

CONTENTS The year in summary CEO's comments Investments in embryo selection 6 Business concept, goals and strategies 8 **IVF-treatment and** Vitrolife's product offering 10 Market and sales 12 Sustainable business 15 Auditor's report 21 22 Organisation Value chain 24 The Vitrolife share 26 FINANCIAL STATEMENTS 5-year summary 28 Key ratios and definitions 29 Management Report 30 Corporate Governance Report 34 **Board of Directors** 38 **Executive Management** 39 Income statements 40 Statements of financial position 42 Changes in shareholder's equity 44 Cash-flow statements 45 Notes 46 Auditor's report 60 Glossary 63 Shareholder information 63 Addresses 64 This is a translation of the Swedish version of the Annual Report. When in doubt, the Swedish wording prevails.



High time-lapse growth and new business unit, page 4



Embryo selection to reduce the time to achieve a healthy baby, page 6



Focus on long-term competitiveness and profitability, page 15

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 GROWTH AND BROADER OFFERING

- Sales amounted to SEK 1480 million (1151), corresponding to an increase of 29% in SEK. Sales increased by 22% in local currencies whereof 12% comprised organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 587 million (479), corresponding to a margin of 40% (42). Fluctuations in exchange rates positively impacted EBITDA by SEK 37 million.
- Net income amounted to SEK 384 million (311), which gave earnings per share of SEK 3.53 (2.85).
- Market approval for EmbryoScope+ in China.
- Acquisition and collaboration agreement regarding technology for embryo assessment using artificial intelligence.
 The initial purchase price amounted to SEK 56 million.

- Acquisition of the business of Parallabs Ltd. The initial purchase price amounted to SEK 24 million.
- New Genomics business unit established via sales of products for preimplantation genetic testing of embryos.
 Sales amounted to SEK 125 million.

After the end of the period

- The Board proposes a dividend of SEK 114 million (92), corresponding to SEK 1.05 SEK (0.85) per share.
- Vitrolife estimates that sales during the first quarter will be approximately in line with last year in local currency and that the EBITDA margin will amount to approximately 33-37%. Furthermore, the company assess that the second quarter will be significantly negatively impacted by the Corona virus outbreak.

1480 MSEK

Sales 2019 (1151)

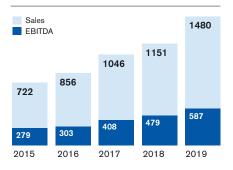
22%

Sales growth in local currencies 2019 (5%)

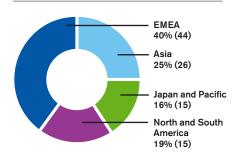
587 MSEK

EBITDA 2019 (479)

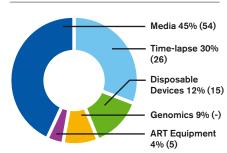
Sales and EBITDA SEK M



Sales per region



Sales per business unit



Kev figures*

Ney ligures	2019	2018
Net sales, SEK M	1 480	1 151
Net sales growth, local currencies, %	22	5
Gross margin, %	63	66
Adjusted gross margin, %**	66	70
EBITDA, SEK M	587	479
EBITDA margin, %	40	42
Net income, SEK M	384	311
Net debt / EBITDA	-1.2	-1.0
Earnings per share, SEK***	3.53	2.85
Share price at closing date, SEK	197.50	147.00
Market capitalization at closing date, SEK M	21 439	15 957
Equity per share, SEK	16.53	13.75
Average number of employees	398	363

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 29. 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.

CEO'S COMMENTS

HIGH TIME-LAPSE GROWTH AND NEW BUSINESS UNIT

High growth

2019 was yet another successful year for Vitrolife. The company achieved sales of SEK 1,480 (1,151) million, corresponding to an increase of 29% in SEK. Growth during the year amounted to 22% in local currencies, of which 12% was organic growth. All market regions displayed double-digit growth. We saw fantastic development in the field of Time-lapse during the year, both in markets where we have had success previously, for example Japan, but also in undeveloped Time-lapse markets, such as the US.

Genomics - a new business unit

During the year a new business unit called Genomics was set up at Vitrolife. The business has its roots in an agreement entered into with Illumina Inc. towards the end of 2018. The company has successfully started up sales of kits for genetic testing and built up a strong competence base in order to further develop the business unit. During the year the new business unit's positive results contributed SEK 125 million to company revenues.

Increased operating income

Operating income before depreciation and amortisation (EBITDA) increased to SEK 587 (479) million. Operating income increased, amongst other things, due to organic growth, the addition of the Genomics business unit, good cost control and positive currency effects. The EBITDA margin decreased somewhat and amounted to 40 (42)%. The margin decreased due to the fact that the Genomics business unit has a lower margin than the average for the Group.

Investments in products and markets

Investments in a broader offering continued. During the year Vitrolife obtained market approval for EmbryoScope+in China, which quickly gave results in the form of a record order to a leading clinic in China. In Time-lapse the product range was further broadened through the launch of EmbryoScope Flex, with capacity for 24 patients, and CulturePro, an incubator without time-lapse. After closing day EmbryoScope 8, a time-lapse incubator with capacity for 8 patients, was also launched. The broadening of the product range enables the company to offer time-lapse systems for customers of different sizes and preferences. During the year technology for embryo assessment using artificial intelligence was also acquired. This has the potential to be important in the future as it facilitates and improves the clinical benefits of time-lapse. In the Media

area, the EmbryoGlue patient-pack was launched and the US saw the launch of a new product for the freezing of unfertilised eggs. On the market side, investments were made in the company's organisation, in the shape of both sales resources and resources for customer support. The company's presence in the UK was further strengthened through acquisition of Parallabs Ltd, the distributor.

Sustainable development

Vitrolife's work on sustainability aims to strengthen the company's long-term competitiveness and profitability. The company's work on sustainability continued during the year and included measurement of the Group's CO2 emissions pursuant to the GHG protocol. We are happy to note that the company's direct environmental impact, as defined in Scope 1 and Scope 2 of the GHG protocol, is limited and the company will continue to work towards further reducing its direct and indirect environmental impact. A new version of Code of Conduct was implemented during the year. This gives employees guidance on how they can act in different situations. The company also took a decision to introduce a new position in the management team, with responsibility for HR and sustainability issues, thus further increasing the focus and coordination of the Group's sustainability aspirations.

Outlook for 2020

Vitrolife estimates that sales during the first quarter will be approximately in line with last year in local currency and that the EBITDA margin will amount to approximately 33–37%. Furthermore, the company assess that the second quarter will be significantly negatively impacted by the Corona virus outbreak. The long-term market outlook is essentially unchanged and Vitrolife therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by approximately 5–10% per year in the foreseeable future.

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 2020

Thomas Axelsson CEO



INVESTMENTS IN EMBRYO SELECTION

EMBRYO SELECTION TO REDUCE THE TIME TO ACHIEVE A HEALTHY BABY

Moving towards elective single embryo transfer

Over the last four decades, improvements in the IVF process have finally allowed the field to now focus on how patients can become pregnant and deliver a healthy baby in the shortest time possible. This means identifying the most viable embryos, ranking them and transferring one at a time.

In the early days of IVF treatment, it was routine to transfer many embryos. There are a few explanations for this practice. Firstly, compared to present day the process generally produced embryos of lower viability, so the likelihood of achieving a pregnancy was increased by routinely transferring multiple embryos. Also, cryopreservation protocols were still being optimised. Thus, to prevent further risk of loss or negative impact on viability the consensus was to replace all the available embryos. Even once cryopreservation protocols improved, it was still not clear on how to select embryos preferentially. This practice led to many multiple gestations with the associated risks to the mother, infants and socio-economic burdens.

Improvements in the process mean that now, in many cases, multiple viable embryos are generated in an IVF cycle. Cryopreservation procedures have improved significantly, so that the results are equivalent to fresh transfers. In many situations, this means that clinics are counselling patients on the benefits of a treatment cycle where single embryo transfer is selected (elective single embryo

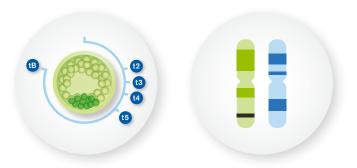
transfer). In fact, in some countries (e.g., Sweden) it is mandated that single embryo transfer is performed unless certain medical considerations determine otherwise.

Transferring the most viable embryo increases the chance for implantation and reduces the risk of miscarriage and its associated physical and psychological challenges. It can also reduce the cost to the patient by eliminating, or at least, minimising subsequent frozen embryo transfers.

Using images for embryo selection

By using microscopes to view the embryos, different assessments have been used to evaluate how the embryo looks. These are, however, essentially somewhat subjective morphology assessments (essentially a beauty contest) based on a single snapshot observation at a certain time of embryo development. The development of incubators with embedded microscopes have allowed many more opportunities to view embryo development and create a video (a time-lapse sequence of images). The ability to culture and observe embryos in an undisturbed manner is one of the main reasons Vitrolife acquired this technology. Observations from such videos, so called morpho-kinetic parameters can be combined to build decision processes (algorithms) to aid embryo selection. Vitrolife developed such algorithms based on Known Implantation Data (KIDScore). The usability of this decision support tool was enhanced with the Guided Annotation software product





Two methods for embryo selection

Algorithms based on the timing of specific events observed by time-lapse technology. DNA sequencing to determine the chromosome complement.

that increases the work flow efficiency for the end user to input the events. Artificial intelligence was used to further increase the functionality by allowing the software to automatically perform image recognition.

Using artificial intelligence for embryo selection - empower your decisions

Even though Vitrolife's artificial intelligence software version was released only this year, Vitrolife recognised the fast progress being made using deep learning to build algorithms. One of the main advantages is that it removes all subjectivity, but it also offers significant improvement in work flow efficiency as the end user is not required to spend time to manually view the images and input events. In April, Vitrolife acquired a deep learning technology that had been developed in a collaboration between Harrison. ai and Virtus Health. The algorithm is currently undergoing further development and will provide an intelligent data analysis score (iDAScore) for each embryo. A randomised control trial will start with Virtus Health in Q1 2020 using the iDAScore. It is anticipated that the clinical outcome by selecting embryos with this technology will be at least equivalent to embryologists and will remove subjectivity and increase workflow efficiency.

Using DNA sequencing for embryo selection

The morphology gives an indication of the overall embryo physiology, but probably provides little information regarding the genetic normality. When an embryo has the incorrect number of chromosomes, it is referred to as being an euploid (euploid for the correct complement). It is known that normal looking embryos can still be aneuploid. It is important to minimise the risk of transferring aneuploid embryos as they 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. It is possible to assess the genetic normality of an embryo by removing a few cells and analysing the DNA. This is known as preimplantation genetic testing for aneuploidy (PGT-A). In October 2018 Vitrolife announced a strategic partnership with Illumina Inc., the market leader in the technology used in the practice of PGT. Vitrolife became the exclusive distributor of Illumina's kits for preimplantation genetic testing for PGT-A (VeriSeg™ PGS) and PGT-M (Human Karyomap-12) in EMEA (Europe, Middle East and Africa) and North and South America. As part of the agreement, Vitrolife will develop and commercialise new fully kitted products for the in vitro fertilisation (IVF) market using Illumina sequencing. 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.

The future

Ultimately, Vitrolife's goal is to use the outputs of embryo imaging artificial intelligence and PGT-A to provide a combined score that ranks the euploid embryos with the highest viability. Such an embryo selection tool will provide each patient the highest chance and most cost-effective method of achieving a healthy baby in the minimum amount of time.



IDASCORE - EMPOWER **YOUR DECISIONS**

BUSINESS CONCEPT, GOALS AND STRATEGIES

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, skilled and scalable global organisation focusing on sustainable working procedures and common culture.
- Strong sales and support channels that can offer customised solutions.
- Competitive and complete portfolio with leading support and service offering.
- Innovative research and development as well as efficient manufacturing and efficient processes.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

Vitrolife's growth strategy

Vision with a purpose Distinct business goal Delivering financial value "Leading provider of solutions that Annual growth (average 3 years) reduce the time to achieve a healthy baby "To fulfil the dream of having a baby" EBITDA margin >30% and improve workflow efficiency and Net debt/EBITDA <3 control for IVF clinics" **Divisions Market Regions** Focused business strategy FOCUS 2: Sales development FOCUS 1: FOCUS 5: **EMEA** Sustainable Consumables* Strengthen sales and support channels Extended structure and capabilities Customized solutions operations North and **FOCUS 3: Customer offering** Strategic Skilled and South America acquisitions, scalable global Competitive and complete portfolio alliances and Technology** organisation collaborations Leading support and service offering Asia Sustainable **FOCUS 4: Operational excellence** Integration and working executional procedures & Innovative research and product dev. Genomics support Japan and common culture Efficient manufacturing and efficient processes Pacific INTERNAL Solid growth platform with global functions based on 25 years of IVF experience

^{*} including Business Unit Media and Business Unit Disposable Devices ** including Business Unit Time-lapse and Business Unit ART Equipment

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 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%.

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 16% per year in local currencies. 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 2019 the operating margin before depreciation and amortisation (EBITDA) amounted to 40% which means that the margin decreased compared to 2018. The decrease is mainly explained by a changed product mix as the new Genomics business unit has a lower margin than the Group average. Vitrolife's objective for the EBITDA margin is more than 30%. The company thus reported an operating margin that outperformed the target for 2019.

Net debt/EBITDA

In 2019, net debt in relation to EBITDA amounted to a multiple of -1.2 (-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 16% per year measured in local currencies



The EBITDA margin has increased during 2019



Vitrolife's strong financial position enables future acquisitions



Achievement of financial objectives

Financial objectives	Objective 2019	Actual 2019
Sales growth in local currencies (average 3 years)	20%	16%
EBITDA margin	>30%	40%
Net debt/EBITDA	<3	-1.2

IVF TREATMENT AND VITROLIFE'S PRODUCT OFFERING

COMPETITIVE OFFERING IN A GROWING MARKET

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. 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

IVF treatment consists of several different steps: from egg and sperm collection to culture and transfer of embryos, in addition to the cryopreservation of eggs, sperm and embryos. Assessment of embryos' development and selection of which embryos can be transferred to the woman can be done by taking them out of the incubator and conducting microscopic analysis on a number of occasions during the culture process or by using new technology for the monitoring of embryos in the shape of time-lapse. Genetic assessment of embryos can be done by observing the number of chromosomes in the embryos. This is called preimplantation genetic testing for aneuploidies (PGT-A). Which patients' embryos can be subjected to genetic analysis is regulated by legislation in the country where the treatment is carried out.

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 middle of the 1980s, pregnancy frequency after IVF treatment was on average approximately 15%, while towards the end of the 1990s the corresponding figure was approximately 25-35%. Certain clinics can now reach 50% or higher.

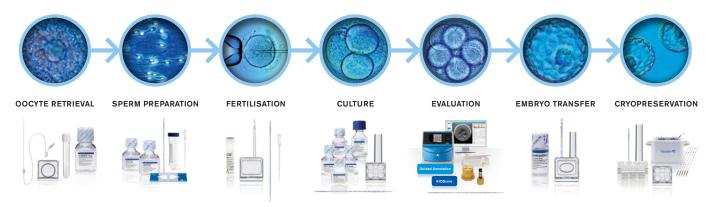
This can be explained by the fact that the technique has been refined and the composition of the media used has been further developed. Pregnancy frequency largely depends on which groups are treated and how the treatment is performed – age, diagnosis, embryo culture factors and the number of embryos transferred are all crucial for the result of the treatment.

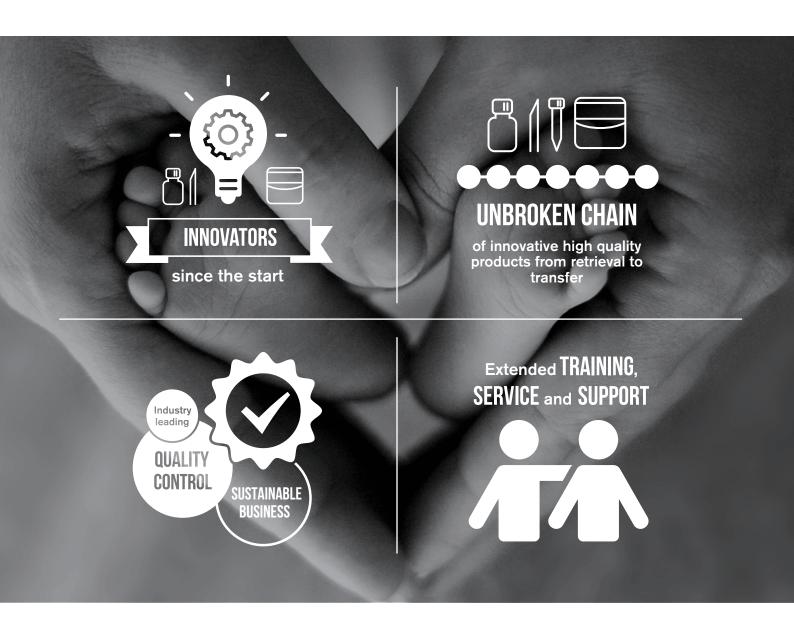
Competitive offering

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. 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 EmbryoScope, EmbryoScope+ and EmbryoScope Flex, Vitrolife is the market leader in this area.

Vitrolife's product offering covers all the stages of the IVF process





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 products for genetic analysis of embryos.

2019 – a year of many new products

During 2019 Vitrolife launched a number of interesting new products. In Time-lapse, CulturePro was launched, a so-called benchtop incubator, as well as EmbryoScope Flex, which can treat up to 24 patients and is thus suitable for larger clinics. In the field of Media, the EmbryoGlue patient pack was launched, which makes it possible to offer a patient-specific solution, as well as RapidVit/Warm for eggs (vitrification) for the American market. In Disposable Devices an ultrasound gel was launched as well as a new PVC-free tube set for needles, which offers clinics a broader solution for egg retrieval.

Quality, efficiency, service and support

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.

Vitrolife aims to create long-term and close cooperation with committed customers, which has resulted in success and good treatment results. This cooperation, which is also Vitrolife's brand promise, is called "Together. All the way". For Vitrolife the brand promise means a feeling that the company wants everyone coming into contact with Vitrolife shall experience.

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

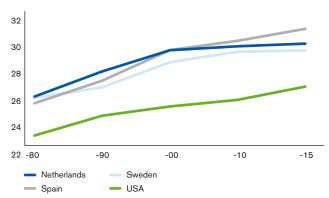
Market size and growth

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 (excluding the cost of genetic kits). The cost of time-lapse amounts to approximately SEK 500 - 1,000 per treatment cycle, depending on the technical solution. The market 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.

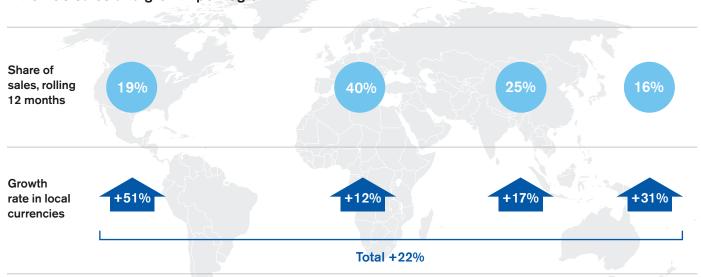
Vitrolife estimates the each year about 2 million IVFtreatments are carried out. The amount of reliable data regarding the number of treatments worldwide is limited and, accordingly, the figures are estimated by Vitrolife on the basis of local market data and official statistics. The clinics' total purchases of single-use products and equipment are estimated to be approximately SEK 10,000 -15,000 million, corresponding to approximately 10% of the

Average age of first-time mothers rising



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

Vitrolife's sales and growth per region



clinics' sales. On the basis of this market definition, Vitrolife has a global market share of approximately 10%.

Market growth is estimated at 5-10% per year, with considerably higher growth in Asia than in Western Europe. 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 2019

Sales amounted to SEK 1,480 (1,151) million, corresponding to an increase of 29% in SEK. Sales increased by 22% in local currency, of which 12% was organic growth. The acquired growth stemmed from salesrelated to the Genomics business unit.

Sales for the EMEA region (Europe, the Middle East and Africa) amounted to SEK 596 (511) million. Sales increased by 12% in local currency. In the North- and South American region sales amounted to SEK 284 (173) million. Sales increased by 51% in local currency and were positively impacted by acquired growth from Genomics. Sales in the Japan and Pacific region amounted to SEK 240 (169) million. Sales increased by 31% in local currency. Sales in the Asian region increased by 17% in local currency and amounted to SEK 360 (297) million.

Sales for the Media business unit increased by 5% in local currency and amounted to SEK 660 (606) million. Sales for the Disposable Devices business unit increased by 2% in local currency and amounted to SEK 181 (167) million. Sales for the Time-lapse business unit increased by 37%

IN BRIEF

Customers

Private and public clinics, hospitals and laboratories

Number of clinics >5 000

Payment of treatment Partly subsidised in most

countries in Europe, private in the US and Asia

Number of treatments per year

>2 million

Cost per treatment Approx. SEK 50,000

Total size of market

Approx. SEK 10-15 billion*

Market share Approx. 10%*

Largest markets measured by number of treatments

1: China, 2: Japan, 3: USA

*Market defined as IVF clinics' total purchases of single-use products and equipment, including products that Vitrolife does not offer

in local currency and amounted to SEK 431 (297) million. Sales for the ART Equipment business unit decreased by 3% in local currency and amounted to SEK 58 (58) million. Sales for the Genomics business unit amounted to SEK 125 (-) million. Freight revenues amounted to SEK 24 (24) million.

Competitors

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





Vitrolife's business contributes to helping people fulfil their dream of becoming parents. For 25 years the company has strived to make these dreams come true. During 2019 both internal and external activities were carried out to celebrate this 25th anniversary.



SUSTAINABLE BUSINESS

FOCUS ON LONG-TERM COMPETITIVENESS AND PROFITABILITY

Introduction

The sustainability report for 2019 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 Group's product offering consists of disposable products and equipment for IVF treatment in addition to accompanying support and service.

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 Group'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 24–25.

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 34–37, where the Board's guidelines for sustainable business and the diversity policy are also presented. Vitrolife's values are described on page 17.

Materiality analysis

Vitrolife's Board and management have carried out a materiality analysis and identified a number of sustainability factors that are important for Vitrolife's long-term competitiveness and profitability and which support the UN's global objectives for sustainable development. There are established guidelines for these factors 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 factors 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.

The most important sustainability factors determined by the Board and management on the basis of significance and risk are competent employees, quality-assured products, responsible business and minimal environmental footprint.

The most important sustainability factors



Competent employees



Quality-assured products



Responsible business



Minimal environmental footprint

Competent employees

Vitrolife is a knowledge-intensive 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 factors for developing employees' competence and well-being.

Competence development

One important factor for keeping employees is the ability to offer opportunities for development and training. This also supports the UN's objective of good education for everyone. Employees' competence is crucial for Vitrolife's future growth. 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 regualification is always carried out. All managers with personnel responsibility receive regular training in leadership in order to develop into secure and competent leaders.

One way to develop and broaden employees' competence is to stimulate internal mobility and the exchange of experience through global competence teams. By encouraging rotation and development of existing positions, employees are challenged to further develop. Moreover, the common corporate culture is strengthened. During the year managers and employees from the production site in Gothenburg shared a knowledge exchange programme with the production site in San Diego.

Equality

Equality has been identified as a prioritised sustainability factor, both for keeping and developing employees so that they attain their full potential and also for attracting new employees. Vitrolife strives to be an attractive employer that maximises and makes use of the competence of the Group's employees.

Vitrolife has chosen to follow up gender distribution at various job levels in the Group so as to be able to detect and rectify any unjustifiable imbalances. Human Resources carries out annual salary surveys to detect any unreasonable discrepancies and these are then corrected within the framework of the Group's equality policy. This supports the UN's equality objective of eliminating all forms of discrimination against women. The Group's assessment is that no unreasonable salary discrepancies exist at the company with regard to gender.

Anti-discrimination

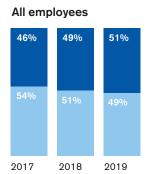
One important aspect of a safe workplace is ensuring that no-one is subjected to discrimination or sexual harassment. Vitrolife should be a workplace where diversity is respected irrespective of gender, religion, ethnic background, race or sexual preference. Employee surveys evaluate amongst other things whether anyone feels harassed or discriminated against. The Group regularly provides information on the importance of all employees being observant with regard to harassment and how to proceed if they notice harassment. Vitrolife is an organisation with global operations, where a knowledge of languages and the ability to operate in different cultures are important qualities in order to achieve success.

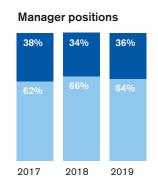
Vitrolife's Code of Conduct clearly states Vitrolife's position with regard to human rights, where no form of discrimination is tolerated irrespective of ethnic or national origin, skin colour, gender, sexual preference, religion, political opinion, nationality or social origin. Vitrolife has zero tolerance regarding all forms of discrimination, bullying or harassment. The 2019 employee survey included specific questions in the areas of diversity, equality and discrimination.

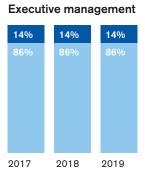
Safe and secure workplace

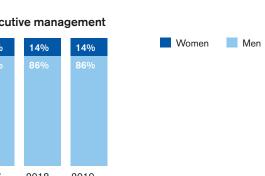
Vitrolife has an overarching objective to create a good physical workplace and a healthy work climate where everyone can feel safe and develop. Employee surveys follow up how satisfied employees are with their work environment and improvements are carried out through dialogue and influence. Furthermore, employees are trained

Gender distribution









Vitrolife's values and Code of Conduct guide the employees in how to act and take decisions in various situations









to carry out their work in such a way as to reduce the risk of injuries at work and prevent poor health. Vitrolife encourages a healthy work-life balance and therefore supports flexible forms of work.

Work on the local work environment is conducted by managers and the HR function with the support of collaboration partners, for example local employer organisations and consultants.

In the Swedish business, systematic work on the work environment is conducted by a Safety Committee. This includes safety representatives appointed by the union together with other personnel representatives and management. Plans have been adopted regarding responsibility, risk assessment and routines for detecting, rectifying and following up any deficiencies in the work environment.

Attractive workplace

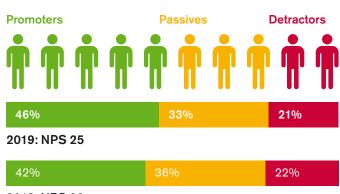
Vitrolife works in a goal-oriented manner to create an attractive workplace for all employees and promote the development of a high-achieving organisation. To create an attractive workplace it is important to understand how employees perceive their workplace. Vitrolife therefore annually conducts an 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 support the employees and products and services that contribute to societal benefit.

The annual employee survey measures Vitrolife's attractiveness as an employee using eNPS, which stands for Employee Net Promoter Score. This is a measure of how willing employees are to recommend their workplace to friends and acquaintances. An eNPS score can vary from -100 to +100. A score of over 0 is good, over +20 very good and over +50 exceptional. Vitrolife's eNPS for 2018 was +20 and during 2019 it increased to +25.

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.

Employer Net Promoter Score



2018: NPS 20

VITROLIFE'S ENPS FOR 2018 WAS +20 AND IT INCREASED **DURING 2019 TO +25**

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. Effective treatments support the UN's objective of ensuring that by 2030 everyone has access to reproductive health

Quality systems support manufacturing

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.

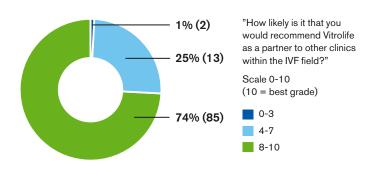
Vitrolife performs tests in the entire production chain, from raw materials and semi-finished goods to the end product, to ensure that products of consistent and high quality are delivered to customers. Quality-assured products are thus a precondition for working as a supplier of medical devices and also involve a competitive advantage. For more information on Vitrolife's quality systems, see pages 24-25.

Workshops support best possible results

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 Group 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.

Customer satisfaction - willingness to recommend 2019



Customer satisfaction measures perceived quality

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 the Group'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 score. Vitrolife received a positive response from the customers: 74% gave Vitrolife a score of between 8 and 10. The result is somewhat of a decrease compared to last year. The decrease is primarily due to a changed geographic mix of respondents and lower product availability during the year.

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. Increased focus in the future will be on digital tools for education.



Responsible business

Responsible business is a critical sustainability factor, both to reduce the risk of breaking the law and as a competitive advantage in recruiting and external collaboration.

Vitrolife's values guide employees

Vitrolife's vision is "To fulfil the dream of having a baby" and describes what is most important for the Group - 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 Group'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.

Code of Conduct

To ensure that Vitrolife's business is run in accordance with local legislation, international and national codes of conduct and Vitrolife's norms, all employees and business partners receive training in Vitrolife's Code of Conduct. This has been drawn up on the basis of, amongst other things, the UN's Global Compact with regard to human rights, working conditions, the environment and anticorruption.

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.

Whistleblower function

Vitrolife has a whistleblower function, comprising the Group's HR Director and Vitrolife's Chairman of the Board, to whom employees and external stakeholders can turn to report any deviations from Vitrolife's Code of Conduct. Reporting can also be done anonymously. During the year a digital tool for whistleblower management was implemented. No reports were made during 2019.

Tax in accordance with OECD guidelines

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.

Vitrolife's Code of Conduct

Vitrolife's Code of Conduct describes the Group's values, commitments and rights, both at the workplace and in its business operations. The Code of Conduct has been updated and has gone into greater depth in its description of how the Group and the employees shall run the business. All employees shall act in accordance with the rules that have been established in the Code of Conduct and follow laws, directives and Vitrolife's supporting policies both globally and locally. The new Code of Conduct was implemented during 2019. The revised version contains references

to relevant policies and further information. Suppliers, distributors and business partners shall follow relevant parts of the Code of Conduct.

The Code of Conduct is based on the following international principles:

- the UN's general declaration on human rights
- the UN's Global Compact
- the ILO's declaration on basic principles and rights regarding labour
- the OECD's guidelines for multinational companies

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.

Environmental policy

Vitrolife has issued an 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.

Environmental footprint

As from 2019, Vitrolife measures emissions in accordance with the GHG protocol. Scope 1 covers direct emissions, for example from the company's production facilities, and Scope 2 covers electricity consumption. Scope 3 covers external emissions, for example related to the transportation of goods and travelling. As this is the first year that emissions have been measured in accordance with the GHG protocol, no comparative figures are reported.

Scope 1

The impact on the environment for 2019 in Scope 1 amounted to 523 tonnes of CO₂. The impact on the environment

consists primarily of natural gas combustion in the distilling of water for production in the US. Vitrolife measures environmental efficiency for Scope 1 as emissions of CO₂ in tonnes in relation to Group sales in MSEK. The environmental index related to Scope 1 thereby amounted to 0.35.

Scope 2

The impact on the environment for 2019 in Scope 2 amounted to 808 tonnes of CO_2 . The impact on the environment consists primarily of the consumption of electricity for the company's production facilities. Electricity used in Sweden and Germany comes from renewable energy sources, which means zero CO_2 emissions. During 2020 the production facility in Denmark will also be run by electricity from renewable energy sources. Vitrolife measures environmental efficiency for Scope 2 as emissions of CO_2 in tonnes in relation to Group sales in MSEK. The environmental index related to Scope 2 thereby amounted to 0.55.

Scope 3

In Scope 3 Vitrolife has carried out a materiality analysis of the impact on the environment, which resulted in the transportation of goods being included in Vitrolife's measurement of Scope 3. The impact on the environment for 2019 in Scope 3 amounted to 1,867 tonnes of $\rm CO_2$. Vitrolife measures environmental efficiency for Scope 3 as emissions of $\rm CO_2$ in tonnes in relation to Group sales in MSEK. The environmental index related to Scope 3 thereby amounted to 1.26.

Air-freight is a necessity for Vitrolife's temperature-sensitive products, even though this 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 for 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 CO₂ 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, which also reduces CO₂ emissions and costs.

Employees' travel has an impact on the environment. However, travel is a necessity in order to run the Group's business. In order to reduce the environmental impact and costs, Vitrolife has issued a travel policy. Internal travel is minimised by the use of digital tools such as video conference equipment, which is installed at all of the Group's offices.

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.

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



Panzi Hospital in Bukavu in the Democratic Republic of the Congo was founded by Denis Mukwege, winner of the Nobel Peace Prize. Women who have been subjected to violence and malnourished children receive care there. Today the hospital is a modern reference hospital that every year admits thousands of patients from the entire region. Läkarmissionen helped to build Panzi Hospital in 1998-99 and is today one of the hospital's chief financiers. Läkarmissionen focuses on safe childbirth, prematurely born infants, a nutrition ward which saves the lives of severely malnourished children between 6 months and 12 years of age and gives aftercare that increases their chances of survival, and family planning. The hospital is able to save the lives of children born as early as week 28, which is unique in the context in which the hospital operates. In addition to the work at the hospital, Läkarmissionen supports work to help women who are the victims of rape. Two different centres some distance from the hospital give women trauma therapy and help to return to society in different ways.

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 2019 on pages 15-21 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 24 March 2020 Deloitte AB

Fredrik Jonsson Authorized Public Accountant

ORGANISATION

AN INTERNATIONAL ORGANISATION IN GROWTH

Organisation

Vitrolife is a global medical device company with 12 offices and sales in approximately 110 markets. Vitrolife's head office is in Gothenburg, from where the company's Swedish business is run. In addition to in Gothenburg, Vitrolife also has production 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 consists since June 2019 of the following divisions: Consumables, Technology and Genomics, which develop and produce products for fertility treatment. The Consumables division consists of two business units, Media and Disposable Devices, which develop and produce nutrient solutions (media), advanced disposable instruments (needles and pipettes) and disposable plastic products. The Technology division consists of the Time-lapse and ART Equipment business units, which develop and produce technological aids such as time-lapse and microlaser systems. The Genomics division consists of the Genomics business unit, which offers kits for genetic analysis of embryos through a partnership with Illumina Inc.

Marketing and sales of the company's products are carried out by the geographic market organisations EMEA (Europe, the Middle East and Africa), Asia, Japan and the Pacific, and North and South America.

The joint corporate support functions consist of Human Resources, research, business development, finance, legal and IT. Furthermore, the company has cross-functional groups within different specialist areas that work globally across the whole Group.

Employees

During January to December 2019 the average number of employees was 398 (363), of whom 202 (177) were women and 196 (186) were men. Of these, 151 (141) were employed in Sweden, 87 (77) in the US, 81 (77) in Denmark and 79 (68) in the rest of the world.

At the end of the period the number of employees in the company was 430 (392). During the year 51% (49) of the employees were women and 49% (51) men.



Belgium Sales. Established 2017





USA Sales and production. Established 1998 (Denver) and 2010 (San Diego)



France Sales. Established 2008



VALUE CHAIN

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.

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 2019 BSC

FDA (USA), TGA (Australia), Health Canada (Canada DNV, BSI, Presafe, TÜV Rheinland and TÜV SÜD

EXTENSIVE OUALITY CONTROL FROM RAW MATERIAL TO DELIVERED **PRODUCT**



Continuous evaluation of raw material suppliers



Stringent testing of all raw material



Controlled manufacturing



A large part of 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

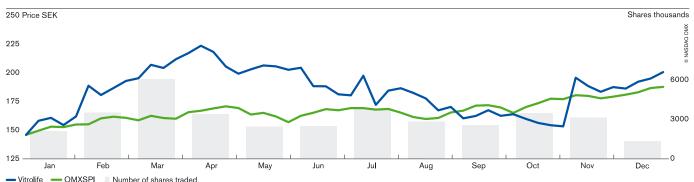


Products that make a difference in the clinics

THE VITROLIFE SHARE

CONTINUED INCREASE IN SHAREHOLDER VALUE

Share price performance and turnover 2019



In 2019, Vitrolife's share was listed on NASDAQ Stockholm, Large Cap. The share has been listed since 26 June 2001, under the ticker VITR. In May 2018, 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 2019, 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 2019.

Share price performance and turnover

At 31 December 2019 the latest price paid for the share was SEK 197.50 per share (147.00), up 34% year-on-year. Taking into account the dividend of SEK 0.85 paid during the year, the increase was 35%. NASDAQ Stockholm's index increased 30% during the same period. At the end of 2019, Vitrolife's market capitalization was SEK 21,439 million (15,957) based on the latest share price paid. The highest share price during the year was SEK 226.80 (166.92) on 10 April (9 November). The lowest share price during the year was SEK 143.70 (115.60), on 4 January (2 August).

During the year, Vitrolife's share turnover on NASDAQ Stockholm totalled 36,421,917 (32,843,153) amounting to a value of SEK 6,712 million (4,298). The total number of transactions was 273,804 (218,820).

+34% SHARE PRICE DURING 2019

The total share turnover corresponded to 33.6% (30.3) of the number of shares outstanding at the end of the year.

Ownership structure

At 31 December 2019, the number of shareholders in Vitrolife was 10,064 (7,549), of these, 84% owned 1,000 shares or less. The ten largest shareholders accounted for 71% (67) of the shares. The proportion of shareholders with registered addresses outside of Sweden was 59 % (55).

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 2019 a dividend was paid of SEK 0.85 (0.74) per share. In accordance with the dividend policy, the Board and CEO intend to propose that the 2020 Annual General Meeting resolve in favour of a dividend of SEK 1.05 per share.

Share buybacks

The Board was authorised by the 2019 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 2019 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 12 employees, making a total of 19 of the company's employees. The aggregated cost of the programme for the company during the period may not exceed SEK 6.7 million. For more information on the programme, see the Management Report on page 32-33.

The company also has two share-related incentive programmes outstanding pursuant to resolutions adopted by the 2017 and 2018 Annual General Meetings. The conditions of these programmes are essentially in line with those of the programme adopted at the 2019 Annual General Meetings. The aggregated cost of these programmes for the company during the period may not exceed SEK 10.8 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 2.9 million.

Price guotes 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
- Danske Bank
- **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					
	2019	2018	2017	2016	2015
Average number of shares*	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
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*	16.53	13.75	11.29	9.38	7.77
Earnings per share, SEK*	3.53	2.85	2.43	1.75	1.68
* Recalculated with regard to the 5:1 share split carried out in M	ay 2018				

Vitrolife's ten largest shareholders		Shares and
Shareholders	No. of shares	votes, %
William Demant Invest A/S	28 112 726	25.9
Bure Equity AB (publ)	20 573 285	18.9
State Street Bank and Trust Co, W9	14 629 240	13.5
Lannebo fonder	2 762 221	2.5
BNY Mellon SA/NV (Former BNY), W8IMY	2 535 052	2.3
CBNY-Norges Bank	2 039 893	1.9
Eccenovo AB	2 000 000	1.8
BNY Mellon NA (Former Mellon), W9	1 637 136	1.5
JPM Chase NA	1 346 481	1.2
BNP Paribas Sec Services Paris, W8IMY	1 125 565	1.0
Other shareholders	31 788 976	29.5
Total	108 550 575	100.0

	No. of shares,	No. of	Shares and
Size of holding votes	thousands	shareholders	votes, %
1 - 500	775	7 637	0.7
501 – 1 000	659	793	0.6
1 001 – 5 000	2 943	1 131	2.7
5 001 – 10 000	1 402	184	1.3
10 001 – 15 000	1 010	78	0.9
15 001 – 20 000	670	37	0.6
20 001 -	101 091	204	93.2
Total	108 550	10 064	100.0

5-YEAR SUMMARY, GROUP

SEK thousands	2019	2018	2017	2016	2015
Income statements					
Net sales	1 480 132	1 151 348	1 046 217	856 106	722 370
Gross income	938 652	761 124	681 709	561 301	484 820
Operating income	487 946	393 915	340 856	248 841	226 135
Income after financial items	492 694	398 583	340 915	248 930	226 840
Net income	383 839	310 697	264 602	191 212	183 361
Depreciation and amortisation	99 388	84 692	66 949	54 326	53 063
Statements of financial position					
Intangible fixed assets	778 257	727 997	607 738	649 087	515 518
Tangible fixed assets	173 359	94 126	84 432	93 655	89 641
Financial fixed assets	32 674	23 602	9 168	8 948	9 666
Deferred tax assets	4 173	1 166	11 181	22 282	29 964
Inventories	208 820	161 186	150 556	145 654	102 284
Accounts receivable	233 321	181 002	148 236	126 187	99 783
Other current receivables	18 545	17 578	15 150	15 433	11 973
Derivative instruments	_	_	_	_	842
Cash and cash equivalents	689 538	490 810	395 963	189 245	199 572
Total assets	2 138 687	1 697 467	1 422 424	1 250 491	1 059 243
Shareholders' equity	1 794 023	1 492 914	1 225 857	1 018 055	843 151
Non-controlling interests	3 605	3 298	2 792	2 329	1 821
Deferred tax liabilities	27 273	29 329	51 170	61 280	42 057
Other provisions	16 619	11 527	7 311	9 043	5 191
Long-term interest-bearing liabilities	61 213	_	399	466	35 627
Long-term non-interest-bearing liabilities	33 602	8 124	_	_	_
Short-term interest-bearing liabilities	14 632	_	81	37 390	11 876
Accounts payable	29 314	32 085	30 598	24 286	21 749
Other short-term non-interest-bearing liabilities	158 406	120 190	104 216	97 642	97 771
Total shareholders' equity and liabilities	2 138 687	1 697 467	1 422 424	1 250 491	1 059 243
Cash flow statements					
Cash flow from operating activities	413 333	349 435	312 189	181 262	193 526
Cash flow from investing activities	-112 572	-181 265	-9 980	-131 002	-31 394
Cash flow from financing activities Cash flow for the year	-106 890 193 872	-81 462 86 708	-93 496 208 713	-63 596 -13 336	-68 924 93 208
	100012				00 200
Opening cash and cash equivalent	490 810	395 963	189 245	199 572	107 598
Exchange-rate differences in cash and cash equivalents	4 856	8 139	-1 995	3 009	-1 234
Closing cash and cash equivalents	689 538	490 810	395 963	189 245	199 572
Other					
Investments, excl. aquisitions	-88 744	-21 549	-9 980	-14 500	-22 258
Net sales outside Sweden, %	99	98	98	97	97

KEY RATIOS AND DEFINITIONS, GROUP

	2019	2018	2017	2016	2015
Margin ratios					
Gross margin, %	63.4	66.1	65.2	65.6	67.1
Adjusted gross margin, %	66.3	69.8	69.0	69.3	69.9
Operating margin before depreciation					
and amortisation (EBITDA), %	39.7	41.6	39.0	35.4	38.7
Operating margin (EBIT), %	33.0	34.2	32.6	29.1	31.3
Other ratios					
Return on equity, %	22.8	22.2	23.3	20.3	23.5
Average number of employees	398	363	355	328	320
Net debt*, SEK M	-689.5	-490.8	-395.5	-151.4	-152.1
Equity/assets ratio, %	84.1	88.1	86.4	81.6	79.8
Share data					
Average number of outstanding shares***	108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
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***	3.53	2.85	2.43	1.75	1.68
Cash flow from operating activities per share, SEK***	3.81	3.22	2.88	1.67	1.78
Shareholders' equity per share, SEK***	16.53	13.75	11.29	9.38	7.77
Dividend per share, SEK***	1.05**	0.85	0.74	0.52	0.48
Share price at closing date, SEK***	197.50	147.00	124.60	77.40	57.70
Price per Earnings	55.9	51.6	51.3	44.1	34.3

^{*} Negative amount implies net claim. ** Proposed dividend, subject to the Annual General Meeting's decision.

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 interestbearing 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



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

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 2019 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 34.

The Group has about 400 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 22-23. The sustainability report including the environment is available on pages 15-21.

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.

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.

Organisation

Vitrolife's organisation consists since June 2019 of the following divisions: Consumables, Technology and Genomics, which develop and produce products for fertility treatment. The Consumables division consists of two business units, Media and Disposable Devices, which develop and produce nutrient solutions (media), advanced disposable instruments (needles and pipettes) and disposable plastic products. The Technology division consists of the Timelapse and ART Equipment business units, which develop and produce technological aids such as time-lapse and microlaser systems. The Genomics division consists of the Genomics business unit, which offers kits for genetic analysis of embryos through a partnership with Illumina Inc. Marketing and sales of the company's products are carried out by the geographic market organisations EMEA (Europe, the Middle East and Africa), Asia, Japan and the Pacific, and the Americas. The joint corporate support functions consist of Human Resources, research, business development, finance, legal and IT. Furthermore, the company has cross-functional groups within different specialist areas that work globally across the whole Group.

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 fertility area in different parts of the world. 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 100 (88) million.

Net sales

Sales amounted to SEK 1 480 (1 151) million, corresponding to an increase of 29% in SEK. Sales increased by 22% in local currency, of which 12% was organic growth. The acquired growth stemmed from sales related to the Genomics business unit.

Sales for the EMEA region (Europe, the Middle East and Africa) amounted to SEK 596 (511) million. Sales increased by 12% in local currency and were amongst others impacted by increased sales of Media and acquired growth from Genomics. In the Northand South American region sales amounted to SEK 284 (173) million. Sales increased by 51% in local currency and were amongst others positively impacted by increased Time-lapse sales and by acquired growth from Genomics. Sales in the Japan and Pacific region amounted to SEK 240 (169) million. Sales increased by 31% in local currency and were amongst others positively impacted by increased Media and Time-lapse sales. Sales in the Asian region increased by 17% in local currency and amounted to SEK 360 (297) million. Sales were amongst others positively impacted by increased sales of Time-lapse.

Sales for the Media business unit increased by 5% in local currency and amounted to SEK 660 (606) million. Sales for the Disposable Devices business unit increased by 2% in local currency and amounted to SEK 181 (167) million. Sales for the Time-lapse business unit increased by 37% in local currency and amounted to SEK 431 (297) million. Sales for the ART Equipment business unit decreased by 3% in local currency and amounted to SEK 58 (58) million. Sales for the Genomics business unit amounted to SEK 125 (-) million. Freight revenues amounted to SEK 24 (24) million.

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

Investments

Investments during the year totalled SEK 113 (181) million. Gross capital expenditure for tangible noncurrent assets amounted to SEK 19 (18) million and mainly consisted of equipment. Gross capital expenditure for intangible non-current assets amounted to SEK 68 (162) million, of which SEK 56 million related to Vitrolife A/S's acquisition of rights to technology for assessing embryos based on time-lapse films using artificial intelligence and SEK 7 million was related to capitalisation of development costs. Gross capital expenditure included Vitrolife Ltd's acquisition of the business from Parallabs Ltd to the tune of SEK 24 million. Gross capital expenditure for financial assets amounted to SEK 2 (2) million. For more information, see Notes 15 and 16.

Significant events

New business unit - Genomics

Towards the end of 2018 Vitrolife entered into a licensing and commercialisation agreement with Illumina Inc. which gave Vitrolife exclusive distribution, development and commercialisation rights for Illumina's IVF business for preimplantation genetic testing (PGT) in EMEA and North and South America. As from the beginning of 2019, Vitrolife became the exclusive distributor in EMEA and the Americas for kits for preimplantation genetic testing for aneuploidy as well as kits for preimplantation genetic testing for monogenic disorders. Personnel were recruited to the newly established business unit during the year. The focus during the year centred on the transfer of customers and accompanying customer support as well as evaluation of development opportunities for new generations of

Significant risks and uncertainties

Macro-economic risks

- Changes in economic conditions
- Legal and regulatory environment
- The market

Operational risks

- Production
- Information
- Personnel
- Insurance cover
- Legal disputes

Financial risks

- Currency risks
- Interest-rate risks
- Credit risks

products. During the year the transaction made a positive contribution of SEK 125 million to Group revenues and also made a positive contribution to Group profit.

Acquisition of embryo assessment using AI

During the second quarter, Vitrolife acquired the rights to technology for the assessment of embryos based on timelapse films using artificial intelligence ("AI") and entered into collaboration agreements for an initial period of three years for further development of the technology. The initial purchase price related to the transfer amounted to SEK 56 million. The purchase price was paid in cash and was financed by available cash balances. In addition to the initial purchase price, additional purchase price of SEK 19 million may be paid in relation to product development targets. The purchase price has been recorded as an intangible asset. Vitrolife assess that the additional purchase price is likely to fall out and thus it has been recorded as an asset and a liability. The transaction has impacted EBITDA per share marginally negatively during 2019 and is expected to impact positively as from the fourth quarter 2020, when the technology is expected to be commercially launched.

Acquisition of distributor Parallabs

During the second quarter, Vitrolife acquired the business of Parallabs Ltd, its distributor in UK and Ireland for EmbryoScope time-lapse systems, and thereby strengthened its presence in UK and Ireland. The initial purchase price amounted to SEK 24 million. The purchase price was paid in cash and was financed by available cash balances. In addition to the initial purchase price, additional purchase price of SEK 6 million may be paid in relation to sales targets. Vitrolife assess that the additional purchase price is likely to fall out and thus it has been recorded as an asset and a liability. For more information, see Note 29.

Market approval for EmbryoScope+ in China

During the first quarter Vitrolife received market approval for the EmbryoScope+ time-lapse incubator in China, the largest market in the world in terms of number of treatments. As a result of this approval, Vitrolife received an order for 20 EmbryoScope+ incubators, which were installed at a leading clinic in China during the second quarter. This order was the largest single order Vitrolife has received for EmbryoScope+ so far.

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. Demand can be adversely affected by global virus outbreaks.

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. During the first quarter Vitrolife was subjected to an external cyber attack, which resulted in investments in more powerful IT security.

Moreover, Vitrolife adapted the management of personal data as a result of the new data protection regulation (GDPR).

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 40% (46) of sales are in this currency. The company also has considerable cash flow exposure to CNY as 15% (16) of sales are in this currency. The majority of costs are in SEK, USD and DKK. In 2019, 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

Vitrolife did not have any external bank loans during 2019 and interest-rate risk is thus assessed to be limited.

Credit risks

At the closing date, Vitrolife had accounts receivable outstanding of SEK 233 million (181). Vitrolife uses the simplified model for expected credit losses related to accounts receivable, whereby provisions for expected bad debt losses are made in an amount corresponding to expected credit losses during the entire lifetime of the receivable and are already recognised at the first reporting date. 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 guarter 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 2 May 2019 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 14,000,000 (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 12 employees, making a total of 19 (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 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 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 lockup 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 2021 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 6,700,000.

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 2017 and 2018 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 10,800,000. The company's outstanding commitment in relation to these two programmes relates to the Performance Amounts, which can total a maximum of approximately SEK 2,900,000.

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 2017 performance objective

The performance objective set by the Board for the financial year 2019 with regard to the long-term incentive programme adopted by the 2017 Annual General Meeting amounted to an EBITDA of SEK 3.42 per share, recalculated for the split 5:1. The outcome for 2019 was SEK 5.41 EBITDA per share. The objective was thus met and the Performance Amount will be paid during 2020 to those participating in the scheme pursuant to the agreement.

Deviation in 2019 from guidelines concerning variable remuneration

The 2019 Annual General Meeting adopted a resolution whereby the company's aggregate cost for total variable remuneration for the CEO and other members of senior management shall not exceed SEK 14.0 million (including social security contributions). During 2019 a reorganisation was carried out, which entailed adjusted terms and conditions for one member of the management team. This resulted in the total cost amounting to SEK 14.3 million.

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

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

Events after the closing date

The Board of Directors proposes a dividend of SEK 1.05 (0.85) per share. Last year's figure has been recalculated to take into account the 5:1 split carried out in 2018.

After closing day there were reports of an outbreak of Coronavirus, which it is assessed will negatively impact Vitrolife's sales and results during the first and second quarters. Vitrolife estimates that sales during the first quarter will be more or less in line with the same quarter the previous year in local currency and that the EBITDA margin will amount to approximately 33-37%. It is difficult to estimate on the basis of available information how the virus outbreak will impact demand for IVF treatment during the second quarter, other than that it will probably have a significantly negative impact. Demand for IVF is expected to decrease considerably in Europe and the US in coming months after measures taken by local authorities to minimise the spread of the virus and recommendations from such bodies as ESHRE (European Society of Human Reproduction and Embryology) to avoid getting pregnant now by means of IVF. However, the company has noted that that demand for IVF has begun to recover in China during March after having been down during February. The company estimates that the vast majority of patients who now postpone IVF treatment will go through with this treatment on a later occasion. The company estimates that the long-term market outlook is essentially unchanged. Vitrolife therefore expects a continuously growing market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

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 and further invoicing of other costs of SEK 22 million (16).

Proposed appropriation of profit

The Board and the CEO propose that the funds available of SEK 763,787,262 be appropriated as follows:

Dividend (SEK 1.05)	SEK 113,978,104
Carried forward	SEK 649,809,158
Total	SEK 763,787,262

The proposed dividend lies within the scope of the profit distribution policy adopted by the company, refer to page 34. 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 24 March 2020.

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.

During the year the Board and the management team together determined the company's strategic focus for the coming years. Vitrolife's objective is still to be the leading supplier of products and services that reduce the time to having a healthy baby and to improve the efficiency and control of IVF clinics. Another part of the Board's responsibility concerns the follow-up of internal control and compliance. During the year the Board evaluated the company's internal control through the work of the Audit Committee. This was based, amongst other things, on reports from the internal audit function and the external auditor.

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.

As newly appointed Chairman, I would like to take this opportunity of expressing my thanks for the confidence placed in me and look forward to working for Vitrolife's continued development.

Jón Sigurdsson Chairman of the Board

Governance structure

General Meeting of Shareholders		Election Committee	
		A 19	
		Auditor	
Board of 4 mer			
4 mer	npers		
Remuneration Committee	Audit Committee	Internal auditor	
2 members	ommittee		
CEO and Execut			

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 2019 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 10,064 shareholders at 31 December 2019 (7,549), and the proportion of shareholders with registered addresses outside Sweden was 59% (55). The ten largest shareholders on 31 December 2019 are specified below.

Shares

On 31 December 2019, 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 2019, Vitrolife's market capitalization was SEK 21,439 million (15,957).

Vitrolife's ten largest shareholders					
•		Shares and			
Shareholders	No. of shares	votes, %			
William Demant Invest A/S	28 112 726	25.9			
Bure Equity AB (publ)	20 573 285	18.9			
State Street Bank and Trust Co, W9	14 629 240	13.5			
Lannebo fonder	2 762 221	2.5			
BNY Mellon SA/NV (Former BNY), W8IMY	2 535 052	2.3			
CBNY-Norges Bank	2 039 893	1.9			
Eccenovo AB	2 000 000	1.8			
BNY Mellon NA (Former Mellon), W9	1 637 136	1.5			
JPM Chase NA	1 346 481	1.2			
BNP Paribas Sec Services Paris, W8IMY	1 125 565	1.0			
Other shareholders	31 788 976	29.5			
Total	108 550 575	100.0			
Source: Euroclear Sweden's shareholder register at 31 December 2019.					

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.

2019 Annual General Meeting

The previous AGM was held in Gothenburg on 2 May 2019. Board members Carsten Browall, Jón Sigurdsson, Pia Marions, Barbro Fridén and Lars Holmqvist were present at the AGM. Furthermore, Deloitte represented by Fredrik Jonsson and the Election Committee's members Niels Jacobsen, Patrik Tigerschiöld, Johan Ståhl and Martin Lewin were present at the AGM. The AGM resolved to re-elect Board members Barbro Fridén, Lars Holmqvist, Pia Marions and Jón Sigurdsson and elect Henrik Blomquist according to proposal from the Election Committee. Carsten Browall had declined re-election. Jón Sigurdsson was elected Chairman of the Board.

A resolution was passed to adopt Board fees of a total of SEK 2,165,000, of which SEK 825,000 to the Chairman, SEK 275,000 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 2018 financial year of SEK 0.85 per share (after the split) was adopted. The record date was set for Monday 6 May 2019.

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 10,850,000 shares 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 7 October 2019, the following individuals were announced as members of Vitrolife's Election Committee ahead of the 2020 AGM:

Niels Jacobsen, appointed by William Demant Invest A/S Patrik Tigerschiöld, appointed by Bure Equity AB Wendy Wang, appointed by Morgan Stanley Investment Management Inc.

Jòn Sigurdsson, 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 2 May 2019.

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 fourth quarter Barbro Fridén stepped down as member of the Board of Vitrolife AB due to other future opportunities. Barbro Fridén had been a member of the Board of Vitrolife since 2010.

The Election Committee's assessment is that no Board member other than Jón Sigurdsson and Henrik Blomquist are 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 26% of the shares in Vitrolife. Henrik Blomquist is the CEO of Bure Equity AB which owns about 19% of the shares in Vitrolife.

Ahead of the AGM in April 2020, 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.

2020 Annual General Meeting

The AGM will be held on 28 April 2020 at 4:30 p.m. at Elite Park Avenue Hotel, Kungsportsavenyen 36-38, 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 1.05 per share.

Board of Directors General

The Board is responsible for the company's administration of its affairs and organisation. At the 2019 AGM in May, five 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 2019, the Board held 11 meetings (11), all of which were minuted.

Board members attendance							
			Attendance	Attendance	Attendance		
	Year	Depen-	Board	Remuneration	Audit		
Name	elected	dent	meetings	Comm.	Comm.		
Carsten Browall	2012		5/5		2/3		
Barbro Fridén	2010		9/10	2/2			
Henrik Blomquist	2019	Х	6/6		3/3		
Pia Marions	2013		11/11		6/6		
Lars Holmqvist	2018		11/11		5/6		
Jón Sigurdsson	2015	х	11/11	2/2			

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 38.

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 2 May 2019 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 Board evaluation was carried out in the form of an oral evaluation of the Board. The result showed that the Board was functioning well.

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 Barbro Fridén stepped down during the fourth quarter, four members, including the Chairman. For personal details about the Board members and their shareholdings, refer to page 38.

Guidelines for remuneration of the executive management The AGM on 2 May 2019 resolved to adopt the policies for remuneration and other employment terms for the CEO and other executive management. Remuneration comprises basic salary, variable remuneration, pension and other benefits as detailed in the Management Report on page 32-33 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 2017, 2018 and 2019 AGMs. For further information, refer to page 32-33.

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 32-33.

Barbro Fridén was appointed Chairman of the Committee and Jón Sigurdsson as Committee member. In conjunction with Barbro Friden's resignation, the Board appointed Henrik Blomquist as new member of the Remuneration Committee. Jón Sigurdsson was appointed Chairman 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 Henrik Blomquist 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 39.

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 0.2 million during the financial

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 2019 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 35-36 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 31-32 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



Jón Sigurdsson Chairman of the Board

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

Independent of the company and corporate management.

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*: 30,400 shares.



Henrik Blomquist

Born 1971. University studies in Business Administration. Board member since 2019. Member of Audit Committee and Remuneration Committee.

Independent of the company and corporate management.

Other assignments: CEO of Bure Equity AB. Chairman of the board of Mercuri International Group AB, Investment AB Bure and Bure Growth AB. Board member in MedCap AB, Atle Investment Management and Atle Investment

Previous assignments: Experience of investment operations and corporate development. Investment manager at Skanditek Industriförvaltning, analyst in ACR Venture Management.

Shareholding in Vitrolife*: 0 shares.



Lars Holmqvist

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

Independent of the company, corporate management and Vitrolife's major shareholders.

Other assignments: Chairman of the board in Biovica International AB. Board member in the Lundbeck Foundation, H Lundbeck A/S, ALK-Abelló A/S, Tecan AG and Naga Top.-Co 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. Chairman of Audit

Independent of the company, corporate management and Vitrolife's major shareholders.

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.

EXECUTIVE MANAGEMENT



Thomas Axelsson Chief Executive Officer (CEO)

Born 1959. Employed in 2011.

Other assignments: -

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*: 50,500 shares.



Claus Bisgaard **Vice President Technology**

Born 1977. M.Sc. Industrial Engineering and MBA. Employed in 2017.

Previous assignments: General Manager of Sirona Dental A/S, various management positions in Vestas, Management Consultant at Bestshore Business Solutions.

Shareholding in Vitrolife*: 1,255 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*: 13,779 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*: 5,000 shares.



Maria Forss Vice President Consumables

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*: 12,744 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*: 2,947 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.

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

Shareholding in Vitrolife*: 42,230 shares.

INCOME STATEMENTS WITH COMMENTS

	Group		Parent Company	
SEK thousands Note	2019	2018	2019	2018
3,4				
Net sales 5,6	1 480 132	1 151 348	22 052	16 104
Cost of goods sold	-541 480	-390 224	_	
Gross income	938 652	761 124	22 052	16 104
Comprising				
Adjusted gross income	980 936	803 645	22 052	16 104
Amortisation of acquisition-related intangible assets	-42 284	-42 521	_	_
Gross income	938 652	761 124	22 052	16 104
Selling expenses	-231 582	-184 537	_	_
Administrative expenses	-119 382	-99 270	-22 533	-18 144
Research and development expenses	-99 515	-88 457	_	_
Other operating revenue 7	307	25 136	74	_
Other operating expenses 8	-534	-20 081	-92	-46
Operating income 9,10,11,13,27	487 946	393 915	-499	-2 086
Comprising				
Adjusted operating income	530 230	436 486	-499	-2 086
Amortisation of acquisition-related intangible assets	-42 284	-42 571	_	_
Operating income	487 946	393 915	-499	-2 086
Net financial items 12,13				
Financial income	7 452	5 170	6 901	364 028
Financial expenses	-2 704	-502	-19	_
Income after financial items	492 694	398 583	6 383	361 942
Income taxes 14	-108 855	-87 886	-2 118	69
Income for the year	383 839	310 697	4 264	362 011
Attributable to				
Parent Company's shareholders	382 785	309 697	4 264	362 011
Non-controlling interests	1 054	1 000	-	_
Earnings per share*, ** SEK 22	3.53	2.85	_	_
* Refere and after dilution				

^{*} Before and after dilution.

Group

Sales amounted to SEK 1480 million (1151), corresponding to an increase of 29% in SEK. Sales growth was 22% in local currencies, of which 12% represented organic growth. Gross income amounted to SEK 939 million (761), corresponding to a gross margin of 63% (66).

Selling expenses amounted to 16% (16) of sales. Administrative expenses amounted to 8% (9) of sales. R&D expenses amounted to 7% (8) of sales. Previous years' R&D expenses included write-down of licensing rights for technology for embryo transfer to the tune of SEK 17 million. Cleared of this, R&D expenses in 2018 amounted to 6% of sales. In relation to write-down of licensing rights, adjustment of the additional purchase price amounting to SEK 20 million was made previous year, which was reported as other operating income and other operating expenses, respectively.

Depreciation, amortisation and write-down of SEK 99 million (85) were charged against income.

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 587 million (479), corresponding to a margin

of 40% (42). Profitability has been negatively impacted by the production mix as the acquired Genomics business unit has lower margin than the average of the Group. The gross margin was also negatively impacted by obsolescence costs due, amongst other things, to the adaptation of media production for China. Fluctuations in exchange rates positively impacted EBITDA by SEK 37 million. The new reporting standard IFRS 16 came into force as of January 1, 2019. This has meant that the EBITDA margin has improved by approximately 1 percentage point as a result of lease payments now being reported as depreciation and interest expenses in the income statement and thus not being included in the EBITDA key ratio.

Net financial items amounted to SEK 5 million (5). Income after financial items totalled SEK 493 million (399). Net income was SEK 384 million (311).

Parent Company

The Parent Company's operations focus on Group-wide administration. Income included invoicing of management fee of SEK 22 million (16). Net financial items include dividends from group companies of SEK 2 million (363). Income after financial items was SEK 6 million (362).

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

INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Group		Parent Company	
SEK thousands	2019	2018	2019	2018
Income for the year	383 839	310 697	4 264	362 011
Other comprehensive income				
Items that may be reclassified to the income statement				
Exchange-rate differences	10 643	37 824	_	_
Total other comprehensive income	10 643	37 824	_	_
Comprehensive income	394 482	348 521	4 624	362 011
Attributable to				
Parent Company's shareholders	393 377	347 384	4 624	362 011
Non-controlling interests	1 105	1 137	_	_

CONSOLIDATED INCOME STATEMENTS PER QUARTER

	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar
SEK thousands	2019	2019	2019	2019	2018	2018	2018	2018
Net sales	409 486	377 991	380 731	311 924	320 113	284 010	283 231	263 994
Cost of goods sold	-156 998	-134 642	-135 823	-114 017	-105 690	-96 153	-95 895	-92 486
Gross income	252 488	243 349	244 908	197 907	214 423	187 857	187 336	171 508
Selling expenses	-62 106	-56 097	-66 130	-47 249	-51 460	-44 289	-46 628	-42 160
Administrative expenses	-25 611	-33 865	-30 732	-29 174	-27 069	-21 654	-25 118	-25 429
Research and development expenses	-30 826	-23 543	-24 576	-20 571	-35 812	-15 341	-18 842	-18 462
Other operating revenue/ expenses	-2 945	634	-534	2 620	1 651	-2 534	1 732	4 206
Operating income	131 000	130 478	122 936	103 533	101 733	104 039	98 480	89 663
Net financial items	-7 878	6 412	-739	6 953	5 763	-7 808	1 859	4 854
Income after financial items	123 122	136 890	122 197	110 485	107 496	96 231	100 339	94 517
Income taxes	-26 673	-30 091	-27 241	-24 850	-23 347	-21 083	-20 768	-22 688
Income for the period	96 449	106 799	94 955	85 635	84 149	75 148	79 571	71 829
Attributable to								
Parent Company's shareholders	96 127	106 705	94 635	85 318	83 997	75 067	79 272	71 361
Non-controlling interests	322	94	320	317	152	81	299	468
Depreciation, amortisation and write-downs	-28 543	-24 762	-23 496	-22 586	-33 434	-16 947	-17 703	-16 607
Shareholders' equity, attributable to the Parent Company's shareholders, SEK millions	1 794	1 724	1 600	1 594	1 493	1 408	1 342	1 328

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

		Group		Parent Company	
SEK thousands	Note	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
ASSETS	3, 26				
Fixed assets					
Goodwill	5,15	425 842	421 611	_	_
Other intangible fixed assets	5,15	352 415	306 386	_	_
Tangible fixed assets	5,16, 27	173 359	94 126	12	12
Participations in Group companies	28	_	_	771 346	771 346
Other shares and participations		5 746	5 746	5 746	5 746
Other financial fixed assets		26 928	17 856	5 304	3 937
Deferred tax assets	14	4 173	1 166	1 353	1 014
Total fixed assets		988 463	846 891	783 761	782 055
Current assets					
Inventories	17	208 820	161 186	_	_
Accounts receivable	18	233 321	181 002	_	_
Receivables from Group companies		_	_	15 686	48 990
Current tax assets		1 180	3 946	_	_
Other receivables		5 678	4 283	_	_
Prepaid expenses and accrued income	19	11 687	9 349	40	158
Cash and cash equivalents	20	689 538	490 810	217 991	261 749
Total current assets		1 150 224	850 576	233 717	310 897
TOTAL ASSETS		2 138 687	1 697 467	1 017 478	1 092 952

Fixed assets

Goodwill has increased by SEK 4 million, of which SEK 4 million was attributable to exchange-rate fluctuations. Other intangible fixed assets have increased by SEK 46 million, of which SEK -70 million was attributable to amortizations and impairment. The remaining part was attributable to investments and positive exchange-rate fluctuations to the tune of SEK 116 million. For further information; refer to note 15.

Gross investments in intangible fixed assets amounted to SEK114 million (169), of which SEK 75 million was related to acquisition of technology for the assessment of embryos using artificial intelligencence ("AI") and SEK 27 million was related to intangible assets from the acquisition of the business from Parallabs Ltd., the company's distributor in UK and Ireland for EmbryoScope time-lapse systems. Tangible fixed assets increased by SEK 79 million, of which SEK 74 million was related to rights-of-use from the introduction of IFRS 16. Remaing investments in tangible fixed assets amounted to SEK 18 million and consisted mainly of equipment, tools, fixtures and fittings. For further information; refer to Note 15 and 16.

Current assets

Inventories grew SEK 48 million during the year, from SEK 161 million to SEK 209 million. The average inventory level was 12% (14) of net sales for the year. Accounts receivable rose SEK 52 million, from SEK 181 million to SEK 233 million. Accounts receivable averaged 14% (14) 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.

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

		Group		Parent Company		
SEK thousands	Note	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	
SHAREHOLDERS' EQUITY	21,22					
Group						
Share capital		22 144	22 144	_	_	
Other capital contributed		494 610	494 610	_	_	
Reserves		60 846	50 254	_	_	
Retained earnings incl. income for the year		1 216 423	925 906	_	_	
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		_	_	437 480	167 737	
Income for the year		_	_	4 264	362 011	
Shareholders' equity, attributable to the		1 794 023	1 492 914	958 535	1 046 539	
Parent Company's shareholders						
Non-controlling interests		3 605	3 298	_		
TOTAL SHAREHOLDERS' EQUITY		1 797 628	1 496 212	958 535	1 046 539	
LIABILITIES	3,26					
Long-term provisions	0,20					
Deferred tax liabilities	14	27 273	29 329	_	_	
Other provisions	24	16 619	11 527	6 5 7 0	4 921	
Total long-term provisions	21	43 892	40 856	6 570	4 921	
Long-term liabilities						
Long-term interest-bearing liabilities	23	61 213		_		
Long-term non interest-bearing liabilities	20	33 602	8 124	_		
Total long-term liabilities		94 815	8 124	_	_	
Current liabilities						
Short-term interest-bearing liabilities	23	14 632		_		
Accounts payable	20	29 314	32 085	48	242	
Liabilities to Group companies		29014	- 02 000	42 454	35 426	
Current tax liabilities		29 772	27 187	1 223	234	
Other liabilities		18 489	11 007	660	506	
Accrued expenses and deferred income	25	110 145	81 996	7 988	5 084	
Total current liabilities	20	202 352	152 275	52 373	41 492	
Total Culterit liabilities		202 332	132 213	32 37 3	41 432	
TOTAL LIABILITIES		341 059	201 255	58 943	46 413	
TOTAL SHAREHOLDERS' EQUITY AND LIAB	ILITIES	2 138 687	1 697 467	1 017 478	1 092 952	

Shareholders' equity and liabilities

Long-term and Short-term interest-bearing liabilities increased by SEK 61 million and SEK 15 million, respectively, compared to previous year. The increase is entirely attributable to interest-bearing liabilities related to leasing agreements from the introduction of IFRS 16 from 1 January, 2019.

Provisions are mainly composed of endowment insurances for pensions and warranty commitments for products sold.

Accounts payable averaged 2% (3) of net sales for the year. The equity/assets ratio was 84% (88) and decreasd due to that IFRS 16 came into force.

Parent Company

The SEK -88 million (282) change in the Parent Company's shareholders' equity was attributable to comprehensive income for the year of SEK 4 million (362) and the dividend paid to shareholders of SEK -92 million (-80).

CHANGES IN SHAREHOLDERS' EQUITY

Group	Attributab	le to the Parent C	Non-	Total		
OFK/IIII-	Share capital	Other capital	Reserves	Retained earnings	controlling interests	share- holders' equity
SEK thousands		contributed				, ,
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
Opening shareholders' equity 1 Jan. 2019	22 144	494 610	50 254	925 906	3 298	1 496 212
Comprehensive income for the year	_	_	10 592	382 785	1 105	394 482
Dividend (SEK 0.85 per share*)	_	_	_	-92 268	_	-92 268
Dividend, non-controlling interests	_	_	_	_	-798	-798
Closing shareholders' equity 31 Dec. 2019	22 144	494 610	60 846	1 216 423	3 605	1 797 628

Parent Company	Restric shareholder		Unrestricted shareholders' equity		Total share-	
	Share capital	Statutory reserve	Share premium	Retained earnings	Income for the year	holders' equity
SEK thousands	·		reserve			
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
Opening shareholders' equity 1 Jan. 2019	22 144	172 604	322 043	167 737	362 011	1 046 539
AGM's appropriation of profits	_	_	_	362 011	-362 011	_
Comprehensive income for the year	_	_	_	_	4 264	4 264
Dividend (SEK 0.85 per share*)	_	_	_	-92 268	_	-92 268
Closing shareholders' equity 31 Dec. 2019	22 144	172 604	322 043	437 480	4 264	958 535

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

CASH-FLOW STATEMENTS

	Gro	up	Parent Company	
SEK thousands Note	2019	2018	2019	2018
20				
Operating activities				
Income after financial items	492 694	398 583	6 383	361 942
Adjustment for non-cash items	96 425	80 578	-4 921	-363 258
Tax paid	-114 161	-94 985	-1 112	-10
Cash flow from operating activities	474 958	384 176	350	-1 326
before changes in working capital				
Increase (-)/Decrease (+) in inventories	-44 308	-4 464	_	_
Increase (-)/Decrease (+) in operating receivables	-48 533	-33 996	-3 998	-3 869
Increase (+)/Decrease (-) in operating liabilities	31 216	3 719	2 865	2 637
Cash flow from operating activities	413 333	349 435	-783	-2 558
Investing activities				
Investments in subsidiaries	_	_	_	-727
Business combinations	-23 828	_	_	_
Investments in intangible fixed assets	-68 005	-161 697	_	_
Investments in tangible fixed assets	-19 095	-18 410	_	_
Sale of tangible fixed assets	341	503	_	_
Investments in financial fixed assets	-1 985	-1 661	_	-2 000
Cash flow from investing activities	-112 572	-181 265	_	-2 727
Financing activities				
Net change cash pool	_	_	268	48 012
Net change borrowing from subsidiary	_	_	-13 643	-12 112
Loan repayments	-14 622	-511	_	_
Dividends received	_	_	61 489	297 599
Dividends paid	-92 268	-80 950	-92 268	-80 327
Group contribution received	_	-	_	8 350
Changes in financial receivables	_	_	_	_
Cash flow from financing activities	-106 890	-81 462	-44 154	261 522
-				
Cash flow for the year	193 872	86 708	-44 937	256 237
Opening cash and cash equivalents	490 810	395 963	261 749	5 377
Exchange-rate difference in cash and cash equivalents	4 856	8 139	1 179	135
Closing cash and cash equivalents	689 538	490 810	217 991	261 749

Cash flow

Consolidated cash flow from operating activities totalled SEK 413 million (349) for 2019. The cash flow from investing activities was SEK -113 million (-181) for the Group. Cash flow from business combinations was related to the acquisition of the distributor Parallabs Ltd. during the second quarter. During the year, cash flow related to gross investments was SEK -19 million (-18) for tangible fixed assets, SEK -68 million (-162) for intangible fixed assets and SEK -2 million (-2) for financial fixed assets.

The cash flow from financing activities was SEK -107 million (-81), of which SEK -92 million (-81) was dividend paid to shareholders and SEK -15 million (-) was related to amortization of leasing liabilities in accordance with IFRS 16.

In total, cash flow for the year was SEK 194 million (87) for the Group. At 31 December 2019, consolidated cash and cash equivalents was SEK 690 million (491).

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

The Board of Directors resolved to adopt these consolidated financial statements for publication on 24 March 2020.

Contents	5	Page
Note 1	Accounting policies	46
Note 2	Reconciliation of alternative key figures	47
Note 3	Financial risk management	48
Note 4	Critical estimates and assessments	49
Note 5	Segment reporting	49
Note 6	Revenue	50
Note 7	Other operating revenue	50
Note 8	Other operating expenses	50
Note 9	Employees, personnel costs and Board fees	51
Note 10	Auditors' fees	51
Note 11	Operating expenses	51
Note 12	Net financial items	52
Note 13	Exchange-rate differences	52
Note 14	Taxes	52
Note 15	Intangible fixed assets	53
Note 16	Tangible fixed assets	54
Note 17	Inventories	55
Note 18	Accounts receivable	55
Note 19	Prepaid expenses and accrued income	56
Note 20	Cash-flow statements and cash and cash equivalents	56
Note 21	Shareholders' equity	56
Note 22	Earnings per share	56
Note 23	Interest-bearing liabilities	57
Note 24	Other provisions	57
Note 25	Accrued expenses and deferred income	57
Note 26	Financial instruments	57
Note 27	Leasing	58
Note 28	Participations in Group companies	58
Note 29	Business combinations	59
Note 30	Pledged assets and contingent liabilities	59
Note 31	Related parties	59
Note 32	Events after the closing date	59

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.

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	Average exchange rate		sing rate
	2019	2018	2019-12-31	2018-12-31
EUR	10.5892	10.2567	10.4336	10.2753
USD	9.4604	8.6921	9.3171	8.9710
AUD	6.5724	6.4933	6.5125	6.3245
GBP	12.0658	11.5928	12.2145	11.3482
CNY	1.3691	1.3135	1.3333	1.3068
JPY	0.0868	0.0787	0.0853	0.0812
DKK	1.4183	1.3762	1.3968	1.3760
HUF	0.0326	0.0322	0.0315	0.0320

Source: The Riksbank

New accounting policies 2019

As per 1 January 2019, the new accounting standard IFRS 16 has come to force.

Reporting pursuant to IFRS 16 means that a great part of all leasing agreements are 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. Discounting of the future lease payments are made with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied. 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 has meant that the company, as of 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 decreases 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 has affected equity as of January 1, 2019. Accounting according to IFRS 16 has had a positive impact on the Group's EBITDA-margin of approximately one percentage unit in 2019, which is attributable to that leasing fees are recorded as depreciation and interest expenses

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

Effect on assets and liabilities, 1 January 2019

	Balance	Recalculation	Recalculated
	1 January	according to	balance
SEK thousands	2019	IFRS 16	1 January 2019
Assets			
Tangible assets	94 126	78 617	172 743
Liabilities			
Short-term interest bearing liabilities	-	10 400	10 400
Long-term interest bearing liabilities	_	68 217	68 217
Total	-	78 617	78 617

Above summary of effects on assets and liabilities includes only items that have had an impact from the standard's entry to force.

No other standards, amendments or interpretations that entered into force in 2019 are deemed to have had material impact on the Group financial statements.

New accounting policies 2020 and later

From 2020, IASB has adopted a change in IFRS 3 that addresses the distinction between business combinations and asset acquisitions by adopting a new definition of business. In practice, the new definition means that if the purchase price for the shares in an acquisition is essentially attributable to the underlying value of acquired intangible asset, the acquisition constitutes a so-called asset acquisition. No other IFRSs and IFRIC interpretations that have not yet come into effect or been applied by Vitrolife, 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 parent company applies to the exception rule in RFR2, which means that a legal entity does not have to apply to IFRS 16.

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.

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

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). The comparative figures in the table have not been recalculated after the transition to IFRS 16.

amortisation (EBITDA)		
Operating income before depreciation and	587.3	478.6
Depreciation and amortisation	99.4	84.7
Operating income	487.9	393.9
SEK M	2019	2018

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 vear.

Return on equity, %	22.8	22.2
Net income, rolling 12 month	382.8	309.7
Average shareholders' equity, rolling 12 month	1 678.0	1 392.7
SEK M	2019	2018
	Dec 31.	Dec 31.

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.

In conjunction to the entry into force of IFRS 16 on January 1, 2019, the key ratio definition has been reformulated as financial liabilities related to leasing agreements are not included in the calculation of the net debt.

	Dec 31.	Dec 31.
SEK M	2019	2018
Long-term interest-bearing liabilities	61.2	-
Short-term interest-bearing liabilities	14.6	-
Adjustment of interest-bearing liabilities related to leasing agreements	-75.8	-
Cash and cash equivalents	-689.5	-490.8
Net debt	-689.5	-490.8
Operating profit, rolling 12 month	487.9	393.9
Depreciation and amortisation, rolling 12 month	99.4	84.7
Rolling 12 month EBITDA	587.3	478.6
Net debt / Rolling 12 month EBITDA	-1.2	-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	2019	2018
Organic growth in local currency, SEK M	135	58
Organic growth in local currency, %	12	5
Acquired growth, SEK M	116	-
Acquired growth, %	10	-
Currency effects, SEK M	78	47
Currency effects, %	6	5
Total growth, SEK M	329	105
Total growth, %	29	10

Net sales per geographic segment	EMEA	North and South America	Asia	Japan & Pacific
	2019	2019	2019	2019
Growth in local currency, SEK M	63	89	48	52
Growth in local currency, %	12	51	17	31
Currency effects, SEK M	22	21	15	19
Currency effects, %	4	13	4	11
Total growth, SEK M	85	110	63	71
Total growth, %	17	64	21	42

Net sales per business unit	Media	Disposable Devices	Time-lapse	Genomics	ART Equipment
	2019	2019	2019	2019	2019
Growth in local currency, SEK M	28	3	106	116	-2
Growth in local currency, %	5	2	37	n/a	-3
Currency effects, SEK M	26	11	29	9	2
Currency effects, %	4	7	9	n/a	4
Total growth, SEK M	54	14	135	125	0
Total growth, %	9	9	45	n/a	1

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 59% (62), CNY 29% (29), SEK 5% (5), USD 7% (3) 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:

	Loca	Local currencies		ount in SEK		Share, %
	2019	2018	2019	2018	2019	2018
EUR	42 305	38 723	447 974	397 174	47	43
CNY	147 925	119 694	202 524	157 218	21	17
USD	1 610	16 473	15 231	143 182	2	16
AUD	9 605	9 146	63 130	59 387	7	6
GBP	2 136	2 595	25 768	30 086	3	3
JPY	1 289 643	884 069	111 991	69 536	12	8
DKK	55 791	43 757	79 129	60 217	8	7
Total			945 747	916 801	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 6.2 million (4.4) for the year ending 31 December 2019.

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 783.5 million (637.6) and was not hedged. A general increase for the SEK of 1% against other currencies would reduce the Group's equity by about SEK 7.8 million (6.4) and reduce the Group's income after tax by about SEK 1.4 million (0.9).

Interest-rate risk

Interest-rate risks refer to risks that changes in interest rates affect the consolidated earnings and cash-flow (cash-flow risks). In 2019, Vitrolife did not have any external bank loans and thus the interest rate risk is considered to be limited.

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 2019. 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. Vitrolife uses the simplified model for expected credit losses for accounts receivable, under which reserves for expected customer losses are set off at an amount corresponding to expected credit losses during the entire term of the receivable and are already taken into account at the first time of accounting. 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 42 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 (excluding interest-bearing liabilities related to leasing agreements) 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's previous external financing was completed in 2018 and thereafter the Group has no external loans or capital requirements.

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 2019						
Borrowing	-	_	_	_	_	_
Leasing liabilities	14 632	12 641	10 898	8 829	28 845	75 845
Accounts payable*	29 314	_	_	_	_	29 314
Other liabilities*	13 354	-	-	_	-	13 354
31 Dec 2018						
Borrowing	_	_	_	_	_	_
Accounts payable*	32 085	_	_	_	_	32 085
Other liabilities*	9 632	_	_	_	_	9 632

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

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

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 2019. Capitalised projects can, with reasonable certainty, be expected to generate revenue earning products within the near future. The assets are amortized on a straight-line basis over the estimated useful life.

Provision for credit losses

Vitrolife uses the simplified model for expected credit losses for accounts receivable, under which reserves for expected customer losses are set off at an amount corresponding to expected credit losses during the entire term of the receivable and are already taken into account at the first time of reporting. For further information, 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 prices from the acquisitions of intangible assets completed in 2018 and 2019. During the second quarter of 2019, Vitrolife acquired the rights to technology for the assessment of embryos based on time-lapse films using artificial intelligence. In addition to the initial purchase price of SEK 56 million, additional purchase price of SEK 19 million may be paid in relation to product development targets. During the second quarter of 2019, Vitrolife also acquired the business of Parallabs Ltd, its distributor in the UK and Ireland for EmbryScope time-lapse systems. The initial purchase price amounted to SEK 24 million and in addition to that, an additional purchase price of SEK 6 million may be paid in relation to sales targets. Vitrolife assess that the additional purchase prices from the two acquisitions in 2019 are likely to fall out, and thus they have been recorded as assets and liabilities respectively. There is also additional purchase price from 2018, when Vitrolife acquired licensing rights to technology for embryo transfer from Cross-Bay Medical Inc. Initial additional purchase price amounted to USD 11 million, of which USD 4 million were assessed likely to fall out. As a result of a changed launch plan, a new assessment was made and only USD 1 million was recorded as asset and liability related to this additional purchase price. The adjustment effected the additional purchase price as well as the asset's acquisition value, and was recorded as other operating income and other operating cost in 2018. At the end of 2018, Vitrolife entered into a License and Commercialization Agreement in genetics with Illumina Inc. 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.

Leasing agreements

Vitrolife's leasing agreements primarily relate to premises, company cars and some office equipment and tools. In connection to the introduction of IFRS 16 1 January 2019, the leasing agreements are recorded as right-of-use assets and interest-bearing leasing liabilities in the balance sheet. 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. Discounting of the future lease payments are made with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied. For further information regarding IFRS 16, refer to Note 1 and 27.

Legal disputes

Vitrolife is currently involved in disputes with Auxogyn Inc. in 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, refer to page 32 in the management report.

Note 5 Segment reporting

Vitrolife consists of five 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 2019, no single customer of Vitrolife accounted for more than 10% of total

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 -219.1 million (-182.7) and net financials items of SEK 4.7 million (4.7) are not distributed per segment.

	Net s	ales	Fixed a	ssets*
	2019	2018	2019	2018
EMEA	595 930	511 211	831 892	725 054
of which Sweden	18 890	22 300	289 383	253 878
North and South America	283 933	173 482	114 039	95 750
of which USA	219 878	129 694	114 039	95 750
Asia	360 205	297 351	836	5
of which China	235 700	197 318	836	5
Japan and Pacific	240 064	169 304	4 849	1 314
Total	1 480 132	1 151 348	951 616	822 123

	Gross income		Selling expenses		Market co	ntribution
	2019	2018	2019	2018	2019	2018
EMEA	368 284	334 754	-95 932	-82 785	272 352	251 969
North and South America	164 169	114 686	-46 465	-34 094	117 704	80 592
Asia	237 219	191 846	-45 419	-34 237	191 800	157 609
Japan and Pacific	168 980	119 838	-43 767	-33 421	125 213	86 417
Total	938 652	761 124	-231 582	-184 537	707 070	576 587

^{*} 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

For revenue recognition, Vitrolife follows accounting principles in IFRS 15, below 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 fivestep 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 five business areas; Media, Disposable Devices, Time-lapse, Genomics 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, Genomics 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, refer to note 5. Division of revenue between product and services are also presented in table below.

Net sales per geographic segment

SEK million	2019	2018
EMEA	596	511
of which Sweden	19	22
North and South America	284	173
Japan and Pacific	240	169
Asia	360	297
Total	1 480	1 151

Net sales per business unit

Total	1 480	1 151
Other	24	24
ART Equipment	58	58
Genomics	125	-
Time-lapse	431	297
Disposable Devices	181	167
Media	660	606
SEK million	2019	2018

Net sales per products and services

SEK million	2019	2018
Products	1 396	1 081
Services	84	70
Total	1 480	1 151

Contractual balances (Contractual assets and contractual liabilities)

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.

			2019
Opening balance			17 470
Recognized revenue during the year			-16 110
Additional ontractual liabilites during the year			22 555
Closing balance			23 915
	2020	2021-	Total
Expected time of revenue recognition	20 963	2 952	23 915

Note 7 Other operating revenue

	(Group	Parer	nt Company
	2019	2018	2019	2018
Foreign exchange gains	-	3 963	_	_
Reversal additional purchase price	-	20 031	_	_
Insurance refunds	74	367	74	_
Disposal gain on machinery and equipment	221	562	_	_
Other	13	212	_	_
Total	307	25 136	74	_

Note 8 Other operating expenses

	(Group	Parer	t Company
	2019	2018	2019	2018
Foreign exchange losses	-37	-	-92	-46
Adjustment of acquisition value of intangible asset through reversed additional purchase price	-	-20 031	-	-
Disposal loss on machinery and equipment	-497	-50	-	_
Total	-534	-20 081	-92	-46

Note 9 Employees, personnel costs and Board fees

Average number of employees

		Total	Of	whom, men
	2019	2018	2019	2018
Parent Company, Sweden	1	1	1	1
Subsidiaries				
Sweden	150	140	56	53
Denmark	81	77	51	51
USA	87	77	42	39
Rest of the world	79	68	46	42
Total	398	363	196	186

Share of women in senior positions

	2019	2018
Board of Directors	25%	40%
Executive management	14%	14%

Salaries, other benefits and social charges

	Salaries	and benefits	Social charges	
	2019	2018	2019	2018
Parent Company	11 137	8 753	5 725	2 992
- of which pension costs	-	-	1 807	1 853
Subsidiaries	272 572	219 488	72 335	61 104
- of which pension costs	-	_	22 177	18 860
Total	283 709	228 241	78 060	64 096
- of which pension costs	-	-	23 984	20 713

Of the Group's pension costs SEK 1.807 thousand (1.853) pertained to the Board and CEO, of which SEK 1,807 thousand (1,853) was attributable to the

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

	Board/CEO		Other em	ployees
	2019	2018	2019	2018
Parent Company, Sweden	11 137	8 753	-	_
Subsidiaries				
Sweden	-	-	98 547	87 285
Denmark	-	-	62 057	55 810
USA	-	-	54 278	39 816
Rest of the world	-	-	57 845	36 576
Total	11 137	8 753	272 727	219 488
- of which variable remuneration	3 795	1 840	27 336	14 622

Board of Directors

During the financial year, total Board fees of SEK 2,039 thousand were recorded as cost based on decided fees in accordance to the 2018 and 2019 AGM's resolutions. During the 2018 AGM, a fee to the Board of SEK 2,240 thousand was decided. The Chairman received SEK 750 thousand and the five other Board members each received SEK 250 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 2 May 2019, Vitrolife's AGM resolved to pay Board fees of SEK 2,165 thousand for the period until the next AGM. SEK 825 thousand to the Chairman of the Board and SEK 275 thousand to the other four 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 2019 financial year, executive management, which comprises 7 (7) persons including the CEO, received salaries of SEK 28,141 thousand (21,891), of which SEK 9,956 thousand (4,567) was variable remuneration and SEK 1,524 thousand (1,574) was 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 32-33. 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.

In the 2019 financial year, the CEO received salary totalling SEK 9,098 thousand (6,734), of which SEK 3,795 thousand (1,840) was variable remuneration and SEK 102 thousand (200) was 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 defraved 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		Paren	t Company
	2019	2018	2019	2018
Payments to defined-contribution plans	23 984	20 713	1 807	1 853

Endowment insurance

Endowment insurance includes plans for the CEO and the former CEO of SEK 6,012 thousand (4,645). These endowment insurance plans are recognised under other financial assets and provisions. Also refer to Note 30 Pledged assets and contingent liabilities.

Note 10 Auditors' fees

		Group	Parer	nt Company
	2019	2018	2019	2018
Deloitte				
Audit assignment	1 263	1 059	989	822
Audit activities other than audit assignment	25	-	-	-
Tax consultancy	170	97	129	97
Other services	107	20	87	_
Other auditors				
Audit assignment	302	252	-	-
Tax consultancy	22	-	-	-
Other services	75	86	-	_
Total	1 964	1 514	1 205	918

Of the Group's total auditors' fees, SEK 939 thousand (727) refer to Deloitte AB, of which SEK 698 thousand (630) refer to audit assigment, SEK 25 thousand (-) refer to audit activities other than audit assignment, SEK 129 thousand (97) refer to tax consultancy and SEK 87 thousand (-) refer to other services.

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	Paren	t Company
	2019	2018	2019	2018
Raw materials and consumables	-276 815	-156 997	-	_
Changes in inventories of finished goods and work in progress	30 934	14 995	_	_
Personnel costs	-382 549	-308 944	-16 986	-13 478
Depreciation, amortisation and impairment	-99 388	-84 692	-	_
Other external costs	-264 141	-226 851	-5 547	-4 666
Other operating expenses	-534	-20 081	-92	-45
Total	-992 493	-782 569	-22 625	-18 190

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	Paren	t Company
	2019	2018	2019	2018
Interest income	1 512	1 329	2 498	250
Foreign exchange gains	5 884	3 555	2 547	1 088
Fair value effect	-	283	-	_
Dividends from participations in Group companies	-	_	1 856	362 692
Other financial income	56	2	_	-
Financial income	7 452	5 170	6 901	364 028
Interest expenses	-2 304	-476	-19	_
Fair value effect	-390	-	_	_
Other financial expenses	-10	-26	0	_
Financial expenses	-2 704	-502	-19	_
Total	4 748	4 668	6 882	364 028

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	Paren	Parent Company		
	2019	2018	2019	2018		
In operating income	-37	3 963	-92	-45		
In financial items	5 884	3 555	2 547	1 087		
Total	5 848	7 518	2 455	1 041		

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 carryforwards are recognised only insofar as it is probable that tax surpluses will be available in the future against which temporary differences can be utilised.

		t Company		
Tax expense for the year	2019	2018	2019	2018
Current tax for the year	-117 354	-101 904	-1 346	_
Tax pertaining to preceding year	-2 362	674	-1 112	-244
Total current tax	-119 716	-101 230	-2 458	-244
Deferred tax				
Amortisation surplus values	10 311	9 984	-	_
Intra-Group profit in inventories	165	2 081	_	_
Change loss carry-forwards	-262	-13 898	_	_
Change untaxed reserves	-	15 465	_	_
Other temporary differences	647	-287	340	313
Total tax expense	-108 855	-87 886	-2 118	69
Reconciliation effective tax rate				
Income before tax	492 694	398 583	6 383	361 942
Estimated Swedish tax 21.4% (22%)	-105 437	-87 688	-1 366	-79 627
Differences in foreign tax rates	-2 111	-766	-	_
Tax pertaining to preceding year	-2 362	714	-1 112	_
Effect of changed tax rate	-340	-116	-13	-69
Non-deductible expenses	-425	-514	-24	-27
Impairment of participations in Group companies	-	-	-	-
Non-taxable income	1 613	84	_	_
Dividend received from Group companies	-	_	397	79 792
Utilisation of priorly non-capitalised loss carry-forwards and settlement of foreign tax	271	436	-	-
Valuation tax loss carry-forward	-31		_	
Other	-33	-36	_	
Total tax expense	-108 855	-87 886	-2 118	69

			Deferred tax			
	Deferre	ed tax assets	lia	liabilities		
Deferred tax Group	2019	2018	2019	2018		
Untaxed reserves	-	-	2 191	2 191		
Intra-Group profit in inventories	7 409	7 245	_	_		
Surplus values fixed assets	-	-	22 330	32 585		
Loss carry-forwards	3 876	3 982	_	_		
Temporary differences fixed assets	-	-	18 164	9 258		
Other temporary differences	8 300	4 644	-	-		
Netting deferred taxes	-15 412	-14 705	-15 412	-14 705		
Total	4 173	1 166	27 273	29 329		

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	2019	2018
Opening balance, net	-28 163	-39 989
Via profil or loss	10 862	13 344
Via other comprehensive incomet	-	_
Via acquisitions	-5 155	-
Translation difference	-644	-1 518
Closing balance, net	-23 100	-28 163

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 3.9 million (4.0) comprise tax loss carryforwards of SEK 15.8 million in Vitrolife Inc (USA) which have been capitalised.

Tax loss carry-forwards attributable to HertArt Aps (Denmark) amounted to SEK 2.3 million (3.5) 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 87% 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 are effective from 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 in

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 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 fiveyear 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 five 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, Genomics 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 7.8 million, Disposable Devices SEK 115.1 million, Time-lapse SEK 260.1 million, Genomics SEK 0.2 million and ART Equipment SEK 42.6 million - a total of SEK 425.8 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 8.8% (8.4). 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 34.7 million and ART Equipment SEK 11.3 million - a total of SEK 46.0 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.

	Good	lwill	Capitalised of		Patents and	d licenses	Production	technology	Traden	narks	Oth	er
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost												
Opening 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
Investments	-	_	6 965	3 471	61 129	158 226	1	5	0	-	23 738	_
Additional purchase price	-	-	_	_	18 921	27 736	-	_	-	-	2 795	_
Adjustment acquisition value	-	-	_	_	_	-20 031	-	_	-	-	-	_
Reclassifications	-	-	-	0	0	-	-	_	-	-	-	_
Sales/disposals	-	_	-	_	-	-	-	_	-	-	-	_
Translation differences	4 230	12 672	3 548	9 047	-811	825	2 579	6 816	688	1 782	953	930
Closing balance	443 834	439 603	142 889	132 376	261 316	182 077	177 219	174 638	46 403	45 715	50 938	23 452
Accumulated amortisation and impairment												
Opening balance	-17 993	-17 993	-90 471	-68 086	-30 298	-11 488	-118 099	-82 910	-403	-402	-12 600	-7 765
Amortisation	-	-	-13 562	-15 814	-15 811	-1 317	-33 250	-32 538	-1	-1	-7 755	-4 532
Impairment	-	-	-	_	_	-16 797	_	_	-	-	-	-
Reclassifications	-	-	-	_	_	_	_	_	-	-	-	-
Sales/disposals	-	-	-	_	_	_	_	_	-	-	-	-
Translation differences	-	-	-2 332	-6 571	-321	-696	-1 296	-2 651	0	0	-149	-303
Closing balance	-17 993	-17 993	-106 365	-90 471	-46 430	-30 298	-152 645	-118 099	-404	-403	-20 504	-12 600
Carrying amounts	425 842	421 611	36 523	41 905	214 886	151 779	24 574	56 539	45 999	45 312	30 434	10 852

Parent Company	Other	Total
Accumulated cost		
Opening balance 1 Jan 2018	160	160
Closing balance 31 Dec 2018	160	160
Opening balance 1 Jan 2019	160	160
Closing balance 31 Dec 2019	160	160
Accumulated amortisation and impairment		
Opening balance 1 Jan 2018	-160	-160
Closing balance 31 Dec 2018	-160	-160
Opening balance 1 Jan 2019	-160	-160
Closing balance 31 Dec 2019	-160	-160

Parent Company	Other	Total
Carrying amounts		
At 31 Dec 2018	_	_
At 31 Dec 2019	_	_

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

	(Group	Parer	Parent Company		
	2019	2018	2019	2018		
Cost of goods sold	-67 209	-53 853	-	_		
Selling expenses	-139	-15	-	_		
Administrative expenses	-64	-7	-	_		
Research and development expenses	-2 968	-17 124	-	_		
Total	-70 380	-70 999	_	_		

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

	Buildi and la		Plant machi		Equipmer fixtures an		Constru in prog		Tot	al
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Accumulated cost										
Opening balance	66 858	60 294	32 781	28 630	133 153	116 669	5 966	4 386	238 758	209 979
Investments	150	1 243	1 815	881	16 035	12 222	1 095	4 064	19 095	18 410
Right-of-use	81 252	-	_	-	7 103	-	_	-	88 355	_
Reclassifications	-	_	383	2 119	4 847	343	-6 130	-2 462	-900	0
Sales/disposals	-	_	_	0	-3 367	-1 696	-372	-16	-3 739	-1 712
Translation differences	2 009	5 321	538	1 151	2 020	5 615	92	-6	4 659	12 081
Closing balance	150 268	66 858	35 516	32 781	159 792	133 153	651	5 966	346 228	238 758
Accumulated decpreciation and impairment										
Opening balance	-23 567	-19 023	-24 307	-20 628	-96 757	-85 896	_	_	-144 632	
Depreciation	-3 078	-2 628	-3 254	-2 813	-8 238	-7 757	-	_	-14 569	-13 198
Impairment	-	_	_	-	_	0	_	_	_	0
Depreciation right-of-use	-12 511	-	_	-	-1 929	-	-	-	-14 440	_
Reclassifications	-	-	_	_	900	-	-	-	900	_
Sales/disposals	-	-	_	0	2 811	1 186	-	-	2 811	1 186
Translation differences	-467	-1 916	-403	-866	-2 068	-4 290	-	-	-2 938	-7 073
Closing balance	-39 623	-23 567	-27 965	-24 307	-105 281	-96 757	-	-	-172 869	-144 632
Carrying amounts	110 645	43 291	7 552	8 474	54 510	36 396	651	5 966	173 359	94 126

Parent Company	Equipment and tools	Total
Accumulated cost		
Opening balance 1 Jan 2018	12	12
Closing balance 31 Dec 2018	12	12
Opening balance 1 Jan 2019	12	12
Closing balance 31 Dec 2019	12	12
Accumulated depreciation and impairment		
Opening balance 1 Jan 2018	_	_
Closing balance 31 Dec 2018	_	_
Opening balance 1 Jan 2019	_	_
Closing balance 31 Dec 2019	_	_

Parent Company	Equipment and tools	Total
Carrying amounts		
At 31 Dec 2018	12	12
At 31 Dec 2019	12	12

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

	Group		Parer	nt Company
	2019	2018	2019	2018
Cost of goods sold	-10 991	-8 397	-	_
Selling expenses	-1 743	-464	-	-
Administrative expenses	-13 303	-3 546	-	_
Research and development expenses	-2 972	-791	-	_
Total	-29 009	-13 198	-	_

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		Parer	t Company
	2019	2018	2019	2018
Raw materials and consumables	75 772	59 072	-	_
Products in progress	15 256	15 259	-	_
Finished goods and goods for resale	117 792	86 855	-	_
Total	208 820	161 186	_	_

Impairment of SEK 1.9 million (2.8) pertaining to obsolescent raw materials and SEK 1.0 million (1.7) for obsolescent finished products was included in the closing inventory. Total obsolescence costs for 2019 amounted to SEK 18.3 million (6.4). The increase was, amongst other things, attributable to increased obsolescence costs related to the adaption of media production for China.

The amount reported as costs for products in stock during the period totalled SEK 461.1 million (327.6).

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 2019, confirmed bad debt losses in the Group totalled SEK 2,062 thousand (362). 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 Comp	
	2019	2018	2019	2018
Accounts receivable	238 021	187 838	-	_
Less credit reserve	-4 700	-6 836	-	_
Total	233 321	181 002	-	_

Age structure of accounts receivable

187 838

-6836

of which provision

2019			Due, numb	er of days:		
Total accounts receivable:	Not due:	0–30	31–60	61-120	>120	Total amount due:
238 021	177 641	30 351	12 884	6 749	10 395	60 380
of which provision -4 700	-268	-402	-80	-	-3 950	-4 432
2018			Due, numb	er of days:		
Total accounts receivable:	Not due:	0-30	31-60	61-120	>120	Total amount

8 103

0

4 157

-104

10 345

-6632

26 140

-100

Change in reserve for credit losses	Group		Paren	t Company
	2019	2018	2019	2018
Opening credit reserve	-6 836	-6 370	-	_
Reversal of reserve for credit losses	1 601	786	-	_
Confirmed credit losses	2 004	225	-	_
Reserve for credit losses	-1 267	-1 003	_	_
Translation differences	-202	-475	-	_
Closing credit reserve	-4 700	-6 836	_	_

Note 19 Prepaid expenses and accrued income

139 094

0

	Group		Parer	t Company
	2019	2018	2019	2018
Insurances	3 526	2 982	-	140
Rent and other property expenses	2 381	2 363	-	_
IT-related expenses	1 247	1 205	-	_
Prepaid marketing activities	1 668	922	-	_
Other prepaid expenses	2 865	1 877	40	18
Total	11 687	9 349	40	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	
	2019	2018	2019	2018
Interest paid and received				
Interest received	1 512	1 329	290	250
Interest paid	-2 304	-476	-22	-2
Total	-792	853	268	248
Adjustment for non-cash items				
Depreciation, amortisation and impairment of assets	99 388	84 692	-	-
Adjustment liability additional purchase price	-	-20 031	-	_
Adjustment acquired licenses	-	20 031	-	_
Unrealised exchange-rate differences	-5 641	-4 536	-2 547	-1 088
Received dividend from subsidiares	_	-	-1 856	-362 692
Change of warranty provision	690	563	-	_
Other	1 989	-141	-518	522
Total	96 426	80 578	-4 921	-363 258
Sub-components of cash and cash equivalents				
Cash and bank balances	689 538	490 810	217 991	261 749
Total	689 538	490 810	217 991	261 749

In the last quarter 2018, the credit facilities were terminated as a result of the company's financial position.

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 2019.

Note 21 Shareholders' equity

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

due:

48 744

-6836

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 2019.

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

	(aroup
	2019	2018
Opening balance	46 272	8 448
Exchange-rate differences in foreign subsidiaries	10 643	37 824
Closing balance	56 915	46 272

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 44.

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 1.05 per share for 2019, corresponding to a total of SEK 114 million. The dividend will be presented to the Annual General Meeting on 28 April 2020 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 763,787,262, be appropriated as follows:

Dividend (SEK 1.05)	113 978 104
Carried forwards Total	649 809 158 763 787 262

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 2019, 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 382,785 thousand (309,697) resulted in earnings per share of SEK 3.53 (2.85), 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. Historically, the company has had loans with 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. As from 1 January 2019, the new accounting standard IFRS 16 has come into force, meaning that Vitrolife reports interest-bearing long-term and short-term liabilities related to leasing agreements. For further information regarding the implementation of IFRS 16, refer to Note 1, and Note 27 for current accounting policies related to leasing.

		Group	Parer	t Company
	2019	2018	2019	2018
Long-term portion, bank loans	-	_	_	_
Long-term portion, interest-bearing liabilities related to leasing agreements	61 213	-	-	_
Current portion, bank loans	-	_	-	-
Current portion, interest-bearing liabilities related to leasing agreements	14 632	-	-	-
Total	75 845	-	-	-
Maturity date				
In 1-5 years	40 308	_	-	_
> 5 years	20 905	-	-	_
Total	61 213	-	-	-

In 2018, the previous credit facilities of SEK 50 million were terminated as a result of the company's financial position.

Refer to Note 3 for loan terms and conditions, and other contractual conditions. Refer to Note 30 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		Paren	t Company
	2019	2018	2019	2018
Pension obligations	14 524	8 793	6 570	4 921
Warranties	2 095	2 734	-	_
Total	16 619	11 527	6 570	4 921

Note 25 Accrued expenses and deferred income

	Group		Paren	t Company
	2019	2018	2019	2018
Accrued personnel costs	71 904	55 505	7 696	4 254
Audits and consultancy services	505	898	38	602
Annual report	228	228	228	228
Other taxes abroad	584	2 501	-	_
Commission	5 272	1 108	-	_
Other accrued expenses	7 737	4 286	26	_
Deferred income	23 915	17 470	-	_
Total	110 145	81 996	7 988	5 084

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, 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). Historically, the company has had loans with floating rates and therefore the fair value is assessed as essentially corresponding with the carrying amount.

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 in cases where the time for effectiveness can be determined with certainty and the effect on Group level is material. Calculation is performed 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 -390 thousand (283). This effect is reported among financial items.

Assets as per balance sheet	Assets measured at amortised cost		Financial assets at fair value in profit or loss	
	2019	2018	2019	2018
Other shares and participations	-	-	5 746	5 746
Other financial fixed assets	26 928	17 856	-	-
Accounts receivable	233 321	181 002	-	_
Other receivables	39	60	-	_
Cash and cash equivalents	689 538	490 810	_	_
Total	949 826	689 727	5 746	5 746

Liabilities as per balance sheet	Liabilities measured at amortised cost		Financial liabilitie at fair value in pro or loss	
	2019	2018	2019	2018
Non-interest bearing long-term liabilities	24 741	-	8 860	8 124
Accounts payable	29 314	32 085	-	_
Accrued expenses and deferred income	13 355	9 632	-	_
Total	67 410	41 717	8 860	8 124

Parent Company

Financial assets and liabilities totalled SEK 1,016.1 million (1,078.2), and SEK 43.3 million (20.9) 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

As of 1 January 2019 Vitrolife applies to the accounting policies in IFRS 16, which means that a large part of the Group's leasing agreements are reported in the balance sheet as right-of-use assets and leasing liabilities. 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. Leasing agreements where options to extend are assessed to be exercised refer to leasing of property and account for 73% of the total leasing liabilities. Discounting of the future lease payments are made with the interest rate implicit in the lease, if this rate can easily be determined. Otherwise, the Group's incremental borrowing rate is applied. Practical expedients are applied, where leasing agreements with a term shorter than 12 months and/or with an underlying asset meeting the standards definition of being low-value are not included in right-of-use asset or leasing liability. In the income statement, recording of costs is made through depreciation and interest expenses.

The transition to IFRS 16 has been made in accordance with the simplified transition approach, meaning that no comparative figures have been recalculated. The 2018 figures are thus reported in accordance with IAS 17. For further information on the transition to IFRS 16, refer to Note 1.

Accounting policies IAS 17 (for 2018 figures)

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 Mar 2021
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 2019, expensed leasing totalled SEK 3,436 thousand (17,237) and are mainly related to leasing agreements with a term shorter than 12 months or where the underlying asset meets the IFRS 16 defintion of being low-value. Previous year's number is reported according to previous accounting policies, that is, without effect from IFRS 16.

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

	Group	Pare	ent company
	2018		2018
Within one year	13 132		101
In two to five years	32 571		84
More than five years	1 158		0
Total	46 861		184
Right-of-use	Buildings	Machinery and equip- ment	Total
Acquisition cost			
1 January 2019	75 374	3 243	78 617
Adjustment additional rights-of-use	5 878	3 860	9 738
Translation differences	-523	-45	-568
31 December 2019	80 729	7 058	87 787
Accumulated depreciation			
1 January 2019	_		_
Depreciation for the year	-12 511	-1 929	-14 440
Translation differences	447	15	462
31 December 2019	-12 064	-1 914	-13 978
Carrying amounts			
31 december 2019	68 665	5 144	73 809
Amounts reported in the income statemen	t	2019	2018
Depreciation right-of-use		-14 440	_
Interest expenses on leasing liabilities		-2 238	_
Costs related to short-term leasing agreement value leasing agreements	ts and low-	-3 436	-
Total		-20 114	-

Total cash outflow from leasing agreements in 2019 amounted to SEK 17 million. For presentation of the remaining maturity of leasing agreements, refer to Note 3.

Note 28 Participations in Group companies

		Parent Company
Participations in Group companies	2019	2018
Opening cost	771 346	770 629
Formation of company, Vitrolife (Beijing) Technical Services Co. Ltd.	_	717
Closing carrying amount	771 346	771 346

Company	Corp. Reg. No.	Domicile	Number of shares	Share, %*	Carrying amount 2019	Carrying amount 2018
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 BV	0685.675.182	Londerzeel, Belgium	186	97,3***	181	181
Vitrolife (Beijing) Technical Service Co. Ltd.	91110105MA00H2AM9B	Beijing, China	1	100	717	717
Total					771 346	771 346

^{*} Share of voting power is equal to share of ownership.

Dividend to minority shareholders in the company A.T.S. Srl amounted to SEK 798 thousand during 2019.

^{**} 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.

Note 29 Business combinations

On May 10, 2019, Vitrolife acquired the business of Parallabs Ltd (corporate identity number 05155001, based in Hertfordshire, UK), the company's distributor in UK and Ireland for Embryoscope time-lapse systems. The initial purchase price amounted to SEK 23.8 million (GBP 1.9 million). The purchase price was paid in cash and was financed by available cash balances. In addition to the initial purchase price, total additional purchase price of SEK 6.3 million (GBP 0.5 million) may be paid in relation to sales targets during the years 2019-2021. Vitrolife considers it likely that the additional purchase price will fall out and thus the purchase price analysis has been based on a total purchase price of SEK 30.1 million (GBP 2.4 million). The acquisition constitutes a business combination in accordance with IFRS 3 and is expected to be accretive to group revenue of approximately GBP 1 million for a twelve-month period and marginally accretive on the Group's EBITDA. Acquired assets and liabilities consist mainly of customer relationships of SEK 27.8 million (GBP 2.2 million), financial receivables of SEK 7.0 million (GBP 0.6 million) and deferred tax liability of SEK -5.3 million (GBP

Note 30 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		raren	it Company
Pledged assets	2019	2018	2019	2018
Floating charges	20 000	20 000	3 100	3 100
Endowment insurance	11 529	7 057	5 304	3 936
Total	31 529	27 057	8 404	7 036

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

	Group		Parer	Parent Company	
Contingent liabilities	2019	2018	2019	2018	
Guarantee, Swedish Customs	673	673	-	_	
Endowment insurance, difference between cost and market value	815	96	_	123	
Guarantee for subsidiaries	-	-	6 107	_	
Total	1 488	769	6 107	123	

Note 31 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

In 2018, 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

Board members of Vitrolife have not received any other remuneration in addition to the Board fees during 2019. For further information, refer to Note 9.

	2019	2018
Board members	2 039	2 021
Executive Management	28 141	21 891
Total	30 180	23 912

Note 32 Events after the closing date

The Board's proposal for dividend amounts to SEK 1.05 (0.85) per share. The figure for the previous year has been recalculated due to the 5:1 split that was carried out in 2018.

After closing day there were reports of an outbreak of Coronavirus, which it is assessed will negatively impact Vitrolife's sales and results during the first and second quarters. Vitrolife estimates that sales during the first quarter will be more or less in line with the same quarter the previous year in local currency and that the EBITDA margin will amount to approximately 33-37%. It is difficult to estimate on the basis of available information how the virus outbreak will impact demand for IVF treatment during the second quarter, other than that it will probably have a significantly negative impact. Demand for IVF is expected to decrease considerably in Europe and the US in coming months after measures taken by local authorities to minimise the spread of the virus and recommendations from such bodies as ESHRE (European Society of Human Reproduction and Embryology) to avoid getting pregnant now by means of IVF. However, the company has noted that that demand for IVF has begun to recover in China during March after having been down during February. The company estimates that the vast majority of patients who now postpone IVF treatment will go through with this treatment on a later occasion. The company estimates that the long-term market outlook is essentially unchanged. Vitrolife therefore expects a continuously growing market, which in monetary terms is expected to grow by 5-10% per year in the foreseeable future.

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

Gothenburg, 24 March 2020

Henrik Blomquist Jón Sigurdsson Chairman of the Board Board member

Pia Marions Lars Holmqvist Board member Board member

Thomas Axelsson CEO

Our auditor's report was submitted on 24 March 2020

Deloitte AB

Fredrik Jonsson Authorised Public Accountant

AUDITOR'S REPORT

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Vitrolife AB (publ) for the financial year 2019 except for the corporate governance report on pages 34-37. The annual accounts and consolidated accounts of the company are included on pages 30-59 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 the parent company as of 31 December 2019 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 2019 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. 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 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) 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, where applicable, its parent company or its controlled companies within the FU.

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 1 480 million as of 2019 and is generated from five business areas, of which the products are sold by four geographical market organizations. For further information regarding the consolidated revenue recognition is referred to notes 5 and 6 on the pages 49-50 in the annual report which sets out account principles, segment reporting and sales by product group.

We focus on this area due to high growth rate, expansion within new business areas and variation in sales terms with respect on whether sales are made directly to the costumer or through distributor which may affect the timing of risk transition or price conditions.

Our audit procedures

Our audit procedures included, but were not limited to:

- Evaluate the revenue recognition policies in accordance with IFRS 15 to assess whether these were appropriately designed to account for revenue in the correct period and with the right amount;
- Evaluate the design and test operating effectiveness of relevant internal controls used for revenue recognition;
- · Review management's analysis of significant variance in the various revenue streams and gross margins;
- Through data analytics and on a sample basis, test sales transaction to assess whether revenue has been recorded correctly and completely and in the right period;
- Determine that required and accurate disclosures are provided in relevant notes in the annual report.

Valuation of goodwill

Goodwill amounts to SEK 426 million as of 31 December 2019 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 judgments 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 since significant judgments and estimates are made when assessing the potential risk of impairment of goodwill. For further information, accounting principles are disclosed in note 15, intangible assets, on pages 53-54 and note 4, critical estimates and judgments on page 49 in the annual report.

Our audit procedures

Our audit procedures included, but were not limited to:

- Evaluate the design of the company's routines and relevant internal controls for impairment testing of goodwill;
- Test the reasonableness of assumptions made, assess that the valuation model is consistently applied, test integrity in input data which the calculations are based upon, and test the arithmetic accuracy of the valuation model;
- Evaluate the reasonableness of selected cash-generating units;
- Determine that required and accurate disclosures are provided in relevant notes in the annual report;
- Our valuation specialist 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 1-29 and 63-64. 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.

A further description of our responsibilities for the audit of the annual accounts and consolidated accounts is located at the

Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/revisornsansvar This description forms part of the auditor's report.

Report on other legal and regulatory requirements

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 financial year 2019 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit to 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.

A further description of our responsibilities for the audit of the management's administration is located at the Swedish Inspectorate of Auditors website: www.revisorsinspektionen.se/rn/showdocument/ documents/rev_dok/revisors_ansvar.pdf. This description forms part of the auditor's report.

Deloitte AB, was appointed auditor of Vitrolife AB by the general meeting of the shareholders on the 2 May 2019 and has been the company's auditor since 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 34-37 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's 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 Annual Accounts Act.

Gothenburg 24 March 2020

Deloitte AB

Fredrik Jonsson Authorized public accountant

GLOSSARY AND SHARFHOLDER 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 consists of 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 articficial 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: Fertilisation 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 an euploidy (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 result 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 on human, 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 2020

The AGM of Vitrolife AB (publ) will be held on Tuesday, 28 April 2020 at 4.30 p.m. at Elite Park Avenue Hotel, Kungsportsavenyen 36-38, Gothenburg. 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.

2020 REPORTING CALENDAR

January-March Interim Report, Thursday 23 April January-June Interim Report, Monday 13 July January-September Interim Report, Friday 6 November

INVESTOR RELATIONS

Mikael Engblom, CFO Tel: +46 (0)31-721 80 14 E-mail: mengblom@vitrolife.com

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.

Deloitte AB

Street address: Södra Hamngatan 53 SE-411 06 Gothenburg Tel: +46 (0)75-246 43 00

TOGETHER. ALL THE WAY

Vitrolife AB (publ) Vitrolife Sweden AB

Box 9080 SE-400 92 Göteborg Sweden Tel +46 31 721 80 00 Fax+46 31 721 80 99

A.T.S. Srl

Via Pistrucci, 26 IT-20137 Milano Italy Tel +39 02 541 22100 Fax+39 02 541 22100

HertArt ApS

Korskildelund 6 DK-2670 Greve Denmark Tel +46 31 721 80 15 Fax+46 31 721 80 99

Vitrolife A/S

Jens Juuls Vej 20 DK-8260 Viby J Denmark Tel +45 7221 7900 Fax+45 7221 7901

Vitrolife BV

Zwaluwstraat 113 BE-1840 Londerzeel Belgium Tel +32 2588 2468 Fax +32 2588 2469

Vitrolife GmbH

Dr.-Pauling-Str. 9 DE-84079 Bruckberg Germany Tel +49 8765 939 900 Fax+49 8765 939 9070

Vitrolife, Inc.

3601 South Inca Street Englewood , CO 80110 USA Tel +1 303 762 1933 Fax+1 303 781 5615

6835 Flanders Drive Suite 500 San Diego, CA 92121 USA Tel +1 858 824 0888 Fax+1 858 824 0891

Vitrolife K.K.

Ruyen Building 2F 1-3-1 Shibakoen, Minato-ku Tokyo 105-0011 Japan Tel +81 3-6459-4437 Fax+81 3-6459-4539

Vitrolife Ltd.

1 Chapel Street Warwick CV34 4HL UK

Tel +44 800 032 0013 Fax+44 800 032 0014

Vitrolife Pty Ltd.

Level 10, 68 Pitt Street Sydney, NSW 2000 Australia Tel +61 3 8844 4878 Fax+61 3 8844 4879

Vitrolife SAS

43 Rue de Liège FR-75 008 Paris France Tel +33 1 82 880 860 Fax+33 1 82 880 855

Vitrolife Sweden AB Beijing Representative Office

A-2005 Focus Square
No. 6 Futong East Avenue
Chaoyang District
Beijing, 100102
China
Tel +86 010 6403 6613
Fax+86 010 6403 6613

Vitrolife (Beijing) Technical Service Co. Ltd.

A-2006 Focus Square
No. 6 Futong East Avenue
Chaoyang District
Beijing, 100102
China
Tel +86 010 6403 6613
Fax +86 010 6403 6613