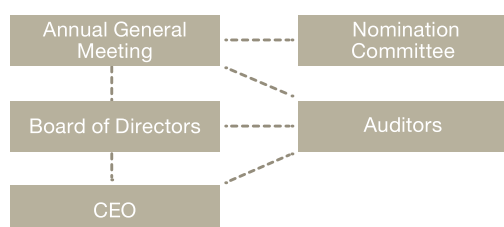


Corporate Governance Report

As of November 1, 2015, MSAB applies the revised Swedish Corporate Governance Code. Corporate governance in MSAB is based on Swedish legislation, and the regulations and recommendations as set out by relevant organisations such as the Swedish Corporate Governance Board, Nasdaq Stockholm, the Swedish Securities Council, and others. Corporate governance is conducted through the AGM, the Board and the Chief Executive Officer. The Company's auditors, elected by the AGM, reviews the financial statement and the management of the Company as conducted by the Board of Directors and the Chief Executive Officer. The Nomination Committee prepares proposals to the AGM on the election and remuneration of the Board and auditors. The Code is built on the principle comply or explain, which means that a company that applies the Code may deviate from its provisions provided that each deviation can be explained in a satisfactory manner.



Annual General Meeting

The Annual General Meeting (AGM) is the Company's highest decision-making body. The Company complies with the Swedish Companies Act with regard to how the AGM is organised, how shareholders exercise their rights, and what decision-making powers the AGM has. The AGM was held on 6 May, 2015 at Gällöfsta City's premises in Stockholm.

Decisions taken by the AGM included:

- re-election of Henrik Tjernberg as Chairman of the Board, and re-election of Katarina G. Bonde, Ulf Arnetz, Jan-Olof Backman, Robert Ahldin and Örjan Gatu as Board members;
- adoption of the income statement and balance sheet for calendar year 2014 as reported in the annual accounting;
- distribution of MSEK 17.9 as proposed by the Board of Directors
- discharge of Board members and the Chief Executive Officer from liability for 2014;
- adoption of the Board's proposal for a long-term incentive programme 2015–2018, and the Board's proposal on issuing share warrant options in accordance with the long-term incentive programme 2015–2018;
- Adoption of the Board's and auditor's remuneration and provision of guidelines for remuneration of senior position holders;
- re-election of Erik Hermansson, Joakim Dal and Henrik Tjernberg as members of the Nomination Committee. Erik Hermansson was appointed Chairman of the Nomination Committee;
- re-election of Deloitte AB, with Erik Olin as the Auditor-in-Charge for the period up to the conclusion of the next AGM.

The AGM has not granted decision-making authority to the Board regarding whether the Company shall issue new shares or repurchase shares. The protocol from the AGM is available in full on the Company's website: msab.com.

Share ownership

The Company's B shares (MSABB) are listed on Nasdaq Stockholm. The total number of shareholders as of 31 December, 2015 was 2,798. At the end of the period, Henrik Tjernberg and Robert Ahldin held shares or votes exceeding 10 percent.

Nomination Committee

The Nomination Committee is elected by the AGM. At the 2015 AGM, Erik Hermansson, Henrik Tjernberg and Joakim Dal were re-elected to the committee. The Nomination Committee is responsible for preparing and presenting proposals regarding the election of General Meeting Chairmen, Chairman of the Board and Board members, proposals for fees to Board members and auditors, as well as preparing proposals for procedures for the Nomination Committee itself. Shareholders who wish to submit proposals to the Nomination Committee can do so via email to: valberedning@msab.com.

The Board's work 2015

The Board consisted of six members after election by the AGM. The Board is ultimately responsible for how the Company is organised and for administration of the Company's affairs. Information about the business and its economic and financial status is provided regularly at Board meetings. As part of the internal control of financial reporting, the Board reviews financial year-end reports, interim reports and the annual accounts, and poses control questions on process descriptions and ways of working prepared by senior management. The CEO and the Chairman of the Board communicate frequently regarding the business. The Board is also responsible for ensuring that appropriate policies are drawn up and implemented within the organisation. The distribution of tasks between Board members, the Chairman of the Board and the Chief Executive Officer are clarified in the following written instructions:

- The Board's Procedural Plan.
- Distribution of tasks between the Board and CEO.
- Instructions for the CEO.

Evaluation of Board and CEO performance

The Board, excluding members who are part of the operational management, evaluates on a continuous basis, the performance of the CEO within the framework of routine Board work. Board evaluation has been accomplished partly through the Chairman's reporting to the Nomination Committee of the Board's work and its way of functioning, and partly through a survey compiled jointly by the Board and completed by each Board member. Great emphasis has been placed on following up former high-profile issues, and in continuity in the change and improvement work. When necessary, complementary, in-depth interviews of individual Board members have been conducted. The results have provided a basis for the Nomination Committee's ongoing work and have to some extent been reported back to the Board.

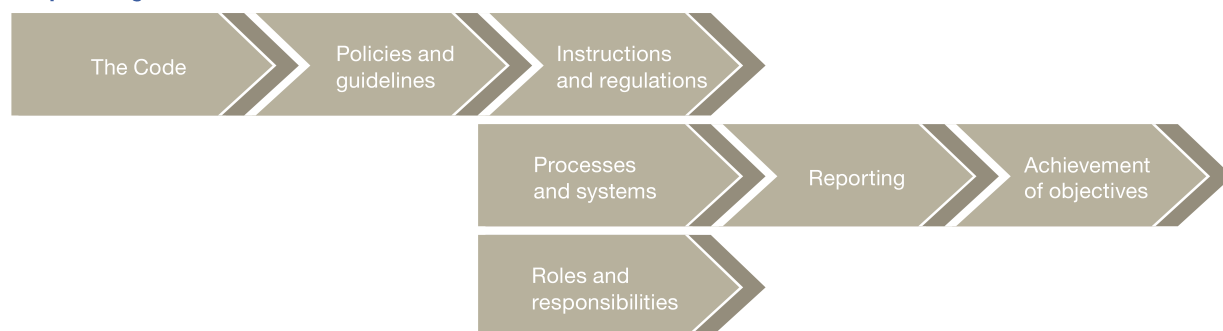
The Board met ten times in 2015 in Stockholm with attendance as follows:

Board 2015	Function	Elected	Independent	Presence at Board meetings
Henrik Tjernberg	Chairman	1986	No	10 of 10
Jan-Olof Backman	Board member	1999	Yes	10 of 10
Örjan Gatu	Board member	1999	No	10 of 10
Katarina G Bonde	Board member	2011	Yes	10 of 10
Ulf Arnetz	Board member	2011	Yes	10 of 10
Robert Ahldin	Board member	2013	No	10 of 10

Board independence

The Board is considered independent in relation to major shareholders, management and the Company with the exception of Chairman of the Board Henrik Tjernberg, whose voting rights exceed 10 percent and Board member Robert Ahldin whose shareholdings and voting rights

Corporate governance



exceed 10 percent. Furthermore, Board member Örjan Gatu is considered dependent in relation to the Company and management in his capacity as Chief Technology Officer (CTO). Taking into consideration the Company's operations and development stage, the competence of the CTO is valuable for the efficient functioning of the Board's work and this motivates his membership on the Board. The Board has not established particular committees for remuneration and auditing due to the fact that the Company and the Board employ relatively few people. These issues are handled by the Board in its entirety. Örjan Gatu does not participate in work related to committees or remuneration since he is active on a daily basis in his role as CTO. The Board has discussed the Company's focus, product development, growth, strategy and significant operational questions. MSAB works actively with targets established by the Board, which are communicated to operational units via the CEO and senior management.

Senior management

The CEO is responsible for preparing and implementing MSAB's strategies for achieving agreed objectives. The CEO leads weekly meetings of two groups where one of the groups is oriented towards sales and marketing issues, and the second towards product development issues. Meetings are also regularly convened for the entire Company, or certain departments, for the purposes of disseminating information and reviewing activities with the Company's employees.

Auditor

At the 2015 AGM, the audit firm Deloitte was re-elected as the Company's external auditor for the period up to the next AGM. Erik Olin is the responsible Auditor-in-Charge. The Company's auditor reviewed the interim report for the period January – September 2015 as well as for the whole year. The auditor reports to the Board annually the conclusions drawn from its review and meets with the Board without management's presence in accordance with the Swedish Corporate Governance Code.

Internal control

The Board has overall responsibility for effective internal control of the Company. The CEO is responsible for processes and an organisation that assures internal control and the quality of the financial reporting to the Board and the market. The essential components of the Company's internal control structure are the control environment itself, risk assessment, control activities and monitoring.

The control environment

The foundation of MSAB's control environment is the Company's established corporate culture. MSAB works actively to communicate the Company's values to ensure that a high level of morals, ethics and integrity permeate the organisation. The backbone of internal control is built up

around the Company's guidelines, instructions, policy documents, and the accountability and authority structure adapted to the organisation. During the year, the Board established a Code of Conduct with the purpose of ensuring good behaviour vis-à-vis the Company's customers, suppliers, employers and other stakeholders, as well as to ensure the Company's long-term value creation. The Group-wide ERP system has been upgraded and to some extent integrated into the Company's corporate CRM system. This is for the purpose of streamlining the sales process, but also to reduce the need for manual actions. These measures have further strengthened the internal control environment.

Risk Assessment

Risks relating to the financial reporting are evaluated and monitored continuously by the Board and management. Risk assessments are made at both the company and functional level, including essential processes and the IT environment. The Company's accounting is characterised by precautionary principles, and management strives to limit financial risks. It is management's objective that even the Company's IT environment shall be reliable and risk-minimised, and that the Company's business system is appropriate given the nature of the Company's operations. The Company strives for strong control over the production flow through all design and development taking place within the Company's organisation, and that all designs are the proprietary property of MSAB. The Company is not dependent upon any single supplier, although some production is external. MSAB's operations are affected by a number of business risks which have an impact on the Company's performance and financial strength. When assessing future trends, it is important to weigh opportunities for growth in profitability against the risks. The most significant risks identified relating to business operations are currently:

- Exposure to various foreign currencies. The value of the Swedish krona relative to applicable currency fluctuations creates uncertainty in forecasts of future income in Swedish kronor. More than 90 percent of the Company's total sales are for export, while approximately 70 percent of Company's expenses are in Swedish kronor.
- Competition for customers is intensifying, and the Company works continuously with product improvements and packaging to continually meet customer requirements for the best tools.
- The speed of technological advancement and the launch rate of new and more advanced mobile phones places ever greater demands on development resources.
- Legal risks.

Control activities

Several control activities are applied in the on-going business processes to ensure that any potential errors or deviations in the financial reporting are prevented, detected and corrected. The objective is to have an

authorisation structure where the same individual should not be able to perform a task and then control that same task. Personnel working within the accounting function are also involved in on-going dialogues with subsidiaries, and conduct an annual visit to follow-up and ascertain that routines and policy documents are adhered to in accordance with instructions from Group management.

Monitoring

The CEO reports monthly to the Board through a report covering the consolidated earnings trend in comparison to the previous year's and to the budget, as well as the consolidated financial position. MSAB has no particular audit function or internal audit as the Company is relatively small, and it is the opinion of the Board that the Company's business model, current structure and scope do not require such a function. The function is instead performed by Group management and the Group's financial function with the support of the external auditor. An on-going dialogue takes place between the Company and its external auditor, and those controls performed by Group management are currently assessed as adequate to ensure that the internal control is of a good standard. This assessment is continually evaluated and will be examined again in 2016.

Remuneration of the Board of Directors and senior position holders

The Nomination Committee prepares proposals for remuneration of the Board and these fees are decided upon by the AGM and received by those Board members who are not Company employees. Amounts of remuneration to the Board by fiscal year are reported in Note 8.

Remuneration principles

The Chairman of the Board and other Board members receive remuneration as decided by the AGM. Örjan Gatu is a member of the Company's senior management and receives no remuneration for his Board membership. Overall principles guiding remuneration to senior position holders are based on position, individual performance, consolidated profit, and that remuneration shall be competitive. Total remuneration to senior position holders shall consist of fixed salary and variable salary based on attainment of incentive-based performance targets. Additionally, there are conditions governing termination and severance pay. Group management in 2015 comprised one senior position holder together with the CEO. All senior position holders were employed throughout the entire year.

Long-term incentive programme 2014-2017

An Extraordinary General Meeting (EGM) in 2014 decided on a long-term incentive programme for the Company's CEO and CTO. The first part of the programme consists of a gratuitous allotment of B shares worth MSEK 1.5 after income tax per respective participant. Additionally, it was decided that programme participants be invited to subscribe for 220,000 share warrants per participant at fair market compensation which would entitle the holder to subscribe for an equal number of the Company's series B shares during the period 1 January, 2016 up to and including 16 June, 2017. The subscription price was decided at 130 percent of the average volume-weighted price for the Company's B series shares for the five trading days occurring immediately prior to the 2014 EGM.

Long-term incentive programme 2015-2018

On 6 May, 2015 MSAB's AGM decided to implement a long-term incentive programme for the Company's senior management and certain key persons with the exception of CEO Joel Bollö and CTO Örjan Gatu (no more than 20 persons total). Participants are invited to subscribe for share warrants at fair market compensation (as per the Black & Scholes model). These entitle the holder to subscribe for new B series shares in the Company during the period 1 June, 2018 up to and including

30 September, 2018 at a price equal to 130 percent of the average volume-weighted closing price for the Company's B series shares during the period 8 May up to and including 15 May, 2015. The maximum number of share warrants that any programme participant is offered shall not exceed 30,000.

Deviations from the Code

The long-term incentive programme 2014-2017 for the CEO and the CTO deviates from the Swedish Corporate Governance Code, point 9.7 in that the vesting period is less than three years. The Board motivates this deviation on the grounds that participants have been active in the Company for 17 and 20 years respectively. During this time, they have been responsible for, and to a large extent involved in, the value creation which has been achieved thus far. The programme aims to increase participants' shareholder interests in the near future. The Board believes that this will benefit the Company's development and thus shareholder interests as well.

Pension

The contractual retirement age for the CEO and other senior position holders is 65 years. Pension premiums for the CEO are calculated at 22 percent of pensionable salary and follow a defined pension contribution plan. Other senior position holders also belong to a defined pension contribution plan, and pension premiums for 2015 were on average 24 percent of basic salaries. Variable remuneration is not included in pension calculations for the CEO nor for any other senior position holders. All pensions are inviolable, i.e. not conditional upon future employment.

Severance pay

The CEO has a fixed annual salary of SEK 1,980,000. Upon termination, the CEO is entitled to compensation corresponding to one year's fixed salary. The Company pays insurance compensation on severance pay. Severance pay is not offset against other income. When termination of other senior positions holders is initiated from the Company's side, Swedish labour law (LAS) shall apply.

Auditor's report on the Corporate Governance Report

To the Annual General Meeting of the shareholders of Micro Systemation AB (publ), corporate identity number 556244-3050

It is the Board of Directors who is responsible for the corporate governance statement for the year 2015 and that it has been prepared in accordance with the Annual Accounts Act.

We have read the corporate governance statement and based on that reading and our knowledge of the company and the Group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

In our opinion, the corporate governance statement has been prepared and its statutory content is consistent with the annual accounts and the consolidated accounts.

Stockholm 19 April 2016
Deloitte AB

Signature on Swedish original
Erik Olin
Authorised Public Accountant