholding: 7,343 Class B shares.

6. JOHANNA ÖBERG

Board member since 2017.
Other significant assignments: Board member of Coala Life AB and The Grand Group AB.
Year of birth: 1975.
Educational background: Graduate in Business Management from the Stockholm School of Economics.
Professional experience: Johanna is currently President and CEO of Memira. She has held several senior management positions in the media industry over the past 20 years, including 10 years with the Kinnevik Group, for both MTG and the world's largest newspaper Metro, where she served as CEO of Metro Puerto Rico. She was CEO of Stampen Media from January 2015 to April 2017.
Shareholding: 340 Class B shares.

AUDITOR

Auditing firm Ernst & Young AB
Anna Svanberg (auditor-in-charge)
Auditor of RaySearch Laboratories AB.
Authorized Public Accountant, Ernst & Young AB.
Year of birth: 1976.
Auditor for Feelgood Svenska AB (publ), Hemnet AB, Bluefish Pharmaceuticals AB (publ), Universal Music AB, Benify AB and others.


1.


2.


3.


4.


5.


6.

MEET OUR SENIOR MANAGEMENT

(From left to right)

PETRA JANSSON
General Counsel

DAVID HEDFORS
Quality and Regulatory
Affairs Director

LARS JORDEBY
Director of Sales
for Asia & Pacific

JOHAN LÖF
CEO and founder

PETER KEMLIN
Director of Sales and
Marketing

PETER THYSELL
Chief Financial Officer

NICLAS BORGLUND
Director of Service

FREDRIK LÖFMAN
Head of Machine Learning

HENRIK FRIBERGER
Director of Development

KJELL ERIKSSON
Chief Science Officer

BJÖRN HÅRDEMARK
Deputy CEO

Senior executives, previous spread (from left).

1. PETRA JANSSON, GENERAL COUNSEL

Year of birth: 1973.

Educational background: Law degree from Lund University and Master of Law from the University of Cambridge.

Professional experience: Petra Jansson was appointed General Counsel in July 2017. Petra recently served as General Counsel at EKN. Her previous positions include Deputy General Counsel at Gambro and a lawyer at Mannheimer Swartling.

Shareholding: 1,000 Class B shares.

5. DAVID HEDFORS, QUALITY AND REGULATORY AFFAIRS DIRECTOR

Year of birth: 1976.

Educational background: M.Sc. in Engineering Physics from the Royal Institute of Technology in Stockholm.

Professional experience: David Hedfors was appointed Quality and Regulatory Affairs Director of RaySearch in 2010. He was first employed in 2002 as a developer and has also worked as team and project manager. David is the company's Data Protection Officer.

Shareholding: 21,968 Class B shares.

3. LARS JORDEBY, DIRECTOR OF SALES FOR ASIA & PACIFIC

Year of birth: 1965.

Professional experience: Lars has almost 20 years of experience from sales and marketing activities in the radiotherapy industry at companies such as Scanditronix Medical AB, IBA Dosimetry AB, C-Rad AB and ScandiDos AB. His various 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 shares.

4. JOHAN LÖF, CEO AND FOUNDER

Member of the Board of RaySearch since 2000.

Other directorships: Chairman of the RayFoundation profit-sharing foundation and Venture Cup Sweden. Several Board assignments for other companies in the RaySearch Group.

Year of birth: 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: CEO of RaySearch since 2000.

Shareholding: 6,243,084 Class A and 418,393 Class B shares.

5. PETER KEMLIN, DIRECTOR OF SALES AND MARKETING

Year of birth: 1974.

Educational background: M.Sc. in Industrial Engineering from 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. In his role as Trade Commissioner at the Swedish Trade Council, he also established a large number of Swedish companies in new markets. Employed at RaySearch since 2012.

Shareholding: 300 Class B shares (and 1,098 via related parties)

6. PETER THYSELL, CHIEF FINANCIAL OFFICER

Year of birth: 1970.

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

Professional experience: Before joining RaySearch in March 2015, Peter worked as IPO Leader and acting Director Business Control for Scandic Hotels. Prior to that, he was Interim CFO of Åkers AB, President of SiC Processing GmbH, CFO of Generic Sweden AB (publ) and a management consultant at McKinsey & Company.

Shareholding: 1,000 Class B shares.

7. NICLAS BORGLUND, DIRECTOR OF SERVICE

Year of birth: 1971.

Educational background: Doctor of Physics, Stockholm University.

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

Shareholding: 400 Class B shares.

8. FREDRIK LÖFMAN, HEAD OF MACHINE LEARNING

Year of birth: 1978.

Educational background: M.Sc. in Engineering Physics from Chalmers University of Technology and Doctor in Applied Mathematics in optimized radiation therapy from the Royal Institute of Technology in Stockholm.

Professional experience: Fredrik Löfman did his Ph.D. at RaySearch 2003–2008, after that he worked as a research engineer, developer and project manager of RayStation. Between 2011 and 2017 Fredrik worked at SEB with financial risk modeling. Fredrik re-joined RaySearch in 2017 to start and build up a machine learning department.

Shareholding: 1,400 Class B shares.

9. HENRIK FRIBERGER, DIRECTOR OF DEVELOPMENT

Year of birth: 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 and team and project management, and also managed one of the teams in the development department at RaySearch. He has served as RaySearch's Director of Development since 2013.

Shareholding: 16,500 Class B shares.

10. KJELL ERIKSSON, CHIEF SCIENCE OFFICER

Year of birth: 1973.

Educational background: M.Sc. in Engineering Physics from Uppsala University.

Professional experience: Kjell was appointed Chief Science Officer in RaySearch in 2015. He was first employed in 2001 as a developer and has worked as a Research Engineer since 2003.

Shareholding: 24,000 Class B shares.

11. BJÖRN HÅRDEMARK, DEPUTY CEO

Year of birth: 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 completed his degree project at RaySearch in 2002 and has since held positions as Research Engineer, System Developer, Physicist, Head of Physics and Chief Science Officer at the company.

Shareholding: 18,000 Class B shares.

SUSTAINABILITY REPORT 2019

SUSTAINABLE STRATEGY

OUR VISION IS 'A WORLD WHERE CANCER IS CONQUERED.'

Our **mission** is to contribute to the continued advancement of cancer care by developing innovative software solutions that improve quality of life for cancer patients and save lives.

3 GOOD HEALTH AND WELL-BEING

TARGET 3.4

STRATEGY

SOFTWARE DEVELOPMENT AND R&D

- Product and patient safety
- Leading functionality for improved treatment outcomes
- Resource efficiency to reduce environmental impact

STRATEGIC PARTNERSHIPS

- Customers – cancer centers
- Research institutions
- Medical device suppliers

PROFITABLE AND SUSTAINABLE GROWTH

- Long-term profitability
- High ethical standards

ATTRACTIVE EMPLOYER

- Committed employees with a high level of expertise in an innovative culture
- Social sustainability (work environment, gender equality, etc.)

INNOVATIVE CULTURE

HIGH ETHICAL STANDARDS INCLUDING ANTI-CORRUPTION

RaySearch's operations aim to help cancer centers improve, extend and save the lives of cancer patients. Our vision is 'a world where cancer is conquered.' By developing innovative software solutions, which are used by cancer centers worldwide, we strive to continuously help streamline workflows in clinical environments and to improve treatment outcomes for cancer patients. RaySearch's software is currently used by over 2,600 centers in more than 65 countries. This contributes to major social benefits and economic gains, while also creating business opportunities for RaySearch.

Sustainability is fully integrated with our mission and strategy. Our operations must also be pursued in a manner that meets the high demands and expectations of our stakeholders. RaySearch should be characterized by responsible business conduct, with high ethical standards. Unethical business culture may pose a risk for our customers, patients, employees, business partners, for society at large, and for us as a company. To succeed with our vision, skilled and committed employees, trusting collaboration with strategic partners, and corporate responsibility are critical. Read more about RaySearch's business model on page 1.

GREATEST INFLUENCE IN FIVE AREAS

In 2017, RaySearch began to apply a more structured approach to sustainability and in 2018, conducted a materiality assessment to identify the most material topics for RaySearch. The materiality assessment was based on the Global Reporting Initiative's (GRI) guidelines to identify and prioritize the company's most important sustainability topics, and to validate the process and results. The identification of sustainability topics that can reasonably be considered material for RaySearch was based on the actual impact of our operations on the environment, people, society and the economy.

Ongoing dialog with the company's stakeholders is a key component of the materiality assessment and during this process, we approached a range of stakeholder groups, that in various ways are part of, or impacted by, our business in order to include their needs, wishes and expectations. The stakeholder dialog was conducted with customers (cancer centers and hospitals that treat patients), employees, investors and shareholders, business partners, distributors, suppliers, regulators, policy makers and industry organizations.

The assessment was presented to management and resulted in five strategic material topics, all within the framework of RaySearch's core business:

- Fight cancer with innovative software solutions
- Patient and product safety
- Business ethics and anti-corruption
- Resource efficiency to reduce environmental impact
- Attractive employer – committed employees in an innovative culture

Work to define levels of ambition, targets and metrics linked to the identified sustainability topics continued in 2019. As part of the materiality assessment, RaySearch also assessed the company's risks and opportunities across the entire value chain. A description of the primary risks and how RaySearch manages these risks can be found in "Risks and risk management" on pages 9–10.

FIGHT CANCER WITH INNOVATIVE SOFTWARE SOLUTIONS

The aim of RaySearch's operations is to work together with our customers to improve, extend and save the lives of more cancer patients. We are thereby making a direct contribution to the achievement of Sustainable Development Goal 3, Target 3.4 – By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being. We are continuously striving to improve cancer care with innovative, safe and efficient software solutions, which also considerably reduce the global cost of cancer.

3 GOOD HEALTH AND WELL-BEING

Sustainable Development Goal 3, Target 3.4
By 2030, reduce by one third premature mortality from non-communicable diseases through prevention and treatment and promote mental health and well-being.

COLLABORATION FOR CONSTANT INNOVATION

For RaySearch, constant innovation is a prerequisite if we are to be successful. More than half of our employees are engaged in research and development. More effective work flows and better appliances for treatment at cancer centers will mean the lives of more patients can be saved and improved. It is also a prerequisite for us to be commercially successful and to create value for our shareholders.

Working together with strategic partners is another basic prerequisite. To develop the best, safest and most efficient software solutions, we collaborate with both leading medical device suppliers and the most eminent cancer centers. Our entire development model is based on these partnerships, which provide us with extensive clinical knowledge and resources. It is crucial that we understand and meet the real needs of these clinics. Our development work is conducted in close collaboration with the Royal Institute of Technology in Stockholm, Princess Margaret Cancer Centre (PMCC) in Canada, UMCG in the Netherlands, Heidelberg University Hospital in Germany, and Massachusetts General Hospital and the MD Anderson Cancer Center in the US.

MACHINE LEARNING FOR BETTER TREATMENTS

Our machine learning department has grown rapidly since the start in 2017. The focus is on developing machine learning applications for RaySearch's products. Since 2018, machine learning applications have been available in RayStation to automate organ segmentation and treatment plan generation. In 2020, the department will develop RayIntelligence, a series of new products that will make it easier for cancer centers to use their data to streamline, improve and personalize future treatments.

PATIENT AND PRODUCT SAFETY

RaySearch's entire business is permeated by patient and product safety. It is a prerequisite if we are to be a leading medical software manufacturer. All markets have rigorous regulatory requirements with which we must comply. One example is the EU's current and future medical device regulation (MDR), where we are striving to become one of the first to be certified. The introduction of MDR was recently postponed by one year until May 2021. The FDA's quality system regulation and the new regulatory framework for medical devices in Japan are examples of other requirements. The regulatory frameworks for products using machine learning are completely new in all markets. We will need to cooperate with the authorities on how these should be interpreted.

OUR PRIORITY IS PATIENT AND PRODUCT SAFETY

A robust quality management system ensures RaySearch's commitment to patient and product safety. This is audited annually, both internally and externally and the system is certified according to ISO 13485:2016 – the internationally agreed standard that sets out the requirements for a quality management system specific to the medical devices industry. The quality management system is certified by external regulators for all markets affiliated with the MDSAP (Medical Device Single Audit Program) framework. The next MDSAP audit is scheduled for 2020.

All our software complies with the ISO 14971, IEC 61217, 62083, 62274, 62304 and 62366 standards, as well as multiple communication standards for interconnectivity between medical devices. This contributes to our high level of patient safety, while also facilitating collaboration with new and existing partners by simplifying integration with their systems.

RaySearch monitors the number of patient safety incidents every year, and sends safety announcements to the market when needed. These are also reported to the databases of all relevant authorities. The number of incidents is low and does not rise with a higher number of customers, due to a proactive approach to patient safety. This is summarized in our Periodic Safety Update Report (PSUR). The area is reported twice a year at Management Reviews. Together with relevant departments, the Quality Department is responsible for ensuring that the company's operations comply with applicable product and patient safety regulations. Our Medical Device Safety Officer from the Development department compiles and monitors handling. The Quality and Regulatory Affairs Director is responsible for ensuring that the quality management system meets requirements. We are proud of the low number of incidents. Our approach to patient safety is proactive and we would rather provide too much information for our customers than too little.

BUSINESS ETHICS AND ANTI-CORRUPTION

If RaySearch is to pursue a long-term sustainable and profitable business operation that can grow and develop, high ethical standards and a transparent and proactive approach are fundamental. This is a prerequisite for nurturing the RaySearch brand.

RESPONSIBLE BUSINESS THE KEY TO SUCCESS

All internal relationships as well as relationships with customers, business partners and other stakeholder groups should be characterized by responsible, ethical and sound business principles. RaySearch follow all applicable local and international laws and rules, and the company does not tolerate any form of corruption, including bribery, fraud and anti-competitive practices, or violation of human rights.

The responsibility for business ethics lies with each respective department. The Legal Department has overall responsibility for the Code of Conduct and the company's anti-corruption policy and the guidelines for collaboration are based on the medtech industry's ethical codes (Global Policy on Interactions with Healthcare Professionals). The department is also responsible for training and informing all employees about these codes. The company's Quality Department performs regular audits of the company's policies and processes, while the responsibility for implementation and decision-making lies with each department. The Legal Department assists in drawing up contract templates and offers continuous advice in accordance with applicable laws, rules and ethical codes, such as when new research projects and contracts with healthcare and medical services are set up. The Board is regularly informed of matters concerning business ethics and compliance by the CEO and General Counsel.

CODE OF CONDUCT FOR ETHICS AT ALL STAGES

RaySearch's Code of Conduct provides a framework for what RaySearch considers responsible and sustainable behavior, and defines the company's principles and policies for business ethics. The Code of Conduct was adopted by the Board at the end of 2017 and subsequently implemented in the quality management system in early 2018. The Code of Conduct has been adapted for RaySearch's operations and is based on the Universal Declaration of Human Rights, the ILO Conventions, the UN Guiding Principles on Business and Human Rights, the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Some changes were made in 2019 and the updated Code of Conduct was adopted by the Board in February 2020. One change involved a clarification that certain sections of RaySearch's Code of Conduct also apply to third parties. The Human Rights and Labor Conditions section was extended to include a section on Modern Slavery, stating that RaySearch has a zero tolerance policy, both internally and for suppliers. This also involves the preparation of a Modern Slavery Statement every year, where the Board presents the measures taken to ensure that modern slavery and trafficking do not exist in any part of our supply chain. During the year, we also launched a new, updated compliance text in our contracts, including supplier contracts, with an obligation for the counterparty to comply with applicable modern slavery laws and, when requested, to present their own Modern Slavery Statement. RaySearch's Modern Slavery Statement for the 2019 fiscal year is available on our external website.

The Code of Conduct covers all employees, Board members, independent consultants and other people acting on behalf of RaySearch. It is available to all employees on the intranet and is included in the introductory manual that all employees are to read when their employment commences. The Code of Conduct is also a key component of RaySearch's Compliance Program Training (online) which all employees undergo every year. In 2019, 82 percent of employees completed this training. The Code of Conduct is also given prominence during the Legal Intro seminar, which is held for all new employees.

RaySearch monitors its business ethics measures by reporting the number of confirmed corruption incidents and actions taken during the year, as well as the number of legal disputes in regard to anti-competitive practices. In 2019, there were no confirmed corruption incidents or legal disputes in regard to anti-competitive practices.

SCREENING OF DISTRIBUTORS AND AGENTS

In markets where RaySearch does not have its own sales organization, we work with external distributors and agents. This business model place high demands on internal strategies and processes to identify and prevent corruption risks. RaySearch conducts business activities in several geographic markets where corruption is both a risk and a real hinder to development and growth. There is also a clear link between countries with widespread corruption and lack of respect for human rights.

RaySearch's Business Partner Background Check and Customer Screening Procedure ensures effective due diligence using internal and external tools. This procedure and the certification process for customers and external partners, which has been in place since 2017, was updated and extended in 2019. Following the change, more countries are now considered covered by our process for end customers. Our Code of Conduct is distributed to business partners in certain high-risk countries, especially distributors and agents, together with the requirement to sign our Code of

Conduct Compliance Form. More than ten business partners signed the form in 2019. No breaches arose during the year.

Responsibility for reviewing and monitoring suppliers lies with each respective department.

DIGITALIZATION WITH REDUCED ENVIRONMENTAL IMPACT

RaySearch's own environmental and climate-change impacts are limited. The main impact is derived from electricity consumption for computers, the heating of premises, transportation and business travel. Most of RaySearch's employees work in environmentally certified premises located centrally in Stockholm, that are easy to reach by public transport or other sustainable means of transport. We also use modern communication devices to reduce the need for business travel. RaySearch is very well-adapted to digital collaboration. In conjunction with the COVID-19 outbreak, the company quickly switched to remote working. Training sessions that were previously held at the office are now held, very successfully, as webinars. Most internal and external meetings can be effectively held using digital tools. In other words, the company's delivery capacity has remained relatively unchanged, with a reduced environmental impact.

RaySearch's software contributes to higher resource efficiency in cancer care in terms of time, quality, costs and materials. Cancer centers that want to improve their treatments are not dependent on changing to the latest hardware. They can achieve similar positive outcomes by choosing RayStation for their treatment planning, as our software can, for example, increase the performance and lifespan of radiation therapy devices. Our oncology information system, RayCare, also provides powerful tools for automating and creating more efficient workflows, as well as optimizing resource utilization for cancer centers. In 2019, we launched additional machine learning applications.

ATTRACTIVE EMPLOYER – PIONEERS WITH A CLEAR MISSION

RaySearch has the aim to conquer the enormous challenge that cancer now poses for people all over the world. To be successful, we need to attract committed and motivated employees with specialized skills in a number of different areas. We must also create a culture characterized by a pioneering spirit. Having the courage to challenge ourselves and think innovatively, without losing our customer and patient focus, is a prerequisite for remaining successful.

This places high demands on us as an employer and on our employees. RaySearch's employees have a very high level of education – 98 percent have university or college education. In the Research and Development Department, which accounts for about half of all employees, 16 percent also held a doctoral degree at the end of the year, majoring in various specialist fields.

INNOVATIVE COMPANY CULTURE WITH STRONG FOCUS ON QUALITY

Our shared values help us to focus on what makes a real difference for cancer patients in our day-to-day work. We endeavor to uphold an innovative culture without losing focus on high quality and a long-term approach, which should permeate everything that we do. In RaySearch's Code of Conduct, we have compiled the most important factors for us. All employees become acquainted with these guidelines through both introductory seminars and regular training.

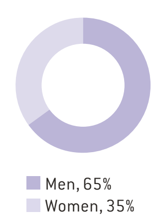
RaySearch also strives to create a workplace that supports both professional and personal development for employees and that promotes health and well-being. Retaining and attracting new employees with a high level of expertise, and who match current and future needs for competence, is essential if we are to remain successful.

STRENGTH THROUGH DIVERSITY

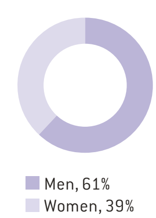
We are all different, and our differences are needed if we are to succeed with our joint mission. In 2019, RaySearch's employees represented 23 different nationalities. This is a strength, also in contacts with customers in the global market.

Treating each other with respect is a basic premise of our operations. Every individual is to be encouraged to reach their full potential. Everyone's knowledge, skills and abilities should be respected and valued regardless of sex, gender identity, ethnicity, religion, disability, sexual orientation or age. No form of discrimination, bullying or harassment is tolerated. Our anti-discrimination and harassment policy contains clear guidelines for preventing, managing and monitoring such situations. RaySearch is conducting continuous preventive work. In 2019, eight new managers were appointed who were all trained in the anti-discrimination and harassment policy and in how a non-discriminatory recruitment process should be conducted. This was particularly important as we recruited many new employees in 2019. In 2020, we will again review our policy and hold in-depth training sessions in the area, designed for both managers and employees.

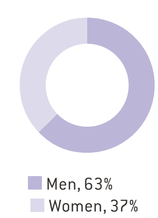
GENDER DISTRIBUTION, TOTAL



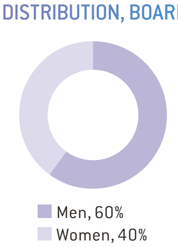
GENDER DISTRIBUTION, SWEDEN



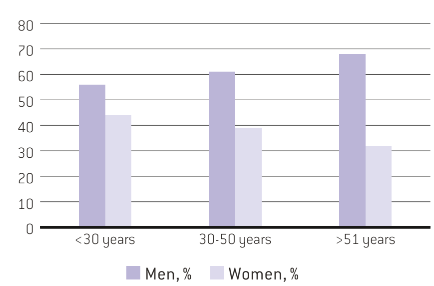
SENIOR POSITIONS, SWEDEN



GENDER DISTRIBUTION, BOARD



AGE DISTRIBUTION



One important element in creating a workplace where all employees have the same conditions and opportunities is purposeful work toward gender equality. In Sweden, where RaySearch employs most people, 40 percent of the employees were women. Worldwide, 35 percent were women. The proportion of women in senior positions corresponds to the general composition of the organization. One positive sign during the year from a gender equality perspective, was that men and women in the Parent Company took an equal amount of parental leave.

Work continued during the year towards non-discriminatory recruitment within the framework of our competence-based recruitment process. This is to intensify the focus on an objective evaluation of competence. It is clear from the salary survey conducted every year that RaySearch has been successful in offering equal pay to women and men. The few cases of unequal pay that were noted have been continuously monitored through action plans, which have led to a gradual decrease in unjustified pay differentials between men and women over the past three years. A special 'Womenhack' was held in October. Our female workers were given the opportunity to engage in the issue of diversity by representing RaySearch as a company that promotes gender equality and supports the participation of women in a technology-intensive workplace.

INNOVATIVE CULTURE NEEDS CONSTANT COMPETENCE DEVELOPMENT

Competence development and performance monitoring are key to a company like RaySearch, where innovation and development are vital. We have a firmly established process in place to ensure that every employee has the best conditions for being able to contribute to the company's mission and targets. The foundation is provided by regular talks between managers and employees. Our employees are encouraged to take part in international exchanges by participating in various training courses, both internal and external, and attending trade fairs and other external events. Competence development is also achieved by, together with colleagues, taking on new roles and challenging assignments with opportunities to use the latest software development technologies.

INSPIRING LEADERSHIP AT ALL LEVELS

In order to create the open and innovative culture we aspire to, we focus on leadership. Strong and inspirational leadership will become increasingly important for creating commitment and results, and making full use of the organization's competence, not least in our current highly expansive phase. In 2019, we continued to regroup large departments into small subdepartments One goal is to further increase points of contact between employees and managers. Another is to create better opportunities for sustainable leadership.

During the year, we continue to train employees in various forms of leadership, not only managers. RaySearch has a high level of ambition, with the target that 100 percent of our managers and employees in senior roles will have undergone leadership training. At the end of the year, 43 percent of managers and others in senior roles had completed leadership training. The leadership initiatives will continue in 2020 since RaySearch has appointed many new managers and a number of senior roles as project managers and team leaders during the year. New managers at RaySearch undergo both internal and external management training.

WELLNESS THROUGH EXERCISE AND SOCIAL ACTIVITIES

We want to offer all of our employees a positive physical and psychosocial work environment, and a healthy work-life balance. We also work actively with workplace ergonomics and offer flextime. All employees at the head office in Stockholm are covered by a private preventive health insurance and occupational health care.

We also want to make it easy for our employees to include exercise and physical activity in their daily routines and RaySearch offers a generous wellness subsidy, which was used by 83 percent of employees during the year. The Stockholm office, where most of our employees are based, is centrally located, which provides access to a wide range of activities. The office also has several locker rooms with showers, washing and drying facilities. Social contact is important for us. We therefore invest a lot in activities where we meet and have fun together. All employees are offered breakfast, and we regularly hold various joint activities, in particular different sporting activities, such as running and floorball matches.

ROBUST GROWTH WITH A FOCUS ON JUNIOR EMPLOYEES

RaySearch continues to grow. In 2019, 105 new employees joined the company, which means an increase of about 20 percent in the number of employees. At year-end, the total number of employees in the RaySearch Group was 377, of whom 279 were based at the head office in Stockholm, and 98 in the international subsidiaries across ten countries in Europe, the US and Asia.

The large number of new employees also imposed demands on a good introduction at the commencement of employment. During the year, RaySearch continued to recruit junior employees, something we began the previous year to increase diversity and contribute to new perspectives in the company. To make the introduction to the company as quick and smooth as possible, we created RayAcademy, where teams of juniors are introduced together.

Employees at our subsidiaries in Europe and Asia always travel to Stockholm for an introduction to enable faster integration with the company and our culture, and we arrange a global conference every year for all employees from all companies in Stockholm.

FOLLOW-UP FOR CONTINUOUS IMPROVEMENTS

RaySearch conducts regular employee satisfaction surveys of the entire company in order to measure and monitor the results of implemented activities, to identify improvement areas and to give employees an opportunity to present their views. All employees are asked questions about their workplace, leadership, remuneration, ability to influence, work environment, opportunities for development, health and so forth. The 2019 employee survey also delivered a strong result, with scores above 4 in all areas on a 6-point scale, and above 5 in half of these. It is very pleasing that 94 percent (97) of our employees feel proud to be working at RaySearch, and that 86 percent (87) would recommend the company as an employer.

The annual employee survey is also a key tool for monitoring the effects of our leadership efforts. The most recent survey also showed that leadership initiatives have led to positive outcomes. In the 2019 survey, leadership received a score of 5.1 (5) from a possible 6. Given RaySearch's growth in 2019, with many new employees and new managers, it is extremely gratifying that we have maintained such a high score year after year. We are very proud of our managers and leaders and their pro-active efforts to prevent ill health in the organization.

Sickness absence at RaySearch remained low in 2019 at 2.16 percent. Long-term sick leave rose slightly in 2019 and accounted for 26 percent (17) of total sickness absence. It is important for us to follow up the reasons for sickness absence, and we can see that the increase in this case is not work-related. Employee turnover also remained low. While average employee turnover for high-tech companies in Sweden was about15 percent, RaySearch, through the active use of various measures, achieved turnover of 6.6 percent for permanent employees in 2019. Our focus on a work-life balance, together with pride in being able to contribute to a greater good, is a recipe for a healthy organization.

ABOUT RAYSEARCH'S SUSTAINABILITY REPORT

RaySearch's sustainability report has been prepared in accordance with the Swedish Annual Accounts Act. The report and its contents have not been reviewed externally. The sustainability report relates to the 2019 fiscal year and comprises RaySearch's operations as they appeared at the beginning of 2019. This is the third year that RaySearch has published a sustainability report. RaySearch intends to publish a sustainability report on an annual basis.

For more information, please contact:
Peter Thysell, CFO
Tel: +46 70 661 0559
E-mail: peter.thysell@raysearchlabs.com

Stockholm, April 29, 2020

Lars Wollung Chairman of the Board	Carl Filip Bergendal Board member	Johan Löf CEO and Board member
Britta Wallgren Board member	Hans Wigzell Board member	Johanna Öberg Board member

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY STATEMENT

TO THE GENERAL MEETING OF THE SHAREHOLDERS OF RAYSEARCH LABORATORIES AB, CORPORATE IDENTITY NUMBER 556322-6157

ENGAGEMENT AND RESPONSIBILITY

It is the Board of Directors who is responsible for the statutory sustainability statement on pages 64–69 and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

OPINIONS

A statutory sustainability statement has been prepared.

Stockholm, April 29, 2020

Ernst & Young AB

Anna Svanberg
Authorized Public Accountant

SHARES AND OWNERSHIP

NUMBER OF SHARES AND SHARE CAPITAL

At December 31, 2019, the total number of registered shares in RaySearch was 34,282,773, of which 8,454,975 were Class A and 25,827,798 Class B shares. The quotient value was SEK 0.50 and the share capital in the company amounted to SEK 17,141,386.50. All shares carry equal rights in the company's assets and earnings. Each Class A share carries 10 votes and each Class B share carries one vote. At December 31, 2019, the total number of votes in the company was 110,377,548. 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. The percentage of foreign owners' shareholdings in RaySearch increased from 36.4 percent at December 31, 2018 to 38.5 percent at December 31, 2019. The number of shareholders decreased slightly and at December 31, 2019 was 6,843 (7,074).

OWNERSHIP STRUCTURE – SHAREHOLDER CATEGORIES, %	Capital	Votes
Foreign shareholders	38.5	5.4
Swedish shareholders	61.5	94.6
of which, institutions	*22.4*	*7.0*
individuals	*39.1*	*81.1*

STATEMENT FROM SOME OF THE PRINCIPAL SHAREHOLDERS

The aim of the principal owners – Johan Löf, Anders Brahme and Carl Filip Bergendal – is to remain significant long-term shareholders of RaySearch.

SHAREHOLDER AGREEMENTS

As far as the Board of Directors of RaySearch is aware, there are no shareholder agreements for either Class A or Class B shares.

OWNERSHIP STRUCTURE – 10 LARGEST SHAREHOLDERS AT DEC 31, 2019

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

OWNERSHIP STRUCTURE – SIZE OF HOLDING AT DEC 31, 2019

	No. of shareholders	Number of Class A shares	Number of Class B shares	Capital, %	Votes, %
1–500	5,515	153	611,080	1.78	0.56
501–1 000	551	0	445,289	1.30	0.40
1,001–2,000	340	0	525,038	1.53	0.48
2,001–5,000	226	0	734,557	2.14	0.67
5,001–10,000	81	0	620,876	1.81	0.56
10,001–20,000	48	0	701,623	2.05	0.64
20,001–50,000	36	0	1,141,425	3.34	1.04
50,001–100,000	12	0	884,843	2.58	0.80
100,001–500,000	21	0	4,894,495	14.28	4.43
500,001–1,000,000	4	0	2,515,545	7.34	2.28
1,000,001–5,000,000	8	2,211,738	12,334,634	42.43	31.21
5,000,001–10,000,000	1	6,243,084	418,393	19.43	56.94
Total	**7,074**	**8,454,975**	**25,827,798**	**100.00**	**100.00**

LISTING ON NASDAQ STOCKHOLM

RaySearch's share has been listed on Nasdaq Stockholm since 2003. On January 4, 2016, RaySearch was moved to the Mid Cap segment following Nasdaq's annual review of Nordic market capitalization segments.

SHARE TRADING AND SHARE PRICE TREND

In 2019, a total of 16.6 million (27.8) RaySearch shares were traded at a value of SEK 2,120 M (3,392). This corresponds to an average price of SEK 127.4 (122.2). The highest price paid in 2019 was SEK 193 on August 27. The lowest price paid during the same period was SEK 82.35 on February 12. On the last trading day of the year, December 30, the closing price was SEK 107.20 (96.50). In 2019, RaySearch's share price rose 10 percent (declined 43), while the OMXS30 rose 30 percent (declined 8). At the end of December, RaySearch's market capitalization was SEK 3,675 M (3,308). 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.

OPTION PROGRAMS

RaySearch currently has no options programs outstanding.

DIVIDEND POLICY

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

CHANGES IN SHARE CAPITAL OF RAYSEARCH

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
2015	Reclassification 2015				–1,061,577	1,061,577		
	Closing balance	0.5			10,262,814	24,019,959	34,282,773	17,141,386.50
2016	Reclassification 2016				–1,567,839	1,567,839		
	Closing balance	0.5			8,694,975	25,587,798	34,282,773	17,141,386.50
2017	Reclassification 2017				–40,000	40,000		
	Closing balance	0.5			8,654,975	25,627,798	34,282,773	17,141,386.50
2018	Reclassification 2018				–200,000	200,000		
	Closing balance	0.5			8,454,975	25,827,798	34,282,773	17,141,386.50

SHAREHOLDER REGISTER, COMPLETE – RAYSEARCH LABORATORIES AB (PUBL) AT DEC 31, 2019 – LARGEST SHAREHOLDER COUNTRIES

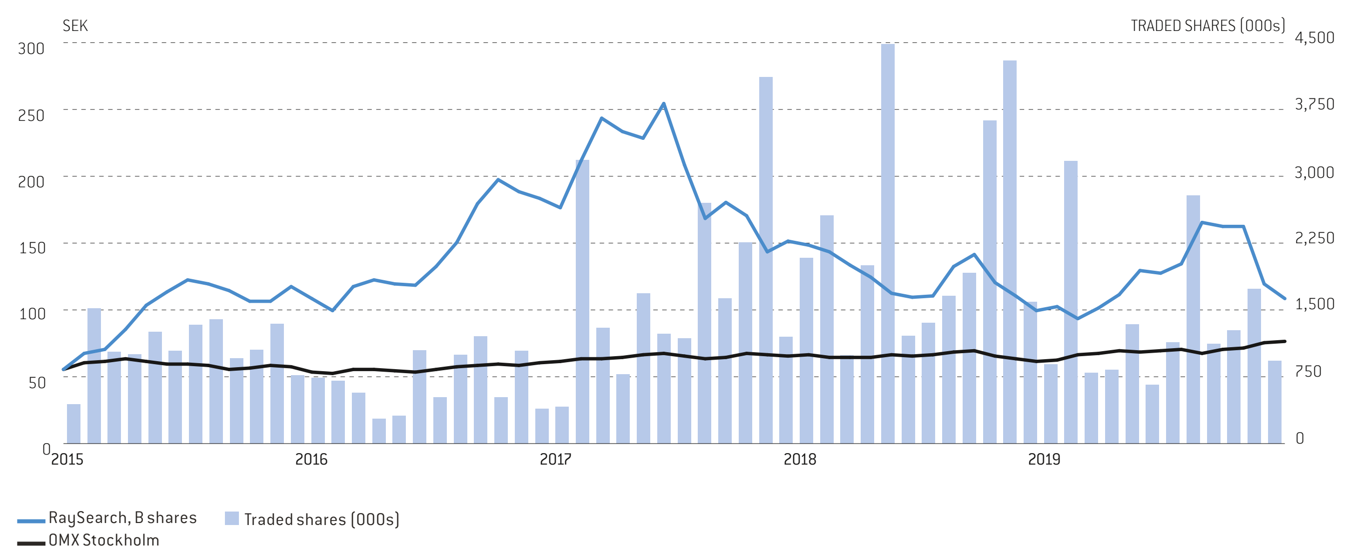
Name	No. of shareholders	Share-holders (%)	Holding	Holding, %	Votes	Voting rights, %	Market capitalization (SEK 000s)
Natural persons	6,472	94.58	21,091,675	61.52	97,186,450	88.05	2,261,028
of whom domiciled in Sweden	371	5.42	13,191,098	38.48	13,191,098	11.95	1,414,086
Total Dec 31, 2019	**6,843**	**100.00**	**34,282,773**	**100.00**	**110,377,548**	**100.00**	**3,675,113**

SHAREHOLDER REGISTER, COMPLETE – RAYSEARCH LABORATORIES AB (PUBL) AT DEC 31, 2019 – LEGAL-NATURAL PERSONS

Name	No. of shareholders	Share-holders (%)	Holding	Holding, %	Votes	Voting rights, %	Market capitalization (SEK 000s)
Natural persons	6,324	92.42	13,470,511	39.29	89,565,259	81.14	1,444,039
of whom domiciled in Sweden	6,266	91.57	13,414,102	39.13	89,508,850	81.09	1,437,992
Legal persons	519	7.58	20,812,262	60.71	20,812,289	18.86	2,231,074
of whom domiciled in Sweden	206	3.01	7,677,573	22.39	7,677,600	6.96	823,036
Total Dec 31, 2019	**6,843**	**100.00**	**34,282,773**	**100.00**	**110,377,548**	**100.00**	**3,675,113**
of whom domiciled in Sweden	**6,472**	**94.58**	**21,091,675**	**61.52**	**97,186,450**	**88.05**	**2,261,028**

SHARE PRICE TREND

The diagram shows the share price trend for RaySearch from January 2015 up to and including December 2019, and the number of shares traded per month.



MULTI-YEAR OVERVIEW – KEY FIGURES

KEY FIGURES AND CONDENSED FINANCIAL DATA

The summary shows how the core business developed between 2010–2018, and has been prepared in accordance with IFRS.

GROUP	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Income statement										
Net sales, SEK M	741.6	627.2	585.1	531.5	397.6	285.2	204.5	182.1	126.1	117.7
Sales growth, %	18.2	7.2	10.1	33.7	39.4	39.5	12.3	44.4	7.1	40.7
Operating profit, SEK M	68.2	94.5	159.7	199.6	95.3	79.4	–25.7	22.5	27.6	39.9
Operating margin, %	9.2	15.1	27.3	37.5	24.0	27.8	–12.6	12.4	21.9	33.9
Equity/assets ratio, %	55.8	59.5	63.4	64.2	65.9	64.5	65.7	74.2	75.4	76.9
Equity/assets ratio (without IFRS 16), %	61.6	59.5	63.4	64.2	65.9	64.5	65.7	74.2	75.4	76.9
Capital employed, SEK M	876.2	789.0	664.2	521.7	357.7	292.6	196.6	217.5	196.7	196.8
Return on capital employed[2], %	8.2	13.0	27.3	45.4	29.4	32.6	–12.0	11.4	14.6	21.0
Equity, SEK M	705.5	657.5	580.4	460.2	319.5	251.5	196.6	217.6	196.7	196.8
Return on equity[2], %	7.1	12.7	22.6	38.8	24.6	26.7	–10.1	9.6	8.6	15.1
Interest-bearing liabilities, SEK M	170.7	131.5	83.8	61.5	38.2	41.1	–	–	–	–
Net debt, SEK M	56.8	19.3	–20.4	–26.2	–21.5	–15.0	–38.2	–61.9	–28.7	–75.0
Net debt (without IFRS 16), SEK M	–64.3	19.3	–20.4	–26.2	–21.5	–15.0	–38.2	–61.9	–28.7	–75.0
Debt/equity ratio	0.1	0.0	0.0	–0.2	–0.1	–0.1	–0.2	–0.3	–0.1	–0.4
EBITDA, SEK M	250.7	208.3	231.0	266.9	151.8	137.6	28.2	72.1	62.6	67.9
Net debt/EBITDA	0.2	0.1	–0.1	–0.1	–0.1	–0.1	–1.4	–0.9	–0.5	–1.1
Per share data										
Earnings per share before dilution, SEK	1.47	2.29	3.43	4.42	2.05	1.75	–0.61	0.58	0.50	0.84
Earnings/loss per share after dilution, SEK	1.47	2.29	3.43	4.42	2.05	1.75	–0.61	0.58	0.50	0.84
Equity per share, SEK	20.58	19.18	16.93	13.42	9.32	7.34	5.73	6.35	5.74	5.74
Cash flow from operating activities per share, SEK	9.34	5.21	4.30	3.53	3.25	1.47	0.91	2.55	0.99	1.83
Dividend per share, SEK	–[1]	–	–	–	0.25	–	–	–	–	0.50
Share price at year-end, SEK	107.2	96.5	171.0	184.5	122.5	53.0	27.4	20.8	14.5	38.0
P/E ratio	72.9	42.1	49.8	41.8	59.8	30.4	neg.	35.9	29.1	45.1
Other										
Number of shares outstanding before dilution	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283
Number of shares outstanding after dilution	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283	34,283
Average no. of employees	331	283	228	184	157	126	107	92	78	64

[1] According to the Board's proposal.
[2] 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 OF KEY RATIOS

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

Non-IFRS measures	Definition	Reason for using the measure
Capital employed	Total assets less non-interest-bearing liabilities and deferred tax liabilities.	This measure shows how much capital is used in the business and is therefore one of two components for measuring return from the operations
Cash flow from ongoing operations per share	Cash flow from operating activities divided by the average number of shares during the period.	Shows the cash flow generated by operating activities per share
Debt/equity ratio	Net debt in relation to equity	The measure shows financial risk and is used by management to monitor the Group's indebtedness
Dividend per share	Dividend divided by number of shares outstanding at year-end	Shows the direct return generated from a shareholder perspective
EBITDA	Profit before depreciation/amortization and impairment	Relevant as a measure of the company's ability to generate cash flow before capital tied up in operations and financial flows
Equity/assets ratio	Equity expressed as a percentage of total assets at the end of the period	This is a standard measure to show financial risk, and is expressed as the percentage of the total restricted equity financed by the owners
Equity/assets ratio and net debt (without IFRS 16)	Equity/assets ratio and net debt adjusted for right-of-use assets and lease liabilities	Shows measurements made according to IAS 17 instead of IFRS 16 for comparability with earlier periods.
Equity per share	Equity divided by number of shares outstanding at the end of the period	Shows the return generated on the owners' invested capital per share from a shareholder perspective
Gross profit	Net sales minus cost of goods sold	Gross profit is used to measure the margin before sales, research, development and administrative expenses
Interest-bearing liabilities	Liabilities requiring the payment of interest	Shows the actual interest-bearing debt burden
Net debt	Interest-bearing liabilities less cash and cash equivalents and interest-bearing current and long-term receivables	This measure shows the Group's total indebtedness
Net debt/EBITDA	Net debt in relation to operating profit before depreciation and amortization	A relevant measure from a credit perspective that shows the company's ability to handle its debt
Net margin	Profit after tax, as a percentage of net sales	The net margin shows the percentage of net sales remaining after the company's expenses have been deducted
Net sales/Order intake	Recognized net sales in relation to total order intake during the corresponding period	The measurement is used to monitor the recognized revenue in relation to sales, which is part of the reason for the change in order backlog.
Order intake	The value of all orders received and changes to existing orders (performance obligations) in the order backlog that the company has not delivered during the period	Order intake is an indicator of future revenue and thus a key figure for the management of RaySearch's operations
Operating margin	Operating profit expressed as a percentage of net sales	Together with sales growth, the operating margin is a key element for monitoring value creation
Operating profit	Operating profit before financial items and tax	Operating profit provides an overall picture of the total generation of earnings in operating activities
Organic sales growth	Sales growth adjusted for currency effects	This measure is used to monitor underlying sales growth driven by changes in volume, pricing and mix for comparable units between different periods
P/E ratio	Share price at year-end divided by earnings per share	Shows how the market values the share from a shareholder perspective in relation to the company's recognized profit after tax
Return on capital employed	Operating profit plus financial income, as a percentage of average total assets excluding non-interest-bearing liabilities	A central measure for measuring the return on all tied-up working capital
Return on equity	Profit after tax, as a percentage of average shareholders' equity	Shows the return generated on the owners' invested capital from a shareholder perspective
Rolling 12 months' sales, operating profit or other results	Sales, operating profit or other results measured over the past 12-month period	This measure is used to more clearly illustrate the trends for sales, operating profit and other results, which is relevant because RaySearch's revenue is subject to monthly variations
Sales growth	The change in net sales compared with the year-earlier period expressed as a percentage	The measure is used to track the performance of the company's operations between periods
Working capital	Working capital comprises inventories, operating receivables and operating liabilities, and is obtained from the statement of financial position. Operating receivables comprise accounts receivable, other current/long-term receivables and non-interest bearing prepaid expenses and accrued income. Operating liabilities include other non-interest bearing long-term liabilities, advance payments from customers, accounts payable, other current liabilities and non-interest bearing accrued expenses and deferred income.	This measure shows how much working capital is tied up in operations and can be shown in relation to net sales to demonstrate the efficiency with which working capital has been used

CALCULATION OF NON-IFRS FINANCIAL MEASURES, AMOUNTS IN SEK 000S

Working capital	Dec 31, 2019	Dec 31, 2018
Accounts receivable (current billed customer receivables)	194,752	276,473
Current unbilled customer receivables	191,064	154,763
Long-term unbilled customer receivables	20,370	23,119
Inventories	4,623	9,617
Other current receivables (excl. tax)	54,334	30,385
Accounts payable	–33,202	–32,366
Other current liabilities (excl. tax)	–238,885	–179,802
Working capital	**193,056**	**282,189**

Capital employed	Dec 31, 2019[2]	Dec 31, 2018[1]
Total assets	1,264,224	1,105,422
Current interest-bearing liabilities	–272,884	–212,517
Deferred tax liabilities	–115,145	–103,954
Capital employed	**876,195**	**788,951**

Net debt	Dec 31, 2019[2]	Dec 31, 2018[1]
Current interest-bearing liabilities	84,931	124,283
Long-term interest-bearing liabilities	85,796	7,215
Cash and cash equivalents	–113,858	–112,198
Net debt	**56,869**	**19,300**

Net debt (without IFRS 16)	Dec 31, 2019[2]	Dec 31, 2018[2]
Net debt	56,869	19,300
Less: Lease liabilities	–121,202	
Net debt	**–64,333**	**19,300**

Equity/assets ratio (without IFRS 16)	Dec 31, 2019[1]	Dec 31, 2018[1]
Shareholders' equity	702,369	657,453
Total assets	1,139,930	1,105,422
Equity/assets ratio	**61.6**	**59.5**

EBITDA	2019[2]	2018[1]
Operating profit	68,169	94,461
Amortization and depreciation	182,497	113,844
EBITDA	**250,666**	**208,305**

Change in organic sales	2019[2]	2018[1]
Net sales for the year	741,584	627,218
Currency adjustment	–40,106	–8,430
Adjusted net sales	701,478	618,788
Net sales, preceding year	627,218	585,086
Change in organic sales	**11.8%**	**5.8%**

[1] IAS 17 compliance.
[2] IFRS 16 compliance.

For more information, please contact:
Peter Thysell, CFO
Tel: +46 70 661 0559
E-mail: peter.thysell@raysearchlabs.com

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

STREET ADDRESS
Sveavägen 44, Floor 7
SE-111 34 Stockholm, Sweden
Tel: +46 8 510 530 00
www.raysearchlabs.com
Corporate Registration Number: 556322-6157

ADVANCING CANCER TREATMENT

Sveavägen 44, SE-103 65 Stockholm, Sweden
Tel: +46 (0)8 510 530 00
marketing@raysearchlabs.com
www.raysearchlabs.com