

CORPORATE GOVERNANCE REPORT

The objective of corporate governance is to ensure that the Mycronic Group is managed as efficiently as possible in order to create shareholder value. This is achieved through a clear division of responsibilities between shareholders, the Board and executive management, as well as through clear regulations and transparent processes.

FRAMEWORK FOR CORPORATE GOVERNANCE

Corporate governance is based on external governing instruments such as the Swedish Companies Act, the Annual Accounts Act, Nasdaq Stockholm’s Rule Book for Issuers and the Swedish Code of Corporate Governance (the Code), as well as internal governance systems. The vision, mission, values and Code of Conduct form the basis for internal governance systems. Internal regulations include the Articles of Association, the Board’s formal workplan (the Procedural Plan), terms of reference issued by the Board to the CEO, and several policy documents that are updated annually. Examples of steering documents include policies for communication and diversity, and the authorization policy.

More information on corporate governance and the Code is available at www.bolagsstyrning.se.

APPLICATION OF THE CODE

The Code rests on the “comply or explain” principle. In 2017, Mycronic complied with the Code in all respects.

SHAREHOLDERS

Mycronic is a Swedish public limited liability company registered in Täby. The share is listed on Nasdaq Stockholm’s Mid cap list. Share capital amounts to SEK 97,916,509 spread over 97,916,509 shares. Each share carries one vote. At year-end 2017, Mycronic had 18,751 (16,144) shareholders. Bure Equity AB was the largest shareholder with 29.9 percent of capital and votes. More infor-

mation on Mycronic’s share and shareholders can be found in The share and shareholders section of this report on pages 30-31.

THE ANNUAL GENERAL MEETING (AGM)

The AGM is the Company’s highest decision-making body. All shareholders have the right to participate in the AGM and to exercise their voting rights relative to their shareholdings. Rules regarding the AGM can be found in the Swedish Companies Act and the Articles of Association. Notice of the AGM shall be made four to six weeks prior to the meeting through an announcement in Post- och Inrikes Tidningar and in a press release published on the company website. Issuance of the notice shall be announced in Svenska Dagbladet.

AGM 2017

The AGM was held in Stockholm on 4 May, 2017. The AGM was attended by shareholders representing 51.02 percent of the share capital and votes.

The AGM took decisions in accordance with the Board’s and the Nomination committee’s proposals on:

- Adoption of the balance sheet and income statement.
- Disposal of earnings through a dividend of SEK 2 per share.
- Discharge of Board members and the CEO from liability to the Company.
- The number of Board members shall be five excluding deputy Board members.
- Selection of a registered public auditing firm.
- Board fees totaling SEK 1,650,000, of which SEK 550,000 for the Chairman and SEK 220,000 to each of the other elected Board members. An additional SEK 70,000 was allocated to the Audit committee Chairman, SEK 30,000 to other members of the Audit committee, as well as SEK 30,000 to the Chairman and each member of the Remuneration committee.
- Katarina Bonde, Ulla-Britt Fräjdin-

Hellqvist, Per Holmberg, Magnus Lindquist and Patrik Tigerschiöld were re-elected to the Board. Patrik Tigerschiöld was elected Board Chairman. Stefan Skarin declined re-election. In addition to the elected members, two union representatives were appointed from Unionen and Akademikererna to represent employees.

- The auditing firm Ernst & Young was appointed auditor with authorized public accountant Erik Sandström as lead auditor.
- Adoption of guidelines for remuneration to senior executives.
- Adoption of principles for the Nomination committee.
- A decision was taken to authorize the Board to decide on a new share issue.

Information on the AGM including all proposals and protocols can be found at www.mycronic.com.

AGM 2018

The AGM will be held on 8 May, 2018 at 5 p.m. in Industrisalen, Näringslivets Hus, Storgatan 19, 114 85 Stockholm.

THE NOMINATION COMMITTEE

The Nomination committee represents the shareholders. Their task is to present proposals to the AGM for decision regarding the election of Board members, the Board Chairman and auditors, and remuneration for same. The AGM decides how the Nomination committee should be appointed.

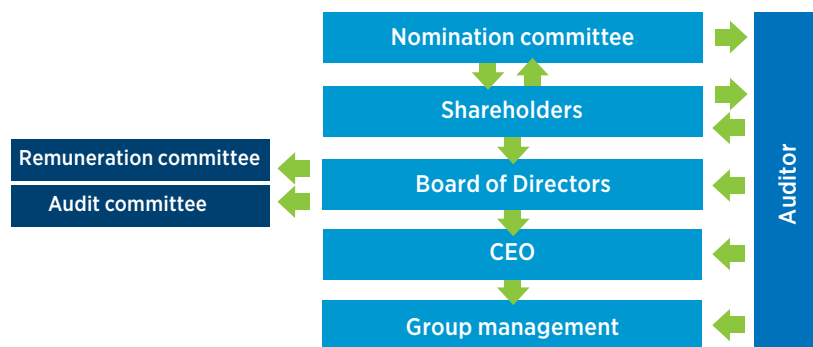
In accordance with this decision, the Nomination committee totals four persons: representatives from the three largest known owners as of 31 August and the Chairman of the Board. The composition of the Nomination committee is published at the latest six months prior to the AGM. The Nomination committee’s proposals are presented in the Notice of the AGM and on Mycronic’s website.

The annual evaluation of the Board’s work is presented to the Nomination committee and is the basis for their work in proposing Board members. The Nomination

CORPORATE GOVERNANCE AT MYCRONIC

In order to govern the Mycronic Group in an efficient manner, governance, management and control has been distributed between shareholders, the Board, the CEO and Group management, with committees and collaborative bodies within specific areas.

Control is exercised by the external auditor and through internal control activities.



committee bases its work on the requirements of the Swedish Annual Accounts Act and the Code, as well as company-specific requirements. The intention is to have an appropriate Board composition, which shall be characterized by versatility and breadth including age, gender, education, background and experience. The Board of Directors is presented on pages 42-43.

The Nomination committee for the 2018 AGM consists of Henrik Blomquist (Bure-Equity), Thomas Ehlin (Fjärde AP-fonden), Joachim Spetz (Swedbank Robur Fonder) and Patrik Tigerschiöld (Chairman of the Board).

BOARD OF DIRECTORS

The Board of Directors (the Board) has overall responsibility for the Company's organization and management. The Board monitors operations, ensures a suitable organization, and establishes guidelines for internal control. The Board establishes strategies and goals and makes decisions on major investments. The CEO is appointed by the Board and is responsible for ongoing administration.

The responsibilities of the Board are governed by the Swedish Companies Act and in the Procedural Plan. Division of labor between the Board and the CEO is established through written instructions.

The Board consists of five members appointed by the AGM, and two representatives appointed by Unionen and Akademikerna.

BOARD ACTIVITIES

The Board works according to the Procedural Plan which shall ensure that the Board is well-informed and that all Board-related issues are addressed. The Procedural Plan,

which is established annually, describes the division of labor between the Board and its committees, and between the Board and the CEO. The Board takes decisions on strategy and budget, confirms financial reports and significant policies including the authorization policy, appoints the CEO and evaluates the CEO's work, establishes regulations for internal control and monitors the effectiveness of internal control, decides on major investments and agreements, appoints the Audit and Remuneration committees, and evaluates the work of the Board. The Board monitors that approved guidelines on remuneration of senior executives are followed, and proposes guidelines for remuneration for consideration by the AGM.

The Chairman of the Board leads the work of the Board and also represents the Company on ownership issues.

Board meetings are prepared by the Chairman of the Board, together with the CEO. The CEO and the Company's CFO, who is responsible for recording the minutes of Board meetings, always attend. In addition, other employees attend when necessary in relation to individual cases. Materials are distributed prior to each meeting. Some questions are prepared in committees.

Recurring items at Board meetings are reviews of the business situation and financial reporting. Board committees report on their activities and raise issues for decision.

In 2017, the Board held ten meetings. In addition, the Board met during a strategy seminar.

Board committees

The committees' tasks and workplan are established by the Board in written instructions.

The main task of the committees is to prepare matters for Board decision-making.

The Remuneration committee

The Remuneration committee is appointed by the Board and consists of three Board members. The committee is tasked with proposing the CEO's salary, other remuneration, and terms of employment. The committee also proposes guidelines for remuneration and terms of employment for other senior executives and the directors of subsidiaries, and proposals for incentive programs. The Remuneration committee ensures compliance with established guidelines for remuneration of senior executives.

As of the 2017 AGM, the Remuneration committee consists of Patrik Tigerschiöld (Chairman), Ulla-Britt Fräjdin-Hellqvist and Per Holmberg. The Remuneration committee held three meetings in 2017.

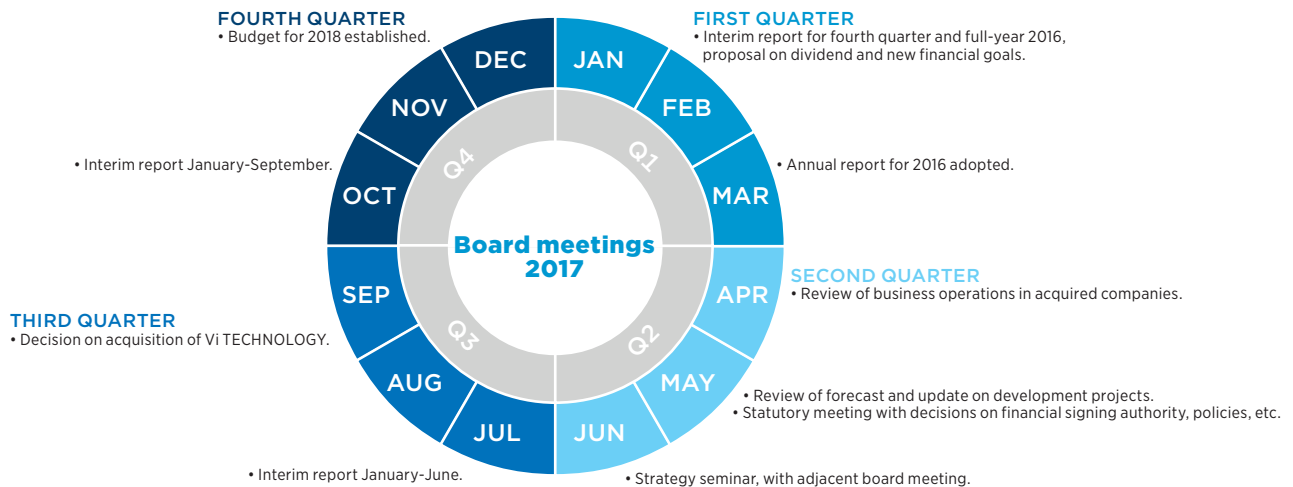
The Audit committee

The Audit committee is appointed by the Board and consists of three Board members. The committee is tasked with ensuring the quality of financial reporting. This comprises reviews of significant accounting and valuation issues. The Audit committee evaluates the external auditing and assists the Nomination committee with proposals for the election of the auditor. Employees do not participate during part of certain meetings between the Audit committee and the external auditor.

Since the 2017 AGM, the Audit committee consists of Magnus Lindquist (Chairman), Katarina Bonde and Ulla-Britt Fräjdin-Hellqvist. In 2017, the Audit committee held four meetings.

THE BOARD'S WORK 2017

During 2017 the Board held ten meetings, of which one was the statutory meeting, two were by circulation and two were telephone meetings.



EVALUATION OF BOARD PERFORMANCE

The Board's work is evaluated annually. The evaluation is done by external evaluation or self-assessment. The objective is to develop, set targets for, and measure the work of the Board, but also to provide the Nomination committee a basis for the task of preparing proposals on Board appointments to the upcoming AGM. The Chairman of the Board is responsible for the evaluation. In 2017, the Board worked on following up on the action list established through previous evaluations. Discussions based on this list have been ongoing throughout the year.

CEO AND EXECUTIVE MANAGEMENT

Group management consists of nine persons, of which one position is vacant, including the CEO, see pages 44-45. In 2017, Thomas Stetter was appointed Director of business area Assembly Solutions. Charlott Samuelsson is acting Director of business area Pattern Generators. Lena Olving is in addition to CEO also acting head of Operational Excellence.

The CEO leads the work of Group management which meets every other week to take collective decisions. Issues addressed include financial performance, development projects, leadership and skills provision and other strategic issues. The CEO is responsible for keeping the Board informed of the Company's development. Three times per year, a global management meeting is organized to strengthen unified communication and control throughout the Group. In addition to executive management, there are several collaborative bodies that prepare and coordinate strategic and operational issues.

EXTERNAL AUDIT

The auditor is appointed by the AGM to review the Company's annual financial statements and the consolidated accounts, as well as the Board's and CEO's administration. Audits are conducted in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. Group management is briefed on audit results continuously. The auditor meets with the Audit committee on an ongoing basis and with the entire Board annually. The Auditor submits the Auditor's report to shareholders at the AGM. In 2017, the auditor performed a synoptic review of the third quarter report. Fees to the auditor are paid on an ongoing basis as invoices are approved. See note 8 for information on auditor remuneration.

EXTERNAL FINANCIAL REPORTING

In accordance with the established communication policy, Mycronic continuously reports information on the Company's performance and financial position through interim reports, the annual report and press releases in conjunction with significant events.

In conjunction with interim reports, presentations are held for financial analysts, professional investors, and the media. Company management meets analysts and professional investors at other external and internal arrangements. Representatives from Mycronic also participate at events arranged by, for example, the Swedish Shareholders' Association. Financial reports, press releases and other relevant information are presented on the Company's website.

Mycronic observes a 30-day silent period before publication of financial reports, during which the Company does not communicate with investors, analysts or the media.

INSIDERS

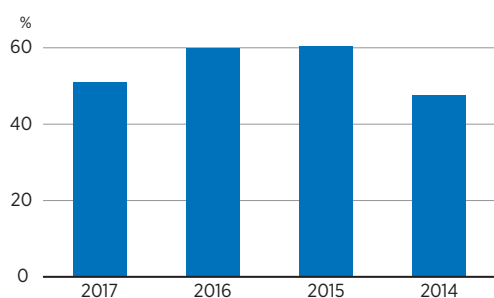
On 3 July, 2016, the EU Market Abuse Regulation (MAR) regarding insiders and their reporting of securities transactions came into force. Mycronic is obliged to maintain a register of persons in leadership positions and those close to them. This group consists of Board members and Group management. These persons are obliged to report all transactions in Mycronic securities to Finansinspektionen (Sweden's financial supervisory authority) and to the Company. The Company is also required to maintain a temporary insider register (log book) of persons who have access to non-public information for a limited period in connection with particular events. This might be the Board, employees or contractors.

INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control is comprised of processes and methods that limit risks for material misstatement in the financial statements, and provide a reasonable assurance of the reliability and accuracy of the financial reporting. Internal control is maintained by the Board, management and employees. Mycronic has chosen to describe its work with internal control based on COSO's components: the control environment, risk assessment, control activities, information and communication, and monitoring.

Control environment

The control environment consists of a suitable organization, decision-making procedures, authorization and responsibilities, as expressed in policies and guidelines. Common values provide consensus with the intention of strengthening internal control. Mycronic's

ATTENDANCE AT LAST AGMS**Nomination committee**

Name	Representing	Holdings on 31 August 2017, %
Henrik Blomquist	Bure Equity	29.9
Thomas Ehlin	Fjärde AP-fonden	8.7
Joachim Spetz	Swedbank Robur Fonder	8.0
Patrik Tigerschiöld	Chairman of Mycronic AB	

Code of Conduct describes the approach that employees are expected to maintain in matters relating to business ethics and social issues. Examples of steering documents include the formal workplan for the Board and its committees, terms of reference issued by the Board to the CEO, the authorization policy, Code of Conduct, and insider and communication policies. Ensuring processes include a high degree of internal control is the responsibility of respective department managers. Process descriptions and steering documents are gathered in the Group-wide Management System GMS. The Group's finance and control organization, centrally and at the level of each unit, plays an important role in the reliability of financial information and is responsible for ensuring that complete, accurate financial reporting is completed on time.

Risk assessment

Included in risk assessment is the identification and evaluation of the risk for material misstatement in the accounting and reporting. Critical processes are evaluated with respect to their efficiency and risk. When assessing risks that affect internal control as it relates to financial reporting, the evaluation is based on likelihood and impact. Risks are linked to processes. Critical processes include product development, sourcing, manufacturing, sales, salary and support processes such as financial closing and IT. Risk assessment also includes risks for irregularities and fraud.

Control activities

Control activities should prevent, reveal and resolve deviations. There are controls at all levels within the Company and across all departments. Control activities may be automated by being built into IT systems, such as

authorization structures. They may also be manual, such as double checks for disbursements and reconciliations in connection with financial closings. Recurring analyses of results complement daily controls. A financial handbook ensures uniformity of financial reporting within the Group. One system is used across the entire Group for financial reporting. Mycronic has an established controller function for monitoring control activities. In 2017, Mycronic initiated standardization of a number of key controls within critical processes. These controls comprise unified Group-wide tools for internal control and governance. Control requirements are important aids for the Board to manage and evaluate information from management and assume responsibility in relation to the risks identified.

Information and communication

The Board and management have established channels for communication to ensure that financial reporting is complete and accurate. Internal communication channels include quality systems and analysis tools as well as the intranet. One way to educate staff on Group-wide rules is through e-learning, which can be linked to tests after completion of the training. Each month, financial information is compiled and distributed to Board members and executive management. External communication is carried out in accordance with the established communication policy. Financial reporting is published in accordance with applicable regulations. The Board approves the Group's annual report and year-end statement and issues quarterly reports. For the first and third quarters the Board has instructed the CEO to issue the quarterly reports.

Monitoring

Mycronic has no review function in the form of internal audit. The Board has determined that monitoring of internal control shall be conducted through self-assessment. Self-assessment entails employee involvement, which increases understanding of the importance of internal control. Evaluation of internal control follows a plan approved by the Audit committee. Risk for material misstatements or deficiencies in the financial reporting are reported. Self-assessment of critical processes is complemented by external evaluation or statements of opinion. Representatives of the central finance and controller department regularly visit the subsidiaries to review and evaluate internal controls. Two of the visits to subsidiaries in 2017 were carried out together with representatives from Ernst & Young. The reviews focused on inventories, customer receivables and authorization procedures. Experiences are continuously shared among representatives from the Group's finance and HR departments, for example, through global conferences.

In 2017, Mycronic initiated efforts to establish an overall process for reporting entities where they follow-up the efficiency of key controls and report back to the Group. The process involves self-assessment of the efficiency of key controls in respective reporting units, with results followed-up and compiled at the Group level and reported to the Board.

The Audit committee monitors the internal control work and has ongoing contact with the external auditors. This contributes to the Board's collective insight into internal control as it relates to financial reporting.

Presence and remuneration for board members elected by the AGM

Name	Elected	Independent ¹⁾	Holdings	PRESENCE			REMUNERATION		
				Board	Audit committee	Remuneration committee	Board	Audit committee	Remuneration committee
Patrik Tigerschiöld, chairman	2009	no	235,170	10/10		3/3	550,000		30,000
Magnus Lindquist, chairman Audit committee	2007	yes	-	9/10	4/4		220,000	70,000	
Katarina Bonde	2010	yes	2,000	10/10	4/4		220,000	30,000	
Ulla-Britt Fräjdin-Hellqvist	2012	yes	10,000	10/10	2/2 ²⁾	3/3	220,000	30,000	30,000
Per Holmberg	2016	yes	5,000	10/10		3/3	220,000		30,000
Stefan Skarin, board member until AGM 2017	2016	yes		3/4	0/2				

1) According to the Swedish Code of Corporate Governance. 2) Joined the Audit committee after the AGM 2017.

BOARD OF DIRECTORS AND AUDITOR



Board of directors, from the left: Per Holmberg, Katarina Bonde, Tobias Böök, Magnus Lindquist, Ulla-Britt Fräjdin-Hellqvist, Patrik Tigerschiöld and Peter Sundström.

PATRIK TIGERSCHIÖLD

Chairman of the Board since 2012.
Board member since 2009.
Born 1964.
Dependent Board member.
Education: MSc Business and Economics.
Other Board assignments: Chairman of Bure Equity AB, The Association for Generally Accepted Principles in the Securities Market and The Swedish Association for Listed Companies.
Board member of Cavotec SA, Fondbolaget Fondita AB and member of Ingenjörsvetenskapsakademien (IVA).
Previous positions: CEO of Bure Equity AB 2010-2013, CEO of Skanditek Industriförvaltning 1999-2010, CEO of SEB Allemansfonder AB 1995-1999.
Committee in Mycronic: Chairman of the Remuneration committee.
Shareholding in Mycronic: 235,170.

KATARINA BONDE

Board member since 2010.
Born 1958.
Independent Board member.
President of Kubi LLC.
Education: MSc, Engineering Physics.
Other Board assignments: Chairman of Imint Intelligence AB, Opus Group AB and Propellerhead Software AB. Board member of Aptilo Networks AB, Microsystemation AB, Jarl Securities and Nordax Bank.
Previous positions: CEO of UniSite Software Inc 2000-2003, CEO of Captura International 1997-2000, Marketing director Dun&Bradstreet Software Inc 1996-1997, Vice President at Timeline Inc 1994-1995, CEO of Programator Industri AB 1989-1992.
Committee in Mycronic: Member of the Audit committee.
Shareholding in Mycronic: 2,000.

ULLA-BRITT FRÄJDIN-HELLQVIST

Board member since 2012.
Born 1954.
Independent Board member.
Fräjdin&Hellqvist AB.
Education: MSc, Engineering Physics.
Other Board assignments: Chairman of Karlstad Innovation Park. Board member of Anna+Cie, DataRespons ASA, Holmbergs First Holding AB, HRM Affärsutveckling AB, Fräjdin&Hellqvist AB, UBFH Management AB.
Previous positions: Chairman of among others SinterCast AB (OMX) and Kongsberg Automotive ASA (Oslo börs), chairman and board member of a number of private, listed and state-owned companies since 1992. Leading positions in Svenskt Näringsliv 2001-2006, leading positions in Volvo Personvagnar 1979-2001.
Committee in Mycronic: Member of the Audit committee and the Remuneration committee.
Shareholding in Mycronic: 10,000.

PER HOLMBERG

Board member since 2016.
Born 1959.
Independent Board member.
Education: MBA, Handelshögskolan, Stockholm.
Other Board assignments: Executive chairman Adrian Michel Group, Switzerland.
Previous positions: President Hexagon MI EMEA 2004-2017. Leading positions in Electrolux 1984-2003.
Committee in Mycronic: Member of the Remuneration committee.
Shareholding in Mycronic: 5,000.

MAGNUS LINDQUIST

Board member since 2007.
Born 1963.
Independent Board member. Co-Managing Partner, Cordet Capital Partners.
Education: Economist.
Other Board assignments: Board member of Axcel Advisory Board.
Previous positions: Partner of Triton 2008-2015. CFO and Vice President of Autoliv 2001-2008, Perstorp 1996-2001 and Stora Cell Group, 1993-1996.
Committee in Mycronic: Chairman of the Audit committee.
Shareholding in Mycronic: 0.

TOBIAS BÖÖK

Representing Akademikerna.
Board member since 2014.
Born 1966.
Controller.
Economist.
Shareholding in Mycronic: 0.

PETER SUNDSTRÖM

Representing Unionen.
Board member since 2012.
Born 1976.
Specialist software development.
MSc, Engineering Physics.
Shareholding in Mycronic: 0.

Auditor

ERIK SANDSTRÖM

Born 1975.
Auditor in Mycronic since 2016.
Authorized Public Accountant, Ernst & Young AB.
Other assignments: Gränges, Munters Group AB, Praktikertjänst, Rottneros, Tradedoubler and Transcom.

GROUP MANAGEMENT



Mycronic Group Management. Standing from left: Charlott Samuelsson, Thomas Stetter, Silke Ernst, Johan Franzén and Torbjörn Wingårdh. Sitting from left: Martin Petterson, Lena Olving and Niklas Edling.

LENA OLVING

CEO and President since 2013.
Born 1956.

Education: MSc, Mechanical Engineering.

Board assignments: Board member of Investment AB Latour, Munters Group AB, Teknikföretagen and The Swedish Corporate Governance Board.

Previous positions: Vice President and COO at Saab AB (publ), leading positions including in Group Management at Volvo Personvagnar AB, CEO at Samhall Högländ AB.

Shareholding in Mycronic: 118,600.

NIKLAS EDLING

Sr VP, Strategic Product Management.
Employed since 2011.

Born 1963.

Education: MSc, Mechanical Engineering and MBA.

Board assignments: Board member of Aritco AB.

Previous positions: VP Supply Chain & Manufacturing Laerdal Medical, VP Operations Hudson RCI.

Shareholding in Mycronic: 81,836.

SILKE ERNST

Sr VP, Human Resources.
Employed since 2013.

Born 1967.

Education: MSc, Linguistics and MBA.

Previous positions: Vice Head of HR Vattenfall BG Nordic, Director HR BU Distribution Vattenfall, VP HR Business Division Asset Optimisation & Trading Vattenfall.

Shareholding in Mycronic: 1,142.

JOHAN FRANZÉN

Sr VP, Research and Development.
Employed since 2015.

Born 1978.

Education: MSc, Electronic Design.

Previous positions: Manager SW Applications Volvo CE, Manager Global Electrical and Electronic systems development Volvo CE, Manager Global Technical Support Volvo CE.

Shareholding in Mycronic: 8,100.

LENA OLVING

CEO and President since 2013.
Acting Sr VP, Operational Excellence.

MARTIN PETTERSSON

Sr VP, Operations.
Employed since 2016.

Born 1980.

Education: MSc, Industrial Management and Engineering.

Previous positions: Project Manager ACE Volvo CE, Director Transmissions & Axles/CPM Transmission (China) Volvo CE, Manager Production Engineering Volvo CE, Manager Industrialization and production development Volvo CE.

Shareholding in Mycronic: 2,500.

CHARLOTT SAMUELSSON

Sr VP, Acting General Manager, Business Area Pattern Generators.

Employed since 1996.

Born 1963.

Education: MSc, Engineering Physics.

Previous positions: Head of global aftermarket, Head of system and application development and Head of business development in the Mycronic Group.

Shareholding in Mycronic: 19,520.

THOMAS STETTER

Sr VP, General Manager, Business Area Assembly Solutions.

Employed since 2017.

Born 1965.

Education: PhD Strategic Management and MSc in Economics and Business Administration.

Previous positions: Various leading positions within Siemens, most recently as Head of the Digital Factory Nordics division.

Shareholding in Mycronic: 1,115.

TORBJÖRN WINGÅRDH

Sr VP, CFO.

Employed since 2016.

Born 1964.

Education: MSc in Economics and Business Administration.

Previous positions: CFO Business area Saab SDS and leading positions at Investor AB in Sweden and the US.

Shareholding in Mycronic: 22,000.