

CORPORATE GOVERNANCE REPORT

GENERAL

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

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

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

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

ANNUAL GENERAL MEETING

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

FUNCTION OF THE AGM

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

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

AUTHORIZATION PROVIDED BY THE AGM

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

NOMINATION COMMITTEE

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

BOARD OF DIRECTORS

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

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

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

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

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

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

WORK OF THE BOARD IN 2014

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

REMUNERATION COMMITTEE

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

MAJOR DIRECT OR INDIRECT SHAREHOLDINGS

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

PROVISIONS OF THE ARTICLES OF ASSOCIATION

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

AUDIT COMMITTEE

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

INTERNAL CONTROL

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

CONTROL ENVIRONMENT

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

RISK ASSESSMENT

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

CONTROL ACTIVITIES

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

INFORMATION AND COMMUNICATION

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

MONITORING

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

EXECUTIVE MANAGEMENT

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

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

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

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

FURTHER INFORMATION

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

Stockholm, April 22, 2015

Erik Hedlund
Chairman of the Board

Johan Löf
President and
Board member

Carl Filip Bergdendal
Board member

Hans Wigzell
Board member

AUDITORS' REPORT ON THE CORPORATE GOVERNANCE REPORT

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

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

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

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

Stockholm, April 22, 2015
Ernst & Young AB

Per Hedström
Authorized Public Accountant