

Corporate governance report 2014

CellaVision is a Swedish public limited liability company with its registered office in Lund. Apart from the parent company, the Group consists of four wholly-owned subsidiaries in Sweden, the USA, Canada and Japan. The company's share is listed on the NASDAQ OMX Stockholm exchange. CellaVision applies the Swedish Code of Corporate Governance (the Code) since its shares were admitted to trading in 2010 and reports no deviations from the Code for 2014.

The term corporate governance normally refers to the rules and structure built up to govern and direct a limited liability company in an effective and controlled manner. Governance and control of CellaVision is divided between the shareholders at the Annual General Meeting, the Board of Directors and the President/CEO, and is regulated in legislation (including the Companies Act), the Articles of Association, the NASDAQ OMX Stockholm rule book for issuers and the Swedish Code of Corporate Governance.

The code is available at www.bolagsstyrning.se.

In addition to legal control and governance principles CellaVision is also influenced by several internal policy documents, including instructions and rules

of procedure for the President/CEO and Board of Directors, as well as internal policies and guidelines.

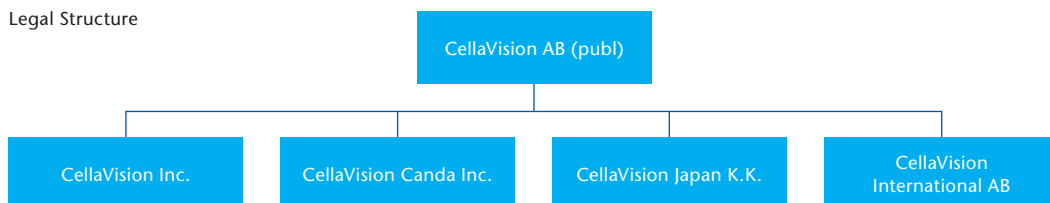
Shareholding

The share capital on December 31, 2014 was SEK 3,577,732 distributed among 23,851,547 shares. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. CellaVision had 3,566 (1,857) shareholders on the closing date. Of these, two shareholders have direct and indirect holdings constituting more than ten percent of the votes and capital: Stiftelsen Industrifonden (15.0 %) and Christer Fåhraeus directly and indirectly through family and company (10.1 %). No shares are held by the company itself. For further information about the CellaVision share and shareholders please refer to pages 22–23 and CellaVision's website.

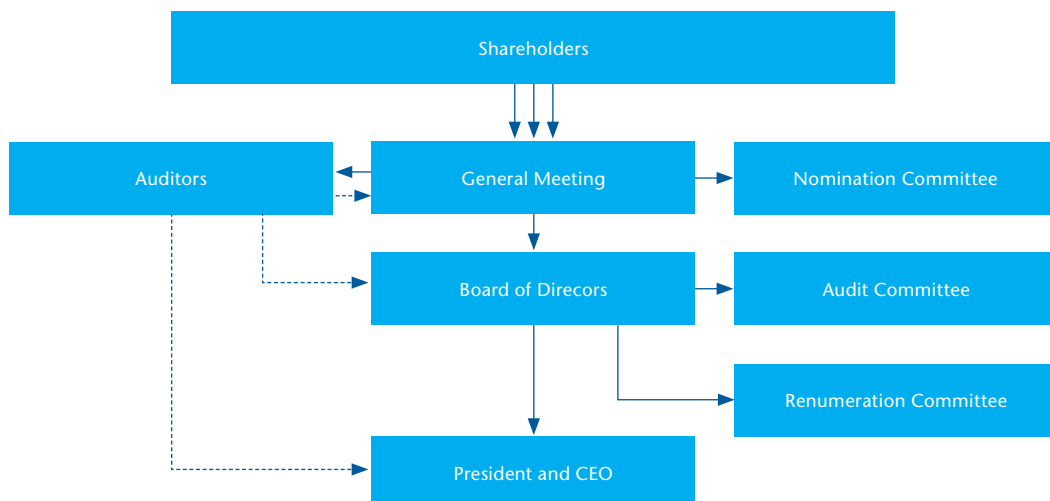
Articles of Association

The Articles of Association of CellaVision stipulate that the company shall develop, market and sell products and systems for automated digital micros-

Legal Structure



Overall governance structure for CellaVision



CellaVision's operations are governed by a Board of Directors elected by the shareholders. This Board in turn exercises control over the company management. The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditors elected by the Annual General Meeting.

copy, specializing in software applications for the medical market. The registered office of the company is in Lund and the company's financial year is a calendar year. In other respects the Articles of Association contains provisions concerning the number of shares, number of board members and auditor and the Annual General Meeting. The Articles of Association contain no separate provisions concerning the appointment or removal of members of the Board or concerning amendments to the Articles of Association. The complete Articles of Association can be downloaded from www.cellavision.se.

General Meeting of Shareholders

The highest decision-making body in CellaVision is the General Meeting, which is called at least once a year and among other things passes resolutions on the treatment of the company's balance sheet and income statement, discharge from liability of the Board of Directors and President/CEO, election of the Board of Directors and auditor, fees to the Board of Directors and auditor and appointment of the Nomination Committee. Amendments to the Articles of Association require a resolution by the General Meeting of Shareholders.

In order to participate in resolutions a shareholder must attend the Meeting, in person or via a representative, and be entered under his or her own name in the register of shareholders and give notice of attendance to the company.

The Annual General Meeting of CellaVision is held in Lund during the first half of every year. In connection with the third quarterly report CellaVision's shareholders are informed of the time and place of the Annual General Meeting and of their right to bring a matter before the Meeting. A notice to attend the Annual General Meeting is published no earlier than six and no later than four weeks before the Meeting.

An extraordinary general meeting may be held if the Board of Directors considers it necessary or if the company's auditors or shareholders holding at least 10 per cent of the shares so request.

Annual General Meeting 2014

CellaVision's Annual General Meeting was held on Wednesday, May 7, 2014 at CellaVision's premises at Ideon in Lund. The Meeting was attended by 21 (21) shareholders, in person or through representatives. They represented about 35 (45) percent of the total votes. The Board of Directors, Nomination Committee and auditor of the company were present at the Meeting. Essentially, the following resolutions were passed:

- The parent company and consolidated income statements and balance sheets were adopted. It was further resolved that a dividend of SEK 0.50 per share will be distributed for the 2013 financial year.
- Discharge from liability of the members of the Board of Directors and the President.
- Re-election of Lars Gatenbeck, Christer Fåhraeus, Torbjörn Kronander, Anna Malm Bernsten and

Roger Johanson as members of the Board and new election of Niklas Prager as member of the Board. Lars Gatenbeck was re-elected as Chairman of the Board of Directors. Re-election of Deloitte AB as auditor.

- Fee to the Board of Directors, presented in the table on page 31 and in Note 7.4 of the annual report.
- Guidelines for remuneration to senior management. A resolution was also passed concerning an incentive program for the company management.
- Principles for the Nomination Committee.

No authorizations for the Board of Directors to issue new shares or acquire own shares were resolved. The minutes of the Annual General Meeting were presented on the website within a week of the Meeting. Material from the Meeting, such as the notice to attend, the minutes and information on the Nomination Committee is available to read on CellaVision's website. The full resolutions of the Meeting as above are available from the Company at the address Ideon Science Park in Lund and will be sent to any shareholder who so requests.

The Nomination Committee

The main task of the Nomination Committee is to propose to the Annual General Meeting the composition of the Board of Directors, which is then decided by the Annual General Meeting.

The work of the Nomination Committee starts by studying the evaluation of the work of the Board of Directors commissioned by the Board of Directors. The work of the Nomination Committee is characterized by transparency and discussion to achieve a well-balanced Board. The Nomination Committee then nominates members to the Board for the next term of office and submits proposals for remuneration to the Board of Directors and auditors.

The Nomination Committee for the Annual General Meeting in 2015

According to a resolution of the Annual General Meeting in 2014, CellaVision's Nomination Committee for the 2015 Annual General Meeting is to consist of the Chairman of the Board and one representative of each of the four largest shareholders in terms of voting rights at the end of September 2014. In addition the Chairman of the Board Lars Gatenbeck also sits on the 2015 Nomination Committee. The composition of the Nomination Committee was announced on November 5 in connection with the interim report for January-September 2014. Because of changes in ownership after the end, the members of the Nomination Committee has changed in relation to the communication in the interim report. The members of the Nomination Committee and the shareholders who appointed them are presented in the table on the next page.

In 2014 the Nomination Committee held two meetings, as well as a number of email and telephone contacts. The Nomination Committee proposals are presented in the notice to attend the 2015

Annual General Meeting and are also available on the company's website together with an explanatory statement concerning the proposed Board.

The Nomination Committee for the Annual General Meeting 2015

Name/Representing	Vote
Christer Fähræus, Christer Fähræus med bolag	10,1%
Caroline af Ugglas Skandia Liv	4,1%
Martin Gren Grenspecialisten AB	2.5%
Total	16,7%

Board of Directors

The Board of Directors and ultimately the President/CEO administers the affairs of the company on behalf of the shareholders. The Board of Directors appoints the President/CEO, who is responsible for the day-to-day management of the company. The division of duties and responsibilities between the Board of Directors and the President/CEO is clarified in the Board's Rules of Procedure and the Instructions to the President/CEO. The Board of Directors is appointed by the shareholders at the Annual General Meeting with a term of office up to and including the next Annual General Meeting. The Board of Directors administers the company on behalf of the shareholders by establishing goals and strategy, evaluating the operative management and ensuring that there is an effective system for follow-up and control of the established goals. It is also the responsibility of the Board to ensure that the company's information provision is correct, relevant and reliable. The Board of Directors forms a quorum when more than half of its members are present. Under CellaVision's Articles of Association the Board of Directors must consist of a minimum of three and a maximum of nine members with a maximum of two alternates. The Board holds an inaugural meeting directly after the Annual General Meeting.

Attendance and remuneration to the Board in 2014

Name	Independence in relation to the company	Independence in relation to the company's major shareholders	Audit Committee	Remuneration Committee	Board fee, SEK thousands	Committee fee, SEK thousands	Total, SEK thousands	Attendance at Board meetings
Lars Gatenbeck	Yes	Yes	•	•	300	0	300	13/13
Christer Fähræus	Yes	No		•	150	20	170	12/13
Roger Johanson	Yes	Yes	•		150	20	170	13/13
Torbjörn Kronander	Yes	Yes			150		150	12/13
Anna Malm Bernsten	Yes	Yes		•	150	20	170	11/13
Niklas Prager	Yes	Yes	•		100	13	113	6/7
Total					1,000	73	1,173	

- Member of the board
- Chairman

A more detailed presentation of the members of the Board can be found on page 36 and on the company website, www.cellavision.se.

Chairman of the Board

CellaVision's Board of Directors has been chaired since 2002 by Lars Gatenbeck. The Chairman of the Board is appointed by the Annual General Meeting. The Chairman of the Board organizes and leads the work of the Board, ensures that the Board regularly develops its knowledge of the company, communicates shareholders' views to the Board and is a support to the President/CEO. The Chairman of the Board and the President/CEO prepare proposed agendas for the Board meetings. It is the responsibility of the Chairman of the Board to verify that the Board's decisions are effectively implemented and that the work of the Board is evaluated annually and that the Nomination Committee is informed of the results of this evaluation.

The Board's Rules of Procedure

The Board of Directors adopts rules of procedure for its work annually. The current rules of procedure were adopted on May 7, 2014. In addition to that, the Rules of Procedure are revised as necessary. The Rules of Procedure include a description of the responsibilities and duties of the Board, the duties of the Chairman of the Board, audit issues and specify the reports and financial information that the Board must receive before each ordinary Board meeting.

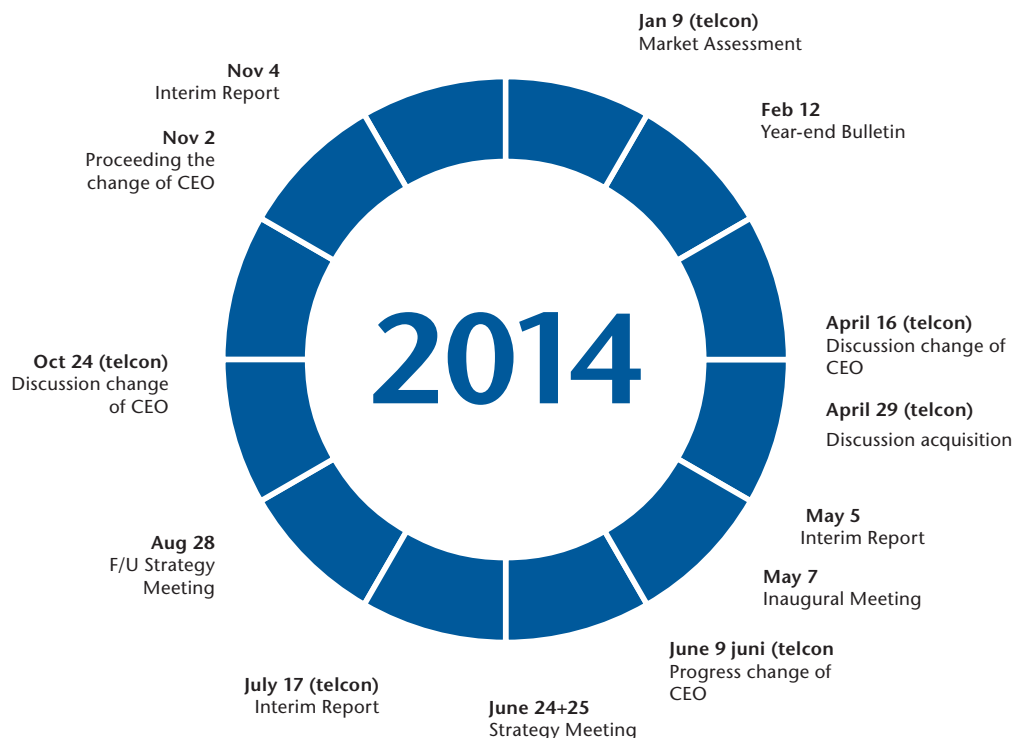
Evaluation of the work of the Board

Under the leadership of the Chairman, the Board conducts an annual evaluation of its work. The evaluation refers to forms of work and work climate, emphasis of the Board's work and access to and need for special competence in the Board. The evaluation is used as an aid to developing the work of the Board. In accordance with the Swedish Code of Corporate Governance, relevant parts of the results are made available to the Nomination Committee.

CellaVision's Board of Directors 2014

As of the 2011 Annual General Meeting the Board of Directors consisted of six members with no alternates.

Board Meetings 2014



The 2014 Annual General Meeting re-elected Christer Fåhraeus, Lars Gatenbeck, Torbjörn Kronander, Anna Malm Bernsten and Roger Johanson as members of the Board and elected Niklas Prager as member of the Board. Lars Gatenbeck was re-elected as the Chairman of the Board. The members of the Board have great experience and competence in medicine and technology as well as business and international operations. The composition of the Board complies with the requirements of the Code regarding independent members. The information that is to be provided under point 10.2 of the Code concerning members of the Board can be found on page 34.

Work of the Board in 2014

In 2014 CellaVision's Board of Directors held a total of thirteen minuted meetings, eight of which by telephone. Four of the meetings were held in connection with the approval of the year-end bulletin and the interim reports. On occasions when any member has been prevented from attending the Chairman of the Board has obtained views concerning the decision in advance. Important questions during the year included strategy, market assessments and material risks. The company's President/CEO and CFO participate regularly in the Board meetings. Other senior executives participate in the Board meetings as necessary. The company's auditor participated in the February Board meeting, when the year-end bulletin was approved. Eddie Juhlin and Ann Källsand, Members of the Swedish Bar Association, from Fredersen Advokatbyrå, acted as secretary at four Board meetings and one Board meeting respectively during the year.

Audit Committee

Risks concerning CellaVision's financial reporting are monitored and evaluated by the Board's Audit Committee, whose main task is to support the Board in quality assurance of the financial reporting. The Audit Committee has no decision-making authority, it prepares and reports matters to the Board as a whole. The Audit Committee consists of three members who are all independent in relation to the company and its management as well as being independent in relation to the company's major shareholders: Lars Gatenbeck, Roger Johanson and Niklas Prager. Roger Johanson chairs the Committee. During the year the Committee met twice. Questions dealt with are mainly internal control in the subsidiaries, risks, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

Remuneration Committee

The Board of Directors also has a Remuneration Committee, whose main task is to propose principles for remuneration and other conditions of employment for the President/CEO and other senior management in the Group. Ahead of each Annual General Meeting the Committee submits its proposals, in accordance with Chapter 8, Section 51 of the Swedish Companies Act. In 2014 the Remuneration Committee consisted of members of the Board Lars Gatenbeck, Christer Fåhraeus and Anna Malm Bernsten, who are all independent of the company and the company management. Lars Gatenbeck and Anna Malm Bernsten are also independent in relation to the company's major shareholders. Lars Gatenbeck

chairs the Committee. During the year the Committee held three minuted meetings with full attendance, and had several telephone and email contacts. In addition to guidelines and principles of remuneration to the President/CEO and other senior management during the year the Committee discussed the company's incentive program for the President/CEO, management and other staff.

President/CEO and Executive Group Management

The President/CEO is appointed by and receives instructions from the Board of Directors. CellaVision's President/CEO in 2014, Yvonne Mårtensson, was responsible for the day-to-day management of the company in accordance with the Board's guidelines and directions. The current Instruction to the President/CEO was adopted by the Board on May 7, 2014. The President/CEO prepares information and decision-making data for the Board meetings and is presenter at the meetings. The Board of Directors continuously evaluates the work of the President/CEO through monitoring against goals set. Once a year a formal evaluation is made, which is discussed with the President/CEO. Yvonne Mårtensson left her position as President and Chief Executive Officer of CellaVision on December 31, 2014. Zlatko Rihter took over from Yvonne Mårtensson as CellaVision's President and Chief Executive Officer on January 1, 2015.

Composition of the management in 2014

The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. In 2014 the Executive Group Management consisted of six people besides the President/CEO:

- Chief Financial Officer (CFO)
- Chief Operating Officer (COO)
- VP Business Development
- VP Human Resources & Corporate Communications
- VP Sales & Marketing
- VP Quality
- VP Engineering (from November 1, 2014)

All members of the Executive Group Management are at the company's head office in Lund, Sweden, apart from the VP Business Development who is at the subsidiary in the USA. The Executive Group Management holds minuted meetings at which operative issues are discussed. The Executive Group Management draws up a business plan annually, which is adopted by the Board. A more detailed presentation of the President/CEO and the management team can be found on page 35. The information on the President/CEO stipulated in item 10.2 of the Code can also be found there.

Auditor

The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditor elected by the Annual General

Meeting. The auditor is proposed by the Nomination Committee and elected by the Meeting for one year. At the 2014 Annual General Meeting Deloitte was re-elected as auditor up to and including the 2015 Annual General Meeting.

The auditor in charge is authorized public accountant Maria Ekelund. The task of the auditor is to audit CellaVision's annual accounts, accounting records and the administration by the Board of Directors and President/CEO on behalf of the shareholders. Besides the annual audit, the auditor reviews at least one interim report per year. Remuneration to the auditor is payable in accordance with the approved invoice. For amounts please see Note 8.

Remuneration

Salaries, remuneration and other benefits to the Board of Directors, President/CEO and other senior management are reported in Note 7.4 in the annual report. Remuneration to the Board of Directors can also be followed in the table on page 29.

Guidelines for remuneration to senior management in 2014

The 2014 Annual General Meeting resolved to approve the Board's proposed guidelines for remuneration to senior management of CellaVision AB as follows:

"The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary. The fixed salary is to take account of the individual's areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual targets established by the Board. These targets shall be linked to the company's overall targets including earnings, sales and/or cash flow. For other senior management variable remuneration is to be based on equivalent targets and targets within their own area of responsibility. Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case.”

Incentive program for senior management

The Annual General Meeting held on May 7, 2014 adopted the Board’s proposed share-price based incentive program for the company’s senior management to run up to and including December 31, 2016. The decision means a renewal of the incentive program previously used in the company for 2011-2013, 2012-2014 and 2013-2015. Those eligible are the CEO and members of the management team.

The incentive program means that the company, provided profitability and sales targets set at the start of the year have been achieved, will set aside 2 monthly salaries for the CEO and 1.5 monthly salaries for other senior management participating in the incentive program in 2014.

The outcome depends on a comparison between the company’s average share price and the NASDAQ OMX Stockholm general index. For entitlement to remuneration the company’s average share price must exceed the general index by at least 30 percent in Q4 2016 compared with Q4 2014. Any payment will be made in 2017. A minimum increase of 30 percent in the share price in a period of comparison as above results in a bonus equivalent to 2 monthly salaries for the CEO and equivalent to 1.5 monthly salaries for other senior management. The outcome of the incentive program starting in 2014 is maximized to an amount equivalent to 4 monthly salaries for the CEO and an amount equivalent to 3 monthly salaries for other senior management participating in the incentive program. The maximum amount will be payable if the increase in the share price for the period in question is at least 100 percent. For the 2014-2016 program the costs to the company for maximum outcome are estimated to be SEK 2.2 million excluding social security contributions. Similar long-term share-based programs have been applied by the company previously, but only the 2013-2015 program achieved the index target set, entailing an estimated cost to the company in the case of maximum outcome of SEK 2.2 million (excluding social security contributions). Similar long-term share-related program has been applied to the company in the past but only program 2013-2015 achieved the established index target resulting in an estimated cost to the company at maximum payout of 1.7 million (excluding social security contributions). The calculation is based on the six senior executives participating in the program. In order to participate in the incentive program for the period 2014-2016, the member of senior management must have been employed for six months in 2014 and be employed on December 31, 2014 and his/her employment contract on the same date must not be under notice of termination. The Board of Directors determines the profitability and sales targets applicable to the program, the individual members of senior management in the group CEO and management team who are eligible

to participate in the program, and decide whether the conditions that confer the right to payment of bonus under the incentive program for an individual member of senior management have been met. In addition to the share related programs described above, the Board decided in 2014 on a short-term incentive program for senior executives which implied that some targets for operating profit and sales as well as some individual goals were achieved in 2014. This program will cost the company SEK 1.2 million plus social security charges.

Incentive program for staff

The share-price based incentive program of 2013-2015 for the company’s senior management is also eligible for staff.

The Board approved an incentive program for staff in 2014 that runs for the current year, January 1, 2014 to December 31, 2014. Eligible staff are those who are not senior management and who consequently are not eligible for the incentive scheme for senior management resolved by the 2014 Annual General Meeting. The decision means that the employee will receive 0.5 of a monthly salary in the case of maximum outcome. The size of the share depends on the company’s performance and sales in 2014. To participate in the incentive program the employee must have been employed for at least six months in 2014 and be employed on December 31, 2014. For the 2014 program the profitability and sales targets set were 92 percent achieved, entailing a cost to the company of SEK 1.2 million.

Proposed guidelines for remuneration to senior management in 2014

The Board of Directors proposes the following guidelines for remuneration to senior management in 2014, as in last year’s proposal:

“The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual’s target salary.

The fixed salary is to take account of the individual’s areas of responsibility and experience and be reviewed annually. The distribution between the fixed salary and variable remuneration must be in proportion to the responsibility and authority of the person holding the position. The variable remuneration must always be subject to predetermined limits and be linked to predetermined and measurable performance criteria. The variable remuneration to the President/CEO must be based on individual targets established by the Board. These targets shall be linked to the company’s overall targets including earnings, sales and/or cash flow. For other senior management variable remuneration is to be based on equivalent targets and targets within their own area of responsibility. Pension conditions must be commercial in relation to market conditions applicable

to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors. The Board of Directors may deviate from these guidelines if there are special grounds for this in an individual case." The Board of Directors also proposes to the General Meeting that the incentive program for senior management that previously applied in CellaVision during the periods 2011-2013 and 2012-2014 and 2013-2015 be continued.

The Board's report on internal control and risk management referring to financial reporting

This report on internal control referring to financial reporting is submitted by the Board of CellaVision and has been drawn up in accordance with the Swedish Code of Corporate Governance.

Background

Under the Companies Act and the Swedish Code of Corporate Governance the Board is responsible for internal control.

Control environment

The basis of internal control is the overall control environment. A good control environment builds on an organization with clear decision lines where responsibility and authority is clearly defined. In CellaVision there are policies, guidelines and process descriptions for the different parts of the business flow from transaction management to bookkeeping and preparing external reports. In the company's financial and accounting manual, Administrative Guidelines, which is updated annually, these process descriptions are presented in all essentials.

Risk assessment

The Board and Audit Committee are responsible for identifying and managing all material financial risks and risks of misstatements in the external reporting. The Audit Committee evaluates the risk management requirements annually and draws up written principles both for overall risk management and for specific areas, such as currency risk, interest rate risk, credit risk and investment of surplus liquidity. These principles are then adopted by the Board.

Control activities

The main purpose of control activities is to prevent and discover errors as soon as possible in order to rectify any deficiencies. Procedures and activities have been designed to discover and deal with the most material risks related to financial reporting. Group companies are followed up by the CEO and

CFO through regular reports and personal meetings with the management of the respective subsidiary. The Board receives monthly reports in which the CEO and CFO give an account of the past period regarding the Group's and each respective business area's results and financial position. The work on monthly closings and annual accounts is well-defined and reporting is in accordance with standardized reporting templates including comments regarding all material income and balance sheet items. There are CFOs and controllers with functional responsibility for accounting, reporting and analysis at both parent company and subsidiaries. In this way the company's financial reports are checked several times, which reduces the risk of error.

At present neither the size of the company nor its risk exposure warrant a separate internal audit function. The Board assesses that with the procedures in place for follow-up and control there is currently no necessity for this.

Information and communication

CellaVision's procedures and systems for provision of information are aimed at supplying the market with relevant, reliable, correct and current information about the company's development and financial position. The Board has adopted an information policy that specifies what is to be communicated, by whom and in what way the information is to be published, to ensure that external information is correct and complete. Financial information is published regularly in the form of interim reports, annual report and press releases on price-sensitive news. The material is published in Swedish and English on the company's website.

Follow up

Compliance and effectiveness of internal controls are followed up regularly. The company's financial situation and strategy regarding its financial position is dealt with at each Board meeting, when the Board receives detailed monthly reports regarding the financial position and development of operations. Each interim report is analyzed by the Audit Committee, discussed with the CFO and then approved by the Board before publication.

Activities 2014

CellaVision works constantly to minimize risks by removing superfluous manual steps from the company's processes. A special area of focus in 2014 was discontinuing the use of factoring, which means that the company changed to more effective administration in 2014. Discontinuing factoring also means a decrease in CellaVision's interest costs.