ANNUAL REPORT 2021

Vitrolife

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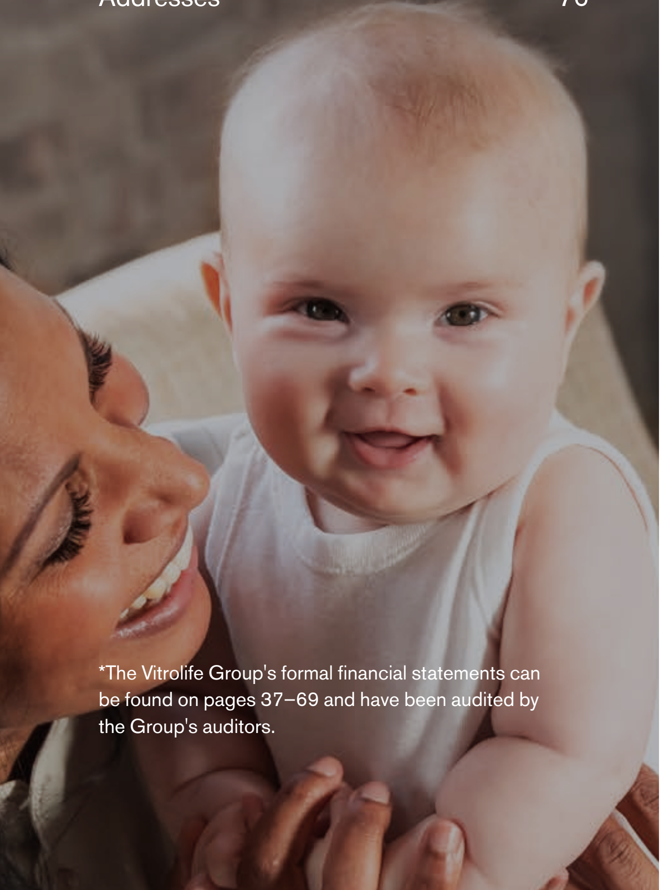

*The Vitrolife Group's formal financial statements can be found on pages 37–69 and have been audited by the Group's auditors.

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Our history

Vitrolife is committed to delivering successful treatment outcomes through a focus on IVF and the needs of clinics and testing labs. We have been dedicated to IVF since 1994, when the field was still young. Vitrolife was one of the first companies to provide IVF laboratories with high-quality, ready-to-use culture media. Through well-executed product development, consistent quality controls and the acquisition of other innovative IVF companies, Vitrolife has grown with the global market. As a result, our portfolio includes product solutions ranging from oocyte retrieval all the way to embryo transfer and cryopreservation, together with services that provide personalised genetic information. We support customers worldwide and always keep sustainability in mind. Our aim is to deliver outstanding products for the entire IVF journey, providing consistent performance and guaranteed quality. Vitrolife's vision is to fulfil the dream of having a baby. We achieve this by supporting our customers by improving their clinical practice and the outcome of the patient's fertility treatment.

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

NORMALISATION AND ACQUISITION OF IGENOMIX

- During 2021, the IVF market recovered from the decline caused by the pandemic in 2020. The pace of the recovery differs regionally, but the number of IVF treatments globally are back on levels before the pandemic outbreak. The pandemic continued to impact Vitrolife's operations, although we were able to obtain our production capacity, supply chain of raw materials and customer distribution without major disruption.
- The acquisition of Igenomix was completed at the end of November and was included as the Genetic Services division as of December 2021. In connection with the acquisition, a new management team was established with competence from Vitrolife and Igenomix. Initially, the focus is to develop the customer offering.
- Sales amounted to SEK 1,681 million (1,246), corresponding to an increase of 35 percent in SEK. In local currencies, Consumables increased by 25 percent, Genomics by 49 percent and Technology by 34 percent. Sales from the acquired business Igenomix corresponded to a growth of 9 percent.
- Operating profit before amortisation, depreciation and impairment (EBITDA) amounted to SEK 645 million (454), adjusted for acquisition-related costs of SEK 101 million, corresponding to a margin of 38 percent (36). Currencies negatively impacted EBITDA with SEK 24 million.
- Net profit for the year amounted to SEK 244 million (288), giving earnings per share of SEK 2.97 (2.64).

After the end of the period

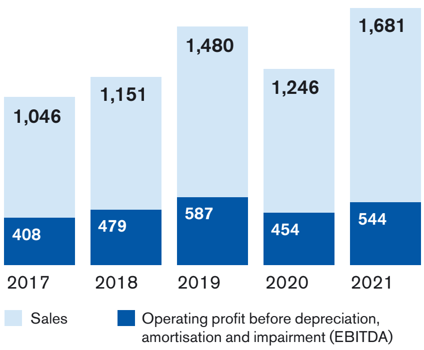
- Russia's invasion of Ukraine has created uncertainty in the geo- and security political environment, whose consequences are not possible to judge.
- The Board's proposed dividend amounts to SEK 108 million (87), corresponding to SEK 0.80 (0.80) per share.

1,681 SEK M
Sales

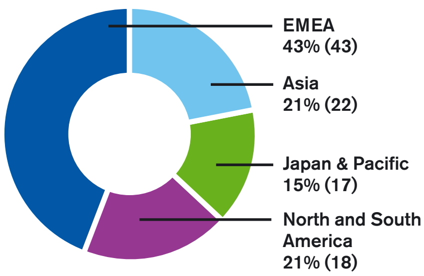
35 %
Sales growth in SEK

38 %
EBITDA adjusted*

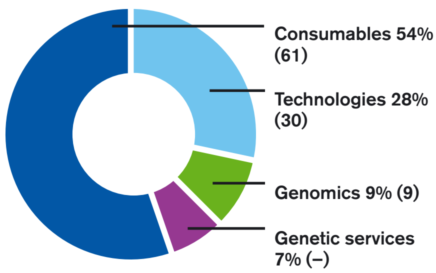
Sales and EBITDA, SEK m



Sales by region



Sales by division



Key ratios**

	2021	2020
Net sales, SEK m	1,681	1,246
Sales growth in local currency, %	39	-13
Gross margin, %	62	62
Adjusted gross margin, %***	63	64
Operating profit before depreciation, amortisation and impairment (EBITDA), SEK m	544	454
Operation margin before depreciation, amortisation and impairment, %	32	36
Net income, SEK m	344	288
Net debt/EBITDA	3.2	-2.1
Earnings per share, SEK****	2.97	2.64
Share price on closing date, SEK	560,00	215.80
Market capitalisation on closing date, SEK m	75,850	23,425
Equity per share, SEK	113.12	18.54
Average number of employees (FTE)	478	405

Throughout the annual report, the corresponding value for the previous year is stated in parentheses, unless otherwise stated.

*Adjusted for acquisition-related non-recurring costs.

**For definitions, justifications and reconciliations of key figures, see pages 73–74.

***Excluding amortisation of acquisition-related intangible assets.

****Before and after dilution.

CEO'S COMMENTS

A NEW VITROLIFE

Recovering market

We are continuing to see a strong recovery in the market following the pandemic, although this varies between regions. More treatments are being carried out in the US market compared with previous years, while we have seen some weakening in the Chinese market. IVF tourism continues to be impacted by travel restrictions, which has an impact on several markets. All-in-all, approximately the same number of IVF treatments are done globally as before the pandemic.

Global leader in reproductive health

We are continuing to develop Vitrolife and are now – through the acquisition of Igenomix – a company offering both products and services. The acquisition was completed at the end of November, and as Genetic Services division during December. The acquisition was financed through a combination of a non-cash issue of shares, directed new issue of shares, bank loans and cash and is expected to have a positive contribution to EBITDA per share from 2022.

With 27 laboratories globally, Genetic Services offers clinically validated genetic tests and services, covering a wide range of genetic diagnostics in reproductive medicine, with preimplantation tests mainly driving sales. From the beginning of this year, we have a new management team and structure in place with the business areas Consumables (including Genomics), Technologies and Genetic Services, with global marketing and sales organisations as well as Group functions. Initially, the focus will be on developing our customer offering.

Profitable growth

We increased our sales in SEK by 35 percent during the year, of which 30 percent was organic growth in local currencies, 9 percent was acquired growth and a negative currency impact of 4 percent. Our divisions are growing strongly and in local currencies Consumables grew by 25 percent, Technology by 34 percent and Genomics by 49 percent. During the year, we successfully launched iDAScore and EmbryoMap, which will continue to contribute to our positive development.

Our strongest growth is in the North and South America region, where we are growing by 64 percent, of which 38 percent is organic, followed by EMEA of 41 percent, of which 33 percent is organic, the Asia region with 28 percent, of which 25 percent is organic and Japan and Pacific with 20 percent, of which 16 percent is organic.

Operating profit before amortisation, depreciation and impairment (EBITDA) amounted to SEK 645 million, adjusted for non-recurring acquisition related costs of SEK 101 million, corresponding to a margin of 38 (36) percent. The increase in profit is mainly due to increased sales and economies of scale. The cost of customer-related activities were significantly lower during most of the year compared to before the pandemic, but increased slightly during the latter part of year. At the end of the year, operating income was negatively impacted by increased raw material prices, shipping costs, personnel-related costs and non-recurring costs for product certifications. In order to compensate for the cost increases during 2021, we implemented a general price increase in the beginning of 2022.

"WE ARE CONTINUING TO DEVELOP VITROLIFE AND ARE NOW – THROUGH THE ACQUISITION OF IGENOMIX – A COMPANY OFFERING BOTH PRODUCTS AND SERVICES"

Consolidation increase opportunities

As IVF clinics recover from the pandemic, we can note that the trends seen in the market before the pandemic are continuing. The consolidation and new ownership structure of IVF clinics is driven by Private Equity companies. The number of IVF clinics that have been acquired in Europe is higher compared with other regions. We expect this trend to continue over the coming years. The management of the acquired clinics will focus on improving the patient experience and enhancing efficiency in their own operational activities. The IVF clinics who are not a part of a IVF-chain will be competitive based on their ability to attract customers locally and/or by serving as a professional fertility clinic. Vitrolife's product and service offering for genetic testing will help those customers to improve the patient experience through clinic results, by offering the clinics an opportunity to do the genetic testing themselves or by offering external analysis with genetic advice from us.

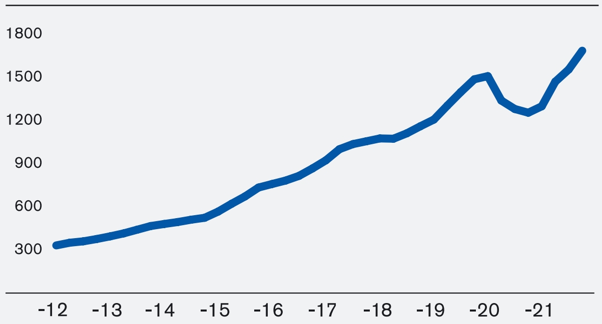
With the software development in time-lapse, we can offer solutions to facilitate work in clinics and contribute to improved treatment results. Thanks to product development and launch of our own PGT-A test (EmbryoMap) and the acquisition of Igenomix, we can offer several alternative methods for genetic testing of embryos. Overall, the ambition is to be the preferred partner for IVF clinics and IVF chains in their ambition to assist hopeful couples and individuals have children.

Sustainable development

As a strategic prioritisation, Vitrolife worked actively during 2021 to enhance its sustainability approach and further integrate it into the strategic management of the company's organisation and business development. This means direct measures, combined with a more long-term strategic approach with the intention of developing the business in line with the UN's sustainable development goals. One important activity during the year was the signing of the UN's Women Empowerment Principles. These seven principles are based on the fact that global business has a major responsibility to contribute to the development of gender equality and women's rights. Not only is this an important position for Vitrolife, it also has a clear connection to Vitrolife's operations and will be beneficial from a broader perspective in the long term.

The results of Vitrolife's dedicated sustainability work and strong focus on work environment and good culture is also reflected in employee well-being. Despite two years of pandemic and challenges, we saw that the Employee Net Promoter Score in 2021 continued to increase.

Revenues, rolling 12 months, SEK m.
Cumulative annual growth 2011–2021: 17%



Outlook

Increased vaccination rates are supporting the recovery of the IVF market and enabling a return to more normal customer operations. Russia's invasion of Ukraine has created uncertainty in the geo- and security political environment, whose consequences are not possible to judge. Our total sales to Russia, including the Igenomix laboratory with 14 employees and sales of medical devices, represented approximately 2 percent of our consolidated sales (pro-forma). In terms of risks, the spread of Covid-19 is still strong in some regions, creating uncertainty about the market recovery. We are working actively with customer deliveries by securing our levels of stock and alternative subcontractors where necessary. A gradual cost increase is expected with new recruitments and a normalisation of operations, for example, trade fairs and customer visits and also development costs within the Genetic Services business area.

Vitrolife estimates that the long-term market outlook is largely unchanged, meaning a continuously growing market which, in financial terms, is expected to grow by 5-10 percent per year for the foreseeable future. We will continue to focus on expanding sales by expanding and improving the product and service offering.

Thanks

I would like to take this opportunity to thank all our customers, committed employees and business partners for their efforts that have resulted in another successful year for Vitrolife. I would also like to welcome our new colleagues.

Gothenburg March 2022

Thomas Axelsson
CEO

MARKET AND SALES

THE MARKET RECOVERED DURING THE YEAR AND IS EXPECTED TO RETURN TO LONG-TERM GROWTH OF 5–10 PERCENT PER YEAR

Market size and growth excluding Genetic Services

Vitrolife's customers comprise private and public clinics, hospitals and laboratories. From the perspective of IVF clinics, the global market for assisted conception is estimated to be worth around SEK 100–150 billion.

The cost of the disposable products used in an IVF treatment in which Vitrolife currently offers products amounts to approximately SEK 2,000 per treatment cycle for the clinic (excluding the cost of genetics kits). The total price for the clinic for a fertility treatment amounts on average to around SEK 50,000. Prices vary greatly between different countries.

Vitrolife estimates that some 2 million IVF treatments are carried out each year. Reliable data on the number of treatments worldwide is limited, which is why the figures are an estimate by Vitrolife based on local market data and official statistics. The clinics' total purchases of disposable products and equipment are estimated to be approximately SEK 10–15 billion, corresponding to around 10 percent of the clinics' sales. Based on this market definition, Vitrolife has a global market share of around 10 percent.

During 2021, the IVF market recovered from the decline caused by the pandemic in 2020. Over the long term, market growth in terms of value is estimated to be 5–10 percent per year, with considerably stronger growth in Asia than in western Europe. This growth is primarily being driven by a growing middle class, along with prospective parents opting to try for children later in life, increased social acceptance of IVF and increased use of technology in IVF treatments.

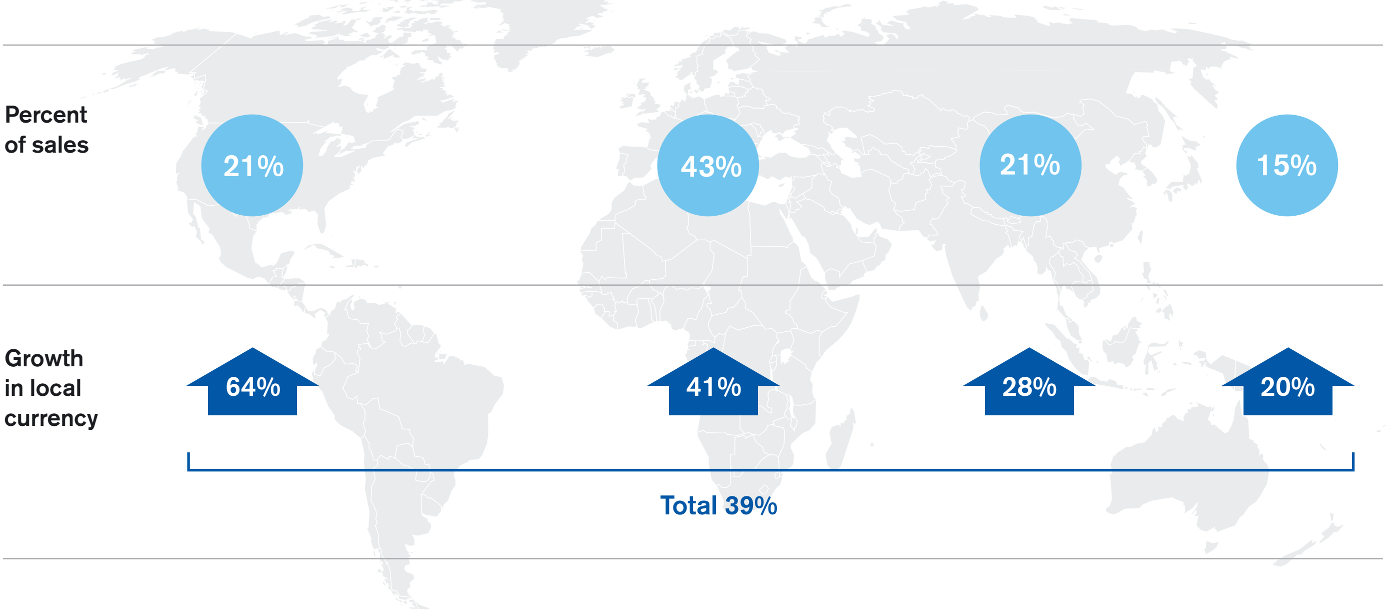
Vitrolife's sales in 2021 including Genetic Services

Sales amounted to SEK 1,681 million (1,246), corresponding to an increase of 35 percent in SEK, 30 percent organic growth in local currency and 9 percent in acquired growth. Foreign exchange rates had a negative effect of 4 percent.

RECOVERY IN THE IVF MARKET

During the year, the IVF market recovered from the decline caused by the pandemic.

Vitrolife’s sales and growth by region



Sales for the EMEA region (Europe, Middle East and Africa) amounted to SEK 735 million (533). Sales increased by 41 percent in local currencies, of which organic growth amounted to 33 percent. In the North and South America region, sales amounted to SEK 354 million (226). Sales increased in local currencies by 64 percent, of which organic growth came to 38 percent. Sales in the Japan and Pacific region amounted to SEK 245 million (214). Sales increased by 20 percent in local currencies, of which organic was 16 percent. Sales in the Asia region increased by 28 percent in local currencies, of which organic growth was 25 percent, amounting to SEK 347 million (273). Growth in all regions was positively affected following the negative effect of the pandemic during the previous year.

Sales in the Consumables division increased by 25 percent in local currency and amounted to SEK 913 million (752). Sales in the Technology division increased by 34 percent in local currency and amounted to SEK 474 million (363). Sales in the Genomics division increased by 49 percent in local currency and amounted to SEK 153 million (107). Freight revenue amounted to SEK 27 million (24). Sales for the new Genetic Services division amounted to SEK 116 million, of which SEK 2 million is reported as freight revenue. Growth in all divisions was positively affected following the negative effect of the pandemic during the previous year.

Competitors

Vitrolife’s main competitors are global companies with a wide range of IVF-related products. Prominent examples are Cooper Companies, Cook Medical, Kitazato and Irvine Scientific. There are also global competitors who have specialised in niche product groups.

FAST FACTS

Customers
Private and public clinics, hospitals and laboratories

No. of clinics
>5,000

Payment for treatments
Partially subsidised in most European countries, mainly private in the US and Asia

No. of treatments per year
>2 million

Global average price per treatment
Approx. SEK 50,000

Market size
Approx. SEK 10–15 billion*

Market share
Around 10%*

Largest markets in terms of no. of treatments
1: China, 2: Japan, 3: USA

*Market defined as the IVF clinics' total purchases of disposable products and equipment, including products that Vitrolife does not offer.

*Refers to the Consumables and Technologies business areas

COMPETITIVE OFFERING IN A GROWING MARKET

Involuntary childlessness

The World Health Organization (WHO) estimates that approximately 48 million couples and 186 million individuals of reproductive age have difficulties with infertility. There are several methods to treat involuntary childlessness. Intrauterine semination is often the first treatment option offered, but in vitro fertilisation (IVF), commonly called a test-tube baby procedure, is considered the most effective method.

The IVF process

The laboratory procedure of an IVF treatment consists of several steps; collection and preparation of eggs and sperm cells, fertilisation, embryo culture and transfer of the embryo(s) into the uterus. Viable eggs, sperm cells and embryos not utilized can be cryopreserved for future use. The assessment of embryo development and subsequent selection of which will be transferred, is based on a microscopic analysis. Whereby the embryos are taken out of the incubator (the culture cabinet) and are analysed on several occasions during the culture process. Alternatively, the embryos can be left undisturbed by using a technology that allows almost constant visual monitoring of the embryos within the incubator (time-lapse technology). Such visual data have allowed the development of software for selecting embryos based on events observed during this period. Another method for embryo selection is to determine the chromosomal normality of cells (removed from the embryo) through DNA analysis. This technique is called preimplantation genetic testing (PGT) and its availability is generally regulated by the legislation in each country.

Treatment results

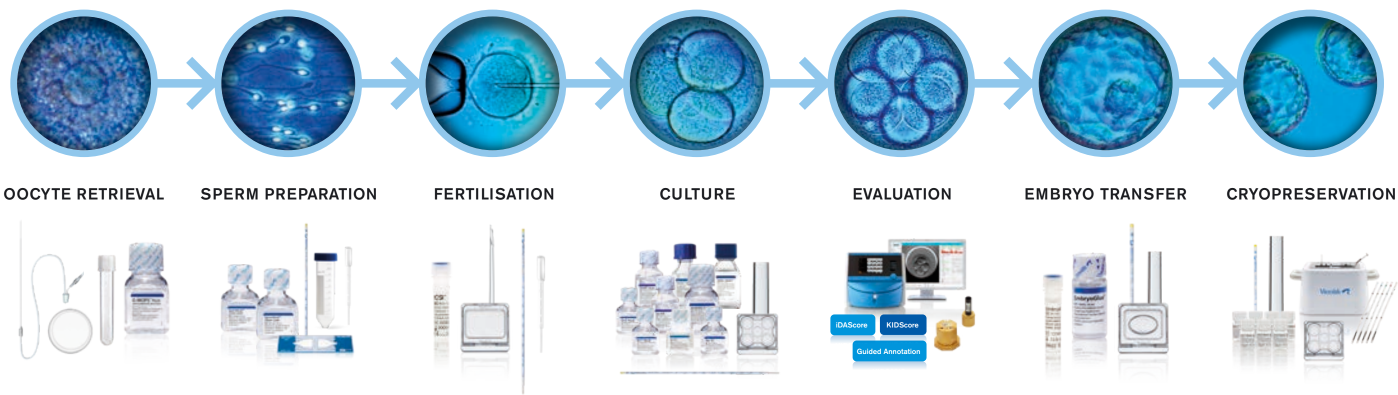
Some good news for patients is that clinical outcomes are improving. In the middle of the 1980s, approximately 15 percent of IVF treatments, on average, resulted in a successful pregnancy. Towards the end of the 1990s, the corresponding numbers were about 25–35 percent. Now certain clinics can achieve 50 percent or higher. The frequency of pregnancies depends on which groups are treated and how the treatment is conducted. Age, diagnosis, embryo culture factors and the number of embryos transferred are also important factors for the treatment outcome, but this increase is explained, mainly, by improved technique. Today, products specifically designed and tested for IVF are available, which are based on research and years of clinical experience.

Competitive offer

Vitrolife's product portfolio includes needles for oocyte retrievals, pipettes for micromanipulation and disposable products. The range also includes media for supporting, handling and culturing of oocytes, sperm and embryos, as well as products used to cryopreserve them – all of the same high quality that ensures a good clinical outcome. Time-lapse technology is used by IVF clinics around the world to monitor embryo development, to make accurate assessments, and select embryos for transfer. Vitrolife is a market leader in this area with the time-lapse systems EmbryoScope+, EmbryoScope 8 and EmbryoScope Flex.

Vitrolife also offers a microlaser system that is mainly used for embryo biopsy, which allows removal of cells from the

Vitrolife's product offer covers all steps in the IVF process



For more information about Vitrolife's products, visit the Group's home page www.vitrolife.com.

embryo, for subsequent genetic analysis. Since 2019, Vitrolife has also offered products for labs assessing preimplantation embryo biopsy samples through a global partnership with Illumina. At the end of the year, Vitrolife acquired Igenomix, which offers genetic tests of the embryo. For more information about Genetic Services, see pages 10–13.

2021 – a year when we increased our product offering in several markets

The big news during 2021, besides the acquisition of Igenomix, was the launch of iDAScore (intelligent data analysis), which is a software that can be used by customers who have a Vitrolife time-lapse machine. With the help of iDAScore, clinics can automate certain processes and get objective ranking based on the likelihood of implantation of the patient's embryos. The study that was started during 2020 has continued and, parallel to the study, a series of clinics have already purchased and begun to use the software.

iDAScore was developed by Vitrolife's competent AI team in Aarhus, Denmark, and is unique because the AI technology builds on algorithms through deep learning. One of the biggest advantages of the new technology is that it removes all subjectivity, but also, to a significant degree, improves workflow efficiency in the lab because the end user does not need to spend time manually looking at images and entering data.

Another mark of progress was the launch of OVOIL HEAVY at the beginning of the year, a more viscous oil that offers a number of advantages when handling the oil and can provide a better culture environment. OVOIL HEAVY is now sold in the USA, EMEA and Japan. Another innovation within media is the Gx Media system, which has recently been launched in the USA. Gx Media contains antioxidants which protect the embryo from oxidative stress, creating optimal conditions for the embryo to develop.

Another significant development from Vitrolife, which has been introduced globally during the year, is EmbryoMap, a kit containing reagents and associated software that can be used for labs assessing preimplantation embryo biopsy samples. EmbryoMap is initially only available for research purposes and enables a more efficient workflow and increased capacity.

Quality, efficiency, service and support

Important factors for a successful treatment are quality, settings and the correct handling of the technical equipment. All materials that the egg, sperm cells and embryos come into contact with during the procedure can affect the results negatively. Therefore, besides a quality assured product line, Vitrolife has a team of experienced embryologists who help customers set up their processes and flow in an optimal way.

Vitrolife's ambition has been to create long-term and close collaborations with engaged customers, which has resulted in progress and good treatment results. Collaboration is Vitrolife's brand promise: "Together. All the way". For Vitrolife, the brand promise describes a feeling that the Group wants all those who come into contact with Vitrolife to experience.

ACQUISITION OF IGENOMIX

CREATING A GLOBAL LEADER IN REPRODUCTIVE HEALTH

A global leader in reproductive genetic testing services

One of Vitrolife's five strategic focus areas is the exploration of external growth opportunities through partnerships and acquisitions. The acquisition of Igenomix was completed in late November 2021 and it now forms part of the Genetic Services business area. Together, Vitrolife and Igenomix create a global leader in reproductive healthcare, expanding what is available to customers during the entire IVF treatment. A leading IVF platform has been created through the combination of Igenomix's portfolio of reproductive genetic testing services with Vitrolife's best-in-class product portfolio within IVF. The ambition is to generate long-term, profitable growth. Through the enhanced scale and synergies between products and services, Vitrolife can better serve clinics, professional staff and patients around the world. Specifically, acquiring Igenomix allows Vitrolife to leverage the respective commercial network of each entity, allowing the cross-selling of products and offering enhanced solutions to its customers, as well as sharing knowledge in order to drive innovation.

Igenomix was founded in 2011. The company is a global leader in the field of molecular genetics focused on providing personalised genetic information to improve clinical practice in reproductive medicine and rare diseases. Excellence, innovation, passion and humility are the core values of Igenomix. Together with clinics, fertility doctors and physicians worldwide, Igenomix investigates human reproduction and genetic testing to change the lives of couples who are trying to conceive and families that are affected by a genetic disorder.

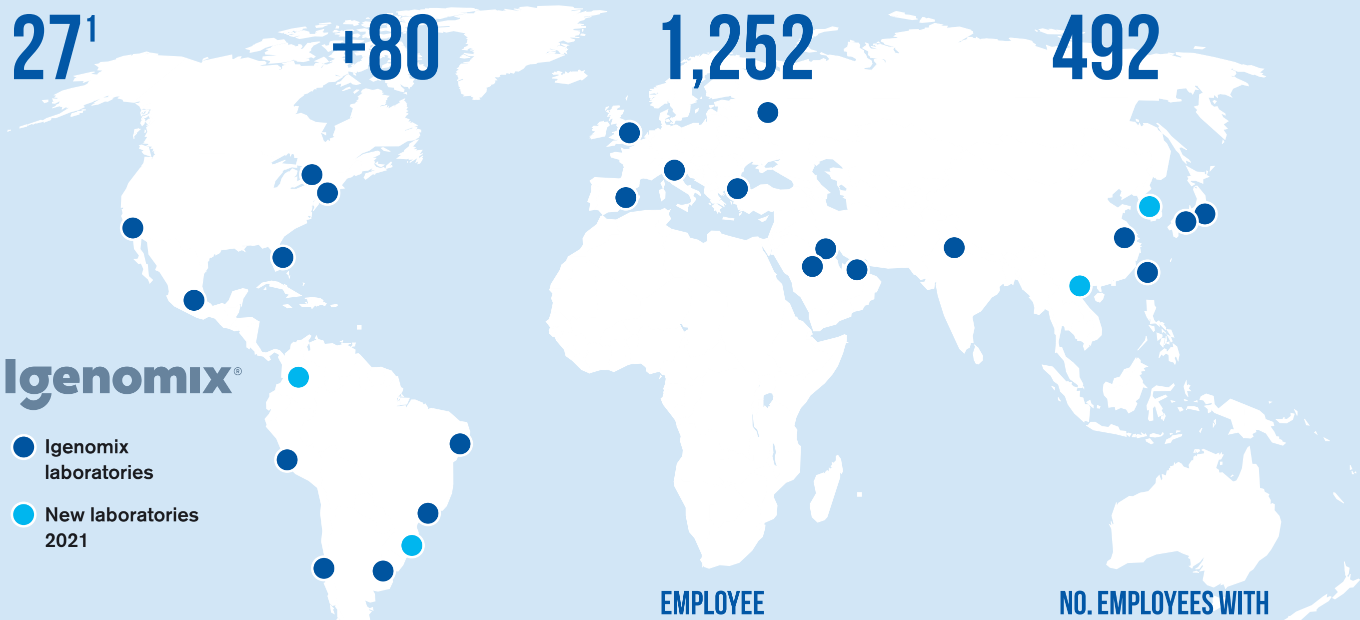
Igenomix has 27[1] laboratories across the globe and a head office in Valencia, Spain. The company collaborates with more than 4,000 clinics (of which more than 3,000 are IVF clinics) in 80 countries. Igenomix's affiliates applies the same business model as at the Group level, but with adjustments to take into account the local market's special circumstances. The respective country managers are responsible for implementing strategies that are in line with the programme *Think global, Act local.* This international presence is a strength that drives and motivates Igenomix

LABORATORIES
27[1]

COUNTRIES
+80

SALES SEK M
1,252

SCIENTIFIC PUBLICATIONS
492



PATENT
6

EMPLOYEES
744

EMPLOYEE DISTRIBUTION BY GENDER
WOMEN 66 %
MEN 34 %

NO. EMPLOYEES WITH PHD QUALIFICATIONS
12 %

1. Including Colombia which is a commercial office.

to develop global practices and procedures that are applicable to all the countries in which the company is present. In this way, the business grows globally in a sustainable manner. Globally, the revenue is divided in the following way: EMEA 36 percent, North and South America 50 percent, Japan and Pacific 7 percent and Asia 6 percent. Igenomix's main competitor is Cooper Companies.

Differentiated testing portfolio

Genetics have become a foundation within modern medicine. Personalised and appropriate care can be provided within all medical specialities, through identifying genes and applying knowledge about them. Reproductive medicine and rare disease medicine, in particular, have dramatically benefitted and continue to benefit from the development of genetic testing. The complete service portfolio from Igenomix spans preconception, preimplantation, prenatal and postnatal stages of the reproductive cycle, as well as neonatal and child-adulthood.

Of the global revenue, sales of ERA and PGT-A tests contribute 70%. These two services have many competitive advantages. PGT-A test quantifies the number of chromosomes in each embryo biopsy to differentiate between chromosomally normal embryos (euploid) and chromosomally abnormal (aneuploid). The PGT-A test is performed using NGS technology and allows the analysis of all 24 chromosomes. Igenomix is the only lab that has published the validation of its PGT-A algorithm. The ERA test is performed using NGS technology coupled to a computational predictor that is much more accurate. ERA test establishes the time when the endometrium is receptive and reports the optimal time for embryo transfer, the predictive genetic analysis model analyses 248 genes, providing a much more complete view of all the processes which are involved in the endometrial receptivity. Its powerful AI-based algorithm provides decision support for the diagnosis of repeated implantation failure patients worldwide. Several publications, not only by Igenomix but also by a number of external clinics, show the clinical outcomes of personalised embryo transfer guided by ERA. The company works with the largest IVF networks, which helps make it a more accessible service. Additionally, the company offers full support and counselling by phone/e-mail to any location worldwide.

"GENETICS HAVE BECOME A FOUNDATION WITHIN MODERN MEDICINE"

A GLOBAL LEADER IN REPRODUCTIVE GENETIC TESTING SERVICES

Igenomix is a global leader in reproductive genetic testing at IVF clinics. The product portfolio consists of clinically validated genetic tests and services which cover a wide range of genetic diagnoses in reproductive and personalised medicine.

Portfolio backed by science

Igenomix focuses on scientific research and the company's research and development division is a leader in the field. The team at Igenomix have well-established collaborations with well-respected institutions. From the start of 2011, the focus has been on supporting patients seeking reproductive medical treatment with one desire: *a healthy baby at home.*

Igenomix's research and development approach is focused on the following areas:

1. Basic studies used as a baseline for the acquisition of new knowledge and to open the way for new lines of related research.
2. Translational projects such as clinical trials, based on the progress of basic studies.
3. Clinical protocols for immediate application both in the reproductive sector and in common clinical practice.

With research as a cornerstone, the company's growth has been based on a solid track record of entering new strategic markets and new product development.

Sustainability

Igenomix is fully appraised of the current local and global challenges, from the reduction of poverty and inequalities, to the fight against climate change and the promotion of diversity.

Socially responsible behaviour is especially important for Igenomix including respect for employees' rights, free mutual negotiation, equal opportunities for men and women, non-discrimination and the protection of employee access to health care. In line with this, Igenomix believes in its people, their talent and in continuous personal growth.

Igenomix affects and is affected by several of the UN Sustainable Development Goals, which is an important compass for the company's long-term business priorities. Direct examples of how Igenomix contributes to these goals are:

Igenomix promotes a healthy life and wellness for all its employees, patients and stakeholders, which is essential for sustainable development.

Igenomix promotes fair and dignified working conditions, offering adequate and competitive remuneration in line with market conditions.

Igenomix works together with fertility clinics and doctors around the world, researching human reproduction to change people's lives. This collaboration plays an important role in introducing and marketing new technologies.

The company has undertaken significant work to become even more effective, productive and competitive through continual development. This work, in combination with the consolidation with Vitrolife, will form an important part of our future success.

For more information about Igenomix, visit the web site www.igenomix.com

Complete offer of services within testing through all stages of the reproduction cycle

PRECONCEPTION

CGT
(carrier genetic test): This is an important genetic test when planning a family because it helps to determine whether a couple carry genetic mutations that could be transmitted to their offspring.

WES
(whole exome sequencing): This is a complete DNA test to analyse the entire coding sequence of a gene to identify mutations in over 24,000 genes related to complex genetic conditions.

SAT
(sperm aneuploidy test): This is a test to study the genetic factors of male infertility. It evaluates the presence of sperm chromosomal abnormalities.

PREIMPLANTATION

The Right Embryo

PGT-A
(preimplantation genetic testing for aneuploidies): This test is a genetic screening of the embryo produced during IVF treatment to identify numerical chromosomal abnormalities (aneuploidies).

PGT-SR
(preimplantation genetic testing for structural rearrangements): This test is a genetic screening of the embryo produced during IVF treatment to identify numerical and/or structural rearrangements of the chromosomes.

PGT-M
(preimplantation genetic testing for monogenic disorders): This is a genetic test that helps significantly decrease the chance of having a child with an inherited genetic disorder by analysing embryos before transfer and identifying those that do not carry the altered disease-causing gene.

EMBRACE
(niPGT-A) (embryo analysis of culture environment): This is a non-invasive test for prioritising embryo transfer that avoids invasive embryo biopsy.

+ The Right Endometrium

ERA
(endometrial receptivity analysis): A transcriptomic test that determines each woman's unique personalised embryo transfer timing, therefore, synchronising the embryo transfer with the individualised window of implantation.

EMMA
(endometrial microbiome metagenomic analysis): This is a test that analyses the endometrial microbiome to help identify abnormalities associated with a poor reproductive prognosis.

ALICE
(analysis of infectious chronic endometritis): This is a test that detects pathogenic bacteria, which cause chronic endometritis linked to implantation failure and recurrent miscarriage and recommends appropriate antibiotic treatment. A suitable antibiotic treatment is recommended.

EndomeTRIO
is a complete endometrial analysis that bundles the ERA, EMMA and ALICE tests together with only one biopsy.

PRENATAL AND POSTNATAL

NACE
(non-invasive prenatal test): This is a non-invasive prenatal screening test for the most frequent chromosomal abnormalities (chromosomes 13,18, 21, X,Y).

NACE24
(non-invasive prenatal test): This is a non-invasive prenatal screening test for all 24 chromosomes.

POC
(products of conception) Analyses fetal tissues from a miscarriage to determine if the lost pregnancy was the result of an aneuploidy.

NEONATAL/ CHILD-ADULTHOOD

GPDx
(genomic precision diagnostics): Genetic testing and sequencing for diagnosis and screening of medical conditions and rare diseases that derive from genetic mutations.

THE VALUE CHAIN FOR THE CONSUMABLES AND TECHNOLOGIES BUSINESS AREAS

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

Innovative product development based on customer benefit and science

Vitrolife's Consumables and Technologies business areas cover the entire product's value chain, from research, development and production to sales and distribution. For information about Genetic Services, see pages 10–13. The research function together with the business areas evaluate new product opportunities with a focus on customer needs, medical needs and economics. The development work includes comprehensive testing and collaboration with opinion leaders to ensure the best functionality and safety, which leads to faster market acceptance of new products.

Vitrolife develops innovative products with solid scientific basis and it is of particular importance that they are protected through product or method patents. The application for a patent occurs at an early research stage, with applications submitted in the most important markets. Vitrolife also has a number of registered trademarks, for example, EmbryoGlue®, EmbryoScope® and OVOIL®.

The development work covers both pre-clinical and clinical studies to document the products efficacy and safety. The studies are often presented at scientific congresses and published in scientific journals. When delivering a product, these studies create a good basis for communicating the product's value.

Product approval

Most of Vitrolife's products are classified as medical devices. The requirements for documentation for medical devices are different from the requirements for medicinal products. Product approval is required in each individual market in which the products will be sold. For example, in the USA approval by the Food and Drug Administration (FDA) is required, and in China approval is required from the National Medical Products Administration (NMPA). Within the EU, the product must be CE-marked (Conformité Européenne). The requirements for approvals for medical devices is increasing in the majority of markets. In May 2021, the EU Medical Device Regulation (MDR) came into force, which means that there are now more stringent standards.

Purchase of raw materials, production and quality control

Vitrolife has their own manufacturing capability, supplemented with the outsourced production of disposable products in plastic, packaging and sterilisation. A large part of Vitrolife's competitiveness is based on a well-developed manufacturing technology. Since raw material suppliers lack methods for testing whether raw materials are appropriate for IVF treatment, many resources are dedicated to finding and testing acceptable raw materials.

Extensive quality control from raw material to delivered product

Continuous evaluation of raw material suppliers

Stringent testing of all raw material

Highly controlled manufacturing

Extensive testing of final products

Controlled distribution process

Products that make a difference for the clinic

VITROLIFE OFFERS WORLD-LEADING PRODUCTS WITH THE HIGHEST QUALITY CONTROL AND EFFICACY

Vitrolife's quality and environmental management system*

ISO 14001:2015
ISO 13485:2016 MDSAP
US Quality System Regulation
Canadian Medical Device Regulations
EU Good Distribution Practice etc.

Auditors for Vitrolife 2021

DNV, BSI, Presafe, TÜV Rheinland and TÜV SÜD.

A large part of the production is performed in clean rooms and all businesses are governed by a quality system, which fulfils the standards and regulations for medical devices. Advanced tests of raw materials, semi-finished and finished products ensure a high and consistent quality and is a strategic means of competition.

Sales and distribution

Vitrolife has sales in more than 110 markets. To support all markets, the group has developed a customer support function where customers can quickly gain access to qualified, scientific support. Along with the development of more advanced products, the need for qualified customer support also increases. Customer support for both direct and distributor markets ensures that the products are used in the right way, ensuring that clinics can access the improved results that the products provide.

Even the distribution of medical devices requires high standards, for example, the transportation of refrigerated media to all parts of the world. Vitrolife has a long experience of this type of transport and our global cold chain balances quality requirements, environmental aspects and economy.

*Refers to the Consumables and Technologies business areas.

VITROLIFE'S GOAL SUPPORTS PATIENT'S DESIRE TO HAVE A HEALTHY BABY AND THE IVF CLINIC'S 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 achieve that goal:

- Scalable global organisation and way of working focusing on attractive culture and sustainable capabilities.
- 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
"To fulfil the dream of having a baby"

DISTINCT BUSINESS GOAL
"Leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics"

DELIVERING FINANCIAL VALUE
20% Annual growth average 3 years
>30% EBITDA margin
<3 Net debt/EBITDA

DIVISIONS
CONSUMABLES* | GENOMICS | TECHNOLOGY** | GENETIC SERVICES

MARKET REGIONS
EMEA | AMERICAS | ASIA | JAPAN & PACIFIC

VALUES
QUALITY THAT MAKES A DIFFERENCE | ALWAYS FORWARD | YOU CONTRIBUTE TO OUR SUCCESS | TOGETHER

**Includes Media and Disposable Devices business units* ***Includes Time-lapse and ART Equipment business units*

Financial objectives

The Board of Directors intends that Vitrolife will have a strong capital base to enable continued high growth, both organically and through acquisitions. Vitrolife aims to achieve growth through profitability. The objective for Vitrolife's growth over a three year period is a sales increase with an average of 20 percent per year in local currencies for an operating margin before depreciation, amortisation and impairment (EBITDA) of more than 30 percent. The Group's net debt should normally not exceed a multiple of three times EBITDA.

Fulfilment of objectives Financial goals

Sales growth

During the last three year period, Vitrolife's sales have grown both organically and through acquisition by an average of 14 percent per year in local currencies. The pandemic affected the IVF market negatively. The acquisition of Igenomix in 2021 contributed to Vitrolife's sales for one month. The objective of 20 percent growth per year is defined as growth measured in local currencies organically, and through acquisition, as an average over three years. Growth in 2021 exceeded the target, while annual growth during the last three-year period is below the objective.

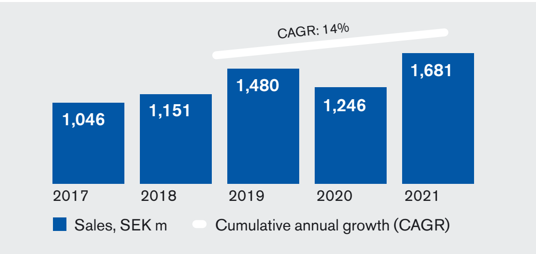
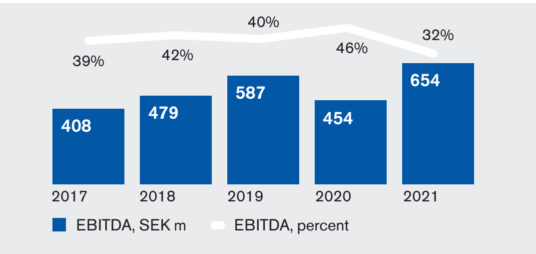
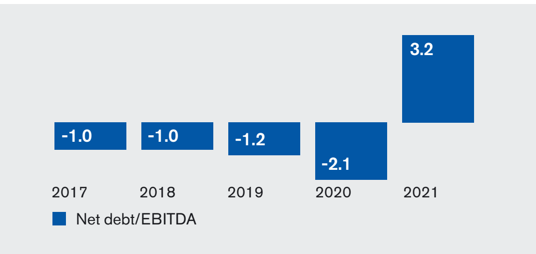
EBITDA margin

In 2021, the operating margin before depreciation, amortisation and impairment (EBITDA) was 32 percent. EBITDA adjusted for acquisition-related non-recurring costs came to 38 percent. Vitrolife's objective is to have EBITDA-margin higher than 30 percent. The Group, thereby, reported a operating margin for 2021 that exceeded the objective.

Net debt/EBITDA

Net debt in relation to EBITDA grew in 2021 to 3.2 times (-2.1). The net debt increased as a result of the acquisition of Igenomix. Net debt in relation to EBITDA adjusted for non-recurring acquisition-related costs is calculated as approx. 2.7 times. Vitrolife's strong financial position enable financing of future acquisitions.

Financial objectives

	OBJECTIVES	OUTCOME 2021	OUTCOME 2017–2021
SALES GROWTH Local currencies (3-year average)	20 %	39 %	
EBITDA MARGIN Before depreciation, amortisation and impairment (EBITDA)	>30 %	32 %	
NET DEBT/EBITDA	<3	3.2	

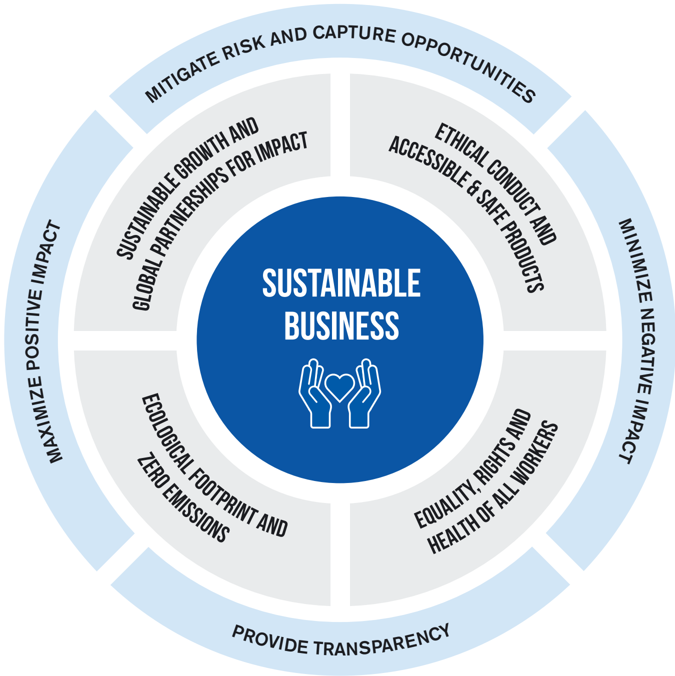
Integrated sustainability approach that strengthen the business

By taking long-term and responsible action in line with the UN's global sustainability goals, Vitrolife's sustainability approach can strengthen the company's long-term competitiveness and profitability. In this way, the company takes responsibility for reducing its negative impact and enhancing the positive impact from a broader perspective.

Vitrolife's management and Board of Directors have resolved that sustainability must be integrated into everything the company does. Based on a thorough analysis of the value chain, four long-term sustainability themes have been identified on which the company will focus its efforts. These themes enable effective integration of sustainability into the core business through long-term strategic commitments and direct measures in line with the company's material sustainability issues.

Monitoring

Measuring and reporting the company's development is an important part of monitoring progress and providing transparency for relevant stakeholders. To ensure consistent and transparent reporting related to sustainability issues Vitrolife complies with current legislation and relevant reporting frameworks to ensure quality and comparability. In 2022, Vitrolife will continue to develop and concretises its long-term focus areas, through objectives and additional metrics.



Sustainability themes

In 2021, Vitrolife defined four key sustainability themes that describe the strategic sustainability direction up until 2030 and beyond. These four cornerstones govern what is required for Vitrolife to ensure sustainable business development across its entire value chain. This is done by managing risks, capturing opportunities, ensuring transparency and increasing the company's positive impact while minimising its negative impact.

Strategic sustainability framework

THEME	LONG-TERM FOCUS AREAS	PRIORITISED ISSUES IN 2022
SUSTAINABLE GROWTH AND GLOBAL PARTNERSHIPS	Creating inclusive growth that strengthens Vitrolife's operations while simultaneously having a positive impact on society and the environment throughout the company's value chain	Innovation, development and product accessibility
ETHICAL, SAFE AND ACCESSIBLE PRODUCTS	Acting responsibly in all respects and ensuring consciously ethical decision-making	Product quality, performance and ethics
ECOLOGICAL FOOTPRINT AND NET-ZERO EMISSIONS	Minimising the company's ecological footprint, ensuring circular resource flows and taking measures to combat climate change	Climate impact and packaging materials
GENDER EQUALITY, HEALTH AND RIGHTS OF ALL WORKERS	Working continuously to ensure employees' rights and equality by striving for a company structure and culture in which everyone has equal rights and opportunities	Diversity and employee opportunities

VITROLIFE'S SUSTAINABILITY APPROACH STRENGTHEN LONG-TERM COMPETITIVENESS AND VALUE CREATION

Systematic value-creating sustainability approach

For Vitrolife, running a responsible business is about managing risks, reducing negative impacts and acting responsibly and ethically. At the same time, the company addresses social and environmental challenges in a way that favor the business. The sustainability approach is managed and followed up by Vitrolife's executive management team, through relevant goals and metrics for the business. The functionally responsible for Vitrolife's sustainability approach is a member of the executive management team, and reporting on the commitments is conducted regularly at executive management meetings. The sustainability report for 2021 excludes Igenomix, as the company was acquired at the end of the financial year.

Enhanced sustainability commitments

In 2021, Vitrolife has worked actively to strengthen its approach to sustainability and further integrate it into the strategic management of the company's organisation and business development. This means direct measures here and now, while the company is also working on long-term strategic commitments up to 2030 and beyond. The approach is to ensure that Vitrolife's business and operations develop in line with the UN's sustainable development goals and contribute to sustainable development. The company's strategic approach to this is based on its prioritised sustainability themes.

The Sustainable Development Goals

Vitrolife is committed to making a real difference in creating a sustainable future. For this reason, the UN's Sustainable Development Goals (SDGs) have been an integral part of the analysis carried out in 2021, in defining how Vitrolife's operations affect and will be affected by the global agenda. This creates a basis for the company to capture opportunities, handle the risks and adapt the business to the adjustments that the SDGs entail. Vitrolife's in-depth materiality analysis has identified that 10 of the 17 SDGs are of high importance for the company's operations.

The Sustainable Development Goals

The 2030 Agenda and 17 SDGs show the way to a better future for all. They also provide the private sector with a lens which it can use to translate global needs and ambitions into business solutions throughout the value chain.

Step-by-step process

Vitrolife works on the basis of a systematic step-by-step process which provides a solid foundation and enables the entire organisation to contribute and jointly identify and prioritise the sustainability challenges that are most important to its stakeholders and operations. This enables Vitrolife to conduct proactive long-term strategic discussions together with specific, direct measures in the company's current material sustainability issues integrated into its core business.

Value chain analysis

To ensure understanding of, and communication regarding, Vitrolife's current impact, be it positive or negative, as well as the company's contribution and opportunities, a comprehensive analysis of the value chain has been carried out. This is an effective way of analysing the company's business operations and helps to identify social and environmental issues that are outside the scope of the assets the company directly owns or controls. It also helps to highlight potential risks and business opportunities upstream and downstream in the value chain.

The approach is based on participation and through involvement from the organisation on an ongoing basis, diversity is strengthened and perspectives are broadened. At the same time, the efforts have contributed in producing a shared picture and greater understanding of how the business's actions and impact are connected. The results of the work carried out in 2021 generated 35 sustainability issues and 27 different stakeholder groups present throughout Vitrolife's value chain. In order to gain a consistent and shared understanding of Vitrolife's value chain, the method has been based on SDG Compass Guide and GRI Standards. As part of establishing the impact throughout the value chain, relevant legislation and frameworks such as the EU taxonomy, CSRD, GRI Standards and SASB have also been used to ensure transparency and comparability in sustainability issues. The value chain, the company's impact and stakeholders will all be evaluated annually.

Vitrolife is certified as a 'Nasdaq ESG Transparency Partner' – a certification awarded to Nasdaq-listed companies that actively work with sustainability issues and related reporting. This is a confirmation of Vitrolife's desire to be transparent with the market regarding the company's sustainability status, with respect to current and future investors, employees, customers and other stakeholders.

Significant sustainability issues and stakeholders

Of the 35 sustainability issues identified, the materiality analysis identifies which sustainability issues are most important in the value chain. It also assist to ensure that the

Results of the materiality analysis

Overview of the 21 most significant sustainability issues for Vitrolife

MODERATE IMPACT	SIGNIFICANT IMPACT	MAJOR IMPACT
Reported annually in our sustainability report	Reported annually with associated metrics	Reported annually with associated metrics and acts as a guide for the company's direct sustainability initiatives
▪ Anti-corruption ▪ Gender equality ▪ Supplier management and traceability ▪ Evidence-based methods ▪ Waste from production and recycling ▪ Use of material ▪ Energy consumption ▪ Health and safety ▪ Transparent corporate communication	▪ Transportation, travel and logistics ▪ Legal compliance ▪ Corporate governance ▪ Collaborations, training and knowledge-sharing ▪ Employee development ▪ Sustainable growth ▪ Diversity and equal opportunities ▪ Packaging materials	▪ Product quality and performance ▪ Innovation, research and development ▪ Ethical and responsible business ▪ Product accessibility

Vitrolife's sustainability themes

company meet current expectations from stakeholders. The issues that have the highest marks in both the impact on stakeholders and impact on society, the environment and the economy are the material issues that arise from the assessment.

Vitrolife's most important stakeholders are employees, IVF clinics, authorities and legislators, distributors, IVF and fertility networks, investors and the Board of Directors and owners. Furthermore, there are a number of other important stakeholders and continuous dialogues are conducted with all stakeholder groups.

Sustainability themes

The material sustainability issues help Vitrolife to focus the efforts where it provides the greatest benefit in the near future. In order to capture the opportunities and handle the challenges sustainability will bring in the long-term, the company also needs to work with more long-term perspectives and processes. Vitrolife's resilience and long-term value creation are therefore also shaped by the company's ability to systematically identify, understand and manage long-term sustainability themes that are important to the global community and to the business.

Vitrolife's sustainability themes give the executive management and Board of Directors a direction to focus the long-term strategic development. In order to align the companies development with the SDGs. The analysis of the value chain, stakeholders and material issues help identify the landscape of challenges and opportunities surrounding Vitrolife. The landscape then forms the basis for the key challenges and opportunities that are prioritised to be developed into long-term sustainability programmes.

By linking sustainability programmes to the long-term themes and anchoring them in corporate management, the company ensures that sustainability is an integral part of business development. This way of working can also visualise important trade-offs in order to keep pace with the organisation, programme by programme.

How Vitrolife integrates sustainability into its strategy

In order to incorporate material sustainability issues into the core business, the results are integrated into the Company's annual business strategy process. It adds an extra lens in the development of the functional initiatives identified in the strategic planning process. 'Functional initiative' is a high-level activity that can be divided into sub-activities and projects intended to contribute towards a defined strategic focus or a strategic priority. The process shapes the company's immediate priorities (1–3 years) and integrates sustainability into the core business and organisation. This interconnected approach gives management and the Board of Directors a systematic overview of the company's short term direction, in relation to the long term-themes. This enables the initiation of long-term investments in the form of sustainability programmes or strategic decisions to ensure that the company's long-term direction is in line with the SDGs.

To ensure the ability to work purposefully and monitor the company's improvement efforts, reporting and monitoring in accordance with international standards and regulations for the company's industry are crucial. It also enable comparisons and help executive management to ensure the necessary adjustments are made.

Sustainable growth and global partnerships

Vitrolife strives for a long term sustainable growth that contributes to the achievement of the SDGs. This means inclusive growth that strengthens Vitrolife's operations while simultaneously having a positive impact on society and the environment throughout the company's value chain. Two crucial factors in being able to achieve the required pace of change are innovation and knowledge-sharing through strategic partnerships and collaborations.

Financial sustainability

While Vitrolife aims to create long-term growth, the company must minimise its negative impact. Balancing financial consequences and strategic adjustments, since a good financial position is a prerequisite for the intended transition.

Vitrolife pays tax in each country in which operations are conducted in accordance with applicable laws and the OECD guidelines for the fair distribution of profits. Read more on page 61. The company also generates and distributes economic value through investments and innovation and research, as well as salaries and benefits, all of which contribute to the development of the local community in each country in which the company operates. The financial results can, thus, be seen as the overall indicator of Vitrolife's economic impact on society. Read more on page 49-52.

Guiding principles

Vitrolife's Code of Conduct forms an important basis for the business's sustainability commitments and lays the foundation for how the company should work responsibly. It is based on the Global Compact's ten principles regarding human rights, labour law, the environment and anti-corruption. The Code of Conduct can be read in its entirety on Vitrolife's website, www.vitrolife.com. Vitrolife requires all of its employees to sign and comply with the Code of Conduct. To ensure awareness over time along with sound business practices, there is a clear compliance programme in place. Training is provided annually, during which all serving employees must verify compliance with the company's Code of Conduct. This helps the organisation to better detect, prevent and counteract any unethical behaviour or other undesirable business practices. Vitrolife also has a separate policy that provides extra guidance to employees and business partners regarding collaboration with healthcare providers and healthcare staff.

To ensure healthy business relationships with customers, Vitrolife requires all distributors to sign and comply with Vitrolife's specific distributor Code of Conduct. The distributors, guarantee that they do not accept any form of forced labour, child labour or bribery. All distributors have signed Vitrolife's Code of Conduct. When selecting and qualifying suppliers for the purchase of materials for production, one of the selection criteria is that the suppliers comply and work in accordance with Vitrolife's Code of Conduct. Vitrolife works with established suppliers, mainly in the EU and US.

Development, innovation and partnerships

As a medical device company at the forefront of the embryo evaluation process, the company is positioned to have a hugely positive impact on patients when developments and innovations lead to a reduction in the time it takes to help people fulfil their dreams of having children.

Thanks to the last four decades of research and improvements in the IVF process, it has become possible to focus on how a successful pregnancy and birth can be ensured as quickly as possible. To achieve this, the embryos that have the greatest potential to result in a healthy child must

Vitrolife's Code of Conduct

Vitrolife's Code of Conduct describes the company's values, commitments and rights both in the workplace and in relation to business operations.

All employees must act in accordance with the rules laid down in the Code of Conduct and comply with laws, regulations and Vitrolife's supporting policies, both global and local.

Suppliers, distributors and business partners must also comply with relevant parts of the Code of Conduct.

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

- The UN's Universal Declaration of Human Rights
- The UN's Global Compact
- The ILO's Declaration on Fundamental Principles and Rights at Work
- The OECD Guidelines for Multinational Enterprises

VITROLIFE'S OPERATIONS BRING JOY

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

be identified, sorted and transferred one at a time. Through automatic image recognition combined with artificial intelligence and preimplantation genetic testing, morphokinetic parameters can be analysed and provide support in decision-making processes that facilitate the selection of embryos for transfer. In 2021, the company invested 6.8 percent (7.4) of sales into research and development.

Social responsibility

To reduce inequalities and injustices across the globe, Vitrolife has been providing support to the Läkarmissionen and Unicef for some ten years. Läkarmissionen is an aid organisation that has worked since 1958 to change the future of vulnerable people and carries out international development work and disaster relief in around forty countries. Vitrolife supports Läkarmissionen's efforts to ensure safe deliveries for women in rural Africa, which saves lives and reduces suffering. The Panzi Hospital in Bukavu, DR Congo, was founded by Denis Mukwege, recipient of the Nobel Peace Prize and receives thousands of patients from all over the region. Läkarmissionen is one of the hospital's main financiers and focuses on safe births, premature babies, a nutrition department that saves the lives of severely malnourished children and family planning. Thanks to Vitrolife's contribution to the Läkarmissionen, more than 1,700 women have been able to give birth to their babies in a safe environment in a hospital.

Ethical, safe and accessible products

Vitrolife's operations shall act responsibly in all respects and ensure consciously ethical decision-making in order to minimise risks and maintain the trust of customers, partners and shareholders. By being a relevant driving force for positive change in areas where the company has an impact, Vitrolife can contribute to universal access to reproductive health.

Responsible business

Conducting business in a responsible manner is in line with the company's purpose and vision. This is a crucial factor for success which must permeate all of the company's operations. This means everything from how the company works with distributors to the development of products and services or personnel and leadership. All of this is crucial for long-term reliability, reduces the risk of non compliance and creates competitive advantages in terms of recruitment and external collaborations.

Regulatory requirements are far-reaching in medical device operations, and Vitrolife has well-established processes and structures to ensure compliance with the law and compliance with ethical principles that apply in each country in which the company operates.

Quality-assured products

Vitrolife's products are developed, manufactured, marketed, sold and maintained in line with quality-controlled processes. As a manufacturer of medical devices, Vitrolife must meet significant and strict legal requirements as well as product safety standards. In 2021, Vitrolife has focused its efforts on adapting to the new European regulations, Regulation (EU) 2017/745 on medical devices (MDR). Vitrolife's operations are quality-certified in accordance with ISO 13485 (Design and manufacture of medical devices). Quality management systems are reviewed by both internal and third-party auditors and are certified by external notified bodies reporting bodies and authorities that perform regular inspections. The goal is that each product distributed to the customer should meet the promised quality, which in turn enables effective treatments.

Quality systems support manufacturing

High-quality products can be delivered thanks to quality systems that meet international requirements for medical devices, primarily ISO 13485. Through its quality policy and quality systems, Vitrolife is committed to complying with the rules set by the authorities in each country in which the products are sold or distributed. This means, among other things, that each product is sold with clear labelling concerning the approved area of use, that instructions are provided for its correct use and that there are systems for assessing risks and registering any side effects.

Vitrolife performs tests throughout the production chain, from raw materials and semi-finished products to the final product to ensure that products of consistent and high quality are delivered to customers. Quality-assured products are a prerequisite for operating as a medical device supplier, and they entail significant competitive advantages. For more information on Vitrolife's quality systems, see page 14-15.

Clinical studies

Vitrolife carries out clinical studies to safeguard the safety and effectiveness of the company's products. Vitrolife is committed to conducting clinical studies in an ethical manner and to complying with the principles set out in the Declaration of Helsinki. The company conducts clinical studies in accordance with relevant international guidelines for best practice, regulations and other codes or principles (e.g. Good Clinical Practice). Vitrolife also ensures that country-specific rules and guidelines are followed.

A risk assessment is always carried out before a clinical study is initiated to ensure there is a favourable benefit-risk ratio for the enrolled patients. All clinical studies are evaluated and approved by an independent ethics committee before commencing and are overseen by an independent data safety monitoring board. The informed consent process ensures that patients who are eligible for recruitment are aware of the details of the clinical examination and are free to decide whether they want to participate in the study.

To ensure transparency, Vitrolife registers its clinical studies, including the protocols and results, in publicly available clinical study registers (e.g. clinicaltrials.gov or equivalent). The results of clinical studies are also published in journals with expert review and raw data is made available to third parties upon request.

Workshops support the best possible results

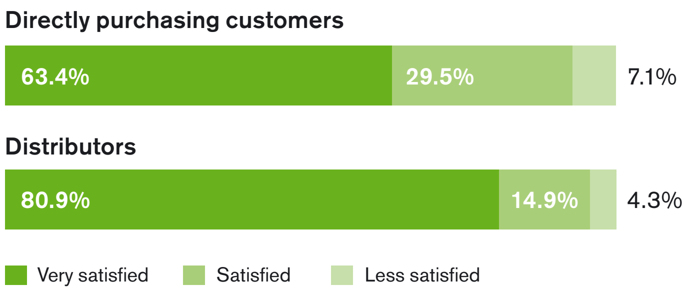
Vitrolife Academy is a training organisation consisting of IVF experts. Knowledge transfer workshops are conducted regularly by Vitrolife both at customers' and Vitrolife's premises and digitally to provide customers with training on how to use the products. Through collaborations with all of Vitrolife's business areas, effective methods are developed and training is arranged for clinics to achieve the best possible IVF results.

Customer satisfaction measures perceived quality

Vitrolife's products are sold across the globe, and customer satisfaction is used as the main measurement of perceived quality. Customer viewpoints are regularly compiled and reported to the organisation and management teams. The method of measuring customer satisfaction involves the company's customers answering the question about their willingness to recommend Vitrolife as a partner to clinics in the field of IVF. In 2021, the company prepared a new survey to measure customer satisfaction, which was sent out to customers in markets that purchase directly and to Vitrolife's distributors. This improvement meant that the company was able to reach all geographical regions and, thus, gained a broader basis and more answers.

The survey was translated into five different languages and reached 8,500 contacts with a response rate of more than 5 percent.

Customer satisfaction – willingness to recommend 2021



Whistleblower function

Vitrolife has a digital whistleblower function consisting of the Group's Head of HR & Sustainability and Vitrolife's Chairman of the Board, to which employees and external stakeholders can turn in order to report any deviations from Vitrolife's Code of Conduct. All reports can be submitted anonymously. Four cases were reported in 2021. If a case is received, there is a process in place for reviewing, investigating and following up on it using appropriate corrective measures.

Ecological footprint and net-zero emissions

Vitrolife shall be a driving force in creating sustainable production and consumption patterns throughout the value chain. The company aims to minimise its ecological footprint, respect biodiversity, conserve water resources, take measures to combat climate change and work purposefully to achieve the UN's goal of 1.5 degrees.

Minimal environmental and climate impact

Vitrolife works systematically to reduce the environmental impact of all operations. In line with this, the head office, including the production facility in Gothenburg, is certified in accordance with the environmental management system standard ISO 14001. Vitrolife also works actively at the product level and has carried out a life-cycle analysis on one of Vitrolife's most important products, EmbryoScope+. The GHG footprint was estimated to amount to 21.3 tonnes of CO_2 in 2020. Work to reduce emissions has continued in 2021, including through the coordination of travel and clinic visits during installation and maintenance. The company has also introduced longer service intervals for EmbryoScopes and trains and certifies local engineers in sales countries to perform more work on site.

By mapping emission sources in accordance with the GHG protocol, Vitrolife can work strategically on direct measures to identify and reduce negative impacts on the climate. Other examples of activities include coordinating the transportation of products more efficiently and limiting business travel. During the period where adjustments were made due to Covid-19, the business made a major change by replacing travel with digital conferences, meetings and training events, both for internal and external contacts. This benefits productivity, health and the climate. The ambition is for the company's operations to be conducted with as little environmental and climate impact as possible without sacrificing Vitrolife's competitiveness.

MEA

Most medical devices used in IVF must, based on requirements from regulatory bodies, undergo an analysis using embryos from mice as part of the process for biological quality control. Vitrolife conducts more than 90 percent of these tests internally. Animal welfare is maintained to the highest standards by following the Guide to the Care and Use of Laboratory Animals provided by the National Research Council, and quarterly veterinary audits are carried out. The mice are provided by companies specialised in the breeding of laboratory animals. There is a close collaboration with academic departments and third-party laboratories which must comply with equivalent requirements and standards. There is currently no accepted alternative to using mouse embryos, but Vitrolife is committed to the 3Rs: Replace, Refine and Reduce. For example, the company could reduce the number of mice required by increasing the batch size for a given product.

Use of materials and waste management

Material	2021	Material	2021
Combustible waste	69.3 t	Biological waste	7.4 t
Cardboard	31 t	Hazardous waste	2.2t
Metal	4.9 t	High-risk waste	3.1 t
Glass	3.9 t	E-waste	1.3 t
Plastic	1.8 t	Water	11,276 m^3

Water consumption is based on the production facilities in Gothenburg, Denver and Aarhus. Other waste statistics are based on Gothenburg and Denver. Work is underway to include larger parts of the organisation.

Vitrolife works continuously to create products with a low environmental impact and to reduce the proportion of waste. An example is EmbryoMap, where the reagents used for the sample preparation are provided ready-mixed and the indexes are delivered in a PCR plate to reduce both plastic and other associated waste. This format allows the test components to be delivered in a single box and to be sent and stored at the same temperature, thus, increasing shipping efficiency by reducing both transport and storage volume.

Climate impact

Since 2019, Vitrolife has measured emissions in line with the GHG protocol. Scope 1 consists of direct emissions from the company's production facilities and Scope 2 concerns the consumption of electricity from production facilities. Scope 3 concerns emissions beyond purchased energy that occur outside the boundaries of the business. Vitrolife measures efficiency for all scopes as CO_2 emissions in tonnes in relation to the company's in SEK millions, referred to hereafter as the climate index. The pandemic has affected the company's emissions patterns and made comparisons more difficult over time. In 2021, actual emissions increased in all scopes compared with 2020, but not in relation to sales when seen through the perspective of the climate index. If we instead compare the figures with 2019, which was a more normal year, emissions are lower, even in actual terms, despite increased sales.

SCOPE 1

DIRECT GREENHOUSE GAS EMISSIONS:

	2021	2020	2019
TON CO_2	578	515	523
CLIMATE INDEX	0.34	0.41	0.35

SCOPE 2

INDIRECT GREENHOUSE GAS EMISSIONS FROM ELECTRICITY AND HEATING:

	2021	2020	2019
TON CO_2	740	702	808
CLIMATE INDEX	0.44	0.56	0.55

SCOPE 3

OTHER INDIRECT GREENHOUSE GAS EMISSIONS:

	2021	2020	2019
TON CO_2	1,499	1,199	1,867
CLIMATE INDEX	0.89	0.96	1.26

Scope 1 – Direct greenhouse gas emissions

The climate impact in 2021 for Scope 1 amounted to 578 tonnes of CO_2 (515). The climate impact consists mainly of the combustion of natural gas in the distillation of production water in the USA. This process also contributes to the heating of the clean rooms and is, therefore, run continuously. This, in relation to increased sales, still resulted in a lower climate index for Scope 1 in 2021. The climate index relating to Scope 1 amounted to 0.34 (0.41).

Scope 2 – Indirect greenhouse gas emissions from electricity and heating

The climate impact in 2021 for Scope 2 amounted to 740 tonnes of CO_2 (702). The climate impact mainly consists of the consumption of electricity for the company's production facilities. Electricity consumed in Sweden and Denmark comes from renewable energy sources, which means zero CO_2 emissions. The climate index relating to Scope 2 thus amounted to 0.44 (0.56).

Scope 3 – Other indirect greenhouse gas emissions

Within Scope 3, Vitrolife has carried out a materiality analysis of the climate impact, which has resulted in business travel and the transportation of goods being included in Vitrolife's measurement of Scope 3. In 2021, the number of business trips remained low due to the pandemic and new ways of working. In contrast, the proportion of goods transportation once again increased. Scope 3 amounted to 1,499 tonnes of CO_2 (1,199) in 2021. The climate index relating to Scope 3 thus amounted to 0.89 (0.96).

IVF media are sensitive products that must be stored and transported in cold temperatures in order to maintain quality. Cooling of IVF media during transport is achieved by packing products in well-insulated Styrofoam boxes with freezer packs. These Styrofoam boxes have a limited time outside the refrigerator before the contents risk exceeding the temperature limit. Short transport times are required, which is why air cargo is the only option for longer distances.

The climate impact can be reduced through efficient packing and fewer shipments. Vitrolife strives to reduce the proportion of cold chain transportation by informing customers about the transport's CO_2 emissions and, thus, encouraging them to buy larger quantities on fewer occasions. A calculation tool has been developed to fill the cooling boxes optimally. Non-cold-sensitive products such as instruments are transported by sea whenever possible.

Vitrolife uses professional freight forwarders with efficient transport systems that optimise transport in terms of packaging and the transport route, which also keeps CO_2 emissions and costs down.

To minimise the climate impact and costs, Vitrolife has a clear travel policy that encourages internal travel to be minimised through the use of digital tools such as video conferencing equipment, which are installed in all of the company's offices. Because of the adjustment to working methods due to the pandemic over the past two years, staff travel has decreased significantly both in service and to and from the workplace, as many employees have been able to perform their work from home. In 2021, Vitrolife invested in 16 charging stations for staff cars in Gothenburg, where the head office and the largest production facility are located. According to the adopted policy, the company cars may emit a maximum of 56g CO_2/km.

Gender equality, health and rights of all workers

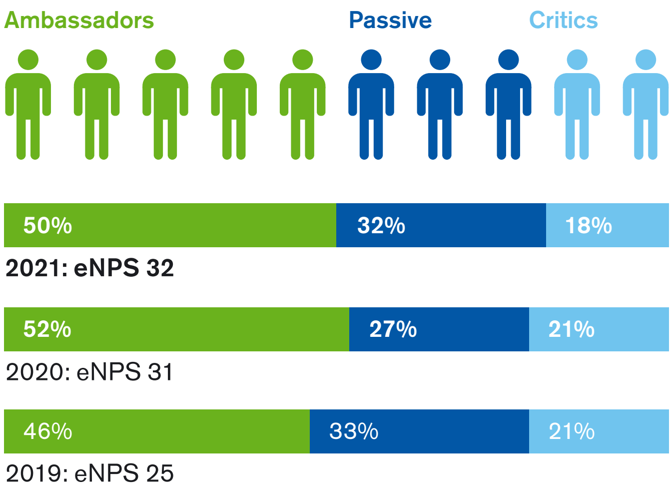
Vitrolife works continuously to ensure gender equality and workers' rights by striving for a corporate culture and structure whereby everyone has equal rights and opportunities, regardless of aspects such as gender, ethnicity, religion, age or other status. A fair distribution of influence and resources between women and men, as well as zero tolerance for discrimination, are important prerequisites for Vitrolife globally, while the company's operations can contribute to trends in the desired direction. These efforts strive to ensure that all employees in the company's value chain have their rights and health secured and that the company does not contribute to any form of forced or child labour.

Attractive workplace

Vitrolife is a knowledge-intensive company in which employees constitute the single most important asset for its long-term competitiveness and profitability. For this reason, Vitrolife's targeted efforts to create an attractive and sustainable workplace for all employees is a key to the company's success. The staff turnover rate, calculated as the number who leave divided by the average number of employees during the year, was 13 (11) percent. Vitrolife offers an attractive workplace with the opportunity to work for a higher purpose, a purpose that makes a difference to people's lives all over the world. Together, Vitrolife's employees make a real difference to fertility clinics around the world and their patients.

Vitrolife's employees create the company's leading position in the market. Generally speaking, Vitrolife's employees can highly recommend the company as a good place to work. The eNPS continued to increase in 2021. eNPS stands for employee net promoter score and measures how willing employees are to recommend their workplace to friends and acquaintances. An eNPS value can range from -100 to +100. A value above 0 is good, above +20 is very good and above +50 is outstanding. Vitrolife's eNPS increased from +31 in 2020 to +32 in 2021. In 2021, a new methodology for engagement surveys has been implemented globally. Through the updated pulse format, working groups are given a better opportunity to discuss issues highly relevant to areas such as working methods, group dynamics and health and to measure their progress on a more continuous basis. Vitrolife's business is a source of joy and it is self-evident that the company's employees should also feel joy in their work.

Employer net promoter score



A continued high eNPS score confirms that Vitrolife's managers and employees are highly adaptable in the turbulent times caused by the pandemic in 2021, as in 2020. The results show that employees at Vitrolife perceive their work environment as both physically and psychologically safe to a high degree and that they feel the company cares about its employees. These are important strengths that serve as a foundation for open dialogue in the teams about what can be improved, such as workload and cooperation. The results of the engagement surveys are analysed and discussed in each working group and form the basis for activity plans at both company and management levels. The engagement survey receives responses from almost 90 percent of the company's more than 400 employees worldwide.

As Vitrolife grows, a global HR system was implemented during the year which simplifies working methods and monitoring of data.

Safe work environment and good health

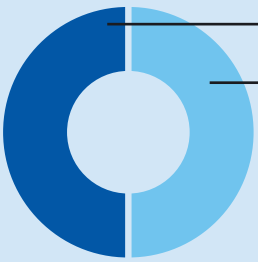
Vitrolife supports flexible working methods for employees as far as possible, to create scope for recovery and a balance between work and family life. Our goal is diversity, equality and justice in a work environment where all employees feel valued and respected. Important viewpoints are collected from work environment surveys and engagement surveys in order to continuously improve the work environment, both physically and organisationally. Through systematic work environment initiatives, Vitrolife works actively to continuously improve the conditions for health and safety in the workplace and to prevent ill health and accidents. Vitrolife offers a work environment that meets or exceeds the requirements that apply in line with legislation and other standards regarding health and safety in each country in which the company operates.

Vitrolife's overall goal is to create a good physical work environment and a healthy work climate in which everyone can feel safe, develop skills and feel well. Regular engagement surveys ensure employees' satisfaction with their workplace is followed up, while improvements are implemented by way of dialogues and co-creative discussions. Employees are trained to ensure their work is performed in a way that reduces the risk of occupational injuries and prevents ill health and accidents. The company works systematically and preventively on the health, well-being and safety of all employees. The results of the engagement surveys show a high degree of perceived physical and psychological safety in the organisation.

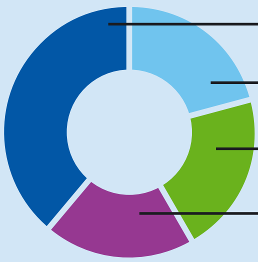
The local work environment work is run by managers with the support of HR and business partners, such as local employers' organisations and experts. For the Swedish and Danish operations, the systematic work environment initiatives are managed by a safety committee. This includes appointed safety representatives together with other staff representatives and management. Established plans are in place concerning responsibility and risk assessment, as well as procedures for detecting, remedying and following up on any shortcomings in the work environment at an early stage.

In 2021, the importance of a safe working environment has remained in the spotlight due to Covid-19. The safety of employees who work in production, distribution and warehouses, for example, has continued to be safeguarded through special precautionary measures. Vitrolife has been able to prevent the spread of the virus among staff in all locations where production is carried out. Employees whose work duties can be carried out remotely have been encouraged to work from home. Active measures to enable a good environment for long-term home-working have been adopted, with employees able to borrow furniture and equipment for their homes, for example. A continuous and close interpersonal dialogue has been ensured by the managers in order to maintain the positive corporate culture and cooperation in groups despite this protracted remote work.

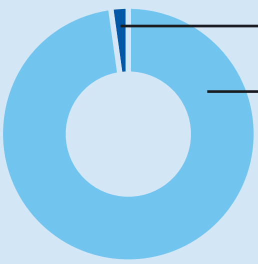
Distribution by gender*



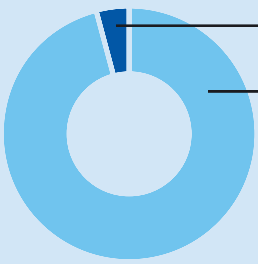
Average no. employees by country



Distribution by type of employment*



Distribution by employment status*



Key figures, employees

	2021	2020	2019
No. of employees at the end of the year	427	413	430
Average no. of employees	415	405	398
Distribution of men/ women, all employees (%)*	51/49	50/50	49/51
Distribution of men/ women in managerial positions (%)*	64/36	60/40	64/36
Distribution of men/ women, senior executives (%)	75/25	75/25	86/14
Sick leave (%)**	4.4	3.8	5.2
Accidents***	1	4	9

*Due to regulatory reasons linked to GDPR, Germany's 15 employees have been excluded from the statistics
**Sick leave figures cover the Swedish part of the business. The statistics include both short-term and long-term sick leave as well as work-related and non-work-related causes.
***Statistics for rest of world are not included due to limitations in reporting systematics. All employee data is compiled based on FTE unless otherwise stated.

Competence supply

Vitrolife is a knowledge-intensive company. Offering employees broad opportunities for continuous professional development is a basic principle for a sustainable supply of skills. The competence of employees is crucial in terms of Vitrolife's growth. In order to engage and develop competent and inspired employees, development needs are identified in regular discussions between employees and managers. The current guiding framework for goal and performance appraisals, known as VitroTalks, was reinforced in 2020 and has been implemented globally in the company over the course of 2021. This framework is in line with desired values. Through a digital portal, managers and employees can get support for ongoing appraisals, planning, follow-up and feedback.

Further improving opportunities among staff for development in their work is a prioritised area in 2022, and such improvements are measured through questions in the engagement surveys. In addition to individual development efforts, job-specific training is also carried out, comprising both qualification and re-qualification. Managers with personnel responsibilities regularly participate in managerial meetings on relevant aspects of leadership within Vitrolife, which creates good conditions for developing as competent, confident and inclusive leaders. To facilitate cooperation in a global organisation, language training is offered, among other initiatives.

Vitrolife's core values

Vitrolife's vision is 'To fulfil the dream of having a baby', thus describing the most important aspect for the company – helping people realise their dream of becoming parents. Employees are guided by a clear set of values. The engagement survey confirms that Vitrolife is a value-driven company. Vitrolife strives to have a decentralised and flexible organisational structure, characterised by competence, entrepreneurial spirit, target management and fast decision-making paths. These values guide employees on how to act and make decisions in different situations. Each value has a description containing examples of what it could mean in everyday life. The goal is for all employees to use these as guidance in their day-to-day work together.

Vitrolife's values and Code of Conduct guide the actions and decision-making of employees in different situations.

Gender equality and inclusion

Equal treatment is important for all employees, regardless of identity, in order to develop their full potential and serve as a basis for good health and well-being. Vitrolife has zero tolerance for all forms of discrimination, bullying or harassment. Vitrolife is to be a workplace where diversity is encouraged regardless of gender, religion, ethnic background, sexual orientation or other aspects of identity. Diversity and an inclusive approach make Vitrolife more sustainable by enabling value creation from a wide range of perspectives that represent both the customer base and other stakeholder viewpoints.

It is important for Vitrolife to be an attractive employer that maximises and utilises the skills among employees within the company. Gender equality has been identified as a prioritised sustainability issue in order to be attractive as an employer to current and future employees. In 2021, the company signed the UN Women Empowerment Principles, which represents an important position and is clearly anchored in Vitrolife's higher purpose. In order to be able to detect and remedy any imbalances, Vitrolife has chosen to monitor gender distribution at different levels within the company. The ambition is to increase the proportion of female managers in order to create a balanced organisation. A pay equity analysis is conducted annually to detect any unjustifiable differences, which are then corrected within the framework of the company's gender equality ambition. The results of the salary survey show that there are no unreasonable salary differences based on gender within Vitrolife.

Collective agreements and transparency

All of the company's employees have the right to join a trade union and to negotiate collectively in accordance with local laws and applicable agreements. Everyone working for Vitrolife is entitled to fair conditions under local rules and regulations, including contractual working hours, rest periods, overtime and holidays. Vitrolife Sweden AB is covered by collective agreements and is a member of the Innovation and Chemical Industries (IKEM) within the Confederation of Swedish Enterprise, meaning it is connected by their agreements to unions such as IF Metall, Unionen and Akademikerföreningarna. The collaboration with local trade unions works well and facilitates solutions that best take into account the interests of both employees and Vitrolife. A total of 39 (37) percent of Vitrolife's employees are covered by collective agreements.

All employees have access to clear and transparent information about the company's offering as an employer and the rules that apply via the personnel handbook that have been produced. The personnel handbooks are guided by Vitrolife's values and are based on nationally and internationally established standards governing human rights and labour law. Managers in all functions are responsible for the handbooks' implementation and for ensuring that employees know and follow the current structure and culture, while the HR function is responsible for development, training and follow-up.

The requirements for sustainability information based on the Annual Accounts Act, Chapter 6, Section 11 are reported below in this annual report.

Area	Information	Page reference
Business model	Vitrolife's business model, strategy and governance	8, 16–21
Sustainable growth and anti-corruption	Vitrolife's work on sustainable growth and measures to combat corruption	22–25
Environment and climate	Vitrolife's work to reduce its impact on the environment and climate	26–27
Social conditions and staff	Vitrolife's work to secure social conditions and work on staff-related issues such as gender equality and safe workplaces	28–31

The sustainability report for 2021 comprises the parent company Vitrolife AB (publ), corporate identity number 556354-3452, and all units that are consolidated into Vitrolife's consolidated financial statements, which are outlined in Note 27. The sustainability report has been prepared in accordance with the provisions of the Annual Accounts Act, chap. 6–7. When signing off the annual report and consolidated financial statements, the Board of Directors and the CEO have also approved the sustainability report. The sustainability report for 2021 excludes Igenomix, as the company was acquired at the end of the financial year.

The auditor's opinion regarding the statutory sustainability report

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

Assignment and division of responsibilities
The Board of Directors is responsible for the 2021 sustainability report on pages 19-31 and for preparing it in accordance with the Annual Accounts Act.

Focus and scope of the audit
Our audit has been conducted in accordance with FAR's recommendation RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the sustainability report 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 a sufficient basis for our opinion.

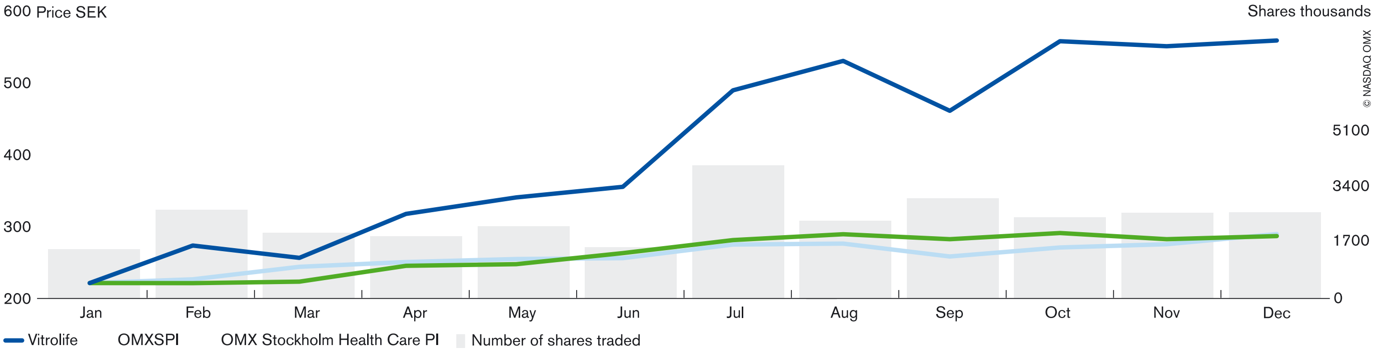
Opinion
A sustainability report has been prepared.

Gothenburg, 25 March 2022
Deloitte AB

Harald Jagner
Authorised public accountant

CONTINUED INCREASE IN SHAREHOLDER VALUE

Share price and turnover in 2021



Vitrolife's share was listed on NASDAQ Stockholm, Large Cap in 2021. The share has been listed since 26 June 2001 under the short name VITR.

+159% SHARE PRICE IN 2021

Share structure

The share capital in Vitrolife AB (publ) amounted to SEK 27,631,227 (22,144,317) on 31 December 2021, divided into 135,447,190 (108,550,575) shares with a quota value of SEK 0.204. The number of shares increased by 26,896,615 during the year as a result of a directed new issue and non-cash issue to partially finance the acquisition of Igenomix. All shares have equal voting rights and an equal right to a share in Vitrolife's assets and profit. There were no outstanding warrants as of 31 December 2021.

Share price and sales

On 31 December 2021, the share price was SEK 560.00 per share upon last payment (215.80), which was an increase of 159 percent since the previous year-end. NASDAQ Stockholm's index increased by 35 percent over the same period. At the end of 2021, Vitrolife's market capitalisation amounted to SEK 75,850 million (23,425) based on the latest price paid. The highest share price during the year was SEK 585.00 (252.00), which was recorded on October 29 (September 18). The lowest share price during the year was SEK 210.40 (112.30), which was recorded on 26 January (23 March).

The number of Vitrolife shares traded on NASDAQ Stockholm during the year amounted to 28,898,656 (37,988,124) at a value of SEK 11,726 million (7,083). The number of trades completed was 424,529 (277,462).

The number of shares traded corresponded to 21.3 percent (35.0) of the number of outstanding shares at the end of the year.

Ownership structure

At the end of the year, the number of shareholders in Vitrolife was 16,578 (10,601). Of these, 91 percent owned 1,000 or fewer shares. The ten largest shareholders accounted for 73 percent (70) of the shares. The proportion of shareholders registered at addresses outside Sweden was 63 percent (62).

Dividend policy and dividend

Vitrolife's Board of Directors and CEO intend to propose an annual dividend, or other equivalent form of distribution, which corresponds on average over time to 30 percent of net profit after tax paid. When deciding on a proposed dividend or equivalent, the Group's future profits, financial position, capital requirements and other positions will be taken into account. Vitrolife's net debt should not normally exceed a multiple of three times operating profit before amortisation, depreciation and impairment (EBITDA).

In 2021, a dividend of SEK 0.80 (–) per share was paid. In accordance with the dividend policy, it is the intention of the Board and CEO to propose to the Annual General Meeting 2022 a dividend of SEK 0.80 (0.80) per share.

Share buybacks

The Board received authorisation from the 2021 annual general meeting to acquire its own shares in order to adjust Vitrolife's capital structure. During the year, repurchases of 52,568 own shares to a value of SEK 22.8 million were carried out to hedge the share savings incentive programme LTIP 2021 in accordance with the decision of the annual general meeting. No other share buyback was done during 2021.

Share savings incentive programme

In accordance with the Board's proposal, the 2021 annual general meeting resolved to introduce a long-term incentive program (LTIP 2021) for certain key employees to encourage personal long-term shareholding in Vitrolife, as well as to increase and strengthen opportunities to recruit, retain and motivate employees. The aim was also to use the LTIP 2021 to unite employees' and shareholders' interests. For more information about the programme, see the statutory administration report on page 41.

Vitrolife also has two outstanding share-related incentive programmes in line with decisions taken at the 2019 and 2020 AGMs. For more information about these programmes, see pages 40-41 and www.vitrolife.com.

Share price and updated information

Updated information about the share can be found at www.vitrolife.com along with press releases, quarterly reports and annual reports and the opportunity to subscribe to these by e-mail.

Individuals in senior positions

Individuals in senior positions, as well as those related to them, must, in accordance with the EU Market Abuse Regulation, notify the issuer and Finansinspektionen of any transaction carried out on their own behalf regarding shares and other financial instruments issued by that issuer. The Board members, the CEO and the CFO were considered to be individuals in senior positions at Vitrolife during 2021. In connection with the launch of a new organisation in 2022, other members of the executive management team were also included.

Analysts

The following analysts publishing ongoing analyses of Vitrolife:

- ABG Sundal Collier
- Carnegie
- DNB Bank ASA
- Redeye
- Murgata

Four reasons to invest in Vitrolife

- Market growth is primarily driven by the growing middle class, along with expectant parents who opt to try and have children later in life, increased social acceptance of IVF and increased use of technology in IVF treatments.
- Strong brand linked with quality.
- A long history of creating profitable growth.
- Aims to lead technological developments within IVF.

Data per share

	2021	2020	2019	2018	2017
Average no. shares outstanding*	114,625,057	108,550,575	108,550,575	108,550,575	108,550,575
No. shares at the end of the period*	135,447,190	108,550,575	108,550,575	108,550,575	108,550,575
Equity per share, SEK*	113.12	18.54	16.53	13.75	11.29
Earnings per share, SEK*	2.97	2.64	3.53	2.85	2.43

*Recalculated taking into account the 5:1 split that was implemented in May 2018.

Vitrolife's ten largest shareholders

Shareholders	Number of shares	Shares and votes, %
William Demant Invest A/S	36,203,822	26.7
Bure Equity AB (publ)	21,510,257	15.9
State Street Bank and Trust Co, W9	15,359,502	11.3
BNY Mellon SA/NV (Former BNY), W8IMY	7,284,247	5.4
Fourth National Pension Fund	4,133,702	3.0
JP Morgan Bank Luxembourg S.A.	3,857,691	2.9
JP Morgan Chase Bank N.A.	3,223,219	2.4
Goldman Sachs & Co. LLC, W9	2,320,020	1.7
AMF – Insurance and Funds	2,240,000	1.6
BNY Mellon NA (Former Mellon), W9	2,020,043	1.5
Other shareholders	37,294,687	27.6
Total	**135,447,190**	**100.0**

Source: Euroclear Sweden's share register on 31 December 2021

Shareholder statistics

Class of shares	No. shares, thousands	No. shareholders	Shares and votes, %
1–500	993	14,388	0.7
501–1,000	615	751	0.5
1,001–5,000	2,478	984	1.8
5,001–10,000	1,225	162	0.9
10,001–15,000	834	66	0.6
15,001–20,000	561	31	0.4
20,001 –	128,735	194	95.0
Total	**135,447**	**16,578**	**100.0**

Source: Euroclear Sweden's share register on 31 December 2021

FINANCIAL STATEMENTS

FIVE-YEAR SUMMARY, GROUP

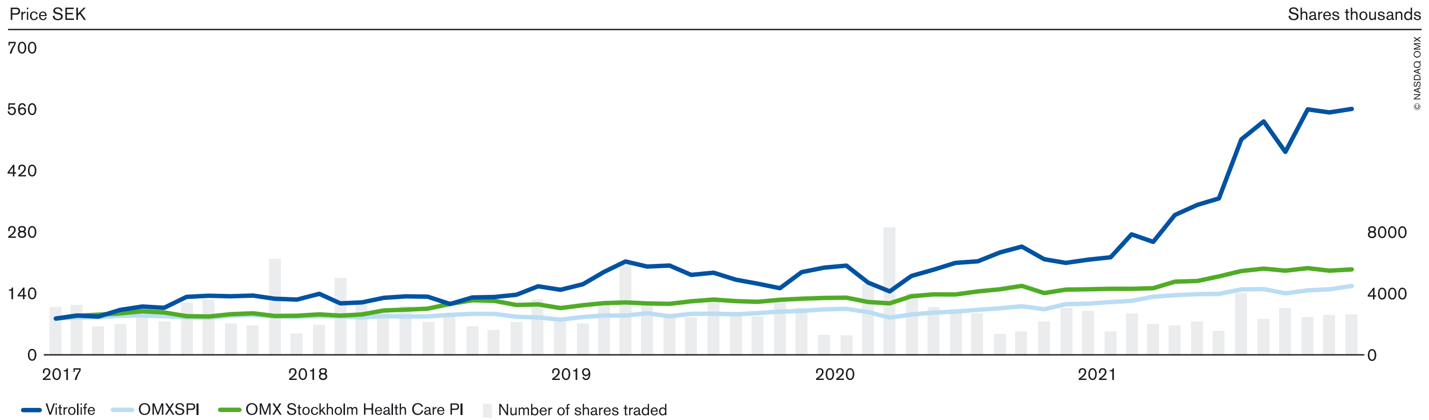
SEK thousands	2021	2020	2019	2018	2017
Income statements in summary					
Net sales	1,680,804	1,245,572	1,480,132	1,151,348	1,046,217
Gross profit	1,046,090	767,667	938,652	761,124	681,709
Operating profit	435,379	370,015	487,946	393,915	340,856
Profit after financial items	459,969	366,191	492,694	398,583	340,915
Net profit for the year	343,563	287,865	383,839	310,697	264,602
Depreciation, amortisation and impairment	108,914	84,070	99,388	84,692	66,949
Statement of financial position in summary					
Intangible assets	17,547,524	702,720	778,257	727,997	607,738
Property, plant and equipment	332,974	142,113	173,359	94,126	84,432
Financial assets	49,224	39,460	32,674	23,602	9,168
Deferred tax assets	92,472	6,355	4,173	1,166	11,181
Inventories	312,894	204,027	208,820	161,186	150,556
Trade receivables	391,400	216,494	233,321	181,002	148,236
Other current receivables	72,213	20,355	18,545	17,578	15,150
Cash and cash equivalents	630,094	973,566	689,538	490,810	395,963
Total assets	**19,428,796**	**2,305,089**	**2,138,687**	**1,697,467**	**1,422,424**
Equity attributable to Parent Company shareholders	15,322,175	2,012,570	1,794,023	1,492,914	1,225,857
Non-controlling interest	18,695	4,444	3,605	3,298	2,792
Deferred tax liabilities	1,068,696	16,211	27,273	29,329	51,170
Provisions	27,542	21,503	16,619	11,527	7,311
Borrowing, non-current	1,944,466	–	–	–	–
Lease liabilities, non-current	82,355	48,810	61,213	–	399
Other non-current liabilities	10,541	24,538	33,602	8,124	–
Borrowing, current	428,610	–	–	–	–
Lease liabilities, current	27,063	13,593	14,632	–	81
Trade payables	173,081	25,922	29,314	32,085	30,598
Other current liabilities	325,572	137,499	158,406	120,190	104,216
Total liabilities and equity	**19,428,796**	**2,305,089**	**2,138,687**	**1,697,467**	**1,422,424**
Cash flow statements in summary					
Cash flow from operating activities	384,306	356,448	413,333	349,435	312,189
Cash flow from investing activities	-6,518,495	-20,218	-112,572	-181,265	-9,980
Cash flow from financing activities	5,748,703	-26,611	-106,890	-81,462	-93,496
Cash flow for the year	**-385,486**	**309,619**	**193,872**	**86,708**	**208,713**
Opening cash and cash equivalents	973,566	689,538	490,810	395,963	189,245
Exchange rate differences in cash and cash equivalents	42,013	-25,591	4,856	8,139	-1,995
Closing cash and cash equivalents	630,094	973,566	689,538	490,810	395,963
Other					
Investments, excl. acquisitions	-62,522	-20,218	-32,470	-21,549	-9,980
Sales outside Sweden, %	99	98	99	98	98

KEY RATIOS, GROUP

	2021	2020	2019	2018	2017
Margin metrics					
Gross margin, %	62.2	61.6	63.4	66.1	65.2
Adjusted gross margin, %	63.4	63.6	66.3	69.8	69.0
Operating margin before depreciation, amortisation and impairment (EBITDA), %	32.4	36.5	39.7	41.6	39.0
Operating margin (EBIT), %	25.9	29.7	33.0	34.2	32.6
Other metrics					
Return on equity, %	5.4	14.8	22.8	22.2	23.3
Average number of employees	478	405	398	363	355
Net debt*, SEK m	1,743.0	-973.6	-689.5	-490.8	-395.5
Equity/assets ratio, %	79.0	87.5	84.1	88.1	86.4
Share data					
Average number of outstanding shares***	114,625,057	108,550,575	108,550,575	108,550,575	108,550,575
Number of shares outstanding on closing date***	135,447,190	108,550,575	108,550,575	108,550,575	108,550,575
Earnings per share, SEK***	2.97	2.64	3.53	2.85	2.43
Cash flow from operating activities per share, SEK***	3.35	3.28	3.81	3.22	2.88
Equity per share, SEK***	113.12	18.54	16.53	13.75	11.29
Dividend per share, SEK***	0.80**	0.80	–	0.85	0.74
Share price on closing date, SEK***	560.0	215.80	197.50	147.00	124.60
P/E ratio	188.6	81.7	55.9	51.6	51.3

* Negative value implies net receivable.** Proposed dividend subject to AGM approval.
***Recalculated taking into account the 5:1 split that was implemented in May 2018.
For definitions, justifications and reconciliations of key ratios, see pages 73–74.

FIVE-YEAR SHARE PRICE DEVELOPMENT



MANAGEMENT REPORT

The Board of Directors and CEO of Vitrolife AB (publ), corporate identity number 556354-3452, hereby submits its annual report and consolidated accounts for the 2021 financial year.

Business activities
Vitrolife is an international medical device and genetic services Group. Vitrolife develops, produces and markets products and services for reproductive health together with services that provide personalised genetic information to improve clinical practises in infertility and rare diseases. For information on number of shares and ownership structure, see the corporate governance report on page 42. The sustainability report is on pages 19–31.

Headquartered in Gothenburg, Sweden, the Group currently employs approximately 1,200 people worldwide. Its products, services and solutions are available in more than 110 markets through a network of subsidiaries and distributors.

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. The Group's products include nutrient solutions (culture media), advanced disposable instruments (needles and pipettes), disposable plastic products, kits for genetic analysis of embryos, and technological tools like time-lapse and micro-laser systems. The acquisition of Igenomix at the end of the year means the company can now offer genetic tests for evaluating embryos.

Through close collaborations with leading researchers in the area, Vitrolife lies at the forefront when it comes to both research and product development regarding function and safety. Most of the medical device products are made in the company's facilities in Sweden, Denmark and the US. The genetic testing is carried out in the Group's 27 laboratories, which are located around the world. Most of Vitrolife's customers are public and private clinics.

Organisation
In 2021, Vitrolife's organisation consisted of these divisions: Consumables, Technology, Genomics and Genetic Services, where the Genetic Services Division is new as of December 2021. Vitrolife's products and services are sold by four geographic market organisations: North and South America, EMEA, Asia and Japan/Pacific. The Group-wide support functions consisted of human resources and sustainability, research, business development, finance, legal and IT.

Due to the acquisition of Igenomix, Vitrolife launched a new organisation starting from January 2022. The organisation now consists of three business areas (Consumables, Technologies and Genetic Services) whose products are sold by the Vitrolife S&M function and by Igenomix affiliates. The Group-wide support functions consist of human resources and sustainability, research, business development, finance, legal and IT.

Research and development
Vitrolife does most of its product development in house, while research is done both internally and through close collaboration with leading researchers in the area. Continuous research is being done to develop new products and to improve and develop existing ones. Vitrolife has research agreements with prominent persons in the fertility field in different parts of the world. Product development is based on market need and Vitrolife also continuously considers acquiring companies or products that complement development of products in-house. R&D costs amounted to SEK 114 million (92) for the year. Development costs of SEK 7 million (13) were also capitalised in the balance sheet.

Net sales
Sales amounted to SEK 1,681 million (1,246), corresponding to a increase of 35 percent in SEK, 30 percent organic growth in local currency and 9 percent in acquired growth.

Sales for the EMEA region (Europe, Middle East and Africa) amounted to SEK 735 million (533). Sales increased by 41 percent in local currencies, of which organic growth amounted to 33 percent. In the North and South America region, sales amounted to SEK 354 million (226). Sales increased in local currencies by 64 percent, of which organic growth was 38 percent. Sales in the Japan and Pacific region amounted to SEK 245 million (214). Sales increased by 20 percent in local currencies, of which organic growth was 16 percent. Sales in the Asia region increased by 28 percent in local currencies, of which organic growth was 25 percent, amounting to SEK 347 million (273). Growth in all regions was positively affected following the negative effect of the pandemic during the previous year.

Sales in the Consumables Division decreased by 25 percent in local currency and amounted to SEK 913 million (752). Sales in the Technology Division decreased by 34 percent in local currency and amounted to SEK 474 million (363). Sales in the Genomics Division decreased by 49 percent in local currency and amounted to SEK 153 million (107). Freight revenue amounted to SEK 27 million (24). Sales for the new Genetic Services Division amounted to SEK 116 million, of which SEK 2 million is reported as freight revenue. Growth in all divisions was positively impacted following the negative effect of the pandemic during the previous year.

Investments
Investments in non-current assets amounted to SEK -63 million (-20) and included equipment and development costs (capitalised in the balance sheet). For further information, refer to Notes 14 and 15.

Significant events

Acquisition of Igenomix
During the year, Vitrolife AB acquired all shares in Mendel Holdco S.L. and thus indirectly all shares in Igenomix S.L. (Igenomix) from EQT and other shareholders. The merger creates a global leader in reproductive health by combining the expertise, product offering and market position of two leading companies in fertility treatment products and reproductive genetic testing.

Igenomix was founded in 2011 and is a global leader in reproductive genetic testing at IVF clinics. Igenomix currently has 27 laboratories worldwide and offers a broad product portfolio consisting of clinically validated genetic tests and services, covering a wide range of genetic diagnostics in reproductive and personalised medicine, with preimplantation tests mostly driving sales. Igenomix has a history of profitable growth through innovation and global expansion. The company's head office is located in Valencia, Spain. For more information about the company's operations, see pages 10–13.

In 2021, Igenomix recognised sales of EUR 123 million (EUR 110 million excluding sales of Covid-19 tests). Igenomix recognised adjusted operating profit before depreciation, amortisation and impairment (EBITDA) of EUR 28 million in 2021.

The transaction means that the merged companies will be better able to meet the needs of their customers throughout the entire IVF process. Combining Igenomix's portfolio of reproductive genetic testing services with Vitrolife's best-in-class IVF device portfolio creates a leading IVF platform with the ambition to deliver long-term profitable growth.

Through the enhanced scale and synergies between products and services, Vitrolife can better serve clinics, professional staff and patients around the world. The acquisition enables the two companies to leverage each other's commercial networks, allowing the cross-selling of products and enhanced solutions to its customers, as well as sharing knowledge to drive innovation.

The initial estimated purchase price for 100 percent of Igenomix's share capital amounted to EUR 1,134 million on a cash- and debt-free basis, which corresponds to approximately SEK 11.6 billion. The transaction was financed with the combination of a non-cash issue directed to the sellers, a private placement to institutional investors, bank credit and Vitrolife's cash reserves. The non-cash issue was valued at the share price on the transaction date, in accordance with IFRS 3, whereby the value of the non-cash issue increased by EUR 304 million to EUR 930 million compared to EUR 626 million, and the effect is reported as goodwill. The total purchase price for the shares was thus SEK 14.7 billion, and the financing is summarised as follows.

- EUR 930 million, corresponding to approximately SEK 9.5 billion, was financed through non-cash shares of 17,251,312 Vitrolife shares directed to the sellers. After the sale, the sellers hold 6.6 percent of the outstanding share capital and votes in Vitrolife.
- EUR 350 million, corresponding to approximately SEK 3.6 billion, through a directed new issue of 9,645,303 Vitrolife shares directed to institutional investors.
- EUR 158 million, corresponding to approximately SEK 1.6 billion, with cash reserves and bank credit. Igenomix's external loans were also settled in connection with the transaction.

The transaction was subject to regulatory approval and was completed on 30 November 2021.

On 26 November, Vitrolife AB published a prospectus for admission to trading of newly issued shares in Vitrolife on Nasdaq Stockholm's main market in connection with a non-cash issue through which Vitrolife acquires all shares in Mendel Holdco S.L. and thereby, indirectly, all shares in Igenomix S.L. (the transaction).

The transaction is expected to improve Vitrolife's financial profile. The transaction had only a marginal effect on Vitrolife's EBITDA per share in 2021 (excluding non-recurring costs and accounting effects) since the transaction was completed near the end of the year, but is expected to create value from 2022. The transaction also strengthens Vitrolife's cash flow generation and provides additional economic flexibility. Net debt/EBITDA is expected to remain lower than 3x, in line with Vitrolife's financial targets, which continues to enable Vitrolife to evaluate additional opportunities.

The number of shares in Vitrolife after the transaction increased from 108,550,575 at 30 June 2021 to 135,447,190, corresponding to dilution of around 19.9 percent. The investors who entered an agreement to acquire shares as part of the non-cash issue with the sellers were William Demant Invest A/S, Bure Equity AB and Fjärde AP-fonden, who together acquired 5,373,811, 826,740 and 2,066,851 shares, respectively, from the sellers, corresponding to a total of EUR 300 million. The private placement of EUR 350 million was guaranteed in full by William Demant Invest A/S, Bure Equity AB, Fjärde AP-fonden and AMF at a price of SEK 368.92 per share, which corresponds to the issue price of the non-cash issue. Global investment organisation EQT was the majority shareholder in Igenomix.

The transaction-related expenses for the acquisition amounted to SEK 149 million. Of these, SEK 33 million are issue expenses relating to the private placement. These expenses were recognised directly against equity. Arrangements for bank loans amounted to SEK 19 million, and these are expensed in the income statement on a straight-line basis over the term of the loans, which amounts to five years. The remaining transaction-related expenses of SEK 96 million were recognised as expense in the income statement.

Covid-19

In 2020, the pandemic had a big effect on Vitrolife's business. The IVF market has been in a recovery phase since the third quarter of 2020 and this trend continued in 2021. On average, the company estimates that the number of IVF treatments performed in 2021 correspond to the number of treatments in 2019, that is, before the pandemic's outbreak. However, there are major regional differences, where more treatments were performed in some countries, such as the US, while there were fewer treatments in other countries, such as in Southeast Asia. A common reason for the countries performing fewer treatments is less IVF tourism due to travel restrictions. Vitrolife was also affected by the fact that many of the company's suppliers and freight carriers also supplied products for vaccine manufacturing, which was prioritised. However, the company has worked actively to safeguard solid levels of stock and alternative suppliers where necessary. In 2021, costs for things such as trade fairs and in-person business calls were affected positively by the pandemic. However, these costs will return in part as opportunities for physical meetings increase.

Product launches in all divisions

The big news during 2021, besides the acquisition of Igenomix, was the launch of iDAScore (intelligent data analysis), which is a software that can be used by customers who have a Vitrolife time-lapse machine. With the help of iDAScore, clinics can automate certain processes and get objective ranking based on the likelihood of implantation of the patient's embryos. The study that was started during 2020 has continued and, parallel to the study, a series of clinics have already purchased and begun to use the software. iDAScore is unique because the AI technology builds on algorithms through deep learning. One of the biggest advantages of the new technology is that it takes away all subjectivity, but also, to a significant degree, improves workflow efficiency in the lab because the end user does not need to spend time manually looking at images and entering data.

Another mark of progress was the launch of OVOIL HEAVY at the beginning of the year, a more viscous oil that offers a number of advantages when handling the oil and can provide a better culture environment. OVOIL HEAVY is now sold in the USA, EMEA and Japan. Another innovation within media is the Gx Media system, which has recently been launched in the USA. Gx Media contains antioxidants which protect the embryo from oxidative stress, creating optimal conditions for the embryo to develop.

Another significant development from Vitrolife, which has been introduced globally during the year, is EmbryoMap, a kit containing reagents and associated software that can be used for labs assessing preimplantation embryo biopsy samples. EmbryoMap is initially only available for research purposes and enables a more efficient workflow and increased capacity. At the end of the year, Vitrolife announced that the company will expand its distribution of kits for genetic testing to new markets in Asia (excluding China) as per the partnership agreement with Illumina that was disclosed in October 2018. The geographical expansion follows the commercial launch of EmbryoMap and entailed a payment of USD 3 million (approximately SEK 27 million) to Illumina for the increased rights. EmbryoMap was developed by Vitrolife for use with Illumina sequencing instruments. Vitrolife expects that the acquired operation will increase revenue by more than SEK 50 million in 2022 and have a marginally positive effect on earnings per share.

Consolidation in Technology Division

In 2020, a decision was taken to consolidate the Technology Division's production and product development into the facility in Denmark. The purpose of the move from Germany to Denmark, which was completed in 2021, is to achieve synergy between the divisions' business areas.

Significant risks and uncertainties

External risks	Operating risks	Financial risks
▪ Geopolitical risks ▪ Changes in cyclical position ▪ Legal and regulatory environment ▪ Market	▪ Production ▪ Information ▪ Personnel ▪ Insurance ▪ Legal disputes	▪ Currency risks ▪ Interest rate risk

Significant risks and uncertainties

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. The risks and opportunities that Vitrolife deals with in this work concerns internal operations as well as the industry and external environment at large. Many risks and opportunities are handled through continuous development of internal procedures and controls.

The risks are presented in these categories:

- External risks
- Operating risks
- Financial risks

External risks

Geopolitical risks

Recent events have created extensive geopolitical uncertainty, the consequences of which are impossible to foresee. This can, among other things, affect the conditions for conducting business in certain markets, suppliers and the general economic situation.

Changes in cyclical position

Demand for privately financed treatments can decrease during a downturn in the general economic cycle, especially in countries with few government subsidies, such as the US. However, experience shows that this type of treatment is often a high priority for the patients. The pandemic had a negative effect on demand during the year.

Legal and regulatory environment

Vitrolife's market is affected by applicable legislation and other regulations in many countries. Changes in legislation or political decisions can affect Vitrolife's possibility to run or develop its business. Demand for treatments can also be affected by changes to subsidies. During the year, political decisions made to reduce the spread of Covid-19 had a negative effect on demand.

Vitrolife's products require various regulatory approvals to be sold. In the area of fertility, authorities are becoming more interested in regulating the market for medical devices in order to increase patient safety and reduce the risk of malpractice. This entails increased product development costs for Vitrolife and other suppliers but also greater barriers for new competitors to enter the market.

Due to the nature of the business, there is some risk of claims for damages and liability. To protect the Group from the financial effects of any claims, Vitrolife has insurance cover for general and business-related claims for damages.

The market

Vitrolife operates within a competitive field. During the year, the trend towards more technological content in the treatments continued. New products and improved treatment methods are launched continuously and the future development of the medical device market can influence Vitrolife's competitiveness. Vitrolife continuously invests in research and development to ensure that the Group can offer competitive products to the market. Another market trend is that IVF clinics are merging and building chains. Spain, Australia, the UK and the US are examples of markets where consolidation is currently occurring or has occurred. Merging creates economies of scale for the clinics as regards marketing, product purchasing and talent retention. For several years, there has also been a consolidation on the market of suppliers to IVF clinics. Vitrolife is an active participant in this supplier consolidation.

Operating risks

Production

These are mainly risks that limit or hinder Vitrolife from developing, manufacturing and selling quality, efficient and safe products. One significant risk is continuous access to raw materials that meet requirements for quality. The risks are identified and essentially reduced to manageable levels through predefined safety margins in the production process and by entering agreements with suppliers, partners and customers. Vitrolife's comprehensive quality control programme should ensure that the Group meets its own requirements as well as those of authorities and customers and the sustainability strategy.

Information

Information deals with things such as IT and the support systems that are necessary for the business to make efficient progress. Vitrolife has secured backup systems for the most vital functions to ensure high reliability and access to data. Vitrolife was subject to an external cyber attack in 2019, which resulted in investments in reinforced IT security. Vitrolife has also adapted the management of personal data to comply with the General Data Protection Regulation (GDPR).

Personnel

Vitrolife's future development depends partly on key individuals with specialist knowledge staying with the organisation. The Group works actively with a performance management process to minimise risks and ensure talent management throughout the organisation.

Insurance

Vitrolife holds regular reviews with brokers and insurers both locally and globally, which should ensure that the business and operations are correctly insured.

Legal disputes

Vitrolife holds several patents and other intangible rights that are important to the Group. There are several other patents on the market that are held by other companies for which defining boundaries can sometimes be difficult to set. In the first quarter, Vitrolife received information that a civil lawsuit had been filed against Vitrolife in Germany by Ares Trading S.A. regarding a claim of infringement of three patents in the time-lapse area. In the second quarter, Vitrolife opposed the charge and will look after the company's interests in the ongoing judicial process. The court announced that a hearing will be held in the second quarter of 2022. Vitrolife is already involved in an appeals process regarding two of the three patents in question in the EU. One of these patents was rejected by the European Patent Office in the second quarter and was subsequently withdrawn by Ares Trading S.A. in the fourth quarter. In the fourth quarter, Ares Trading S.A. filed yet another lawsuit regarding a further patent. This lawsuit has also been appealed to the European Patent Office and a hearing will be held in the middle of 2023.

Vitrolife has not included any provision for the lawsuit in the annual accounts as the company's continued assessment is that there has been no infringement of any patent. Costs for legal assistance impact earnings on an ongoing basis.

Financial risks
Vitrolife is subject to several financial risks that can affect the Group's operations, earnings and financial position. Vitrolife continuously evaluates, identifies and manages the company's risks. The financial risks that are assessed to be most significant to the Group are described below.

Currency risks
Currency risk is the risk that fluctuations in exchange rates will have a negative effect on Vitrolife's cash flow, earnings and balance sheet. The company's accounting currency is the Swedish krona. Vitrolife's global operations entail significant cash flows in currencies other than the Swedish krona. Consequently, fluctuations in the exchange rate can have a significant negative impact on the Group's operations, earnings and financial position.

Interest rate risk
The Group's largest interest rate exposure is the long-term borrowing with variable interest. Interest rate risk is the risk that the fair value of cash flows or future cash flows from a financial instrument varies due to changes in market interest rates. Interest rate risk can lead to changes in cash flows. A significant factor that affects interest rate risk is the rate fixation period. The interest rate is done quarterly and based on EURIBOR.

For a more detailed description of financial risk management, see Notes 2 and 25. For critical estimates and assessments, see Note 3.

Seasonal effects
Seasonal effects have a relatively marginal effect on Vitrolife's sales. Before and during holiday periods there is often a reduction in orders. The reason that the orders decline before holiday periods is that the fertility clinics minimise their stores mostly of media, since these have a relatively short shelf life, to limit the risk of spoilage. The third quarter is most negatively affected by holiday periods since that is when the period falls in Europe. First quarter sales in China are impacted negatively by Chinese New Year in January or February. Fourth quarter sales are affected negatively in December by the Christmas and New Year's holidays. In all, total sales are usually relatively even between the first and second halves of the year.

Guidelines for remuneration of senior executives in summary
Policies for remuneration and other employment conditions for the CEO and other senior executives was determined at the Annual General Meeting (AGM) held 28 April 2021 as follows:

Remuneration of the CEO and other senior executives consists of basic salary, variable remuneration, pension and other remuneration. The guidelines apply until the 2022 AGM providing that the AGM does not decide differently. The guidelines do not cover remuneration determined by the AGM, such as fees to board members or share-based incentive programmes. All pension benefits are defined contribution plans. Variable remuneration is prepared by the Remuneration Committee and approved by the Board.

The guidelines' promotion of Vitrolife's business strategy and long-term interests
Vitrolife's business goal is to be the leading supplier of products and services that reduce the time needed to produce a healthy child and improve the efficacy and controls for IVF clinics. To achieve this, the Group works with a strategy of priorities that promote growth and efficiency. There is also a sharp focus on employees. Vitrolife's strategies are rooted in a value-based culture and core values, sustainability and social responsibility. The Group's business concept promotes cooperation, which creates an efficient, strong Group. The various aspects of Vitrolife's vision, strategy and goals is described in detail on pages 16–18.

A successful implementation of Vitrolife's business strategy and the safeguarding of the Group's long-term direction, presumes that the Group can recruit and retain qualified employees with the right expertise. To achieve this, Vitrolife must offer competitive remuneration. The guidelines make it possible to offer competitive salary and benefit packages to senior executives.

Vitrolife has instituted long-term share-based incentive programmes. They have been approved by the AGM so are not subject to these guidelines. The programmes involve the CEO and other key employees. The performance requirements used to determine the outcome of the programmes have a clear link to the business strategy and to Vitrolife's long-term growth. The purpose of the variable remuneration is to promote the Group's business strategy and long-term interests.

Fixed basic salary
Fixed basic salaries for the CEO and other senior executives are reviewed annually. Allocation between basic salary and, in some cases, variable remuneration must be proportional to executive management's responsibilities and competence. In 2021, the group of other senior executives consisted of seven persons: two women and five men. The composition and size of this group can change over time as the business grows.

Variable remuneration (STI)
Variable remuneration to the CEO can be no higher than 75 percent of the annual salary. For other senior executives, variable remuneration can be no higher than 50 percent of the annual salary. Variable remuneration to the CEO and others senior executives is based on the outcome of two quantitative parameters as compared with set targets. The quantitative parameters are related to Vitrolife's sales and profit (EBITDA). The company's combined cost for total variable remuneration of the CEO and other senior executives must not exceed SEK 20,000,000 (including social charges).

Other
The period of notice for the CEO is a maximum of 12 months and for other senior executives 3 to 6 months. Severance pay of no more than 12 monthly salaries will be paid if notice is given to the CEO from Vitrolife. No severance pay will be provided to other senior executives at the end of their employment. The Board may decide to temporarily deviate from the guidelines, wholly or partially, if in an individual case there are specific reasons for it and a deviation is necessary to accommodate the Group's long-term interests, including sustainability, or to ensure the Group's financial strength. As stated above, the Remuneration Committee to is tasked with preparing the Board's decision on remuneration issues, which also includes decisions on deviating from the guidelines.

Long-term incentive programme 2019
The performance target set by the Board for the 2021 financial year regarding the long-term incentive programme that was approved at the 2019 AGM amounted to SEK 5.40 EBITDA per share with pro rata payment in the interval of SEK 4.68–5.40 per share. The outcome for 2021 was SEK 5.79 EBITDA per share (excluding earnings and share issues attributable to the Igenomix acquisition). The target was therefore met and payment of the performance bonus to the participants will be made in 2022 as agreed. For more information, see www.vitrolife.com.

Long-term incentive programme 2020
In accordance with the Board's proposal, the 2020 AGM resolved to introduce a long-term incentive program (LTIP 2020) for certain key employees to encourage personal long-term shareholding in

Vitrolife, as well as to increase and strengthen opportunities to recruit, retain and motivate employees. The aim was also to use the LTIP 2020 to unite employees' and shareholders' interests.

Each participant is entitled to receive an allotment of Vitrolife shares (performance shares) after the end of a qualifying period, conditional upon continued employment (with the exception of "good leavers") and the achievement of particular performance standards linked to Vitrolife's EBITDA per share. Allotment of performance shares to participants shall be free of charge. Performance shares shall consist of ordinary shares. LTIP 2020 is directed to no more than eight employees in two categories of participants as follows.
Category 1 (max. 1 person): maximum 12,000 shares per person.
Category 2 (max. 7 persons): maximum 4,000 shares per person.

Performance shares under the LTIP 2020 programme will be allotted during a limited period after the 2023 AGM. The period up to that date is the qualification period (vesting period). A condition that must be met for the participant to be entitled to receive the allotment of performance shares is for the participant to continue to be employed by Vitrolife during the entire qualification period up to the allotment. Allotment of the performance shares also requires that the performance requirements associated with Vitrolife's EBITDA are met. The Board will establish a customary definition of good leavers and whether any shares should be allotted to a participant regarded as a good leaver. The performance requirements are based on the average growth rate of Vitrolife's EBITDA per share as from the 2020 financial year up to the 2022 financial year (using the 2019 financial year as a base). The minimum level has been set at 4 percent and the maximum level at 12 percent. Zero percent of the performance shares will be earned at or under the minimum level. One hundred percent of the performance shares will be earned at or over the maximum level. The number of performance shares that can be allotted increases on a straight line basis between the minimum and maximum levels. The outcome will be announced to the shareholders after allotment of the performance shares to the participants. Before allotment of the performance shares, the Board will determine if the allotment is reasonable in relation to such factors as the Group's financial results, position and development.

The AGM resolved to enter an equity swap agreement with a third party to hedge LTIP 2020's financial exposure. During 2020, Vitrolife entered an equity swap agreement to hedge 52,568 shares (maximum number of shares in LTIP 2020 and associated social charges). For more information, see www.vitrolife.com.

Long-term incentive programme 2021

The 2021 AGM adopted the Board's proposal to introduce a long-term incentive programme (LTIP 2021). LTIP 2021 follows the same principles as LTIP 2020 above, the difference being that the company hedged the financial exposure by acquiring own shares as compared with the equity swap agreement for LTIP 2020. LTIP 2021 is directed to eight employees who can together receive a maximum of 40,000 shares. The performance requirements are based on the average growth rate of Vitrolife's EBITDA per share as from the 2021 financial year up to the 2023 financial year (using the 2020 financial year as a base). The minimum level has been set at 4 percent and the maximum level at 12 percent. For more information, see www.vitrolife.com.

LTIP 2020 and LTIP 2021 have been recognised in accordance with IFRS 2 – Share-based Payment. According to IFRS 2, allotment of shares shall be recognised as a personnel cost during the qualifying period and shall be recognised directly in equity. In accordance with IFRS 2, personnel costs do not affect Vitrolife's cash flow. Social charges will be expensed in the income statement through provisions on an ongoing basis. The size of these provisions is revalued based on the development in value of the right to performance shares and the social charges that may be paid upon allotment of performance shares.

Outlook

Increased vaccination rates are supporting the recovery of the IVF market and enabling a return to more normal customer operations. Russia's invasion of Ukraine has created uncertainty in the geo- and security political environment, whose consequences are not possible to judge. Our total sales to Russia, including the Igenomix laboratory with 14 employees and sales of medical devices, represented approximately 2 percent of our consolidated sales (proforma). In terms of risks, the spread of Covid-19 is still strong in some regions, thus creating uncertainty about the market recovery. We are working actively with customer deliveries by securing our levels of stock and alternative subcontractors where necessary. A gradual cost increase is expected with new recruitments and a normalisation of operations, for example, trade fairs and customer visits and also development costs within the Genetic Services business area.

Vitrolife estimates that the long-term market outlook is largely unchanged, meaning a continuously growing market which, in financial terms, is expected to grow by 5-10 percent per year for the foreseeable future. We will continue to focus on expanding sales by expanding and improving the product and service offering.

Events after the closing date

Russia's invasion of Ukraine has created uncertainty in the geo- and security political environment, whose consequences are not possible to judge.

The Board's proposed dividend amounts to SEK 108 million (87), corresponding to SEK 0.80 (0.80) per share.

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

Parent Company

Operations focus on Group-wide administration. The Parent Company's revenue comes from invoicing of management fees and re-invoicing of other costs totalling SEK 25 million (19).

Proposed appropriation of profit

The Board of Directors and the CEO propose that the available funds of SEK 14,464,263,832 be appropriated as follows:

Dividend (SEK 0.80)	SEK 108,357,752
Carried forward	SEK 14,355,906,080
Total	**SEK 14,464,263,832**

The dividend proposal is within the framework of the dividend policy adopted by Vitrolife (see page 42). The Board finds that there is full cover for the Group's restricted equity after the proposed appropriation of profit. The Board also finds that the proposed dividend to the shareholders is justifiable due to the factors stated in Chapter 17, Section 3, Paragraphs 2 and 3 of the Swedish Companies Act (nature, scope and risks associated with the operations, and the need to strengthen the balance sheet, liquidity and financial position in general).

The financial reports were approved for publication by the Parent Company's Board of Directors on 25 March 2022.

As to Vitrolife's earnings and position otherwise, refer to the following income statements, balance sheets and cash flow statements with their accompanying notes.

CORPORATE GOVERNANCE REPORT

Corporate governance – Introduction

Good corporate governance is about ensuring that Vitrolife is governed in a long-term sustainable and efficient manner for the shareholders.

During the year, together with management, the Board established Vitrolife's strategic direction for the coming years. Acquisitions make up a significant part of the company's strategy and Vitrolife implemented its largest acquisition so far by acquiring Igenomix during the year. Together with management, the Board evaluated the acquisition, including its risks and opportunities, and discussed various financing alternatives. Due to the acquisition, Vitrolife's Board was expanded by one member to include Vesa Koskinen from EQT.

Another part of the Board's responsibility is monitoring internal control and compliance. Through the Audit Committee's work, the Board evaluated Vitrolife's internal control during the year and reviewed reports from the external auditor. The Board also evaluated the company's sustainability initiatives, which is an area that is attracting more and more interest from the company's various stakeholders.

In summary, it is my and the rest of the Board's assessment that Vitrolife is well positioned to benefit from the growth opportunities in the IVF market going forward.

Jón Sigurdsson,
Chairman of the Board

Governance structure

General Meeting

Nomination Committee

Auditor

Board of Directors
6 members

Remuneration Committee
3 members

Audit Committee
3 members

Internal audit

CEO and management team

Vitrolife's ten largest shareholders

Shareholders	Number of shares	Shares and votes, %
William Demant Invest A/S	36,203,822	26.7
Bure Equity AB (publ)	21,510,257	15.9
State Street Bank and Trust Co, W9	15,359,502	11.3
BNY Mellon SA/NV (Former BNY), W8IMY	7,284,247	5.4
Fourth National Pension Fund	4,133,702	3.0
JP Morgan Bank Luxembourg S.A.	3,857,691	2.9
JP Morgan Chase Bank N.A.	3,223,219	2.4
Goldman Sachs & Co. LLC, W9	2,320,020	1.7
AMF – Insurance and Funds	2,240,000	1.6
BNY Mellon NA (Former Mellon), W9	2,020,043	1.5
Other shareholders	37,294,687	27.6
Total	**135,447,190**	**100.0**

Source: Euroclear Sweden's share register on 31 December 2021.

Vitrolife AB (publ) is a Swedish public limited company whose shares are listed on Nasdaq Stockholm. The policies that Vitrolife applies to corporate governance are based on Swedish legislation, mostly the Companies Act and Annual Accounts Act, Nasdaq Stockholm AB's rules and they are in compliance with the Swedish Corporate Governance Code (the Code) and concern the 2021 financial year. Further information on Vitrolife's corporate governance can be found at www.vitrolife.com.

Shareholders

According to Euroclear Sweden's shareholder register, Vitrolife had 16,578 shareholders (10,601) as at 31 December 2021, and ownership registered outside Sweden was 63 percent (62). The 10 shareholders holding the most shares as at 31 December 2021 are specified in the table above.

Shares

The share capital in Vitrolife AB (publ) amounted to SEK 27,631,227 (22,144,317) on 31 December 2021, divided into 135,447,190 (108,550,575) shares. The share capital and number of shares increased during the year as a result of a private placement and non-cash issue to partially finance the acquisition of Igenomix. The share is traded on Nasdaq Stockholm. Vitrolife's market value as at 31 December 2021 was SEK 75,850 million (23,425). All shares have equal voting rights and an equal right to a share in Vitrolife's assets and profit.

Dividend policy

Vitrolife's Board of Directors and CEO intend to propose an annual dividend, or other equivalent form of distribution, which corresponds on average over time to 30 percent of net profit after tax paid. When deciding on a proposed dividend or equivalent, the Group's future profits, financial position, capital requirements and other positions will be taken into account. Vitrolife's net debt should not normally exceed a multiple of three times operating profit before amortisation, depreciation and impairment (EBITDA).

General Meeting

The General Meeting is Vitrolife's highest decision-making body. The Annual General Meeting (AGM) is held within six months of the end of the financial year. Notice of the AGM is published no earlier than six weeks and no later than four weeks before the meeting. All shareholders who are listed in the printout of the shareholders' register and who have registered their intent to participate in time are entitled to attend the meeting and vote. Shareholders who cannot be present in person can vote by proxy.

Annual General Meeting 2021
The most recent AGM was held on 28 April 2021 entirely through postal voting due to the pandemic.

The meeting resolved to reelect board members Henrik Blomquist, Lars Holmqvist, Pia Marions, Jón Sigurdsson and Karen Lykke Sørensen as proposed by the Nomination Committee. Jón Sigurdsson was reelected Chairman of the Board.

It was determined that Board fees should total 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 each of the other members of these committees.

The Board's dividend proposal for the 2020 financial year of SEK 0.80 per share was granted. The record day was set to Friday, 30 April 2021.

The Board was authorised, for the period up to the next AGM at one or more occasions, to decide on new share issues of no more than 10,850,000 shares corresponding to just under 10 percent of Vitrolife's share capital. The Board was further authorised, for the period up to the next AGM at one or more occasions, to acquire own shares. The holding may at each occasion amount to no more than 10 percent of all Vitrolife shares.

The proposed policies for remuneration of and other employment conditions for company management were approved, including introduction of a share-based incentive programme.

Extraordinary General Meeting 2021
An Extraordinary General Meeting was held on 20 October 2021 due to the company's acquisition of Igenomix.

At the meeting it was resolved that, provided the acquisition went through, the Board would be increased by one member to consist of six members. The meeting elected Vesa Koskinen as the extra Board member. It was determined at the meeting that Board fees should total SEK 2,440,000, 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 each of the other members of these committees.

The meeting also decided to issue new shares as proposed by the Board (new share issue of no more than 17,251,312 shares corresponding to an increase in share capital of no more than SEK 3,519,267.65). For more information, see www.vitrolife.com.

Nomination Committee
On 12 October 2021, it was announced that the following persons had been appointed to Vitrolife's Nomination Committee ahead of the 2022 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.
Jón Sigurdsson, Chairman of the Board

The appointments were made according to the instruction on policies for appointing the company's nomination committee members that was established at the Vitrolife AGM held on 28 April 2021.

The Chairman of the Board must, no later than the end of the third quarter each year, ensure that the company's three largest shareholders or shareholder groups in terms of votes are offered the opportunity to appoint a member to the Nomination Committee. If one of these three shareholders declines to appoint a member to the Nomination Committee, the next largest shareholder in terms of holdings will be asked to appoint a member to the Nomination Committee. The term of office is one year. The Chairman of the Board is a member of the Nomination Committee and is the convener of the Nomination Committee's first meeting. The first order of business is to appoint a committee chairman, which should not be the Board chairman.

Based on the Group's needs and diversity policy, the Nomination Committee determines things such as what expertise and characteristics members of the Board should have. The aim is to create an appropriate board composition and that the members collective expertise and experience should provide a broad base that fits well in Vitrolife's current phase and market situation. The committee keeps updated on general developments in remuneration issues in Swedish listed companies.

The Nomination Committee has determined that no Board members other than Jón Sigurdsson and Henrik Blomquist are dependent in relation to the company, company management or the company's larger owners. Jón Sigurdsson works as CEO of Össur, whose principal owner William Demant Invest A/S owns around 27 percent of Vitrolife shares. Henrik Blomquist works as CEO of Bure Equity AB, which owns around 16 percent of Vitrolife shares.

Ahead of the AGM in April 2022, the Nomination Committee will submit proposals on chairman of the meeting, number of board members, board chairman and other members elected by the AGM. The Nomination Committee will also submit proposals for remuneration of work on the Board and its committees. No separate remuneration has been paid to the members of the Nomination Committee for their work on the committee.

Annual General Meeting 2022
The 2022 AGM will be held on 27 April 2022 in Gothenburg. Shareholders will be notified via an announcement in Post- och Inrikes Tidningar and via disclosure in Dagens Industri that the notice has been published, no sooner than six weeks and no later than four weeks before the meeting. Shareholders can request to have matters handled at the meeting by submitting them in writing to the Board. These requests should 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 no later than seven weeks before the meeting or at least in time for the matter to be

Board of Directors' meeting attendance

Name	Year elected	Dependent	Board meeting attendance	Remuneration Committee attendance	Audit Committee attendance
Henrik Blomquist	2019	x	19/19	4/4	6/6
Lars Holmqvist	2018		19/19		6/6
Vesa Koskinen	2021		2/2		
Karen Lykke Sørensen	2020		19/19	4/4	
Pia Marions	2013		19/19		6/6
Jón Sigurdsson	2015	x	19/19	4/4	

Dependent = As defined by the Swedish Corporate Governance Code included in the meeting notice if required. For more information, see www.vitrolife.com.

In accordance with the dividend policy, it is the Board and CEO's intention to propose that the AGM resolve in favour of a dividend of SEK 0.80 per share.

Board of Directors

General information

The Board of Directors is responsible for the administration of Vitrolife's affairs and organisation. At the 2021 AGM, five ordinary members with expertise in medical devices, finance and strategy were elected. At the Extraordinary General Meeting in October 2021, the Board was expanded to include Vesa Koskinen from EQT. Vitrolife's CFO Mikael Engblom and the company's General Counsel Lars Risberg were the Board's secretaries during the year. The Board held 19 meetings (11) in 2021, of which all were minuted.

The CEO and CFO were rapporteurs at the Board meetings. Remuneration of and other benefits to the Board are described in Note 8. The shareholdings in Vitrolife of Board members are described on page 46.

The work of the Board

The Board will annually hold at least four equally spaced ordinary meetings and one statutory meeting. The meetings occur both physically and digitally.

The Chairman leads and organises the work of the Board. Ahead of each meeting, an agenda and documentation for the matters to be discussed are sent out. Agenda proposals are prepared by the CEO in consultation with the Chairman. Matters presented to the Board are for information, discussion or decision. Decisions are taken only after discussion and after all members present have had an opportunity to speak. The Board's broad experience in different fields make for constructive and open discussions. No members have protested against any matter taken up for decision during the year. Open issues are followed up regularly.

The rules of procedure for the Board were established at the statutory board meeting on 28 April 2021 and are revised every year. They regulate areas such as assignment of responsibilities, number of mandatory meetings, format for notices, documentation and minutes, conflicts of interest, mandatory matters that the CEO must inform the Board about and signing for the company. The Board handles ongoing matters such as the business situation, interim reports, forecasts, strategies and external information.

Apart from the board material, the CEO prepares monthly reports containing a financial report and a description of current events in the business and on the market. The aim is to keep the Board informed of developments in Vitrolife's operations so that the Board can take well-substantiated decisions. The Board evaluates the work of the CEO once a year at a meeting that is not attended by company management. The Board ensures the quality of the financial reporting through its own work, through the work of the Audit Committee and through contact with the auditors. Vitrolife's auditors attended the Board meeting associated with the annual report, where the audit was presented, and the Audit Committee's meetings. At the Board meeting, the auditors also met with the Board privately without company management present.

The Board underwent a verbal evaluation during the year. The result shows that the Board functions well.

Diversity policy

Vitrolife's Board applies the Swedish Corporate Governance Code's requirements for diversity, breadth, gender equality, age and independence as its diversity policy. Taking into account Vitrolife's business, stage of development and other circumstances, the Board should have an appropriate structure, characterised by diversity and breadth, when it comes to the expertise, experience and background of Board members elected at the general meeting. Gender equality should be sought.

Guidelines for sustainable business

Vitrolife's Board has issued guidelines for the Group's societal conduct that are aimed at securing Vitrolife's long-term capacity to create value. Vitrolife aims 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 Group 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 Vitrolife 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 Group's own norms are applied, which are based on Vitrolife's values and culture.

Board members

Vitrolife's Board consists of six members, including the Chairman. For personal information about members of the Board, including shareholding, see page 46.

Guidelines for remuneration of senior executives

Policies for remuneration of and other employment conditions for the CEO and other senior executives was determined at the AGM held on 28 April 2021. Remuneration consists of basic salary, variable remuneration, pension and other remuneration. Details are found in the management report on pages 40–41 and in Note 8.

The Board annually evaluates whether the AGM should propose any form of share-related incentive programme. Vitrolife currently has three outstanding share-related incentive programmes in line with decisions taken at the 2019, 2020 and 2021 AGMs. For further information, refer to pages 40–41.

The remuneration policy is evaluated every year and is submitted for resolution to the AGM.

Remuneration Committee

Vitrolife's Remuneration Committee assists the Board in its work with preparing matters and decision guidance documents on remuneration issues concerning senior executives. The Remuneration Committee's areas of responsibility are defined in the Board's rules of procedure and in the Remuneration Committee's instructions. The Group's guidelines for remuneration of senior executives are found in the management report on pages 40–41.

Karen Lykke Sørensen was appointed chairman of the committee and Jón Sigurdsson and Henrik Blomquist were appointed members of the committee. All members are assessed to be independent of Vitrolife and company management.

Audit Committee

Vitrolife's Audit Committee assists the Board in its work with monitoring the Group's financial reporting and internal control. The Audit Committee's areas of responsibility are defined in the Board's rules of procedure and in the Audit Committee's instructions.
Pia Marions was appointed chairman of the committee and

Lars Holmqvist and Henrik Blomquist were appointed members of the committee. All members are assessed to be independent of Vitrolife and company management.

During the year, the Audit Committee handled issues such as internal control, internal auditing, external auditing, accounting policies, material valuation issues, external reporting, financial risk management, compliance and material estimates and assessments in the financial reporting.

Senior executives

For personal information about senior executives, including shareholding, see pages 47–48.

Election of auditor

Auditors are elected at the AGM. The 2021 AGM reelected Deloitte AB with authorised public accountant Harald Jagner as auditor in charge, in accordance with the Nomination Committee's proposal. The auditors do not have any engagements in companies that are affiliated with Vitrolife's major owners and have affirmed their independence from Vitrolife.

The auditor has reported his observations from the audit work to the Board and the Audit Committee. Based on this work, the annual report, accounting records and the Board's and CEO's administration were reviewed. Apart from the audit engagement, which is reimbursed according to customary charging norms, Deloitte AB has provided services costing approximately SEK 0.8 million during the financial year, consisting of consulting and auditing services.

The Board's description of the most important elements of Vitrolife's system for internal control, monitoring and risk management

The Board's responsibility for internal control is regulated by the Companies Act and the Swedish Corporate Governance Code. The Board is responsible for ensuring that Vitrolife has good internal control. The Board's description is limited to a description of how internal control of the financial reports is organised and concerns the 2021 financial year.

The goal of Vitrolife's internal financial control is to ensure that the financial reporting is correct. It also aims to create an efficient decision-making process in which requirements, targets and frameworks are clearly defined. At the utmost, financial control is meant to protect the Group's assets, thereby also protecting the investments of the shareholders.

Control environment

The control environment forms the basis for internal control. Vitrolife's control environment consists of things such as sound values, integrity, expertise, leadership philosophy, organisational structure, responsibility and authority. Vitrolife's internal rules of procedure, instructions, policies, guidelines and manuals guide the employees. At Vitrolife, clear roles and responsibilities ensure efficient management of the business' risks via the Board's rules of procedure, the Audit Committee's instructions and the instructions to the CEO. The CEO reports regularly to the Board, even between Board meetings (see pages 44 under The work of the Board). In day-to-day operations, the CEO is responsible for the system of internal control required to create a control environment to manage material risks. Vitrolife also has guidelines and policies regarding financial control and monitoring along with communication issues. There are frameworks for credit and currency management.

Risk assessment

Vitrolife works continuously with risk analyses to identify potential sources of error in the financial reporting. For information about financial risks, see the management report on pages 39–40 and Note 2. The risk of material misstatements in the accounts may occur in connection with accounting and valuation of assets, liabilities, income and expenses or deviations from disclosure requirements. Vitrolife's risk assessment of the financial reporting aims to identify and evaluate the most material risks.

Control activities

The foremost purpose of the control activities is to prevent discover and correct errors in the financial reporting based on a devised system. Every month Vitrolife conducts a detailed follow-up of various activities at the account level in order to analyse deviations and discover material errors in the accounting. Vitrolife also analyses the assets and liabilities of Group companies on a monthly basis. Vitrolife also has an internal auditing function to boost internal control, including internal audits of the Group's subsidiaries. Internal auditing is done through self-assessment, interviews and spot checking. Vitrolife has an Audit Committee, which helps to increase control of the Group's financial reporting and monitoring of the internal auditing.

Monitoring

The Board continuously evaluates the information submitted by company management, which includes financial information as well as material issues concerning internal control. The Board and Audit Committee continuously monitor the effectiveness of the internal control, which, apart from regular updates of deviations, is done by ensuring that measures are taken regarding the proposals for measures that may have arisen from the external and internal audits. The Audit Committee handles specific issues regarding internal control. There are systems for ensuring uniform procedures for following up internal control when visiting subsidiaries including reporting back to the Board.

Information and communication

Correct provision of information and clear communication paths, internal as well as external, result in all parts of the business exchanging and reporting relevant, material information on the business effectively. To achieve this, Vitrolife has issued an information policy on managing information in the financial process and policies and guidelines for other types of information.

These have been communicated from the management team to the employees and are also accessible to all employees on Vitrolife's intranet. For communication with external parties, there are guidelines for how such communication should occur, who is authorised to provide what types of information and when, for example, information should be logged. The ultimate purpose of these policies is to ensure that legal disclosure requirements and listing agreements are complied with and that investors receive correct information on time.

BOARD OF DIRECTORS

Jón Sigurdsson
Chairman of the Board

Born 1956. B.Sc. Industrial Engineering and MBA. Board member since 2015. Member of Remuneration Committee.

Independent of Vitrolife and company management.

Other appointments: CEO of Össur.

Previous appointments: Board chairman for Icelandic American Chamber of Commerce. Commercial Counselor for Icelandic Trade Council in New York, CFO for Álafoss, head of Eimskip's international division and engineer at Bang and Olufsen Denmark.

Vitrolife shareholding*: 30,400 shares.

Henrik Blomquist

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

Independent of Vitrolife and company management.

Other appointments: CEO for Bure Equity AB and CEO of ACQ Bure AB. Board chairman of Mercuri International Group AB, Bure Growth AB and Atle Investment Management AB.

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

Vitrolife shareholding*: 0 shares.

Lars Holmqvist

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

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

Other appointments: Board chairman of Biovica International AB. Board member of the Lundbeck Foundation, H Lundbeck A/S, ALK-Abelló A/S and Naga Top.-Co UK.

Previous appointments: Senior advisor in healthcare for Bain Capital. Senior management positions in pharma and medtech companies including Agilent, Dako, Applied Biosystems Inc., Medtronic Europe Sarl, Boston Scientific Europe and Pharmacia.

Vitrolife shareholding*: 0 shares.

Vesa Koskinen

Born 1979. M.Sc. (Econ.) degree with a major in Finance. Board member since 2021.

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

Other appointments: Partner and member of the global healthcare sector team at EQT. Board member of kfzteile24, Desotec och ELEVATE.

Previous appointments: Board member of Touhula, Igenomix, Musti Group, Karo Pharma, Terveystalo, Vertu, Roeser Group, Swiss Smile, VTI Technologies och Lundhags.

Vitrolife shareholding*: 0 shares.

Pia Marions

Born 1963. M.Sc. in Business and Economics. Board member since 2013. Chairman of the Audit Committee.

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

Other appointments: CFO for Skandia. Board member of Duni, Skandiabanken, Skandia Fastighet and Svenska Revisionsakademin.

Previous appointments: CFO for Folksam, CFO for Carnegie Group, senior positions at RBS (Royal Bank of Scotland), Skandia Liv, Länsförsäkringar Liv and Finansinspektionen and worked as an authorised public accountant.

Vitrolife shareholding*: 5,000 shares.

Karen Lykke Sørensen

Born 1962. Master of Science, Danish Technical University and MBA, INSEAD. Board member since 2020. Chairman of Remuneration Committee.

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

Other appointments: CEO for Philips Capital.

Previous appointments: Senior management positions at Philips, Sanofi and Biogen. Board member of MEDA, Orifarm, Danish Technical University/SCION and EKF: Danish Export Credit Fund (Ministry of Foreign Affairs).

Vitrolife shareholding*: 0 shares.

* Shareholding includes holdings of spouse, under age children and associated companies.

EXECUTIVE MANAGEMENT

Thomas Axelsson
President and CEO

Born 1959. Employed 2011.

Other appointments: –

Previous appointments: Experience as CEO for public listed companies Stille and Artema and from several unlisted medical device companies. Extensive experience as a board member of listed companies like Medivir and Medcap and board chairman of several unlisted companies, mainly in the Life Science sector. Business Unit Director at Baxter.

Vitrolife shareholding*: 13,000 shares.

Claus Bisgaard
Senior Vice President Technologies

Born 1977. M.Sc. Industrial Engineering and Management. Employed 2017.

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

Vitrolife shareholding*: 1,295 shares.

Ricardo Capella
Senior Vice President Genetic Services

Born 1968. M.B.A. Employed 2020.

Previous appointments: Chief Commercial Officer at Igenomix. Commercial Director EMEA and Latin America at C&C Group Plc and various senior Business Development and General Management positions at Diageo Plc.

Vitrolife shareholding*: 0 shares.

Rickard Ericsson
Senior Vice President Vitrolife Sales & Marketing

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

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

Vitrolife shareholding*: 2,175 shares.

Maria Forss
Senior Vice President Consumables

Born 1972. MScBA. Employed 2012.

Other appointments: Board member of LIDDS AB.

Previous appointments: Head of business development at Aqilion (former PULS), CEO of Duocort Pharma and various management positions at AstraZeneca. Board member of Oncorena AB.

Vitrolife shareholding*: 1,194 shares.

Francisco Jiménez
Senior Vice President Strategy & Corporate Development

Born 1975. M.Sc., Industrial Engineering and Management (double degree), Executive MBA, SEP. Employed 2020.

Previous appointments: CFO & Strategy Director at Igenomix, MD of EMEA Region at Planasa, Global CFO at Planasa, CFO & Strategic Planning Director at Levantina.

Vitrolife shareholding*: 0 shares.

* Shareholding includes holdings of spouse, under age children and associated companies.

EXECUTIVE MANAGEMENT

Francisco Rodriguez
Senior Vice President Igenomix Affiliates

Born 1977. M.Sc., Industrial Engineering, M.B.A., Executive Education, Online and Direct Marketing. Employed 2012.

Previous appointments: Managing Director Middle East & India at Igenomix, Planning & Strategy Director at Siliken, Corporate strategy & development at Cosentino Group, Business processes management consultant at PWC.

Vitrolife shareholding*: 0 shares.

Karin Koritz Russberg
Senior Vice President HR & Sustainability

Born 1969. B.Sc. Psychology. Employed 2020.

Previous appointments: Head of Group HR & Sustainability at Semcon. Global Talent Management Director, Volvo Group. HR Director Volvo Trucks.

Vitrolife shareholding*: 1,300 shares.

Carlos Simón
Chief Scientific Officer (CSO)

Born 1961. Ph.D. in Medicine and Surgery with Excellence Award. Board Certified in OBGYN & Board Certified in Reproductive endocrinology and infertility. Employed 2011.

Other appointments: Senior Lecturer PT, BIDMC Harvard University. Adjunct Professor, Baylor College of Medicine. Founder of Igenomix & Head of the Scientific Advisory Board.

Previous appointments: Adjunct Clinical Professor, Stanford University. Scientific Director, Instituto Valenciano de Infertilidad (IVI). Scientific Director, Principe Felipe Research Center (CIPF). Director of the Spanish National Stem Cell Bank, Valencia Node.

Vitrolife shareholding*: 915,524 shares.

Patrik Tolf
Chief Financial Officer (CFO)

Born 1970. Degree of Master of Science (MSc) in Business Administration and Economics. Employed 2022.

Previous appointments: Interim CFO at Karolinska Institute, Deputy CFO and other senior management positions at Volvo Cars. VP Group Treasury and Risk Management and other management positions at Saab AB (publ). Board member of AP7.

Vitrolife shareholding*: 3,500 shares.

Senior executives 2021

Thomas Axelsson, CEO

Claus Bisgaard, Vice President Technology

Mikael Engblom, Chief Financial Officer (CFO)

Rickard Ericsson, Chief Sales & Marketing Officer (CSMO)

Maria Forss, Vice President Consumables

Mark Larman, Chief Scientific Officer (CSO)

Fredrik Mattsson, Senior Vice President New Business & Strategic Development

Karin Koritz Russberg, Vice President Global HR & Sustainability

* Shareholding includes holdings of spouse, under age children and associated companies.

INCOME STATEMENTS WITH COMMENTS

SEK thousands	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
	2, 3				
Net sales	4, 5	1,680,804	1,245,572	24,537	19,130
Cost of goods sold		-634,714	-477,905	–	–
Gross profit		**1,046,090**	**767,667**	**24,537**	**19,130**
Comprising					
Adjusted gross profit		1,064,840	792,251	24,537	19,130
Amortisation of acquisition-related intangible assets		-18,750	-24,585	–	–
Gross profit		**1,046,090**	**767,667**	**24,537**	**19,130**
Selling expenses		-244,285	-196,927	–	–
Administrative expenses		-259,456	-114,424	-32,769	-21,473
Research and development expenses		-114,450	-91,759	–	–
Other operating income	6	9,889	11,492	–	77
Other operating expenses	7	-2,408	-6,034	-202	–
Operating profit	8,9,10,12,26	**435,379**	**370,015**	**-8,434**	**-2,267**
Comprising					
Adjusted operating profit		467,486	394,600	-8,434	-2,267
Amortisation of acquisition-related intangible assets		-32,107	-24,585	–	–
Operating profit		**435,379**	**370,015**	**-8,434**	**-2,267**
Net financial items	11, 12				
Financial income		35,337	9,689	761,713	9,415
Financial expenses		-10,747	-13,514	-30,319	-4,224
Profit after financial items		**459,969**	**366,191**	**722,962**	**2,925**
Appropriations (Group contribution received)		–	–	50,000	–
Income taxes	13	-116,405	-78,325	-12,812	2,292
Net profit for the year		**343,563**	**287,865**	**760,150**	**5,216**
Attributable to					
Parent Company shareholders		340,973	286,845	760,150	5,216
Non-controlling interest		2,591	1,020	–	–
Depreciation, amortisation and impairment		-108,914	-84,070	–	–
Earnings per share*, SEK	21	2.97	2.64	–	–

*Before and after dilution

Group
Sales amounted to SEK 1,681 million (1,246), corresponding to an increase of 35 percent in SEK, 30 percent organic growth in local currency and 9 percent in acquired growth. Foreign exchange rates had a negative effect of 4 percent. Gross profit amounted to SEK 1,046 million (768), corresponding to a gross margin of 62 percent (62), and was affected positively by economies of scale from increased sales but negatively by freight charges and raw material prices. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 63 percent (64).

Selling expenses amounted to 15 percent (16) of sales. In absolute terms, selling expenses increased, among other things due to amortisation of acquired customer relationships and some increase in customer activities. Administrative expenses amounted to 15 percent (9) of sales. Administrative expenses included acquisition-related non-recurring costs of SEK 101 million.

Excluding this item, administrative expenses amounted to 9 percent of sales. R&D expenses amounted to 7 percent (7) of sales. Operating profit before amortisation, depreciation and impairment (EBITDA) amounted to SEK 645 million, adjusted for acquisition-related non-recurring costs of SEK 101 million, corresponding to a margin of 38 percent.

EBITDA, including acquisition-related non-recurring costs, amounted to SEK 544 million (454), corresponding to a margin of 32 percent (36). Fluctuations in exchange rates had a negative impact of SEK 20 million on EBITDA.

Net financial items amounted to SEK 25 million (-4) and primarily consisted of positive currency effects and interest expenses. Profit after financial items amounted to SEK 460 million (366). Net profit for the year amounted to SEK 344 million (288).

Depreciation, amortisation and impairment of SEK 109 million (84) was charged against profit.

Parent Company
Parent Company operations focus on Group-wide administration. Parent Company revenue comprises management fees of SEK 25 million (19). Net financial items amounted to SEK 732 million (5) and primarily consisted of dividends from participations in Group companies. Profit after financial items amounted to SEK 723 million (3).

STATEMENTS OF COMPREHENSIVE INCOME

	Group		Parent Company	
SEK thousands	2021	2020	2021	2020
Net profit for the year	**343,563**	**287,865**	**760,150**	**5,216**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences	18,791	-59,103	–	–
Total other comprehensive income	**18,791**	**-59,103**	**–**	**–**
Comprehensive income	**362,354**	**228,762**	**760,150**	**5,216**
Attributable to				
Parent Company shareholders	359,634	227,923	760,150	5,216
Non-controlling interest	2,720	839	–	–

CONSOLIDATED INCOME STATEMENTS BY QUARTER

SEK thousands	Oct–Dec 2021	Jul–Sep 2021	Apr–Jun 2021	Jan–Mar 2021	Oct–Dec 2020	Jul–Sep 2020	Apr–Jun 2020	Jan–Mar 2020
Net sales	514,232	405,565	382,049	378,958	382,387	320,148	209,166	333,870
Cost of goods sold	-214,806	-142,999	-144,909	-132,001	-130,562	-121,122	-97,973	-128,249
Gross profit	**299,426**	**262,566**	**237,140**	**246,957**	**251,825**	**199,027**	**111,194**	**205,621**
Selling expenses	-89,824	-49,997	-53,849	-50,615	-48,171	-40,741	-48,751	-59,265
Administrative expenses	-135,501	-42,272	-45,720	-35,964	-26,717	-31,503	-24,735	-31,470
Research and development expenses	-37,061	-27,735	-25,084	-24,571	-26,052	-17,795	-22,261	-25,652
Other operating income and expenses	2,531	-378	-1,341	6,670	-3,556	3,483	963	4,569
Operating profit	**39,572**	**142,184**	**111,146**	**142,477**	**147,330**	**112,471**	**16,410**	**93,803**
Financial income and expenses	21,742	-1,382	-1,224	5,453	-9,643	508	-4,961	10,271
Profit after financial items	**61,314**	**140,802**	**109,922**	**147,930**	**137,688**	**112,980**	**11,449**	**104,074**
Income taxes	-27,727	-36,167	-23,493	-29,019	-30,150	-24,390	180	-23,966
Net income	**33,587**	**104,635**	**86,430**	**118,911**	**107,538**	**88,590**	**11,629**	**80,108**
Attributable to								
Parent Company shareholders	32,622	104,341	85,799	118,211	107,222	88,163	11,625	79,836
Non-controlling interest	966	294	631	700	316	427	5	272
Depreciation, amortisation and impairment	-45,021	-20,064	-23,240	-20,589	-16,868	-21,475	-23,470	-22,257
Equity attributable to Parent Company shareholders, SEK m	15,322	5,772	2,147	2,159	2,013	1,956	1,884	1,923

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

		Group		Parent Company	
SEK thousands	Note	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
ASSETS	2, 3, 25				
Non-current assets					
Goodwill	4, 14	12,994,620	403,239	–	–
Other intangible assets	4, 14	4,552,904	299,481	–	–
Property, plant and equipment	4, 15, 26	332,974	142,113	12	12
Participations in Group companies	27	–	–	15,593,401	772,375
Other shares and participations		–	14,662	–	14,662
Other financial assets		49,224	24,798	8,494	7,019
Receivables from Group companies		–	–	1,343,661	–
Deferred tax assets	13	92,472	6,355	2,250	2,846
Total non-current assets		**18,022,195**	**890,648**	**16,947,818**	**796,914**
Current assets					
Inventories	16	312,894	204,027	–	–
Trade receivables	17	391,400	216,494	–	–
Receivables from Group companies		–	–	76,308	5,928
Current tax assets		17,333	6,249	–	517
Other receivables		22,423	3,043	2,273	–
Prepaid expenses and accrued income	18	32,457	11,063	350	48
Cash and cash equivalents	19	630,094	973,566	296,264	293,703
Total current assets		**1,406,601**	**1,414,442**	**375,195**	**300,196**
TOTAL ASSETS		**19,428,796**	**2,305,089**	**17,323,013**	**1,097,110**

Non-current assets
Due to the business combination, goodwill increased by SEK 12,595 million, other intangible assets by SEK 4,289 million, property, plant and equipment by SEK 175 million and deferred tax assets by SEK 72 million, primarily concerning tax losses and other temporary differences. For further information, refer to the respective note.

Investments in intangible assets for the year amounted to SEK 38 million (13) and included investments in extended licensing agreements with Illumina Inc. Amortisation amounted to SEK 73 million (51).

Investments in property, plant and equipment amounted to SEK 46 million (11), of which SEK 21 million was attributable to right-of-use assets as per IFRS 16. Depreciation amounted to SEK 35 million (33) of which SEK 18 million relates to depreciation of right-of-use assets as per IFRS 16.

For further information, refer to Notes 14 and 15.

During the year, all holdings regarding other shares and participations were sold.

Other financial assets comprise endowment insurance for pensions, non-current trade receivables and VAT receivables as well as cash deposits. This item increased mainly due to the business combination and reclassification from current to non-current receivable.

Current assets
Inventories increased during the year by SEK 109 million, which is mainly due to the business combination and an increase in safety stock since some suppliers have had difficulty delivering the requested volume of input goods. The average inventory level was 15 percent (17) of net sales for the year. Trade receivables increased by SEK 175 million, of which SEK 165 million concerns the business combination. Trade receivables averaged 18 percent (18) of net sales for the year.

Parent Company
The Parent Company's assets largely comprise shares in Group companies and receivables from Group companies. The value of shares in Group companies amounted to SEK 15,593 million (772) at the closing date. The change amounts to SEK 14,821 million and mainly concerns the business combination. Impairment of participations in Group companies totalled SEK 22 million. Otherwise, no impairment has been deemed necessary based on future earning potential. For further information on participations in Group companies, refer to Note 27. Receivables from Group companies increased, mainly due to the settlement of a bank debt by the Parent Company linked to the business combination.

STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

		Group		Parent Company	
SEK thousands	Note	31 Dec 2021	31 Dec 2020	31 Dec 2021	31 Dec 2020
EQUITY	20, 21				
Group					
Share capital		27,631	22,144	–	–
Other capital contributions		13,543,973	494,610	–	–
Reserves		20,584	1,924	–	–
Retained earnings incl. profit for the year		1,729,987	1,493,892	–	–
Parent Company					
Restricted equity					
Share capital		–	–	27,631	22,144
Statutory reserve		–	–	172,604	172,604
Unrestricted equity					
Share premium reserve		–	–	13,371,406	322,043
Retained earnings		–	–	332,707	432,368
Net profit for the year		–	–	760,150	5,216
Equity attributable to Parent Company shareholders		**15,322,175**	**2,012,570**	**14,664,499**	**954,375**
Non-controlling interest		18,695	4,444	–	–
TOTAL EQUITY		**15,340,870**	**2,017,014**	**14,664,499**	**954,375**
LIABILITIES	2, 3, 25				
Non-current liabilities					
Provisions	23	27,542	21,503	10,921	8,845
Deferred tax liabilities	13	1,068,696	16,211	–	–
Borrowing	22	1,944,466	–	1,923,966	–
Lease liabilities	22, 26	82,355	48,810	–	–
Other liabilities		10,541	24,538	–	–
Total non-current liabilities		**3,133,600**	**111,062**	**1,934,887**	**8,845**
Current liabilities					
Borrowing	22	428,610	–	409,076	–
Lease liabilities	22, 26	27,063	13,593	–	–
Trade payables		173,081	25,922	1,887	379
Liabilities to Group companies		–	–	275,013	127,162
Current tax liabilities		25,141	8,792	4,281	–
Other liabilities		58,841	24,695	275	749
Accrued expenses and deferred income	24	241,590	104,012	33,096	5,600
Total current liabilities		**954,326**	**177,014**	**723,628**	**133,890**
TOTAL LIABILITIES		**4,087,926**	**288,076**	**2,658,515**	**142,735**
TOTAL EQUITY AND LIABILITIES		**19,428,796**	**2,305,089**	**17,323,013**	**1,097,110**

Equity and liabilities
For changes in equity, see the table on the next page.

Due to the business combination, deferred tax liabilities concerning the surplus value of non-current assets increased by SEK 1,057 million. Long- and short-term borrowing arose in 2021 through borrowings to partially finance the business combination and incremental loans from business combinations.

Current and non-current lease liabilities increased by SEK 46 million, of which SEK 44 million concerned business combinations. Trade payables increased by SEK 147 million, of which SEK 127 million concerned the business combination.

Accrued expenses and deferred income increased by SEK 138 million, of which the largest increase was for accrued personnel costs associated with the business combination.

For further information, refer to the respective note.

Parent Company
For changes in equity, see the table on the next page.

Long- and short-term borrowing arose in 2021 through loans taken to partially finance the business combination.

CHANGES IN EQUITY

Group

SEK thousands	Share capital	Other capital contributions	Reserves	Retained earnings	Non-controlling interest	Total equity
	Attributable to Parent Company shareholders					
Opening equity 1 Jan 2020	**22,144**	**494,610**	**60 846**	**1,216,423**	**3,605**	**1,797,628**
Comprehensive income for the year	–	–	-58,922	286,845	839	228,762
Equity swap agreement	–	–	–	-10 847	–	-10 847
Equity compensation benefit	–	–	–	1,471	–	1,471
Closing equity 31 Dec 2020	**22,144**	**494,610**	**1,924**	**1,493,892**	**4,444**	**2,017,014**
Opening equity 1 Jan 2021	**22,144**	**494,610**	**1,924**	**1,493,892**	**4,444**	**2,017,014**
Comprehensive income for the year	–	–	18,661	340,973	2,720	362,354
Equity compensation benefits	–	–	–	4,760	–	4,760
Dividend (SEK 0.80 per share)	–	–	–	-86,798	–	-86,798
Dividend, to non-controlling interest	–	–	–	–	-1,516	-1,516
New share issue*	1,968	3,556,378	–	–	–	3,558,345
Non-cash issue*	3,519	9,519,204	–	–	–	9,522,723
Issue expenses, net of tax**	–	26,219	–	–	–	26,219
Repurchase of own shares**	–	–	–	-22,839	–	-22,839
Non-controlling interest incurred from acquisition of subsidiary	–	–	–	–	13,046	13,046
Closing equity 31 Dec 2021	**27,631**	**13,543,973**	**20,584**	**1,729,987**	**18,695**	**15,340,870**

Parent Company

SEK thousands	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Profit for the year	Total equity
	Restricted equity		Unrestricted equity			
Opening equity 1 Jan 2020	**22,144**	**172,604**	**322,043**	**437,480**	**4,264**	**958,535**
Proposed appropriation of profits	–	–	–	4,264	-4,264	–
Comprehensive income for the year	–	–	–	–	5,216	5,216
Equity swap agreement	–	–	–	-10 847	–	-10 847
Equity compensation benefit	–	–	–	1,471	–	1,471
Closing equity 31 Dec 2020	**22,144**	**172,604**	**322,043**	**432,368**	**5,216**	**954,375**
Opening equity 1 Jan 2021	**22,144**	**172,604**	**322,043**	**432,368**	**5,216**	**954,375**
Proposed appropriation of profits	–	–	–	5,216	-5,216	–
Comprehensive income for the year	–	–	–	–	760,150	760,150
Equity compensation benefits	–	–	–	4,760	–	4,760
Dividend (SEK 0.80 per share)	–	–	–	-86,798	–	-86,798
New share issue*	1,968	–	3,556,378	–	–	3,558,345
Non-cash issue*	3,519	–	9,519,204	–	–	9,522,723
Issue expenses, net of tax**	–	–	26,219	–	–	26,219
Repurchase of own shares***	–	–	–	-22,839	–	-22,839
Closing equity 31 Dec 2021	**27,631**	**172,604**	**13,371,406**	**332,707**	**760,150**	**14,664,499**

*Vitrolife issued 26,896,615 new shares during the period. The new share issue corresponded to 9,645,303 new shares and the non-cash issue to 17,251,312 new shares. After the issues, the number of shares and votes in Vitrolife AB amounted to 135,447,190.

**During the period, issue expenses of SEK 33,022 thousand were booked under equity and subtracted as deductible expenses in the computation of tax. The tax effect of SEK 6,803 thousand was recognised directly against equity.

***Repurchase of own shares for the purpose of ensuring Vitrolife's obligations (including costs for social charges) as per the long-term incentive program LTIP2021.

CASH FLOW STATEMENTS

SEK thousands	Note	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
	19				
Operating activities					
Profit after financial items		459,969	366,191	722,962	2,925
Adjustment for non-cash items		78,100	91,784	-740,115	2,086
Tax paid		-143,552	-111,375	-143	-588
Cash flow from operating activities before changes in working capital		**394,517**	**346,600**	**-17,296**	**4,423**
Increase (-)/Decrease (+) in inventories		-46,898	-4,434	–	–
Increase (-)/Decrease (+) in operating receivables		-5,542	14,861	-1,811	210
Increase (+)/Decrease (-) in operating liabilities		42,229	-579	7,774	-1,496
Cash flow from operating activities		**384,306**	**356,448**	**-11,332**	**3,137**
Investing activities					
Business combinations, less cash and cash equivalents	28	-6,447,202	–	-5,292,562	–
Investments in intangible assets		-37,526	-13,317	–	–
Investments in property, plant and equipment		-24,922	-6,769	–	–
Sale of property, plant and equipment		308	243	–	–
Investments in financial assets		-382	-374	–	–
Acquisition of non-controlling interest		-18,985	–	–	–
Sale of financial assets		16,235	–	16,235	–
Additional purchase price		-6,021	–	–	–
Cash flow from investing activities		**-6,518,495**	**-20,218**	**-5,276,327**	–
Financing activities					
Borrowings		2,354,418	–	2,354,418	–
Set-up fee borrowings		-373	–	-373	–
Repayment of borrowings		-1,511	–	–	–
Net change in cash pool		–	–	120,155	83,980
Net change in borrowing from subsidiaries		–	–	-1,411,528	9,443
Repayment of lease liabilities		-18,000	-15,764	–	–
Dividends paid		-88,315	–	-86,798	–
New share issue		3,558,345	–	3,558,345	–
Expenses for new share issue		-33,022	–	-33,022	
Equity swap agreement		–	-10 847	–	-10 847
Repurchase of own shares		-22,839	–	-22,839	–
Group contributions received		–	–	50,000	–
Dividends received		–	–	731,454	–
Cash flow from financing activities		**5,748,703**	**-26,611**	**5,259,812**	**82,576**
Cash flow for the year		**-385,486**	**309,619**	**-27,847**	**85,713**
Opening cash and cash equivalents		973,566	689,538	293,703	217,991
Exchange-rate differences in cash and cash equivalents		42,013	-25,591	30,408	-10,001
Closing cash and cash equivalents		**630,094**	**973,566**	**296,264**	**293,703**

Cash flow
Consolidated cash flow from operating activities totalled SEK 384 million (356) for 2021. Change in working capital amounted to SEK -10 million (10) and was affected by increased inventories. Total consolidated cash flow from investing activities was SEK -6,518 million (-20); the acquisition had a negative effect on cash flow of SEK -6,447 million.

During the year, cash flow related to investments was SEK -25 million (-7) for property, plant and equipment, and SEK -38 million (-13) for intangible assets.

Cash flow from financing activities was SEK 5,749 million (-27) and related to SEK 2,354 million in borrowings, SEK 3,558 million for the new share issue, SEK -33 million for issue expenses and SEK 88 million for dividend.

Total consolidated cash flow for the year was SEK -385 million (310). At 31 December 2021, consolidated cash and cash equivalents was SEK 630 million (974).

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 and services for assisted reproduction. The Parent Company, Vitrolife AB (publ), corporate identity 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 and the postal address is Box 9080, SE-400 92 Gothenburg, Sweden. The Parent Company is listed on the Large Cap list of Nasdaq Stockholm.

The Board of Directors resolved to adopt these consolidated financial statements for publication on 25 March 2022.

Contents

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 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 in compliance with the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons.

Classification
Non-current assets, non-current 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 for 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. Income and expenses 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 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 non-current 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 differences for these items are recognised in other comprehensive income. On the divestment of any such foreign operation, the accumulated exchange differences are recognised in profit or loss.

The following exchange rates have been applied in these statements:

Currency	Average exchange rate		Closing rate	
	2021	2020	31 Dec 2021	31 Dec 2020
EUR	10,1449	10.4867	10.2269	10.0375
USD	8.5815	9.2037	9.0437	8.1886
AUD	6.4415	6.3380	6.5625	6.2646
GBP	11.8022	11.7981	12.1790	11.0873
CNY	1.3307	1.3329	1.4186	1.2537
JPY	0.0781	0.0862	0.0785	0.0792
DKK	1.3641	1.4068	1.3753	1.3492
HUF	0.0283	0.0299	0.0277	0.0275

Source: The Riksbank

Non-controlling interests
Non-controlling interests are recognized as a separate item in the Group's equity. Acquisitions of non-controlling interests are recognized as a transaction within shareholders' equity, meaning between the Parent Company's owners and non-controlling interests. Accordingly, goodwill does not arise in conjunction with such transactions.

New accounting policies for 2021
No standards, amendments or interpretations that entered into force in 2021 are deemed to have had a material impact on the Group financial statements.

New accounting policies for 2022 and later
No 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 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 to 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 the exception rule in RFR2, which states that a legal entity does not have to comply with 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.

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

Shareholder contributions and Group contributions
The payee recognises unconditional shareholder contributions directly in equity and the payer capitalises them under shares and participations, to the extent that impairment is not required. Group contributions are recognised according to the alternative rule in RFR 2. Group contributions are recognised as appropriations.

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 to provide enhanced understanding.

Note 2. Financial risk management

Financial policy
Vitrolife has a Group policy for its financial operations that 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, Vitrolife 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, refinancing risks and credit risks.

Liquidity and financing risk
Liquidity risk is the risk that the Group may have problems meeting its obligations associated with financial liabilities. Liquidity planning is used to manage liquidity risk and minimise the cost of financing the Group.
The Group's policy is to minimise the need for borrowing by using the Group's excess reserves in cash pools. Liquidity risks for the Group are managed centrally in the Parent Company. Loan financing requires that certain key ratios are met (covenants). The key ratios are calculated from Vitrolife's operating profit before depreciation, amortisation and impairment (EBITDA), interest expenses and net debt. Vitrolife analyses these key ratios regularly. The revolving credit facility amounts to EUR 100 million, of which EUR 30 million was utilised at 31 December 2021. Financial liabilities at the end of the year amounted to SEK 2,717 million (124) (see Note 25) and the maturity structure is shown in the following table.

Maturity structure for financial liabilities:

	Within 1 year	2 years	3 years	4 years	>4 years	Total
31 Dec 2021						
Borrowing*	428,610	122,681	102,357	102,269	1,636,304	2,392,220
Lease liabilities**	27,063	23,018	17,189	12,171	29,977	109,417
Trade payables	173,081	–	–	–	–	173,081
Other liabilities	52,008	–	–	–	–	52,008
31 Dec 2020						
Borrowing	–	–	–	–	–	–
Lease liabilities**	13,593	11,987	8,440	7,563	20 820	62,403
Trade payables	25,922	–	–	–	–	25,922
Other liabilities	15,876	–	–	–	–	15,876

*Borrowing is in EUR and is expected to be repaid in EUR that is received from sales. The exchange exposure for these loans has therefore not been hedged.

**Discounted vales based on IFRS16.

Interest rate risk
The Group's biggest interest rate risk arises from long-term borrowing with variable interest, which exposes the Group to interest rate risk from a cash flow perspective. Interest rate risk is the risk that the fair value of cash flows or future cash flows from a financial instrument varies due to changes in market interest rates. Interest rate risk can lead to changes in cash flows. A significant factor that affects interest rate risk is the rate fixation period. The interest rate of Vitrolife's loan financing is reset every three months. Based on the closing date, a change in interest rate of 100 points on the interest-bearing liabilities would affect the Group's future earnings before tax by +/- SEK 24 million. The sensitivity analysis assumes that all other factors, such as exchange rate, remain unchanged.

Currency risks
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 in 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. In 2021, no forward cover agreement was concluded in accordance with the policy of not entering currency hedge agreements.

In terms of cash-flow risks, Vitrolife's largest exposure is to EUR value changes, since 44 percent (38) of sales are in this currency. The Group also has considerable cash flow exposure to CNY as 13 percent (14) of sales are in this currency. There is transaction exposure in some Group companies because sales to external customers occur in a non-local currency. Sales from these companies are mostly in EUR, 61 percent (58), and CNY, 27 percent (27).

The net transaction exposure (SEK m) is allocated over the following currencies:

	Transaction exposure net		Effect on operating profit if SEK 10% higher	
Original currency	2021	2020	2021	2020
EUR	429	375	-43	37
CNY	176	151	-18	15
USD	-30	61	3	6
AUD	89	62	-9	6
GBP	58	30	-6	3
JPY	100	86	-10	9
DKK	-84	-62	8	-6
Total	**738**	**704**	**-74**	**70**

This year's translation exposure attributable to net assets of foreign subsidiaries (incl. acquisition-related intangible assets and goodwill) amounts to SEK 15,509 million (816). A general increase in SEK of 10 percent against other currencies would reduce the Group's equity by about SEK 1,551 million (82) and reduce the Group's net income by about SEK 15 million (9).

Translation exposure (SEK m) is allocated over the following material currencies:

	Net investment		Effect on equity if SEK 10% higher		Effect on operating profit if SEK 10% higher	
Original currency	2021	2020	2021	2020	2021	2020
EUR	14,794	111	-1,479	-11	1	2
CNY	-105	-87	11	9	1	1
USD	165	175	-17	-18	-2	-2
DKK	536	506	-54	-51	-14	-8
Total	**15,389**	**706**	**-1,539**	**-71**	**-14**	**-7**

Credit risks
Credit risk describes the Group's financial asset risk and arises if a counterparty does not meet its contractual payment commitments to Vitrolife, which can lead to credit losses. The Group's maximum exposure is from the fair value of financial assets, which amounts to SEK 1,046 million (1,199), of which cash and cash equivalents amount to SEK 630 million and current and non-current trade receivables to SEK 397 million (see Note 25).

The Group's interest-bearing financial assets consist mainly of bank balances and are estimated to have low credit risk since the assets have a high creditworthiness rating.

Customer credit 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 on trade receivables, where provisions for expected customer losses are made at an amount corresponding to expected credit losses over the entire term of the claim and are noted on initial recognition. Historically, Vitrolife has had low credit losses and this was also true for 2021. For further information about trade receivables, see Note 17.

Capital structure
The Group's aim regarding 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 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 in relation to EBITDA amounted to 3.2 (-2.1) times. Net debt incresed due to the acquisition of Igenomix. Net debt in relation to EBITDA adjusted for non-recurring acquisition-related costs amounts to approximately 2.7.

Note 3. 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 of assets, liabilities, income 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 of assets and liabilities that are not otherwise clearly apparent from other sources. The actual outcome may deviate from these estimates and assessments.

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

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

Impairment testing of goodwill and other intangible assets
When calculating the recoverable amounts for cash-generating units as part of assessing whether any impairment of goodwill and other intangible assets is needed, several assumptions regarding future conditions and estimates of parameters are made. An account of these can be found in Note 14.

Impairment testing of capitalised expenditure for product development
No indication of impairment existed at 31 December 2021. Projects capitalised in the balance sheet can, with reasonable certainty, be expected to generate financial benefits within the near future. The assets are amortised on a straight-line basis over their estimated useful life.

Inventory valuation
Inventories are recognised at the lower of cost and net realisable value. This takes into consideration the risk of obsolescence, which is assessed on an individual basis. Net realisable value comprises the estimated selling price less directly related selling expenses. Internal gains from intra-Group transactions are deducted from the inventory's book value.

Provision for credit losses
Vitrolife uses the simplified model for expected credit losses on trade receivables, where provisions for expected customer losses are made at an amount corresponding to expected credit losses over the entire term of the claim and are noted on initial recognition. For further information, refer to Note 17.

Provisions for warranties
Vitrolife recognises provisions for warranties connected to some of the Group's products. The provisions are based on historical statistics regarding claims, warranty periods, etc. Estimated costs for these product warranties are recognised as costs when the products are sold. The difference between estimated costs and actual outcomes affects provisions and recognised costs in future periods. For further information, refer to Note 23.

Deferred tax
Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent that it is estimated they can be used against future taxable profits. For further information, refer to Note 13.

Additional purchase price
Vitrolife has two outstanding commitments for potential additional purchase prices from the acquisition of intangible assets in 2018 and 2019.

An additional purchase price from 2018 refers to licensing rights to technology for embryo transfer acquired from CrossBay Medical Inc. The initial additional purchase price amounted to USD 11 million, of which USD 4 million was assessed likely to fall due. As a result of a changed launch plan, a new assessment was made and only USD 1 million was booked as asset and liability related to this additional purchase price. The adjustment affected the additional purchase price as well as the asset's carrying amount, and was recognised as other operating income and other operating expense in 2018.

In 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, an additional purchase price of SEK 19 million may be paid related to product development targets.

During the year, an additional purchase price of SEK 6 million was paid in connection with the acquisition of Parallabs Ltd (distributor in the UK and Ireland for EmbryoScope time-lapse system). Based on the outcome measured against sales targets set in 2020, the purchase price was adjusted downwards by SEK 2.4 million via other operating income. In 2021, the set sales targets were achieved, which led to payment of an additional purchase price of SEK 2.4 million recognised as an operating expense.

Vitrolife assesses that outstanding additional purchase prices from both acquisitions are likely to fall due, so they have been recognised as assets and liabilities respectively.

Leases
Vitrolife's leases primarily relate to premises, company cars and some office equipment and tools. Since the introduction of IFRS 16 on 1 January 2019, the leases are recognised as right-of-use assets and interest-bearing lease liabilities in the balance sheet. Potential options to extend existing leases have been considered and each individual case is evaluated to determine whether it is likely that an option will be exercised or not. Discounting of future lease payments is done 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 leases, refer to Note 26.

Business combinations
Business combinations are reported in accordance with the acquisition method. The determination of fair value often requires Group management to make assumptions and estimates about future events. Assumptions and estimates relating to the determination of fair value of acquired patents, technologies, customer relationships and trademarks generally require major assessments and include estimates of forecasted cash flows, growth and discount rates. Changes in any of these assumptions or estimates used to determine the fair value of aqcuired assets and liabilities may affect the amounts relating to assets, liabilities and goodwill as a result of how the purchase price is allocated. Future net gains may be affected as a result og changes in depreciation/amortisation and impairment of assets including goodwill. See also Note 28 for a description of acquisitions carried out.

Legal disputes
In the first quarter, Vitrolife received information that a civil lawsuit had been filed against Vitrolife in Germany by Ares Trading S.A. regarding a claim of infringement of three patents in the time-lapse area. In the second quarter, Vitrolife opposed the charge and will look after the company's interests in the ongoing judicial process. The court announced that a hearing will be held in the second quarter of 2022. Vitrolife is already involved in an appeals process regarding two of the three patents in question in the EU. One of these patents was rejected by the European Patent Office in the second quarter and was subsequently withdrawn by Ares Trading S.A. in the fourth quarter. In the fourth quarter, Ares Trading S.A. filed yet another lawsuit regarding a further patent. This lawsuit has also been appealed to the European Patent Office and a hearing will be held in the middle of 2023. Vitrolife has not included any provision for the lawsuit in the annual accounts as the company's continued assessment is that there has been no infringement of any patent. Costs for legal assistance impact earnings on an ongoing basis.

Note 4. Segment reporting

Vitrolife consists of four divisions whose products and services are sold by four geographic market organisations. The Genetic Services Division is new as of December 2021. Due to the internal organisation, Vitrolife recognises net sales and market contribution from each geographic segment. Market contribution is defined as gross profit less selling expenses by market. Administrative expenses, research and development expenses, other operating income and expenses, and net financial items are not allocated by segment. The balance sheet is not monitored by segment. 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.

Net sales and non-current assets are presented by geographic segment below. The information is also presented separately for individually significant countries and for the country in which the company has its domicile. In 2021, no single customer of Vitrolife accounted for more than 10 percent of total sales.

	2021					2020				
	EMEA	North and South America	Japan and Pacific	Asia	Total	EMEA	North and South America	Japan and Pacific	Asia	Total
Net sales	734,692	354,087	244,593	347,432	**1,680,804**	533,130	226,064	213,826	272,552	**1,245,572**
Gross profit	446,377	202,923	169,330	227,460	**1,046,090**	321,892	126,150	143 961	175,664	**767,667**
Selling expenses	-110,118	-48,059	-38,569	-47,539	-244,285	-83,948	-35,559	-41,437	-35,982	-196,927
Market contribution	336,259	154,864	130,761	179,921	**801,805**	237,944	90,591	102,524	139,681	**570,740**
Administrative expenses					-259,456					-114,424
Research and development expenses					-114,450					-91,759
Other operating income and expenses					7,481					-5,458
Operating profit					**435,379**					**370,015**
Net financial items					24,590					-3,824
Profit after financial items					**459,969**					**366,191**

Net sales and non-current assets by geographic segment

	Net sales		Non-current assets*	
	2021	2020	2021	2020
EMEA	734,692	533,130	15,934,769	749,595
of which Sweden	*24,596*	*19,814*	*2,767,053*	*273,066*
of which Spain	*106,669*	–	*11,595,658*	–
of which Denmark	*21,803*	*23,941*	*813,387*	*383,014*
North and South America	354,087	226,064	1,546,562	92,410
of which USA	*280,063*	*180,640*	*1,496,188*	*92,410*
Japan and Pacific	244,593	213,826	190,495	2,345
of which Japan	*137,771*	*133,032*	*188,146*	*2,277*
Asia	347,432	272,552	208,673	482
of which China	*231,9021*	*178,343*	*82,207*	*482*
Total	**1,680,804**	**1,245,572**	**17,880,498**	**844,833**

*Non-current assets refers to intangible assets and property, plant and equipment, excluding financial instruments and deferred tax assets.

Note 5. Revenue

Accounting policies
Revenue recognition
Vitrolife recognises revenue using the accounting principles of IFRS 15 as described below.

The basic principles of IFRS 15 is that a company should recognise 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. To comply with this principle, a five-step model is applied, which consists of the following parts: Identify the agreement with the customer, identify the different performance obligations, determine the transaction price, allocate the transaction price to the various performance obligations and recognise revenue when performance obligations are met.

Revenue streams
Vitrolife's revenue originates from sales of products and services in the company's four divisions: Consumables, Technology, Genomics and Genetic Services, where the Genetic Services Division is new as of December 2021. Sales in Consumables and Genomics concern products. Sales in Technology mainly concern products but also maintenance services. Sales in Genetic Services concern genetic testing services. For all products, freight is also invoiced to the customer.

Performance obligations and time of revenue recognition
Vitrolife's sales are of products and services that clearly represent separate performance obligations. Sales of products are recognised as income when the customer takes control of the products, which is deemed to be at delivery to the customer. The warranties that come with Vitrolife's products are standardised and are therefore not defined as separate performance obligations. The Genetic Services Division is new as of December and sales mostly concern services for genetic testing. These services are taken up as revenue when test results are delivered to customers. Vitrolife also sells maintenance services, primarily for products within the Technology Division. Servicing is largely invoiced in advance and is taken up as revenue over the period of the servicing contract. Servicing income that is not taken up as revenue is recognised as deferred income (contractual liability) in the balance sheet. Reinvoicing of freight is considered a service and is taken up as revenue at delivery.

Disclosures
Disaggregation of revenue
Vitrolife applies the following geographic segments: EMEA, North and South America, Japan and Pacific, and Asia. Vitrolife categorises its products and services in these divisions: Consumables, Technology, Genomics and Genetic Services, where the Genetic Services Division is new as of December 2021. Sales that are not categorised in these divisions are essentially freight. The disaggregation of revenue per segment and division is presented in the table on the next page. For more information on the company's segments, refer to Note 4. Disaggregation of revenue between products and services is also presented in the table below.

Net sales by products and services

SEK millions	2021	2020
Products	1,472	1,163
Services	209	83
Total	**1,681**	**1,246**

Contractual liabilities
The company has contractual liabilities arising from services that are essentially invoiced in advance. Contractual liabilities dissolve 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 recognised as revenue, and revenue recognised during the reporting period, which was included in contract liabilities at the beginning of the period.

	2021	2020
Opening balance	25,604	23,915
Revenue recognised during the year	-22,102	-20,680
Additional contractual liabilities during the year	29,780	22,370
Closing balance	**33,282**	**25,604**

	2022	2023-	Total
Expected time of revenue recognition 2021	28,967	4,315	33,282

	2021	2022-	Total
Expected time of revenue recognition 2020	21,954	3,651	25,604

Net sales by geographic segment and division

SEK millions	EMEA Jan–Dec 2021	EMEA Jan–Dec 2020	North and South America Jan–Dec 2021	North and South America Jan–Dec 2020	Japan and Pacific Jan–Dec 2021	Japan and Pacific Jan–Dec 2020	Asia Jan–Dec 2021	Asia Jan–Dec 2020	**Total Jan–Dec 2021**	**Total Jan–Dec 2020**
Consumables	382	308	172	138	130	110	228	196	**913**	**752**
Technology	227	161	36	26	103	102	108	74	**474**	**363**
Genomics	73	55	79	52	1	0	–	0	**153**	**107**
Genetic Services	41	–	57	–	8	–	8	–	**114**	–
Other	12	9	10	9	3	3	3	3	**27**	**24**
Total	**735**	**533**	**354**	**226**	**245**	**214**	**347**	**273**	**1,681**	**1,246**
of which Sweden	*25*	*20*								

Note 6. Other operating income

Accounting principles for government grants
Government grants are recognised in the income statement when it is deemed reasonable that the conditions have been met and the grants have been received or will be received. In 2020 and 2021, the Group received government grants related to Covid-19. The Group has not received any other forms of government support.

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Foreign exchange gains	8,309	–	–	77
Adjustment of additional purchase price	–	2,360	–	–
Insurance refunds	207	–	–	–
Government grants	889	8,698	–	–
Gain from sale of property, plant and equipment	453	242	–	–
Other	31	192	–	–
Total	**9,889**	**11,492**	–	**77**

Note 7. Other operating expenses

	Group 2021	Group 2020	Parent Company 2021	Parent Company 2020
Foreign exchange losses	–	-5,744	-202	–
Loss from sale of property, plant and equipment	–	-290	–	–
Adjustment of additional purchase price	-2,360	–	–	–
Other	-48	–	–	–
Total	**-2,408**	**-6,034**	-202	–

Note 8. Employees, personnel costs and Board fees

Accounting policies
Long-term share-based incentive programmes have been reported in accordance with "IFRS 2 - Share-based payment". According to IFRS 2, the allotment of shares shall be expensed as personnel costs during the qualifying period and will be accounted for directly against equity. Amounts booked in equity can differ from personnel costs in the income statement due to currency translation. Personnel costs in accordance with IFRS 2 do not affect the cash flow. Social charges are expensed in the income statement through provisions on an ongoing basis. The size of these provisions is revalued based on the development in value of the right to performance shares and the social charges that may be paid upon allotment of performance shares.

Average number of employees (FTE)	Total 2021	Total 2020	Of whom men 2021	Of whom men 2020
Parent Company, Sweden	1	1	1	1
Subsidiaries				
Sweden	160	153	61	55
USA	97	86	48	45
Denmark	87	84	54	52
Spain	21	–	9	–
Rest of world	112	81	61	49
Total	**478**	**405**	**233**	**202**

Percentage of women in senior positions

	2021	2020
Board of Directors	40%	40%
Executive management	25%	25%

Salaries, other benefits and social charges*

	Salaries and benefits 2021	Salaries and benefits 2020	Social charges 2021	Social charges 2020
Parent Company	14,272	9,975	7,983	6,039
– of which pension costs	–	–	*1,971*	*2,238*
Subsidiaries	312,492	263,644	84,941	72,287
– of which pension costs	–	–	*26,222*	*25,784*
Total	**326,765**	**273,619**	**92,924**	**78,325**
– of which pension costs	–	–	*28,193*	*28,023*

*Based on expensed remuneration.

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

	Board/CEO 2021	Board/CEO 2020	Other employees 2021	Other employees 2020
Parent Company, Sweden	14,272	9,975	–	–
Subsidiaries				
Sweden	–	–	113,578	97,217
Denmark	–	–	65,309	57,913
USA	–	–	62,938	53,109
Spain	–	–	12,096	–
Rest of world	–	–	58,571	55,404
Total	**14,272**	**9,975**	**312,492**	**263,644**
– of which variable remuneration	*4,300*	*1,392*	*30,599*	*12,147*

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

Remuneration of the board and senior executives
Board of Directors
During the financial year, Board fees were paid based on the fees approved at the 2020 and 2021 annual general meetings (AGMs). On 28 April 2021, Vitrolife's AGM resolved to pay Board fees of SEK 2,165 thousand (2,165) for the period until the next AGM.

CEO and senior executives
The fixed basic salary of the senior executives is reconsidered each year. Allocation between basic salary and, in some cases, variable remuneration must be proportional to senior executives' responsibilities and competence. Customary occupational pension premiums were paid. The retirement age is 65.

A six-month notice period applies for termination of the CEO's contract by the company and vice versa. If termination is by the company, severance pay of up to 12 months' salary is payable. The CEO's employment contract includes a non-competition clause. A notice period of three to six months applies to other senior executives whether notice is given from the company or from the employee. Nobody is entitled to severance pay. There are no existing loans to senior executives.

Variable remuneration to the CEO and others senior executives is based on the outcome of two quantitative parameters as compared with set targets. The quantitative parameters are related to Vitrolife's sales and profit (EBITDA).

Vitrolife has instituted long-term share-based incentive programmes. They have been approved by the AGM so are not subject to the guidelines for remuneration of senior executives. The programmes involve the CEO and other key employees. The performance requirements used to determine the outcome of the programmes have a clear link to the business strategy and to Vitrolife's long-term value creation, including sustainability. The purpose of the variable remuneration is to promote the Group's business strategy and long-term interests, including sustainability. Vitrolife has three outstanding share-related incentive programmes in line with decisions taken at the 2019, 2020 and 2021 AGMs.

For further information on remuneration of senior executives, see pages 40–41.

Endowment insurance
Endowment insurance includes plans for the CEO and the former CEO of SEK 9,305 thousand (7,728). Endowment insurance plans are recognised under other financial assets and provisions. Also refer to Note 29 on pledged assets and contingent liabilities related to endowment insurance.

Remuneration and other benefits, 2021	Basic salary/ Board fee	Variable remuneration/extra fee	Other benefits	Share-related remuneration*	Pension costs	Total
Chairman of the Board Jón Sigurdsson	825	28	–	–	–	853
Board member Henrik Blomqvist	275	60	–	–	–	335
Board member Lars Holmqvist	275	30	–	–	–	305
Board member Pia Marions	275	60	–	–	–	335
Board member Karen Lykke Sørensen	320	70	–	–	–	390
CEO Thomas Axelsson	6,110	4,300	69	–	1,971	12,449
Other senior executives (7 individuals)	16,302	8,355	523	112	5,121	30,413
Total	**24,382**	**12,903**	**592**	**112**	**7,092**	**45,080**

Remuneration and other benefits, 2020	Basic salary/ Board fee	Variable remuneration/ extra fee	Other benefits	Share-related remuneration*	Pension costs	Total
Chairman of the Board Jón Sigurdsson	825	42	–	–	–	867
Board member Henrik Blomqvist	275	60	–	–	–	335
Board member Lars Holmqvist	275	30	–	–	–	305
Board member Pia Marions	275	60	–	–	–	335
Board member Karen Lykke Sørensen	138	30	–	–	–	168
CEO Thomas Axelsson	5,798	1,392	50	–	2,238	9,478
Other senior executives (7 individuals)	12,665	2,709	420	273	4,702	20,769
Total	**20,252**	**4,323**	**470**	**273**	**6,940**	**32,258**

* Reported share-related payments refer to amounts paid during the year. Amounts expensed for long-term incentive programmes amounted to SEK 4,950 thousand (1,477) plus social charges of SEK 3,633 thousand (407).

Note 9. Auditors' fees

	Group		Parent Company	
	2021	2020	2021	2020
Deloitte				
Audit engagement	3,327	1,423	1,200	1,197
– of which to Deloitte AB	*768*	*780*	*768*	*780*
Audit activities other than audit engagement	709	90	696	21
– of which to Deloitte AB	*684*	*21*	*684*	*21*
Tax consultancy	63	63	63	63
– of which to Deloitte AB	*63*	*63*	*63*	*63*
Other services	124	45	–	25
– of which to Deloitte AB	–	*25*	–	*25*
Other auditors				
Audit engagement	286	310	–	–
Tax consultancy	–	–	–	–
Other services	–	72	–	–
Total	**4,509**	**2,005**	**1,958**	**1,281**

Audit engagements refer 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 performance of such other duties. Audit activities other than the audit engagement pertain to quality assurance services, including assistance regarding observations made during such a review that is carried out in accordance with ordinances, the Articles of Association, bye-laws or agreements, and that result in a report that is also intended for other than the client. Everything else comprises other services.

Note 10. Operating expenses

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	-324,670	-211,708	–	–
Change in inventories of finished goods and work in progress	16,369	-1,761	–	–
Personnel costs	-443,688	-371,603	-22,291	-16,347
Depreciation, amortisation and impairment	-108,914	-84,070	–	–
Other external costs	-392,002	-211,874	-10,477	-5,126
Other operating expenses	-2,408	-6,034	*-202*	–
Total	**-1,255,313**	**-887,049**	**-32,971**	**-21,473**

Note 11. Net financial items

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

	Group		Parent Company	
	2021	2020	2021	2020
Interest income	753	759	1,497	499
Foreign exchange gains	33,002	–	27,188	-
Fair value effect	–	8,916*	–	8,916*
Dividends from participations in Group companies	–	–	731,454	–
Gain from sale of financial assets	1,573	–	1,573	
Other financial income	8	15	–	–
Financial income	**35,337**	**9,689**	**761,713**	**9,415**
Interest expenses**	-10,364	-2,085	-7,995	-6
Foreign exchange losses	–	-11,047	–	-4,217
Fair value effect	-28	-374	–	–
Impairment of participation in subsidiary	–		-22,000	
Other financial expenses	-355	-8	324	–
Financial expenses	**-10,747**	**-13,514**	**-30,319**	**-4,224**
Total	**24,590**	**-3,824**	**731,393**	**5,191**

*Refers to revaluation of a non-listed shareholding in conjunction with a new share issue in the company. Vitrolife did not participate in this new share issue.
**For the Group, SEK 1,861 thousand (1,920) refers to interest on lease liabilities according to IFRS 16.

Note 12. Exchange 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 profit, while exchange-rate differences on financial receivables and liabilities are recognised as financial items.

	Group		Parent Company	
	2021	2020	2021	2020
In operating profit	8,309	-5,744	-201	77
In financial items	33,002	-11,047	27,188	-4,217
Total	**41,311**	**-16,791**	**26,987**	**-4,140**

Note 13. 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 related tax effect is recognised in other comprehensive income. Current tax is tax payable or recoverable for the current year. This also includes adjustments to 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. Management regularly evaluates the claims made in tax returns with regard to situations where the applicable tax rules are subject to interpretation and, when deemed appropriate, make 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 into consideration in consolidated goodwill 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 equity.

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

	Group		Parent Company	
Tax expense for the year	2021	2020	2021	2020
Current tax for the year	-134,908	-84,663	-12,215	0
Tax pertaining to preceding financial year	-1,005	-309	–	799
Total current tax	-135,913	-84,972	-12,215	799
Deferred tax				
Amortisation surplus value	8,345	7,132	–	–
Intra-Group profit	9,094	1,010	–	–
Change in loss carry-forwards	1,204	1,087	-1,024	1,024
Change in temporary differences	865	-2,583	428	469
Total tax expense	**-116,405**	**-78,325**	**-12,812**	**2,292**
Reconciliation of effective tax rate				
Profit before tax	459,969	366,191	772,962	2,925
Estimated Swedish tax 21.4% (21.4%)	-94,754	-78,365	-159,230	-626
Effect of foreign tax rates	-2,428	-615	–	–
Tax pertaining to preceding financial year	-1,005	-309	–	799
Effect of changed tax rate	-181	6	-38	-18
Non-deductible expenses	-20,618	-1,016	-4,547	-14
Non-taxable income	708	3,452	324	2,151
Dividends from Group companies	–	–	150,680	–
Capitalised losses and utilisation of prior non-capitalised loss carry-forwards	1,871	516	–	–
Non-capitalised loss carry-forwards	–	-2,012	–	–
Other	2	19	–	–
Total tax expense	**-116,405**	**-78,325**	**-12,812**	**2,292**

	Deferred tax assets		Deferred tax liabilities	
Deferred tax, Group	2021	2020	2021	2020
Untaxed reserves	–	–	2,052	2,130
Intra-Group profit in inventories	17,820	8,420		–
Surplus value of non-current assets	–	–	1,061,837	14,196
Tax loss carry-forwards	39,872	4,502		–
Temporary differences on non-current assets	–	–	15,786	15,873
Other temporary differences	44,762	9,421	96	–
Lease liabilities	16,288	13,712	–	–
Right-of-use assets	–	–	15,195	13,098
Netting of deferred taxes	-26,270	-29,086	-26,270	-29,086
Total	**92,472**	**6,355**	**1,068,696**	**16,211**

The deferred tax assets and liabilities above are recognised in the balance sheet on a net basis for each country respectively, after considering 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 in deferred tax assets and liabilities	2021	2020
Opening balance, net	-9,857	-23,100
Via profit or loss	19,508	6,646
Via other comprehensive income	80	60
Via business combinations	-984,764	4,979*
Translation difference	-1,191	1,558
Closing balance, net	**-976,224**	**-9,857**

* Adjustment of booked deferred tax (GBP 422 thousand) in conjunction with acquisition of Parallabs Ltd in 2019. The adjustment was made in acquired assets in the form of customer relationships. See also Note 14.

Tax loss carry-forwards

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

Note 14. Intangible 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. 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

Patents and licenses are recognised at cost less accumulated amortisation and 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 frequently if there are any indications of impairment. Any expenditure for internally generated trademarks are expensed in the period in which they occur.

Customer relationships

Acquired customer relationships are recognised at cost less accumulated amortisation and impairment.

Additional expenses

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

Amortisation

Amortisation is recognised on a straight-line basis in profit or loss over the estimated useful life of the intangible assets, 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	4–20 years
Customer relationships	5–10 years
Computer programs	5 years

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

Impairment

At each closing date, an assessment is made of whether there is any indication of impairment of the Group's assets. For goodwill and trademarks, which are not amortised on an ongoing basis, impairment testing is conducted at least once each year and if there is an indication of impairment of the asset. If that is the case, an assessment of the asset's recoverable value is made. 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.

Impairment testing

The Group's goodwill and other intangible assets are attributable to the acquisition of subsidiaries and their operations. Vitrolife consists of four divisions: Consumables, Technology, Genomics and Genetic Services. The Genetic Services Division is new as of December 2021. Impairment testing has been conducted for the individual cash-generating units Media and Disposable Devices, which are part of Consumables, Time-lapse and ART, which are part of Technology, and Genomics and Genetic Services.

In connection with the business combination, goodwill of SEK 12,595 arose attributable to the acquired business' collective expertise, as well as the synergies that arise in the form of more efficient selling processes combined with an expanded product offering. Since some of the goodwill is attributable to synergies, it is allocated as follows to these cash-generating units: Genetic Services SEK 9,665 million, Media SEK 2,120 million, Time-lapse SEK 460 million and Disposable Devices SEK 350 million.

At the closing date, goodwill was distributed across the cash-generating units as follows: Media SEK 2,125 million, Disposable Devices SEK 463 million, Time-lapse SEK 711 million, Genomics SEK 1 million, ART Equipment SEK 42 million and Genetic Services SEK 9,653 million, for a total of SEK 12,995 million.

Impairment testing for cash-generating units was based on forecasts, where the first five forecast years are based on historical growth rates after adjustment for management forecasts. For the Genetic Services division, acquired during the year, the forecast period extends over fifteen years. The forecasts were prepared internally by 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 were based on a more conservative growth rate of 3 percent (3) per year. A growth rate of 3 percent is below the expected growth rate for the market, which is expected to grow by approximately 5–10 percent per year. The present value of forecasted cash flows was calculated using a discount rate before tax of 8.9 percent (9.3). 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 mainly concerns replacement of existing assets. Working capital was 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, exceed the carrying amounts. 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 testing was also done for the brands recognised in the Group. At the closing date, trademarks were distributed over the cash-generating units as follows: Time-lapse SEK 34 million, ART Equipment SEK 11 million and Genetic Services SEK 1,113 million for a total of SEK 1,158 million. Impairment testing was essentially based on the same forecasts and assumptions as for goodwill, and the present values of forecasted cash flows were calculated using discount rates as described above.

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

	Goodwill	
	2021	2020
Accumulated cost		
Opening balance	421,232	443,834
Increase through business combinations	12,594,768	–
Translation differences	-3,387	-22,604
Closing balance	**13,012,613**	**421,232**
Accumulated depreciation, amortisation and impairment		
Opening balance	-17,993	-17,993
Closing balance	**-17,993**	**-17,993**
Carrying amount	**12,994,620**	**403,239**

Other intangible assets	Capitalised expenditure for product development		Patents and licenses		Production technology		Trademarks		Customer relationships		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost												
Opening balance	144,922	142,889	257,673	261,316	170,565	177,219	44,793	46,403	42,889	50,938	660,842	678,765
Investments	7,384	13,318	30,143	–	–	–	–	–	–	–	37,527	13,318
Increase through business combinations	38,195	–	55,028	–	1,496,591	–	1,113,742	–	1,617,383	–	4,320,939	–
Additional purchase price	–	–	–	–	–	–	–	–	–	–	–	–
Cost adjustment	–	–	–	–	–	–	–	–	–	-4,979*	–	-4,979*
Translation differences	7,160	-11,284	1,505	-3,643	1,963	-6,654	-203	-1,610	846	-3,070	11,271	-26,261
Closing balance	**197,660**	**144,922**	**344,349**	**257,673**	**1,669,119**	**170,565**	**1,158,331**	**44,793**	**1,661,118**	**42,889**	**5,030,578**	**660,842**
Accumulated depreciation, amortisation and impairment												
Opening balance	-110,811	-106,365	-58,925	-46,430	-163,796	-152,645	-405	-404	-27,425	-20,504	-361,362	-326,348
Amortisation	-14,608	-13,708	-25,496	-13,612	-13,018	-15,631	-1	-1	-19,453	-8,381	-72,576	-51,333
Increase through business combinations	-7,840	–	-24,584	–	–	–	–	–	–	–	-32,424	–
Translation differences	-5,965	9,263	-728	1,117	-3,358	4,480	–	–	-1,260	1,461	-11,312	16,321
Closing balance	**-139,224**	**-110,811**	**-109,733**	**-58,925**	**-180,173**	**-163,796**	**-406**	**-405**	**-48,138**	**-27,425**	**-477,674**	**-361,362**
Carrying amount	**58,436**	**34,111**	**234,616**	**198,748**	**1,488,947**	**6,770**	**1,157,925**	**44,388**	**1,612,981**	**15,465**	**4,552,904**	**299,481**

*Adjustment of booked deferred tax (GBP 422 thousand) in conjunction with acquisition of Parallabs Ltd in 2019. The adjustment was made in acquired assets in the form of customer relationships. See also Note 13.

Parent Company	Other	Total
Accumulated cost		
Opening balance 1 Jan 2020	160	160
Closing balance 31 Dec 2020	**160**	**160**
Opening balance 1 Jan 2021	160	160
Closing balance 31 Dec 2021	**160**	**160**
Accumulated depreciation, amortisation and impairment		
Opening balance 1 Jan 2020	-160	-160
Closing balance 31 Dec 2020	**-160**	**-160**
Opening balance 1 Jan 2021	-160	-160
Closing balance 31 Dec 2021	**-160**	**-160**

Parent Company	Other	Total
Carrying amount		
At 31 Dec 2020	–	–
At 31 Dec 2021	–	–

Depreciation, amortisation and impairment was allocated in profit or loss by function as follows:

	Group		Parent Company	
	2021	2020	2021	2020
Cost of goods sold	-57,154	-51,140	–	–
Selling expenses	-13,498	-8	–	–
Administrative expenses	-1,140	-4	–	–
Research and development expenses	-785	-181	–	–
Total	**-72,576**	**-51,333**	–	**–**

Note 15. Property, plant and equipment

Accounting policies
Property, plant and equipment is recognised as assets in the balance sheet when, based on available information, 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 reliably calculated. The carrying amounts of property, plant and equipment comprise cost less accumulated depreciation and any impairment. For accounting policies regarding right-of-use assets, refer to Note 26.

Gains or losses from selling property, plant and equipment comprise the difference between the selling 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 are 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 property, plant and equipment are reviewed at each closing date and are adjusted when necessary. Depreciation is on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. The estimated useful lives are:

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

	Buildings and land		Plant and machinery		Equipment, tools, fixtures and fittings		Construction in progress		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Accumulated cost										
Opening balance	141,021	150 268	35,279	35,516	155,255	159,792	54	651	331,609	346,228
of which right-of-use assets	*79,671*	*80 729*	–	–	*9,294*	*7,058*	–	–	*88,964*	*87,787*
Investments	1,195	99	1,046	1,747	8,607	4,054	14,074	885	24,922	6,784
Right-of-use	18,261	1,839	–	–	2,330	2,407	–	–	20,591	4,246
Increase through business combinations	22,666	–	–	–	201,143	–	219	–	224,028	–
Increase through business combinations, right-of-use assets	65,951	–	–	–	–	–	–	–	65,951	–
Reclassifications	–	–	–	-83	217	1,810	-217	-1,487	–	240
Sales/disposals	–	–	–	-166	-3,311	-2,492	–	–	-3,311	-2,658
Retired right-of-use assets	-8,656	–	–	–	-2,646	–	–	–	-11,302	–
Translation differences	8,278	-11,184	1,302	-1,735	7,430	-10,316	654	5	17,664	-23,230
of which right-of-use assets	*2,008*	*-2,898*	–	–	*88*	*-171*	–	–	*2,096*	*-3,069*
Closing balance	**248,716**	**141,021**	**37,627**	**35,279**	**369,025**	**155,255**	**14,784**	**54**	**670,152**	**331,609**
of which right-of-use assets	***157,235***	***79,671***	–	**–**	***9,065***	***9,294***	–	**–**	***166,300***	***88,964***
Accumulated depreciation, amortisation and impairment										
Opening balance	-51,258	-39,623	-29,876	-27,965	-108,362	-105,281	–	–	-189,496	-172,869
of which right-of-use assets	*-24,469*	*-12,064*	–	–	*-4,805*	*-1,914*	–	–	*-29,274*	*-13,978*
Amortisation	-2,717	-3,003	-2,867	-4,008	-11,324	-9,060	–	–	-16,908	-16,069
Depreciation of right-of-use assets	-15,192	-13,593	–	–	-2,937	-2,998	–	–	-18,129	-16,592
Increase through business combinations	-3,372	–	–	–	-85,862	–	–	–	-89,235	–
Increase through business combinations, right-of-use assets	-25,952	–	–	–	–	–	–	–	-25,952	–
Reclassifications	–	–	–	–	–	-240	–	–	–	-240
Sales/disposals	–	–	–	166	2,009	2,131	–	–	2,009	2,297
Retired right-of-use assets	8,490	–	–	–	2,646	–	–	–	11,136	–
Translation differences	-3,829	4,961	-1,593	1,931	-5,181	7,087	–	–	-10,603	13,979
of which right-of-use assets	*-822*	*1,188*	–	–	*-55*	*108*	–	–	*-878*	*1,296*
Closing balance	**-93,831**	**-51,258**	**-34,336**	**-29,876**	**-209,011**	**-108,362**	–	–	**-337,178**	**-189,496**
of which right-of-use assets	***-57,946***	***-24,469***	–	**–**	***-5,151***	***-4,805***	–	**–**	***-63,097***	***-29,274***
Carrying amount	**154,885**	**89,763**	**3,291**	**5,403**	**160,014**	**46,893**	**14,784**	**54**	**332,974**	**142,113**
of which right-of-use assets	***99,289***	***55,201***	–	**–**	***3,914***	***4,489***	–	**–**	***103,203***	***59,690***

Parent Company	Equipment and tools	Total
Accumulated cost		
Opening balance 1 Jan 2020	12	12
Closing balance 31 Dec 2020	**12**	**12**
Opening balance 1 Jan 2021	12	12
Closing balance 31 Dec 2021	**12**	**12**
Accumulated depreciation, amortisation and impairment		
Opening balance 1 Jan 2020	–	–
Closing balance 31 Dec 2020	**–**	**–**
Opening balance 1 Jan 2021	–	–
Closing balance 31 Dec 2021	**–**	**–**

Parent Company	Equipment and tools	Total
Carrying amount		
At 31 Dec 2020	12	12
At 31 Dec 2021	12	12

Depreciation, amortisation and impairment was allocated in profit or loss by function as follows:

	Group		Parent Company	
	2021	2020	2021	2020
Cost of goods sold	-13,811	-11,637	–	–
Selling expenses	-5,765	-5,682	–	–
Administrative expenses	-15,544	-14,099	–	–
Research and development expenses	-1,218	-1,320	–	–
Total	**-36,338**	**-32,737**	–	**–**

Note 16. Inventories

Accounting policies

Inventories are recognised at the lower of cost and net realisable value. This takes into consideration the risk of obsolescence, which is assessed on an individual basis. Impairment due to obsolescence is recognised as cost of goods sold in profit or loss. The cost is calculated using 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. Net realisable value comprises the estimated selling price less directly related selling expenses. Internal gains from intra-Group transactions are deducted from the inventory's book value.

	Group		Parent Company	
	2021	2020	2021	2020
Raw materials and consumables	165,239	72,741	–	–
Products in progress	15,553	12,515	–	–
Finished goods and goods for resale	132,102	118,771	–	–
Total	**312,894**	**204,027**	**–**	**–**

Impairment of SEK 2.3 million (2.1) pertaining to obsolescent raw materials and SEK 7.0 million (2.6) for obsolescent finished products was included in the closing inventory. Total obsolescence costs for the year amounted to SEK 10.7 million (18.3). The first half of 2020 was affected by having too much inventory on hand due to reduced sales caused by Covid-19.

Note 17. Trade receivables

Accounting policies

Trade receivables are initially recognised at fair value and thereafter at cost. Since the expected maturity of trade receivables 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 non-current. Vitrolife uses the simplified model for expected credit losses on trade receivables, where provisions for expected customer losses are made at an amount corresponding to expected credit losses over the entire term of the claim and are noted on initial recognition. This effect is not deemed to be material for the financial year. Indicators for impairment of a receivable may include financial difficulties for the customer, the likelihood of reconstruction or bankruptcy, late payments, disputes or other events indicating that the customer will not pay. Impairment of trade receivables is recognised as selling expenses.

Trade receivables

Trade receivables are recognised after considering bad debt losses during the year. In 2021, confirmed bad debt losses in the Group totalled SEK 282 thousand (560). For financial risk management concerning trade receivables, refer to Note 2.

Bad debt losses have been low historically and Vitrolife continuously makes the effort to collect overdue receivables. Several of Vitrolife's customers, such as public hospitals, traditionally pay their receivables relatively long past the due dates. However, these customers are assessed to be low risk and they buy new products from Vitrolife on a regular basis.

	Group		Parent Company	
	2021	2020	2021	2020
Trade receivables	407,926	221,369	–	–
Less credit reserve	-16,526	-4,875	–	–
Total	**391,400**	**216,494**	–	**–**

Age structure of trade receivables

2021		Number of days overdue:				
Total trade receivables:	Not overdue:	0–30	31–60	61–90	>90	Total overdue:
407,926	260,921	59,173	26,959	14,195	46,679	147,005
of which reserved -16,526	-612	-2,929	-1,112	-1,220	-10,653	-15,914

2020		Number of days overdue:				
Total trade receivables:	Not overdue:	0–30	31–60	61–120	>120	Total overdue:
221,369	178,454	25,149	5,209	3,875	8,680	42,914
of which reserved -4,875	–	–	-191	-406	-4,279	-4,875

Change in credit loss reserve	Group		Parent Company	
	2021	2020	2021	2020
Opening credit reserve	-4,875	-4,700	–	–
Increase through business combinations	-12,012	–		
Reversal of suspected credit reserve	2,375	1,016	–	–
Confirmed credit losses	-218	–	–	–
Reserve for suspected credit losses	-1,851	-1,707	–	–
Translation differences	55	517	–	–
Closing credit reserve	**-16,526**	**-4,875**	–	**–**

Note 18. Prepaid expenses and accrued income

	Group		Parent Company	
	2021	2020	2021	2020
Insurance	7,958	3,136	350	–
Prepaid real estate expenses	3,611	2,204	–	–
Prepaid IT expenses	3,687	1,930	–	–
Prepaid marketing activities	3,885	696	–	–
Prepaid service	3,895	–	–	–
Other prepaid expenses	9,422	2,587	–	48
Accrued income	–	509	–	–
Total	**32,457**	**11,063**	**350**	**48**

Note 19. Cash flow statements and cash and cash equivalents

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

	Group		Parent Company	
	2021	2020	2021	2020
Interest paid and received				
Interest received	753	759	–	499
Interest paid*	-10,364	-2,085	-7,993	-6
Total	**-9,611**	**-1,326**	**-7,993**	**493**
Adjustment for non-cash items				
Depreciation, amortisation and impairment of assets	108,914	84,070	–	–
Unrealised exchange differences	-37,524	15,472	-29,756	10,001
Revaluation of fair value	-28	-8,542	–	-8,542
Adjustment of liability for additional purchase price	2,408	-2,360	–	–
Equity compensation benefit	4,760	1,477	1,564	441
Dividend received from subsidiaries	–	–	-731,454	–
Impairment of participations in subsidiaries	–	–	22,000	–
Other	-430	1,667	-2,469	186
Total	**78,101**	**91,784**	**-740,115**	**2,086**
Sub-components of cash and cash equivalents				
Cash and bank balances	630,094	973,566	296,264	293,703
Total	**630,094**	**973,566**	**296,264**	**293,703**

*For the Group, including interest on lease liabilities in accordance with IFRS 16 of SEK 1,861 thousand (1,920).

Cash and cash equivalents not used in daily operations are invested in accordance with Vitrolife's financial policy. Refer to Note 2. No active asset management was carried out in 2021.

Note 20. Equity

Accounting policies
Transaction expenses that are directly attributable to the issue of new ordinary shares or options are recognised, net of tax, in equity as a deduction from the proceeds. Other contributed capital refers to equity contributed by the owners and includes share premium reserves paid in conjuction with new issues.

Share capital and other capital contributions
There is only one type of share. All shares have equal rights. In 2021, a private placement of 9,645,303 new shares was issued to institutional investors. The private placement was completed after the closing of the market on 8 July at a price of SEK 368.92 per share. As part of the financing of the business combination, a noncash issue of SEK 17,251,312 shares was completed on 30 November directed to the sellers. The fair value of the shares was based on the share price quoted on 30 November 2021 of SEK 552 per share. The number of shares increased in 2021 from 108,550,575 to 135,447,190. The number of shares in the Parent Company amounted to 135,447,190 at 31 December 2021, whereof 52 568 (-) own shares.

Translation reserve
The translation reserve regards exchange differences arising in conjunction with the translation of financial statements from foreign operations that 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.

The disclosure requirement in Chapter 5, section 14 of the Annual Accounts Act regarding the specification of year-on-year changes in equity in the balance sheet are detailed on page 53.

Under the dividend policy for Vitrolife AB (publ), each year, a dividend, or some other form of distribution equal to 30 percent of net profit for the year after taxes, should be proposed. Thus, in accordance with the above, the board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 0.80 per share for 2021, corresponding to a total of SEK 108 million. The dividend proposal will be presented to the AGM on 27 April 2022 for adoption.

Retained earnings including profit for the year
Retained earnings including profit 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 available funds of SEK 14,464,263,832 be appropriated as follows:

SEK	
Dividend (SEK 0.80)	108,357,752
Carried forward	14,355,906,080
Total	**14,464,263,832**

Capital management
The capital managed by the Group comprises 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 percent per year with an operating margin before depreciation, amortisation and impairment (EBITDA) of 30 percent.

Note 21. Earnings per share

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

Earnings per share
In 2021, the average number of shares outstanding was 114,625,057 (108,550,575). Profit for the year attributable to the Parent Company's shareholders was SEK 340,973 thousand (286,845), resulting in earnings per share of SEK 2.97 (2.64), both before and after dilution.

Note 22. Interest-bearing liabilities

Accounting policies
Borrowings are initially recognised at fair value, net of 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. The company mainly has loans with variable interest rates and the fair value is assessed as corresponding with the carrying amount. Borrowing is classified as current or non-current liabilities in the balance sheet. The new IFRS 16 accounting standard came into force on 1 January 2019, meaning that Vitrolife now recognises interest-bearing non-current and current liabilities related to leases. For further information regarding the accounting policies related to leases, see Note 26.

	Group		Parent Company	
	2021	2020	2021	2020
Borrowing, non-current	1,944,466	–	1,923,966	–
Leasing, non-current	82,355	48,810	–	–
Borrowing, current	428,610	–	409,076	–
Lease liabilities, current	27,063	13,593	–	–
Total	**2,482,493**	**62,403**	**2,333,042**	**–**

Two bank transactions were made in 2021 to partially finance the acquisition of Igenomix. One was a five-year loan of EUR 200 million and the other a five-year revolving credit facility of EUR 100 million. At year-end, EUR 30 million of the revolving credit facility had been utilised. The interest rate of the loans is reset every three months using EURIBOR as the base.

	Group		Parent Company	
	2021	2020	2021	2020
Opening balance	62,404	75,845	–	–
Increase via acquisition of lease liabilities	43,797	–	–	–
Increase via acquisition of borrowings	41,584	–	–	–
New and closed out lease liabilities	19,887	4,246	–	–
Borrowing*	2,354,418	–	2,354,418	–
Set-up fee, borrowing**	-19,469	–	-19,469	–
Period allocation of set-up fee, borrowing	324	–	324	–
Repayment of lease liabilities*	-18,000	-15,764	–	–
Repayment of borrowing*	-1,511	–	–	–
Translation differences	-940	-1,924	-2,231	–
Closing balance	**2,482,493**	**62,404**	**2,333,042**	**–**

*These items affect cash flow
**Affected cash flow in 2021 by the amount paid during the year of SEK 373 thousand. The remaining amount was paid in 2022.

Refer to Note 2 for other contractual conditions. Refer to Note 29 for pledged assets and contingent liabilities.

Note 23. 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. Provisions are not made for future operational losses. Where the effect of when payment occurs is significant, provisions are calculated by discounting expected future cash flows using an interest rate before tax that reflects current market assessments of the monetary value over time and, if appropriate, the risks associated with the obligation.

	Group		Parent Company	
	2021	2020	2021	2020
Pension obligations	26,479	20,554	10,921	8,845
Warranties	1,063	949	–	–
Total	**27,542**	**21,503**	**10,921**	**8,845**

Note 24. Accrued expenses and deferred income

	Group		Parent Company	
	2021	2020	2021	2020
Accrued personnel costs	173,719	63,998	9,533	4,530
Accrued acquisition costs	20,283	–	20,283	–
Audits and consultancy services	1,274	724	652	478
Annual report	228	298	228	228
Other foreign taxes	1,348	772	–	–
Commissions	1,443	4,917	–	–
Accrued interest expenses	2,399	–	2,399	–
Other accrued expenses	5,833	6,743	–	364
Deferred income	35,062	26,558	–	–
Total	**241,590**	**104,012**	**33,096**	**5,600**

Note 25. Financial instruments

Accounting policies
Financial instruments recognised in the balance sheet include the following assets and liabilities: cash and cash equivalents, trade receivables, other receivables, other financial assets, trade payables, other liabilities and loan payables.

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. Trade receivables are recognised in the balance sheet when an invoice has been issued. Trade payables are recognised 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
The fair value of other financial assets, trade receivables and other receivables, other current receivables, cash and cash equivalents, trade payables and other liabilities as well as interest-bearing borrowings is estimated to correspond with their carrying amounts (amortised cost). Vitrolife has loans with variable interest rates so fair value is estimated to correspond with the carrying amount.

Financial assets and liabilities measured at fair value in profit or loss
Classified in level 3 are financial assets that relate to unlisted shares and have been valued based on the latest material transactions. Hence, fair value is estimated to be equal to the carrying amount. During the year, all shareholdings were disposed of (these amounted to SEK 14,662 thousand in the previous year). Classified in level 3 are also liabilities that relate to additional purchase prices for which fair value has been estimated in cases where the outcome can be determined with certainty and the effect is material at Group level. The calculation is done by discounting future expected payments using current market rates in line with the duration of the liability. Measurement of the fair value of financial liabilities in level 3 during the period has had an effect of SEK -28 thousand (-374) on the income statement. This effect is recognised in the financial items. On the balance sheet day, the Group had no additional purchase prices that were measured for fair value (these amounted to SEK 8,161 thousand in the previous year).

Assets in the balance sheet	Assets measured at amortised cost		Financial assets at fair value in profit or loss	
	2021	2020	2021	2020
Other shares and participations	–	–	–	14,662
Other financial assets	17,226	8,725	–	–
Trade receivables	391,400	216,494	–	–
Other receivables	6,898	242	–	–
Cash and cash equivalents	630,094	973,566	–	–
Total	**1,045,618**	**1,199,028**	–	**14,662**

Liabilities in the balance sheet	Liabilities measured at amortised cost		Financial liabilities at fair value in profit or loss	
	2021	2020	2021	2020
Non-interest-bearing non-current liabilities	9,044	16,377	–	8,161
Borrowing	2,373,076	–	–	–
Leases	109,417	62,403	–	–
Trade payables	173,081	25,922	–	–
Other liabilities	18,087	3,327	–	–
Accrued expenses	33,920	15,876	–	–
Total	**2,716,625**	**123,905**	–	**8,161**

Parent Company
Financial assets and liabilities totalled SEK 17,318.2 million (1,093.7), and SEK 2,633.5 million (128.6) respectively. Impairment of participations in Group companies totalled SEK 22 million. Otherwise, no impairment has been deemed necessary based on future earning potential. There is no forward cover on the currency components included in the above amounts.

Note 26. Leases

Accounting policies
As from 1 January 2019, Vitrolife applies the accounting principles of IFRS 16, whereby many of the Group's leases are reported in the balance sheet as right-of-use assets and corresponding lease liabilities. Right-of-use assets are included under property, plant and equipment in the statement of financial position. Lease liabilities are valued at the present value of future lease payments discounted by the implicit interest of the lease if this can be easily determined. If not, the Group's incremental borrowing rate is used. The purpose of the incremental borrowing rate is that it should reflect what a lessee would have needed to pay for financing via a loan for the same asset, for a corresponding period and with similar collateral. Vitrolife has a predetermined method for arriving at the incremental borrowing rate. The method comprises the type of asset, the duration of the agreements, the creditworthiness of the individual companies and the economic environment of the country where the company is located. When measuring the marginal lending rate, Vitrolife uses the interest on government bonds in each country with a duration that matches the leases for each company. A risk premium is added to the interest on the government bond, which is set based on the interest rate of external loans. The incremental borrowing rate is updated once per quarter for new and changed agreements. Exemption rules are applied to lease liabilities with a duration of less than 12 months, meaning that they are not included as right-of-use assets or lease liabilities, and the same applies to leases where the underlying value of the assets may be regarded as low pursuant to the definition set out in the standard.

Any extension options in leases are taken into consideration and in each individual case it is evaluated whether it is likely that the option will be exercised or not. Leases where it is assessed that extension options will be exercised concern the renting of premises represent 31 percent (76) of the total lease liabilities.

Vitrolife's leases are mostly for premises, but there are also leases for company cars and some office equipment and tools.

Recognition in the income statement is via depreciation and interest expenses.

Amounts recognised in the income statement	2021	2020
Depreciation of right-of-use	-18,129	-16,592
Interest expenses on lease liabilities	-1,861	-1,920
Costs related to short-term leases and low-value leases	-2,274	-1,952
Total	**-22,264**	**-20,464**

Total cash outflow from leases in 2021 amounted to SEK 20 million (18).

In 2021, expensed leasing totalled SEK 2,274 thousand (1,952) and is mainly related to leases with a term shorter than 12 months or where the underlying asset meets the IFRS 16 definition of being low value.

For presentation of the remaining term of lease liabilities, refer to Note 2.
For carrying amounts right-of-use assets, refer to Note 15.

Note 27. Participations in Group companies

Participations in Group companies	Parent Company 2021	2020
Opening cost	772,375	771,346
Shareholder contribution, Vitrolife Sweden AB	2,674	882
Shareholder contribution, Vitrolife A/S	521	147
Shareholder contribution, Vitrolife GmbH	24,545	–
Impairment of participations in Vitrolife GmbH	-22,000	–
Acquisition of subsidiary	14,815,286	–
Closing carrying amount	**15,593,401**	**772,375**

In connection with the business combination synergies arose of more efficient sellling processes combined with an expanded product offering. From these synergies shares have been distributed to Mendel Holdco S.L, Vitrolife Sweden AB and Vitrolife A/S. The value of the shares in Vitrolife GmbH and Vitrolife A/S was redistributed due to an internal restructuring, where production was moved from Germany to Denmark, SEK 49,348 thousand was redistributed based on management's estimate of the relative value of the production unit in relation to the total value of the German operation.

Company	Corp. ID No.	Domicile	Number of shares	Share, %*	Carrying amount 2021	Carrying amount 2020
Vitrolife, Inc.	84-1547804	Denver and San Diego, USA	500,000	100	173,221	173,220
Vitrolife Sweden AB	556546-6298	Gothenburg, Sweden	5,000,000	100	2,651,941	179,267
Vitrolife SAS	818,505,893	Paris, France	–	100	–	–
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, England	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	5,855	5,856
Vitrolife A/S	27 40 67 93	Aarhus, Denmark	374,120	100	848,626	338,756
Vitrolife GmbH	HRB 4525	Bruckberg, Germany	3	100	8,028	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
New Genetics S.L.	B88287404	Madrid, Spain	300,000	100	0	–
Mendel Holdco S.L.	B88311501	Madrid, Spain	3,013,676	100	11,885,286	–
Mendel Bidco, S.L.	B88311477	Madrid, Spain	–	100	–	–
Mendel Bidco, Inc.	84-2111961	Delaware, USA	–	100	–	–
Igenomix Latam, Inc.	465595434	Miami, USA	–	100	–	–
Igenomix USA, LLC	462512132	Miami, USA	–	100	–	–
Igenomix, S.L.	B98112329	Valencia, Spain	–	100	–	–
Igenomix Spain Lab, S.L.*	B40592867	Valencia, Spain	–	100	–	–
Igenomix R&D, S.L.	B40592883	Valencia, Spain	–	100	–	–
Igenomix India, PVT Ltd.	AADCI0676C	Bangalore, India	–	99.99	–	–
Igenomix Brasil Laboratorio de medicina genética, LTDA.	19.555.576/0001-43	Sao Paulo, Brasil	–	99.99	–	–
Igenomix UAE FZ, LLC.	100312861600003	Dubai, United Arab Emirates	–	100	–	–
Igenomix Genetic Services Canada, INC.	778805697 RT0001	Montreal, Canada	–	100	–	–
Igenomix Mexico, S.R.L. de C.V.	IME1510237A1	Mexico City, Mexico	–	100	–	–
Igenomix Turkey Genetik Laboratuvar Ve Dan Hzm. A.S	4650501202	Istanbul, Turkey	–	100	–	–
Igenomix Japan, KK	0104-01-130193	Tokyo, Japan	–	100	–	–
Igenomix Italy, S.R.L.	3793960240	Marostica, Italy	–	100	–	–
Igenomix UK, Ltd.	266,290,978	Cambridge, England	–	100	–	–
Igenomix Argentina, S.A.	30-71561815-6	Buenos Aires, Argentina	–	99.97	–	–
Igenomix Taiwan, Ltd.	50982105	Taipei, Taiwan	–	100	–	–
Igenomix HK Limited	2234733	Cheaung Sha Wan, Hongkong	–	99	–	–
Veritas Biotech (Sanghai) Co. Ltd	91310000MA1K33896C	Shanghai, China	–	99	–	–
Hangzhou Veritas Biotech Co. Ltd	91330101MA27W4096T	Hangzhou, China	–	100	–	–
Hangzhou Veritas Medical Institution Co. Ltd	91330101MA27XRT997	Hangzhou, China	–	100	–	–
Igenomix RS LLC.	9701136165/770101001	Moscow, Russia	–	100	–	–
Genomics Perú, S.A.C.	20553501751	Lima, Peru	–	95	–	–
Igenomix Chile, SLP	76.316.621-K	Santiago, Chile	–	95	–	–
Igenomix Korea, Ltd.	367-88-01894	Gyeonggi-do, South Korea	–	100	–	–
Novalbufera Business, S.L.	B01670389	Valencia, Spain	–	50	–	–
Avrupa Laboratuvarlan Saglik Hizmetleri A.S	1061367806	Istanbul, Turkey	–	60	–	–
Igenomix Colombia, S.A.	901.449.016-4	Bogota, Colombia	–	100	–	–
Igenomix Vietnam, S.L.	0109695102.	Hanoi, Vietnam	–	100	–	–
Total					**15,593,401**	**772,375**

*Share of voting power is equal to shareholdings for all companies.

**Subsidiaries with non-controlling interest are not deemed material enough to require financial information to be presented according to IFRS 12.

***The remaining 2.7 percent is owned by Vitrolife Sweden AB.

Note 28. Business combinations

Accounting policies
Subsidiaries are entities that Vitrolife AB (publ) controls. Control exists if the parent company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Potential voting rights and whether de facto control exists are taken into account when assessing whether control exists.

Subsidiaries are reported using the acquisition method of accounting. This means that an acquisition of a subsidiary is viewed as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. The acquisition analysis establishes the fair value at acquisition date of acquired identifiable assets andliabilities, as well as any non-controlling interests. Transaction costs, except for transaction costs attributable to the issue of equity instruments or debt instruments, that arise are recognized directly in profit for the year.

In business combinations where the value of the consideration transferred, any non-controlling interest and (in a business combination achieved in stages) the fair value of previously held equity interest and assumed liabilities are recognized separately, the difference is recognized as goodwill. If the difference is negative, the resulting gain is a "bargain purchase" and recognized in profit and loss for the year.

Contingent consideration is recognized at acquisition-date fair value. If the contingent consideration is classified as an equity instrument, the original amount is not remeasured and is settled in equity. For other contingent consideration, the items are remeasured at every reporting date and the change is recognized in profit or loss for the year.

Acquisitions from non-controlling interests are recognized as an equity transaction, that is, between the owners of the parent (within retained earnings) and non-controlling interests. Consequently, no goodwill arises in these transactions.

Consolidated accounting policies have been adjusted when subsidiary accounting policies differ from the consolidated accounting policies.

The financial statements of subsidiaries are included in the consolidated financial statements from acquisition date until the date control no longer exists.

Acquisition
Vitrolife acquired 100 percent of shares and votes in Igenomix S.L. ("Igenomix") on 30 November 2021. Igenomix was founded in 2011 and is a global leader in women's health and reproductive genetic testing at IVF clinics. Igenomix currently has 27 laboratories worldwide and offers a broad product portfolio consisting of clinically validated genetic tests and services, covering a wide range of genetic diagnostics in reproductive and personalised medicine, with pre-implantation tests mostly driving sales. The company's head office is located in Valencia, Spain, and the company had 744 employees as of December 2021.

The merger will create a global leader in reproductive health by combining the expertise, product offering and market position of two leading companies in fertility treatment products and reproductive genetic testing.

Fair value of acquired net assets (SEK m)	2021
Trademark	1,114
Customer relationships	1,617
Product rights	1,497
Other intangible assets	61
Property, plant and equipment	175
Other financial assets	6
Deferred tax assets	72
Current assets	374
Operating liabilities	-265
Deferred tax liabilities	-1,057
Borrowing	-1,388
Lease liabilities, non-current	-32
Other non-current liabilities	-1
Borrowing, current	-21
Lease liabilities, current	-11
Total acquired net assets	**2,140**

Allocation of purchase price (SEK m)	2021
Cash and cash equivalents	5,199
Non-cash issue*	9,523
Total purchase price	**14,722**
Fair value of acquired net assets	-2,140
Non-controlling interest	13
Goodwill	**12,595**

*The fair value of the 17,251,312 ordinary shares that were issued as part of the purchase price (SEK 9,523 million) was based on the share price quoted on 30 November 2021 of SEK 552 per share.

Effect on consolidated cash and cash equivalents (SEK m)	
Cash and cash equivalents paid	-5,199
Cash and cash equivalents in acquired business	120
Debt settlement related to acquisition	-1,368
Effect on cash and cash equivalents from acquisition	**-6,447**

Goodwill is mainly attributable to the acquired business' overall competencies, as well as the synergies that arise in the form of more efficient sales processes combined with an expanded product offering. Goodwill is attributable to the EMEA segment. None of the reported goodwill is expected to be tax deductible. The useful life of customer relationships is estimated to be ten years and the product rights are assessed to have a useful life of twenty years.

The transaction-related expenses for the acquisition amount to SEK 149 million. Of these, SEK 33 million are issue expenses relating to the private placement. These expenses were recognised directly against equity. Arrangements for bank loans amounted to SEK 19 million, and these are expensed in the income statement on a straight-line basis over the term of the loans, which amounts to 5 years. The remaining transaction-related expenses of SEK 96 million are reported as administrative expenses in the income statement; these are not considered to be tax deductible. The acquired business contributed revenues of SEK 116 million and a net profit of SEK 17 million to the Group for the period 1 December to 31 December 2021. Amortisation of acquired surplus values of SEK 15 million were charged against profit.

The table below shows sales and profit as if the acquisition had taken place on January 1, 2021. These amounts have been calculated using the companies' earnings adjusted for:

- the additional amortisation that would have arisen provided that the adjustment to the fair value of intangible assets had been applied from 1 January 2021, together with attributable tax effects.
- interest and set-up fees of SEK 67 million relating to loans settled in connection with the acquisition of Igenomix were recognised in pro forma profit or loss.
- the additional interest and set-up fees of SEK 30 million pertaining to newly raised loans in connection with the acquisition relate to the Parent Company and were charged to pro forma profit or loss.
- non-recurring costs related to the transaction were reported in pro forma profit or loss, SEK 231 million attributable to Igenomix and SEK 96 million attributable to the Parent Company.

Sales and earnings if the acquisition had occurred 1 January 2021

SEK millions	Igenomix	Other companies	Amortisation and depreciation of acquired assets	Total
Sales	1,252	1,565	–	**2,817**
EBITDA	291	615	–	**906**
Profit for the year after tax	193	405	-176	**421**

Note 29. Pledged assets and contingent liabilities

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

	Group		Parent Company	
Pledged assets	2021	2020	2021	2020
Floating charges	16,900	20,000	–	3,100
Endowment insurance	20,137	16,072	8,494	7,019
Total	**37,037**	**36,072**	**8,494**	**10,119**

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

	Group		Parent Company	
Contingent liabilities	2021	2020	2021	2020
Guarantees to external parties	5,929	673	–	–
Endowment insurance, difference between cost and market value	6,005	2,357	1,510	506
Guarantee for Group companies	–	5,544	–	5,544
Total	**11,934**	**8,574**	**1,510**	**6,050**

Note 30. Related parties

Related parties
The Parent Company has a close relationship with its subsidiaries. Refer to Note 27. Of the Parent Company's total purchases and sales, 0 percent (0) of purchases and 100 percent (100) of sales pertain to intra-Group transactions. Internal pricing within the Group is set based on the arm's length principle, that is, between parties that are independent, well-informed and with a vested interest in the transactions.

Transactions with other key individuals in senior positions
Apart from what is stated regarding Remuneration to the Board and senior executives in Note 8, no transactions with related parties have taken place.

Note 31. Events after the closing date

Russia's invasion of Ukraine has created uncertainty in the geo- and security political environment, whose consequences are not possible to judge.

The Board's proposed dividend amounts to SEK 108 million (87), corresponding to SEK 0.80 (0.80) per share.

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

Attestation

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

Gothenburg, 25 March 2022

Jón Sigurdsson
Chairman of the Board

Henrik Blomquist
Board member

Lars Holmqvist
Board member

Pia Marions
Board member

Karen Lykke Sørensen
Board member

Vesa Koskinen
Board member

Thomas Axelsson
CEO

Our auditor's report was submitted on 25 March 2022

Deloitte AB

Harald Jagner
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

Opinions
We have audited the annual accounts and consolidated accounts of Vitrolife AB (publ) for the financial year 2021 except for the corporate governance report on pages 42-48. The annual accounts and consolidated accounts of the company are included on pages 34-69 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 2021 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 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not include the corporate governance report on pages 42-48. 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 statements of financial position 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 EU.

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

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

Accounting for business combinations
During the year, Vitrolife acquired all shares in Mendel Holdco S.L. ("Igenomix"). Accounting for business combinations require significant judgements and estimates to identify, and determine the fair values of, acquired assets and liabilities.

The group's accounting policy and further disclosures regarding the effects of the business combination can be found in note 28.

Our audit procedures
Our audit procedures included, but were not limited to:

- Auditing the purchase price allocation using internal valuation specialists in order to assess the identification of, and fair value assessment of, acquired assets and liabilities, and
- Evaluating the accounting principles applied and the disclosures made for business combinations to ensure compliance with IFRS.

Valuation of goodwill
Goodwill amounts to SEK 12 994 620 TSEK and is related to acquisitions.

We focused on the impairment assessment of goodwill, as the book value of goodwill is deemed material and significant judgments and estimates are made when assessing the risk of impairment of goodwill. For further information regarding the accounting for goodwill, refer to note 3 and note 14 in the annual report, which outlines critical estimates and judgments, account principles and intangible assets.

Our audit procedures
Our audit procedures included, but were not limited to:

- Evaluating the design of the company's routines and relevant internal controls for impairment testing of goodwill;
- Assessing the reasonableness of assumptions made, assessing that the valuation model is consistently applied, testing the integrity of input data which the calculations are based upon, and testing the arithmetic accuracy of the valuation models;
- Evaluating the reasonableness of identified cash-generating units;
- Involving valuation specialist in certain audit procedures;
- Evaluating the accounting principles applied and the disclosures made for goodwill to ensure compliance with IFRS.

Revenue recognition
Sales amounts to SEK 1 680 804 TSEK during 2021. For further information regarding the consolidated revenue recognition refer to notes 4 and 5 in the annual report, which sets out account principles, segment reporting and sales by divisions.

We focused on this area due to high transaction volumes and varying sales terms, which can affect the timing of the risk transition.

Our audit procedures
Our audit procedures included, but were not limited to:

- Evaluating the revenue recognition policies in accordance with IFRS 15 to assess whether these were appropriately designed to account for revenue in the correct period;
- Evaluating the design of the company's routines and relevant internal controls for revenue recognition;
- On a sample basis, testing sales transactions to assess whether revenue has been recorded in the correct period;
- Evaluating the accounting principles applied and the disclosures made for revenue to ensure compliance with IFRS.

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 1-33 and 73-76. 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 management's administration 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

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Vitrolife AB (publ) for the financial year 2021 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/revisornsansvar. This description forms part of the auditor´s report.

The auditor's examination of the Esef report

Opinion
In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the President have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528) for Vitrolife AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements. In our opinion, the Esef report #15051daffe137b-fe5c1e28781dc553049420b5e600f24e88ebb061e14526d5fd has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion
We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Vitrolife AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Esef report in accordance with the Chapter 16, Section 4 a of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the President determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the President, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the President.

The procedures mainly include a technical validation of the Esef report, i.e., if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also includes an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 36-39 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 RevR 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.

Deloitte AB, was appointed auditor of Vitrolife AB by the general meeting of the shareholders on the 28 april 2021 and has been the company's auditor since 5 May 2014.

Gothenburg, 25 March 2022
Deloitte AB

Signed on Swedish original

Harald Jagner
Authorized Public Accountant

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

This report includes certain key ratios not defined in IFRS, but they are included in the 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 performance measures as complementing rather than replacing financial information stated in accordance with IFRS. Please note that Vitrolife's definitions of these measures may differ from other companies' definitions of the same terms.

Definitions of the measures used, referred to and presented in the financial reports are listed below. Measures that can be found directly in the financial reports and can be calculated on the basis of the definitions below were not included in the coming tables.

PROFIT AND YIELD MEASURES

Gross profit
Definition: Net sales less cost of goods sold.
Purpose: This measure shows the Group's profit before the effects of costs such as selling and administrative expenses.

Gross margin, %
Definition: Gross profit in relation to net sales for the period.

Operating profit (EBIT)
Definition: Net sales less all costs attributable to operations including depreciation, amortisation and impairment of property, plant and equipment and intangible assets but excluding net financial items and tax.
Purpose: This is used to measure operational profitability and the Group's target achievement.

Operating margin (EBIT), %
Definition: Operating profit (EBIT), in relation to net sales for the period.

Operating profit before depreciation, amortisation and impairment (EBITDA)
Definition: Operating profit before depreciation, amortisation and impairment of property, plant and equipment and intangible assets.
Purpose: This is used to measure profit from operating activities independent of depreciation, amortisation and impairment. The company aims to achieve growth while maintaining profitability, which is monitored via EBITDA.

Operating margin before depreciation, amortisation and impairment (EBITDA), %
Definition: Operating profit before depreciation, amortisation and impairment (EBITDA) in relation to net sales for the period.

Adjusted gross and operating profit
Definition: Gross and operating profit before amortisation of acquisition-related intangible assets.
Purpose: As Vitrolife's gross and operating profit 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 profit adjusted for amortisation of these surplus values.

Adjusted gross and operating margin, %
Definition: Adjusted gross and operating profit in relation to net sales for the period.

Return on equity, %
Definition: Net income for a rolling 12-month period in relation to average equity for the period. (Average is calculated on last four reported quarters.)
Purpose: It is Vitrolife's assessment that return on equity is an appropriate measure to illustrate to stakeholders how well the Group invests its equity.

SEK millions	31 Dec 2021	31 Dec 2020
Average equity for the period	6,349.8	1,943.8
Net income, rolling 12 months	341.0	286.8
Return on equity, %	**5.4**	**14.8**

CAPITAL MEASURES

Net debt
Definition: Current and non-current interest-bearing liabilities adjusted for IFRS 16 effect less interest-bearing receivables less cash and cash equivalents.
Purpose: 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 conjunction with the entry into force of IFRS 16 on 1 January 2019, this measure's definition was reformulated since financial liabilities related to leases are not included in the calculation of the net debt.

Net debt/EBITDA, rolling 12 months
Definition: Net debt in relation to EBITDA, rolling 12 months.
Purpose: 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 profit before depreciation, amortisation and impairment (EBITDA). According to Vitrolife's financial targets, this measure should normally not exceed three times. Management assesses that this measure gives creditors and investors important information on the Group's attitude towards debt.

SEK millions	31 Dec 2021	31 Dec 2020
Borrowing, non-current	1,944.5	–
Lease liabilities, non current	82.4	48.8
Borrowing, current	428.6	–
Lease liabilities, current	27.1	13.6
Adjustment of liabilities related to leases	-109.5	-62.4
Cash and cash equivalents	-630.1	-973.6
Net debt	**1,743.0**	**-973.6**
Operating profit, rolling 12 months	435.4	370.0
Depreciation/amortisation, rolling 12 months	108.9	84.1
EBITDA, rolling 12 months	**544.3**	**454.1**
Net debt/EBITDA, rolling 12 months	**3.2**	**-2.1**

Equity/assets ratio, %
Definition: Equity and non-controlling interest in relation to total assets.
Purpose: This ratio shows the proportion of the company's total assets that are financed by shareholder equity. A high equity/assets ratio is a measure of financial strength and is used to measure target achievement.

Working capital
Definition: Current assets excluding cash and cash equivalents less current non-interest-bearing liabilities.
Purpose: This measure is used to show how much capital is needed to finance current business operations.

SHARE-RELATED MEASURES

Cash flow from operating activities per share

Definition: Cash flow from operating activities for the period in relation to average number of shares outstanding for the period.
Purpose: This measure is used to show the cash flow generated by the company's operating activities per share.

Equity per share

Definition: Equity in relation to number of shares outstanding on the closing date.
Purpose: This measure shows the company's net value per share and determines whether a company increases shareholders' net worth over time.

Earnings per share (defined by IFRS)

Definition: Net income attributable to Vitrolife's owners in relation to the average number of outstanding shares for the period. For reconciliation, refer to *Note 21, Earnings per share.*

P/E ratio

Definition: Price per share in relation to earnings per share.
Purpose: This ratio shows how the profit for the period relates to the price of the share.

OTHER MEASURES

Organic growth

Definition: Organic growth is sales growth from existing business operations adjusted for acquisitions and divestments. An acquisition or a sale is only included in the calculation of organic growth when it is included for an equal number of months in the present period and the corresponding period the previous year. Otherwise it is included in the calculation of acquired growth.
Purpose: Organic growth excludes the effects of changes in the Group's structure, thus enabling a comparison of net sales over time.

Net sales growth in local currency

Definition: Growth in local currencies is sales growth adjusted for currency effects, which is calculated as sales for the period in local currencies recalculated at a predetermined exchange rate in relation to the corresponding period the previous year in local currencies recalculated at the same exchange rate.
Purpose: 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 using each amount in SEK millions in relation to net sales in the same period of the previous year.

Group total	2021	2020
Organic growth in local currency, SEK m	366	-193
Organic growth in local currency, %	*30*	*-13*
Acquired growth, SEK m	116	–
Acquired growth, %	9	–
Currency effects, SEK m	*-46*	*-42*
Currency effects, %	*-4*	*-3*
Total growth, SEK m	**435**	**-235**
Total growth, %	*35*	*-16*

Net sales by geographic segment	EMEA	North and South America	Japan and Pacific	Asia
	2021	2021	2021	2021
Growth in local currency, SEK m	177	86	34	70
Growth in local currency, %	*33*	*38*	*16*	*25*
Acquired growth, SEK m	42	58	8	8
Acquired growth, %	8	26	4	3
Currency effects, SEK m	-17	-16	-11	-3
Currency effects, %	*-3*	*-8*	*-5*	*-1*
Total growth, SEK m	**202**	**128**	**31**	**75**
Total growth, %	*38*	*57*	*14*	*27*

Net sales by division	Consumables	Technology	Genomics	Genetic Services	Other
	2021	2021	2021	2021	2021
Growth in local currency, SEK m	186	124	52	–	4
Growth in local currency, %	*25*	*34*	*49*	–	*18*
Acquired growth, SEK m	–	–	–	114	2
Acquired growth, %	–	–	–	–	10
Currency effects, SEK m	-26	-12	-6	–	-2
Currency effects, %	*-4*	*-3*	*-6*	–	*-10*
Total growth, SEK m	**161**	**111**	**46**	**114**	**4**
Total growth, %	*21*	*31*	*42*	–	*18*

Rolling 12 months.

Definition: Key ratios calculated from rolling 12-month values were calculated from the past four rolling interim and year-end reports.
Purpose: Rolling 12 months gives a clearer picture of sales or profitability and a fairer picture of a key ratio's development.

GLOSSARY AND SHAREHOLDER INFORMATION

The following explanations are intended to help the reader 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 specification of requirements.

Biopsy: Collection of one or several cells from living tissue for further analysis.

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 five to seven after assisted conception. 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 to treat a medical condition.

Embryo: A fertilized and cell divided egg.

In vitro (Latin for "in the glass"): A process that is taken out of a cell to instead continue in an artificial environment such as a test tube.

In vivo (Latin for "within the living"): Biological processes in living cells and tissue occurring in whole living organisms.

Incubator: Equipment for culturing embryos in a controlled environment.

IUI – Intra-uterine insemination (artificial insemination): A high concentration of active sperm is injected to increase the chance of pregnancy.

IVF – In vitro fertilisation: Fertilisation between a woman's and a man's reproductive cells and cultivation of embryos outside the body.

Clinical study/trial: A study of healthy or sick people to determine the effect of a pharmaceutical or treatment method.

Medical devices: Devices used to diagnose diseases, treat diseases and for rehabilitation.

PGT-A: Preimplantation genetic testing for aneuploidy (PGT-A), also called preimplantation genetic screening (PGS), tests for the number of chromosomes, which can be used in IVF to help determine the chromosomal status of an embryo from a biopsy of one or more cells. The result of PGT-A aids in the selection of an embryo likely to have a normal number of chromosomes (euploid) for transfer to the woman and helps avoid those with an abnormal number (aneuploid), which 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), tests for specific hereditary genetic diseases that are caused by a single defective gene. This test is used for couples who want to be sure that their child will not carry a genetic mutation that may cause a genetic disease.

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

Time-lapse: Technology for monitoring embryos. Pictures of the development of the embryo are taken at short intervals and are then played back as a film and analysed.

Vitrification: Process for converting a material to a glass-like solid state, for example through rapid freezing. In this case, the rapid freezing of eggs and embryos so that IVF may be performed at a later time.

ANNUAL GENERAL MEETING 2022

The AGM of Vitrolife AB (publ) will be held on Wednesday 27 April 2022 at 4.00 p.m. at Elite Park Avenue Hotel, Kungsportsavenyn 36-38, Gothenburg. For more information, see www.vitrolife.com.

DISTRIBUTION OF THE ANNUAL REPORT

Vitrolife's annual report is available in Swedish and English. 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.

2022 REPORTING CALENDAR

January–March Interim Report,
Friday 22 April
January–June Interim Report,
Friday 15 July
January–September Interim Report,
Thursday 27 October

INVESTOR RELATIONS

Patrik Tolf, CFO
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AUDITORS

The company's auditor is Deloitte AB. The auditor in charge is Authorised Public Accountant Harald Jagner (1971). Harald Jagner has been engaged as Vitrolife's auditor since 2020.

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TOGETHER.
ALL THE WAY™

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