ANNUAL REPORT 2018

Vitrolife

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This is a translation of the Swedish version of the Annual Report. When in doubt, the Swedish wording prevails.

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Our history

Vitrolife was established in Sweden in 1994 when the field of assisted reproduction (IVF) was still young. The founders of Vitrolife realised the value of using culture media with consistent and repeatable performance; the manufacturing and delivering of LOT-to-LOT consistency they developed is still significant for Vitrolife today. Through well-executed product development, consistent quality controls and the acquisition of other innovative IVF companies, Vitrolife has grown with the market globally. As a result, Vitrolife provides an unbroken chain of quality products, securing results at every step of IVF treatment. Our commitment to increasing pregnancy rates has never been more dedicated. Together with equally devoted clinics, we are improving IVF success and fulfilling more couples' greatest dream of having a baby. We are very proud to be a part of making this happen.

THE YEAR IN SUMMARY

HIGH PROFITABILITY AND INVESTMENTS FOR GROWTH

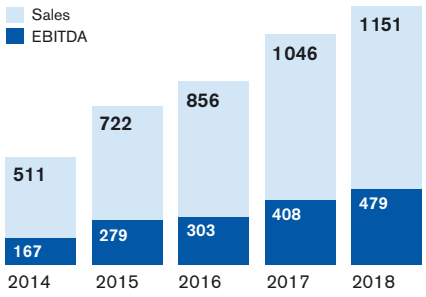
- Sales amounted to SEK 1 151 (1 046) million, corresponding to an increase of 10 percent in SEK. Sales growth was 5 percent in local currencies and consisted of organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 479 (408) million, corresponding to a margin of 42 (39) percent. Fluctuations in exchange rates positively impacted EBITDA by SEK 33 million.
- Net income amounted to SEK 311 (265) million, which gave earnings per share of SEK 2.85 (2.43).
- Licensing and commercialisation agreement with Illumina Inc. regarding preimplantation genetic testing.
- Market approval for EmbryoScope in China.
- Market approval for EmbryoScope+ in the US.
- Collaboration agreement with GE Healthcare regarding joint educational activities for IVF clinics.
- Share split 5:1 carried out in line with the resolution adopted at the Annual General Meeting.
- Acquisition of licensing rights to technology for embryo transfer. Write-down of the rights to the tune of SEK 17 million as a result of changed launch plan during the fourth quarter.

SEK 1151 M
Sales 2018 (1 046)

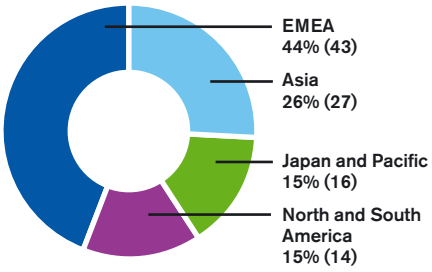
5%
Sales growth in local currencies 2018 (22%)

SEK 479 M
EBITDA 2018 (408)

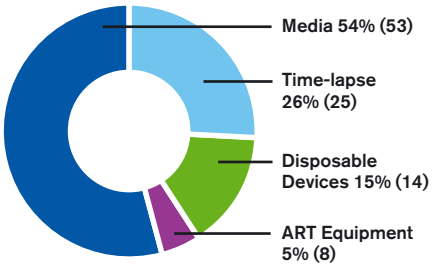
Sales and EBITDA SEK M



Sales per region



Sales per business unit



Key figures*

	2018	2017
Net sales, SEK M	1 151	1 046
Net sales growth, local currencies, %	5	22
Gross margin, %	66	65
Adjusted gross margin, %**	70	69
EBITDA, SEK M	479	408
EBITDA margin, %	42	39
Net income, SEK M	311	265
Net debt / EBITDA	-1.0	-1.0
Earnings per share, SEK***	2.85	2.43
Share price at closing date, SEK****	147.00	124.60
Market capitalization at closing date, SEK M	15 957	13 525
Equity per share, SEK****	13.75	11.29
Average number of employees	363	355

In this Annual Report, unless otherwise stated, the corresponding figures for the preceding year are given in parentheses.
* Definitions of key figures are found on page. 25. For reconciliation of alternative key figures, see Note 2.
** Gross margin excluding amortisation of acquisition-related intangible assets.
*** Before and after dilution, recalculated with regard to the 5:1 share split carried out in May 2018.
**** Recalculated with regard to the 5:1 share split carried out in May 2018.

CEO'S COMMENTS

SUCCESSFUL YEAR AND INVESTMENTS FOR GROWTH

Continuing profitable growth

2018 was yet another successful year for Vitrolife. The company achieved sales of SEK 1,151 (1,046) million, corresponding to an increase of 10% in SEK. Growth during the year amounted to 5% in local currencies and comprised organic growth. Vitrolife's largest business unit, Media, increased by 6%, which indicates a stable high market share. The Disposable Devices business unit increased by 8% despite a number of limitations to capacity during the year. During the year investments were made in the business unit in the form of increased production capacity and new strategic collaboration. The Time-lapse business unit reported yet another strong year and increased sales by 13%. We were particularly pleased that we made a breakthrough in the US market during the year. The ART Equipment business unit decreased during the year by 31% and the company has initiated a number of measures to increase sales in the time ahead. Profitability continued to strengthen during the year and the operating margin before depreciation and amortisation (EBITDA) amounted to 42% (39). The margin was positively impacted by increased sales, good cost control and positive currency effects.

Market trends strengthened during the year

The trends that have been apparent in the IVF market in recent years strengthened during 2018. Patients increasingly require that IVF clinics can demonstrate objectively good treatment results, which is driving demand for technologies such as time-lapse and genetic testing. IVF clinics are merging and forming chains so as to attract patients, achieve economies of scale and meet increased requirements from authorities and patients, which in turn is driving consolidation among suppliers.

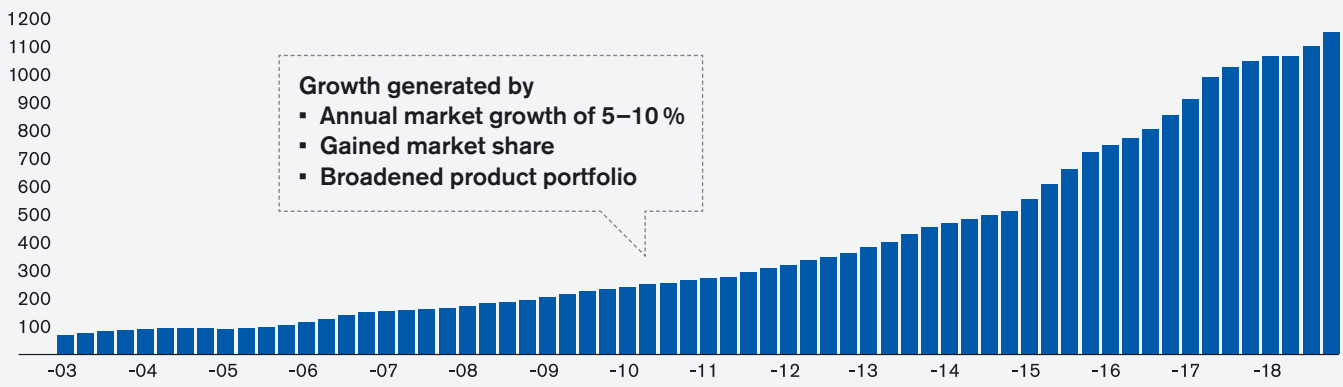
New business goal with the customer in focus

During the year Vitrolife's business goal was reformulated as "the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics". The purpose of the changed goal is to clarify Vitrolife's aim of supporting clinics' and patients' overarching objectives and the company's intention to concentrate development work on products that meet the business goal.

Genetic testing broadens the portfolio

Towards the end of the year Vitrolife entered into a licensing and commercialisation agreement with Illumina Inc. This gives Vitrolife exclusive distribution, development and commercialisation rights for Illumina's IVF business for preimplantation genetic testing in EMEA (Europe, the Middle East and Africa) and North and South America. At the beginning of 2019 the first customer deliveries of products were made and it will be interesting to follow the performance of the Genomics business unit in the time ahead. This collaboration means that Vitrolife can offer a unique range of products to IVF clinics through the combination of time-lapse and genetic testing.

Sales rolling 12 months, SEK M. Compound Annual Growth Rate (CAGR) 2003-2018: 19%



Sustainable development of the employees

Vitrolife's sustainability work aims to strengthen the company's long-term competitiveness and profitability. The employees are the single most important asset for the company. In order to retain and develop employees it is important to have ambitious objectives and to celebrate together when these are achieved. During the year the company's employees met to celebrate the fact that the company had achieved annual sales of SEK 1 billion. The aim was to strengthen Vitrolife's corporate culture and to build relations across organisational boundaries and national borders, which will be of great benefit in the continuing work to promote growth.

Outlook for 2019

Looking ahead, the market outlook is essentially unchanged. Vitrolife therefore anticipates a continuously expanding market which in monetary terms is expected to continue to grow by approximately 5-10% per annum in the foreseeable future. During 2019 the company will continue to focus on expanding sales and developing the product offering.

Thank you

I would like to take this opportunity of expressing my deep gratitude to all our committed employees and business partners for their work, which has resulted in yet another successful year for Vitrolife.

Gothenburg, March 2019

Thomas Axelsson
CEO

NEW BUSINESS UNIT GENOMICS

THE GENOMICS REVOLUTION IN IVF IS HERE TO STAY

Couples that are to looking to achieve their dream of having a baby are in a race against time as there is a significant decline in fertility as women get older, especially after 35 years. Many of these couples turn to IVF to achieve their dream, however, selecting the most viable embryo is key to success. Chromosomes carry our genetic makeup or DNA. Human cells typically have a total of 46 chromosomes – 23 come from the mother (egg); and 23 come from the father (sperm). When an embryo has the incorrect number of chromosomes, it is referred to as being aneuploid. Aneuploidy is one of the most common causes of infertility. Aneuploidy can occur in embryos of women of any age, however, the risk of aneuploidy increases as the women's age increase.

Embryos with the incorrect number of chromosomes typically do not result in a successful pregnancy or in rare cases may result in the birth of a child with a genetic condition, the most common aneuploidy in live born babies is trisomy 21, also known as Down syndrome.

The goal in IVF is to transfer an embryo with a normal number of chromosomes to improve the chance of a successful outcome.

Preimplantation Genetic Testing (PGT)

Breakthrough innovations mean that the human genome (the DNA code) can now be read quickly and at a reasonable cost and has provided the clinical community new tools in all fields of medicine. Pioneered more than 25 years, the field of PGT, screening of embryos before implantation first began by selecting embryos unaffected by a genetic disorder e.g. cystic fibrosis where both parents were carriers. This practice of assessing embryos to help prevent the transmission of an inherited genetic disorder is called PGT-M and now almost any single gene disorder can be assessed to avoid passing on the specific genetic disorders to the child.

Around 10 years ago PGT was applied to the screening of embryos for aneuploidy to help select those with a normal number of the chromosomes for transfer to improve IVF success rates. This technique, formerly called preimplantation genetic screening or PGS is now referred to as PGT-A. The widespread adoption of PGT-A in certain geographies, notably the US has allowed practicing centres to improve their IVF success rates per transfer, reduce miscarriage and promote single embryo transfers.

Visualisation of the double helix structure of DNA

Vitrolife and PGT

As a leading provider of technologies to the IVF community, Vitrolife has monitored the evolution of the PGT market. In early October 2018 Vitrolife announced a strategic partnership with Illumina Inc., the leader in next generation sequencing (NGS) the dominant technology used in the practice of PGT. Illumina is a company of about the same age as Vitrolife and with a similar track record of success, albeit in much larger scale. As part of the partnership Vitrolife will be the exclusive distributor of Illumina's kits for preimplantation genetic testing* for PGT-A (VeriSeq™ PGS) and PGT-M (Human Karyomap-12) in EMEA (Europe, Middle East and Africa) and North and South America.

In addition, and as part of the partnership, Vitrolife will develop and commercialise new fully kitted products for the *in vitro* fertilisation (IVF) market using Illumina sequencing. Illumina is today a market leader in technologies used for PGT. The products are sold for research-use-only (RUO), but there is a substantial number of laboratory service providers around the world that have developed and validated tests based on these technologies and offer these services to IVF clinics.

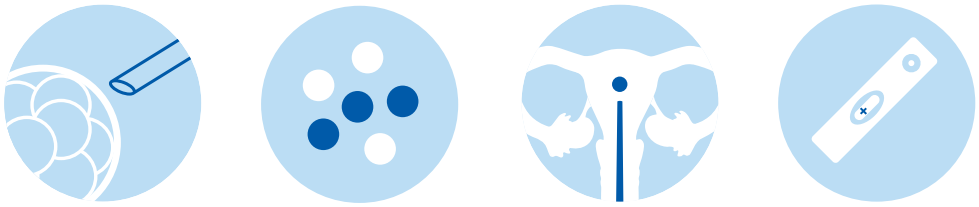
Vitrolife estimates that PGT today is used for less than ten percent of the world's IVF cycles. In order to perform PGT, a biopsy needs to be taken from the trophectoderm layer (cells that later will form the placenta) of the blastocysts.

Vitrolife also offers laser equipment needed to perform such biopsies due to the acquisition of MTG/Octax in 2016. Time-lapse equipment is furthermore ideal to identify which embryos to perform a biopsy on and when to do so. Vitrolife is hence involved in the whole work-flow of PGT and because of the new partnership is now in a position to bring further innovation and value to the IVF community – for the greater benefit of couples wanting to have a child.

Illumina partnership

- Vitrolife will be the exclusive distributor for Illumina's products* for PGT-A (VeriSeq™ PGS) and PGT-M (Human Karyomap-12) in EMEA and North and South America.
- Vitrolife will develop new kitted sequencing solutions for IVF to be used on the Illumina instruments and once available in the market, Vitrolife will have the exclusive right to commercialise these new products world-wide excluding China for an additional payment of USD 3 million, subject to certain conditions.
- Illumina will provide transition and support services to Vitrolife.

For more information, see page 27.



1. Embryo biopsy **2. Testing** **3. Transfer** **4. Pregnancy**

How PGT-A works

1. Following ovarian stimulation and egg retrieval, few cells are biopsied from the embryo. **2.** Embryos are tested for aneuploidy. **3.** Those most likely to be euploid are either transferred to the uterus or remain cryopreserved for future use. **4.** Transfer hopefully results in a pregnancy.

Vitrolife's products for Preimplantation Genetic Testing (PGT) *

VeriSeq PGS Kit – MiSeq

Next-generation sequencing solution for Preimplantation Genetic Testing for Aneuploidy (PGT-A). The systems consist of the VeriSeq PGS Kit – MiSeq, BlueFuse Multi Software and Illumina's MiSeq** sequencing platform.

Human Karyomap-12 DNA Analysis Kit

Array-based solution for Preimplantation Genetic Testing for Monogenic Disease (PGT-M). The system consists of the Human Karyomap-12 DNA Analysis Kit, BlueFuse Multi Software and Illumina's iScan* System or NextSeq 550* sequencing platform.

** For research use only. Not for use in diagnostics procedures. **Available from Illumina.*

VITROLIFE'S GOAL SUPPORTS PATIENTS' DESIRE TO HAVE A HEALTHY BABY AND IVF CLINICS' EFFICIENCY REQUIREMENTS

Business concept
Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for assisted reproduction.

Business goal
Vitrolife's goal is to be the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics.

Strategy
Vitrolife has identified five strategic focus areas to reach this goal:

- Sustainable scalable global organisation focusing on common values and processes.
- Strengthen sales and support channels that can offer customised solutions.
- Competitive and complete portfolio with integrated and modular solutions.
- Innovative research and development and efficient supply chain and manufacturing.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

Financial objectives
Vitrolife's Board of Directors considers that Vitrolife should have a strong capital base in order to enable continued high growth, both organically and through acquisitions. The company's net debt in relation to EBITDA should normally

Vitrolife's growth strategy

not exceed three times. Vitrolife targets profitable growth. The objective for Vitrolife's growth over a three year period is an increase in sales by an average of 20% per year in local currencies, with an operating margin before depreciation and amortisation (EBITDA) of more than 30%.

Reformulated business goal supports ambitions

During the year the company's business goal and strategic focus areas were reviewed in order to clarify the company's ambition to provide solutions that support patients' desire to have a healthy baby quickly and IVF clinics' efficiency requirements. The previous business goal of "the world leading supplier of medical devices for assisted reproduction" was replaced by the new business goal: "the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics".

Achievement of financial objectives

Sales growth

Over the last three years, Vitrolife's sales have grown both organically and through acquisitions by an average of 15% per year. Organic growth has been driven by IVF market growth of estimated 5–10% per year. Vitrolife has also gained market shares by expanding the sales organisation and broadening the product portfolio. The target of 20% annual growth is defined as organic and acquired growth measured in local currencies and averaged over a three-year period. Growth thus underperformed the target.

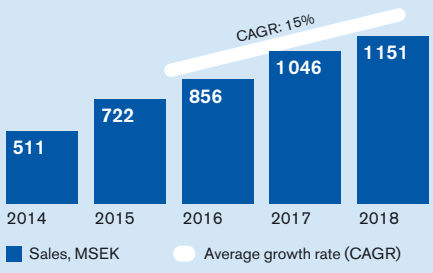
EBITDA margin

In 2018 the operating margin before depreciation and amortisation (EBITDA) amounted to 42%, which means that the margin increased compared to 2017. The increase is primarily explained by increased sales, good control of costs and positive currency effects. Vitrolife's objective for the EBITDA margin is 30%. The company thus reported an operating margin that outperformed the target for 2018.

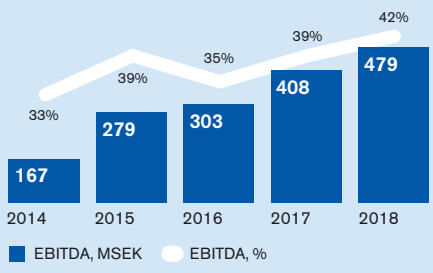
Net debt/EBITDA

In 2018, net debt in relation to EBITDA amounted to a multiple of -1.0 (-1.0), i.e. the company had a net cash position. Vitrolife's strong financial position provides scope for financing future acquisitions.

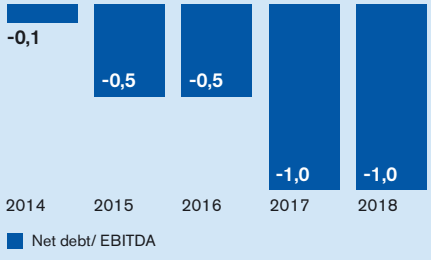
Over the last three years the average growth rate (CAGR) has been 15% per year measured in local currencies



The EBITDA margin has increased during 2018



Vitrolife's strong financial position enables future acquisitions



Achievement of financial objectives

Financial objectives	Objective 2018	Actual 2018	Achievement
Sales growth in local currencies (average 3 years)	20%	15%	✗
EBITDA margin	30%	42%	✓
Net debt/EBITDA	<3	-1,0	✓

IVF TREATMENT

IN VITRO FERTILISATION IS THE MOST EFFECTIVE METHOD FOR TREATING INVOLUNTARY CHILDLESSNESS

Involuntary childlessness

The World Health Organization (WHO) estimates that approximately 10% of all couples of reproductive age have difficulties in having children. This means that more than 100 million couples need some form of infertility treatment.

Treatment of infertility

There are several methods to treat human infertility. In Vitro Fertilisation (IVF), known as the test-tube baby procedure, is the most effective method. However, the treatment is relatively expensive and often stressful. Therefore, other simpler methods such as insemination are often tried prior to IVF.

The IVF process

Usually, IVF treatment starts with the use of hormones to stimulate the woman's ovaries to produce more mature eggs than usual. The eggs are then retrieved from the ovaries using an oocyte aspiration needle. In parallel, the man provides sperm and fertilisation could be achieved by sperm and eggs being brought together in a medium (nutrient solution) in a culture dish. An alternative method for fertilisation is to inject one sperm into one egg using a micropipette. This process is known as ICSI and has revolutionised treatment results for male infertility.

The fertilised eggs, which are called embryos, are then cultured in nutrient solutions, known as media, in an incubator which has a controlled environment that mimics the human body in terms of temperature and pH. After culture for a period of 2–6 days, the embryo or embryos are selected which are assessed to have the greatest potential to result in pregnancy and are transferred to the uterus using a transfer catheter. Biological assessment of the embryos can be done by removing them from the incubator and performing a microscopic analysis on a number of occasions during the culture process or by utilising new time-lapse technology for monitoring embryos. Genetic assessment of the embryos can be done by observing the number of chromosomes in the embryos. This is called preimplantation genetic testing for aneuploidy (PGT-A).

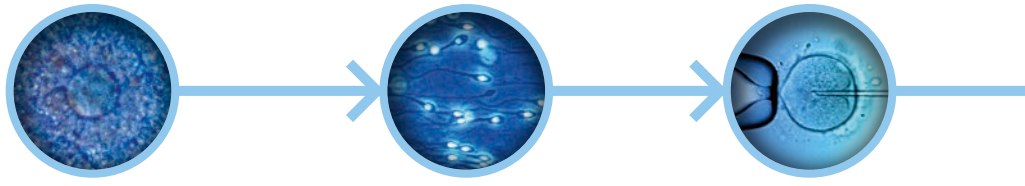
Any surplus high quality embryos can be frozen so that they can be thawed and used on a later occasion if the treatment fails to result in pregnancy or if more children are desired later. The most common method for freezing is called vitrification and is also used for freezing of unfertilised eggs. Even sperm can be frozen for later use.

Treatment results

In the mid-1980s, the pregnancy rate after IVF treatment was on average approximately 15%, and was accompanied by an excessively high rate of multiple pregnancies, which involved higher risk for the mother and children. Toward the end of the 1990s, the corresponding figure was approximately 25-35% and certain clinics can now achieve 50% or higher.

The underlying reasons are refinement of the method and the further development of the composition of the media used. The pregnancy rate largely depends on the group being treated and how the treatment is performed – age, diagnosis and the number of embryos transferred are all crucial for the treatment result.

VITROLIFE'S PRODUCT OFFERING COVERS ALL THE STAGES OF THE IVF PROCESS



OOCYTE RETRIEVAL

SPERM PREPARATION

FERTILISATION

VITROLIFE'S PRODUCT OFFERING

BROAD PORTFOLIO OF QUALITY-ASSURED IVF PRODUCTS

Competitive offering

IVF treatment involves several stages: from the handling of eggs and sperm, to the culture and transfer of embryos as well as cryopreservation for eggs, sperm and embryos.

Vitrolife's product range includes needles for oocyte retrieval, nutrient solutions, known as media, for handling and culturing of eggs, sperm and embryos, micromanipulation pipettes and disposable plastic products. The culture media is developed to mimic the natural environment inside the human body and to provide the embryo with the nutrients it requires for optimal development.

Vitrolife also offers products for the cryopreservation of sperm, eggs and embryos, all of the highest quality to thereby enable excellent results at clinics.

Time-lapse technology is used by clinics worldwide to monitor the development of embryos and to select an embryo to be transferred to the woman. With the time-lapse systems EVO+, EmbryoScope and EmbryoScope+, Vitrolife is the market leader in this area.

Vitrolife also offers microlaser systems, which are primarily used for embryo biopsy, that is to be able to extract embryo cells for subsequent genetic analysis. As from the beginning of 2019 Vitrolife offers a kit for genetic analysis of embryos via the partnership with Illumina (see pages 6–7).

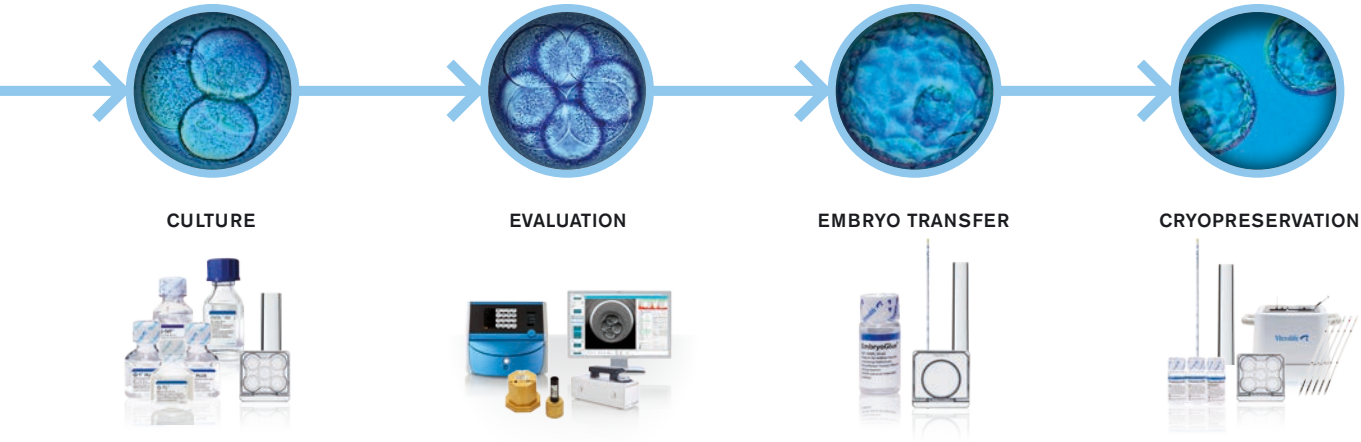
Collaboration

Vitrolife's aim is to create long-term and close collaborations with dedicated customers, which has generated success and excellent treatment results. These collaborations, which also comprise Vitrolife's brand promise, are called "Together. All the way." For Vitrolife, the brand promise signifies a feeling the company wants everyone who comes into contact with Vitrolife to experience.

Service and support

The possibility of becoming pregnant through IVF is influenced by several factors. The woman's age comprises a key factor, since a woman's fertility decreases as she ages. Not only the underlying diagnosis but also other factors, such as hormone treatment and the technique used to transfer the embryo to the woman, have an impact on the result. The environment where the embryo is cultivated is of great significance for the result and factors such as correct nutritional composition, temperature and pH are crucial. Other crucial factors for successful treatment comprise the quality, settings and correct handling of the technical equipment. Any material that the embryo comes into contact with during the procedure could negatively impact results. Therefore, in addition to a quality-assured product line, Vitrolife has a team of experienced embryologists who help customers to set up their processes and flows in an optimal manner.

For more information on Vitrolife's products, visit the company's website at: www.vitrolife.com.



MARKET AND SALES

THE IVF MARKET IS GROWING BY 5-10% PER YEAR DRIVEN BY INCREASING AVERAGE INCOMES AND AGES AMONG PROSPECTIVE PARENTS

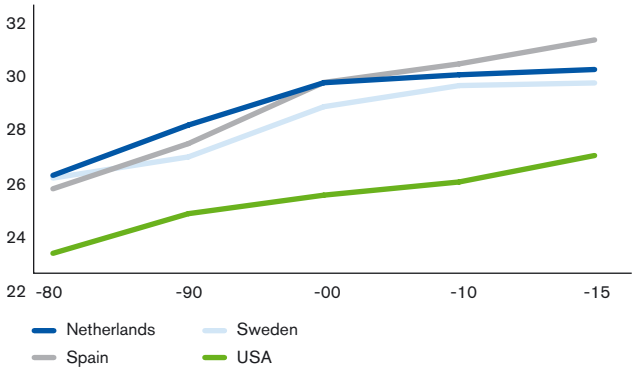
Market size and growth

Vitrolife's customers comprise private and public clinics, hospitals and laboratories. The world market for assisted reproduction from the perspective of the IVF clinics is estimated to be approximately SEK 100–150 billion.

The cost of the disposable products used in an IVF treatment for which Vitrolife today offers products amounts to approximately SEK 2,000 per treatment cycle for the clinic. The cost of time-lapse amounts to approximately SEK 500 – 1,000 per treatment cycle, depending on the technical solution. The penetration of time-lapse amounts to about 15%. The total cost of assisted reproduction treatment amounts to approximately SEK 50,000 on average. Prices vary considerably from country to country.

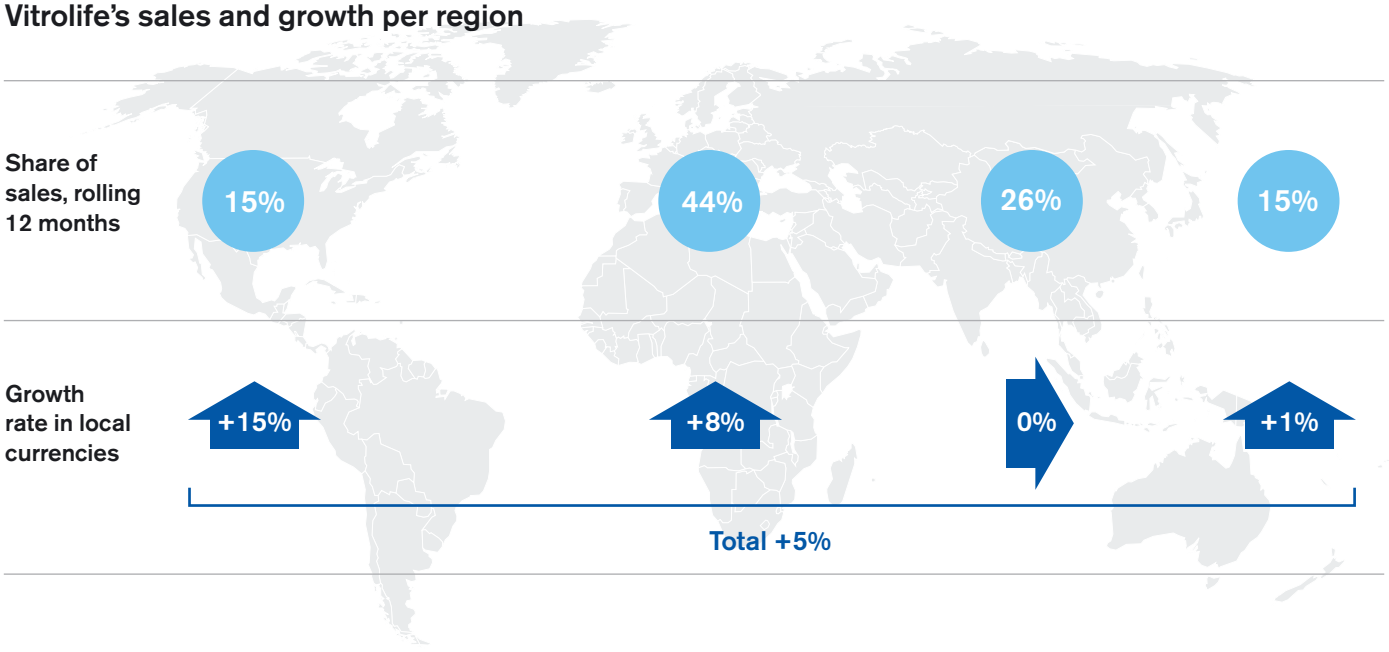
Vitrolife estimates that each year about 1.9 million oocyte retrieval procedures are carried out and about 2.5 million transfers (embryos transferred to the woman). The reason transfers outnumber oocyte retrievals is that fertilised eggs that are not used in the first transfer are frozen and used if the first treatment fails or if siblings are desired. The amount of reliable data regarding the number of treatments worldwide is limited and, accordingly, the figures are estimated by Vitrolife on the basis of local market data and official statistics.

Average age of first-time mothers rising



Source: UNECE Statistical Database. Data from Eurostat and UNICEF TransMONEE.

Vitrolife's sales and growth per region



The market for the disposable products used in an IVF treatment for which Vitrolife today offers products amounts to approximately SEK 4 billion. In addition to this, Vitrolife also addresses parts of the market for capital goods through products such as time-lapse, laser systems and quality control systems. Clinics' total purchases of products and equipment are estimated to be approximately SEK 10 billion.

Market growth is estimated at 5–10% per year, with considerably higher growth in Asia than in Western Europe and North America. Growth is primarily driven by the growing middle class, that parents-to-be choose to try to have children later in life, increased social acceptance of IVF and increased use of technology in IVF treatments.

Vitrolife's net sales 2018

Sales amounted to SEK 1151 (1 046) million, corresponding to an increase of 10% in SEK. Sales growth was 5% in local currencies and consisted of organic growth.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 8% in local currencies and amounted to SEK 511 (450) million. Sales in the North and South American region amounted to SEK 173 (148) million. Sales increased by 15% in local currencies. Sales in the Japan and Pacific region increased by 1% in local currencies and amounted to SEK 169 (166) million. Sales in the Asian region was unchanged in local currencies and amounted to SEK 297 (283) million.

Sales for the Media business unit increased during the period by 6% in local currencies and amounted to SEK 606 (545) million. Sales for the Disposable Devices business unit increased by 8% in local currencies and amounted to SEK 167 (149) million. Sales for the Time-lapse business unit increased by 13% in local currencies and amounted to SEK 297 (252) million. Sales for the ART Equipment business unit decreased during the period by 31% in local currencies and amounted to SEK 58 (79) million. Freight revenues amounted to SEK 24 (20) million.

IN BRIEF

Customers
Private and public clinics, hospitals and laboratories

Number of clinics
Approx. 5,000

Payment of treatment
Partly subsidised in most countries in Europe, private in the US and Asia

Number of treatments per year
Approx 1.9 million egg retrievals and approx. 2.5 million transfers

Cost per treatment
Total cost treatment approx. SEK 50,000
Disposable products that Vitrolife addresses approx. SEK 2,000
Time-lapse approx. SEK 500–1,000

Total size of market
Disposable products that Vitrolife addresses approx. SEK 4 billion*

*Clinics' total purchase approx. SEK 10 billion

Competitors

Vitrolife's main competitors comprise global companies which, like Vitrolife, have broad IVF product ranges. Prominent examples are Cooper Companies, Cook Medical and Kitazato. There are also global competitors who have specialised in limited product groups.

Vitrolife partners with GE Healthcare to further improve assisted reproductive offerings

In the lead up to the ESHRE 2018 annual conference in Barcelona, it was announced that Vitrolife is partnering with GE Healthcare around improving patient outcomes in ART.

GE Healthcare, being the leading provider in medical imaging, diagnostics, therapeutics and monitoring, offers the Voluson™ ultrasound systems that enable physicians to monitor stimulated follicles, determine the optimal time for oocyte retrieval and secure good needle visibility during the oocyte retrieval. There is a natural fit of GE Healthcare's ultrasound technology with Vitrolife's IVF Journey.

Since announcing the partnership, Vitrolife and GE Healthcare have been collaborating on joint activities at major conferences such as ESHRE, ASRM and ASPIRE, and will continue to do so moving forward. Joint seminars and workshops are also being planned giving gynecologists the full view of the IVF Journey, combining the expertise and technologies from these two leading companies.

SUSTAINABLE BUSINESS

FOCUS ON LONG-TERM COMPETITIVENESS AND PROFITABILITY

Introduction

The sustainability report for 2018 is for the parent company Vitrolife AB (publ), corporate ID number 556354-3452 and all units consolidated in Vitrolife's consolidated accounts. These are specified in Note 28. The sustainability report is presented in accordance with the provisions of the Swedish Annual Accounts Act, chapters 6–7. The Board and the CEO have also approved the sustainability report when signing the annual accounts and the consolidated annual accounts.

Vitrolife's business - a potential source of joy

Vitrolife's business contributes to helping people to fulfil their dreams of becoming parents. Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for the fertility treatments (IVF). The company's range of products includes nutrient solutions (media), advanced disposable instruments (needles and pipettes), plastic disposable products and technological aids such as time-lapse and microlaser systems. As from the beginning of 2019 Vitrolife offers kits for genetic analysis of embryos via the partnership with Illumina. Vitrolife primarily conducts product development in-house, while research is largely carried out through close cooperation with leading researchers in the field. Product development is based on market need and Vitrolife is also constantly considering the acquisition of companies or product areas in addition to product development in-house. Production takes place in the company's facilities in Sweden, the US, Denmark and Germany. Marketing and sales are carried out by Vitrolife and in collaboration with distributors. Vitrolife has customers in approximately 110 countries and they are primarily public and private clinics. For more information on the value chain, see pages 20–21.

Vitrolife's work on sustainability supports the business

Vitrolife's sustainability activities are aimed at strengthening the Group's long-term competitiveness and profitability. This is achieved through long-term, responsible actions vis-à-vis the company's stakeholders, such as shareholders, customers, employees, suppliers and society as a whole. Vitrolife's corporate governance policies are described in the Corporate Governance Report on pages 30–33, where the Board's guidelines for sustainable business and the diversity policy are also presented. Vitrolife's values are described on page 19.

Vitrolife's Board and management have carried out a materiality analysis and identified a number of sustainability aspects that are important for Vitrolife's long-term competitiveness and profitability. There are established guidelines for these aspects and quantitative or qualitative result indicators for follow-up. Each year Vitrolife's Board and management work on identifying, minimising and if possible totally eliminating risks that have an impact on sustainable business. The risks are analysed on the basis of legal requirements and other aspects that Vitrolife cannot influence and with regard to risks that Vitrolife can influence directly or indirectly through improved routines, the establishment of guidelines and training of the employees.

VITROLIFE ACADEMY SUPPORTS VITROLIFE'S BRAND PROMISE

Vitrolife Academy stands behind Vitrolife's brand promise "Together. All the way" in that experts in the IVF field organise workshops and training for Vitrolife's customers. Methods are drawn up by the Vitrolife Academy for the best possible IVF results within all of Vitrolife's business units.

The most important sustainability aspects determined by the Board and management on the basis of significance and risk are:

- Quality-assured products
- Competent employees
- Responsible business
- Minimal environmental footprint

Quality-assured products

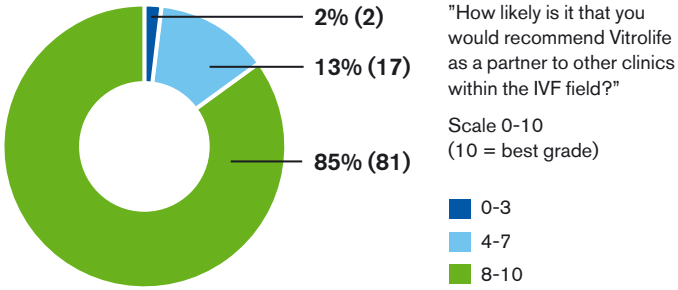
The aim is to treat customers, clinics and patients in a sustainable manner. This is achieved by ensuring that each product distributed to customers meets the promised quality standards which, in turn, enables effective treatments. High-quality products are supplied by using quality systems that meet international requirements for medical devices, for example ISO 13485. With its quality system and quality policy, Vitrolife has committed to complying with the regulations set by the authorities in each country where the products are sold or distributed. This means, inter alia, that each product is sold clearly marked for its approved range of applications, has instructions for correct use and that a system is in place to assess risk and register possible side-effects.

Vitrolife performs tests in the entire production chain, from raw materials and semi-finished goods to the end product, to ensure that products of consistent and high quality are delivered to customers. Quality-assured products are thus a precondition for working as a supplier of medical devices and also involve a competitive advantage. For more information on Vitrolife's quality systems , see pages 20–21.

Workshops are regularly organised by Vitrolife both at customers and on Vitrolife's premises so as to give customers training on how the products should be used for the best possible results. Vitrolife Academy is a training organisation at the company consisting of IVF experts. Through collaboration with all of Vitrolife's business units, effective methods are developed and training is organised for clinics so that they can achieve the best possible IVF results.

Vitrolife's products are sold worldwide. Customer comments are regularly compiled and are reported to executive management. Vitrolife measures customer satisfaction as the main measure of perceived quality. Vitrolife has a method for measuring customer satisfaction whereby Vitrolife's customers are asked via a questionnaire if they would be willing to recommend Vitrolife as a partner to other clinics in the IVF field. The customers selected are direct customers (not distributors) who had made purchases in the past 12 months. Willingness to recommend is measured on a scale from 0 to 10, where 10 is the best grade. Vitrolife received a very positive response from its customers. 85% gave Vitrolife a score of between 8 and 10.

Customer satisfaction - willingness to recommend 2018



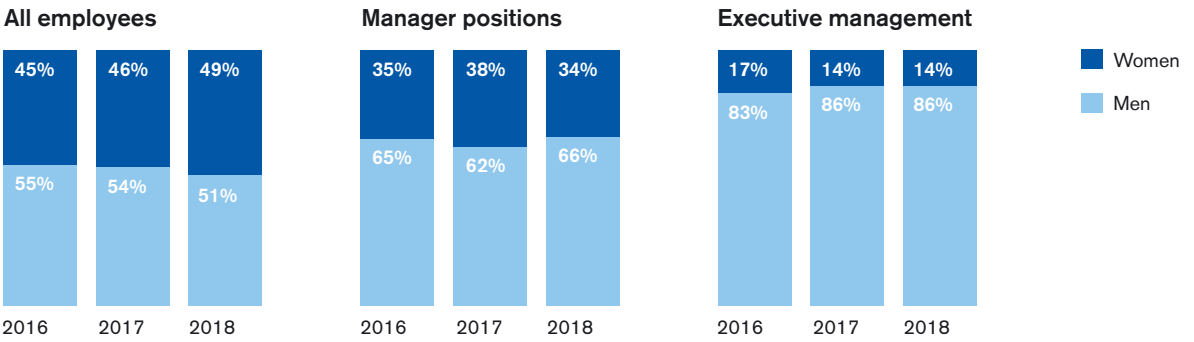
Competent employees

Vitrolife is a knowledge-intensive business Group where the employees are the single most important asset for the Group's long-term competitiveness and profitability. Vitrolife has identified competence development, equality and anti-discrimination as critical sustainability aspects to develop employees' competence and well-being.

To keep and develop competent and committed employees, together the employees and managers identify development needs and draw up development plans in connection with the annual performance reviews. These are carried out on the basis of the company's policy for performance reviews. In addition to individual development work, job-specific training comprising both qualification and requalification is always carried out. All managers with personnel responsibility receive regular training in leadership in order to develop into secure and competent leaders. Furthermore, employee surveys are carried out each year where important viewpoints and suggestions concerning improvements to the work environment are gathered from the employees. Equality has been identified as a priority sustainability aspect, both to retain employees and develop them to their full potential and also to attract new employees. Vitrolife strives to be an attractive employer that maximises and utilises the competence that exists in the Group's employees.

Vitrolife is an organisation that operates globally, where a knowledge of languages and the ability to work in different cultural environments are important qualities to achieve success. Vitrolife's Code of Conduct clearly states Vitrolife's position regarding human rights, where no form of discrimination is tolerated irrespective of ethnic or national origin, skin colour, gender, sexual orientation, religion, political views, nationality or social origin. Vitrolife has zero tolerance regarding all forms of discrimination, bullying or harassment. The 2018 employee survey included specific questions within the areas of diversity, equality and discrimination.

Gender distribution



Vitrolife has decided to follow up gender distribution for various managerial levels in the Group so as to be able to discover and rectify any imbalance that is not justified. The Human Resources department performs annual salary surveys to discover any unreasonable differences. These are then corrected within the framework of the Group's equality policy.

Responsible business

Responsible business is a critical sustainability aspect, both to reduce the risk of breaking the law and as a competitive advantage in recruiting and external collaboration. All employees and business partners receive training in Vitrolife's Code of Conduct to ensure that Vitrolife's business is conducted in accordance with local legislation, international and national codes of conduct and Vitrolife's standards. This has been drawn up, amongst other things, on the basis of the UN's Global Compact regarding human rights, working conditions, the environment and anti-corruption. Vitrolife requires that all employees and distributors sign and comply with Vitrolife's Code of Conduct. The distributors thus certify that there is no form of slave labour, child labour or bribes. All distributors have signed Vitrolife's Code of Conduct. Vitrolife conducts web-based training annually for all employees to repeat the content and to ensure compliance with the Code of Conduct. All employees at work completed the training and verified compliance with Vitrolife's Code of Conduct. When selecting and qualifying suppliers with regard to the purchase of materials for production, one of the selection criteria is that suppliers comply with and work in accordance with Vitrolife's Code of Conduct. Vitrolife works together with established suppliers, mainly in the EU and the US.

Vitrolife has a whistleblower function, comprising the Group's HR Director and Vitrolife's Chairman of the Board, to whom employees can turn to report any deviations from Vitrolife's Code of Conduct. Reporting can also be done anonymously. One report was made during the year, and this was followed up and rectified by HR. A decision was made during the year to introduce a digital tool for whistleblower management.

Vitrolife pays tax in every country where business is conducted pursuant to current legislation and OECD guidelines for fair distribution of results, which contributes to the development of the local society in each country.

Minimal environmental footprint

Vitrolife aims to conduct the Group's business with as little impact on the environment as possible without sacrificing Vitrolife's competitive advantage. Vitrolife has issued an

VITROLIFE'S BUSINESS - A POTENTIAL SOURCE OF JOY

Vitrolife's business contributes to helping people to fulfil their dreams of becoming parents. Vitrolife's vision is "to fulfil the dream of having a baby".

environmental policy which is communicated to employees, customers, distributors, suppliers and to the general public.

Vitrolife endeavours to improve its environmental performance through the following environmental policy:

- Continuous improvements and emissions prevention
- Compliance with legal and other relevant requirements
- Minimising the environmental impact of energy consumption and transportation
- Communication of Vitrolife's environmental policy to employees, suppliers, distributors and the general public

Since 2014 the head office including the production facility in Gothenburg has been certified in line with the ISO 14001 environmental standard. A policy for sustainable travel has been issued to reduce the environmental impact of travel. One example is the use of the video conferencing equipment installed at all of Vitrolife's offices. Another example is that employees who have the right to a car benefit can only choose eco-certified cars.

Air freight is a necessity for Vitrolife's temperature-sensitive products, even though air freight impacts the environment. IVF media are sensitive products that must be stored and transported under refrigerated conditions to maintain product quality. IVF media are kept cold during transportation by being packed with ice packs in well-insulated styrofoam boxes. When outside of a cold store, these styrofoam boxes have a limited time before the contents become too warm. This necessitates short transportation times, making air freight the only alternative at longer distances. However, the environmental impact can be reduced through efficient packing and fewer shipments. Vitrolife strives to reduce the amount of refrigerated freight by informing customers about the CO_2 emissions generated by transportation, thereby encouraging customers to order larger quantities on fewer occasions. Vitrolife has developed tools to calculate how to fill the refrigerated boxes optimally. Non-temperature-sensitive products such as instruments are transported by sea to south-east Asia whenever possible. Vitrolife also uses professional freight carriers with efficient transportation systems that optimise shipments through bundling and transportation routes that also reduce CO_2 emissions and costs. During 2018 Vitrolife transported products to customers amounting to a weight of 501 tonnes (440) corresponding to a CO_2 consumption of 1,451 tonnes (1,251). Vitrolife measures the environmental efficiency of transportation as CO_2 emissions in tonnes in relation to the Group's sales in SEK million. The environmental index related to transportation thereby amounted to 1.26 (1.20).

A large proportion of electricity consumption is attributable to production equipment. Electricity consumed in Sweden and Germany comes from renewable energy sources, which means zero CO_2 emissions. During 2018 energy consumption amounted to 3,323 MWh (3,380 MWh) corresponding to a CO_2 consumption of 270 tonnes (288). Vitrolife measures the environmental efficiency of energy consumption as CO_2 emissions in tonnes in relation to the Group's sales in SEK million. The environmental index related to energy consumption thereby amounted to 0.23 (0.28).

Social responsibility

Vitrolife's vision is "To fulfil the dream of having a baby", to help people realise their dream of becoming parents. Vitrolife supports flexible working hours for its employees as far as possible to create harmony and balance between work and family life. Vitrolife also works to create a good work environment and to prevent ill health and accidents. Important viewpoints are gathered from the employees in the annual employee surveys so as to constantly improve the work environment. For more information, see the Organisation section on pages 18–19.

Millions of women worldwide do not have access to delivery care. Vitrolife therefore supports the work of Swedish Medical Aid, to ensure safe deliveries for women in rural Africa, which saves lives and reduces suffering.

Auditor's report on the statutory sustainability report

To the general meeting of the shareholders in Vitrolife AB (publ), corporate identity number 556354-3452

Engagement and responsibility
It is the Board of Directors who is responsible for the statutory sustainability report for the financial year 2018 on pages 14–17 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit
Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

Opinion
A statutory sustainability report has been prepared.

Gothenburg 26 March 2019
Deloitte AB

Fredrik Jonsson
Authorized Public Accountant

AN INTERNATIONAL ORGANISATION IN GROWTH

Organisation

Vitrolife's head office is in Gothenburg and the company's Swedish business is run from there. Vitrolife has production in Gothenburg, but also in Denver and San Diego (USA), in Bruckberg (Germany) and in Aarhus (Denmark). There are also local offices in Australia, Belgium, France, Italy, Japan, China and the UK.

Vitrolife's organisation consisted during 2018 of four business units (Media, Disposable Devices, Time-lapse and ART Equipment) and their products were sold by four geographic market regions (EMEA, Asia, Japan and Pacific and North and South America). As of 2019, the Genomics business unit will be added. Furthermore, there are joint corporate support functions such as Human Resources, Research and Development, Business Development, Finance and IT.

Employees

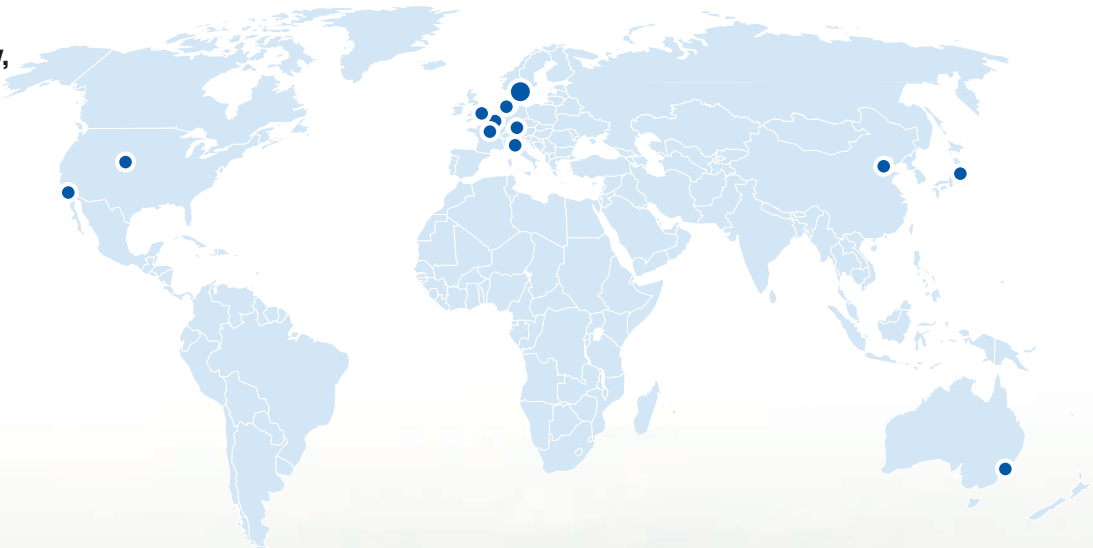
During January to December 2018 the average number of employees was 363 (355), of whom 177 (162) were women and 186 (193) were men. Of these, 141 (140) were employed in Sweden, 77 (73) in the US, 77 (73) in Denmark and 68 (69) in the rest of the world. At the end of the period the number of employees in the company was 392 (372). During the year 49% (46) of the employees were women and 51% (54) men and the average age was 44 (40).

An attractive workplace

Vitrolife is goal-oriented in its work to create an attractive workplace for all employees and to promote the development of a highly efficient organisation. To create an attractive workplace it is important to understand how the employees perceive their workplace. Vitrolife therefore carries out an annual employee survey where the results are analysed and form the basis of activity plans. Vitrolife's strengths are clearly communicated objectives and values, managers who are supportive of the employees and products and services that benefit society.

An important aspect of retaining employees is to offer opportunities for development and training. Employees' competence is crucial for Vitrolife's future growth. Employees and managers annually evaluate the development needs that exist and development plans are subsequently prepared. Moreover, internal and external programmes exist for the development of both employees and managers.

Vitrolife is a global medical device company, with 12 offices and sales in approximately 110 markets



In 2018 Vitrolife gathered together for the first time all employees from the whole company for a conference that was held in Sweden. The aim was to strengthen Vitrolife's corporate culture and to highlight what has been achieved together within the company. This was a unique opportunity to build relations and establish contacts across organisational boundaries and national borders, which will be of great benefit in the continuing work to promote growth.

One way for the employees to develop and broaden their competence is to stimulate mobility and the exchange of experience through global skills groups. By encouraging internal rotation and developing existing roles, employees are challenged to develop themselves further. Besides, the common corporate culture is strengthened.

Work environment

Vitrolife's overarching objective is to create a good physical work environment and a healthy work climate where everyone can feel secure and can develop. Employee surveys follow up how satisfied the employees are with their work environment and improvements are made through dialogue and influence. In addition, the employees are trained so that work is carried out in such a way that risks are reduced and ill-health is prevented. Vitrolife encourages a good balance between employees' work and personal life and therefore supports flexible work solutions.

An important part of a safe and secure work environment is to ensure that no-one is subjected to discrimination or sexual harassment. Vitrolife should be a workplace where diversity is respected, irrespective of gender, religion, ethnic background, race or sexual preference. Employee surveys evaluate, for example, whether anyone feels that they are harassed or discriminated against. The company provides regular information about the importance of all employees being observant with regard to harassment and how they can proceed if they notice harassment.

The local work environment activities are run by the managers and the Human Resources function, supported by collaboration partners, for example local employer organisations and consultants.

A safety committee runs systematic work environment activities for the operations in Sweden. This committee includes a safety representative appointed by the trade union together with other employee representatives and management. Established plans are in place for responsibility and risk assessment, as are procedures for identifying, rectifying and following up any shortfalls in the work environment.

Corporate culture

Vitrolife's vision is "To fulfil the dream of having a baby" and describes what is most important for us – helping people realise their dream of becoming parents. Vitrolife strives to have a decentralised and flexible organisation structure, characterised by competence, an entrepreneurial spirit, management by objectives and rapid decision-making. The company's values guide the employees as to how they should act and make decisions in different situations. Detailed descriptions are available for each value, including everyday examples of their meaning, with the aim that all employees will use them as guidance in their daily work. The values are also discussed at the performance reviews held during the year. Since it is crucial that Vitrolife's operations comply with local legislation, international and national codes of conduct and Vitrolife's standards, all employees and business partners receive training in Vitrolife's Code of Conduct.

Vitrolife's values

More efficient global HR processes

Work was carried out in 2018 to make the global HR processes more efficient and to raise their quality. A digitised recruitment tool has meant simplified recruitment administration for managers, created an attractive perception of Vitrolife for the candidates and ensured that the new data protection regulation (GDPR) is met. In the latter part of 2018 implementation of a Human Capital Management system was begun which greatly will benefit the efficiency and quality of the administrative processes that encompass Vitrolife's employees and their work.

Collective agreements

Vitrolife Sweden AB follows collective agreements. The company is a member of Innovation and Chemical Industries in Sweden (IKEM) and is consequently bound by IKEM's agreement with unions including IF Metall, Unionen and Unions for Professionals. Collaboration with local unions works well and facilitates solutions that best take into consideration both the employees' and the employer's interests.

HIGH AND CONSISTENT QUALITY IS ONE OF VITROLIFE'S COMPETITIVE ADVANTAGES

Innovative product development based on customer benefit and scientific knowledge

Vitrolife's operations cover the product's entire value chain, from research, development and production through to distribution and sales. Together with the business units, the research function evaluates new product possibilities with a focus on customer needs, medical needs and financial prerequisites. Development work includes comprehensive testing work and collaboration with opinion leaders to ensure the best functionality and security, which leads to rapid market acceptance of new products.

Vitrolife develops innovative products on a solid scientific basis and, as far as possible, protects these products through product or process patents. Patent applications are submitted in each product's key markets at an early stage of research.

Vitrolife also owns a number of registered trademarks, such as EmbryoGlue®, EmbryoScope® and Primo Vision®.

Development work also comprises preclinical and clinical studies to document the products' effectiveness and safety. These studies are often presented at scientific congresses or published in scientific journals. When a product is ready for launch, these studies comprise an excellent base for communication of the product's value.

Product approval

The majority of Vitrolife's products are classified as medical devices. The documentation requirements for medical devices differ from those applicable for pharmaceuticals.

Product approval is required in each individual market in which the products will be sold. In the US, for example, approval is required from the Food and Drug Administration (FDA) and in China approval from National Medical Product Administration (NMPA) is required. In the EU, the product must be marked Conformité Européenne (CE). The requirements for approval of medical devices are increasing in most markets. In May 2020 the EU will transfer to Medical Device Regulations (MDR), which will involve significantly stricter rules.

Sourcing, production and quality control

Vitrolife has its own production. A large part of Vitrolife's competitiveness is attributable to its well-developed production technology. As raw material suppliers do not have methods to test that the raw materials are suitable for IVF treatment, a great deal of resources are invested in finding and testing acceptable raw materials. A large part of

Vitrolife's Quality and Environmental Systems
ISO 14001:2015
ISO 13485:2016
US Quality System Regulation
Canadian Medical Device Regulations
EU Good Distribution Practice etc.

Audits performed at Vitrolife during 2018
FDA (USA), TGA (Australia), Health Canada (Canada), DNV, BSI, Presafe, TÜV Rheinland and TÜV SÜD.

EXTENSIVE QUALITY CONTROL FROM RAW MATERIAL TO DELIVERED PRODUCT

Continuous evaluation of raw material suppliers

Stringent testing of all raw material

Controlled manufacturing

VITROLIFE HAS WORLDLEADING PRODUCTION WITH FIRST-CLASS QUALITY CONTROL AND EFFICIENCY

production is carried out in clean rooms and all operations are steered by quality systems adapted to medical device standards and regulatory frameworks. Advanced tests of raw material, semi-finished and finished products ensure high and consistent quality and comprise a strategic competitive tool.

Sales and distribution

Vitrolife has sales in approximately 110 markets. In order to support all markets, the company has developed a customer support function where customers can quickly gain access to expert scientific support. As more advanced products are developed, the need for expert customer support also increases. The provision of customer support, both in markets served directly and through distributors, ensures that the products are used correctly thus enabling the clinics to utilise the improvements delivered by the products.

The distribution of medical device products also places high demands. Media, for example, must be transported under refrigerated conditions to all parts of the world. Vitrolife has long experience of this type of transportation and the global refrigeration chain is a balance of quality requirements, environmental aspects and economy.

Extensive testing of final products

Controlled distribution process

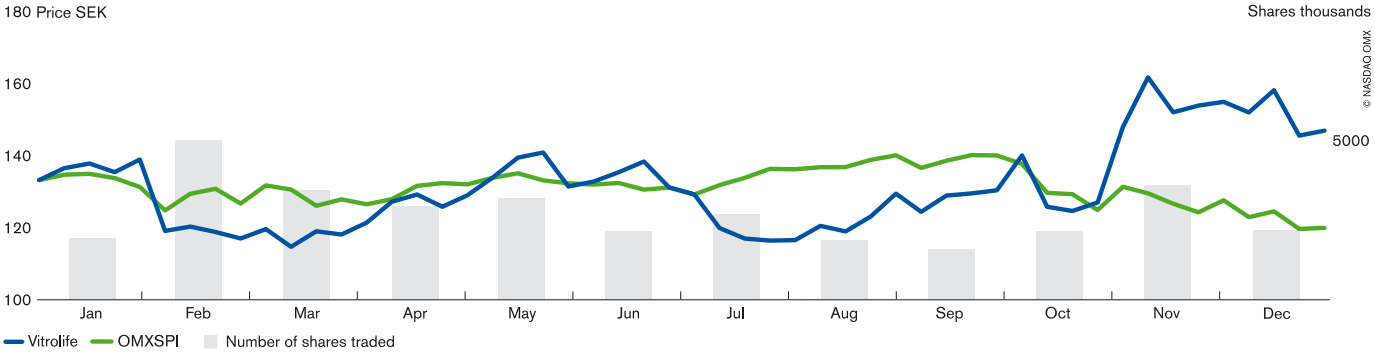
Products that make a difference in the clinics

Securing high and consistent quality

THE VITROLIFE SHARE

CONTINUED INCREASE IN SHAREHOLDER VALUE

Share price performance and turnover 2018



In 2018, Vitrolife's share was listed on NASDAQ Stockholm, Mid Cap. As from January 1, 2019 the share is listed on Large Cap. The share has been listed since 26 June 2001, under the ticker VITR. In May, a 5:1 share split was carried out pursuant to a resolution adopted at the Annual General Meeting. All comparative figures below have been recalculated to take account of the split.

Share structure

On 31 December 2018, the share capital of Vitrolife AB (publ) was SEK 22,144,317 (22,144,317) allocated among 108,550,575 (108,550,575) shares with a quotient value of SEK 0.204. All shares carry the same number of votes and entitle shareholders to equal shares in Vitrolife's assets and earnings. There were no warrants outstanding as of 31 December 2018.

Share price performance and turnover

At 31 December 2018, the latest price paid for the share was SEK 147.00 SEK per share (124.60), up 18% year-on-year. Taking into account the dividend of SEK 0.74 paid during the year, the increase was 19%. NASDAQ Stockholm's index decreased 8% during the same period. At the end of 2018, Vitrolife's market capitalization was SEK 15,957 million (13,525) based on the latest share price paid. The highest share price during the year was SEK 166.92 (143.40) on 9 November (7 August). The lowest share price during the year was SEK 115.60 (76.20), on 2 August (11 January).

During the year, Vitrolife's share turnover on NASDAQ Stockholm totalled 32,843,153 (34,109,360) amounting to a value of SEK 4,298 million (3 794). The total number of transactions was 218,820 (164,846). The total share turnover corresponded to 30.3% (31.4) of the number of shares outstanding at the end of the year.

+18% GROWTH DURING 2018

Ownership structure

At 31 December 2018, the number of shareholders in Vitrolife was 7,549 (7,236), of these, 77% owned 1,000 shares or less. The ten largest shareholders accounted for 67% (60) of the shares. The proportion of shareholders with registered addresses outside of Sweden was 55% (52).

Dividend policy and dividend

Vitrolife's Board and CEO intend to propose, on an annual basis, a dividend or other corresponding distribution that on average and over time corresponds to 30% of the year's net profit after paid tax. Decisions regarding the proposed dividend or its equivalent will take into account the company's future profits, financial position, capital requirements and position in general. The company's net debt to EBITDA ratio should in normal circumstances not exceed a multiple of 3.

In 2018 a dividend was paid of SEK 0.74 SEK (0.52) per share recalculated for the split. In accordance with the dividend policy, the Board and CEO intend to propose that the 2019 Annual General Meeting resolve in favour of a dividend of 0.85 SEK per share.

Share buybacks

The Board was authorised by the 2018 Annual General Meeting to repurchase the company's own shares with the

aim of adjusting the company's capital structure. During the year, no purchases of own shares were made.

Share savings programme

The 2018 Annual General Meeting resolved to introduce a long-term incentive programme ("LTI") with the aim of aligning the interests of executive management with those of shareholders and to encourage the purchase of Vitrolife shares. In addition to executive management, the offer was open to 10 employees, making a total of 17 of the company's employees. The aggregated cost of the programme for the company during the period may not exceed SEK 5.4 million. For more information on the programme, see the Management Report on page 28.

The company also has two share-related incentive programmes outstanding pursuant to resolutions adopted by the 2016 and 2017 Annual General Meetings. The conditions of these programmes are essentially in line with those of the programme adopted at the 2018 Annual General Meeting. The aggregated cost of these programmes for the company during the period may not exceed SEK 10.6 million. The company's outstanding commitment in relation to these two programmes relates to the performance amounts, which can total a maximum of approximately SEK 2.7 million.

Price quotes and current information

Continuous information about the share is available at: www.vitrolife.com. Press releases, interim reports and annual reports are also available there and it is possible to subscribe to receive these by email.

People discharging managerial responsibilities

Pursuant to the EU's Market Abuse Regulation, people discharging managerial responsibilities and persons closely associated with them must inform the issuer and the Swedish Financial Supervisory Authority (Finansinspektionen) of every transaction that has been carried out on their behalf regarding shares and other financial instruments issued by the issuer. The Board, the CEO and the CFO are considered to comprise the people discharging managerial responsibilities at Vitrolife.

Analysts

The following companies monitor Vitrolife on a regular basis:

- ABG Sundal Collier
- DNB Bank ASA
- Murgata Equity Research
- Redeye

Four reasons to invest in Vitrolife

- Market growth is primarily driven by the growing middle class, that parents-to-be choose to try to have children later in life, increased social acceptance of IVF and increased use of technology in IVF treatments.
- Strong brand name associated with quality.
- Long history of creating profitable growth.
- Aims to lead technological development in the field of IVF.

Per share data

	2018	2017	2016	2015	2014
Average number of shares*	108 550 575	108 550 575	108 550 575	108 550 575	99 937 670
No. of shares at closing date*	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
Shareholders' equity per share, SEK*	13.75	11.29	9.38	7.77	6.46
Earnings per share, SEK*	2.85	2.43	1.75	1.68	1.09

* Recalculated with regard to the 5:1 share split carried out in May 2018

Vitrolife's ten largest shareholders

Shareholders	No. of shares	Share and votes, %
William Demant Invest A/S	24 481 601	22.6
Bure Equity AB (publ)	22 589 285	20.8
State Street Bank and Trust Co, W9	10 985 352	10.1
Lannebo Fonder	3 446 365	3.2
BNY Mellon SA/NV (Former BNY), W8IMY	2 344 527	2.2
Eccenovo AB	2 260 000	2.1
CBNY-Norges Bank	2 184 763	2.0
BNP Paribas SEC Serv Paris, W8IMY(GC)	1 772 102	1.6
BNY Mellon NA (Former Mellon), W9	1 647 266	1.5
SEB Investment Management	1 351 334	1.2
Other shareholders	35 487 980	32.7
Total	108 550 575	100.0

Source: Euroclear Sweden's shareholder's register at 31 december 2018

Shareholder statistics

Size of holding votes	No. of shares, thousands	No. of shareholders	Shares and votes, %
1 – 500	663	4 990	0,6
501 – 1 000	675	809	0,6
1 001 – 5 000	3 210	1 199	3,0
5 001 – 10 000	1 675	215	1,5
10 001 – 15 000	893	68	0,8
15 001 – 20 000	928	51	0,9
20 001 –	100 506	217	92,6
Total	108 550	7 549	100,0

Source: Euroclear Sweden's shareholder's register at 31 december 2018

5-YEAR SUMMARY, GROUP

SEK thousands	2018	2017	2016	2015	2014
Income statements					
Net sales	1 151 348	1 046 217	856 106	722 370	510 512
Gross income	761 124	681 709	561 301	484 820	349 118
Operating income	393 915	340 856	248 841	226 135	143 346
Income after financial items	398 583	340 915	248 930	226 840	146 924
Net income	310 697	264 602	191 212	183 361	109 468
Depreciation and amortisation	84 692	66 949	54 326	53 063	23 250
Statements of financial position					
Intangible fixed assets	727 997	607 738	649 087	515 518	561 392
Tangible fixed assets	94 126	84 432	93 655	89 641	92 322
Financial fixed assets	23 602	9 168	8 948	9 666	9 986
Deferred tax assets	1 166	11 181	22 282	29 964	33 303
Inventories	161 186	150 556	145 654	102 284	91 676
Accounts receivable	181 002	148 236	126 187	99 783	84 620
Other current receivables	8 229	15 150	15 433	11 973	24 888
Derivative instruments	–	–	–	842	–
Cash and cash equivalents	490 810	395 963	189 245	199 572	107 598
Total assets	1 697 467	1 422 424	1 250 491	1 059 243	1 005 785
Shareholders' equity	1 492 914	1 225 857	1 018 055	843 151	700 914
Non-controlling interests	3 298	2 792	2 329	1 821	1 657
Deferred tax liabilities	29 329	51 170	61 280	42 057	59 573
Other provisions	11 527	7 311	9 043	5 191	3 961
Long-term interest-bearing liabilities	–	399	466	35 627	60 019
Long-term non-interest-bearing liabilities	8 124	–	–	–	19 830
Short-term interest-bearing liabilities	–	81	37 390	11 876	25 774
Derivative instruments	–	–	–	–	2 803
Accounts payable	32 085	30 598	24 286	21 749	22 282
Other short-term non-interest-bearing liabilities	120 190	104 216	97 642	97 771	108 972
Total shareholders' equity and liabilities	1 697 467	1 422 424	1 250 491	1 059 243	1 005 785
Cash flow statements					
Cash flow from operating activities	349 435	312 189	181 262	193 526	145 666
Cash flow from investing activities	-181 265	-9 980	-131 002	-31 394	-77 517
Cash flow from financing activities	-81 462	-93 496	-63 596	-68 924	-19 704
Cash flow for the year	86 708	208 713	-13 336	93 208	48 445
Opening cash and cash equivalents	395 963	189 245	199 572	107 598	53 769
Exchange-rate differences in cash and cash equivalents	8 139	-1 995	3 009	-1 234	5 384
Closing cash and cash equivalents	490 810	395 963	189 245	199 572	107 598
Other					
Investments, excl. aquisitions	-21 549	-9 980	-14 500	-22 258	-9 710
Net sales outside Sweden, %	98	98	97	97	97

KEY RATIOS AND DEFINITIONS, GROUP

	2018	2017	2016	2015	2014
Margin ratios					
Gross margin, %	66.1	65.2	65.6	67.1	68.4
Adjusted gross margin, %	69.8	69.0	69.3	69.9	68.8
Operating margin before depreciation and amortisation (EBITDA), %	41.6	39.0	35.4	38.7	32.6
Operating margin (EBIT), %	34.2	32.6	29.1	31.3	28.1
Other ratios					
Return on equity, %	22.2	23.3	20.3	23.5	24.8
Average number of employees	363	355	328	320	242
Net debt*, SEK M	-490.8	-395.5	-151.4	-152.1	-21.8
Equity/assets ratio, %	88.1	86.4	81.6	79.8	69.9
Share data					
Average number of outstanding shares***	108 550 575	108 550 575	108 550 575	108 550 575	99 937 670
Number of outstanding shares at closing date ***	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
Earnings per share, SEK***	2.85	2.43	1.75	1.68	1.09
Cash flow from operating activities per share, SEK***	3.22	2.88	1.67	1.78	1.46
Shareholders' equity per share, SEK***	13.75	11.29	9.38	7.77	6.46
Dividend per share, SEK***	0.85**	0.74	0.52	0.48	0.30
Share price at closing date, SEK***	147.00	124.60	77.40	57.70	33.20
Price per Earnings	51.6	51.3	44.1	34.3	30.4

* Negative amount implies net claim. ** Proposed dividend, subject to the Annual General Meeting's decision.
*** Recalculated with regard to the 5:1 share split carried out in May 2018.

Gross margin
Net sales minus the cost of goods sold as a percentage of net sales for the period.

Adjusted gross margin
Gross income before amortisation of acquisition-related intangible assets as a percentage of net sales for the period.

Operating margin before depreciation and amortisation
Operating income before depreciation and amortisation as a percentage of net sales for the period (EBITDA).

Operating margin
Operating income after depreciation and amortisation as a percentage of net sales for the period (EBIT).

Return on equity
Income for the period as a percentage of the average shareholders' equity for the period.

Net debt
Interest-bearing liabilities minus interest-bearing receivables minus cash and cash equivalents.

Equity/assets ratio
Shareholders' equity and minority interest as a percentage of total assets.

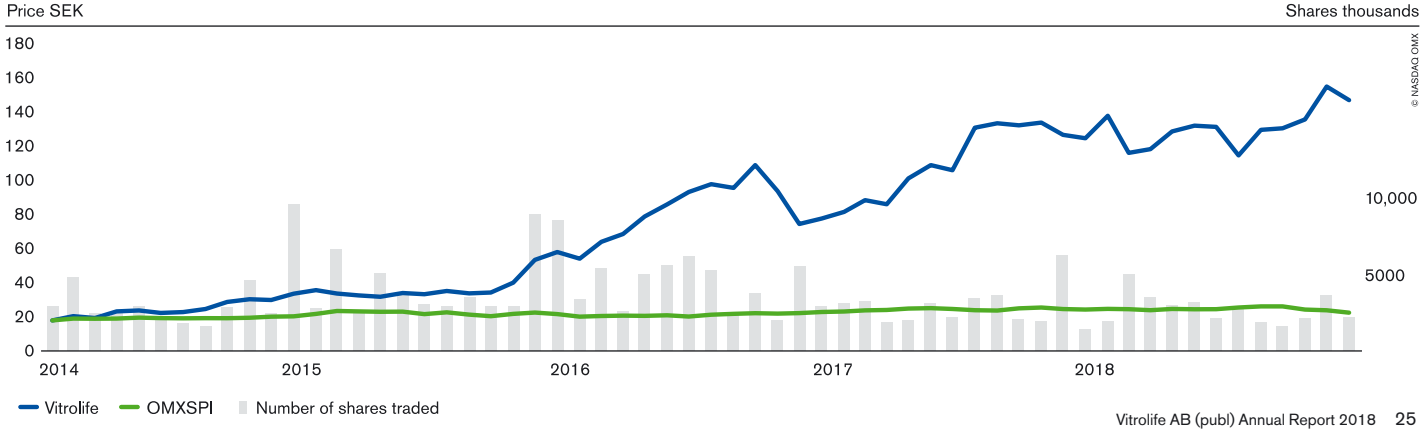
Earnings per share
Income for the period in relation to the average number of outstanding shares for the period.

Cash flow from operating activities per share
The cash flow from operating activities for the period in relation to the average number of outstanding shares for the period.

Shareholders' equity per share
Shareholders' equity in relation to the number of shares outstanding at closing day.

Price per Earnings
Share price at closing day in relation to earnings per share.

SHARE PRICE DEVELOPMENT 5 YEARS



MANAGEMENT REPORT

The Board of Directors and the CEO of Vitrolife AB (publ), corporate registration number 556354-3452, hereby submit the annual report and consolidated financial statements for the 2018 financial year.

Operations

Vitrolife is an international medical device group that develops, produces and markets products for assisted reproduction. Further information on the number of shares and ownership structure is available in the Corporate Governance Report on page 30.

The Group has about 390 employees and the company's products are sold in approximately 110 markets. The company's head office is in Gothenburg, Sweden, and there are also offices in Australia, Belgium, China, Denmark, France, Germany, Italy, Japan, the UK and the US. More information about the organisation is available on pages 18-19. The sustainability report including the environment is available on pages 14–17.

Vitrolife's goal is to be the leading supplier of products and services which reduce the length of time to having a healthy baby and improves IVF clinics' efficiency and control. The company's product range includes nutrient solutions (media), advanced disposable instruments (needles and pipettes), disposable plastic products and technological aids such as time-lapse and microsurgical lasers. As from the beginning of 2019 Vitrolife offers kits for genetic analysis of embryos via the partnership with Illumina Inc.

Through close collaboration with leading research scientists in the field, the company is at the cutting edge of research and product development in terms of function and safety. Production is distributed so that volume products in Media business unit are produced in Denver in the US and specialised products with a higher labour content are produced in Gothenburg. Instruments are produced at the company's facilities in Gothenburg and in San Diego in the US. Time-lapse products are manufactured in Aarhus, Denmark. Microsurgical lasers are manufactured in Bruckberg, Germany. Marketing and sales are carried out by the company itself and in partnership with distributors. Vitrolife's customers primarily comprise public and private clinics.

Research and development

Vitrolife mainly conducts proprietary product development, while the majority of research is carried out in close collaboration with leading research scientists in the relevant field. Continuous research is performed to create new products and to enhance existing products. Vitrolife has research agreements with eminent individuals in the field of fertility in Australia and in Europe. Product development is based on market needs and Vitrolife continuously assesses acquisitions of companies or product areas as complements to develop its own products. During the year, the cost for R&D amounted to SEK 88 (69) million.

Sales

Sales amounted to SEK 1 151 (1 046) million, corresponding to an increase of 10% in SEK. Sales growth was 5% in local currencies and consisted of organic growth.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 8% in local currencies and amounted to SEK 511 (450) million. Sales in the North and South American region amounted to SEK 173 (148) million. Sales increased by 15% in local currencies. Sales in the Japan and Pacific region increased by 1% in local currencies and amounted to SEK 169 (166) million. Sales in the Asian region was unchanged in local currencies and amounted to SEK 297 (283) million.

Sales for the Media business unit increased during the period by 6% in local currencies and amounted to SEK 606 (545) million. Sales for the Disposable Devices business unit increased by 8% in local currencies and amounted to SEK 167 (149) million. Sales for the Time-lapse business unit increased by 13% in local currencies and amounted to SEK 297 (252) million. Sales for the ART Equipment business unit decreased during the period by 31% in local currencies and amounted to SEK 58 (79) million. Sales were negatively affected by lower sales in China. Freight revenues amounted to SEK 24 (20) million.

In monetary terms, global growth in the IVF market is estimated to 5–10%.

Investments

Investments during the year totalled SEK 181 million (10). Gross investments in tangible fixed assets amounted to SEK 18 million (10) and consisted primarily of equipment. Gross investments in intangible fixed assets totalled SEK 162 million (1), of which SEK 41 million pertained to Vitrolife Sweden AB's acquisition of licensing rights to technology for embryo transfer from CrossBay Medical Inc and SEK 117 million pertained to a one-time payment for a licensing and commercialisation agreement with Illumina Inc. Gross investments in financial assets amounted to SEK 2 (0) million. For more information, see Notes 15 and 16.

Significant events

Acquisition of licensing rights to technology for embryo transfer

On January 11, Vitrolife acquired exclusive global licensing rights in the IVF field regarding a technology from CrossBay Medical Inc that can be used for embryo transfer in connection with IVF treatments. Vitrolife intends to commercialise the technology by marketing a unique embryo transfer catheter. Vitrolife estimates that worldwide approximately 2.5 million transfers of embryos to women are carried out each year in connection with IVF treatments and that for this purpose approximately 3 million embryo transfer catheters are used. The global market for embryo transfer catheters is estimated to be approximately SEK 500 million. The initial purchase price amounted to USD 5 million. The purchase price was paid in cash and financed by available cash balances. In addition to the initial purchase price, additional purchase prices totaling no more than USD 11 million and royalties may be paid in relation to sales. Vitrolife has estimated that USD 1 million of the maximum additional purchase price of USD 11 million will be paid. Towards the end of the year the acquired asset of SEK 17 million was written down as a result of a changed launch plan. The acquisition has affected EBITDA per share marginally negatively during 2018 and is expected to impact positively as from 2022.

Market approval of EmbryoScope and EmbryoScope+

In February 2018 Vitrolife's EmbryoScope became the first time-lapse product on the market to obtain market approval in China. In May 2018 Vitrolife obtained market approval of EmbryoScope+ in the US. Market approval in the US contributed to growth in the region during the year.

Share split 5:1

Pursuant to the resolution adopted by the Annual General Meeting, a 5:1 share split was carried out in May 2018. This resulted in the number of shares in Vitrolife AB (publ) increasing from 21,710,115 to 108,550,575, with the same number of votes. Share capital was unchanged at SEK 22,144,317.

Collaboration agreement with GE Healthcare

Vitrolife and GE Healthcare began collaboration during the year to improve medical outcomes for patients in the field of assisted

Significant risks and uncertainties

Macro-economic risks	Operational risks	Financial risks
▪ Changes in economic conditions ▪ Legal and regulatory environment ▪ The market	▪ Production ▪ Information ▪ Personnel ▪ Insurance cover ▪ Legal disputes	▪ Currency risks ▪ Interest-rate risks ▪ Credit risks

reproduction. More than 20 years ago Vitrolife contributed to introducing technology to enable transvaginal egg retrieval using an ultrasound. This changed the entire IVF treatment and is now standard in assisted reproduction. Vitrolife's needles for egg retrieval continue to develop and now have new echo marking to maximise visibility when using an ultrasound, and the way the needle tips are ground enables smooth penetration of the tissue. GE Healthcare's Voluson™ ultrasound system enables gynaecologists to monitor hormone-stimulated follicles, determine the optimum time for egg retrieval and follow the egg retrieval needles with great sharpness of detail throughout the egg retrieval process. The collaboration includes joint training activities for IVF clinics regarding central steps in the treatment and the potential to collaborate in development projects in the future.

Licensing agreement in genetics with Illumina Inc.
During the end of the year, Vitrolife entered into a License and Commercialisation Agreement with Illumina Inc., which provides Vitrolife with exclusive distribution, development and commercialisation rights to Illumina's preimplantation genetic testing (PGT) business for IVF in EMEA and North and South America. Beginning in early 2019, Vitrolife became the exclusive distributor of Illumina's preimplantation genetic testing kit for aneuploidy and preimplantation genetic testing kit for monogenic and single gene defects in EMEA and North and South America. In addition, Vitrolife will develop and commercialise new fully kitted products for the IVF market using Illumina sequencing. Under the agreement, Vitrolife has made a one-time payment to Illumina of USD 13 million during the year. As Vitrolife develops new kitted sequencing solutions for IVF, Vitrolife will obtain exclusive right to commercialise these new products world-wide excluding China for an additional payment of USD 3 million, subject to certain conditions. Vitrolife has agreed to minimum purchase commitments from Illumina through 2023. Illumina will provide transition and support services to Vitrolife. The initial one-time payment was financed by available cash balances. The investment impacted EBITDA marginally negatively during 2018 and is expected to make a positive contribution from 2019. During 2019, it is expected that the transaction will be accretive to revenue by approximately 10% and EBITDA by 3-5%.

Significant risks and uncertainties

Vitrolife's goal is to be the leading supplier of products and services which reduce the length of time to having a healthy baby and improves IVF clinics' efficiency and control. The risks and possibilities that the company manages as part of this work pertain to its own operations and the business environment in general. Many risks and possibilities are managed through continuous development of internal procedures and controls.

The risks are presented under the following categories:
- Macro-economic risks
- Operational risks
- Financial risks

Macro-economic risks
Changes in economic conditions
An economic downturn could result in a decline in the demand for privately financed treatments, particularly in countries with low levels of state subsidies such as the US. However, experience has shown that this type of treatment is often highly prioritised by patients.

Legal and regulatory environment
The market for Vitrolife is impacted by applicable legislation and other regulations in many countries. Legislative changes or political decisions can influence Vitrolife's ability to conduct or develop operations. Demand for treatments can also be affected by changes in reimbursement levels.

Vitrolife's products need various types of regulatory approval prior to being offered for sale. In the fertility field, the authorities are interested in more closely regulating the market for medical devices with the aim of increasing patient safety and reducing the risk of malpractice. This entails greater product development costs for Vitrolife and other suppliers, but also greater barriers for new competitors who want to enter the market.

Due to the nature of the company's operations, a certain risk exists with regard to claims for damages and liability. Vitrolife holds insurance cover for general and operations-related damage claims to protect the Group against the financial impact of any such claims.

The market
Vitrolife operates in a competitive field. During the year, the trend toward increased technology content in treatments continued. New products and enhanced treatment methods are launched continuously and the future development of the medical device market could impact Vitrolife's competitiveness. Vitrolife invests continuously in research and development to ensure that the company can provide the market with a competitive product offering. Another market trend is for IVF clinics to merge and form chains. Spain, Australia, the UK and the US are examples of markets where consolidation is in progress. Mergers create economies of scale for the clinics regarding marketing, the purchase of products and availability of competence. Consolidation in the market among suppliers to IVF clinics has also been ongoing in recent years. Vitrolife is an active participant in this supplier consolidation process.

Operational risks
Production
These comprise mainly risks that limit or prevent Vitrolife from developing, manufacturing and retailing high quality, effective and safe products. A significant risk refers to continuous access to raw materials that meet the quality requirements. The risks have been identified and are, essentially, reduced to manageable levels through inbuilt safety margins in the production processes and through agreements with suppliers, collaborators and customers. Vitrolife's share is extremely limited in terms of the total risk perspective connected with a treatment, but it is still diligently managed. Vitrolife's extensive quality programme is aimed at ensuring that the company

meets its own requirements as well as those set by public authorities and customers.

Information
Information pertains, among other items, to IT and the support systems required for operations to develop efficiently. Vitrolife has secured back-up systems for key functions to ensure high operational reliability and high data availability.

Moreover, Vitrolife adapted the management of personal data as a result of the new data protection regulation (GDPR) that was introduced during the year.

Personnel
Vitrolife's future development is partly dependent on key individuals with specialist expertise remaining with the organisation. The company works actively with a performance management process to minimise risks and to ensure skills supply for the entire organisation.

Insurance cover
Vitrolife conducts regular reviews together with brokers and insurance providers at both local and global levels with the aim of ensuring the correct coverage for the business and the areas of responsibility.

Legal disputes
Vitrolife has a number of patents and other intellectual property that are important to the company. In the market, there are a number of other patents that are held by other companies, whereby demarcation is sometimes difficult to define. Vitrolife is currently involved in dispute with Auxogyn Inc. in the EU/Europe regarding a patent in the time-lapse field. Based on the existing facts, the company's assessment is that the financial risk pertaining to this dispute is of minor significance. Otherwise, the company is not involved in any legal processes regarding own or third party rights. However, there is no guarantee that such a claim will not be raised by or targeted at the company in the future.

Financial risks
Currency risks
In terms of cash-flow risks, Vitrolife's largest exposure is to EUR value changes, since 46% (47) of sales are in this currency. The company also has considerable cash flow exposure to CNY as 16 (16) percent of sales are in this currency. The majority of costs are in SEK, USD and DKK. In 2018, no forward cover has been entered into in accordance with the policy, whereby no currency hedge agreements are to be entered into.

Interest-rate risks
At the closing date, Vitrolife had no material financial loans.

Credit risks
At the closing date, Vitrolife had accounts receivable outstanding of SEK 181 million (148). In conjunction with closing procedures, individual testing is performed of accounts receivable in terms of solvency and credit rating. Historically, Vitrolife has had low credit losses since customer demand is stable.

For more detailed information about financial instruments and risk management, refer to Note 3 and 26, respectively. For information about critical estimates and assessments, refer to Note 4.

Seasonal effects
Vitrolife's sales are affected relatively marginally by seasonal effects. There is often a downturn in orders prior to and during holiday periods. The reason that orders decline before holiday periods is that fertility clinics minimise their stocks, primarily of media, as these have a relatively short shelf life, so as not to risk scrapping. The biggest negative impact of holiday periods is the third quarter when the holiday periods fall in Europe. During the first quarter, sales in China are negatively impacted by the Chinese New Year, which falls in January or February. Sales in December are negatively affected in the fourth quarter by the Christmas and New Year holidays. Altogether, total sales are usually relatively even between the first and second half-year.

Guidelines for remuneration of executive management
The Annual General Meeting on 26 April 2018 resolved to adopt the policies for remuneration and other employment terms of the CEO and the other executive management in accordance with the following:

Remuneration paid to the CEO and other executive management comprises basic salary, variable remuneration, pension and other benefits. All pension benefits comprise defined-contribution plans. Variable remuneration is prepared by the Remuneration Committee and decided by the Board.

Fixed basic salary
The fixed basic salaries of the CEO and other executive management are reconsidered each year. The allocation between basic salary and, where appropriate, variable remuneration should be proportionate to the executive's responsibility and authority. The group other executive management consists of six people: one woman and five men. The composition and size of this group can change over time as a consequence of how the business develops.

Variable remuneration (STI)
The CEO's variable remuneration is capped at a maximum of 75% of annual salary. For other executive management, variable remuneration is capped at a maximum of 50% of annual salary. The variable remuneration for the CEO and other executive management is based on the outcome of two quantitative parameters compared with set targets. The quantitative parameters relate to the company's sales and income (EBITDA). The total cost to the company of the total variable remuneration for the CEO and other executive management is not permitted to exceed SEK 11,800,000 (including social security expenses).

Long-term incentive programme (LTI)
A long-term incentive programme, in addition to the aforementioned variable remuneration, was introduced with the aim of aligning the interests of shareholders with those of the executive management and to encourage the purchase of Vitrolife shares. The LTI comprises the following principal components for the executive management and certain selected key individuals at the company:

i. In addition to the executive management, the programme includes 10 employees, making a total of 17 (the participants mentioned below).

ii. If, during a specified period and within the LTI's framework, programme participants purchase shares with their own funds on NASDAQ Stockholm up to a ceiling amount, Vitrolife will match this through a cash payment of the same amount, i.e. compensated for the employee's marginal tax cost, in the form of a one-time payment (the "Matching Amount").

Each participant will be entitled to buy shares for an amount relative to the employee's responsibility and authority. The limits for each participant's Matching Amount are between SEK 50,000 and SEK 100,000. The participants are to use the Matching Amount to acqu-

ire shares in Vitrolife on NASDAQ Stockholm. Under the agreement between the company and the respective participants, these shares are subject to a lock-up period of not less than three years.

iii. Provided that the conditions stated in item (iv.) are met, Vitrolife will make a further one-time payment corresponding to the Matching Amount; however, this will not compensate for the employee's marginal tax cost (the "Performance Amount"). The participants are to use the Performance Amount to acquire shares in Vitrolife on NASDAQ Stockholm. Under the agreement between the company and the respective participants, these shares are subject to a lock-up period of not less than one year.

iv. The criteria for payment of the Performance Amount include, inter alia, that participants are still employed at the company and have retained their shares acquired in accordance with item (ii) throughout the initial three-year period, and that the performance target set by the Board regarding Vitrolife's earnings (EBITDA) per share during the 2020 financial year has been met.

v. The aggregated cost for the company during the period regarding payment of the Matching and Performance Amounts may not exceed SEK 5,400,000.

Other
The notice period for the CEO is a maximum of 12 months and for other executive management is between three and six months. In case of termination by the company, a severance payment of up to 12 months' salary is payable to the CEO. No severance payment is payable to the other executive management in the event of termination of their employment.

The Board can depart from the guidelines if, in an individual case, particular reasons exist for so doing.

At the balance sheet date, the company has two more share-related incentive programme outstanding pursuant to resolutions adopted by the 2016 and 2017 Annual General Meetings. The conditions of both these programmes are essentially in line with the conditions above. The total cost for the company of payment of the Matching and Performance Amounts pursuant to both these programmes shall not exceed SEK 10,600,000. The company's outstanding commitment in relation to these two programmes relates to the Performance Amounts, which can total a maximum of approximately SEK 2,700,000.

The remuneration policy is evaluated each year and submitted to the Annual General Meeting for resolution.

At present the company has no warrants programme outstanding.

Outcome of the LTI 2016 performance objective
The performance objective set by the Board for the financial year 2018 with regard to the long-term incentive programme adopted by the 2016 Annual General Meeting amounted to an EBITDA of SEK 3.15 per share, recalculated for the split 5:1. The outcome for 2018 was SEK 4.41 EBITDA per share. The objective was thus met and the Performance Amount will be paid during 2019 to those participating in the scheme pursuant to the agreement.

Outlook
As the standard of living rises in most developing countries, more and more people are choosing to wait before having children. This trend, which has existed in the West for decades, leads to reduced fertility, which in turn drives the fertility treatment market. The same trend is now developing in emerging countries, where the demand for this treatment is increasing rapidly. Vitrolife therefore anticipates a continuously expanding market which, in monetary terms, is expected to continue to grow by 5-10% per year for the foreseeable future.

The company will also focus on expanding sales and broadening the product range in the future.

Events after the closing date
During the first quarter 2019 Vitrolife AB (publ) received market approval for the time-lapse incubator EmbryoScope+ in China, the world's largest market measured in terms of number of IVF treatments.

No other events have occurred after the closing date that significantly affect the assessment of the financial information in this report.

Parent Company
Business activities focus on Group-wide administration. The Parent Company's income derives from invoicing of management fee of SEK 16 million (3). This year's investments mainly focused on the acquisition of unlisted shares.

Proposed appropriation of profit
The Board and the CEO propose that the funds available of SEK 851,790,777 be appropriated as follows:

Dividend (SEK 0.85)	SEK	92,267,989
Carried forward	SEK	759,522,788
Total	SEK	851,790,777

The proposed dividend lies within the scope of the profit distribution policy adopted by the company, refer to page 30. It is the considered opinion of the Board that the company's restricted shareholders' equity is fully covered following distribution of the proposed dividend. Furthermore, the Board also concludes that the proposed distribution to shareholders is justified considering the parameters stated in Chapter 17 Section 3, second and third paragraphs of the Swedish Companies Act (the nature, scope and risks of the business as well as consolidation needs, liquidity and overall position).

The financial statements were approved for publication by the Board of the Parent Company on 26 March 2019.

Regarding the company's earnings and position in other respects, refer to the following income statements, statements of financial position and cash-flow statements together with the associated notes.

CORPORATE GOVERNANCE REPORT

Corporate governance – introduction

Good corporate governance ensures that the company is run as efficiently as possible in the interests of its shareholders.

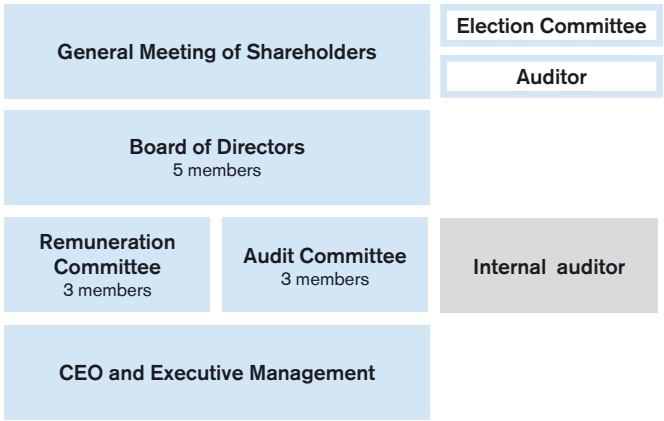
The Board's responsibility includes determining strategies and objectives for the company together with the management team. In support of this work, the Board aims to regularly engage in direct dialogue with Vitrolife's customers so as to understand the customers' needs and priorities. During the year the Board attended the large ASRM reproduction medicine congress in the US, where there were opportunities to engage in direct dialogue with customers from all over the world and to study market trends and competitors.

Another area of responsibility for the Board is to ensure that the internal control to protect the company's assets is satisfactory. During the year the company's Audit Committee studied reports from both external and internal audits and worked on following up improvement measures in the subsidiaries.

Furthermore, the Board continued the work of ensuring that the company is run in a sustainable manner. This was done by following up that the defined sustainability aims had been met.

Carsten Browall
Chairman of the Board

Governance structure



Vitrolife's ten largest shareholders

Shareholders	No. of shares	Shares and votes, %
William Demant Invest A/S	24 481 601	22.6
Bure Equity AB (publ)	22 589 285	20.8
State Street Bank and Trust Co, W9	10 985 352	10.1
Lannebo Fonder	3 446 365	3.2
BNY Mellon SA/NV (Former BNY), W8IMY	2 344 527	2.2
Eccenovo AB	2 260 000	2.1
CBNY-Norges Bank	2 184 763	2.0
BNP Paribas SEC Serv Paris, W8IMY(GC)	1 772 102	1.6
BNY Mellon NA (Former Mellon), W9	1 647 266	1.5
SEB Investment Management	1 351 334	1.2
Other shareholders	35 487 980	32.7
Total	108 550 575	100.0

Source: Euroclear Sweden's shareholder register at 31 December 2018.

Vitrolife AB (publ) is a Swedish public limited company listed on NASDAQ Stockholm. The corporate governance policies applied by Vitrolife are based on Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, and NASDAQ Stockholm AB's regulations. Furthermore, they also comply with the provisions in the Swedish Corporate Governance Code (the "Code") and pertain to the 2018 financial year. Further information about corporate governance at Vitrolife is available at www.vitrolife.com.

Shareholders

According to Euroclear Sweden's shareholder register, Vitrolife had 7,549 shareholders at 31 December 2018 (7,236), and the proportion of shareholders with registered addresses outside Sweden was 55% (52). The ten largest shareholders on 31 December 2018 are specified below.

Shares

On 31 December 2018, the share capital of Vitrolife AB (publ) was SEK 22,144,317 (22,144,317) allocated among 108,550,575 (108,550,575) shares, where the previous year's figure is recalculated taking into account the 5:1 split carried out in May 2018. The shares are traded on NASDAQ Stockholm. At 31 December 2018, Vitrolife's market capitalization was SEK 15,957 million (13,525). All shares carry the same number of votes and entitle shareholders to equal shares in Vitrolife's assets and earnings.

Dividend policy

Vitrolife's Board and CEO intend to propose, on an annual basis, a dividend or other corresponding distribution that on average and over time corresponds to 30% of the year's net profit after paid tax. Decisions regarding the proposed dividend or its equivalent will take into account the company's future profits, financial position, capital requirements and position in general. The company's net debt to EBITDA ratio should in normal circumstances not exceed a multiple of three.

General meetings of shareholders

Vitrolife's highest decision-making body is the general meeting of shareholders. The Annual General Meeting (AGM) is held within six months of the end of the financial year. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. All shareholders entered in the shareholders' register and who have notified their intent to attend in time are entitled to participate and vote at the meeting. Shareholders who are unable to attend may be represented by a proxy.

2018 Annual General Meeting
The previous AGM was held in Gothenburg on 26 April 2018. Board members Carsten Browall, Fredrik Mattsson, Jón Sigurdsson, Pia Marions, Deloitte represented by Fredrik Jonsson were present at the AGM, and the Election Committee's members Patrik Tigerschiöld and Martin Lewin. The AGM resolved to re-elect Board members Carsten Browall, Fredrik Mattsson, Barbro Fridén, Pia Marions and Jón Sigurdsson and elect Lars Holmqvist. Tord Lendau had declined re-election. Carsten Browall was re-elected Chairman of the Board. A resolution was passed to adopt Board fees of a total of SEK 2,240,000, of which SEK 750,000 to the Chairman, SEK 250,000 to each of the other Board members, SEK 60,000 to the Chairman of the Audit Committee, SEK 60,000 to the Chairman of the Remuneration Committee and SEK 30,000 to the other members of these committees.

The Board's proposed dividend for the 2017 financial year of SEK 3.70 per share (0.74 recalculated for the split) was adopted. The record date was set for Tuesday 30 April 2018.

The Annual General Meeting adopted a resolution regarding a share split of 5:1 and amendment of the Articles of Association in accordance with the proposal of the Board.

The Board was authorised, for the period until the next AGM, to decide on one or more occasions to make a new issue of a maximum of 2,170,000 shares (10,850,000 shares after split) corresponding to slightly less than 10% of the company's share capital. The Board was authorised, for the period until the next AGM, to decide on one or more occasions to buy back the company's own shares. At any one moment in time, treasury shares are permitted to amount to a maximum of 10% of all shares in the company.

The proposed remuneration policies and other terms of employment for the executive management were adopted.

Election Committee
On 9 October 2018, the following individuals were announced as members of Vitrolife's Election Committee ahead of the 2019 AGM:

Niels Jacobsen, appointed by William Demant Invest A/S
Patrik Tigerschiöld, appointed by Bure Equity AB
Johan Ståhl, appointed by Lannebo Fonder
Carsten Browall, Chairman of the Board

The appointments were made in compliance with the instruction regarding the principles for appointing an Election Committee for the company, which were adopted by Vitrolife's AGM on 26 April 2018.

The Chairman of the Board is tasked to not later than the end of the third quarter each year ensure that the three largest shareholders or groups of shareholders in terms of the number of votes they hold get the opportunity to appoint a member to the Election Committee. If any of these three shareholders should refrain from appointing a member of the Election Committee, the next largest shareholder is contacted and asked to appoint a member of the Election Committee. The term of office is one year. The Chairman of the Board is a member of the Election Committee and calls the first meeting of the Election Committee. Thereafter, a chairman is appointed for the Election Committee, who should not be the Chairman of the Board.

Given the needs of the Group and the diversity policy, the Election Committee is tasked with assessing, inter alia, the competence and qualities that the Board members should possess. The aim is to create an appropriate Board composition, whereby the Board members' combined competence and experience provide a broad base that corresponds well to the phase and the market conditions in which Vitrolife operates. The Committee keeps itself updated regarding general trends for remuneration issues for listed Swedish companies.

During the third quarter, the Board member Fredrik Mattsson resigned as a result of being employed by Vitrolife in an operative role. Henrik Blomquist, CEO of Bure Equity AB, assumed the role of co-opted Board member up until the next Annual General Meeting. The Election Committee's assessment is that no Board member other than Jón Sigurdsson is dependent in relation to the company, the executive management or the company's major shareholders. Jón Sigurdsson is the CEO of Össur, whose principal owner William Demant Invest A/S owns about 23% of the shares in Vitrolife.

Ahead of the AGM in May 2019, the Election Committee will submit proposals for the Chairman of the AGM, the number of Board members, the Chairman of the Board and other elected Board members. The Election Committee will also submit proposals regarding fees for work on the Board and its committees and election of auditor. No separate remuneration has been paid by the company to members of the Election Committee for their work on the Committee.

2019 Annual General Meeting
The AGM will be held on 2 May 2019 at 5:00 p.m. at Vitrolife's premises at Gustaf Werners gata 2, Gothenburg. Shareholders are notified through an announcement in the Swedish Official Gazette and Dagens Industri that a general meeting has been called no more than six weeks and no less than four weeks prior to the general meeting. Shareholders who wish to have an issue addressed by the general meeting can make a written request to this effect to the Board. Any such request to address an issue must be sent to Vitrolife AB (publ), Att: Chairman of the Board, Box 9080, SE 400 92 Gothenburg, Sweden, and must be received by the Board not later than seven weeks prior to the general meeting, or in any case in time for the issue, if required, to be included in the notice convening the general meeting. More information is available at www.vitrolife.com.

In accordance with the dividend policy, the Board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 0.85 per share.

Board of Directors
General
The Board is responsible for the company's administration of its affairs and organisation. At the 2018 AGM, six Board members were elected with competence in medical devices as well as within the areas of finance and strategy. The company's CFO Mikael Engblom served as the Board's secretary during the year. In 2018, the Board held 11 meetings (10), all of which were minuted.

Board members attendance

Name	Year elected	Dependent	Attendance Board meetings	Attendance Remuneration Comm.	Attendance Audit Comm.
Carsten Browall	2012		11/11		5/6
Barbro Fridén	2010		9/11	3/3	
Tord Lendau	2008		2/3		3/3
Pia Marions	2013		10/11		6/6
Fredrik Mattsson	2007	x	8/8	3/3	
Lars Holmqvist	2018		7/8		3/3
Jón Sigurdsson	2015	x	11/11	3/3	

Dependent = As defined by the Swedish Corporate Governance Code.

The CEO and CFO have presented issues at the Board meetings. The remuneration and other benefits paid to Board members of Vitrolife are detailed in Note 9. The Board members' shareholdings in Vitrolife are set out on page 34.

The Board's work
Each year, the Board is to convene for a minimum of four scheduled meetings, equally distributed over the year, and one statutory Board meeting. The meetings are held in the form of physical meetings and as telephone meetings.

The Chairman leads and organises the Board's work. A proposed agenda and decision data regarding the items to address at the meeting are sent ahead of each meeting. The proposed agenda is drawn up by the CEO in consultation with the Chairman. Items presented to the Board are for information purposes, discussion or decision. Decisions are only taken following discussion and after all members present have been given the opportunity to be heard. The Board's extensive experience in various areas generates constructive and open discussion. During the year, no Board member registered dissent with regard to any Board decision. Any open issues are followed up on an ongoing basis.

The Board's formal work plan was adopted at the statutory Board meeting on 26 April 2018 and is revised each year. The plan regulates areas such as the allocation of responsibilities, number of scheduled meetings, the form of notifications, decision data and minutes, conflicts of interest, mandatory items to be submitted by the CEO to the Board and authorised signatories. The Board addresses ongoing items such as business conditions, interim reports, forecasts, strategies and external information.

In addition to the Board material, the CEO submits monthly reports containing a financial report and a description of actual events in operations and in the market. The aim is to keep the Board informed about the development of the company's operations to enable the Board to take well-founded decisions. Once each year, the Board holds a meeting that evaluates the work of the CEO, which the executive management does not attend. The Board ensures the quality of the financial reporting through its own work, the work of the Audit Committee and through contact with the auditors. The company's auditors participated at the meeting addressing the annual accounts, where the audit results were reported, and at meetings of the Audit Committee. At the Board meeting, the auditors also met with the Board without attendance of the executive management.

During the year a comprehensive evaluation of the Board was carried out using external expertise. The result showed that the Board functions well and that the areas of focus identified during the evaluation in 2017 were addressed in an adequate manner during 2018. The Board decided toincrease focus on customer, succession planning and follow-up of completed acquisitions.

Diversity policy
Vitrolife's Board applies the requirements of the Swedish Corporate Governance Code regarding diversity, breadth, gender distribution, age and independence as its diversity policy. The composition of the Board shall be appropriate to the company's business, stage of development and general position. It shall be characterised by diversity and breadth with regard to the competence, experience and background of the Board members elected by the Annual General Meeting. An even gender distribution shall be aimed for.

Sustainable business guidelines
Vitrolife's Board has issued guidelines for the company's societal conduct that are aimed at securing the company's long-term capacity to create value. Vitrolife aims to endeavour to add value for its customers, employees, shareholders and other stakeholders by maintaining healthy profitability while offering goods and services in the international market. In parallel, the company is to maintain a high ethical standard and be a good corporate citizen on the world stage. Vitrolife and its employees should comply with legislation in the respective countries in which the company operates. Vitrolife should follow the applicable international and national codes of conduct and Vitrolife's Code of Conduct. In situations where neither national legislation nor Vitrolife's Code of Conduct provide any guidance, the company's own norms are applied, which are based on Vitrolife's values and culture.

Members of the Board
Vitrolife's Board comprises, after Board member Fredrik Mattsson stepped down during the third quarter, five members, including the Chairman. In conjunction to Fredrik Mattsson's resignation from the Board, Henrik Blomquist, CEO of Bure Equity AB, assumed the role of co-opted Board member up until the next Annual General Meeting. For personal details about the Board members and their shareholdings, refer to page 34.

Guidelines for remuneration of the executive management
The AGM on 26 April 2018 resolved to adopt the policies for remuneration and other employment terms for the CEO and other executive management in accordance with the following: Remuneration comprises basic salary, variable remuneration, pension and other benefits as detailed in the Management Report on page 28-29 and in Note 9.

Each year, the Board is tasked with evaluating whether any sort of share-related incentive programme should be proposed to the AGM. Currently, the company has three share-related incentive programmes outstanding, which were adopted by the 2016, 2017 and 2018 AGMs. For further information, refer to page 28.

The remuneration policy is evaluated each year and submitted to the Annual General Meeting for resolution.

Remuneration Committee
Vitrolife's Remuneration Committee assists the Board in preparing items and decision data pertaining to remuneration issues for the executive management. The Remuneration Committee's areas of responsibility are defined in the Board's formal work plan and in the Remuneration Committee's instruction. The Group's guidelines for remuneration of the executive management are included in the Management Report on page 28–29.

Fredrik Mattsson was appointed Chairman of the Committee and Barbro Fridén and Jón Sigurdsson as Committee members. In conjunction with Fredrik Mattsson's resignation, the Board appointed Jón Sigurdsson as new Chairman of the Remuneration Committee and Barbro Fridén and Carsten Browall as the other members of the Committee. All members are deemed independent in relation to the company and the executive management.

Audit Committee
Vitrolife's Audit Committee assists the Board with the work of monitoring the company's and the Group's financial reporting and the internal control. The Audit Committee's areas of responsibility are defined in the Board's formal work plan and in the Audit Committee's instruction.

Pia Marions was appointed Chairman of the Committee and Lars Holmqvist and Carsten Browall as Committee members. All members are deemed independent in relation to the company and the executive management.

During the year, the Audit Committee considered issues including the internal control, internal audits, external audits, accounting policies, significant valuation issues, external reporting, financial risk management, compliance and significant estimates and judgements in the financial reporting.

Executive management

For personal details about the executive management and their shareholdings, refer to page 35.

Election of auditors

The 2017 AGM resolved in line with the proposal of the Election Committee to reappoint Deloitte AB, as the Company's auditor for a mandate period of three years. The auditors have no assignments in any companies that are closely linked to Vitrolife's principal shareholders and have confirmed their independence towards the company.

The Principal Auditor Fredrik Jonsson has reported his observations from the audit to the Board and the Audit Committee. The annual report, accounts and the administration of the Board and the CEO were examined within the scope of the above work. In addition to the audit assignment, which is paid according to customary invoicing norms, Deloitte AB has provided consultancy and audit-related services amounting to about SEK 0.1 million during the financial year.

The Board's description of the key elements in the company's system for internal control, follow-up and risk management

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. The Board is responsible for ensuring that the company has good internal control. The Board's description is limited to a description of how the internal control regarding financial reporting are organised and it pertains to the 2018 financial year.

The objective of internal financial control at Vitrolife is to ensure the accuracy of the financial reporting and to create an efficient decision process in which requirements, targets and frameworks are clearly defined. Ultimately, the controls aim to protect the company's assets and, thereby, the shareholders' investments.

Control environment

The control environment forms the basis for the internal control. Vitrolife's control environment includes healthy values, integrity, competence, leadership philosophy, organisational structure, responsibility and authorities. Vitrolife's internal work procedures, instructions, policies, guidelines and manuals provide guidance to the employees. At Vitrolife, a clear allocation of roles and responsibilities for efficient management of operational risks is ensured through measures including the Board's formal work plan, the Audit Committee's instruction and the instruction for the CEO. The CEO reports regularly to the Board, even between Board meetings; refer to page 31-32 and the section under "The Board's work." The CEO is responsible, in terms of the operating activities, for the system of internal controls required to construct a control environment for handling significant risks. Vitrolife also has guidelines and policies for financial governance and follow-up as well as communication issues. Frameworks are in place for credit and currency management.

Risk assessment

Vitrolife works with risk analysis on an ongoing basis to identify potential sources of error in the financial reporting. Refer to the Management Report on page 28 and to Note 3 for information about financial risks. The risk of material misstatements in the financial statements can occur in conjunction with the accounting for and valuation of assets, liabilities, income and expenses, or from deviations from the disclosure requirements. Vitrolife's risk assessment of the financial statements aims to identify and evaluate the most material risks.

Control activities

Control activities are primarily aimed at preventing, identifying and correcting errors in the financial reporting based on an established system. Vitrolife conducts a detailed follow-up each month of various activities at account level with the aim of analysing deviations and identifying material errors in the accounting. The company also performs a monthly analysis of the Group's subsidiaries' assets and liabilities. Vitrolife has also a separate internal audit function to strengthen the internal control through measures including internal audits of the Group's subsidiaries. Vitrolife has an Audit Committee that contributes to expanded control of the company's financial reporting and follow-up of internal audits.

Follow-up

The Board continuously evaluates the information submitted by the executive management, which comprises both financial information and material issues pertaining to the internal control. The Board and the Audit Committee continuously follow up the effectiveness of the internal control, which, in addition to ongoing updates for deviations, are carried out, inter alia, by ensuring that measures are implemented in respect of the proposed actions that may have arisen through external and internal audits. The Audit Committee specifically addresses issues pertaining to internal controls. Systems are in place to ensure uniform procedures for following up internal controls when visiting subsidiaries, including reporting back to the Board.

Information and communication

Proper disclosures and clear lines of communication, both internal and external, mean that all parts of operations exchange and report relevant, significant operational data in an efficient manner. To achieve this, Vitrolife has issued a communication policy regarding information management in the financial process, as well as policies and guidelines for other types of information. The executive management has communicated these to employees and they can also be accessed by all employees through the Vitrolife intranet. Guidelines have been set out for how communication with external parties should take place, who is authorised to provide certain types of information and when a log book should be kept. The ultimate aim of the aforementioned policies is to ensure compliance with disclosure requirements pertaining to legislation and listing agreements, and that investors receive the correct information in time.

BOARD OF DIRECTORS

Carsten Browall
Chairman of the Board

Born 1958. M.Sc. in Business and Economics. Board member since 2012.

Other assignments: Chairman of the Board in GHP Specialty Care AB. Board member in Osstell AB, Cellink AB and S2 Medical AB.

Previous assignments: Extensive experience of the medical device and healthcare sectors in senior positions in fast-growing companies such as Mölnlycke, Nobel Biocare, Capio and Unfors RaySafe.

Shareholding in Vitrolife*:
70,000 shares.

Barbro Fridén

Born 1956. MD, PhD, Subspecialist in reproductive medicine/IVF. Board member since 2010.

Other assignments: Board member in Getinge AB, Apoteket AB, Helsa AB, Brighter AB and the Swedish Sea Rescue Society.

Previous assignments: CEO of Sheikh Khalifa Medical City Ajman, United Arab Emirates, CEO of Sahlgrenska University Hospital, Division Director for Astrid Lindgren Children's Hospital, Director of Fertilitetscentrum AB in Gothenburg and Stockholm and Medical Editor of Läkartidningen.

Shareholding in Vitrolife*:
850 shares.

Lars Holmqvist

Born 1959. M.Sc. in Business Administration. Board member since 2018.

Other assignments: Board member in the Lundbeck Foundation, H Lundbeck A/S, ALK-Abelló A/S, Tecan AG and BPL Plc-UK.

Previous assignments: Senior Advisor within healthcare at Bain Capital. Senior management positions in pharma and medtech companies including Agilent, Dako, Applied Biosystems Inc., Medtronic Europe Sarl, Boston Scientific Europe and Pharmacia.

Shareholding in Vitrolife*:
0 shares.

Pia Marions

Born 1963. M.Sc. in Business and Economics. Board member since 2013.

Other assignments: CFO of Skandia. Board member in Skandiabanken, Skandia Fastighet and Svenska Revisionsakademin.

Previous assignments: CFO of Folksam, CFO of Carnegie Group, senior positions at RBS (Royal Bank of Scotland), Skandia Liv, Länsförsäkringar Liv, Swedish Financial Supervisory Authority (Finansinspektionen) and has worked as certified public auditor.

Shareholding in Vitrolife*:
5,000 shares.

Jón Sigurdsson

Born 1956. B.Sc. in Industrial Engineering, Master's degree in Business Administration (MBA). Board member since 2015.

Other assignments: President and CEO at Össur. Chairman of the Icelandic American Chamber of Commerce.

Previous assignments: Commercial Counselor for the Icelandic Trade Council in New York, CFO at Álafoss, Head of the International Division of Eimskip and Engineer for Bang and Olufsen Denmark.

Shareholding in Vitrolife*:
25,000 shares.

* Shareholdings include those of spouses, children and closely related companies.

EXECUTIVE MANAGEMENT

Thomas Axelsson
Chief Executive Officer (CEO)

Born 1959. Employed in 2011.

Previous assignments: Experience as CEO of the publicly traded companies Stille and Artema and several unlisted medical device companies. Extensive experience as member of the Board of listed companies such as Medivir and Medcap and also Chairman of the Board of other unlisted companies mainly within the Life Science sector. Business Unit Director at Baxter.

Shareholding in Vitrolife*: 100,500 shares.

Mikael Engblom
Chief Financial Officer (CFO)

Born 1977. M.B.A. Employed in 2007.

Other assignments: Board member in AH Automation AB.

Previous assignments: Controller at Vitrolife and controller within R&D at Volvo Cars.

Shareholding in Vitrolife*: 29,789 shares.

Rickard Ericsson
Chief Sales & Marketing Officer (CSMO)

Born 1971. M.Sc. Industrial Engineering and Management. Employed in 2015.

Previous assignments: Business Development Director Europe at SCA Incontinence Care, Sales and Marketing Director UK & Ireland at SCA Incontinence Care, Management Consultant at Adera and Business Development Manager / Key Account Manager at Telia.

Shareholding in Vitrolife*: 7,500 shares.

Maria Forss
Business Unit Director Media

Born 1972. MScBA. Employed in 2012.

Other assignments: Board member in LIDDS AB.

Previous assignments: Head of business development at PULS, CEO of Duocort Pharma and various management positions within Astra Zeneca. Member of the board of Oncorena AB.

Shareholding in Vitrolife*: 11,729 shares.

Mark Larman
Chief Scientific Officer (CSO)

Born 1974. PhD. Employed in 2017.

Previous assignments: Senior Director Clinical Product Management at Progyny, Media Development Manager and Senior Scientist at Vitrolife, Senior Research Fellow at University of Melbourne, Australia.

Shareholding in Vitrolife*: 2,319 shares.

Fredrik Mattsson
Senior Vice President New Business & Strategic Development

Born 1972. M.Sc. Industrial Engineering and Management. Employed in 2018.

Other assignments: Chairman of the Board in BioLamina AB. Board member in Life Genomics AB.

Previous assignments: Board member in Vitrolife AB (publ). Investment Director at Bure Equity AB. CEO of Anew Learning and senior positions within Gambro.

Shareholding in Vitrolife*: 47,220 shares.

Steffen Nielsen
Chief Operating Officer (COO)

Born 1977. M.Sc. Industrial Engineering and MBA. Employed in 2014.

Previous assignments: COO at FertiliTech A/S, Global Supply Chain Director at Danfoss Industrial Refrigeration and various management positions within Danfoss.

Shareholding in Vitrolife*: 8,650 shares.

* Shareholdings include those of spouses, children and closely related companies.

INCOME STATEMENTS WITH COMMENTS

SEK thousands	Note	Group 2018	Group 2017	Parent Company 2018	Parent Company 2017
	3,4				
Net sales	5,6	1 151 348	1 046 217	16 104	2 695
Cost of goods sold		-390 224	-364 508	–	–
Gross income		**761 124**	**681 709**	**16 104**	**2 695**
Comprising					
Adjusted gross income		803 645	722 125	16 104	2 695
Amortisation of acquisition-related intangible assets		-42 521	-40 416	–	–
Gross income		**761 124**	**681 709**	**16 104**	**2 695**
Selling expenses		-184 537	-170 279	–	–
Administrative expenses		-99 270	-99 334	-18 144	-11 105
Research and development expenses		-88 457	-69 116	–	–
Other operating revenue	7	25 136	1 092	–	48
Other operating expenses	8	-20 081	-3 216	-46	–
Operating income	9,10,11,13,27	**393 915**	**340 856**	**-2 086**	**-8 362**
Comprising					
Adjusted operating income		436 486	382 258	-2 086	-8 362
Amortisation of acquisition-related intangible assets		-42 571	-41 402	–	–
Operating income		**393 915**	**340 856**	**-2 086**	**-8 362**
Net financial items	12,13				
Financial income		5 170	525	364 028	70 309
Financial expenses		-502	-466	–	-7 508
Income after financial items		**398 583**	**340 915**	**361 942**	**54 439**
Year-end adjustments (received Group contribution)			–	–	8 351
Income taxes	14	-87 886	-76 313	69	-10
Income for the year		**310 697**	**264 602**	**362 011**	**62 780**
Attributable to					
Parent Company's shareholders		309 697	263 640	362 011	62 780
Non-controlling interests		1 000	962	–	–
Earnings per share*, SEK	22	2.85	2.43	–	–

* Before and after dilution.

Group
Sales amounted to SEK 1 151 million (1 046), corresponding to an increase of 10% in SEK. Sales growth was 5% in local currencies, of which 5% represented organic growth. Gross income amounted to SEK 761 million (682), corresponding to a gross margin of 66% (65).

Selling expenses amounted to 16% (16) of sales. Administrative expenses amounted to 9% (9) of sales. R&D expenses amounted to 8% (7) of sales and included write-down of licensing rights for technology for embryo transfer to the tune of SEK 17 million, from the fourth quarter. Cleared of this, R&D expenses amounted to 6% of sales. In relation to the write-down of licensing rights, adjustment of the additional purchase price has been made, which is reported as other operating income and other operating expenses, respectively. For further information; refer to note 4 and 15.

Depreciation, amortisation and write-down of SEK 85 million (67) were charged against income.

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 479 million (408), corresponding to a margin of 42% (39). Profitability has risen due to growth, economies of scale and internal streamlining efforts. Fluctuations in exchange rates positively impacted EBITDA by SEK 33 million.

Net financial items amounted to SEK 5 million (0). Income after financial items totalled SEK 399 million (341). Net income was SEK 311 million (265).

Parent Company
The Parent Company's operations focus on Group-wide administration. Income included invoicing of management fee of SEK 16 million (3). Net financial items include dividends from group companies of SEK 363 million (70). Income after financial items was SEK 362 million (54).

INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Group		Parent Company	
SEK thousands	2018	2017	2018	2017
Income for the year	**310 697**	**264 602**	**362 011**	**62 780**
Other comprehensive income				
Items that may be reclassified to the income statement				
Exchange-rate differences	37 824	686	–	–
Total other comprehensive income	**37 824**	**686**	–	**–**
Comprehensive income	**348 521**	**265 288**	**362 011**	**62 780**
Attributable to				
Parent Company's shareholders	347 384	264 248	362 011	62 780
Non-controlling interests	1 137	1 040	–	–

CONSOLIDATED INCOME STATEMENTS PER QUARTER

SEK thousands	Oct–Dec 2018	Jul–Sep 2018	Apr–Jun 2018	Jan–Mar 2018	Oct–Dec 2017	Jul–Sep 2017	Apr–Jun 2017	Jan–Mar 2017
Net sales	320 113	284 010	283 231	263 994	270 847	245 904	285 385	244 081
Cost of goods sold	-105 690	-96 153	-95 895	-92 486	-96 885	-82 564	-98 774	-86 285
Gross income	**214 423**	**187 857**	**187 336**	**171 508**	**173 962**	**163 340**	**186 611**	**157 796**
Selling expenses	-51 460	-44 289	-46 628	-42 160	-44 650	-41 110	-45 902	-38 617
Administrative expenses	-27 069	-21 654	-25 118	-25 429	-28 062	-23 263	-25 515	-22 494
Research and development expenses	-35 812	-15 341	-18 842	-18 462	-16 950	-16 101	-17 573	-18 492
Other operating revenue/expenses	1 651	-2 534	1 732	4 206	2 535	-1 759	-3 017	117
Operating income	**101 733**	**104 039**	**98 480**	**89 663**	**86 835**	**81 107**	**94 604**	**78 310**
Net financial items	5 763	-7 808	1 859	4 854	2 988	-1 914	-634	-381
Income after financial items	**107 496**	**96 231**	**100 339**	**94 517**	**89 823**	**79 193**	**93 970**	**77 929**
Income taxes	-23 347	-21 083	-20 768	-22 688	-21 308	-14 241	-22 490	-18 274
Income for the period	**84 149**	**75 148**	**79 571**	**71 829**	**68 515**	**64 952**	**71 480**	**59 655**
Attributable to								
Parent Company's shareholders	83 997	75 067	79 272	71 361	68 379	64 760	71 297	59 204
Non-controlling interests	152	81	299	468	136	192	183	451
Depreciation, amortisation and write-downs	-33 434	-16 947	-17 703	-16 607	-16 426	-16 916	-16 982	-16 625
Shareholders' equity, attributable to the Parent Company's shareholders, SEK millions	1 493	1 408	1 342	1 328	1 226	1 138	1 087	1 074

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

		Group		Parent Company	
SEK thousands	Note	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
ASSETS	3,26				
Fixed assets					
Goodwill	5,15	421 611	408 937	–	–
Other intangible fixed assets	5,15	306 386	198 801	–	–
Tangible fixed assets	5,16	94 126	84 432	12	12
Participations in Group companies	28	–	–	771 346	770 629
Other shares and participations		5 746	3 746	5 746	3 746
Other financial fixed assets		17 856	5 422	3 937	–
Deferred tax assets	14	1 166	11 181	1 014	–
Total fixed assets		**846 891**	**712 519**	**782 055**	**774 387**
Current assets					
Inventories	17	161 186	150 556	–	–
Accounts receivable	18	181 002	148 236	–	–
Receivables from Group companies		–	–	48 990	262
Current tax assets		3 946	362	–	–
Other receivables		4 283	5 016	–	146
Prepaid expenses and accrued income	19	9 349	9 772	158	–
Cash and cash equivalents	20	490 810	395 963	261 749	5 377
Total current assets		**850 576**	**709 905**	**310 897**	**5 785**
TOTAL ASSETS		**1 697 467**	**1 422 424**	**1 092 952**	**780 172**

Fixed assets
Goodwill has increased by SEK 13 million, of which SEK 13 million was attributable to exchange-rate fluctuations. Other intangible fixed assets have increased by SEK 108 million, of which SEK -71 million was attributable to amortisations and impairment. The remaining part was attributable to investments and positive exchange-rate fluctuations to the tune of SEK 162 million. For further information; refer to Note 15.

Gross investments in intangible fixed assets amounted to SEK 169 million (1), of which SEK 41 million was related to Vitrolife Sweden AB's acquisition of licensing rights to technology for embryo transfer from CrossBay Medical Inc. and SEK 117 million was related to the one-time payment for the licensing and commercialisation agreement with Illumina Inc. The investments of SEK 169 million include an additional purchase price of SEK 8 million related to the acquisition from CrossBay Medical Inc. Gross investments in tangible fixed assets amounted to SEK 18 million (10) and consisted mainly of production equipment. For further information; refer to Note 15 and 16.

Current assets
Inventories grew SEK 10 million during the year, from SEK 151 million to SEK 161 million. The average inventory level was 14% (14) of net sales for the year. Accounts receivable rose SEK 33 million, from SEK 148 million to SEK 181 million. Accounts receivable averaged 14% (13) of net sales for the year. The increases in current assets were attributable to growth in sales and an expanding business.

Parent Company
The Parent Company's assets largely comprise participations in Group companies. These were valued at SEK 771 million (771) at the closing date. Based on future earning potential, no impairment has been deemed necessary for shares in subsidiaries. For further information on participations in Group companies; refer to Note 28. A cash pool was established during the fourth quarter, which is owned by the parent company and explains the increase in cash and cash equivalents.

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

		Group		Parent Company	
SEK thousands	Note	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY	21,22				
Group					
Share capital		22 144	22 144	–	–
Other capital contributed		494 610	494 610	–	–
Reserves		50 254	12 567	–	–
Retained earnings incl. income for the year		925 906	696 536	–	–
Parent Company					
Restricted shareholders' equity					
Share capital		–	–	22 144	22 144
Statutory reserve		–	–	172 604	172 604
Unrestricted shareholders' equity					
Share premium reserve		–	–	322 043	322 043
Retained earnings		–	–	167 737	185 284
Income for the year		–	–	362 011	62 780
Shareholders' equity, attributable to the Parent Company's shareholders		**1 492 914**	**1 225 857**	**1 046 539**	**764 855**
Non-controlling interests		3 298	2 792	–	–
TOTAL SHAREHOLDERS' EQUITY		**1 496 212**	**1 228 649**	**1 046 539**	**764 855**
LIABILITIES	3,26				
Long-term provisions					
Deferred tax liabilities	14	29 329	51 170	–	–
Other provisions	24	11 527	7 311	4 921	–
Total long-term provisions		**40 856**	**58 481**	**4 921**	**–**
Long-term liabilities					
Long-term interest-bearing liabilities	23	–	399	–	–
Long-term non interest-bearing liabilities		8 124	–	–	–
Total long-term liabilities		**8 124**	**399**	**–**	**–**
Current liabilities					
Short-term interest-bearing liabilities	23	–	81	–	–
Accounts payable		32 085	30 598	242	619
Liabilities to Group companies		–	–	35 426	12 112
Current tax liabilities		27 187	17 899	234	10
Other liabilities		11 007	12 761	506	–
Accrued expenses and deferred income	25	81 996	73 556	5 084	2 576
Total current liabilities		**152 275**	**134 895**	**41 492**	**15 317**
TOTAL LIABILITIES		**201 255**	**193 775**	**46 413**	**15 317**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		**1 697 467**	**1 422 424**	**1 092 952**	**780 172**

Shareholders' equity and liabilities
Interest-bearing liabilities decreased by SEK 0.5 million year-on-year. The decrease was attributable to loan repayments. Provisions are mainly composed of endowment insurances for pensions and warranty commitments for products sold.

Accounts payable averaged 3% (3) of net sales for the year. The equity/assets ratio was 88% (86).

Parent Company
The SEK 282 million (6) change in the Parent Company's shareholders' equity was attributable to comprehensive income for the year of SEK 362 million (63) and the dividend paid to shareholders of SEK -80 million (-56).

CHANGES IN SHAREHOLDERS' EQUITY

Group

SEK thousands	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
Opening shareholders' equity 1 Jan. 2017	**22 144**	**494 610**	**11 959**	**489 342**	**2 329**	**1 020 384**
Comprehensive income for the year	–	–	608	263 640	1 040	265 288
Dividend (SEK 0.52 per share*)	–	–	–	-56 446	–	-56 446
Dividend, non-controlling interests	–	–	–	–	-577	-577
Closing shareholders' equity 31 Dec. 2017	**22 144**	**494 610**	**12 567**	**696 536**	**2 792**	**1 228 649**
Opening shareholders' equity 1 Jan. 2018	**22 144**	**494 610**	**12 567**	**696 536**	**2 792**	**1 228 649**
Comprehensive income for the year	–	–	37 687	309 697	1 137	348 521
Dividend (SEK 0.74 per share*)	–	–	–	-80 327	–	-80 327
Dividend, non-controlling interests	–	–	–	–	-631	-631
Closing shareholders' equity 31 Dec. 2018	**22 144**	**494 610**	**50 254**	**925 906**	**3 298**	**1 496 212**

Parent Company

SEK thousands	Restricted shareholders' equity		Unrestricted shareholders' equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Income for the year	
Opening shareholders' equity 1 Jan. 2017	**22 144**	**172 604**	**322 043**	**92 996**	**148 734**	**758 521**
AGM's appropriation of profits	–	–	–	148 734	-148 734	–
Comprehensive income for the year	–	–	–	–	62 780	62 780
Dividend (SEK 0.52 per share*)	–	–	–	-56 446	–	-56 446
Closing shareholders' equity 31 Dec. 2017	**22 144**	**172 604**	**322 043**	**185 284**	**62 780**	**764 855**
Opening shareholders' equity 1 Jan. 2018	**22 144**	**172 604**	**322 043**	**185 284**	**62 780**	**764 855**
AGM's appropriation of profits	–	–	–	62 780	-62 780	–
Comprehensive income for the year	–	–	–	–	362 011	362 011
Dividend (SEK 0.74 per share*)	–	–	–	-80 327	–	-80 327
Closing shareholders' equity 31 Dec. 2018	**22 144**	**172 604**	**322 043**	**167 737**	**362 011**	**1 046 539**

* Recalculated with regard to the 5:1 share split carried out in May 2018.

CASH-FLOW STATEMENTS

SEK thousands	Note	Group 31 Dec 2018	Group 31 Dec 2017	Parent Company 31 Dec 2018	Parent Company 31 Dec 2017
	20				
Operating activities					
Income after financial items		398 583	340 915	361 942	54 439
Adjustment for non-cash items		80 578	65 107	-363 258	-63 143
Tax paid		-94 985	-83 744	-10	-4
Cash flow from operating activities before changes in working capital		**384 176**	**322 278**	**-1 326**	**-8 708**
Increase (-)/Decrease (+) in inventories		-4 464	-8 515	–	–
Increase (-)/Decrease (+) in operating receivables		-33 996	-24 433	-3 869	3 291
Increase (+)/Decrease (-) in operating liabilities		3 719	22 859	2 637	1 013
Cash flow from operating activities		**349 435**	**312 189**	**-2 558**	**-4 404**
Investing activities					
Business combinations		–	–	-727	-191
Investments in intangible fixed assets		-161 697	-971	–	–
Investments in tangible fixed assets		-18 410	-9 502	–	–
Sale of tangible fixed assets		503	294	–	–
Investments in financial fixed assets		-1 661	199	-2 000	–
Cash flow from investing activities		**-181 265**	**-9 980**	**-2 727**	**-191**
Financing activities					
Net change cash pool		–	–	48 012	–
Net change borrowing from subsidiary		–	–	-12 112	12 112
Loan repayments		-511	-37 333	–	-37 252
Dividends received		–	–	297 599	85 171
Dividends paid		-80 950	-57 024	-80 327	-56 446
Group contribution received		–	–	8 350	3 384
Changes in financial receivables		–	861	–	–
Cash flow from financing activities		**-81 462**	**-93 496**	**261 522**	**6 969**
Cash flow for the year		**86 708**	**208 713**	**256 237**	**2 374**
Opening cash and cash equivalents		395 963	189 245	5 377	2 974
Exchange-rate difference in cash and cash equivalents		8 139	-1 995	135	29
Closing cash and cash equivalents		**490 810**	**395 963**	**261 749**	**5 377**

Cash flow
Consolidated cash flow from operating activities totalled SEK 349 million (312) for 2018. The cash flow from investing activities was SEK -181 million (-10) for the Group. During the year, cash flow related to gross investments was SEK -18 million (-10) for tangible fixed assets, SEK -162 million (-1) for intangible fixed assets and SEK -2 million (0) for financial fixed assets.

The cash flow from financing activities was SEK -81 million (-93) and comprised items including dividend paid to shareholders of SEK -81 million (-57) and loan repayments of SEK -1 million (-37).

In total, cash flow for the year was SEK 87 million (209) for the Group. At 31 December 2018, consolidated cash and cash equivalents was SEK 491 million (396).

Parent company
The investments of the year were in all essentials attributable to acquisition of unlisted shares. Loan repayments 2017 referred to repayment of the loan pertaining to the acquisition of FertiliTech (now Vitrolife A/S).

NOTES TO THE FINANCIAL STATEMENTS

Vitrolife AB (the Parent Company) and its subsidiaries comprise an international medical device Group. Vitrolife develops, produces and markets products for assisted reproduction. The Parent Company Vitrolife AB (publ), Corporate registration number 556354-3452, is a limited liability company registered in Sweden with its registered office in Gothenburg, Sweden, the visiting address is Gustaf Werners gata 2, with the postal address Box 9080, SE-400 92 Gothenburg, Sweden. The Parent Company is listed on the Large Cap list of the Nasdaq Stockholm.

The Board of Directors resolved to adopt these consolidated financial statements for publication on 26 March 2019.

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Note 1 Accounting policies

Compliance with standards and legislation
The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act, RFR 1 Supplementary Accounting Rules for Groups and International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for application within the EU.

The Parent Company applies the same accounting policies as the Group except in the cases listed below in the section "Parent Company's accounting policies". The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

Classification
Fixed assets, long-term liabilities and provisions essentially consist of amounts that are expected to be recovered or paid more than 12 months after the closing date. Current assets and current liabilities consist mainly of amounts that are expected to be recovered or paid within 12 months of the closing date.

Consolidation policies
The consolidated financial statements include the Parent Company Vitrolife AB (publ) and the subsidiaries in which the Parent Company has a controlling influence at year end. Intra-Group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when preparing the consolidated financial statements.

Functional currency and reporting currency
Items included in the financial statements of the various entities of the Group are valued in the currency used in the primary economic environment of each company's operations (functional currency). The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, if not otherwise stated, are rounded off to the nearest thousand.

Assets and liabilities in foreign subsidiaries, including goodwill and other consolidated surplus and deficit values, are translated to SEK at the exchange rate on the closing date. Revenue and costs in foreign subsidiaries are translated to SEK at an average rate for each year. Translation differences that arise in currency translations of foreign operations are recognised in other comprehensive income.

Foreign currencies
Transactions in foreign currency are measured in the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the exchange rate prevailing on the closing date. Exchange-rate differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historic cost are translated at the exchange rate applicable on the transaction date. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the exchange rate applicable on the date of fair-value measurement. The change in exchange rates is then recognised in the same manner as other changes in value for the asset or liability.

Net investments in foreign operations
Monetary long-term receivables and liabilities in foreign operations are assessed as part of the company's net investment in foreign operations when settlement of these receivables and liabilities is not planned and unlikely in the foreseeable future. All resulting exchange-rate differences for these items are recognised in other comprehensive income. On the divestment of any such foreign operation, the accumulated exchange-rate differences are recognised in profit or loss.

The following exchange rates have been applied in these statements:

Currency	Average exchange rate		Closing rate	
	2018	2017	Dec 31. 2018	Dec 31. 2017
EUR	10.2567	9.6326	10.2753	9.8497
USD	8.6921	8.5380	8.9710	8.2322
AUD	6.4933	6.5434	6.3245	6.4235
GBP	11.5928	10.9896	11.3482	11.1045
CNY	1.3135	1.2631	1.3068	1.2642
JPY	0.0787	0.0761	0.0812	0.0731
DKK	1.3762	1.2949	1.3760	1.3229
HUF	0.0322	0.0312	0.0320	0.0317

Source: The Riksbank

New accounting policies 2018
As per 1 January 2018, the new accounting standards IFRS 9 and IFRS 15 have come to force.

IFRS 9 'Financial Instruments' addresses the classification, measurement and recognition of financial assets and liabilities. Changes compared to previous standard concern e.g. new approaches for classifications as well as a different model for impairment according to which provision for expected credit losses on accounts receivable, contractual assets, cash and cash equivalents should be based not only on occurred events but also on expected events. Vitrolife's accounts receivable are, in all essentials, made up by short-term accounts receivable without financing components and the company has historically had low bad debt losses. Based on that, the company has concluded that transition to the new accounting standard has not caused any material effects to the Group financial statements. As a consequence, the numbers for 2017 do not follow the requirements according to IFRS 9, but the requirements in IAS 39.

IFRS 15 'Revenue from contracts with customers' has been applied since 1 January 2018. The great majority of Vitrolife's sales consists of products, which distinctly represent separate performance obligations. Vitrolife also sells services in the form of services connected to products, primarily within business area Timelapse. The services are, to a large externt, invoiced in advance and recognised as revenue over the terms of the service contracts. Non-recognised service revenue is recorded as deferred income in the balance sheet. Vitrolife's assessment is that these services also distinctly represent separate performance obligations. Based on that, no significant differences are assessed to exist between the previous accounting and accounting in accordance with IFRS 15 and the standard has not caused any material effects to the Group financial statements. For information related to IFRS 15; refer to note 6.

No other standards, amendments or interpretations that entered into force in 2018 are deemed to have had material impact on the Group financial statements.

New accounting policies 2019 and later
IFRSs and IFRIC interpretations that have not yet come into effect or been applied by Vitrolife, but which are assessed as possibly impacting the Group financial reporting;

The company will apply IFRS 16 'Leasing' as from January 1, 2019. Reporting pursuant to IFRS 16 will mean that in principle all leasing agreements will be reported in the balance sheet as assets and liabilities. This reporting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time a liability to pay for this right. The project regarding transition to IFRS 16 has included review of the company's all leasing agreement and interpretation of these agreements with respect to the IFRS 16 principles. Potential options to extend existing lease agreements have been considered and in each individual case it is evaluated however it is likely that an option will be exercised or not.

Vitrolife has chosen to apply the simplified transition approach, meaning that the leasing liability is recorded at the net present value of future leasing fees for the leasing agreements in place as of January 1, 2019. The right-of-use asset is recorded at the same value as the leasing liability as of January 1, 2019. The company has also chosen to apply pracitical expedients, where leasing agreements with a term shorter than 12 months and/or with an underlying asset meeting the standards definition of being low-value will not be included in right-of-use asset or leasing liability.

Reporting pursuant to IFRS 16 mean that the company, as from January 1 2019, records a right-of-use asset and a leasing liability to the tune of SEK 79 million each, meaning that the company's equity/assets-ratio will decrease by approx. 4 percentage points as of the same date. Since Vitrolife applies the simplified transition approach, where the initial right-of-use asset is of equal value as the leasing liability, no transition effect will affect equity as of January 1, 2019. Going forward, accounting according to IFRS 16 will have a positive impact on the Group's EBITDA, which is attributable to that leasing fees will be recorded as depreciation and interest expenses instead. Vitrolife's assessment is that the positive effect on EBITDA will amount to approx. 1 percentage point.

Explanation to the transition from IAS 17 to IFRS 16, SEK million	
Commitments on operational leasing agreements per 31 Dec 2018	47*
Additional, options to extend	41
Less short-term leases	-1
Less leasing of low-value assets	-1
Discounting according to marginal borrowing rate	-8
Leasing liability 1 January 2019	79

* Refer to Note 27.

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

Parent Company's accounting policies
The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's recommendation RFR 2 Accounting for Legal Entities. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Annual Accounts Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS. The differences between the accounting policies of the Group and the Parent Company are stated below.

The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company. The accounting policies are unchanged compared with the preceding year. The transition to IFRS 9 has not had any material effect on the Parent Company's financial statements.

Shares and participations
Shares and participations in Group companies are recognised at cost and subject to impairment testing each year. Dividends are recognised in profit or loss.

Income taxes
Untaxed reserves including deferred tax liabilities are recognised in the Parent Company. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Shareholders' contributions and Group contributions
Unconditional shareholders' contributions are recognised directly in shareholders' equity at the recipient and capitalised in shares and participations at the giver, to the extent that impairment is not required. Recognition of Group contributions has been carried out in line with the alternative rule in RFR 2. Group contributions are recognised as year-end adjustments.

Presentation of accounting policies
The accounting policies for the Group stated in this annual report have been applied to all periods presented in the consolidated financial statements, unless otherwise stated. The Group's accounting policies have been applied consistently in the reporting and consolidation of subsidiaries.

Vitrolife presents the accounting choices made within the framework of the prevailing IFRS policy in conjunction with each note in the aim of providing enhanced understanding.

Note 2 Reconciliation of alternative key figures

This annual report includes certain key figures not defined in IFRS, but they are included in the annual report as company management considers that this information makes it easier for investors to analyse the Group's financial performance and position. Investors should regard these alternative key figures as complementing rather than replacing financial information in accordance with IFRS. Please note that Vitrolife's definitions of these key figures may differ from other companies' definitions of the same terms.

Adjusted gross and operating income
As Vitrolife's gross and operating income is significantly impacted by the amortisation of surplus values related to the acquisitions that the company has carried out, it is management's assessment that it is appropriate to illustrate the Group's profitability and earning capacity by presenting gross and operating income adjusted for amortisation of these surplus values. Reconciliation of these figures are presented directly in the financial reports. Vitrolife also reports adjusted gross and operating margin, which are defined as the above mentioned income measures in relation to net sales.

Operating income before depreciation and amortisation (EBITDA)
As amortisation of surplus values related to the acquisitions that Vitrolife has carried out is charged against operating income, it is management's assessment that operating income before depreciation and amortisation (EBITDA) is a fairer measure of the Group's earning capacity compared to operating income (EBIT). Vitrolife's Board aims to achieve growth while maintaining profitability, where profitability is followed up through operating income before depreciation and amortisation (EBITDA).

SEK M	2018	2017
Operating income	393.9	340.9
Depreciation and amortisation	84.7	66.9
Operating income before depreciation and amortisation (EBITDA)	478.6	407.8

Return on equity
It is Vitrolife's assessment that return on equity is an appropriate measure to illustrate to stakeholders how well the Group invests its equity. Average shareholders' equity is calculated as the average of closing equity for the reported quarters of each year.

SEK M	Dec 31. 2018	Dec 31. 2017
Average shareholders' equity, rolling 12 month	1 392.7	1 131.3
Net income, rolling 12 month	309.7	263.6
Return on equity, %	22.2	23.3

Net debt / Rolling 12 month EBITDA
One of Vitrolife's financial objectives is to have a strong financial capital base to enable continued high growth, both organic and through acquisitions. In relation to this, Group management follows up the ratio of net debt in relation to rolling 12-month operating income before depreciation and amortisation (EBITDA). According to Vitrolife's financial objectives, this ratio should normally not exceed three times. Management assesses that this ratio gives creditors and investors important information concerning the Group's attitude to debt.

SEK M	Dec 31. 2018	Dec 31. 2017
Interest-bearing liabilities	-	0.5
Cash and cash equivalents	-490.8	-396.0
Net debt	-490.8	-395.5
Operating profit, rolling 12 month	393.9	340.9
Depreciation and amortisation, rolling 12 month	84.7	66.9
Rolling 12 month EBITDA	478.6	407.8
Net debt / Rolling 12 month EBITDA	-1.0	-1.0

Net sales growth in local currency
As a large part of Vitrolife's sales are in other currencies than the reporting currency of SEK, sales are not only impacted by actual growth, but also by currency effects. To analyse sales adjusted for currency effects, the key ratio of sales growth in local currency is used. The percentage effects in the following tables are calculated by each amount in SEK millions in relation to net sales in the same period previous year.

Group total	2018	2017
Organic growth in local currency, SEK M	58	158
Organic growth in local currency, %	*5*	*19*
Acquired growth, SEK M	–	33
Acquired growth, %	*–*	*3*
Currency effects, SEK M	47	-1
Currency effects, %	*5*	*0*
Total growth, SEK M	105	190
Total growth, %	*10*	*22*

Net sales per geographic segment	EMEA 2018	North and South America 2018	Asia 2018	Japan & Pacific 2018
Growth in local currency, SEK M	35	23	-1	1
Growth in local currency, %	*8*	*15*	*0*	*1*
Currency effects, SEK M	26	3	16	3
Currency effects, %	*6*	*2*	*5*	*1*
Total growth, SEK M	61	26	15	4
Total growth, %	*14*	*17*	*5*	*2*

Net sales per business unit	Media 2018	Disposable Devices 2018	Time-lapse 2018	ART Equipment 2018
Growth in local currency, SEK M	36	12	33	-26
Growth in local currency, %	*6*	*8*	*13*	*-31*
Currency effects, SEK M	24	6	11	5
Currency effects, %	*5*	*4*	*5*	*4*
Total growth, SEK M	60	18	44	-21
Total growth, %	*11*	*12*	*18*	*-27*

Note 3 Financial risk management

Financial policy
Vitrolife has a Group policy for its financial operations, which defines financial risks and states how the company should manage these risks. Furthermore, the policy states which reports must be prepared. Under this policy, the company must always maintain liquidity corresponding to known future net cash outflows for not less than three months.

Through its operations, the Vitrolife Group is exposed to various types of financial risk. Financial risk pertains to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, interest rates and credit risks.

Currency risks
The currency risk comprises the risk of fluctuations in the value of financial instruments due to exchange-rate changes. This risk is related to changes in expected and contracted payment flows (transaction exposure), the revaluation of foreign subsidiaries' assets and liabilities in foreign currencies (translation exposure) and financial exposure in the form of currency risks in payment flows for loans and investments. Vitrolife is a global company with sales on about 110 markets. This means that the company is impacted by variations in exchange rates. The aim is to minimise the impact of these changes wherever practically possible.

The EUR and CNY have the largest impact. The companies in the Group with transaction exposure are mainly Vitrolife Sweden AB (Sweden) and Vitrolife A/S (Denmark). The breakdown of sales for these companies are as follows: EUR 62% (63), CNY 29% (29), SEK 5% (5), USD 3% (2) and DKK 1% (1). Most of the costs for the Swedish entities are in SEK and for Vitrolife A/S in DKK. External sales from the US subsidiary are entirely in USD. Inflows are matched with the subsidiary's outflows in the form of costs, which are also primarily in USD. Other Group companies have essentially inflows and outflows only in their respective functional currencies.

The net transaction exposure (in thousands) for the Group is allocated over the following currencies:

	Local currencies		Amount in SEK		Share, %	
	2018	2017	2018	2017	2018	2017
EUR	38 723	34 638	397 174	333 653	43	50
CNY	119 694	121 905	157 218	153 978	17	23
USD	16 473	3 392	143 182	28 959	16	4
AUD	9 146	3 356	59 387	21 962	6	3
GBP	2 595	2 244	30 086	24 660	3	4
JPY	884 069	823 697	69 536	62 676	8	9
DKK	43 757	35 724	60 217	46 260	7	7
Total			916 801	672 148	100	100

This year's transaction exposure implies that a general increase for the SEK of 1% against other currencies would reduce the Group's income after tax by about SEK 4.4 million (4.6) for the year ending 31 December 2018.

During the fourth quarter 2016 the Group ceased to hedge currency risks. Consequently, no hedging contracts have been entered into thereafter.

This year's translation exposure attributable to net assets of foreign subsidiaries (incl. acquisition-related intangible assets and goodwill) amounts to SEK 637.6 million (774.0) and was not hedged. A general increase for the SEK of 1% against other currencies would reduce the Group's equity by about SEK 6.4 million (7.7) and reduce the Group's income after tax by about SEK 0.9 million (0.8).

Interest-rate risk
Interest-rate risks refer to risks that changes in interest rates affect the consolidated earnings and cash-flow (cash-flow risks).

During 2017, Vitrolife has repaid the EUR denominated loan pertaining to the acquisition of FertiliTech (now Vitrolife A/S).

At 31 December 2018, a general increase in the borrowing rate of one percentage point would reduce the Group's income after tax by about SEK – thousand (4).

Credit and counterparty risks
Credit risk is defined as the risk that a counterparty is unable to meet its commitments to the Group, which could lead to credit losses. Historically, Vitrolife has had low credit losses and this was also true for 2018. Risk is limited through the use of credit assessments and advance payments from new customers, as well as through close customer monitoring by the finance and marketing functions conjunctively. Furthermore, individual testing is performed of accounts receivable in terms of solvency and credit rating on the closing date. For further information about accounts receivable, see Note 18.

The Group's total exposure relates to accounts recievable and cash and cash equivalents, please refer to the Group's Statements of financial position on page 38 for numbers.

Capital structure
The Group's aim regarding the capital structure is to secure the Group's ability to continue operations, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. The Group can change the dividend to shareholders, repay capital to shareholders, issue new shares, buy back its own shares or sell/buy assets with the aim of maintaining or adjusting the capital structure. The Group defines capital as shareholder's equity.

Vitrolife's Board considers that Vitrolife should have a strong capital base to enable continued high growth, both organic and through acquisitions. The company's net debt should not normally exceed a multiple of three times EBITDA. Net debt pertains to interest-bearing liabilities less interest-bearing assets and cash and cash equivalents. Profitable growth is an objective of Vitrolife's Board. Vitrolife's growth target over a three-year period is sales growth of an average of 20% per year, with an operating margin before depreciation and amortisation (EBITDA) of 30%.

Vitrolife was subject to capital requirements through its external financing, which now is terminated. The Group has met all such requirements in 2018.

Terms and conditions
Maturity structure of financial liabilities (incl. future interest payments)*:

	In 1 year	2 years	3 years	4 years	> 4 years	Total
31 Dec 2018						
Borrowing	–	–	–	–	–	–
Accounts payable	32 085	–	–	–	–	32 085
Other liabilities	9 632	–	–	–	–	9 632
31 Dec 2017						
Borrowing	112	107	101	96	170	586
Accounts payable	30 598	–	–	–	–	30 598
Other liabilities	12 520	–	–	–	–	12 520

* Non-discounted cash-flows.

Note 4 Critical estimates and assessments

Preparing the financial statements in conformity with IFRS requires management to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and expenses. These estimates and assumptions are based on historic experience and a number of other factors deemed reasonable under the prevailing circumstances. The results of these estimates and assumptions are later used to assess the carrying amounts for assets and liabilities that are not otherwise clearly apparent from other sources. The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are regularly reviewed. Changes in the estimates are recognised in the period they are made if this is the only period affected by the change, or in the period the changes are made and in future periods if they also affect future periods.

Assessments made by management that have a substantial effect on the financial statements and estimates made that may involve material adjustments in the following year's financial statements are described in detail below.

Impairment test of goodwill and other intangible fixed assets
When calculating the recoverable amounts for cash-generating units as part of assessing whether any impairment of goodwill and other intangible fixed assets is needed, several assumptions regarding future conditions and estimates of parameters are made. An account of these can be found in Note 15.

Impairment test of capitalised expenditure for product development
No indication of impairment need existed at 31 December 2018. Capitalised projects can, with reasonable certainty, be expected to generate revenue earning products within the near future.

Provision for doubtful receivables
Vitrolife recognises a provision for doubtful receivables based on individual assessments of each receivable; refer to Note 18.

Provisions for warranties
Vitrolife recognises provisions for warranties connected to some of the Group's products. The provisions are established with consideration of historical claims statistics and warranty period etc. Estimated costs for these product warranties are recognised as costs when the products are sold. Difference between estimated costs and actual outcome affects provisions and recognised costs in future periods. For further information, refer to Note 24.

Deferred tax
Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent it has been estimated these can be used against future taxable profits; refer to Note 14.

Additional purchase price
Vitrolife has outstanding commitments for potential additional purchase price for the acquisition of intangible assets completed in 2018. In January 2018, Vitrolife acquired licensing rights to technology for embryo transfer from CrossBay Medical Inc. In addition to the initial purchase price of USD 5 million, additional purchase price of up to USD 11 million and royalty payments may be payable related to sales. Vitrolife's initial assessment at the time of acquisition was that USD 4 million of the maximum additional purchase price was likely to fall out and this was reported as asset and liability. As a result of a changed launch plan, a new assessment was made in the fourth quarter that only USD 1 million of the maximum additional purchase price will fall out. Liability related to the additional purchase price and the reported value of the asset have therefore been reduced by SEK 20 million respectively, which is reported as other operating income and other operating cost. For further information, refer to Note 15. At the end of 2018, Vitrolife entered into a License and Commercialization Agreement in genetics with Illumina Inc. During the year, as part of the agreement, Vitrolife made a one-time payment to Illumina of USD 13 million. As Vitrolife develops new kitted sequencing solutions for IVF, Vitrolife will have the opportunity to obtain exclusive right to commercialise these new products worldwide, excluding mainland China, for an additional payment of USD 3 million, subject to certain conditions. No asset or obligation is reported for this additional purchase price.

Operational leases
Vitrolife's leasing agreements primarily relate to premises, company cars and some office equipment and tools. All of the Group's lease agreements have been classified and recognised as operational, meaning that leasing fees are expensed across the duration of the lease based on its useful life. For further information, see Note 27.

Legal disputes
Vitrolife is currently involved in disputes with Auxogyn Inc. in the US and the EU regarding a patent in the time-lapse field. Based on the existing facts, the company's assessment is that the financial risk pertaining to these disputes is of minor significance, and based on these assessments no reserves or provisions are recognised for these disputes. For more infromation concerning legal disputes, see page 28 in the management report.

Note 5 Segment reporting

Vitrolife consists of four business units whose products are sold by four geographic market organisations. As a result of the internal organisation, Vitrolife reports net sales, gross margin and market contribution per geographic segment. Market contribution is defined as gross income reduced with the selling expenses per market. The balance sheet per segment is not followed-up internally. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO.

In 2018, no single customer of Vitrolife accounted for more than 10% of total sales.

Below, net sales and fixed assets are presented per geographic segment. The information is also separately presented for individually significant countries and for the country in which the company has its domicile. Presented is also gross income, selling expenses and market contribution per segment. Other operating expenses to a total of SEK -182.7 million (-170.6) and net financials items of SEK 4.7 million (0.1) are not distributed per segment.

	Net sales		Fixed assets*	
SEK thousands	2018	2017	2018	2017
EMEA	511 211	449 934	725 054	607 375
of which Sweden	*22 300*	*23 348*	*253 878*	*108 480*
North and South America	173 482	147 940	95 750	84 156
of which USA	*129 694*	*107 907*	*95 750*	*84 156*
Asia	297 351	282 820	5	-
of which China	*197 318*	*194 373*	*5*	-
Japan and Pacific	169 304	165 523	1 314	639
Total	1 151 348	1 046 217	822 123	692 170

	Gross income		Selling expenses		Market contribution	
SEK thousands	2018	2017	2018	2017	2018	2017
EMEA	334 754	282 887	-82 785	-73 262	251 969	209 625
North and South America	114 686	100 568	-34 094	-31 585	80 592	68 983
Asia	191 846	179 190	-34 237	-30 176	157 609	149 014
Japan and Pacific	119 838	119 064	-33 421	-35 256	86 417	83 808
Total	761 124	681 709	-184 537	-170 279	576 587	511 430

* Fixed assets refer to intangible and tangible fixed assets, i.e. excluding financial instruments and deferred tax assets.

Note 6 Revenue

Accounting policies
Revenue recognition
As previously reported, IFRS 15 has not had any material impact on the Groups' financial reports. Below, the accounting principles according to IFRS 15 are presented on the basis of how they are applied by Vitrolife.

The basic principles of IFRS 15 is that a company should recognize revenue to describe the transition of promised goods or services to customers to an amount that reflects the compensation that the company expects to be entitled to in exchange for these goods or services. In order to comply with this principle, a five-step model is applied, which consists of the following parts; Identify the agreement with the customer, identify the different performance obligations, determine the transaction price, allocate the transaction price to the various performance obligations and recognize revenue when performance obligations are met.

Revenue streams
Vitrolife's revenues mainly derive from the sale of products within the company's four business areas; Media, Disposable Devices, Time-lapse and ART Equipment. Related to the products within Time-lapse, and to some extent ART Equipment, the company sells services in the form of maintenance service. For all products, freight is also invoiced to the customer.

Performance obligations and time of revenue recognition
The great majority of Vitrolife's sales are of products that clearly represent separate performance obligations. Sales of products are recognized as income at the time the customer receives control of the products, which is deemed to be in connection with delivery to the customer. The warranties that come with Vitrolife's products are standardized, and therefore not defined as separate performance

obligations. Vitrolife also sells services in the form of the servicing of products, primarily in the Time-lapse business unit, and also in the form of the recharging of freight. Servicing is largely invoiced in advance and is recorded as revenue during the course of the servicing contract. Servicing revenues not recognised as revenue are reported as deferred income (contractual liabilities) in the balance sheet. In Vitrolife's assessment these services are also clearly separate performance obligations. Recharging of freight is recognized as revenue in connection to the delivery.

Information

Disaggregation of revenue

Vitrolife categorizes its products and services into the following business units: Media, Time-lapse, Disposable Devices and ART Equipment. Those sales that are not categorized into any of these business units are essentially freight. As regards segment reporting, Vitrolife applies the following geographic segments: EMEA, North- and South America, Japan and Pacific and Asia. The division of revenue per business unit and segment is presented in the tables below. For more information on the company's segments, see note 5. Division of revenue between product and services are also presented in table below.

Net sales per geographic segment

SEK million	Jan-Dec 2018	Jan-Dec 2017
EMEA	511	450
of which Sweden	*22*	*21*
North- and South America	173	148
Japan and Pacific	169	166
Asia	297	283
Total	1 151	1 046

Net sales per business unit

SEK million	Jan-Dec 2018	Jan-Dec 2017
Media	606	545
Disposable Devices	167	149
Time-lapse	297	252
ART Equipment	58	79
Other	24	20
Total	1 151	1 046

Net sales per products and services

SEK million	Jan-Dec 2018	Jan-Dec 2017
Products	1 081	990
Services	70	56
Total	1 151	1 046

Contractual balances (Contractual assets and contractual liabilities)

In addition to accounts receivable, for which information is provided in Note 18, the company has no contractual assets. However, the company has contractual liabilities, which arise through the fact that services are essentially invoiced in advance. The contractual liability is dissolved over the period that service is delivered to the customers. The tables below provide information on the timing of when existing contractual liabilities are expected to be recognized as revenue, and revenue recognized during the reporting period, which was included in contract liabilities at the beginning of the period.

	2018
Opening balance	13 173
Recognized revenue during the year	-10 636
Additional ontractual liabilites during the year	14 933
Closing balance	17 470

	2019	2020-	**Total**
Expected time of revenue recognition	15 725	1 745	17 470

Note 7 Other operating revenue

	Group		Parent Company	
	2018	2017	2018	2017
Foreign exchange gains	3 963	–	–	48
Reversal additional purchase price	20 031	–	–	–
Insurance refunds	367	399	–	–
Disposal gain on machinery and equipment	562	333	–	–
Other	212	360	–	–
Total	25 136	1 092	–	48

Note 8 Other operating expenses

	Group		Parent Company	
	2018	2017	2018	2017
Foreign exchange losses	–	-3 210	-46	–
Adjustment of acquisition value of intangible asset through reversed additional purchase price	-20 031	–	–	–
Disposal loss on machinery and equipment	-50	-2	–	–
Other	–	-4	–	–
Total	-20 081	-3 216	-46	–

Note 9 Employees, personnel costs and Board fees

Average number of employees

	Total		Of whom, men	
	2018	2017	2018	2017
Parent Company, Sweden	1	–	1	–
Subsidiaries				
Sweden	140	140	53	58
Denmark	77	73	51	47
USA	77	73	39	41
Rest of the world	68	69	42	47
Total	363	355	186	193

Share of women in senior positions

	2018	2017
Board of Directors	40%	33%
Executive management	14%	14%

Salaries, other benefits and social charges

	Salaries and benefits		Social charges	
	2018	2017	2018	2017
Parent Company*	8 753	1 615	2 992	507
- of which pension costs	–	–	*1 853*	–
Subsidiaries	219 488	210 348	61 104	56 823
- of which pension costs	–	–	*18 860*	*14 484*
Total	228 241	211 963	64 096	57 330
- of which pension costs	–	–	*20 713*	*14 484*

*From 1 January 2018 the Groups' CEO is employed by the parent company Vitrolife AB (publ).

Of the Group's pension costs SEK 1,853 thousand (1,049) pertained to the Board and CEO, of which SEK 1,853 thousand (1,049) was attributable to the CEO.

Salaries and benefits allocated by country and between Board members/ CEO and other employees

	Board/CEO		Other employees	
	2018	2017	2018	2017
Parent Company, Sweden	8 753	1 615	–	–
Subsidiaries				
Sweden	–	6 037	87 285	73 393
Denmark	–	–	55 810	47 202
USA	–	–	39 816	38 073
Rest of the world	–	–	36 576	45 642
Total	8 753	7 652	219 488	204 310
- of which variable remuneration	*1 840*	*2 300*	*14 622*	*16 861*

Board of Directors

During the financial year, total Board fees of SEK 2,021 thousand were recorded as cost based on decided fees in accordance to the 2017 and 2018 AGM's resolutions. During the 2017 AGM, a fee to the Board of SEK 1,615 thousand was decided. The Chairman received SEK 500 thousand and the five other Board members each received SEK 175 thousand. In addition, the chairmen of the Audit Committee and the Remuneration Committee received an additional fee of SEK 60 thousand each and the members of these committees received an additional fee of SEK 30 thousand each. On 26 April 2018, Vitrolife's AGM resolved to pay Board fees of SEK 2,240 thousand for the period until the next AGM. SEK 750 thousand to the Chairman of the Board and SEK 250 thousand to the other five directors. In addition, the chairmen of the Audit Committee and the Remuneration Committee received an additional fee of SEK 60 thousand each and the members of these committees received an additional fee of SEK 30 thousand each.

Executive management
In the 2018 financial year, executive management, which comprises 7 (7) persons including the CEO, received salaries of SEK 21,891 thousand (18,402), of which SEK 4,567 thousand (5,048) was variable remuneration and SEK 1,574 thousand (1,170) according to the LTI-programme. Variable remuneration was contingent on the outcome of a number of mainly quantitative parameters compared with set targets. The quantitative parameters are related to sales and result (EBITDA) for the company. Remuneration according to the LTI-programme refers to incentive programme for certain selected key individuals with the aim of aligning the interests of shareholders with those of the executive management and to encourage the purchase of Vitrolife shares. For further information, see page 28. Customary occupational pension premiums were paid for and the retirement age is 65. A notice period of three to six months applies for the termination of employment contracts for other executive management by the company and vice versa. No severance payments are payable. No loans exist to executive management.

CEO
In the 2018 financial year, the CEO received salary totalling SEK 6,734 thousand (6,037), of which SEK 1,840 thousand (2,300) comprised variable remuneration and SEK 200 thousand (–) according to the LTI-programme. Car allowance was also paid. A defined-contribution pension applies and pension premiums amounting to 30% of fixed remuneration are paid. A six-month notice period applies for termination of the CEO's contract by the company and vice versa. In case of termination by the company, a severance payment is payable of up to 12-months' salary. The CEO's employment contract includes a non-competition clause. The retirement age is 65.

Defined-contribution pension plans
In Sweden, the Group funds defined-contribution pension plans for its employees. Outside Sweden, defined-contribution plans are partly defrayed by the subsidiaries and partly defrayed by fees paid by the employees. Payments to these plans are made on an ongoing basis pursuant to the respective plan's rules. The premiums are expensed on an ongoing basis and there are no obligations to pay further fees. The Group's earnings are charged with costs as the benefits accrue.

	Group		Parent Company	
	2018	2017	2018	2017
Payments to defined-contribution plans	20 713	14 484	1 853	–

Endowment insurance
Endowment insurance includes plans for the CEO and the former CEO of SEK 4,645 thousand (3,157). These endowment insurance plans are recognised under other financial assets and provisions; refer to Note 29.

Note 10 Auditors' fees

	Group		Parent Company	
	2018	2017	2018	2017
Deloitte				
Audit assignment	1 059	998	822	810
Audit activities other than audit assignment	–	–	–	–
Tax consultancy	97	449	97	449
Other services	20	104	0	46
Other auditors				
Audit assignment	252	188	–	–
Other services	86	79	–	–
Total	1 514	1 817	918	1 305

Audit assignments refers to the examination of the annual accounts, the accounting records and the administration of the Board and CEO, other tasks incumbent on the company's auditor to perform as well as advice or other assistance resulting from observations made during an audit or the conduct of such other duties. Audit activities other than the audit assignment, pertain to quality assurance services, including assistance regarding observations made during such a review, which is carried out in accordance with ordinances, the Articles of Association, bye-laws or agreements, and which result in a report that is also intended for others than the client. Advice on tax questions is reported separately. Everything else comprises other services.

Note 11 Operating expenses

	Group		Parent Company	
	2018	2017	2018	2017
Raw materials and consumables	-156 997	-145 554	–	–
Changes in inventories of finished goods and work in progress	14 995	-821	–	–
Personnel costs	-308 944	-284 145	-13 478	-511
Depreciation, amortisation and impairment	-84 692	-66 949	0	–
Other external costs	-226 851	-205 768	-4 666	-10 594
Other operating expenses	-20 081	-3 216	-45	–
Total	-782 569	-706 453	-18 190	-11 105

Note 12 Net financial items

Accounting policies
Interest income is recognised on an ongoing basis and dividends when the right to receive them has been established.

	Group		Parent Company	
	2018	2017	2018	2017
Interest income	1 329	347	250	3
Foreign exchange gains	3 555	10	1 088	50
Fair value effect	283	–	–	–
Dividends from participations in Group companies	–	–	362 692	70 256
Other financial income	2	168	–	–
Financial income	5 170	525	364 029	70 309
Interest expenses	-476	-447	–	-228
Impairment of participations in Group companies	–	–	–	-7 280
Other financial expenses	-26	-19	–	–
Financial expenses	-502	-466	–	-7 508
Total	4 668	59	364 029	62 801

Note 13 Exchange-rate differences

Accounting policies
Receivables and liabilities in foreign currencies are measured at the exchange rate on the closing date. Exchange-rate differences on operating receivables and operating liabilities are included in operating income, while exchange-rate differences on financial receivables and liabilities are reported as financial items.

	Group		Parent Company	
	2018	2017	2018	2017
In operating income	3 963	-3 210	-45	48
In financial items	3 555	10	1 087	50
Total	7 518	-3 200	1 041	98

Note 14 Taxes

Accounting policies
Income tax comprises current tax and deferred tax and is recognised in profit or loss, except when the underlying transactions are recognised in other comprehensive income, provided that the relating tax effect is recognised in other comprehensive income. Current tax is tax payable or recoverable for the current year. This also includes adjustments of current tax attributable to prior periods. The actual tax expense is calculated based on the applicable tax rules on the closing date that have been decided or which are, in practice, decided in those countries where the Parent Company and its subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax returns with regard to situations where the applicable tax rules are subject to interpretation and make, when deemed appropriate, provisions for amounts that will probably be payable to the tax authorities.

Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities in the consolidated financial statements. The amount is calculated based on how the temporary differences are expected to be balanced and on the basis of the tax rates (and tax rules) that have been decided or announced as of the closing date. Temporary differences are not taken in to consideration in consolidated goodwill and nor in differences attributable to shares in subsidiaries that are not expected to be taxed in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only insofar as it is probable that tax surpluses will be available in the future against which temporary differences can be utilised.

	Group		Parent Company	
Tax expense for the year	2018	2017	2018	2017
Current tax for the year	-101 904	-76 068	–	–
Tax pertaining to preceding year	674	-535	-244	-10
Total current tax	-101 230	-76 603	-244	-10
Deferred tax				
Amortisation surplus values	9 984	10 692	–	–
Intra-Group profit in inventories	2 081	603	–	–
Change loss carry-forwards	-13 898	-14 353	–	–
Change untaxed reserves	15 465	403	–	–
Other temporary differences	-287	2 945	313	–
Total tax expense	-87 886	-76 313	69	-10
Reconciliation effective tax rate				
Income before tax	398 583	340 915	361 942	62 790
Estimated Swedish tax 22 % (22 %)	-87 688	-75 001	-79 627	-13 813
Differences in foreign tax rates	-766	-3 879	–	–
Tax pertaining to preceding year	714	-535	–	-10
Effect of changed tax rate Sweden, (USA)	-116	-386	-69	–
Non-deductible expenses	-514	-743	-27	-41
Impairment of participations in Group companies	–	–	–	-1 602
Non-taxable income	84	537	–	–
Dividend received from Group companies	–	–	79 792	15 456
Utilisation of priorly non-capitalised loss carry-forwards and settlement of foreign tax	436	142	–	–
Valuation tax loss carry-forward (Denmark)	–	3 494	–	–
Other	-36	58	–	–
Total tax expense	-87 886	-76 313	69	-10

	Deferred tax assets		Deferred tax liabilities	
Deferred tax Group	2018	2017	2018	2017
Untaxed reserves	–	–	-2 191	-17 656
Intra-Group profit in inventories	–	–	7 245	5 164
Surplus values fixed assets	–	–	-32 585	-41 678
Loss carry-forwards	–	17 010	3 982	–
Temporary differences fixed assets	387	-8 932	-9 645	1 906
Other temporary differences	779	3 103	3 865	1 094
Total	1 166	11 181	-29 329	-51 170

The deferred tax assets and liabilities above are recognised in the balance sheet on a net basis for each country respectively, after taking into account offsetting possibilities. Deferred tax assets and liabilities have been measured at the tax rates that are expected to apply for the period when the asset is realised or the liability settled, according to the tax rates and regulations that have been determined or notified at the closing date.

Change deferred tax assets and -liabilities	2018	2017
Opening balance, net	-39 989	-38 998
Via profil or loss	13 344	290
Via other comprehensive income	–	–
Via acquisitions	–	–
Translation difference	-1 518	-1 281
Closing balance, net	-28 163	-39 989

Tax loss carry-forwards
Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent it has been estimated these can be used against future taxable profits. Total deferred tax assets of SEK 4.0 million (17.0) comprise tax loss carry-forwards of SEK 16.2 million in Vitrolife Inc (USA) which has been capitalised. The decrease compared to last year is mainly related to Vitrolife A/S (Denmark) where the previous tax losses have been fully utilised in 2018.

Tax loss carry-forwards attributable to HertArt Aps (Denmark) amounted to SEK 3.5 million (5.3) at the closing date. No deferred tax assets were taken into consideration, since these loss carry-forwards are subject to a degree of uncertainty regarding the extent to which they can be used in the future.

Under existing regulations, all loss carry-forwards have no expiry date. However, all loss carry-forwards are subject to restrictions with regard to the proportion of the loss carry-forward that can be used to offset taxable profits in respective years. Of the Group total tax loss carry-forwards 94% is valued as deferred tax assets.

Corporate income tax in Sweden
In june 2018, a new tax proposal on corporate income tax was adopted in Sweden. The new rules will be effective on 1 January 2019 and entail a gradual lowering of corporate income tax from 22.0% to 20.6%. As a consequence, the Group's deferred taxes in Sweden have been revaluated using the new corporate tax rate, which resulted in lower deferred tax assets of SEK 116 thousand.

Note 15 Intangible fixed assets

Accounting policies
Goodwill
Goodwill represents the difference between the cost of the business combination and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. In order to test for impairment, goodwill is distributed to each cash-generating unit. A cash-generating unit is the lowest level on which goodwill is followed up in the internal control of the Group. Impairment is tested annually, or more frequent if there are indications of impairment. Expenses for internally generated goodwill are recognised in profit or loss when the cost is incurred.

Capitalised expenditure for product development
Research expenditure pertains to expenses for research aimed at obtaining new scientific or technical knowledge. Development expenditure pertains to expenses where research findings or other knowledge is applied to realise new or enhanced products or processes.

Research expenditure is expensed in the period in which it occurs. Development expenditure is recognised in the Group as an intangible asset when the asset is assessed as able to generate future financial benefits and then only under the prerequisite that it is technically and financially feasible to complete the asset, that the intent is and conditions exist for the asset to be used in operations or sold and that the value can be reliably calculated.

In the consolidated balance sheet, capitalised development expenditure is recognised at cost less accumulated amortisation and impairment.

Patents and licenses
Patent and licenses are recognised at cost, less accumulated impairment. The item mainly comprises acquired distribution rights and licenses.

Production technology
Production technology is recognised at cost, less accumulated amortisation and impairment. The item mainly comprises production technology identified in connection with acquisitions.

Trademarks
Acquired trademarks are recognised at cost less accumulated impairment, if any. Vitrolife's assessment is that the trademarks of the Group have indefinite useful lives. Based on this trademarks are not amortised, but tested for impairment annually or more frequent if there are any indications of impairment. Any expenditure for internally generated trademarks are expensed in the period when they occur.

Other intangible assets
Other intangible assets acquired by the Group are recognised at cost, less accumulated amortisation and impairment. The item mainly comprises customer relations.

Additional expenses
Additional expenses for an intangible asset are added to the cost only if they increase the future economic benefits over and above the original assessment and the costs can be reliably estimated. All other expenditures are expensed as incurred.

Amortisation
Amortisation is recognised on a straight-line basis in profit or loss over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill is tested for impairment annually or as soon as there is an indication that the asset has declined in value. The trademarks of the Group are assessed to have indefinite useful lives and are thus not amortised, but tested for impairment like goodwill. Amortisable intangible assets are amortised as from the date the asset is available for use. The estimated useful lives are:

Capitalised expenditure for product development	5-20 years
Patents and licenses	5-10 years
Production technology	4-10 years
Customer relations	5-10 years
Computer programs	5 years

Capitalised expenditure for product development is mainly amortised over a five-year period, which corresponds to most products' expected life. The amortisation period for patents tracks the underlying patent's or brand's life, which is between five and ten years.

Impairment
At each closing day, an assessment is made of whether any indication exists of any impairment of the Group's assets. For goodwill and trademarks, which are not amortised on an ongoing basis, impairment test is conducted at least once each year or more frequent when there is an indication that the asset may have declined in value. If that is the case, an assessment of the asset's recoverable value is conducted. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. The value in use is defined as the present value of all future cash payments or receipts attributable to the asset plus the present value of the net realisable value at the end of its useful life.

The asset is impaired to its recoverable amount if the calculated recoverable amount is less than the carrying amount. An earlier impairment is reversed when there has been a change in the assumptions used as a basis for the asset's recoverable value when it was impaired and which mean that the impairment is no longer deemed necessary. Reversals of previous impairments are tested individually and recognised in profit or loss. Impairment losses on goodwill are not reversed in a following period.

In January 2018, Vitrolife acquired licensing rights to technology for embryo transfer from CrossBay Medical Inc. During the fourth quarter a new assessment regarding the acquired value was performed, resulting in an impairment of licensing rights to technology for embryo transfer of SEK 17 million. The impairment was a result from a changed launch plan due to increased need for production development to commercialize the technology. This has also resulted in an assessment that the previous additional purchase price is not likely to fall out. Liability related to the additional purchase price and the reported value of the asset have therefore been reduced by SEK 20 million respectively, which is reported as other operating income and other operating cost. All adjustments have effected intangible assets in terms of patents and licenses.

Impairment test
The Group's goodwill is attributable to the acquisition of subsidiaries and their operations. Vitrolife consists of four business units whose products are sold by four geographic market organisations, which are reported as the Group's segments. Impairment test of goodwill has been conducted for each business unit – Media, Disposable Devices, Time-lapse and ART Equipment – since these are defined as separate cash-generating units. Goodwill has been allocated to each cash-generating unit based on the underlying operations in the companies to which goodwill is attributable. At the closing date, goodwill is distributed over the cash-generating units as follows; Media SEK 9.6 million, Disposable Devices SEK 114.5 million, Time-lapse SEK 255.7 million and ART Equipment SEK 41.8 million - a total of SEK 421.6 million. The impairment test has been carried out based on forecasts, where the first five forecast years are based on historical growth rates after adjustment for management forecasts. The forecasts have been prepared internally by the management using historical data, the collective experience of management and their best assessment of the company's development potential and market growth. The forecast cash flows after the first five years have been based on a more conservative growth rate of 3% (3) per year. A growth rate of 3% is below the expected growth rate for the market, which is expected to grow by approximately 5-10% per year. The present values were calculated for forecast cash flows using a discount rate before tax of 8.4% (9.0). However, slightly higher discount rates have been used for specific parts of the business. The key variables in the forecasts are market share and growth, gross margin, selling expenses and investments. The estimate is based on a continued, healthy gross margin and the need for investment has been assessed as that needed to replace existing assets. Working capital has been assumed to change in line with sales and the debt/equity ratio is assessed as unchanged, since growth is expected to occur within the framework of existing operations and with own funds. The recoverable amounts, which in the Group are calculated as the value in use, exceeds the carrying amounts. The management's assessment is that no reasonable changes in the key variables and assumptions will lead to the units' recoverable amounts being less than the carrying amounts.

Impairment tests have also been carried out for the trademarks in the Group. At the closing date, trademarks are distributed over the cash-generating units as follows; Time-lapse SEK 34.2 million and ART Equipment SEK 11.1 million - a total of SEK 45.3 million. The impairment tests have, in all essentials, been based on the same forecasts and assumptions as for goodwill, and the present values for forecast cash flows have been calculated using discount rates in accordance with description above.

To support the impairment tests performed on the intangible fixed assets, a comprehensive analysis was performed of the sensitivity in the variables used in the model. The assumption of an increase in the discount rate of one percentage point shows that the recoverable amounts still exceed the carrying amounts. Other assumptions, such as the gross margin, need for investment and growth rate have been assumed as constant.

	Goodwill		Capitalised expenditure for product development		Patents and licenses		Production technology		Trademarks		Other	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost												
Opening balance	426 930	421 209	119 858	120 476	15 321	15 887	167 817	163 725	43 934	42 734	22 522	21 904
Investments	–	–	3 471	962	158 226	8	5	–	–	–	–	–
Additional purchase price	–	–	–	–	27 736	–	–	–	–	–	–	–
Adjustment acquisition value	–	356	–	–	-20 031	–	–	–	–	–	–	–
Reclassifications	–	–	0	–	–	0	–	–	–	–	–	–
Sales/disposals	–	–	–	-3 134	–	0	–	–	–	–	–	–
Translation differences	12 672	5 365	9 047	1 554	825	-573	6 816	4 092	1 782	1 200	930	618
Closing balance	439 603	426 930	132 376	119 858	182 077	15 321	174 638	167 817	45 715	43 934	23 452	22 522
Accumulated amortisation and impairment												
Opening balance	-17 993	-17 993	-68 086	-53 477	-11 488	-10 741	-82 910	-50 897	-402	-401	-7 765	-3 339
Amortisation	–	–	-15 814	-17 250	-1 317	-1 241	-32 538	-30 898	-1	-1	-4 532	-4 259
Impairment	–		–		-16 797	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	0	–	–	–	–	–	–
Sales/disposals	–	–	–	3 103	–	–	–	–	–	–	–	–
Translation differences	–	–	-6 571	-462	-696	494	-2 651	-1 115	0	0	-303	-167
Closing balance	-17 993	-17 993	-90 471	-68 086	-30 298	-11 488	-118 099	-82 910	-403	-402	-12 600	-7 765
Carrying amounts	421 611	408 937	41 905	51 772	151 779	3 833	56 539	84 907	45 312	43 532	10 852	14 757

Parent Company	Other	Total
Accumulated cost		
Opening balance 1 Jan 2017	160	160
Closing balance 31 Dec 2017	160	160
Opening balance 1 Jan 2018	160	160
Closing balance 31 Dec 2018	160	160
Accumulated amortisation and impairment		
Opening balance 1 Jan 2017	-160	-160
Closing balance 31 Dec 2017	-160	-160
Opening balance 1 Jan 2018	-160	-160
Closing balance 31 Dec 2018	-160	-160

Parent Company	Other	Total
Carrying amounts		
At 31 Dec 2017	–	–
At 31 Dec 2018	–	–

Amortisation and impairment has been allocated in profit or loss by function as follows:

	Group		Parent Company	
	2018	2017	2018	2017
Cost of goods sold	-53 853	-52 367	–	–
Selling expenses	-15	-56	–	–
Administrative expenses	-7	-26	–	–
Research and development expenses	-17 124	-1 201	–	–
Total	-70 999	-53 650	–	–

Note 16 Tangible fixed assets

Accounting policies
Tangible fixed assets are recognised as assets in the balance sheet when, based on information available, it is likely that the future financial benefits associated with the holding will accrue to the company and that the cost of the asset can be calculated in a reliable manner. The carrying amounts of the tangible fixed assets comprise costs reduced with accumulated depreciation and impairment, if any.

Gains or losses from selling tangible fixed assets comprise the difference between the sales price and the carrying amount of the asset, and are recognised in profit or loss at the time of the sale.

Additional expenses
Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are expensed in the period they are incurred.

The decisive factor for determining when an additional expense will be added to the cost is whether the expense pertains to the exchange of identified components, or parts thereof, in which case they are capitalised. The expense is also added to the cost when new components have been created. Any undepreciated carrying amounts for exchanged components, or parts thereof, are scrapped and expensed in conjunction with the exchange. Repairs are expensed on an ongoing basis.

Depreciation
Depreciation according to plan is based on the original cost less the estimated residual value. The residual values and estimated useful lives of the tangible fixed assets are reviewed at each closing day, and are adjusted when necessary. Depreciation takes place straight line over the estimated useful life of the asset. Land is not depreciated. The estimated useful lives are:

Buildings	10-30 years
Permanent equipment	10-20 years
Plant and machinery	3-10 years
Equipment, tools, fixtures and fittings	3-10 years

	Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Accumulated cost										
Opening balance	60 294	66 210	28 630	32 380	116 669	122 262	4 386	1 573	209 979	222 425
Investments	1 243	292	881	851	12 222	4 981	4 064	3 379	18 410	9 503
Reclassifications	–	–	2 119	245	343	321	-2 462	-566	0	–
Sales/disposals	–	–	0	-3 745	-1 696	-5 636	-16	–	-1 712	-9 381
Translation differences	5 321	-6 208	1 151	-1 101	5 615	-5 259	-6	–	12 081	-12 568
Closing balance	66 858	60 294	32 781	28 630	133 153	116 669	5 966	4 386	238 758	209 979
Accumulated decpreciation and impairment										
Opening balance	-19 023	-18 492	-20 628	-22 639	-85 896	-87 639	–	–	-125 547	-128 770
Depreciation	-2 628	-2 530	-2 813	-2 205	-7 757	-8 085	–	–	-13 198	-12 820
Impairment	–	–	–	–	0	-91	–	–	0	-91
Sales/disposals	–	–	0	3 499	1 186	5 526	–	–	1 186	9 025
Translation differences	-1 916	1 999	-866	717	-4 290	4 393	–	–	-7 073	7 109
Closing balance	-23 567	-19 023	-24 307	-20 628	-96 757	-85 896	–	–	-144 632	-125 547
Carrying amounts	43 291	41 271	8 474	8 002	36 396	30 773	5 966	4 386	94 126	84 432

Parent Company	Equipment and tools	Total
Accumulated cost		
Opening balance 1 Jan 2017	12	12
Closing balance 31 Dec 2017	12	12
Opening balance 1 Jan 2018	12	12
Closing balance 31 Dec 2018	12	12
Accumulated depreciation and impairment		
Opening balance 1 Jan 2017	–	–
Depreciation for the year	–	–
Closing balance 31 Dec 2017	–	–
Opening balance 1 Jan 2018	–	–
Closing balance 31 Dec 2018	–	–

Parent Company	Equipment and tools	Total
Carrying amounts		
At 31 Dec 2017	12	12
At 31 Dec 2018	12	12

Depreciation and impairment has been allocated in profit or loss by function as follows:

	Group		Parent Company	
	2018	2017	2018	2017
Cost of goods sold	-8 397	-7 776	–	–
Selling expenses	-464	-488	–	–
Administrative expenses	-3 546	-3 724	–	–
Research and development expenses	-791	-832	–	–
Total	-13 198	-12 820	–	–

Note 17 Inventories

Accounting policies
Inventories are measured at the lower of cost and net realisable value, thereby taking into consideration the risk of obsolescence, which is assessed on an individual basis. Impairment due to obsolescence are recognised as costs of goods sold in the profit or loss. The cost is calculated according to weighted average prices. The cost of semi-finished and finished products manufactured in-house comprises direct production costs and a reasonable proportion of indirect production costs based on normal capacity. The net realisable value comprises the estimated sales price reduced by directly related selling expenses. Internal profits from intra-Group transactions are deducted from the book value of inventory.

	Group		Parent Company	
	2018	2017	2018	2017
Raw materials and consumables	59 072	63 436	–	–
Products in progress	15 259	14 482	–	–
Finished goods and goods for resale	86 855	72 638	–	–
Total	161 186	150 556	–	–

Impairment of SEK 2.8 million (1.4) pertaining to obsolescent raw materials and SEK 1.7 million (0.7) for obsolescent finished products was included in the closing inventory. Total obsolescence costs for 2018 amounted to SEK 6.4 million (8.7).

The amount reported as costs for products in stock during the period totalled SEK 327.6 million (305.6).

Note 18 Accounts receivable

Accounting policies
Accounts receivable are initially recognised at fair value and, thereafter, at amortised cost. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognised. If the receivable is expected to be held for more than 12 months, it is classified as long-term. Vitrolife uses the simplified model for expected credit losses for accounts receivable, where provisions for expected customer losses are made to an amount corresponding to expected credit losses during the entire terms of the contract and are taken into account already by the first time of reporting. This effect is not deemed material for the financial year. Indicators of that a receivable needs an impairment might be, e.g., financial difficulties for the customer, that reconstruction or bankruptcy is likely, late payments, disputes or other events indicating that the customer will not pay. The impairment of accounts receivable are recognised as selling expenses.

Accounts receivable
Accounts receivable are recognised after taking into account bad debt losses during the year. In 2018, confirmed bad debt losses in the Group totalled SEK 362 thousand (727). For financial risk management concerning accounts receivable; refer to Note 3.

Historically, Vitrolife has had low bad debt losses, and work with collecting due receivables is conducted on a current basis. Several of Vitrolife's customers, e.g. public hospitals, traditionally pay their receivables relatively long past due dates. However, these customers are assessed to be of low risk and they buy new products from Vitrolife on a regular basis.

	Group		Parent Company	
	2018	2017	2018	2017
Accounts receivable	187 838	154 606	–	–
Less provision for doubtful receivables	-6 836	-6 370	–	–
Total	181 002	148 236	–	–

Age structure of accounts receivable

2018		Due, number of days:				
Total accounts receivable:	Not due:	0–30	31–60	61–120	>120	Total amount due:
187 838	139 094	26 140	8 103	4 157	10 345	48 744
of which provision						
-6 836	0	-100	0	-104	-6 632	-6 836

2017		Due, number of days:				
Total accounts receivable:	Not due:	0–30	31–60	61–120	>120	Total amount due:
154 606	109 411	23 305	4 887	6 891	10 113	45 195
of which provision						
-6 370	-53	-162	–	–	-6 155	-6 317

Provision for doubtful receivables	Group		Parent Company	
	2018	2017	2018	2017
Opening provision	-6 370	-5 975	–	–
Reversal of provision for doubtful receivables	786	1 077	–	–
Confirmed credit losses	225	727	–	–
Provision for doubtful receivables	-1 003	-2 276	–	–
Translation differences	-475	77	–	–
Closing provision	-6 836	-6 370	–	–

Note 19 Prepaid expenses and accrued income

	Group		Parent Company	
	2018	2017	2018	2017
Insurances	2 982	3 321	140	–
Rent and other property expenses	2 363	2 427	–	–
IT-related expenses	1 205	1 329	–	–
Prepaid marketing activities	922	949	–	–
Other prepaid expenses	1 877	1 746	18	–
Total	9 349	9 772	158	–

Note 20 Cash-flow statements and cash and cash equivalents

Accounting policies
The cash-flow statements are drawn up according to the indirect method.

	Group		Parent Company	
	2018	2017	2018	2017
Interest paid and received				
Interest received	1 329	349	250	3
Interest paid	-476	-449	-2	-228
Total	853	-100	248	-225
Adjustment for non-cash items				
Depreciation, amortisation and impairment of assets	84 692	66 949	–	–
Adjustment liability additional purchase price	-20 031	–	–	–
Adjustment acquired licenses	20 031	–	–	–
Unrealised exchange-rate differences	-4 536	-718	-1 088	-51
Impairment of participations in Group companies, Vitrolife Kft.	–	–	–	7 280
Received dividend from subsidiares	–	–	-362 692	-70 256
Change of warranty provision	563	-2 488	–	–
Other	-141	1 364	522	-116
Total	80 578	65 107	-363 258	-63 143
Sub-components of cash and cash equivalents				
Cash and bank balances	490 810	395 963	261 749	5 377
Total	490 810	395 963	261 749	5 377

In the last quarter 2018, the credit facilities were terminated as a result of the company's financial position. The overdraft facility's limit in 2017 was SEK 50 million, but it was not utilised.

Cash and cash equivalents not used in daily operations is invested in accordance with Vitrolife's financial policy; refer to Note 3. No active asset management was carried out in 2018.

Note 21 Shareholders' equity

Accounting policies
Transaction expenses that are directly attributable to the issue of new common shares or options are recognised, net after tax, in shareholders' equity as a deduction from the proceeds.

Share capital
Only one class of shares exists and all shares carry the same rights. In May 2018 a share split 5:1 was carried out in line with the resolution adopted at the Annual General Meeting. The number of outstanding shares increased from 21,710,115 to 108,550,575. The number of outstanding shares in the Parent Company amounted to 108,550,575 as of 31 December 2018.

Other capital contributed
Pertains to shareholders' equity contributed by the owners. This includes shares in share premium reserves transferred to the statutory reserve as of 31 December 2005. Provisions made to the share premium reserve from 1 January 2006 and onward are recognised as contributed capital.

Translation reserve
The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the presentation currency in the consolidated financial statements. The Parent Company and Group present their financial statements in SEK.

Accumulated exchange-rate differences in shareholders' equity

	Group	
	2018	2017
Opening balance	8 448	7 762
Exchange-rate differences in foreign subsidiaries	37 824	686
Closing balance	46 272	8 448

The disclosure requirement in Chapter 5, section 14 of the Annual Accounts Act regarding the specification of year-on-year changes in shareholders' equity in the balance sheet are detailed on page 40.

Under the dividend policy for Vitrolife AB (publ), each year, a dividend, or some other form of distribution equal to 30% of net profit for the year after taxes, should be proposed. Thus, in accordance with the above, the Board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 0.85 per share for 2018, corresponding to a total of SEK 92 million. The dividend will be presented to the Annual General Meeting on 2 May 2019 for adoption.

Retained earnings including income for the year
Retained earnings including income for the year comprises profits earned by the Parent Company and its subsidiaries.

Proposed appropriation of profit
The Board of Directors and the CEO propose that the funds available of SEK 851,790,777, be appropriated as follows:

SEK	
Dividend (SEK 0.85)	92 267 989
Carried forwards	759 522 788
Total	851 790 777

Capital management
The capital managed by the Group comprises shareholders' equity. The Group's objective with its capital management is to enable continued high growth, both organic and through acquisitions. The Group's net debt should normally not exceed a multiple of three times EBITDA. Profitable growth is an objective of Vitrolife's Board. Vitrolife's growth target over a three-year period is sales growth of an average of 20% per year, with an operating margin before depreciation and amortisation (EBITDA) of 30%.

Note 22 Earnings per share

Accounting policies
The calculation of earnings per share is based on income for the year in the Group attributable to the Parent Company's shareholders and the weighted average number of shares outstanding during the year.

Earnings per share
In 2018, the average number of shares outstanding was 108,550,575 (108,550,575). Income for the year attributable to the Parent Company's shareholders was SEK 309,697 thousand (263,640) resulted in earnings per share of SEK 2.85 (2.43), which is both before and after dilution.

Note 23 Interest-bearing liabilities

Accounting policies
Borrowings are initially recognised at fair value, net, after transaction costs and, subsequently, at amortised cost. Any difference between the amount received and the amount to be repaid is recognised in profit or loss over the loan period by applying the effective interest method. All loans have floating rates and, therefore the fair value is assessed as essentially corresponding with the carrying amount. Borrowings are classified as interest-bearing long-term or current liabilities in the balance sheet.

	Group		Parent Company	
	2018	2017	2018	2017
Long-term portion, bank loans	–	399	–	–
Current portion, bank loans	–	81	–	–
Total	–	480	–	–
Maturity date				
In 1–5 years	–	399	–	–
> 5 years	–	–	–	–
Total	–	399	–	–

In 2018, the previous credit facilities of SEK 50 million were terminated as a result of the company's financial position. The credit facilities were not utilised as per 31 December 2017.

During 2017, Vitrolife repaid the bank loan pertaining to the acquisition of FertiliTech (now Vitrolife A/S); a loan which per 2016 year-end closing amounted to SEK 37.3 million.

Refer to Note 3 for loan terms and conditions, and other contractual conditions. Refer to Note 29 for pledged assets and contingent liabilities.

Note 24 Other provisions

Accounting policies
A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the effect of when payment occurs is significant, provisions are calculated by discounting expected future cash flows using an interest rate before tax that reflects current market assessments of the monetary value over time and, if appropriate, the risks associated with the obligation.

	Group		Parent Company	
	2018	2017	2018	2017
Pension obligations	8 793	4 014	4 921	–
Warranties	2 734	3 297	–	–
Total	11 527	7 311	4 921	–

Note 25 Accrued expenses and deferred income

	Group		Parent Company	
	2018	2017	2018	2017
Accrued personnel costs	55 505	49 566	4 254	–
Audits and consultancy services	898	735	602	446
Annual report	228	346	228	300
Board fees	–	1 415	–	1 415
Other taxes abroad	2 501	4 082	–	–
Other accrued expenses	5 394	4 241	–	415
Deferred income	17 470	13 171	–	–
Total	81 996	73 556	5 084	2 576

Note 26 Financial instruments

Accounting policies
Financial instruments recognised in the balance sheet include the following assets and liabilities: cash and cash equivalents, accounts receivable, other receivables, other financial fixed assets, derivatives, accounts payable, other liabilities, loan payables and share of provisions.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are included in the balance sheet when an invoice has been issued. Accounts payable are included when an invoice has been received.

A financial asset is derecognised from the balance sheet when the contractual rights to the asset are realised, expired or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a financial liability. Acquisitions and sales of financial assets are recognised at the transaction date, which is the date when the company commits to acquire or sell the asset, except where the company acquires or divests listed securities in which case settlement date accounting is applied.

Fair value
Fair value has been calculated for all financial assets and liabilities in accordance with IFRS 13.

Assets and liabilities valued at amortised cost
Fair value of other financial fixed assets, accounts receivable and other receivables, other current receivables, cash and cash equivalents, accounts payable and other liabilities as well as interest-bearing borrowings is estimated to correspond with their carrying amounts (amortised cost). All loans have floating rates and, therefore the fair value is assessed as essentially corresponding with the carrying amounts for these loans.

Financial assets and liabilities measured at fair value in profit or loss
Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on latest material transactions. Hence, fair value is estimated to be equal to book value. Classified in level 3 are also liabilities which relate to additional purchase prices, for which fair value have been estimated by future expected payments being discounted by current market rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has during the period generated an effect on the income statement of SEK 283 thousand (-). This effect is reported among financial items. Refer to Note 4 and Note 15 for information on the adjusted additional purchase price related to acquisition of licensing rights in 2018.

Assets as per balance sheet	Assets measured at amortised cost		Financial assets at fair value in profit or loss	
	2018	2017	2018	2017
Other shares and participations	–	–	5 746	3 746
Other financial fixed assets	17 856	5 422	–	–
Accounts receivable	181 002	148 236	–	–
Other receivables	60	128	–	–
Cash and cash equivalents	490 810	395 963	–	–
Total	689 727	549 749	5 746	3 746

Liabilities as per balance sheet	Liabilities measured at amortised cost		Financial liabilities at fair value in profit or loss	
	2018	2017	2018	2017
Non-interest bearing long-term liabilities	–	–	8 124	–
Borrowings	0	480	–	–
Accounts payable	32 085	30 598	–	–
Other liabilities	0	3	–	–
Accrued expenses and deferred income	9 632	12 517	–	–
Total	41 717	43 598	8 124	–

Parent Company
Financial assets and liabilities totalled SEK 1,078.2 million (780.0), and SEK 20.9 million (13.9) respectively. Based on future earning potential, no impairment has been deemed necessary for shares in subsidiaries. No forward covers were carried out for the currency components included in the above amounts.

Note 27 Leasing

Accounting policies
In the consolidated financial statements, leasing is classified as either financial or operational. All of the Group's lease agreements have been classified and recognised as operational. For operating leases, the leasing fee is expensed across the duration of the lease based on its useful life, which can differ from the actual payment made to cover the leasing fee during the year.

Leasing
Vitrolife leases premises in Gothenburg, Sweden. Sterile rooms have been built and paid for by Vitrolife. The current lease agreement expires on 31 October 2023.

Vitrolife leases a property in Denver in the US. However, the modules that have since been added to the building and which contain production facilities, etc., are owned by the company. In addition, an adjacent building acquired in 2011 is also owned by the company. The current lease agreement expires on 1 May 2020.

Other significant leasing agreements for premises are the following:

	Lease expiry
Tokyo, Japan	31 May 2019
San Diego, USA	31 Oct 2024
Bruckberg, Germany	31 May 2021
Viby, Denmark	30 Apr 2023

Rental fees are linked to consumer price indices and vary in line with the market as a whole. Variable fees are invoiced on a one-for-one basis in arrears following annual reconciliation. No restrictions apply as a result of contracted leases. In those cases where leasehold improvements have been defrayed by Vitrolife, individual testing is applied regarding whether the costs should be capitalised or expensed.

Otherwise, Vitrolife has signed lease agreements for company cars and for some office equipment and tools.

In 2018, expensed leasing totalled SEK 17,237 thousand (17,843).

Contracted future minimum lease fees pertaining to irrevocable contracts are allocated as follows:

	Group		Parent Company	
	2018	2017	2018	2017
Within one year	13 132	16 396	101	–
In two to five years	32 571	37 180	84	–
More than five years	1 158	4 432	0	–
Total	46 861	58 007	184	–

Note 28 Participations in Group companies

	Parent Company	
Participations in Group companies	2018	2017
Opening cost	770 629	777 720
Formation of company, Vitrolife (Beijing) Technical Services Co. Ltd.	717	–
Increase share capital, Vitrolife GmbH	–	8
Formation of company, Vitrolife BVBA	–	181
Impairment, Vitrolife Kft.	–	-7 280
Closing carrying amount	771 346	770 629

Company	Corp. Reg. No.	Domicile	Number of shares	Share, %*	Carrying amount 2018	Carrying amount 2017
Companies owned by Vitrolife AB:						
Vitrolife, Inc.	84-1547804	Denver and San Diego, USA	500 000	100	173 220	173 220
Vitrolife Sweden AB	556546-6298	Gothenburg, Sweden	5 000 000	100	178 386	178 386
Vitrolife Pty Ltd.	102959964	New South Wales, Australia	1	100	0	0
Vitrolife KK	0104-01-081049	Tokyo, Japan	200	100	850	850
Vitrolife Ltd.	04628698	Warwick, UK	1 025	100	11 935	11 935
A.T.S. Srl**	12758490150	Milan, Italy	n/a	70	6 760	6 760
HertArt Aps	32840787	Greve, Denmark	166 667	100	5 856	5 856
Vitrolife A/S	27 40 67 93	Aarhus, Denmark	374 120	100	338 609	338 609
Vitrolife GmbH	HRB 4525	Bruckberg, Germany	3	100	54 832	54 832
Vitrolife BVBA	0685.675.182	Londerzeel, Belgium	186	97.3***	181	181
Vitrolife (Beijing) Technical Services Co. Ltd.	91110105MA00H2AM9B	Beijing, Kina	1	100	717	–
Total					771 346	770 629

* Share of voting power is equal to share of ownership.
** Subsidiary with non-controlling interests is not deemed material enough to require financial information to be presented according to IFRS 12.
***Remaining share of 2.7% is owned by Vitrolife Sweden AB.

Dividend to minority shareholders in the company A.T.S. Srl amounted to SEK 631 thousand during 2018.

Note 29 Pledged assets and contingent liabilities

Accounting policies
A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is not probable that an outflow of resources will be required.

	Group		Parent Company	
Pledged assets	2018	2017	2018	2017
Floating charges	20 000	20 000	3 100	3 100
Endowment insurance	7 057	3 157	3 936	–
Total	27 057	23 157	7 036	3 100

Pledged assets pertain to floating charges for own commitments and collateral pledged for endowment insurance plans (cost).

	Group		Parent Company	
Contingent liabilities	2018	2017	2018	2017
Guarantee, Swedish Customs	673	200	–	–
Endowment insurance, difference between cost and market value	96	375	123	–
Total	769	575	123	–

Note 30 Related parties

Related parties
The Parent Company has a close relationship with its subsidiaries; refer to Note 28. Of the Parent Company's total purchases and sales, 0 percent (0) of purchases and 100 percent (100) of sales pertain to intra-Group transactions. Internal pricing within the Group is set based on the arm's length principle, that is between parties that are independent, well-informed and with a vested interest in the transactions.

During the year, Vitrolife and the company's major owners Bure entered into an option agreement that gives Vitrolife rights to, during a defined period and at a fixed price, acquire Bure's shares in the unlisted company Life Genomics AB, which had a turnover of approximately SEK 9 million in 2018. The agreement was entered in connection to Vitrolife acquiring shares in Life Genomics AB at a new share issue where Vitrolife invested SEK 2 million for 4.5% ownership in the company during 2018.

Transactions with other key individuals in senior positions
Fees for consulting services have been paid to two of the Board members in addition to their board assignments. Otherwise, the Board members of Vitrolife have not receive any other remuneration in addition to the Board fees during 2018. For further information, refer to Note 9.

	2018	2017
Board members	2 021	1 615
Executive Management	21 891	18 402
Total	23 912	20 017

Note 31 Events after the closing date

The Board´s proposal for dividend amounts to SEK 0.85 (0.74) per share. The figure for the previous year has been recalculated due to the 5:1 split that was carried out in 2018.

During the first quarter 2019 Vitrolife AB (publ) received market approval for the time-lapse incubator EmbryoScope+ in China, the world's largest market measured in terms of number of IVF treatments.

No other events have occurred after the end of the period that significantly affect the assessment of the financial information in this report.

Attestation

The Board of Directors and the CEO hereby give their assurance that the annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair representation of the Parent Company's position and performance, and that the Management Report provides a true and fair overview of the development of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed. The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and performance, and that the Management Report for the Group provides a true and fair overview of the development of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Group is exposed.

Gothenburg, 26 March 2019

Carsten Browall
Chairman of the Board

Barbro Fridén
Board member

Lars Holmqvist
Board member

Pia Marions
Board member

Jón Sigurdsson
Board member

Thomas Axelsson
CEO

Our auditor's report was submitted on 26 March 2019

Deloitte AB

Fredrik Jonsson
Authorised Public Accountant

AUDITOR'S REPORT

This auditors' report is a translation of the Swedish language original. In the events of any differences between this translation and the Swedish original the latter shall prevail.

To the general meeting of the shareholders of Vitrolife AB (publ), corporate identity number 556354-3452.

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Vitrolife AB (publ) for the year 2018 except for the corporate governance report on pages 30-33. The annual accounts and consolidated accounts of the company are included on pages 26-54 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance report on pages 30-33.

The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the statement of comprehensive income and balance sheet for the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014/EU) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

Revenue recognition

Sales amounts to SEK 1 151 million as of 2018 and is generated from four business areas, of which the products are sold by four geographical market organizations. Revenue from the sale of goods is recognized when control has been transferred from Vitrolife Group to the customer. Revenue is recognized at fair value of what has been received or will be received for goods sold.

There are many similarities between the different types of sales agreements but depending on the type of contract, the transfer of risk and benefits differs depending on if the sales are made directly to a customer or through a distributor.

We focus on this area due to the inherent complexity and the significant judgement sometimes involved in estimating the use of right of return and other obligations.

The Vitrolife group disclosures regarding revenue recognition are included in note 5 and 6 on pages 45-46 in the annual report, which provide details of the accounting principles for revenue recognition, the segment information and sales per product group.

Our audit procedures included, but were not limited to:

- assessing the revenue recognition policies with respect to IFRS 15 to determine the Company designed appropriate revenue recognition policies to recognize revenue in the correct period for transactions with customers;
- evaluating the design and testing operational effectiveness of relevant internal controls used for revenue recognition;
- Audit management's judgments and estimates as well as management's analyses of significant variances in different flows of revenue
- By data analytics and on a sample basis test sales transactions to determine if revenue was recorded accurately and in the correct period
- Audit that required disclosures are presented in relevant notes of the annual report.

Valuation of goodwill

Goodwill amounts to SEK 422 million as of 31 December 2018 and is related to acquisitions.

The value of goodwill is dependent on future return and the profitability of the cash generating units of which the goodwill is related. The goodwill is tested for impairment at least once a year. The impairment test is based on a number of assumptions, in particular estimated sales growth, gross margin, investments and discount rate.

Management's judgements and estimates may have a significant impact on the group's result and financial position.

We focus on the impairment assessment above as the book value of goodwill is material and the inherent complexity due to that the assessment is sensitive to changes in assumptions and the potential risk of impairment.

For further information, accounting principles are disclosed in note 15, intangible assets, on pages 48-49 and note 4, critical estimates and judgments on page 45 in the annual report.

Our audit procedures included, but were not limited to:

- Evaluating the design of relevant internal controls to identify indictors of impairment and the reasonability in the assumptions

made, that routines are consistently applied and that calculations are made with integrity

- Audit the reasonability in the chosen cash generating units and the allocation of goodwill
- Audit the completeness of relevant notes in the annual report
- Our valuation specialists have been involved in the audit

Other Information than the annual accounts and consolidated accounts
This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-25 and 58-60.

The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

Auditor's responsibility
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the

most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vitrolife AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for Opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor's responsibility
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

Deloitte AB was appointed auditors of Vitrolife AB (publ) by the general meeting of the shareholders on the 26 April 2018 and has been the company's auditors since the 5 May 2014.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 30-33 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our 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. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Swedish Annual Accounts Act.

Gothenburg 26 March 2019

Deloitte AB

Fredrik Jonsson
Authorized public accountant

GLOSSARY AND SHAREHOLDER INFORMATION

The following explanations are intended to help the reader to understand certain specific terms and expressions in Vitrolife's annual report:

Biological quality tests: Using biological systems (living cells, organs or animals) to test how well a product or input material functions in relation to a requirement specification.

Biopsy: Removal of one or several cells from living tissue for diagnostic evaluation.

Biotechnology: Combination of biology and technology, which primarily means using cells or components from cells (such as enzymes or DNA) in technical applications.

Blastocyst: An embryo at days 5-7 after fertilisation. Cell division has gone so far that the first cell differentiation has taken place and the embryo thereby now has two different types of cells.

Cell therapy: Describes the process when new cells are added to tissue in order to treat a disorder.

Clinical study/trial: An investigation in healthy or sick people in order to study the effect of a pharmaceutical or treatment method.

Embryo: A fertilized and cell divided egg.

In vitro (Latin "in glass"): A process that has been taken out from a cell to take place in an artificial environment instead, for example in a test tube.

In vivo: Biological processes in living cells and tissue when they are in their natural place in whole organisms.

Incubator: Equipment for the culture of embryos in a controlled environment.

IUI - Intra-Uterine Insemination ("artificial insemination"): A high concentration of active sperms is injected in order to increase the chance of pregnancy.

IVF - In Vitro Fertilisation: Fertilization between the woman's and the man's sex cells and cultivation of embryos outside the body.

Medical devices: Comprise devices used to make a diagnosis of a disease, treat a disease and for rehabilitation.

PGT-A: Preimplantation genetic testing for aneuploidy (PGT-A), also called preimplantation genetic screening (PGS), is a test for chromosome copy number that can be used during IVF to help determine the chromosomal status of an embryo from a biopsy of one or more cells. The results of PGT-A aid in the selection of an embryo likely to have a normal number of chromosomes (euploid) for transfer to the woman and help avoid those with abnormal copy number (aneuploid) that may result in IVF failure or miscarriage.

PGT-M: Preimplantation genetic testing for monogenic and single gene defects (PGT-M), also called preimplantation genetic diagnosis (PGD), is a test to find specific hereditary genetic diseases that are caused by a single defective gene. This test is used for couples who have a genetic mutation that can cause a genetic disease where the couple want to be sure that their child will not carry this disease.

Preclinical study: Research that is done before a pharmaceutical or a treatment method is sufficiently documented to be studied in people, for example testing of substances on tissue samples and later testing on experimental animals.

Stem cells: Non-specialized cells to be found in all multi-cell organisms. Have the ability to mature (differentiate) into several cell types. Are usually divided up into three groups: adult stem cells (in the fully grown individual), embryonic stem cells and stem cells from the umbilical cord. In the developing embryo stem cells give rise to all tissue in the fetus-to-be. In adult individuals stem cells constitute a repair system to replace damaged cells. As stem cells have the potential to mature into specialized cell types, there are great hopes regarding their medical role.

Time-lapse: Technology for supervision of embryos. Pictures of the development of the embryo are taken in short time interval, then played as a film and analyzed.

Vitrification: Process for converting a material to a glasslike solid state, for example through rapid freezing, in this case rapid freezing of eggs and embryos, in order to be able to carry out IVF on a later occasion.

ANNUAL GENERAL MEETING 2019

The AGM of Vitrolife AB (publ) will be held on Thursday, 2 May 2019 at 5:00 p.m. at Vitrolife's premises in Gothenburg. Address: Gustaf Werners gata 2.
For more information, please refer to www.vitrolife.com

DISTRIBUTION OF THE ANNUAL REPORT

Vitrolife's annual report is available in Swedish and English. The annual reports can be downloaded at www.vitrolife.com, where printed versions can also be ordered.

The printed version of the annual report will be sent by post to those shareholders and stakeholders who request it.

2019 REPORTING CALENDAR

January-March Interim Report,
Tuesday 23 April
January-June Interim Report,
Friday 12 July
January-September Interim Report,
Wednesday 6 November

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AUDITORS

The company's auditor is Deloitte AB. Principal Auditor is Authorised Public Accountant Fredrik Jonsson (1971). Fredrik Jonsson has been engaged as Vitrolife's auditor since 2014.

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