

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 Group 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. In 2018, Mycronic complied with the Code in all respects.

The vision, mission, values and Code of Conduct form the basis for internal governance systems. Internal regulations include the Articles of Association, the rules of procedure for the Board of Directors, the Board policy for CEO, the Code of Conduct and several other policy documents that are updated annually. Examples of steering documents include policies for communication and diversity, and the authorization policy.

Shareholders

Mycronic is a Swedish public limited liability company registered in Täby. The share is listed on Nasdaq Stockholm, Mid Cap. Share capital amounts to SEK 97,916,509 spread over 97,916,509 shares. Each share carries one vote.

At the end of 2018, Mycronic had 15,483 shareholders (18,751). Bure Equity AB was the largest shareholder with 29.9 percent of capital and votes at the end of the year. More information on Mycronic's share and shareholders can

be found in The Mycronic share section of this report on pages 37–38.

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 to attend 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. Shareholders who wish to attend the Meeting must submit an application in accordance with information in the official notification.

AGM 2018

The AGM was held in Stockholm on May 8, 2018. The AGM was attended by shareholders representing 56.9 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 2.50 per share
- Discharge of Board members and the CEO from liability to the company
- The number of Board members shall be six without deputy Board members
- Selection of a registered public auditing firm
- Board fees totaling SEK 2,430,000, of which SEK 700,000 for the Chairman and

SEK 275,000 to each of the other elected Board members. An additional SEK 100,000 was allocated to the Audit Committee Chairman, SEK 50,000 to other members of the Audit Committee, as well as SEK 75,000 to the Remuneration Committee Chairman and SEK 40,000 to other members of the Remuneration Committee

- Katarina Bonde, Ulla-Britt Fräjdin-Hellqvist, Per Holmberg and Patrik Tigerschiöld were re-elected to the Board. Anna Belfrage and Robert Larsson were elected to the Board. Patrik Tigerschiöld was elected Board Chairman. Magnus Lindquist declined re-election. In addition to the elected members, two union representatives were appointed from the unions Unionen and Akademikerna 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
- Resolution to authorize the Board of Directors to decide on a new issue and buy-back of own shares limited to a maximum of 5 percent of shares outstanding in Mycronic AB.

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

AGM 2019

The AGM will be held on May 9, 2019 at 5:00 p.m. in Industrisalen, Näringslivets Hus, Storgatan 19, SE-114 85 Stockholm, Sweden.

Nomination Committee

The Nomination Committee represents the

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.



shareholders. Its 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 August 31 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 its work in proposing Board members. The Nomination 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 50–51.

The Nomination Committee for the 2019 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 six members appointed by the AGM, and two representatives appointed by the unions, 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,

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 2018, the Board held 13 meetings. In addition, the Board met during a strategy seminar.

Board committees

The committees' tasks and work plan 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 2018 AGM, the Remuneration Committee consists of Patrik Tigerschiöld (Chairman), Ulla-Britt Fräjdin-Hellqvist and Per Holmberg. The Remuneration Committee held four meetings in 2018.

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

The Board's work 2018

During 2018, the Board held 13 meetings, of which one was the statutory meeting, three were by circulation and four were telephone meetings.

Fourth quarter

- Budget for 2019 established
- Interim report January–September

Third quarter

- Interim report January–June.
- Board trip with detailed study of the acquired Vi TECHNOLOGY



First quarter

- Interim report for fourth quarter and full-year 2017, proposal on dividend
- Annual report for 2017 adopted

Second quarter

- Review of business operations in acquired companies
- Review of forecast and update on development projects
- Statutory meeting with decisions on financial signing authority, policies, etcetera. directly after the AGM
- Strategy seminar, with adjacent board meeting
- Interim report January–March
- Decision on acquisition of MRSI Systems LLC

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 2018 AGM, the Audit Committee consists of Anna Belfrage (Chairman), Katarina Bonde and Ulla-Britt Fräjdin-Hellqvist. In 2018, the Audit Committee held five 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 2018, the Board of Directors worked with an external assessment, which resulted in a renewed action list. Work with these measures continued during the year.

CEO and Group management

Group management consists of nine persons, including the CEO, see pages 52–53. In 2018, Charlott Samuelsson took over as Sr VP, Pattern Generators, Lena Båvegård as Sr VP, Operational Excellence and Anette Mullis as Sr VP, Human Resources.

The CEO leads the work of Group management, which meets every other week. 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 Group 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 2018, the auditor performed, in addition to the audit, 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, institutional investors, and the media. Company management and the Director IR & Corporate Communications meet analysts and institutional investors at other external and internal arrangements. Representatives from Mycronic also participate at events arranged by, for example, investment banks and 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 the financial market by means other than public press releases.

Insiders

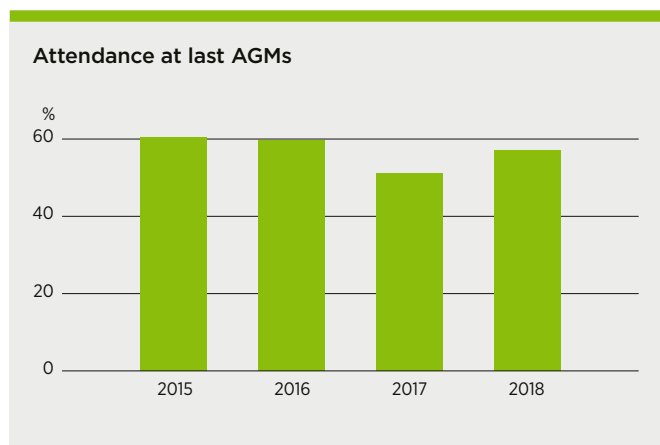
On July 3, 2016, the EU Market Abuse Regulation (MAR) regarding insiders and their reporting of securities transactions came into force. Mycronic is obliged to maintain a register of persons in leadership positions and those close to them. This group consists of Board members and Group management. These 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,



Name	Representing	Holdings, % August 31, 2018
Henrik Blomquist	Bure Equity	29.9
Thomas Ehlin	Fjärde AP-fonden	9.6
Joachim Spetz	Swedbank Robur Fonder	7.9
Patrik Tigerschiöld	Chairman of Mycronic AB	

authorization and responsibilities, as expressed in policies and guidelines. Common values provide consensus with the intention of strengthening internal control. Mycronic's 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 work plan 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 the respective department manager. Process descriptions and steering documents are gathered in a digital, Group-wide management system. 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 accounting and reporting and the risk of irregularities and fraud. 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 are evaluated with respect to their efficiency and risk. Critical processes include product development, sourcing, manufacturing, sales, salary and support processes such as financial closing and IT.

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 analysis 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. In 2018, Mycronic further developed the 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 Group 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 2018 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 2018, Mycronic continued 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 Audit Committee and then 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.

Attendance at meetings in 2018 and remuneration of Board members elected by the AGM

Name	Elected	Independent ¹⁾	Holdings	Attendance			Remuneration		
				Board of Directors	Audit Committee	Remuneration Committee	Board	Audit Committee	Remuneration Committee
Patrik Tigerschiöld, chairman	2009	No	235,170	13/13		4/4	700,000		75,000
Magnus Lindquist, until 2018 AGM	2007	Yes		7/7	2/2				
Katarina Bonde	2010	Yes	2,000	13/13	5/5		275,000	50,000	
Ulla-Britt Fräjdin-Hellqvist	2012	Yes	10,000	12/13	5/5	4/4	275,000	50,000	40,000
Per Holmberg	2016	Yes	5,000	13/13		4/4	275,000		40,000
Anna Belfrage, from 2018 AGM	2018	Yes	-	5/6	3/3		275,000	100,000	
Robert Larsson, from 2018 AGM	2018	Yes	-	6/6			275,000		

1) According to the Swedish Code of Corporate Governance.

Board of Directors and auditor

Patrik Tigerschiöld



Board Chairman since 2012 and Board member since 2009

Born: 1964

Dependent Board member

Education: MSc Business and Economics

Other Board assignments: Chairman of Bure Equity AB, Cavotec SA, the Association for Generally Accepted Principles in the Securities Market and The Swedish Association for Listed Companies. Board member of Ovzon AB, Fondbolaget Fondita AB and member of Ingenjörsvetenskapsakademien

Previous positions: CEO of Bure Equity AB 2010–2013, CEO of Skanditek Industriförvaltning 1999–2010 and 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 Microsystemation AB, Jarl Securities and Stillfront Group AB.

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, and 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, Insplorion AB, Fräjdin & Hellqvist AB and UBFH Management AB

Previous positions: Chairman of among others SinterCast AB (OMX) and Kongsberg Automotive ASA (Oslo stock exchange). Chairman and board member of a number of private, listed and state-owned companies since 1992. Leading positions in Svenskt Näringsliv 2001–2006, and Volvo Personvagnar 1979–2001

Committee in Mycronic: Member of the Audit Committee and the Remuneration Committee

Shareholding in Mycronic: 10,000

Shareholding as of December 31, 2018

Anna Belfrage

Board member since 2018

Born: 1962

Independent Board member
CFO Södra Skogsägarna ekonomisk
förening until May 2019

Education: MSc Business and Economics

Other Board assignments: Board
member of NOTE AB

Previous positions: Acting CEO Beijer
Electronics Group 2014–2015, CFO Beijer
Electronics Group 2011–2014, CFO ABS
Group (a division of the Cardo Group)
2004–2010, various roles and positions
at Dresser Wayne AB, Obducat AB,
Åkerlund & Rausing AB, and auditor
at Price Waterhouse 1986–1994

Committee in Mycronic: Chairman of
the Audit Committee

Shareholding in Mycronic: –

Erik Sandström

Auditor-in-Charge, Ernst & Young AB.

Born: 1975

Authorized Public Accountant and
member of FAR

Other assignments: Autoliv, Munters,
Gränges, Tradedoubler, Praktikertjänst
and Transcom

Robert Larsson

Board member since 2018

Born: 1967

Independent Board member
EVP and Head of Industrial & Digital
Solutions at ÅF Pöyry

Education: MSc, Mechanical Engineering.

Previous positions: A number of senior
positions in ABB in Sweden, China and
Switzerland

Committee in Mycronic: –

Shareholding in Mycronic: –

Peter Sundström¹⁾

Employee representative since 2012

Appointed by Unionen

Born: 1976

System architect SMT systems

Education: MSc, Engineering Physics

Shareholding in Mycronic: –

¹⁾ Replaced from May 9, 2019 by Johan Densjö.

Per Holmberg

Board member since 2016

Born: 1959

Independent Board member

Education: MBA, Stockholm School
of Economics

Other Board assignments: Executive
Chairman Adrian Michel Group,
Switzerland

Previous positions: President Hexagon
MI EMEA 2004–2017. Senior positions in
Electrolux 1984–2003.

Committee in Mycronic: Member of
the Remuneration Committee

Shareholding in Mycronic: –

Tobias Böök²⁾

Employee representative since 2014

Appointed by Akademikerna

Born: 1966

Controller

Education: Economist

Shareholding in Mycronic: –

²⁾ Replaced from May 9, 2019 by Jörgen Lundberg.

Group management

Lena Olving



President and CEO

Employed since 2013

Born: 1956

Education: MSc, Mechanical Engineering

Previous positions: Vice President and COO of Saab AB, leading positions including in Group Management at Volvo Car Corporation AB, and CEO of Samhall Högland AB

Board assignments: Board member of Assa Abloy AB, Investment AB Latour, Munters Group AB, IVA:s Näringslivsråd, Teknikföretagen and the Swedish Corporate Governance Board. Chairman of the Royal Swedish Opera

Shareholding in Mycronic: 122,100

Niklas Edling



Sr VP, Strategy & Portfolio Management

Employed since 2011

Born: 1963

Education: MSc, Mechanical Engineering and MSc in Economics and Business Administration

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

Board assignments: Board member of Aritco AB

Shareholding in Mycronic: 83,586

Martin Pettersson



Sr VP, Operations.

Employed since 2016

Born: 1980

Education: MSc, Industrial Management

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

Shareholding in Mycronic: 3,500

Torbjörn Wingårdh



CFO

Employed since 2016

Born: 1964

Education: MSc in Economics and Business Administration

Previous positions: CFO Business area Saab SDS and senior positions at Investor AB in Sweden and the USA

Shareholding in Mycronic: 23,100

Anette Mullis



Sr VP, Human Resources

Employed since 2018

Born: 1965

Education: BSc in Social Work, from Lund University

Previous positions: Various senior global and regional positions as HR Director in the USA and Europe in Ericsson, CSL Behring, Wyeth Pharmaceuticals (now Pfizer) and IKEA

Shareholding in Mycronic: 525

Johan Franzén

Sr VP, Research & 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 and Manager Global Technical Support Volvo CE

Shareholding in Mycronic: 10,100

Lena Båvegård

Sr VP, Operational Excellence
Employed since 2018

Born: 1967

Education: MSc, Electrical Engineering

Previous positions: Various senior positions in Transmode and Infinera, most recently as Sr Dir, Corporate Quality & Sustainability and various senior positions in Q-Med and Ericsson

Shareholding in Mycronic: 2,000

Thomas Stetter

Sr VP, Business Area Assembly Solutions
Employed since 2017

Born: 1965

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

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

Shareholding in Mycronic: 3,100

Charlott Samuelsson

Sr VP Business Area Pattern Generators
Employed since 1996

Born: 1963

Education: MSc, Engineering Physics

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

Shareholding in Mycronic: 21,260

Shareholding as of December 31, 2018