

CORPORATE GOVERNANCE REPORT

GENERAL

Companies listed on NASDAQ OMX Stockholm are obligated to apply the Swedish Code of Corporate Governance (referred to below as "the Code"). 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.

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 why RaySearch has opted not to observe certain Code regulations.

ANNUAL GENERAL MEETING

Following motions by the shareholders, the Board of Directors and the audit firm (with an auditor-in-charge and a deputy auditor) 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 32.5 percent of the total number of shares and 66.8 percent of the total number of votes in the company participated in RaySearch's AGM held on May 30, 2012 in Stockholm. RaySearch's President, Board and auditors attended the Meeting.

FUNCTION OF THE AGM

RaySearch is permitted to issue shares in two series, referred to as Class A and Class B. In voting at the AGM, each Class A share carries ten votes and a Class B share carries one vote. The total number of shares in RaySearch is currently 34,282,773, of which 12,385,968 are Class A and 21,896,805 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 has not authorized the Board to decide on the issuance of new shares or acquisition of its own shares.

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, organization, and research and development. The Board also discusses partnership agreements, interim reports, the annual accounts, internal control, 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 held on May 30, 2012, the RaySearch Board comprises four members elected by the AGM, and no deputies. The AGM of May 30, 2012 elected Erik Hedlund as the Chairman of the Board until the next AGM.

The Board fulfills the requirement for independent Board members pursuant to the Code. The Board evaluates its work once each fiscal year, which forms the basis for the Board's future working methods. Although the Board also evaluates the work of the President, the company deviates from the Code in this respect in that the President may participate in this evaluation. The reason is that the President is a Board member and the Board believes that the presence of the President does not adversely affect the evaluation.

WORK OF THE BOARD IN 2012

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 five meetings during the year, each attended by all of the Board members. 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

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

Name	Class A	Class B	Total shareholding	Share capital %	Votes %
Johan Löf	6,243,084	843,393	7,086,477	20.7	46.5
Erik Hedlund	1,567,089	228,699	1,795,788	5.2	11.7
Anders Brahme	1,390,161	200,400	1,590,561	4.6	10.4
Others	2,124,057	21,685,890	23,809,947	69.5	31.5
Total	11,324,391	22,958,382	34,282,773	100.0	100.0

any such 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 members of executive management.

MAJOR DIRECT OR INDIRECT SHAREHOLDINGS

Shareholders who have a direct or indirect shareholding in RaySearch representing 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 as to how many votes each shareholder may cast at the Annual General Meeting. Nor do RaySearch's Articles of Association do include any special provisions governing the appointment and dismissal of Board members or amendments to the Articles of Association.

AUDIT COMMITTEE

RaySearch also deviates from the Code by not establishing 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 work of an audit committee.

INTERNAL CONTROL

According to Swedish legal rules of corporate governance, the Board shall ensure that RaySearch has ample internal control and shall remain continuously informed of and evaluate the functioning 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. Given the focus and scope of the operations, a special internal audit function is deemed unnecessary.

CONTROL ENVIRONMENT

As part of the effort to create and maintain a functioning control environment, the Board has established a number of significant, fundamental documents for financial reporting, including special work procedures 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 approves the attestation instructions that delegate the President's attestation responsibility to other executives at RaySearch. The President and executive management report regularly to the RaySearch Board via a report with comments in respect of business conditions and financial results vis-à-vis the budget and forecasts. The internal control builds upon a management system based on RaySearch's organization and manner of conducting operations with definite roles, areas of responsibility and delegation of authority. Governance documentation, such as policies and guidelines, has a significant function in the control structure.

RISK ASSESSMENT

RaySearch's executive management conducts ongoing risk management assessment to identify significant risks relating to financial reporting. As regards

financial reporting, the primary risk is deemed to be incorrect accrual accounting of revenues and valuation of assets. Fraud and losses through embezzlement are other risks. Risk management is incorporated in each process and various methods are used to evaluate and curtail risks in order to ensure that the risks to which RaySearch is exposed are managed in line with the set regulations, instructions and monitoring procedures. The purpose of this is to reduce the risk level and promote accurate accounting, reporting and provision of information.

CONTROL ACTIVITIES

Control activities are designed to manage activities that the Board and the company's executive management deem to be significant for 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 performs a key function in the internal control process by checking that financial reports are complete, correct and presented on time.

INFORMATION AND COMMUNICATION

RaySearch cooperates with the communications consultant Cision, in order to promote comprehensiveness and accuracy in financial reports for the market. The employees concerned are informed about, among other items, the prevailing accounting policies and changes in reporting requirements. The Board regularly receives financial reports. External information and communication is controlled by, among other things, RaySearch's information policy, which describes the company's general principles underlying information disclosure.

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 scrutinize financial reports ahead of the publication of quarterly interim reports and the annual report. The Board meets RaySearch's auditor at least annually.

FURTHER INFORMATION

For more details concerning the Board and President, see page 45 and Note 4 in the Annual Report. For more details regarding the auditors, refer to page 45 and Note 5 in the annual report.

Stockholm March 18, 2013
Board of Directors

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

We have audited the annual accounts and consolidated financial statements for RaySearch Laboratories (publ) for 2012, with the exception of the Corporate Governance Report on pages 42–49. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 49–79.

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

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts and consolidated financial statements in accordance with International Financial Reporting Standards, as adopted by the EU and the Annual Accounts Act, and for the internal control deemed necessary by the Board of Directors and the President for the preparation of annual accounts and consolidated financial statements that are free from material misstatement, whether such misstatements is due to fraud or error.

Auditor's responsibility

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

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

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

Opinions

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 2012 and its financial performance and cash flows for the year in accordance with the Annual Accounts Act, and the consolidated financial statements 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 2012 and its financial performance and cash flows for the year in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. Our opinions do not encompass the Corporate Governance Report on pages 42–47. The statutory administration report is compatible with the other parts of the Annual Report and consolidated financial statements.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In addition to our audit of the annual accounts and consolidated financial statements, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of RaySearch Laboratories (publ) for the year 2012. We have also performed a statutory review of the Corporate Governance Report.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act and for ensuring that the Corporate Governance Report on pages 42–47 has been prepared in accordance with the Annual Accounts Act.

Auditor's responsibility

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

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

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

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

In addition, 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 an audit in accordance with International Standards on Auditing and generally accepted standards in Sweden.

Opinions

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

A Corporate Governance Report has been prepared, and its statutory content is consistent with the other parts of the annual accounts and the consolidated accounts.

Stockholm, March 18, 2013
KPMG AB

Anders Malmeby
Authorized Public Accountant