

CORPORATE GOVERNANCE REPORT

GENERAL

RaySearch's corporate governance principles are based on Swedish legislation, primarily the Swedish Companies Act, the Swedish Annual Accounts Act and applicable EU regulations, and Nasdaq Stockholm's Rule Book for Issuers. In addition, RaySearch applies the Swedish Corporate Governance Code ("the Code"), with the exceptions set out below. The Code was originally introduced on July 1, 2005 with the aim of improving the corporate governance of Swedish listed companies and ensuring that these companies were run as efficiently as possible on behalf of their shareholders. The current Code is available on the Swedish Corporate Governance Board's website: <http://www.corporategovernanceboard.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 that 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.

RaySearch submits Corporate Governance Reports in connection with the submission of annual reports for each fiscal year. The company's auditor has read and performed a statutory review of this Corporate Governance Report.

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, 2017, there were a total of 34,282,773 shares in RaySearch, of which 8,654,975 were Class A and 25,627,798 Class B shares. Shareholders representing 63.1 percent of the total number of shares and 77.9 percent of the total number of votes in the company participated in RaySearch's AGM on May 23, 2017 in Stockholm.

AUTHORIZATION PROVIDED BY THE AGM

In accordance with the Board's motion, the AGM on May 23, 2017 resolved to authorize the Board, on one or several occasions during the period up to the next AGM, to make decisions on the issue of Class B shares and/or convertible debentures that can be converted to Class B shares. The Board's

THE BOARD'S INDEPENDENCE		Independent in	Independent in rel. to shareholders
Name	Position	relation to the company	with at least 10% of voting rights
Carl Filip Bergendal	Board member, Chairman	Yes	Yes
Johanna Öberg	Board member	Yes	Yes
Johan Löf	Board member	No, CEO of the company	No (is personally such a shareholder)
Hans Wigzell	Board member	Yes	Yes

OWNERSHIP STRUCTURE – SHAREHOLDERS WITH AT LEAST 10% OF TOTAL VOTES					
Name	Class A shares	Class B shares	Total shares	Capital, %	Votes, %
Johan Löf	6,243,084	618,393	6,861,477	20.0	56.0
Anders Brahme	1,350,161	–	1,350,161	3.9	12.0
Others	1,061,730	24,959,405	26,021,135	76.0	31.8
Total	8,654,975	25,627,798	34,282,773	100.0	100.0

decision concerning the issuance of shares and/or convertible debentures that are issuable with the support of the authorization may not exceed the equivalent, on the date of the official notice of the AGM, of 10 percent of the registered share capital of SEK 17,141,386.50. The shares may be issued with or without disapplication of the preemption rights of the shareholders and, except for cash, with or without consideration in kind, set-off or other conditions. The purpose of the authorization is to increase the company's financial flexibility. Disapplying the existing shareholders' preferential rights, the subscription price is to be the market price. Other terms and conditions may be decided by the Board of Directors.

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 of Directors prior to the 2017 AGM.

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.

The AGM on May 23, 2017 elected four Board members without deputies, including the Chairman of the Board, until the close of the 2018 AGM. Carl Filip Bergendal was reelected as Chairman. Board members Johan Löf (also the CEO) and Hans Wigzell were also reelected. Johanna Öberg was elected new Board member. The Board meets the Code's independence criteria for Board members. 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. However, the Board was not evaluated in 2017. The Board regularly, at least once per year, evaluates the CEO's performance and instructions but in this respect deviates from 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 66 percent of the voting rights in the company) who submitted a proposal for the composition of the Board prior to the 2017 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 2017 AGM resolved in accordance with the submitted proposal, whereby the Board as of the 2017 AGM consisted of four members (three re-elected and one newly elected), of whom one member was a woman (25 percent women).

THE BOARD'S WORK IN 2017

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 auditor personally reports their review observations to the Board every year. The Board held six meetings during the year. In addition to Johanna Öberg, who was elected to the Board at the AGM and participated in the subsequent three Board meetings, other members were present at all of these meetings. Considering the size of the Board, it was not deemed necessary to introduce a separate delegation of duties among Board members.

The Board has not established any Remuneration or Audit Committee, as the Board is deemed a more appropriate function for the performance of these duties. The reason for this is that the Board and the company are not considered large enough to motivate special committees for these duties. The CEO does not participate in the Board's performance of Remuneration and Audit Committee duties.

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.

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. At the end of 2017, RaySearch's senior management consisted of the CEO, Deputy CEO, CFO, Director of Research, Director of Development, Director of Sales and Marketing, Director of Sales for Asia & Pacific, Director of Service and the General Counsel.

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, competitor analyses, and so forth. 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 limited size of the company, 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 defined 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 information policy, which describes the company's general principles for providing information. The Board and senior management monitor RaySearch's compliance with adopted policies and guidelines. 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. The Board meets RaySearch's auditor at least once per year, without the participation of the CEO or any other member of company management, partly to review the internal control but also, in special cases, to assign additional the internal control duties to the auditor with a specific focus on any area.

FURTHER INFORMATION

For more information about the Board and the CEO, refer to pages 46-47 and to Note 4 in the Annual Report. For more information about the auditors, refer to page 46 and to Note 5 in the Annual Report.

Stockholm, April 27, 2018

Carl Filip Bergendal
Chairman of the Board

Johan Löf
CEO and 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 2017 on pages 42–44 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 con-

ducted 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 27 April 2018
Ernst & Young AB

Per Hedström
Authorized Public Accountant