

Corporate governance

Corporate governance in Mycronic AB aims to guide the business towards set targets and to ensure openness to the company's various stakeholders by giving them correct information. Good corporate governance is created through a clear division of roles and responsibilities between various company bodies.

THE ANNUAL GENERAL MEETING (AGM) is the company's highest decision-making body. At the AGM, the shareholders exercise their voting rights in accordance with Swedish legislation and Mycronic's Articles of Association. Each share grants the holder one vote. The AGM elects the Board of Directors and auditor, adopts the income statement and balance sheet, and passes resolutions on the appropriation of profits and the discharge from liability for Board members and the CEO. The AGM also decides on the remuneration of the Board and auditor and establishes guidelines for the remuneration of senior executives.

THE NOMINATION COMMITTEE consists of three members representing the three largest known shareholders at the end of August and the Chairman of the Board, a total of four members.

The composition of the Nomination Committee is announced no later than six months before the AGM.

The Nomination Committee prepares proposals regarding the election of the chairman of the AGM and the election and remuneration of the Board, Chairman of the Board and auditors.

The AGM decides how the Nomination Committee shall be appointed.

THE BOARD OF DIRECTORS has the overall responsibility for the company's organization and

management. The Board follows up on operations, ensures a suitable organization and establishes guidelines and internal control. The Board establishes the strategy and business plan and makes decisions on major investments among other things. The responsibilities of the Board are prescribed by the Swedish Companies Act and the Board's formal work plan.

Under the Articles of Association, the Board shall consist of a minimum of three and a maximum of ten members, with a maximum of two deputies. The Board consists of six members elected by the AGM and two union representatives. The AGM appoints the Chairman of the Board.

THE AUDIT COMMITTEE is appointed by the Board and consists of three Board members. The majority are independent in relation to the company's major shareholders. The Audit Committee reports to the Board.

The Audit Committee's task is to ensure the quality of the financial reporting. This comprises reviews of material accounting and measurement issues.

The Audit Committee is the main contact with the external auditor. The Audit Committee evaluates the audit and assists the Nomination Committee with recommendations on the nomination of auditors and their remuneration.

The Audit Committee determines which non-

audit services the company may procure from the elected auditors. Certain meetings between the Audit Committee and external auditors take place without the presence of employees.

THE REMUNERATION COMMITTEE is appointed by the Board and consists of three Board members. The Remuneration Committee reports to the Board.

Its task is to recommend salaries, other remuneration and terms of employment for the CEO. The committee prepares proposals for principles for remuneration and terms of employment for other executives and subsidiary presidents as well as proposals on incentive programs. The Remuneration Committee shall ensure compliance with established guidelines for remuneration of senior executives.

47%

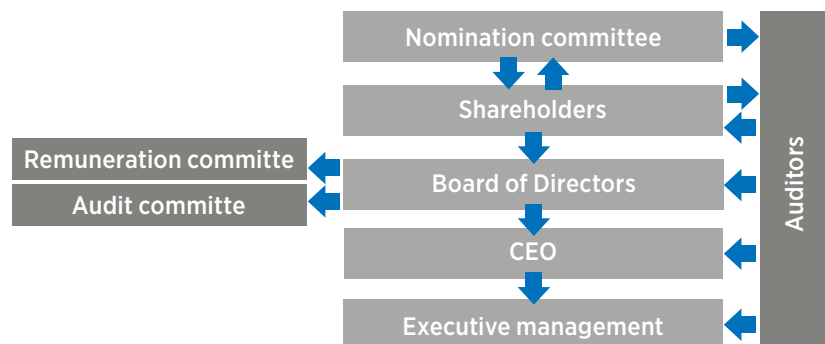
of the Mycronic shares were represented at the AGM on 6 May, 2014.

ABOUT CORPORATE GOVERNANCE

Corporate governance defines the decision-making system through which the owners, directly or indirectly, control the company.

Governance, management and control are divided between the shareholders, Board, CEO and executive management. Control is exercised by the external auditors and through internally structured control activities.

More information about corporate governance and the Swedish Code of Corporate Governance is available at www.bolagstyrning.se.



MYCRONIC COMPLIES WITH the Swedish Code of Corporate Governance (the Code). The Code is based on the "follow or explain" principle.

Corporate governance defines the decision-making system through which the owners, directly or indirectly, control the company. Governance, management and control are divided between the shareholders, Board, CEO and executive management. The internal governance processes are comprised of the vision, mission, strategy and an annual business plan. The company's values and Code of Conduct also form the basis of corporate governance.

EXTERNAL GOVERNANCE SYSTEMS

Corporate governance is based on Swedish legislation, mainly the Swedish Companies Act and Nasdaq's Rule Book for Issuers and other relevant rules and guidelines.

INTERNAL GOVERNANCE SYSTEMS

Internal governance systems that form the basis of corporate governance include the Articles of Association, the Board's formal work plan, the Board's terms of reference to the CEO and a number of policy documents and instructions updated annually.

APPLICATION OF THE CODE

Mycronic complies with the Code without deviation.

CORPORATE GOVERNANCE IN 2014

Annual General Meeting

At the Annual General Meeting on May 6, 2014,

47 percent of the shares were represented. The AGM was held on the company's premises. Before the AGM, the shareholders were given the opportunity to see part of the operations during a tour. The Board of Directors was present as well as the CEO, CFO and the company auditor.

The AGM addressed customary matters. Among them, all Board members were re-elected. Patrik Tigerschiöld was elected the Chairman of the Board. The public accounting firm EY was re-elected as the auditor with Heléne Siberg Wendin as auditor in charge.

The AGM passed a resolution establishing an extraordinary dividend of SEK 2.50 per share.

The AGM decided to approve the Board's proposal regarding principles for remuneration for senior executives. The principles comprise long-term incentive, LTI, to encourage executives to acquire shares in the company.

The AGM authorized the Board, until the next AGM, to decide on a new share issue and on the buy back of the company's own shares.

The AGM resolved to change the company's name to Mycronic AB (publ) and to change the business description in the Articles of Association.

Nomination Committee

The composition of the Nomination Committee for the 2015 AGM was announced on October 22, 2014.

The Nomination Committee's proposal for Board members will be submitted in connection with the notice for the upcoming AGM.

Board of Directors

The AGM elected six Board members for the period until the end of the next AGM. In addition, the unions Akademikerna and Unionen each appoint a representative with a deputy to the Board.

Board remuneration

The 2014 AGM resolved on a total Board fee of SEK 1,500,000 for the period until the end of the next AGM. Of the fee, SEK 500,000 pertains to remuneration of the Chairman of the Board and SEK 200,000 pertains to remuneration of each of the other Board members elected by the AGM. In addition, a remuneration of SEK 50,000 was established for the chairman of the Audit Committee.

Board work

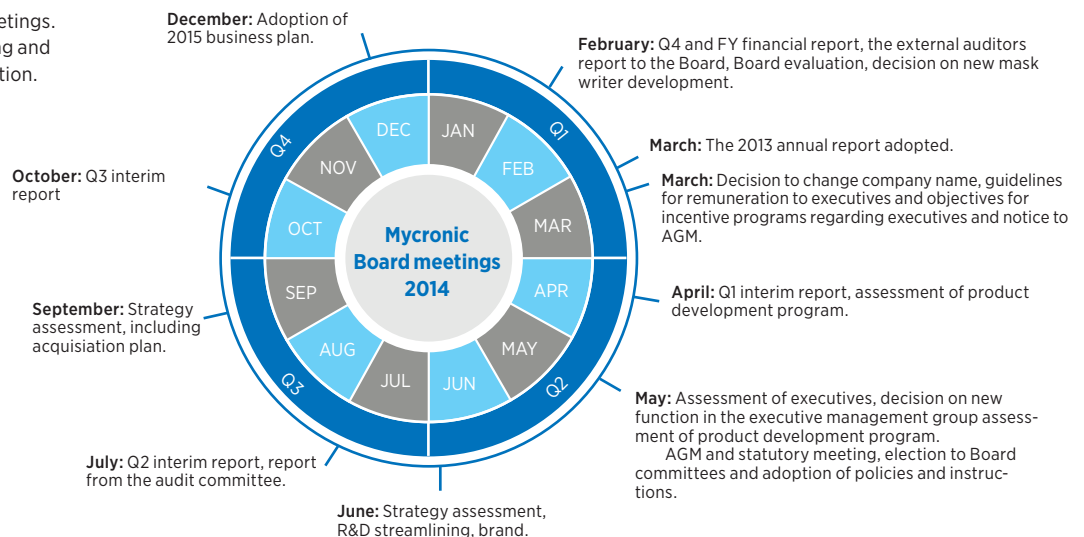
The Board of Directors' primary responsibility is to manage the Group's operations to best safeguard the interests of the owners.

The Board's work follows a written formal work plan. The formal work plan shall ensure that the Board is well informed and that all Board-related matters are brought up for discussion. The plan describes the division of responsibilities between the Board and its committees and between the Board and the CEO.

The Board decides on strategy and budget, adopts the annual report and other external financial reports, key policies and authorization instructions, appoints the CEO and evaluates the performance of the CEO, adopts rules for internal control and follows up on how internal control is

THE BOARDS'S WORK 2014

In 2014, the Board held 15 meetings. One was the statutory meeting and two meetings were by circulation.



NOMINATION COMMITTEE

Name	Representing	Holdings at 31 August, 2014, %
Henrik Blomquist	Bure Equity	38.0
Ulf Strömsten	Catella Fonder	4.7
Jan Särilvik	Nordea Fonder	4.3
Patrik Tigerschiöld	Chairman, Mycronic AB	

working, decides on major investments and agreements, appoints an Audit Committee and Remuneration Committee, and evaluates the performance of the Board. The Board will ensure that the adopted guidelines on the remuneration for senior executives are complied with and proposes guidelines for remuneration at the AGM.

The Chairman leads the Board's work. The Chairman also represents the company in owner issues. Patrik Tigerschiöld was elected the Chairman of the Board at the 2014 AGM.

The Board meetings are prepared by the Chairman, together with the CEO. Ahead of each Board meeting, Board members are provided with written material. Certain matters are prepared in the committees. Recurring items on the agenda are a review of the business situation as well as financial reporting. The minutes from these meetings are recorded by the company's CFO.

Evaluation of Board performance

The Board of Directors evaluates the Board work, through external evaluation or through self evaluation. The results of the evaluation are presented to the Nomination Committee before the assignment to prepare proposals on the Board for the upcoming AGM.

Board work in 2014

At ordinary Board meetings, the business situation and financial reporting are addressed. The Board committees present their work and put forth issues for decision.

Besides recurring agenda items, issues addressed included the establishment and continuous follow-up of strategies and business plans, decisions regarding product development and efficiency enhancement measures, decisions on the name change and brand work, and the appointment of a new function in executive management. The Board's work year is illustrated on page 57.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three Board members. At least one of the members has auditing or accounting expertise. The Audit Committee consists of Magnus Lindquist (Chair), Katarina Bonde

and Eva Lindqvist. In 2014, the Audit Committee held five meetings. Part of the Audit Committee meetings take place without the presence of employees and without the external auditor.

Remuneration Committee

The Remuneration Committee consists of three Board members, currently Patrik Tigerschiöld (Chair), Anders Jonsson and Ulla-Britt Fräjdin-Hellqvist. In 2014, the Remuneration Committee held five meetings. Part of the Remuneration Committee meetings take place without the presence of employees.

AUDIT

The company's auditor is elected by the AGM. At the 2014 AGM, EY was re-elected as the auditor, with Authorized Public Accountant Heléne Siberg Wendin as senior auditor.

Audit of the annual report and the consolidated financial statements as well as the Board's and the CEO's management is done in accordance with International Standards on Auditing and generally accepted auditing practices in Sweden. The external auditor continuously meets the Audit Committee and meets the whole Board annually.

In 2014, the auditors conducted a review of one interim report, in addition to the audit of the annual accounts.

CEO AND EXECUTIVE MANAGEMENT

The executive management consists of eight people including the CEO. These are presented on page 61. As of June 1, 2014, a new function has been established responsible for Operational Excellence, which comprises a systematic follow-up of the implementation of the strategy.

The CEO leads the executive management's work and the executive management makes joint decisions. The CEO is responsible for keeping the Board informed of the company's development. Executive management holds meetings every second week. Three times a year, the management of the global organizations meet to reinforce uniform communication and governance with the Group.

Financial reporting

In accordance with the established communica-

tion policy, Mycronic continuously provides information on the company's development and financial position. Information is comprised of interim reports, the annual report and press releases in connection with significant events that can affect the company's valuation.

In connection with interim reports, presentations are held for financial analysts, investors and the media. Company management also meets financial analysts and investors at other external and internal events.

In November 2014, Mycronic held a capital market day for professional investors and the media. Financial reports and press releases are presented on the company website together with other information deemed to be valuable to the company's stakeholders.

Mycronic applies a period of silence of 30 days prior to the publication of interim reports. During this period, the company does not communicate with investors, analysts or the media.

Insiders

Members of the Board, executive management, the company's auditor and employees who are considered to have access to unpublished information are registered with the Swedish Financial Supervisory Authority as insiders. These individuals are obliged to report changes in their holdings of financial instruments in Mycronic.

In addition to this, Mycronic is obliged to maintain a logbook over individuals who have access to insider information during a limited period of time in connection with individual events. Besides insiders, this may be other individuals, employees or contractors, who have insider information without being registered as insiders.

INTERNAL CONTROL OF FINANCIAL REPORTING

Internal control is comprised of processes and methods to limit risks for material misstatement in the financial statements and thereby ensure the accuracy of the financial reporting.

Internal control is created and maintained by the Board, management and employees. Mycronic's internal control is comprised of the control environment, risk assessment, control activities, information and communication as well as follow-up.

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
Patrik Tigerschiöld, chairman	2009	no	-	14/15		5/5	500,000	
Anders Jonsson	2011	yes	63,836	15/15		3/5	200,000	
Magnus Lindquist ²⁾	2007	yes	-	13/15	5/5		200,000	50,000
Katarina Bonde	2010	yes	2,000	15/15	5/5		200,000	
Ulla-Britt Fräjdin-Hellqvist	2012	yes	10,000	15/15		5/5	200,000	
Eva Lindqvist	2012	yes	1,500	15/15	5/5		200,000	

1) According to the Swedish Code of Corporate Governance.

2) Chairman of the remuneration committee

3) Chairman of the audit committee



In the BIO, Business Improvement Office, Group executive management meet regularly to monitor execution of the strategy. Monitoring is done based on relevant Key Performance Indicators.

Control environment

A good control environment is made of a suitable organization, decision-making procedures, and powers and responsibilities, which are expressed in policies and guidelines. Shared values create consensus and strengthen internal control. Relevant targets and their follow-up are significant to achieving good internal control. Mycronic's Code of Conduct describes the approach that the employees shall have in business ethics matters and social issues.

Steering documents include the formal work plan of the Board and its committees, as well as the Board's terms of reference to the CEO. The Board establishes certain policies, including authorization instructions and the communication policy.

Development, purchasing and production are largely based in Sweden. The accounting and controller function supports the efficiency enhancements of the operations. Responsibility for creating processes with a high degree of internal control is assigned to each department manager.

Risk assessment

A review of risk areas from a broader perspective is done in connection with the annual strategy work. Business processes are assessed in terms of efficiency and risk. The most critical business processes and the most significant values are found in the Swedish operations.

In an assessment of the risks that affect internal control regarding financial reporting, an evaluation is done based on probability and impact. This assessment is done at the Group and company level. Risks are graded and linked to processes. Significant processes include development, purchasing, production, sales, installation and supporting processes such as financial closing

and IT. The processes for the administration of salaries and pensions are also deemed to be critical and subject to evaluation. The risk assessment also covers risks of impropriety and fraud.

Control activities

Control activities should prevent, discover and resolve deviations. Control activities exist at all levels in the company and within all functions. Each identified risk shall be covered by controls.

Control activities may be automated by being built-in in IT systems, such as authorization structures. They may also be manual, such as double checks in disbursements and reconciliations in connection with account closing.

Recurring analyses of results supplement daily controls. The controller function, consisting of controllers for the business areas and for development and production, constitute a significant part of the control structure.

Information and communication

The Board and the executive management have established information and communication channels to ensure complete and accurate financial reporting. Internal communication channels include quality systems and analysis tools as well as the intranet and regular meetings.

In 2014, the company developed the financial handbook, which ensures uniformity with regard to financial reporting in every part of the Group.

Mycronic has a report package that is compiled monthly and is distributed to the Board and executive management.

External communication takes place in accordance with the established communication and IR policy.

Monitoring

Mycronic has no separate review function, internal audit. In light of the Group's size and structure, the Board has determined that monitoring of internal control will be achieved through self-assessment at present.

Self-assessment means that employees at all levels are involved, which increases the understanding of the significance of internal control. Processes are documented and assessed based on identified risks and controls. Responsibility for developing the processes lies within each unit.

The evaluation of internal control follows a plan approved annually by the Audit Committee.

The risks of material misstatement or deficiencies in financial reporting are reported to the Audit Committee.

On behalf of the Board, some of the more critical processes also undergo an external evaluation every year. In 2014, the external audit concentrated on the procedures for compensation of employees.

Personnel from the headquarters' finance and controller function regularly visit the subsidiaries, in part to monitor the earnings trend and evaluate the internal controls in the respective units. In 2014, a controller conference was held in Sweden with representatives from the finance functions of each company.

In 2014, the company's external auditor accompanied the visits to several subsidiaries to further strengthen the monitoring of financial reporting.

The Audit Committee monitors the internal control efforts and maintains continuous contact with the external auditors, which also contributes to the Board's overall view of internal control of financial reporting.

Board of directors and auditors



From the left: Anders Jonsson, Eva Lindqvist, Magnus Lindquist, Ulla-Britt Fräjdin Hellqvist, Peter Sundström, Patrik Tigerschiöld, Tobias Böök and Katarina Bonde.

Board members elected by the AGM 2014:

Patrik Tigerschiöld, born 1964

Chairman since 2012.

Director since 2009.

Education: M.Sc. in 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 of Listed Companies. Board member of Cavotec SA, Mercuri International AB and Stockholm University.

Previous positions: CEO Bure Equity AB 2010-2013, CEO Skanditek Industriförvaltning 1999-2010, CEO SEB Allemansfonder 1995-1999.

Shareholding in Mycronic: 0

Magnus Lindquist, born 1963

Director since 2007.

Investment adviser at Triton Advisers AB.

Education: Economist.

Other Board assignments: Board member of Ambea AB, Ovako AB and Polygon AB.

Previous positions: CFO Autoliv 2001-2008, CFO Perstorp 1996-2001, CFO Stora Cell Group 1993-1996.

Shareholding in Mycronic: 0

Auditor

Heléne Sjöberg Wendin, born 1965

Auditor in Mycronic since 2013.

Authorized accountant, Ernst & Young AB

Other assignments: IKEA, Ovako, Papyrus, Scania

Anders Jonsson, born 1950

Director since 2011.

Industrial adviser at Triton Advisers Ltd.

Education: Master of Engineering and IFL Handelshögskolan i Stockholm.

Other Board assignments: Chairman of Alimak Hek Group AB and Talis GmbH. Board member of Rejlerskoncernen, Battenfield Cincinnati AG and GEA Heatexchangers AG. Vice chairman of Swedish Swiss Chamber of Commerce in Zürich.

Previous positions: Member of ABB's executive management Zürich, manager Robot Division ABB, manager ABB Automation Segment China 2004-2005, global management positions within ABB Zürich 1988-2004, various management positions ABB Sweden 1979-1988.

Shareholding in Mycronic: 63,836

Katarina Bonde, born 1958

Director since 2010.

President Kubi LLC.

Education: Master of Engineering.

Other Board assignments: Chairman of Propellerhead Software AB. Board member of Aptilo Networks AB, Avega Group AB, Image Systems AB, Microsystemation AB and Sjätte AP-fonden.

Previous positions: CEO UniSite Software Inc 2000-2003, CEO Captura International 1997-2000, Marketing director Dun & Bradstreet Software Inc 1996-1997, vice President of Timeline Inc 1994-1995, CEO Programator Industri AB 1989-1992.

Shareholding in Mycronic: 2,000

Eva Lindqvist, born 1958

Director since 2012.

Education: Master of Engineering and M.Sc Business and Economics.

Other Board assignments: Board member of Assa Abloy, Bodycote, Caverion Oy, Sweco AB, Tieto and Tieto Oy.

Previous positions: CEO Xelerated Holding 2009-2011, CEO TeliaSonera International Carrier 2002-2007, Sr VP Telia Equity 2000-2002, leading positions Ericsson 1981-1999.

Shareholding in Mycronic: 1,500

Ulla-Britt Fräjdin-Hellqvist, born 1954

Director since 2012.

Fräjdin&Hellqvist AB.

Education: Master of Engineering.

Other Board assignments: Chairman of Kongsberg Automotive and Vindora Holding. Board member of Anna+Cie, DataRespons ASA, e-man AB, HRM Affärsutveckling, Fräjdin&Hellqvist AB and UBFH Management AB.

Previous positions: Leading positions Svenskt Näringsliv 2001-2006, leading positions Volvo Personvagnar 1979-2001.

Shareholding in Mycronic: 10,000

Union representatives:

Tobias Böök, born 1966

Director since 2014, representing Akademikerna.

Shareholding in Mycronic: 0

Peter Sundström, born 1976

Director since 2012, representing Unionen.

Shareholding in Mycronic: 0

Executive management



From the left: Silke Ernst, Charlott Samuelsson, Magnus Råberg, Lena Olving, Niklas Edling, Per Ekstedt and Robert Göthner. Johan Franzén, appointed Sr Vice President Research&Development, will start 23 March, 2015.

Lena Olving, born 1956
CEO and President employed 2013.
Education: Master of Engineering.
Board assignments: Board member of SJ AB and Novozymes A/S (Denmark).
Previous positions: Vice President and COO of Saab AB (publ), leading positions and member of executive management Volvo Personvagnar AB, CEO of Samhall Högland AB.
Shareholding in Mycronic: 95,000

Per Ekstedt, born 1964
Sr Vice President, CFO, employed 2012.
Education: Bachelor of Business administration.
Previous positions: CFO Selecta, CFO Group4 Securicor, CFO Siemens Business Services.
Shareholding in Mycronic: 7,900

Robert Göthner, born 1959
Sr Vice President, General Manager business area SMT, employed 2007.
Education: Master of Engineering.
Previous positions: Vice President Marketing within the Group, Partner Nordic Venture Partners and InnovationsKapital, executive positions IBM Corporation.
Shareholding in Mycronic: 5,500

Silke Ernst, born 1967
Sr Vice President HR, employed 2013.
Education: Fil mag lingvistik and MBA.
Previous positions: VP HR Business Division Asset Optimisation & Trading Vattenfall, Vice HR manager Vattenfall BG Nordic, HR manager BU Distribution Vattenfall
Shareholding in Mycronic: 0

Charlott Samuelsson, born 1963
Sr Vice President, Operational excellence and acting manager R&D, employed 1996.
Education: Master of Engineering.
Previous positions: Manager global aftermarket, manager system and application development, manager business development within the Group.
Shareholding in Mycronic: 14,350

Magnus Råberg, born 1966
Sr Vice President, General Manager business area PG, employed 1996.
Education: Master of Engineering.
Previous positions: Manager global support, manager semiconductor system sales and other positions within the Group.
Shareholding in Mycronic: 0

Niklas Edling, born 1963
Sr Vice President, Strategy and Product Management and Head of sourcing, production and quality, employed 2011.
Education: Master of Engineering and MBA.
Previous positions: VP Supply Chain & Manufacturing Laerdal Medical, VP Operations Hudson RCI.
Shareholding in Mycronic: 60,000.