CELLAVISION ANNUAL REPORT 2018

Net sales	Operating profit	Operating margin
SEK 365 m 2018	SEK 112 m 2018	30.6 % 2018
SEK 309 m 2017	SEK 91 m 2017	29.4 % 2017
+ 18 percent	+ 22.8 percent	+ 1.2 percentage points

Enjoy the reading of

CellaVision Annual report 2018

Here is the table of content

3 Annual General Meeting & calendar
4 CellaVision 2018
5 Financial summary
6 CEO´s comments
8 This is CellaVision
9 Unique solutions for analysis of blood
10 CellaVisions business model
11 Strategic agenda
12 Geographic expansion
13 Segment expansion
14 Unique innovation
15 Improved supply chain
16 Developed partnerships
17 Market
19 Americas
20 EMEA
21 APAC
22 The CellaVision share
24 Sustainability at CellaVision
25 Sustainability: Planet
26 Sustainability: People
27 Sustainability: Product
28 Sustainability: Society
29 Sustainability: Risks & risk handling
32 Administration report
35 Five year summary
37 Commnets of the five year summary
38 Corporate Governance
44 Board of Directors & Auditors
45 Management
46 Statement of comprehensive income, Group
47 Statement of finacial position, Group
49 Statement of cash flows, Group
50 Statement of changes in equity, Group
51 Income statement, Parent company
52 Balance sheets, Parent company
54 Cash flow statement, Parent company
55 Statement of change in equity, Parent company
56 Notes
67 Reconciliation tables KPIs
69 Approval of the Annual report
70 Auditor´s Report
73 Glossary
74 Financial definitions
75 Sources
76 CellaVision in the world

Annual General Meting & calendar

Annual General Meeting

CellaVision's Annual General Meeting will be held on May 8, 2019 at 15.00 at Mobilvägen 12 in Lund.

The Notice to the Annual General Meeting is available at: http://www.cellavision.com/sv/agm

Participation

Shareholders who wish to attend the AGM must be listed in the share register hold by Euroclear Sweden on May 2, 2019, and must have given notice of their intention to attend by mail to:

CellaVision AB, c/o Advokatfirman Lindahl
Studentgatan 6, 211 38 Malmö
or via e-mail: cellavision@lindahl.se
or via fax: +46 40 664 66 55

The notification must include name, personal or corporate identity number, and the daytime telephone number.If applicable, the number of assistants (maximum two) must also be stated. If shareholders intend to be represented by a proxy, authorization and other authorization documents should be attached to the notification.

Nominee registered holdings

For entitlement to participate in the AGM shareholders with nominee-registered holdings must apply for temporary re-registration of the shares in their own name with Euroclear Sweden. Registration must have been effected at the latest by April 27, 2018 and should be requested in good time before that date.

Dividend

The Board of Directors proposes that the AGM of 2019 approve a dividend of SEK 1:50 per share for 2018.

Financial calendar

Interim Report Q1, May 7
Interim Report Q2, July 16
Interim Report Q3, Oct 23
Year-end Bulletin 2019, Feb 5, 2020

Subscribe

Financial information and other relevant company information is published on CellaVision's website.

To subscribe and have access to the information automatically, register at www.cellavision.se/subscribe.

Investor relations contact

Maria Morin, VP HR & Corporate Communications
maria.morin@cellavision.se

Magnus Blixt, CFO
magnus.blixt@cellavision.se

CellaVision 2018

Net sales increased to SEK 365 m (309), corresponding to an organic growth of 15%.

Operating profit strengthened to SEK 112 m (91), corresponding to an operating margin of 30.6% (29.4).

Continued **geographical expansion** with established organizations for local market support in Mexico, Thailand and India.

The introduction of CellaVision® DC-1, a new product for smaller labs in both human and veterinary medicine.

Innovation. Strengthened organization and completion of the technology platform CellaVision® DC-1.

Distribution expansion in China and with extended distributor collaboration for sale of CellaVision® DC-1.

Improved supply chain with new structure for CellaVision's supply chain implemented.

CellaVision's Board of Directors and CEO propose a **dividend of SEK 1.50** for the fiscal year 2018.

Financial summary 2018

CellaVision's sales grew by 18 percent in 2018 to SEK 364.8 million (309.3). The positive development was achieved after good growth in all market areas. In Americas, sales amounted to SEK 185.5 million (167.3), corresponding to organic growth of 9 percent. In EMEA, sales amounted to SEK 102.2 million (81.8), corresponding to an organic growth of 22 percent. APAC continued its strong growth in recent years and sales increased to SEK 77.1 million (60.3), corresponding to organic growth of 24 percent.

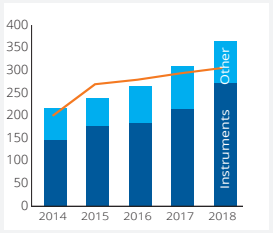
CellaVision's operating expenses amounted to SEK 159.3 million (132.3). The increase is explained by increased sales costs due to the rapid geographical expansion that CellaVision is currently implementing and increased investments in research and development. The company's administrative expenses increased only marginally due to a strict focus on efficiency.

Both operating profit and operating margin developed positively in 2018. Operating profit amounted to SEK 111.6 (90.9) million and operating margin grew to 30.6 (29.4) percent. The strong margin growth is explained by the leverage effect built into CellaVision's indirect business model. The gross margin improved to 74.2% (72.2). The improvement is due to improved product mix and positive currency effects.

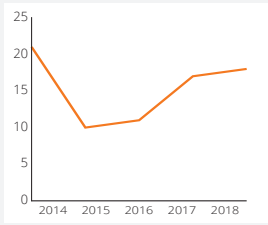
The year's investments of SEK 23.9 (29.7) million are related to capitalized development costs and the acquired a technology comprising a system of blood smearing technic from the Swedish company Molek. Cash flow from operating activities during 2018 amounted to SEK 74.1 (87.9) million after strong invoicing at the end of the year and consequent high accounts receivable at the end of December. The proposed dividend for the year amounts to SEK 35.8 (35.8) million. Total cash flow for the year amounted to SEK 14.4 (22.4) million.

SEK millions	2018	2017	2016	2015	2014
Net sales	364.8	309.3	265.0	239.4	216.9
Gross profit	270.9	223.2	188.9	174.2	145.1
Operating profit	111.6	90.9	74.2	65.5	42.8
Profit before tax	112.1	90.3	75.8	65.6	43.4
Cash flow	14.4	22.4	24.7	54.8	-6
Number of employees	117	99	84	73	72

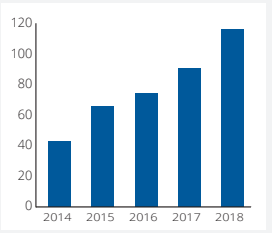
Net sales, SEK millions
Operating margin, %



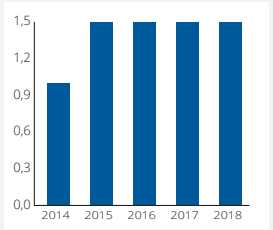
Sales growth, %



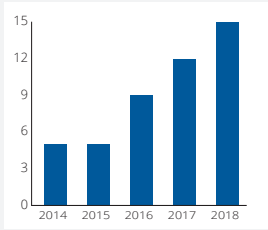
Operating profit, MSEK



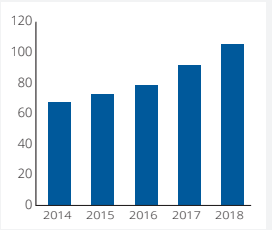
Dividend SEK,
(as proposed by the Board)



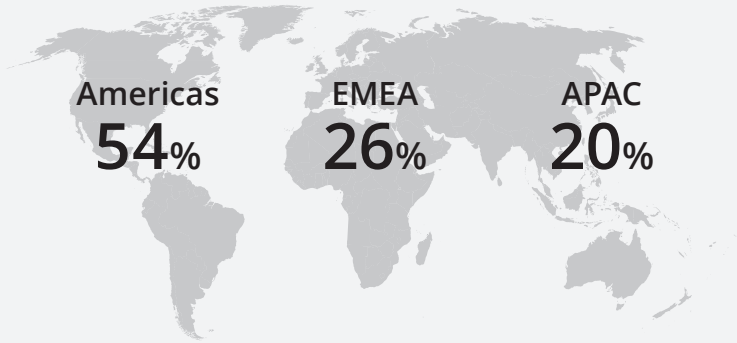
Number of market
organizations at year end



Average number
of employees



Net sales per region



CEO´s comments

2018 was another strong year for CellaVision. The organic growth and operating profit increased by 15 and 23 percent, respectively.

2018 was also the year when we completed the development of CellaVision® DC-1, which will be very important for our continued growth.

2018 was a year of continued good growth and launch preparations

2018 was another year of good growth for CellaVision. In total our sales were SEK 365 million (309), which corresponds to organic growth of 15 percent, well in line with the company's ambition to have annual organic growth of 15 percent. The sound performance was achieved through good growth in all regions. The operating profit increased to SEK 111.6 million (90.9) and the operating margin improved to 30.6 percent (29.4), considerably higher than our target of an operating margin of 20 percent.

All regions reported double figure growth in 2018. It was particularly gratifying to see growth of 25 percent in EMEA, where our local market support initiatives are starting to deliver clear results. In the Americas growth was 11 percent after continued good performance in the USA and Canada, and in APAC growth was 28 percent, after yet another year of strong growth in the Chinese market.

In 2018 CellaVision continued to develop the company's business in accordance with our five strategic initiatives, aimed at ensuring continued sound development in line with our financial targets of 15 percent and an operating margin of at least 20 percent.

1. Geographical expansion

CellaVision's strategy of establishing local organizations for market support has been very successful, demonstrated among other things by this year's strong growth in EMEA. In 2018 we established local market support organizations in India, Mexico and Thailand. We strengthened the organization in China and started establishment in Iberia and Italy, which both became operational after the year end.

2. Segment expansion

At the close of 2018 CellaVision was present in two market segments: large human labs and large veterinary labs. This market is valued at about SEK 1.4 billion.

With the launch of the CellaVision® DC-1 we will also address small and mid-size laboratories in both human and veterinary medicine. The value of this market can prove to be a market on par with, or even larger than, the current market for large laboratories that CellaVision address today.

In 2018, CellaVision acquired a technology comprising a system of blood smearing technic from the Swedish company Molek. Blood sample preparation is an important component to ensure a good quality of the image analysis of CellaVision's systems and is therefore a good fit with CellaVision's product portfolio.

3. Innovation

In 2018 we completed development of the CellaVision® DC-1. The autumn was mainly devoted to extensive clinical tests and careful launch and production preparations for the markets that accept CE marking. We have also started work on getting the CellaVision® DC-1 approved for sale in the USA and China. These sales are expected to start sometime in 2020. In 2018 SEK 16.7 million was capitalized in the CellaVision® DC-1 project and total capitalization amounts to SEK 54.0 million.

Innovation is a key area strategically for CellaVision and in 2018 we strengthened the skills and capacity of the organization to enable realization of the plans and ideas we have for building an even stronger CellaVision.

4. Developed partnerships

A decisive factor for the success of our distributor partnerships is our capacity to transfer knowledge of products and solutions, as well as to provide support in various parts of the sales process. To succeed in this, we work through our local market support organizations, as well as through our e-learning platform, the CellaVision® Academy.

In 2018 we signed a global distribution agreement with Mindray, one of the leading manufacturers of cell counters in China. As part of the launch preparations for the CellaVision® DC-1 we also signed a supplementary agreement with all relevant distribution partners.

5. Improved supply chain

Within our supply chain-organization in 2018 we increased capacity to meet growing demand and prepared production of the CellaVision® DC-1. Apart from this, we continued the ongoing work to reduce costs and increase efficiency.

Looking to the future

2018 was CellaVision's best year ever, and a year when we exceeded our financial targets of organic growth of 15 percent and an operating margin of at least 20 percent. Our ambition is to build on this by keeping focused on our five strategic initiatives.

Lund in April 2018

Zlatko Rihter,
President and Chief Executive Officer

This is CellaVision

CellaVision was formed in 1994 in Lund by the entrepreneur Christer Fåhraeus to develop an analyzer for automizing blood analysis. In 2001 the first analyzer was sold in Europe. Since 2001 CellaVision has continually improved its product offer and expanded sales to an increasing number of markets, establishing digital blood analysis as a global standard.

Vision

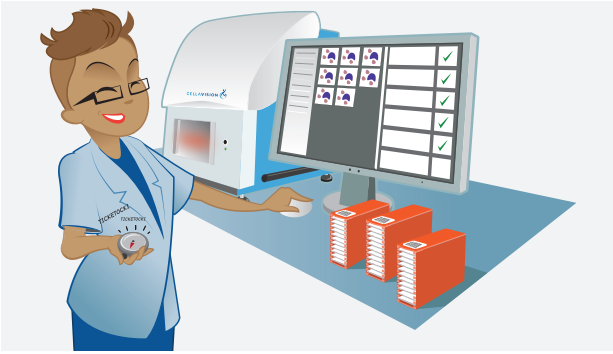
CellaVision's vision is global digitalization and automation of blood analyses for both the human and veterinary segments. The company's method contributes to improved patient diagnostics, streamlining and reduced healthcare costs.

Mission

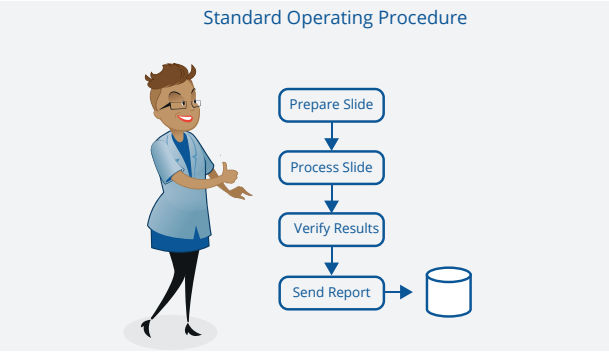
CellaVision offers digital solutions for medical microscopy that replace microscopes with analyzers based on digital image analysis, artificial intelligence and IT. The digital microscopy improves diagnostics while improving workflows and reducing costs.

Corporate culture focusing on the end customer

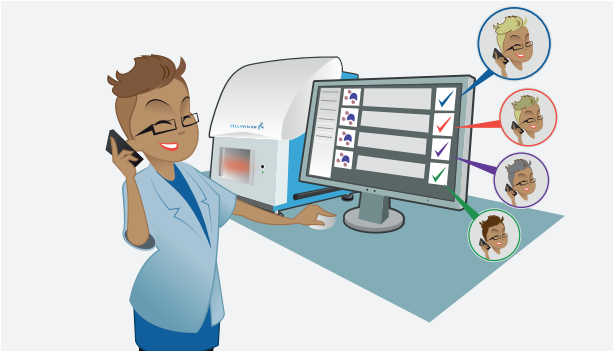
CellaVision's core values are Customer in Focus, Initiative and Responsibility and Simplicity and Quality. The corporate culture is characterized by understanding of the company's customers, quality awareness and ability to take action with responsibility. Along with objectives, vision and guidelines, these core values guide the daily work and form a profitable corporate culture.



Efficiency The CellaVision DM9600 enables uploading of up to 96 samples and presentation of the digitally analyzed images directly on the screen.



Quality CellaVision's automation and digitization of blood analyzes have created a standard for microscopy in hematology.



Collaboration Through networking, the possibilities of getting help from colleagues in the assessment of cell images are simplified.

Expertise CellaVision® Proficiency Software is designed to ensure and develop the lab staff's expertise.

CellaVision delivers unique solutions for digital blood analysis

CellaVision offers products and solutions for routine analysis of blood to hematology laboratories. The product offering consists of instruments, applications and software that enable customers to digitize and automate their workflow. The systems replace manual microscopes and create completely new opportunities to establish an efficient, computer-aided analysis process.

A routine analysis

When a hematological disease is suspected a complete blood count is the first test ordered by healthcare services. A complete blood count is one of the world's most common diagnostic tests and is routinely used to obtain an overall status of different cells in the blood. In total, approximately four billion analyzes are performed in cell counters per year in large and medium-sized laboratories, and for approximately 15 percent of these, further assessment of the different blood cells is required. The distribution between large and medium-sized laboratories' total volume of samples is estimated at 2.5 billion in large labs and 1.5 billion in small and medium-sized labs.

Detects diseases of the blood

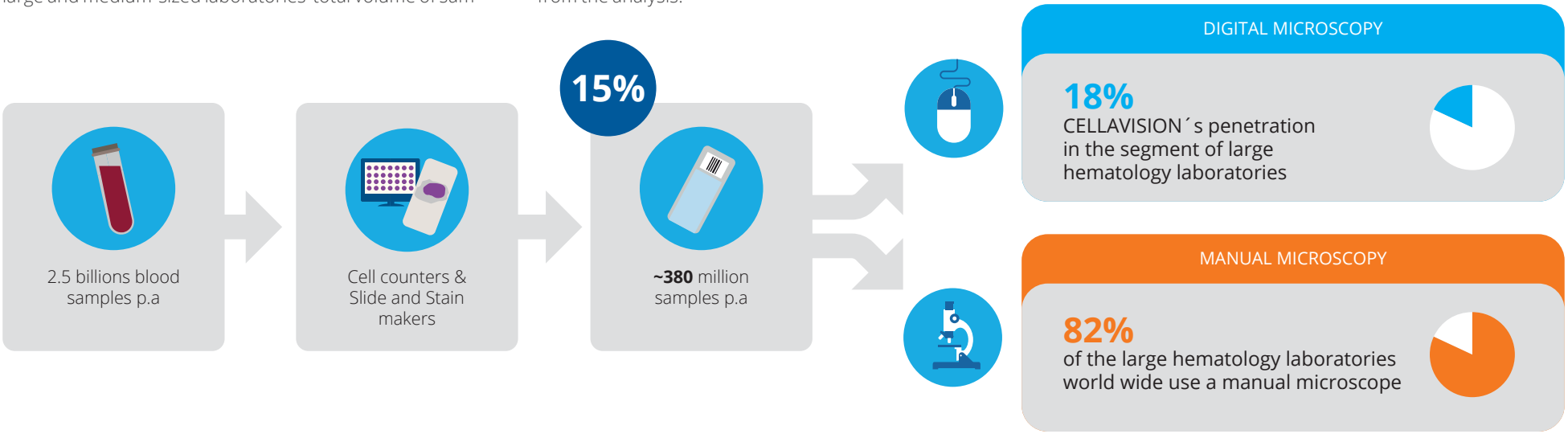
In the cases requiring further assessment of the blood sample, is examination of the distribution and appearance of the blood cells; that is size, color and shape, the focus for the analysis. The need for specialized analysis arises for example when the patient has immature or malignant cells in their blood. This may be the case in hematological disorders, such as anemia, low platelet count (thrombocytopenia), cancer of the blood (leukemia) and various tumor diseases, including lymphoma.

It is for the processing of these samples CellaVisions has developed a solution. CellaVision's instruments are loaded with applications for analysis of blood and other body fluids and with software that enables remote review of the results from the analysis.

Analysis of blood cells in other body fluids, such as cerebrospinal fluid, lung fluid and synovial fluid in CellaVision's system follows more or less the same procedure as for blood but the volumes analyzed are considerably lower. The existence of cells or changes in cells may indicate infection, inflammation or cancer.

Market with a great potential

The healthcare market is estimated to comprise about 17,000 large laboratories globally, distributed with approximately 5,000 in Americas, 5,000 in EMEA and 7,000 in APAC. The annual market value for large labs is estimated to SEK 1.4 billion. The small and medium-sized laboratories is estimated to comprise about 30,000 medium-sized and 70,000 small laboratories with a market value that in the long run may prove to be on par with or even larger than the market for large laboratories.



CellaVision's business model

CellaVision's business model combines focus on the core innovation and market support activities with strong partnerships in manufacturing and sales. Development of hardware and software and local market support takes place in house, while manufacturing and sales are done by selected partners.

Thanks to the indirect business model, CellaVision has been able to implement rapid geographical expansion combined with good cost control and positive profitability growth. The company currently has distribution agreements with all relevant hematology companies in the world, while local market support is provided by CellaVision's own organizations. Market support has expanded rapidly in recent years and at the close of 2018 CellaVision had 15 local organizations covering a total of 30 countries.

INNOVATION	MANUFACTURING	MARKET SUPPORT	SALES & DISTRIBUTION	BLOOD ANALYS
CELLAVISION CORE	*PARTNERSHIP*	*CELLAVISION CORE*	*PARTNERSHIP*	*END CUSTOMER*
CellaVision's innovative products have meant a revolution for digital microscopy. The innovation business is at the core of CellaVision's operations and value creation.	CellaVision does not manufacture its products on its own, but has chosen to work with subcontractors. In this way, a great scalability in production is created while CellaVision avoids large investments in production equipment.	CellaVision works continuously to strengthen its position in the market by establishing regional organizations for market support. The support is aimed both at the company's distribution partner and for end customers.	CellaVision's digital microscopic products are included as an integrated end stage in the blood analysis chain. The company therefore has sales and distribution collaborations with the globally leading manufacturers of cell counters.	CellaVision's solutions for digital microscopy are used by large medical laboratories worldwide and have meant that blood analyzes can be done with greater certainty at lower costs

Strategic agenda

15%

SALES GROWTH

TARGET: Sales growth
CellaVision's goal is that the annual sales growth, seen over a business cycle, should at least amount to 15 percent. For 2018, growth was 18 percent and for the past five years, average growth was 15 percent

20%

OPERATING MARGIN

TARGET: Operating margin
CellaVision's goal is that the operating margin, at least over a business cycle, should be at least 20 percent. For 2018, the operating margin was 30.6 percent and for the last five years the operating margin was 27 percent on average.

CellaVision's strategic agenda aims, through five initiatives – geographical expansion, expansion to new market segments, innovation, developed partnership and improved supply chain – to create conditions for the company's continued growth in pace with its financial targets. The five strategic initiatives are designed to fit the company's indirect business model, which, together with CellaVision's unique innovation, has laid the foundation for its strong performance, both in terms of sales and profitability.

1 GEOGRAPHIC EXPANSION

Geographic expansion
One of the most important success factors for CellaVision is to establish local organizations for market support in countries with great potential. In 2018, three new local organizations were established, which means that the number has grown from five organizations in 2015 to 15 organizations covering 30 countries in 2018.

2 SEGMENT EXPANSION

Segment expansion
CellaVision's technology has revolutionized the market for healthcare's large hematology laboratories. The company has expanded its offering to neighboring segments in the market, primarily small and medium-sized laboratories.

3 UNIQUE INNOVATION

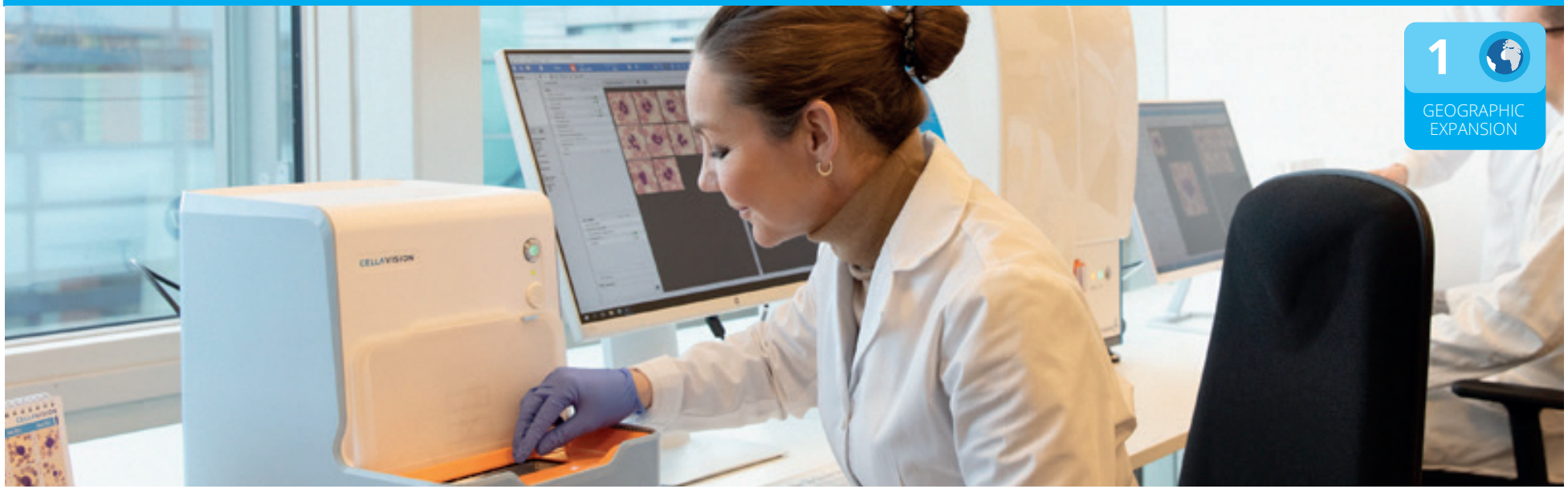
Unique innovation
CellaVision continuously develops the systems of software and hardware to further simplify and improve the work on hematology laboratories. In 2018, innovation focus was on completing the technology platform for small and medium-sized laboratories named CellaVision DC-1. The product was launched after the end of the year .

4 IMPROVED SUPPLY CHAIN

Improved supply chain
CellaVision is currently implementing a simplification in the structure of today's supply chain, among other things by reducing the number of subcontractors, with the aim of driving down capital tied up and increasing efficiency and productivity.

5 DEVELOPED PARTNERSHIPS

Developed partnerships
CellaVision's products are included as an integrated end stage in the blood analysis chain. The company therefore has sales and distribution collaborations with the globally leading manufacturers of cell counters. CellaVision continuously develops its ability to provide professional support to both partners and end customers.



Customer close market support is a requirement for long-term growth

One of the most important success factors for CellaVision is establishing local organizations for market support in markets with great potential. In 2018 the company established new support organizations in three countries and continued to strengthen the organization in China.

Continued expansion in 2018

The strategy of investing in local organizations for market support in selected markets continued in 2018 with establishments in Mexico, India and Thailand. This means that the number has grown from five organizations in 2015 to 15 organizations, covering 30 countries at the close of 2018.

The expansion of the new organizations for local market support is taking place in stages and initially the organization will consist of a limited number of employees. This limits the initial costs and expansion will continue at the rate justified by the market and developments.

Training and support

The task of the local organizations is to provide support in training and sales to CellaVision's distributors. This is done both through personal contacts and through the CellaVision® Academy, a digital training program launched in 2015 that is continually expanding its content.

The local organizations also act as support to CellaVision's end customers, who can receive help in implementing the new digital working method in their operations and training laboratory staff in using CellaVision's solutions. For end users CellaVision has developed a digital platform, the CellaVision® User Club.

Considering that most of the company's distributors and customers are in North America and Asia, the digital knowledge solutions initiative, with its training modules for distributors and end users, is crucial in providing satisfactory support in all parts of the world.

Great successes in China

The strong growth in China is a good example of how crucial a local presence is for successful sales. When the company established itself in the country in 2013, sales were in principle non-existent in the Chinese market. Since 2013 CellaVision has worked consistently to market its unique technology, for example through seminars in digital morphology, which have proved to be in great demand and well-attended. This has contributed to China now being one of the company's most important markets. In total CellaVision has five employees in China.

2 SEGMENT EXPANSION

Expansion to new market segments increases potential

CellaVision's technology, through its digital flows and unique analysis methods, has revolutionized the work of large hematology laboratories in healthcare. The company is now working to expand its offer to related segments, primarily small and mid-size laboratories in both human and veterinary markets.

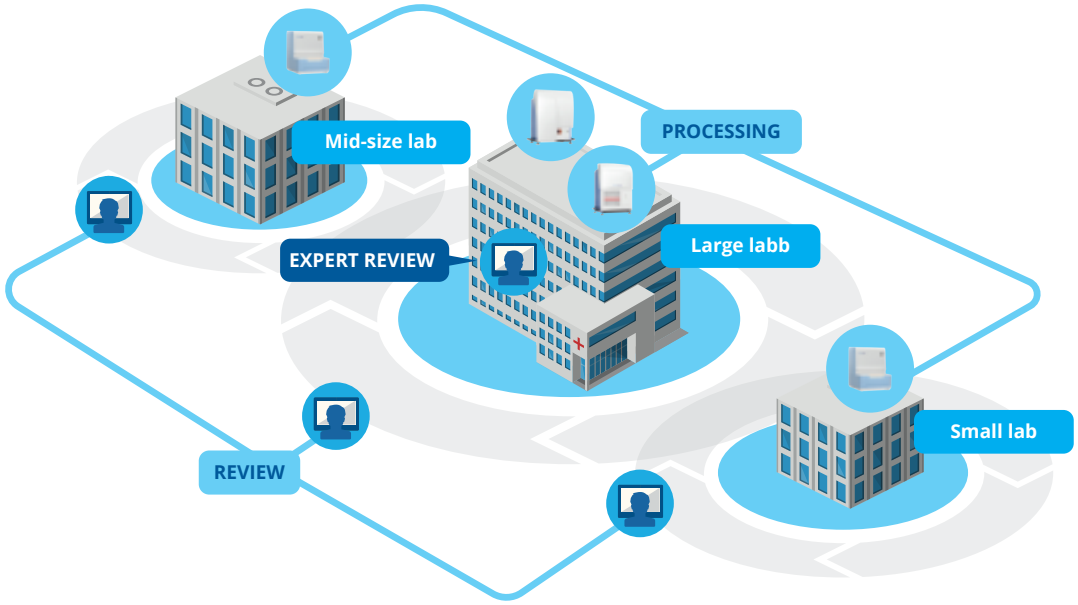
Small and mid-size laboratories

CellaVision now has a strong position in the market for large hematology laboratories. This market consists of about 17,000 laboratories and the annual market value is estimated to be SEK 1.4 billion.

Apart from the large laboratories, there are another 100,000 or so small and mid-size laboratories that are of interest to CellaVision. The company did not previously have a solution suitable for the smaller laboratories, but with the launch of the CellaVision® DC-1 in 2019 there will be good prospects of building up a strong presence in this segment as well. The annual sales potential for these smaller laboratories is expected to prove to be a market on a par with, or even greater than, the market for large laboratories.

Blood sample preparation with CellaVision® Diffsmear

In 2018 CellaVision acquired a technology from the Swedish company Molek, incorporating a system for blood smears. The acquisition means that the company can supplement its existing offer to include blood sample preparation. Blood sample preparation is an important component to ensure good quality image analysis in CellaVision's various systems. The product is called CellaVision® SmearMaker and will be optimized in 2019 for use together with the company's analyzing systems.



Large veterinary laboratories

Large veterinary laboratories are a relatively new market for CellaVision. The global market is estimated to be about 500 reference laboratories in North America and Europe. The veterinary market is fragmented and CellaVision's ambition to establish a strong presence in this market should be seen as a long-term investment. In 2018 the company's sales in the veterinary segment were limited.

Evaluation of further expansion opportunities

CellaVision sees several opportunities to broaden operations to more analysis areas as part of core activities, but this will require careful feasibility studies before a new development project can be initiated.

3 UNIQUE INNOVATION

CellaVision® DC-1 ready for launch in spring 2019

Development focus in 2018 was on completing work on the CellaVision® DC-1, the new technology platform for small and mid-size laboratories. In autumn 2018 five clinical studies were conducted and in January 2019 the product received CE marking. The CellaVision® DC-1 was officially launched in February at the MEDLAB Exhibition & Congress in Dubai.

CellaVision continually conducts intensive development work to increase its products' functionality and to broaden its product offer to new, interesting markets and market segments. The work also includes developing new applications for existing products.

Development of the CellaVision® DC-1 has generated technological advances

The CellaVision® DC-1 is a cost-effective solution in digital morphology that meets the needs of small and mid-sized hematology laboratories. The image and analysis quality, as well as the ability to connect to a network, are the same as for CellaVision's large systems, while the automation level is somewhat lower. The product can be used both as a stand-alone, or as part of a large network.

The technical challenges in the project have been considerable and the development work has generated much knowledge and broken new ground in several important areas. One of the most important advances is the proprietary camera, which is more competent and powerful than the cameras previously used by CellaVision. The new camera is integrated into the control technology, which gives great cost and performance benefits.

Continual product care

CellaVision conducts continual product care of both hardware and software. In 2018 this meant for example an upgrade of selected components in the company's larger systems and updates of operative systems and applications.

Continued growing focus on innovation

CellaVision devotes considerable resources to being at the forefront of research and development. In 2018 the equivalent of 16 percent of sales was invested in the company's innovation activities. The development department is organized in three teams: applications, software and hardware. The number of employees grew during the year by about 25 percent.

Patent portfolio

Over the years, CellaVision has built up unique technological knowledge that forms the basis of the company's product development. The technologies are patented and at the close of the year the patent portfolio comprised 20 patent families and 60 registered patents. Most of the patents are in the technology fields of image analysis and precision mechanics.

Continued simplification of the supply chain and launch preparations

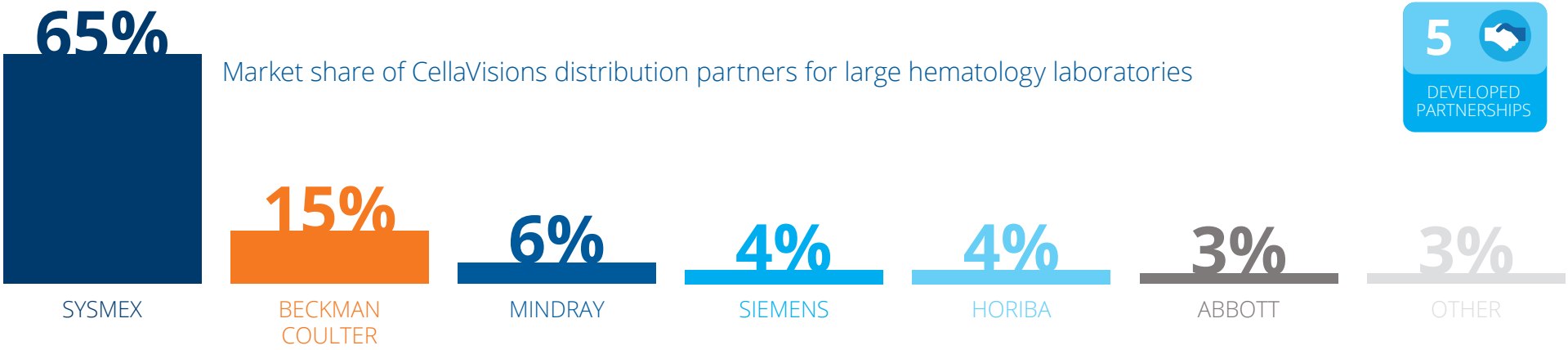
CellaVision today collaborates with about 80 sub-contractors. In 2018 the company continued simplifying the current supply chain structure with the aim of tying up less capital and increasing efficiency and productivity. During the year preparations have been made for the CellaVision® DC-1 production start.

Focus on cost

CellaVision works continually to reduce manufacturing costs for the company's products by finding the right partner and by implementing regular efficiency improvements to achieve as low a total price as possible. This work involves in-depth partnership with important suppliers. The partnership includes implementing a Lean program with cost gains that benefit both parties. Other important areas for reducing manufacturing costs are the choice of components and materials, which takes place in focused collaboration with suppliers, the hardware team in the innovation department and the strategic purchase.

Preparations for production of the new technology platform

In early 2019 the CellaVision® DC-1 was launched and preparations for this launch were intensive during the year to ensure material, components, suppliers, production area and staff training.



Market share of CellaVisions distribution partners for large hematology laboratories

Strong partnerships lay the foundation for continued growth

CellaVision's products are an integral final step in the blood analysis chain. Therefore, the company cooperates on sales and distribution with leading global manufacturers of cell counters. This indirect sales model means that CellaVision has access to a far greater sales force than the company could build up by itself. At the same time, the model puts high requirements on CellaVision's ability to provide professional support to both partners and customers.

Expanded cooperation with distributors

CellaVision already collaborates with most of the leading manufacturers of cell counters. In 2018 CellaVision signed a global distribution agreement with Mindray, a leading hematology supplier based in China. This means that the company has global distribution agreements with all relevant hematology suppliers. During the year a number of supplementary agreements were signed ahead of the CellaVision® DC-1 launch and thus the company has distribution agreements with the most relevant distribution partners for reaching small and mid-size laboratories globally.

Continual work to strengthen collaboration with distributors and customers

Good relations with partners are crucial to CellaVision's successes. The company is continually strengthening its support in different parts of the sales process, through training in the company's solutions for digital morphology and helping end customers to get the maximum benefit from their investments in CellaVision's solutions.

Part of this work is CellaVision's expansion of local market support organizations. The possibility of supporting the company's distributors on site is crucial to utilizing the opportunities offered by the market. During the year, CellaVision established a local market support organization in three new markets, Mexico, India and Thailand, and strengthened its organization in China. In addition to supporting CellaVision's various partners locally, CellaVision's local organizations develop the networks with end customers, which provides important information about the market in order to be able to drive penetration and sales via the indirect business model, and also provide insight into the end-user's needs, which is of great importance for future product development.

Another part of the work of strengthening distributors' ability to successfully sell CellaVision's products is the CellaVision® Academy, an e-learning based training platform established in 2015. The target group for the CellaVision® Academy consists of the partners' product and applications specialists, salespeople and service engineers. Among customers, the target group is users of CellaVision's equipment. The overall purpose of the CellaVision® Academy is to deal cost effectively with knowledge transfer.

Training preparations

In 2018 the team behind the CellaVision® Academy completed production of material for the training initiative being conducted in connection with the launch of the CellaVision® DC-1. The training targets both CellaVision's internal marketing staff and the company's partners.

Market

Market

In 2018 CellaVision's sales growth was 18% percent. This positive growth is the result of CellaVision's continued expansion to new markets, continued good cooperation with leading suppliers of cell counters for large laboratories and successful focus on various training and marketing activities. In 2018 CellaVision also completed the marketing preparations ahead of the CellaVision® DC-1 launch.

Development by market area

All regions reported double figure growth in 2018. Americas grew by 11 percent, EMEA by 25 percent and APAC by 28 percent. The positive growth in EMEA, which was somewhat weaker in 2017, is explained mainly by the organizations for local market support established in recent years now starting to have their full effect.

Geographical expansion

A local presence is crucial for CellaVision's growth, and in 2018 the company established new organizations for local market support in Mexico for the Spanish-speaking part of Latin America, in Mumbai, India and in Thailand with responsibility for the markets in South East Asia. At the year-end CellaVision had 15 local organizations that together offer market support in more than 35 countries.

Distribution expansion

In 2018 CellaVision signed a global distribution agreement with Mindray, a leading hematology supplier based in China. This means that the company has global distribution agreements with all relevant hematology suppliers. During the year a number of supplementary agreements were also signed ahead of the CellaVision DC-1 launch and the company now has distribution agreements with relevant distribution partners for reaching small and mid-size laboratories globally.

Training initiatives

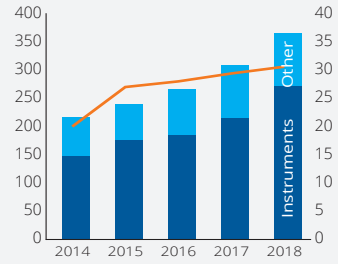
In 2018 CellaVision broadened its offer in the area of training to include universities and other higher education institutions through the launch of "The Classroom Initiative". This complete training program in cell morphology, which is free-of-charge and targets prospective laboratory technicians, has been introduced in the USA, Canada and Australia and received a very good reception.

The ambition is to introduce the program globally in the coming years, starting in English-speaking nations and other countries where English is accepted as a course language, and then gradually translate the material to other major languages and markets.

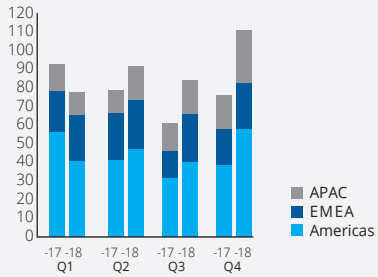
Continued marketing to the veterinary market

CellaVision is continuing its long-term marketing activities in the veterinary market and there were some minor orders in the USA in 2018.

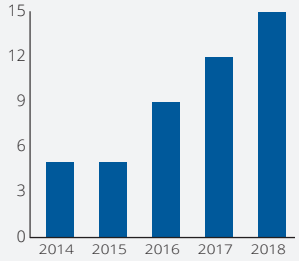
Net sales, SEK millions
Operating margin, %

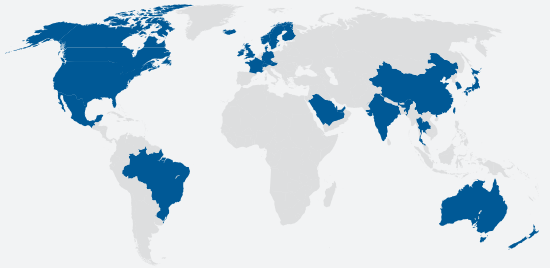


Net sales per quarter and region 2017-2018, MSEK



Number of market support organizations at year end





With the 15 local market support organizations, CellaVision has a direct presence in 30 countries.

Americas

Americas reported good growth in 2018. Sales increased by 11 percent to SEK 185.5 million (167.3). The good growth is from continuing good penetration of the USA and Canada markets and to a lesser extent from the emerging replacement market. In Brazil, where CellaVision established its own organization for local market support in 2017, increasing interest in the company's products is apparent.

CellaVision's strategy delivers

In 2016 a clear strategy was implemented for mature markets, in which CellaVision, along with its distribution partners, has a clear structure and a high level of ambition in addressing the areas of the USA and Canada where the company's penetration is relatively low. The positive development in 2017 and 2018 is a result of this strategy.

Geographical expansion: establishment of local organization for market support in Mexico

In 2018 CellaVision established a local organization for market support based in Mexico City. Like Brazil, Mexico is a relatively immature market requiring long-term work to achieve significant sales volumes, but in view of the size of the country (almost 130 million inhabitants), Mexico has the potential ultimately to be an important market for CellaVision.

Important activities

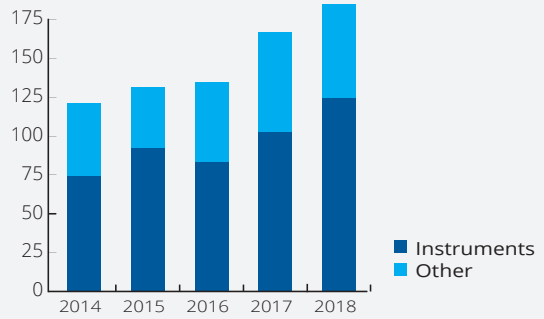
In 2018 CellaVision exhibited at the AACC (American Association for Clinical Chemistry) Annual Scientific Meeting in Chicago, where for the first time the company presented the new analyzer for small and mid-size laboratories, the CellaVision® DC-1. The combination of the product's trim format and its considerable computing capacity attracted great attention.

In Brazil CellaVision exhibited at the 52nd Brazilian Congress of Clinical Pathology in Florianopolis. The Congress was well-attended and the company's organization for market support was involved in most of the distributors' presentations.

Americas 2018

Sales: SEK 185.5 million (167)
Share of Group sales: 51%
Growth: 11%
Number of employees: 12 (11)

Sales 2014-2018, MSEK



EMEA

EMEA developed well in 2018, with organic growth of 25 percent and sales amounting to SEK 102.2 million (81.8). In 2016 and 2017 CellaVision established organizations for local market support in several countries in EMEA, including France and the German-speaking countries. The positive growth in 2018 is above all a result of these initiatives now starting to have their full effect.

Clear strategy and high level of activity

CellaVision's objective is to improve penetration in large markets with good growth potential by continuing the structured working methods implemented in 2016. The activity level was high throughout the year, with several training opportunities, presentations and demonstrations around Europe and the Middle East, as well as participation in trade fairs and congresses. France and the German-speaking countries reported good growth during the year and in the United Kingdom/Ireland the positive effects of a local presence were also apparent.

Geographical expansion

In 2018 CellaVision continued its geographical expansion with the establishment of an organization for local market support in Spain, with responsibility for the Iberian peninsula. CellaVision also continued its expansion in southern Europe with an establishment in Italy implemented after the close of the year.

Important activities

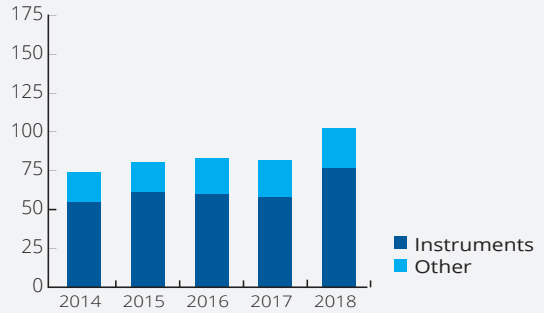
The activity level was high during the year and CellaVision participated at a number of trade exhibitions and congresses. The new analyzer for small and mid-size laboratories, the CellaVision® DC-1, was exhibited at the DGKL (Deutscher Kongress für laboratoriumsmedizin). During the congress, a well-known opinion leader in hematology presented CellaVision's concept for digital further development and education (CellaVision® Proficiency) of lab technicians.

Furthermore, CellaVision held a well-attended Nordic User Symposium on the company's own premises in Lund, Sweden. Most known international opinion-formers gave lectures and the participants were also given a preview of the as-yet unlaunched CellaVision® DC-1.

EMEA 2018

Sales: MSEK 102.2 (82)
Share of Group sales: 28%
Growth: 25%
Number of employees: 5 (5)

Sales 2014-2018, MSEK



APAC

2018 was another year of strong growth for APAC. Sales increased by 28 percent to SEK 77.1 million (60.3), which means that in 2018 the region accounted for 21 percent of CellaVision's total sales. The sound growth is a result of positive development in several of the region's markets, not least China, which continues to report strong growth.

Strong development in established markets

China continues to be CellaVision's largest market in APAC. Development continued to be strong in 2018 and CellaVision continues to strengthen its organization for local market support in the country, including by establishing a local presence in the Chengdu area in western China. Japan also had a good 2017. CellaVision has worked with determination in this market and through regular meetings with the distributors' sales organizations over time has built good relations.

Breakthrough in Australia

In 2018 New South Wales, the most densely populated State in Australia, with numerous large and small hematology laboratories, announced a major tender within digital morphology. CellaVision's solutions were part of the winning tender covering about 60 laboratories, both small and large. Implementation, which will be in the next 2-3 years, means that CellaVision will have a fantastic reference installation in the country. The long distances in Australia mean the solution with the CellaVision® DC-1 and the software CellaVision® Remote Review will be strong drivers for growth.

Geographical expansion

In 2018 CellaVision continued its geographical expansion in the region, with establishment of its own organization for local market support in Mumbai, India. India is a strategically important market, but experiences from China show that it will take some years before significant sales can be expected. In addition CellaVision also established a local organization for market support in Bangkok, Thailand with the aim of supporting South East Asia.

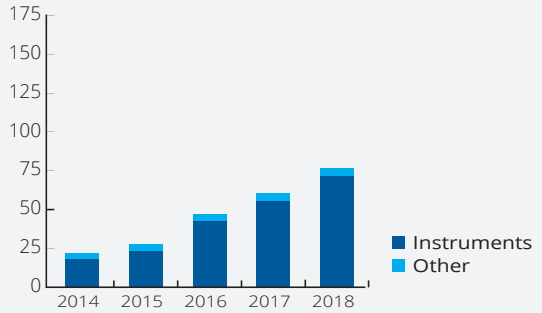
Continued high activity level in South Korea

In South Korea the activity level continued to be high during the year, including participation in the KSLH International Conference in Seoul, South Korea. The interest for CellaVision's solutions is increasing.

APAC 2018

Sales: SEK 77.1 million (60)
Share of Group sales: 21%
Growth: 28%
Number of employees: 12 (9)

Sales 2014-2018, MSEK



The CellaVision share

The CellaVision share was listed on Nasdaq Stockholm, Small Cap from May 2010 to December 2018. In January 2018 the CellaVision share was moved up to Mid Cap. At the close of 2018 the market value was SEK 4,568 million and the number of shareholders was 7,412. The Board of Directors proposes to the Annual General Meeting a dividend of SEK 1.50 per share.

Price trend and share trading

The price of the CellaVision share increased during the year by 25 percent, from SEK 143.75 at the start of the year to SEK 191,50 at year-end. In the same period the index increased by 7.67 percent (Nasdaq Stockholm PI). The highest price paid during the year was SEK 305.0 (October 2, 2018), and the lowest was SEK 131.00 (April 4, 2018). The company's market value at year-end was SEK 4,567,571 million (3,428,660).

In 2018 a total of 11.63 million shares (22.5) were traded for a value of SEK 2, 432 million (3,243).

Share structure

Share capital in CellaVision AB at the close of 2018 amounted to SEK 3,577,732, distributed among 23,851,547 shares. The quotient value per share is SEK 0.15. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented. All shares confer an equal right to share in the company's assets and profits.

Ownership structure

The number of shareholders at year-end was 7,412, (8,558), which is a decrease of just over 13 percent during the year. Of these, has one shareholder, William Demant Invest A/S, direct or indirect holdings that represent more than ten percent of the votes. The ten largest shareholders controlled 53.7 percent of the company's shares on the balance sheet date. Swedish ownership was 49.8 percent of the votes. The total Swedish institutional ownership was 29.2 percent. The Board of Directors and the management together owned, privately and through companies, about 10.9 percent of the shares.

Dividend

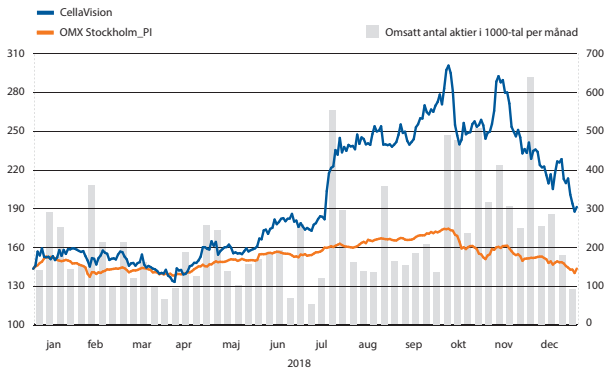
In 2018 a dividend of SEK 1.50 per share was paid. The Board of Directors proposes to the 2019 Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2018, which corresponds to 40% of net earnings.

The dividend is unchanged in relation to the previous year and in line with the company's dividend policy that the dividend is to correspond to 30 to 50 per cent of net earnings, taking into account the company's capital structure, acquisition requirements and long-term financing requirements.

Analyses

During the year has analysis been made of CellaVision by ABG Sundal Collier (Sten.Gustafsson@abgsc.se) and by Pareto Securities (Christian.Lee@paretosec.com)

Share performance and turnover 2018



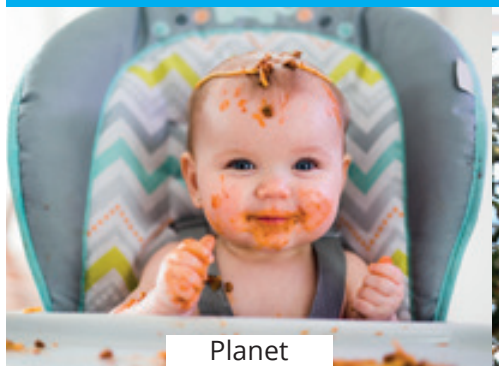
CellaVisions 10 largets owners per 31/12/2018

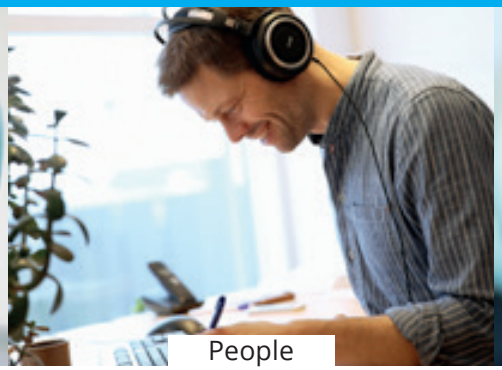
Shareholders	Shares	Ownership
William Demant Invest A&S	2,812,786	11.8
Christer Fåhraeus m bolag	2,313,600	9.7
State Street Bank and trusr Co, W9	2,220,809	9.3
Swedbank Robur fonder	2,098,987	8.8
Fosielund holding AB	1,000,000	4.2
GSC Vision AB	1,000,000	4.2
Deutsche Bank AG,	772,724	3.2
Caceis Bank, Luxembourg Branch	696,480	2.9
STATE STREET BANK & TRUST COM	520,257	2.2
Försäkringsbolaget, Avanza Pension	513,344	2.2
Övriga		
Totalt	**23,851,547**	**100**

Owner structure 31/12/2018

Size	Number of share holders	%
1–500	6,020	81.2
501–1 000	627	8.5
1 001–5 000	532	7.2
5 001–10 000	85	1.2
10 001–15 000	41	0.6
15 001– 20 000	21	0.3
20 001-	86	1.2
Summa	**7 412**	**100**

Sustainability


Planet


People


Product


Society

CellaVision's sustainability work

CellaVision has its head office in Sweden and local organizations for market support in a total of 15 countries, covering 30 countries. Manufacture and sale of products is in collaboration with selected, globally established partners and CellaVision continually follows up their work and policies as regards central sustainability issues.

The company

CellaVision develops and sells digital solutions for blood and body fluids analysis. The company replaces manual microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. The solutions contribute to more effective workflows and higher quality in laboratory medicine.

Development in 2018

During the year CellaVision continued to develop the company towards more sustainable enterprise as regards environmental responsibility and social impact, for example by now climate compensating for all the company's travelling (previously this was only done for employees in Sweden). CellaVision's objective is that the business is always run responsibly, with continual improvements in sustainability work.

Business ethics and culture

Working together with CellaVision should imply a stamp of quality for customers, partners and employees. CellaVision's Code of Conduct describes values and guidelines for how the company's employees are to behave in various business situations. The Code is based on the UN Universal Declaration of Human Rights and together with CellaVision's core values and policies constitutes the foundation of how the company works. The fundamental principles of the Code of Conduct are justice, honesty and legal compliance. All employees of the CellaVision Group and others who represent the company, for example members of the Board and consultants, are covered by the Code of Conduct and all employees receive training every year in what the Code contains and covers.

CellaVision's core values

Customer in focus

Customers' perceived relation to us as supplier impacts all parts of the company. Consequently, their needs drive all we do, from product development to delivery, service and relations. Our knowledge of our customers gives us the power of innovation to produce solutions that improve their operations.

Initiative and responsibility

Good ideas, competence and independent work with responsibility are required to drive CellaVision's business forward. All employees of CellaVision have the task of continually developing their areas of work to the extent necessary to achieve the company's objectives.

Simplicity and quality

CellaVision strives to maintain a high and long-term level of quality in all we do, an ambition that permeates the entire business. At the same time, it implies an aspiration towards renewal and development, using smart and simple solutions.

Agenda 2030

The UN Agenda 2030 with 17 global Sustainable Development Goals is a framework to meet the world's challenges and opportunities. CellaVision's business contributes directly to Goal three, Good health and well-being; Goal eight, Decent work and economic growth and Goal nine, Industry, innovation and infrastructure. CellaVision also contributes through various initiatives to realize Goal one, No poverty and Goal four, Quality education.

Planet

Since the end of 2013, CellaVision has worked on environmental issues in accordance with the international ISO 14001 standard. In brief, certification means that the company's environmental work must be well organized and lead to continual improvements, that current legislation and regulations must be followed and that internal environmental audits must be conducted regularly. CellaVision thus conducts active and objectives-based environmental work in selecting suppliers and consumption of resources for product development. The company does not conduct activities that are subject to reporting under the Environmental Code.

Continual work to reduce environmental impact

In 2018 CellaVision was certified under the updated environmental standard ISO14001:2015, which means among other things that CellaVision's environmental work is audited every year. This year's audit resulted in four minor non-conformances. All non-conformances referred to weaknesses in how CellaVision interpreted the ISO14001:2015 requirements in the company's environmental management system. The non-conformances have been dealt with by means of updated wording in the procedures concerned.

In 2018 three detailed environmental objectives were set for CellaVision in Lund: 1) deliver digital instead of paper-based manuals, 2) reduce paper consumption by introducing document and case management systems and 3) update policy to reward the choice of green cars as company cars and business vehicles. Objectives one and three have been met, while objective two has been delayed due to lack of resources.

Manufacturing with our selected partner

CellaVision has no manufacturing on its own account but works together with a selected partner that is responsible for assembly and quality assurance. CellaVision also has suppliers of central components such as microscopes and software. When selecting suppliers, CellaVision prefers suppliers with certified environmental management systems. Suppliers are also required to comply with the requirements of the REACH Regulation and the RoHS Directive.

Logistics

CellaVision's ambition is to transport its products in as environmentally friendly way as possible. This means that for shipments to customers in the Americas and APAC CellaVision uses sea transport if possible, but use air transport in the cases where the customer so requires. In 2018, 20 percent of shipments were by sea and land, while 80 percent were by air.

Climate compensation for carbon emissions

Carbon emissions caused by CellaVision's operations are mainly from business trips by air. To compensate for these emissions, CellaVision decided in 2018, just as in previous years, to support a Clean Development Mechanism (CDM) project, which is a central part of the implementation of the Kyoto Protocol. Unlike previous years, CellaVision now climate compensates for the company's total travel (previously this was only for employees in Sweden). The CDM project scheme has well-developed control mechanisms with independent authorized auditors that report directly to the UN. In 2018 CellaVision decided to support the CDM project in wind power that is eligible for the environmental movement's "Gold standard" quality label, which means that the project contributes to sustainable development in a wider perspective. In 2017 CellaVision's management resolved to climate compensate annually for the amount of emissions reported.

Car policy

CellaVision's car policy rewards the use of green cars and the company has installed 12 charging stations at the head office in Lund

The company's environmental policy is presented at http://www.cellavision.com/en/about-us/content/sustainability.

People

CellaVision's strong corporate culture is an important factor behind the company's successes. The core values – customer in focus, initiative and responsibility and simplicity and quality – guide the employees in their daily work. Together with objectives, vision and guidelines they constitute CellaVision's corporate culture and form the basis of how work is carried out, the quality delivered and open and respectful treatment of customers, partners, investors and employees.

Responsible employer

CellaVision has a decentralized and flexible organizational structure, characterized by competence, entrepreneurship, management by objectives and short decision lines. CellaVision's ambition is to offer a secure, stimulating and fulfilling workplace with opportunities for all employees to contribute their skills and commitment to the company's continued development. CellaVision believes that an even gender distribution enhances competence and creates a dynamic in working groups, which is positive both for the work climate and for the company's long-term competitiveness.

When recruiting, one of the company's ambitions is to meet as many women as men. Of a total of 27 new employees during the year, 11 were women and 16 men. At year-end the total number of women was 38 (32), equivalent to 32 (32) percent of the workforce. The total number of employees at year-end was 117 (99). Staff turnover during the year was 7.4 percent (5.9) and sickness absence of 1-13 days was 3.1 percent (1.6). In 2018 CellaVision globally had no reported incidents and no reported accidents.

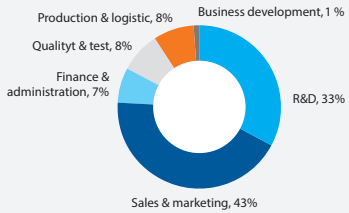
Work environment, talent, performance and management by objectives

All employees have annual performance reviews and target discussions with their immediate manager. The purpose is to follow up and evaluate targets set and to set new individual targets clearly linked to the overall objective of the business. Individual development plans are linked to the targets to ensure continual competency development. The employees' perception of CellaVision as a workplace has been followed up during the year both with an annual employee survey and eNPS measurements (employee Net Promoter Score). The 2018-year eNPS were CellaVision's measurements of very good results, and in the annual employee survey had an overall strong result with very good results measured in commitment, leadership, confidence in colleagues and confidence in the future. The employee survey and eNPS, together with performance reviews, form the basis of how CellaVision is to work to retain and improve the work environment, employees' well-being, performance and commitment.

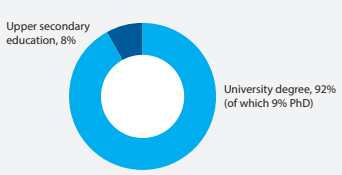
Continued geographical expansion and organization development

CellaVision continued its geographical expansion during the year with local organizations for market support in the company's key regions. During the year were new organizations for local market support established in Mexico for the Spanish-speaking part of Latin America, in India and in Thailand for all of South East Asia. Apart from this, the market support organization in China was further strengthened through a local presence in the Chengdu area. In other respects, the number of employees increased both in the research and development organization and the market organization, to drive innovation and product development forward to meet future market requirements and needs.

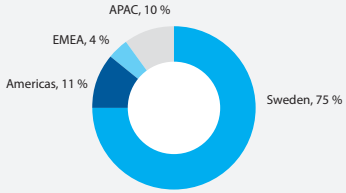
Employees per area of responsibility



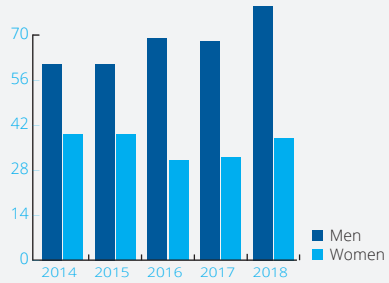
Employees level of education



Employees per country



Distribution of men and women, %



Product

CellaVision's solutions make a positive contribution to society in that more patients can receive faster care at a lower cost to health care services. The products are safe, environmentally efficient and benefit the working environment in laboratories. To ensure sustainable design, in 2014 the company started work on integrating the environmental impact perspective into its procedures for product development.

Quality

CellaVision develops medical equipment in a highly regulated environment. The company is certified under the quality standard ISO 13485 and complies with the requirements of international legislation and product safety standards, such as IEC standards, the European Directive on in vitro diagnostics (IVD), American FDA quality system requirements and a number of national directives and laws. CellaVision is responsible for the products being safe for patients, users and technical service staff. The latest routine inspection by the FDA was conducted in November 2016 and did not lead to any observations by the Administration.

Work environment

Using CellaVision's technology, laboratories can create a more attractive work environment. Interest in the occupation is weak among young people but the new technology creates both interest and attraction. In addition, the hunched up posture at the microscope is replaced by a considerably more ergonomic working posture, which reduces the risk of injuries to the neck, back and eyes.

Environment

CellaVision's digital technologies create conditions for a reduced environmental burden. The company's software for cooperation and quality assurance is an environmentally efficient alternative to the hospitals' sample and patient transportation by road. For example, at a hospital operating in scattered geographical sites, samples that are difficult to assess are traditionally sent to an expert by courier. Using CellaVision® Remote Review Software for remote access, the samples can instead be examined electronically via the hospitals' and laboratories' networks, a method that is both effective and environmentally friendly. Using the web-based CellaVision® Proficiency Software for quality assurance, laboratory staff are trained and their knowledge is tested over the internet. Unlike a traditional test method with blood smears on microscope slides as practice slides, the software is simple to distribute and requires no transportation.

Society

CellaVision's business is global by nature. 99 percent of sales are generated outside Sweden. Our ambition is therefore to create the conditions to contribute to sustainable development in the countries where we operate. We do this by relying on our own strengths: great technological know-how and a strong future commitment. Specifically, this means that we invest in the education and development of children and young people.

Our goal is to increase young people's interest in technical and scientific education and thus get more young people to decide to study at universities and other higher education institutions. We see great opportunities to contribute to increasing interest in higher education in all the countries in which we operate. That we as a company have the capability to recruit talent is also crucial to our development, in both the short and the long term.

School collaboration with Malmö FF

In 2018, an initiative was launched together with Malmö FF and Pilängsskolan in Lomma. MFF has for many years been running a number of academies with a football focus with involvement in 14 schools in Skåne with increasing activity. In CellaVision's and MFF's collaboration, a program was conducted in the autumn of 2018 at Pilängsskolan with the aim of developing a scientific profile with a focus on programming for upper secondary schools. The collaboration is a development of MFF's well-proven concepts with academies that give CellaVision valuable contacts with the schools in Skåne.

The program, to run for ten weeks with one hour's teaching every week, includes programming, microscopy and a visit to CellaVision's head office in Lund. In addition to educators from Pilängsskolan, all courses were carried out with staff from CellaVision.

The course at Piläng school is a pilot project and the ambition is to gradually expand to more schools and more countries and involve more CellaVision employees.

Chess and handball

For the third year in a row was CellaVision the main sponsor of the CellaVision Chess Cup, which is a competition in the Swedish Grand Prix tournament arranged by Lund's Academic Chess Club. CellaVision also sponsors the H43 handball club's youth activities to get more young people moving.

Risks and risk management

CellaVision is exposed to a number of risks, which may impact the Group's development to a greater or lesser extent. The risks are measured mainly in terms of the extent to which they affect CellaVision's ability to achieve goals set. Several of the risks may have either a negative or a positive impact on the company.

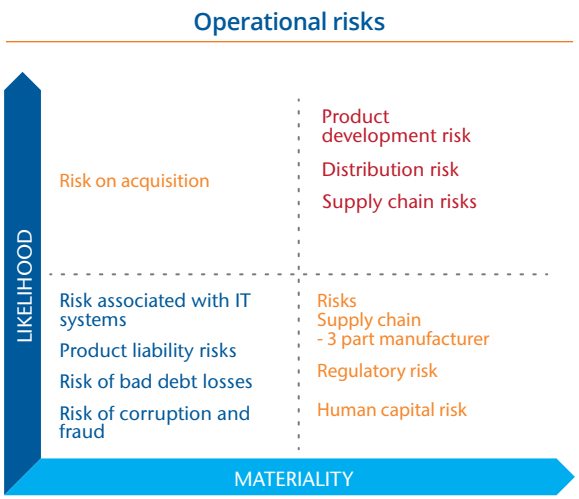
A good example of this is the currency risk that CellaVision is exposed to. Favorable development of the currencies that CellaVision trades in, primarily USD and EUR, impacts sales and earnings positively. Conversely, negative development of the currencies has a dampening effect on the company's financial key figures.

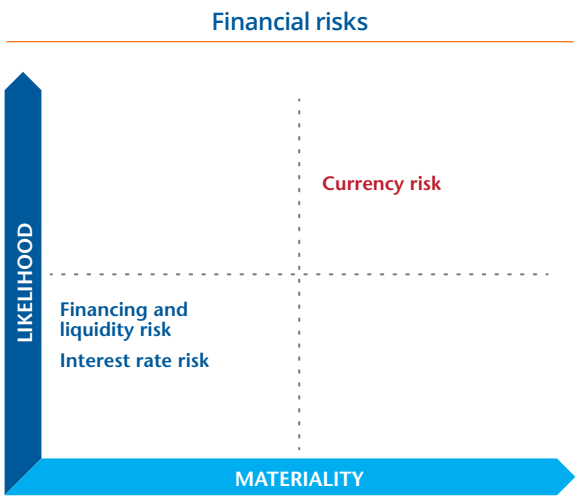
CellaVision's global position, with sales in large parts of the world, in itself implies some risk reduction, since companies in different parts of the world, at least to some extent, exist under different cyclical conditions. CellaVision currently has global agreements with its distributors, meaning that sales are made in many parts of the world. Apart from this, CellaVision has established 15 organizations for market support covering 30 countries.

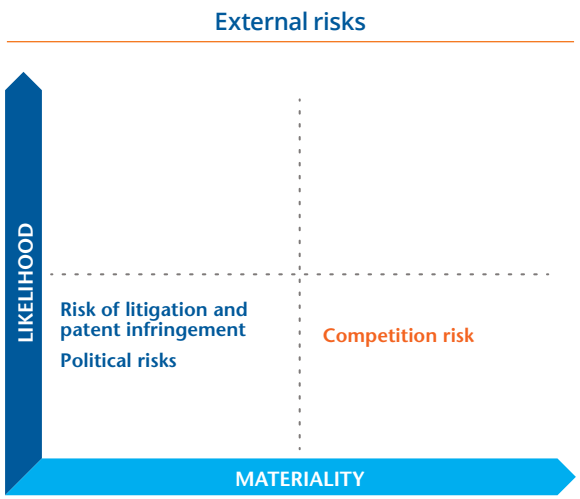
CellaVision's Board decides on the Group's strategic focus. The responsibility for the long-term and overall management of risks of a strategic nature follows the company's delegation scheme, from Board of Directors to President/CEO. All invoicing to CellaVision's sales and distribution partners is from the head office in Lund, which limits the risk of corruption in the local markets.

Financial risks are managed in accordance with the Group's financial policy, as adopted by the Board of CellaVision. The risks are identified and monitored on a continuous basis to ensure compliance with these guidelines.

The diagrams and texts below give a picture of the assessment made by CellaVision of the various risks the Group is exposed to and how they are offset.







Operational risks

Product development risk	Counteracting factors
CellaVision's sustained earnings and competitiveness depends on the ability to develop new and innovative products and solutions for which there is demand from customers.	Investments in product development in accordance with the Company's strategy. Regular monitoring of HW and SW roadmaps.
Technical risk	**Counteracting factors**
Through improved machine learning applications, artificial intelligence (AI) has undergone rapid development in recent years and advanced algorithms are generally available.	In recent years the Company has accumulated skills in the latest machine learning applications and these are used as a natural part of development work.
Distribution risk	**Counteracting factors**
CellaVision sells via distributors and is dependent in the long term on the distributors' ability to sell the Company's products.	Development of an indirect sales model in accordance with the Company's strategy.
Supply chain risks	**Counteracting factors**
The Company is dependent on the effectiveness and quality of third party manufacturers for production of analyzers and spare parts. Production of analyzers and spare parts is dependent on access to critical components.	CellaVision has considerable knowledge of production and quality control of the Company's products, which reduces dependency on third-party manufacturers. CellaVision monitors availability of critical components in general and of LTB in particular.
Human capital risk	**Counteracting factors**
CellaVision is dependent on access to competent engineers to ensure innovation and technological leadership in products and services.	CellaVision offers commercial terms and works with "employer branding". The Company forges links with higher education institutions and students for participation in project work.
Regulatory risks	**Counteracting factors**
Approval is required for sales in each respective market. The approval may be withdrawn if the Company does not meet applicable quality requirements. Delays in approval of new products entail income losses.	The Company regularly evaluates the resources available to maintain quality requirements and effectiveness in "regulatory affairs".

Risk of bad debt losses	Counteracting factors
Credit losses have a negative impact on the Company's earning capacity.	Credit risk is minimized in that the Company has a small number of large customers with long-term business relations. The business model is simple and the products maintain good quality, which minimizes the risk of disputes.
Risk of corruption and fraud	**Counteracting factors**
The Company may suffer financial loss and reputational damage if employees act unethically.	The Company communicates internal rules clearly to all employees to prevent corruption and fraud. The "Code of conduct" is signed annually by all employees and new recruits
Risk on acquisition	**Counteracting factors**
Acquisitions may entail unforeseen costs and increased business risk.	The Company has developed procedures for analysis, implementation, monitoring and integration of acquisitions, including due diligence. Procedures for acquisition are under development.
Risk associated with IT systems	**Counteracting factors**
CellaVision has identified three areas of risk associated with IT systems:	
Operational security – availability of IT systems and data	Operation of the central IT environment is outsourced to a third-party supplier that ensures high operational security and data security.
Data security – risk of loss of data	CellaVision has procedures for data access and authorizations that ensure compliance with data integrity requirements.
Protection from breaches – by employees and external parties	Development of a risk matrix for the IT area is in progress.
Product liability risks	**Counteracting factors**
CellaVision can incur costs for rectifying faults in products supplied.	CellaVision limits product liability risks by following procedures for quality assurance and by carrying out extensive tests of the Company's products.
Claims for damages may arise if the company's products do not meet applicable quality requirements.	

Financial risks

Currency risk	Counteracting factors
Exchange rate fluctuations may have a negative impact on the Company's earnings when income from sales and costs of production and purchasing are in different currencies (transaction risk). There may also be a negative impact on the Company's earnings on translation of foreign subsidiaries' earnings to SEK and on the Company's equity when foreign subsidiaries' net assets are translated into SEK (translation risk).	The Company's financial policy, adopted by the Board, includes guidelines for dealing with financial risks in the Company. The transaction risk is limited in the short term in that the Company applies forward cover to currency flows. The translation risks are limited by the fact that the subsidiaries' balance sheet totals are not significant.
Interest rate risk	**Counteracting factors**
Interest rate risk refers to how changes in market interest rates impact cash flow and earnings as well as the value of financial instruments.	Interest rate risk is low since at present the Company does not have any loans.
Financing and liquidity risk	**Counteracting factors**
Financing risk refers to the risk that refinancing of loans due will be more difficult and that the Company has insufficient liquidity to meet its payment obligations.	The financing risk is low at present, since the Company has good liquidity and no loans.

External risks

Competition risk	Counteracting factors
CellaVision holds a dominant position in the market for digital image processing in hematology. The main competition is still from the manual microscope. CellaVision's earning capacity may decrease if the company is exposed to competition in the field of digital image analysis.	CellaVision invests in product development to meet customers' needs for new innovative products and technical solutions. This is one of the most important conditions for the Company's future competitiveness.
Risk of litigation and patent infringement	**Counteracting factors**
This risk applies to the costs the Company may incur as a consequence of bringing legal action, costs in connection with settlement and costs for damages awarded.	Existing patents are monitored in connection with product development to avoid involuntary patent infringement.
Political risks	**Counteracting factors**
Political decisions can affect demand both positively and negatively.	CellaVision is mainly active in countries where the risk of political decisions that drastically change market conditions is assessed to be relatively low.

Administration report

The Board of Directors and the President of CellaVision AB (publ), corporate identity number 556500- 0998, hereby submit the annual accounts and consolidated accounts for the financial year January 1, 2018 to December 31, 2018. Figures in parentheses refer to the previous year. All amounts are in millions of Swedish kronor (SEKm) unless otherwise stated. The corporate governance report is part of the administration report.

Activities

CellaVision develops and sells digital solutions for blood and body fluids analysis. The company replaces manual microscopes with analyzers based on digital image analysis technology, artificial intelligence and IT. The solutions contribute to more effective workflows and higher quality in laboratory medicine. The customers are mainly large hospital laboratories and commercial laboratories. CellaVision also sells to the considerably smaller veterinary market. The product offer consists of systems for digital microscopy in the sub-field of hematology, consisting of analyzers and supplementary software and peripheral equipment.

Sales

CellaVision's products are sold globally via suppliers of blood analysis equipment. CellaVision's own market office supports the respective partners' marketing. Revenues are mainly from sales of analyzers. Software, spare parts, consumables and service account for a minor but increasing part of the company's total sales.

Product development

CellaVision is continually conducting development projects in the morphology field to strengthen its customer offer. The company primarily uses its internal resources to develop, but the strategy also includes development through cooperation with partners.

In 2018 focus lay on completing the development of a new product for small and mid-size laboratories. The company estimated that the new product would reach the market around the turn of the year 2018-2019, which was the case.

In 2018, the development of CellaVision® DC-1 continued. CellaVision DC-1 is a cost-effective solution in digital morphology that meets the needs of small and medium-sized hematology laboratories. Image and analysis quality, just like the possibilities for network connection, are the same as for CellaVision's large systems, while the level of automation is somewhat lower. The product can be used both as standalone and as part of large networks.

The technical challenges in the project have been considerable and the development work has generated much new knowledge and has broken new ground in several important areas. One of the most important achievements is the proprietary camera, which is more competent and powerful than the cameras used by CellaVision. The new camera is integrated in the control technology, which gives great advantages in terms of both cost and performance.

CellaVision carries out continuous product care of both hardware and software. In 2018 this meant, among other things, an upgrade of selected components in the company's larger systems and updates of operating systems and applications.

CellaVision puts considerable resources on being at the forefront of research and development. In 2018, equivalent to 16% of the turnover was invested in the company's innovation activities. The development department is organized into three teams: applications, software and hardware. The number of employees grew by about 25 percent during the year.

Patents

CellaVision's innovations are protected by 20 (23) patented inventions, which at the close of the year had generated 60 (59) national patents. The oldest patent expired in 2018 and the most recent will expire in 2035. The patent that expired in 2018 referred to a product that is no longer relevant to CellaVision. Most of the company's patents are in the technology fields of image analysis and precision mechanics.

Product supply and manufacture

Manufacture of CellaVision's analyzers is carried out by contract manufacturers. The company does not have its own manufacturing or assembly.

Legal structure

CellaVision is a Group consisting of the parent company CellaVision AB and the four wholly-owned subsidiaries CellaVision Inc. (Durham, USA), CellaVision Canada Inc. (Toronto, Canada), CellaVision Japan K.K. (Yokohama, Japan) and CellaVision International AB. The function of the subsidiaries is primarily market support to partners in the regional markets. For markets where there is no local invoicing CellaVision has decided to employ staff through Business Sweden and in that way can operate on these markets without starting up subsidiaries.

Employees

The number of employees of the Group, restated as full-time positions, was 117 (99) at the year-end. Of these, 67 (67) were men and 32 (32) women. There is more information under the heading "People" in the sustainability section on page 25.

Competition

In the healthcare sector manual microscopy is the most common method for blood and body fluid analysis. The

market for digital microscopy is continually growing. Commercial competition is limited to a few products and companies.

Environment

CellaVision's manufacturing and sale of products takes place in collaboration with selected, globally established partners, and CellaVision continuously monitors their work and policies regarding central sustainability issues. During the year, CellaVision continued to develop the company towards a more sustainable business with respect to environmental responsibility and social impact, among other things by now compensating for the company's total travel (previously this was only for employees in Sweden). CellaVision's goal is that the business should always be managed in a responsible manner with continuous improvement of the sustainability work.

The company's activities are not subject to licensing or reporting under Chapter 9, Section 6 of the Environmental Code (1998:808). There is more information under the heading "Planet" on pages 22-23 and under the heading "Products" on page 27 in the sustainability section.

Significant events during the year

- CellaVision signed a global distribution agreement during the first quarter with Mindray, a leading hematology supplier based in China.
- CellaVision's Annual General Meeting re-elected Sören Mellstig as Chair of the Board of Directors and the Christer Fåhraeus, Åsa Hedin, Torbjörn Kronander, Anna Malm Bernsten and Niklas Prager as Board Members. Roger Johanson declined re-election as Member of the Board and two new members were added to the Board, Jürgen Riedl and Stefan Wolf. Thus the Board was expanded by one member.
- In the second quarter CellaVision signed a supplementary agreement with Nihon Kohden for the Middle East and a global agreement with Horiba for small and mid-size laboratories. The new agreements were an important part of the commercialization plan for the new technology platform.
- In the third quarter CellaVision signed a supplementary global agreement with Sysmex for small and mid-size laboratories as a step in the launch preparations for the new product for small and mid-size laboratories.
- CellaVision acquired a system for blood smears from the Swedish company Molek in the forth quarter. The technology acquisition means that CellaVision can supplement the offer with blood sample preparation, which is an important component to ensure high quality in CellaVisions systems' image analysis.
- Establishment of organizations for market support in Mexico, India and Thailand plus expansion of the team in China.

The Group's financial development

Fluctuations in sales

CellaVision's operations may experience considerable fluctuations in sales between individual quarters and between different geographical regions. In 2017 the variations between quarters were significant.

Sales, performance and investments

Sales in international markets are mainly in USD and EUR, which means that the company's sales and earnings are impacted by changes in these currencies. 40-70 percent of currency exposure in net flows is hedged continuously 12 months forward and 20-40 percent of the exposure is hedged for months 13-24.

Net sales for the Group increased in 2018 to SEK 364.8 million (309.3), an organic increase of 15 percent compared with the previous year, taking into account the negative impact on sales of the exchange rate effect of three percent in 2018. The gross margin was 74 percent (72) for the year. The Group's operating profit for the year rose to SEK 111.6 million (90.9). Total operating expenses for the year increased to SEK 159.3 million (132.3). Total cash flow for the year was SEK 14.4 million (22.4).

Total expenditure for research and development amounted to SEK 57.7 million (52.8), corresponding to 16 percent (17) of sales. Capitalized expenditure for development projects during the year was SEK 18.4 million (26.0), corresponding to five percent (8) of sales. Investments in property, plant and equipment amounted to SEK 3.6 million (3.1).

Sales development in geographical markets

In the Americas sales were SEK 185.5 million (167.3), corresponding to an increase of 11 percent in Swedish kronor and an increase of nine percent in local currencies. Sales in EMEA were SEK 102.2 million (81.8), corresponding to a increase of 25 percent in Swedish kronor and 22 percent in local currencies. Sales in Asia and the Pacific increased to SEK 77.1 million (60.3), corresponding to an increase of 28 percent in Swedish kronor and 24 percent in local currencies.

Liquidity and cash flow

The funds at the disposal of the Group at the end of the year were SEK 169.1 million (154.5). The year's cash flow from operating activities was SEK 74.1 million (87.9). Total cash flow for the year was SEK 14.4 million (22.4).

Parent company

Parent company sales during the year were SEK 358.3 million (303.0). The pre-tax profit was SEK 89.7 million (64.4). The parent company's investments in property, plant and equipment during the year amounted to SEK 3.5 million (3.0) and the cash flow was SEK 15.4 million (22.1). In other respects, please refer to the information for the Group.

Risks and risk management

External risks such as changes in exchange rates and reduced demand due to increased competition or deterioration in the investment climate constitute factors of

uncertainty but not material risks to CellaVision's operations. CellaVision is exposed to exchange rate fluctuations through its international operations and structure. The exposure mainly arises through costs in Swedish kronor against income in US dollars and euros. In the short term the effect of currency movements is dampened by forward cover. For a more detailed description of the operational, financial and external risks and uncertainties facing CellaVision, please refer to the risk analysis in Note 2.

Outlook for 2018

CellaVision has five strategic initiatives – geographical expansion, segment expansion, innovation, developed partnerships and improved supply chain – that together aim to ensure the company achieves its financial targets of average organic growth of 15 percent over an economic cycle and an operating margin of more than 20 percent.

Proposed distribution of profit

The Board of Directors proposes to the 2019 Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2018, which corresponds to 40 percent of net earnings.

The dividend is unchanged in relation to the previous year and in line with the company's dividend policy that the dividend is to correspond to 30 to 50 percent of net earnings, taking into account the company's capital structure, acquisition requirements and long-term financing requirements.

Appropriation of profits (SEK)	
The following are at the disposal of the AGM	
Profit brought forward	141,613,270
Net profit/loss of the year	70,283,537
Total	**211,896,807**

The Board of Directors proposes that disposable earnings in the Company be made available to the Annual General Meeting as follows (the amounts are in SEK):

SEK 1.50 per share is paid to the shareholders	35,777,320
On new account is transferred	176,119,487
Total	**211,896,807**

Statement by the Board of Directors on the proposed dividend

In assessing the size of the dividend, the Board of Directors has taken into account the Group's investment needs, consolidation needs and financial position in other respects, as well as the Group's ability to develop in the future while retaining financial strength and maintaining sound freedom of action. After the proposed dividend the Group's equity/assets ratio and liquidity are satisfactory and mean that all the Group's companies can meet their commitments in the short and long term. The proposed dividend can thus be justified under the prudence concept stipulated in the Swedish Companies Act (2005:551), Chapter 17, Section 3, paragraphs 2-3.

Five year summary, income statement and balance sheet

Income statement, Amounts in SEK thousands	2018	2017	2016	2015	2014
Revenues	364 812	309 312	265 038	239 390	216 916
Cost of goods sold	-93 946	-86 092	-76 102	-65 157	-71 814
Gross profit	**270 866**	**223 220**	**188 936**	**174 233**	**145 102**
Selling expenses	-82 362	-69 977	-56 859	-47 851	-42 691
Administrative expenses	-37 644	-35 565	-28 670	-33 788	-36 833
Research and development costs	-39 253	-26 786	-29 239	-27 124	-22 765
Other operating income	0	0	0	0	0
Other operating expenses	0	0	0	0	0
Operating profit/loss	**111 607**	**90 892**	**74 168**	**65 470**	**42 813**
Profit/loss from financial items	490	-549	1 607	83	556
Tax	-23 408	-20 620	-15 975	-12 731	-11 904
Net profit/loss for the year	**88 688**	**69 723**	**59 800**	**52 822**	**31 465**

Balance sheet, Amounts in SEK thousands	2018	2017	2016	2015	2014
Assets					
Intangible assets	67 818	53 731	34 724	29 400	27 224
Property, plant and equipment	6 815	4 814	3 270	2 652	3 203
Non-current financial assets	3 579	2 617	2 025	1 195	208
Deferred tax assets	0	0	0	9 902	22 507
Current assets	294 570	239 435	216 426	177 279	149 107
Total assets	**372 782**	**300 597**	**256 445**	**220 428**	**202 249**
Equity and liabilities					
Shareholders' equity	290 375	240 851	206 175	183 518	151 296
Non-current liabilities and other provisions	10 517	8 620	1 251	0	0
Current liabilities and current provisions	71 890	51 126	49 019	36 910	50 953
Total equity and liabilities	**372 782**	**300 597**	**256 445**	**220 428**	**202 249**

Five year summary, key ratios and data per share

Key ratios	2018	2017	2016	2015	2014
Equity, SEK '000	290 375	240 851	206 175	183 518	151 296
Operating Capital, SEK '000	117 739	83 688	71 696	65 727	76 676
Liabilities to credit institutions, SEK '000	0	0	0	0	0
Net investments, SEK '000	22 895	29 101	13 960	9 411	13 471
Cash flow for the year, SEK '000	14 434	22 428	24 710	54 790	-5 977
Net debt/equity ratio	-0,58	-0,64	-0,64	-0,58	-0,34
Equity-assets ratio, %	78	80	80	83	75
Return on equity, %	33	31	31	32	22
Return on operating capital, %	111	117	108	92	62
Average number of employees	106	92	79	73	68
Number of employees at close of period	117	99	84	73	72

Data per share	2018	2017	2016	2015	2014
Net result before and after dilution, SEK	3,72	2,92	2,51	2,22	1,32
Equity before dilution, SEK	12,17	10,10	8,64	7,69	6,34
Equity after dilution, SEK	12,17	10,10	8,64	7,69	6,34
Average weighted number of shares before dilution, thousands	23 852	23 852	23 852	23 852	23 852
Average weighted number of shares after dilution, thousands	23 852	23 852	23 852	23 852	23 852
Number of shares at end of period before dilution	23 852	23 852	23 852	23 852	23 852
Number of shares at end of period after dilution	23 852	23 852	23 852	23 852	23 852

Comment on the five-year review

CellaVision's performance in the past five years is mainly a result of the company's five strategic initiatives. In the past five-year period CellaVision's sales increased from SEK 217 million to SEK 365 million, corresponding to annual growth of 15 percent where off 4% from positive currency effects. In the same period the operating profit grew from SEK 43 million to SEK 112 million, corresponding to an operating margin of 20 percent in 2014 and 30.6 percent in 2018. The strong growth in profitability is an effect of the leverage built into CellaVision's indirect business model. The average number of employees has grown from 68 people in 2014 to 106 in 2018.

Geographical expansion

During the period CellaVision expanded its organization of own sales companies and market offices from five to 15 and the number of countries in which the company has a presence of its own has thus grown to 30. Establishing new organizations for market support requires limited investments. For a new establishment CellaVision usually starts with one or two employees, increasing the number of employees over time and as sales grow. CellaVision now has its own legal entities in Japan, Canada and the USA.

Administration for other markets is via Business Sweden, which is a cost-effective solution.

Segment expansion

The first market segment CellaVision started to address was large human healthcare laboratories and this is a market that continues to offer sound growth potential. In the past five years CellaVision has also developed an offer that targets large veterinary laboratories, resulting in a major sale in North America during the period. In 2018, work on expanding to smaller and medium-sized laboratories in both the human and veterinary markets was intensified and the product CellaVision® DC-1 was launched in February after the end of the year.

Innovation

Innovation is one of CellaVision's absolute core activities and one in which CellaVision continually makes significant investments. In 2014 SEK 35.1 million was invested in the company's innovation activities and in 2018 the corresponding figure was SEK 57.7 million. As a percentage of sales this is equivalent to a constant of 17 percent. The number of employees in innovation activities increased from 2014 until 2018 from 32 to 54. Launches in the past five years consist of both software and hardware.

Developed partnerships

During the period CellaVision discontinued all direct sales and now uses an indirect business model based on far-reaching partnerships with leading manufacturers of equipment for hematology laboratories. The main advantage of this model is that CellaVision gains access to its various partners' sales organizations, making the company's sales very cost effective. The number of partners increased during the period from five in 2014 to nine in 2018. To create an effective way to train its partners throughout the world in CellaVision's digital analysis method the CellaVision® Academy was launched in 2015.
The CellaVision® Academy largely consists of different e-learning modules, but also includes traditional training and is aimed at both partners and end users.

Streamlined supply chain

CellaVision has decided to focus on its core activities, innovation and market support. As a consequence, the company has discontinued all manufacturing and assembly on its own account. This work was finished in 2017 and now all production, assembly and quality control is carried out by third-party manufacturers. This has resulted in less capital tied up and reduced transport.

Corporate governance

CellaVision is a Swedish public limited liability company with its registered office in Lund. Apart from the parent company, the Group consists of four wholly-owned subsidiaries in Sweden, the USA, Canada and Japan, as well as offices for local market support in the USA, Canada, Brazil, China, Japan, South Korea, Australia, Sweden, United Arab Emirates, France, Germany, the United Kingdom, Mexico, India, Thailand, Spain and Italy. The company's share is listed on Nasdaq Stockholm. CellaVision applies the Swedish Code of Corporate Governance (the Code) since its shares were admitted to trading in 2010 and reports no deviations from the Code for 2018.

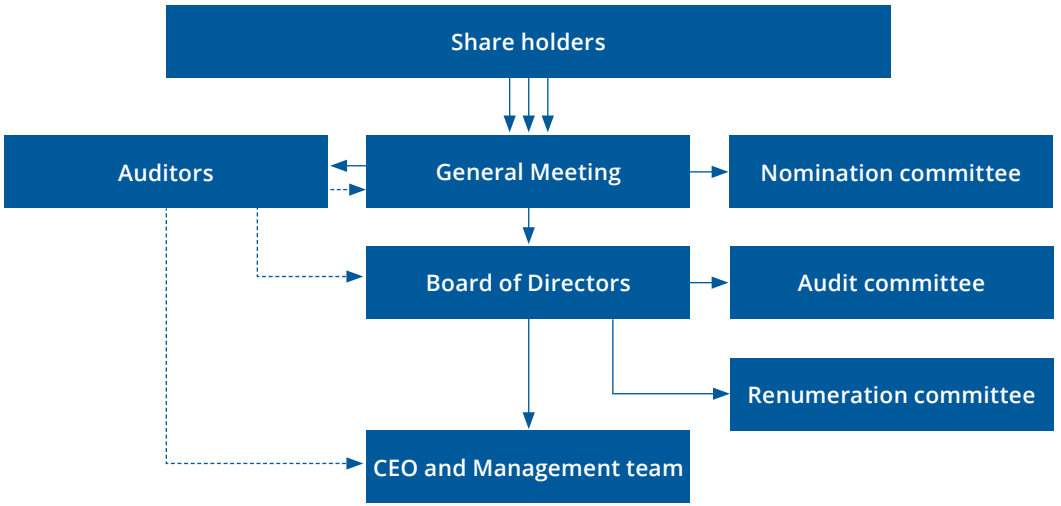
The term corporate governance normally refers to the rules and structure built up to govern and direct a limited liability company in an effective and controlled manner. Governance and control of CellaVision is divided between the shareholders at the Annual General Meeting, the Board of Directors and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

In addition to legal control and governance principles, CellaVision is also influenced by several internal policy documents, including instructions and rules of procedure for the President/CEO and Board of Directors, as well as internal policies and guidelines.

Shareholders

The share capital on December 31, 2018 was SEK 3,577,732, distributed among 23,851,547 shares. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. CellaVision had 7,412 (8,558) shareholders on the closing date. Of these, one shareholder has direct and indirect holdings constituting more than ten percent of the votes and capital: William Demant Invest A/S. No shares are held by the company itself. For further information about the CellaVision share and shareholders please refer to page 22 and CellaVision's website.

Overall governance structure for CellaVision



Articles of Association

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

General Meeting of Shareholders

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

entered under his or her own name in the register of shareholders at least five business days before the Meeting and notify the intention to attend to the company at the latest on the date specified in the notice to attend. The shareholder must attend the Meeting, in person or via a representative.

The Annual General Meeting is held in Lund during the first half of every year. In connection with the third quarterly report CellaVision's shareholders are informed of the time and place of the Annual General Meeting and of their right to bring a matter before the Meeting. A notice to attend the Annual General Meeting is published no earlier than six and no later than four weeks before the Meeting. An extraordinary general meeting may be held if the Board of Directors considers it necessary or if the company's auditors or shareholders holding at least 10 percent of the shares so requests.

Annual General Meeting 2018

CellaVision's Annual General Meeting was held on Wednesday, May 4, 2018 at CellaVision's address, Mobilvägen 12 in Lund. The Meeting was attended by 39 (44) shareholders, in person or through representatives. They represented about 48.29 (31.5) percent of the total votes. The Board of Directors, Nomination Committee and auditor of the company were present at the Meeting. Essentially, the following resolutions were passed:

- The parent company and consolidated income statements and balance sheets were adopted. It was further resolved that a dividend of SEK 1.50 per share would be distributed for the 2017 financial year.
- Discharge from liability of the members of the Board of Directors and the President.
- Re-election of Christer Fåhraeus, Åsa Hedin, Torbjörn Kronander, Anna Malm Bernsten, Sören Mellstig and Niklas Prager as Board Members and election of Jürgen Riedl and Stefan Wolf as Board Members. Sören Mellstig was re-elected as Chair of the Board. Re-election of Deloitte AB as auditor.
- Fee to the Board of Directors, presented in the table on page 40 and in Note 15 of the annual report.
- Guidelines for remuneration to senior management. A resolution was also passed concerning an incentive program for the company management.
- Principles for the Nomination Committee.
- A dividend policy was adopted.

The minutes of the Annual General Meeting were presented on the website within a week of the Meeting. Material from the Meeting, such as the notice to attend, the minutes and information on the Nomination Committee is available to read on CellaVision's website. The full resolutions of the Meeting as above are available from the Company at the address Mobilvägen 12 in Lund and will be sent to any shareholder who so requests.

Nomination Committee

The main task of the Nomination Committee is to propose to the Annual General Meeting the composition of the Board of Directors, which is then decided by the Annual General Meeting. The work of the Nomination Committee starts by studying the evaluation of the work of the Board of Directors commissioned by the Board of Directors. The work of the Nomination Committee is characterized by transparency and discussion to achieve a well-balanced Board. The Nomination Committee then nominates members to the Board for the next term of office and submits proposals for remuneration to the Board of Directors and auditors and, where applicable, also for election of auditor.

Nomination Committee for the 2019 Annual General Meeting

In accordance with a resolution of the 2018 Annual General Meeting, CellaVision's Nomination Committee ahead of the 2019 Annual General Meeting shall consist of one representative of each of the four largest shareholders in terms of voting rights at the end of September 2018. The Chair of the Board convenes the first meeting of the Nomination Committee and is co-opted to the meetings of the Nomination Committee. The composition of the Nomination Committee was announced on October 23 in connection with the interim report for January-September 2018. The members of the Nomination Committee and the shareholders who appointed them is presented in the table below. The chair of the Nomination Committee ahead of the 2019 Annual General Meeting was Christer Fåhraeus.

Namn/Representerade	Voting share (31/12 2018)
Sören Mellstig, in capacity of Board Chair.	
William Demant Invest A/S	11.8 %
Christer Fåhraeus, Christer Fåhraeus inc. comp.	9.7 %
Bo Lundgren, Swedbank Robur Fonder	8.8 %
Joel Eklund, Fosielund Holding AB	4.2 %
Total	**34.5 %**

In 2018 the Nomination Committee held four meetings, as well as a number of email and telephone contacts. The Nomination Committee proposals are presented, in addition to the press release, in the notice to attend the 2019 Annual General Meeting and are also available on the company's website together with an explanatory statement concerning the proposed Board of Directors.

Board of Directors

The Board of Directors and ultimately the President/CEO administers the affairs of the company on behalf of the shareholders. The Board of Directors appoints the President/CEO, who is responsible for the day-to-day management of the company. The division of duties and responsibilities between the Board of Directors and the President/CEO is clarified in the Board's Rules of Procedure and the Instructions to the President/CEO.

The Board of Directors is appointed by the shareholders at the Annual General Meeting with a term of office up to and including the next Annual General Meeting. The Board of Directors manages the company on behalf of the owners by establishing goals and strategy, evaluating the operative management and ensuring that there is an effective system for follow-up and control of the established goals. It is also the responsibility of the Board to ensure that the company's information provision is correct, relevant and reliable.

The Board of Directors forms a quorum when more than half of its members are present. Under CellaVision's Articles of Association the Board of Directors must consist of a minimum of three and a maximum of nine members with a maximum of two alternates. The Board holds an inaugural meeting directly after the Annual General Meeting.

Chair of the Board

CellaVision's Board of Directors has been chaired since 2016 by Sören Mellstig. The Chair of the Board is appointed by the Annual General Meeting. The Chair of the Board organizes and leads the work of the Board, ensures that the Board regularly develops its knowledge of the company, communicates shareholders' views to the Board and is a support to the President/CEO. The Chair of the Board and the President/CEO prepare proposed agendas for the Board meetings. It is the responsibility of the Chair of the Board to verify that the Board's decisions are effectively implemented and that the work of the Board is evaluated annually and that the Nomination Committee is informed of the results of this evaluation.

The Board's Rules of Procedure

The Board of Directors adopts rules of procedure for its work annually. The current rules of procedure were adopted on May 4, 2018. In addition to that, the Rules of Procedure are revised as necessary. The Rules of Procedure include a description of the responsibilities and duties of the Board, the duties of the Chair of the Board, audit issues and specify the reports and financial information that the Board must receive before each ordinary Board meeting.

Evaluation of the work of the Board

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

Composition of the Board of Directors in 2018

The Board of Directors consists of eight members with no alternates. At the 2018 Annual General Meeting Christer Fåhraeus, Åsa Hedin, Torbjörn Kronander, Anna Malm Bernsten, Sören Mellstig and Niklas Prager were re-elected as Board Members. Apart from re-election of members, new members were elected; Jürgen Riedl and Stefan Wolf, by the 2018 Annual General Meeting. Sören Mellstig was re-elected as Chair of the Board. The members of the Board have great experience and competence in medicine and technology as well as business and international operations. The composition of the Board complies with the requirements of the Code regarding independent members. The information that is to be provided under point 10.2 of the Code concerning members of the Board can be found on page 44.

Attendance and renumeration of the Board 2018

Name	Independance in relation to company	Independance in relation to major share holders	Audit committee 1801-1804	Audit committee 1805-1812	Remuneration committee	Board fee, SEK t	Attendance at Board meetings
Sören Mellstig	Yes	Yes	Member	Member	Chairman	494	10/10
Christer Fåhraeus	Yes	No				193	9/10
Roger Johanson*	Yes	Yes	Chairman			73	4/4
Torbjörn Kronander	Yes	Yes			Member	213	7/10
Anna Malm Bernsten	Yes	Yes		Member		207	10/10
Niklas Prager	Yes	Yes	Member	Chairman		227	10/10
Åsa Hedin	Yes	Yes			Membert	213	9/10
Jürgen Riedl**	Yes	Yes				133	6/6
Stefan Wolf**	Yes	Yes				133	5/6
Totalt						**1 886**	

* Roger Johanson was a Board member until the Annual General Meeting on May 4, 2018. ** Jürgen Riedl and Stefan Wolf were elected Board Members on the AGM on May 4, 2018. A more detailed presentation of Board members can be found on page 44 and on the company's website www.cellavision.se

Work of the Board in 2018

In 2018 CellaVision's Board of Directors held a total of ten minuted meetings, two of which by telephone. Four of the meetings were held in connection with the approval of the year-end bulletin and the interim reports. On occasions when any member has been prevented from attending the Chair of the Board has obtained views concerning the decision in advance. Important questions during the year included strategy, market assessments and material risks.

The company's President/CEO and CFO participate regularly in the Board meetings. Other senior executives participate in the Board meetings as necessary. The company's auditor participated in the February Board meeting, when the year-end bulletin was approved.

Audit Committee

Risks concerning CellaVision's financial reporting are monitored and evaluated by the Board's Audit Committee, whose main task is to support the Board in quality assurance of the financial reporting. The Audit Committee has no decision-making authority, it prepares and reports matters to the Board as a whole.

The Audit Committee consists of three members who are all independent in relation to the company and its management as well as being independent in relation to the company's major shareholders: Sören Mellstig, Anna Malm Bernsten and Niklas

Prager, where Niklas Prager chairs the Committee. During the year the Committee met two times. Questions dealt with are mainly internal control in the subsidiaries, risks, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

Remuneration Committee

The Board of Directors also has a Remuneration Committee, whose main task is to propose principles for remuneration and other conditions of employment for the President/CEO and other senior management in the Group. Ahead of each Annual General Meeting the Committee submits its proposals, in accordance with Chapter 8, Section 51 of the Swedish Companies Act.

In 2018 the Remuneration Committee consisted of members of the Board Sören Mellstig, Torbjörn Kronander and Åsa Hedin, who are all independent of the company and the company management. Sören Mellstig chairs the Committee. During the year the Committee held two minuted meetings, and conducted several telephone and email contacts. In addition to guidelines and principles of remuneration to the President/CEO and other senior management during the year the Committee discussed the company's incentive program for the President/CEO, management and other staff.

President/CEO and Executive Group Management

The President/CEO is appointed by and receives instructions from the Board of Directors. CellaVision's President and Chief Executive Officer in 2018, Zlatko Rihter, was responsible for the day-to-day management of the company as well as strategic and operative issues, in accordance with the Board's guidelines and directions. The current Instruction to the President/CEO was adopted by the Board on May 4, 2018. The President/CEO prepares information and decision-making data for the Board meetings and is presenter at the meetings. The Board of Directors continuously evaluates the work of the President/CEO through monitoring against goals set. Once a year a formal evaluation is made, which is discussed with the President/CEO.

Board meetings 2018

December 6
Budget & business plan

October 23
Interim report

September 7
Strategy meeting follow-up

July 16 juli (tel)
Interim report

6 February
Year-end bulletin
Audit report

April 18 april (tel)
Reconciliation prior to negotiations

May 2 (tel)
Interim report

May 4
Board meeting prior to AGM

May 4
Inaugural meeting

June 18
Strategy meeting

Composition of the management in 2018

The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. In 2018 the Executive Group Management consisted of eight people besides the President/CEO:

- Chief Financial Officer (CFO)
- VP Supply & Sourcing
- VP Quality
- VP Business Development
- VP Human Resources & Corporate Communications
- VP Global Sales
- VP Global Marketing
- VP Innovation & Engineering

All the members of the Executive Group Management were at the company's head office in Lund, Sweden. The Executive Group Management holds minuted meetings at which operative issues are discussed. The Executive Group Management draws up a business plan annually, which is adopted by the Board. A more detailed presentation of the President/CEO and the management team can be found on pages 45. The information on the President/CEO stipulated in item 10.2 of the Code can also be found there.

Auditor

The administration of the Board of Directors and the President/CEO and financial reporting is examined by the external auditor elected by the Annual General Meeting. The auditor is proposed by the Nomination Committee and elected by the Meeting for one year. At the 2018 Annual General Meeting Deloitte was re-elected as auditor up to and including the 2019 Annual General Meeting.

The auditor in charge is authorized public accountant Maria Ekelund. The task of the auditor is to audit CellaVision's annual accounts, accounting records and the administration by the Board of Directors and President/CEO on behalf of the shareholders. Besides the annual audit, the auditor reviews at least one interim report per year. Remuneration to the auditor is payable in accordance with the approved invoice. For amounts please see Note 16.

Remuneration

Salaries, remuneration and other benefits to the Board of Directors, President/CEO and other senior management are reported in Note 15 in the annual report. Remuneration to the Board of Directors can also be followed in the table on page 40.

Guidelines for remuneration to senior management in 2018

The 2018 Annual General Meeting resolved to approve the Board's proposed guidelines for remuneration to senior management of CellaVision AB as follows: The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary.

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

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years. Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

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

Long-term incentive program for senior management

The Annual General Meeting held on May 4, 2018, adopted the Board's proposed incentive program for the company's senior management in 2018/2020. The outcome of the program is dependent on the company's earnings and sales growth as well as the annual average growth of the company's profit per share. The maximum remuneration is payable if the annual average growth of the company's profit per share in the period January 1, 2018 – December 31, 2020 is at least 15 percent annually. For maximum outcome the company's costs for the incentive program are estimated to be SEK 2.9 million (excluding social security contributions), based on participation of nine members of senior management in the incentive program. To share in the outcome from the incentive program the member of senior management must be employed by the company on December 31, 2020. The cost is accrued over three years, corresponding to the duration of the program and any payment will be made in 2021.

The resolution means that the company, provided profitability and sales targets set by the Board at the start of 2018 have been achieved, will set aside 3 monthly salaries for the CEO, 2 monthly salaries for the VP Global Sales and 1.5 monthly salaries for other senior management participating in the incentive program in 2018.

Moreover, the company has a program from 2017 that continues to run, which is presented in the annual report for 2017. The program will close on December 31, 2019 and any payment will be made in 2020. For maximum outcome the company's costs for the program are estimated to be SEK 2.6 million (excluding social security contributions), based on participation of eight members of senior management in the program.

Staff incentive scheme

The Board approved an incentive program for staff in 2018 that ran from January 1, 2018 to December 31, 2018. Eligible staff were those who were not senior management and who consequently were not eligible for the incentive scheme for senior management resolved by the 2018 Annual General Meeting.

The decision meant that the employee will receive 0.5 of a monthly salary in the case of maximum outcome. The size of the share depended on the company's performance and sales in 2018. To participate in the incentive program the employee had to have been employed for at least six months in 2018 and be employed on December 31, 2018. The program for 2018 achieved the profitability and sales targets set up to 83.1 percent and therefore the cost to the company for the outcome of the bonus program to staff was SEK 2.2 million.

Proposed guidelines for remuneration to senior management in 2019

The Board of Directors proposes the following guidelines for remuneration to senior management in 2019, as in last year's proposal: "The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to

consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary.

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

Pension conditions must be commercial in relation to market conditions applicable to others holding equivalent positions and must be based on defined contribution plan solutions. The retirement age is to be 65 years.

Severance pay for a member of the management can be payable in an amount equivalent to a maximum of 12 months' salary. The total of the fixed salary during the period of notice and severance pay may not exceed an amount equivalent to two years' fixed salary for the member of management. No separate board fee is payable to a member of management holding a position as member or alternate in a group company board of directors.

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

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

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

Background

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

Control environment

The basis of internal control is the overall control environment. A good control environment builds on an organization with clear decision lines where responsibility and authority is clearly defined. In CellaVision there are policies, guidelines and process descriptions for the different parts of the business flow from transaction management to bookkeeping and preparing external reports.

In the company's financial and accounting manual, Administrative Guidelines, which is updated annually, these process descriptions are presented in all essentials.

Risk assessment

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

Control activities

The main purpose of control activities is to prevent and discover errors as soon as possible in order to rectify any deficiencies. Procedures and activities have been designed to discover and deal with the most material risks related to financial reporting. Group companies are followed up by the CEO and CFO through regular reports and personal meetings with the management of the respective subsidiary. The Board receives monthly reports in which the CEO and CFO give an account of the past period regarding the Group's and each respective business area's results and financial position. The work on monthly closings and annual accounts is well-defined and reporting is in accordance with standardized reporting templates including comments regarding all material income and balance sheet items. There are CFOs and controllers with functional responsibility for accounting, reporting and analysis at both parent company and subsidiaries. In this way the company's financial reports are checked several times, which reduces the risk of error.

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

Information and communication

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

Follow-up

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

Activities in 2018

CellaVision works constantly to minimize risks by removing superfluous manual steps from the company's processes.

Board of Directors & Auditors


Sören Mellstig

SÖREN MELLSTIG
Elected and Chairmman of the Board since 2016
Year of birth: 1951
Other directorships: Chairman of the Board Ellevio AB (publ), Humana AB (publ), Impilo Holding AB and Rkliniken AB and ordinary member of the Christmas Foundation Formerly senior positions at AkzoNobel, as well as CFO and vice president of Incentive, CFO, business area manager and finally President and CEO of Gambro 2000 -2006.
Education: MBA.
Shares: 42 944


Christer Fåhraeus

CHRISTER FÅHRAEUS
Founder & Member of the Board since 1994
Year of birth: 1965
Other directorships: President/CEO of EQL Pharma AB. Chairman:Flatfrog Laboratories AB, Respiratorius AB, Umansense AB and Longboat Laboratories AB. Board membe:Reccan AB, EQL Pharma AB and LU Holding AB. Previous positions are CEO of Anoto Group and Flatfrog Laboratories. Founder of Anoto Group AB, Precise Biometrics AB, Agellis Group AB and Flatfrog Laboratories AB among other things.
Education: B Sc Medicine, M Sc. Bioengineering, B Sc Mathematics, PhD Neurophyiology, PhD Engineering (hc)
Shares: 2,316,000 shares (inc. comp).


Jurgen Riedl

JURGEN RIEDL
Member of the Board since 2018
Year of birth: 1976
Other directorships: Jürgen has a strong background in clinical laboratory work and is an internationally recognized expert in hematology. Jürgen has experience from several senior positions at Albert Schweitzer Hospital in Dordrecht, Beatrix Hospital in Gorinchem and Ikazia Hospital in Rotterdam in clinical chemistry and hematology.
Education: Post-doc & PhD
Shares: -


Anna Malm Bernsten

ANNA MALM BERNSTEN
Member of the Board since 2010
Year of birth: 1961
Other directorships: CEO of Bernsten Konsult AB. Formerly President and CEO of Carmeda AB and senior positions in Pharmacia & Upjohn and GE Healthcare Life Sciences. Chairman of the Board of Medivir AB and Björn Axén AB. Board member of Pågengruppen AB, Probi AB Moberg Pharma AB and BioLamina AB.
Education: M Sc. Chemical.
Shares: –


Torbjörn Kronander

TORBJÖRN KRONANDER
Member of the Board since 2007
Year of birth: 1957
Other directorships: V President and CEO of Sectra AB. Founder of Sectra's medical operations and one of the initiators of the CMIV research center (Center for Medical Image Science and Visualization) in Linköping. Board member of Sectra AB and Shannon AB. Medicine Honorary Doctor and member of IVA.
Education: Doctor of Technology, MBA.
Shares: 278 000


Stefan Wolf

STEFAN WOLF
Member of the Board since 2018 **Born:** 1964
Other directorships: Division President of Immune Diagnostic Division at Thermo Fisher Scientific. Befor he has been CEO of Hemostasis, Hematology and Specialty Diagnostics at Siemens Healthineers.
Education: Biological Laboratory Technician & Sales Specialist
Shares: -


Niklas Prager

NIKLAS PRAGER
Member of the Board since 2014
Year of birth: 1970
Other directorships: Chairman of the Board: Fodi Skandinavien AB, Qbtech AB. Member of the board of Adero AB. Former President and CEO: Medivir AB, Envirotainer AB, Qbtech AB and Pfizer AB.
Education: MBA
Shares: 8 720


Åsa Hedin

ÅSA HEDIN
Member of the Board since 2015
Year of birth: 1962
Other directorships: Board member of Nolato AB, Industrifonden AB, Crad AB and Tobii AB. Previously senior position at Elekta AB and senior positions at Siemens Healthcare and Gambro.
Education: M Sc Biophysics
Shares: –

AUDITOR

MARIA EKELUND
Authorised Public Accountant, Deloitte AB.
Auditor of CellaVision since 2013

Management


Zlatko Rihter

ZLATKO RIHTER
President and CEO.
Employed in 2015
Year of birth: 1970
Other directorships: Member of the Board of ETAC AB and Malmö FF.
Previous experience: More than 20 years of experience from med. tech industry, holding leading positions at Gambro and ArjoHuntleigh. His most recent position was as Executive Vice President at Origio A/S.
Education: M.Sc. Mechanical Engineering, Economics.
Shares: 70,000


Magnus Blixt

MAGNUS BLIXT
CFO.
Employed in 2013.
Year of birth: 1966.
Previous experience: Extensive experience of developing small and medium sized companies focusing on business performance and process improvements, within the SKF Group and Rotaform AB among others. He most recently held the position as Business Demand Manager at SKF AB.
Eduaction: M. Sc. Finance
Shares: 8,000


Jeppe Brandstrup

JEPPE BRANDSTRUP
VP Business Development.
Employed in 2016
Year of birth: 1984
Previous experience: Many years of experience in business development and acquisitions in the life sciences industry. Most recently as Senior Acquisition Manager at Novozymes in Copenhagen.
Education: M. Sc Finance.
Shares: 2,500


Magnus Johnsson

MAGNUS JOHNSSON
VP Quality.
Employed in 2000-2008, 2016
Year of birth: 1975
Previous experience: More than 15 years of experience in med. tech industry from companies such as ArjoHuntleigh and Xellia Pharmaceuticals. Most recent position was at Xellia Pharmaceuticals.
Utbildning: M.Sc. Chemistry, B Sc. Information Systems.
Shares: –


Magnus Lindeberg

MAGNUS LINDEBERG
VP Supply & Sourcing
Employed in 2016
Year of birth: 1975
Previous experience: More than 17 years of experience in the medical device industry in various senior positions in the supply chain and production included Gambro.Comes from a position as Manager Materials Supply Baxter (formerly Gambro AB).
Education: M. Sc. Mechanical.
Shares: –


Mattias Lundin

MATTIAS LUNDIN
VP Global Sales.
Employed in 2015
Year of birth: 1968
Previous experience: Many years of experience from the medtech industry, holdning leading positions in sales and marketing. Most recent position as VP Commercial for internatial and mature markets at ArjoHuntleigh, a company within Getinge group.
Education: Diploma in Business Administration & Marketing Management.
Shares: 900


Adam Morell

ADAM MORELL
VP Innovation & Engineering.
Employed in 2001-2003, 2006
Year of birth: 1976
Previous experience: Many years of experience as R&D Manager at CellaVision. Extensive expertise in the field of digital imaging and and has been a co-inventor on several patents.
Education: Lic. of Engineering Mathematics, M.Sc. Engineering Physics,
Shares: –


Maria Morin

MARIA MORIN
VP HR & Corporate Communications
Employed in 2009
Year of birth: 1974
Other directorships: Member of tne Board Phase Holographic Imaging PHI AB
Previous experience: Extensive experience from various positions and companies within the field of human resources, most was at Gambro AB
Education: B Sc Economics and Business Administration and B.Sc. Human Resources
CellaVision shares: –


Peter Wilson

PETER WILSON
VP Global Marketing.
Employed in 2000
Year of birth: 1967
Previous experience: Many years experience of global launching of new technologies and new products. Former positions include Foss, among others. Peter Wilson was head of CellaVisions subsidiary in North America in the years 2012-2014.
Education: M. Sc. Chemistry.
Shares: 3,000

Consolidated statement of comprehensive income, Group

SEK thousands	Note	2018	2017
Net sales	8	364,812	309,312
Cost of goods sold	18	-93,946	-86,092
Gross profit		**270,866**	**223,220**
Selling expenses		-82,362	-69,977
Administrative expenses		-37,644	-35,565
Research and development expenditure		-39,253	-26,786
Operating profit/loss	10, 13, 14, 15, 16, 17, 18, 24, 25	**111,607**	**90,892**
Profit/loss from financial items			
Interest income and other financial gains	21	2,010	1,859
Interest expense and other financial losses	22	-1,520	-2,408
Profit/loss before tax		**112,097**	**90,343**
Income tax	23	-23,408	-20,620
Net profit for the year		**88,688**	**69,723**
Other comprehensive income:			
Components not to be reclassified to net profit:		0	0
Components to be reclassified to net profit:			
a) Cash flow hedges			
Reclassified to operating profit		-374	3,240
Revaluation of financial assets		-4,947	-751
Tax effect on cash flow hedges		1,137	-549
b) Translation differences			
Exchange rate differences on translation of subsidiaries		797	-1,210
Total components to be reclassified to net profit:		-3,387	730
Total other comprehensive income		-3,387	730
Total comprehensive income for the year		**85,302**	**70,453**
Earnings per share, before and after dilution (SEK)		3.72	2.92
Number of shares in issue (thousands)		23,852	23,852
Average number of shares in issue (thousands)		23,852	23,852

Net profit for the year is in total attributable to the parent company's shareholders

Total comprehensive income for the year is in total attributable to the parent company's shareholders

Consolidated statement of financial position, Group

SEK thousands	Note	2018	2017
ASSETS			
Non-current assets			
Capitalised expenditure for development	24	66,918	53,731
Other intangible assets	24	900	0
Equipment	25	6,815	4,814
Deferred tax assets	23	0	0
Deposits	27	3,579	2,617
Total non-current assets		78,212	61,162
Current assets			
Inventories	26	34,454	28,754
Current receivables			
Trade receivables	29	75,813	43,157
Current tax receivables		797	2,134
Other receivables		7,686	5,078
Prepayments and accrued income	30	6,763	5,766
Total current receivables		91,059	56,135
Cash and cash equivalents		169,057	154,546
Total current assets		294,570	239,435
TOTAL ASSETS		372,782	300,597

Consolidated statement of financial position, Group

SEK thousands	Note	2018	2017
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	31	3,578	3,578
Other contributed capital		10,800	10,800
Reserves		-964	2,423
Accumulated profit/loss including profit for the year		276,961	224,050
Total equity attributable to the parent company's shareholders		290,375	240,851
Non-current liabilities			
Deferred tax liability	23	8,059	6,219
Other provisions	32	2,458	2,401
Total non-current liabilities		10,517	8,620
Current liabilities			
Trade payables		26,753	21,490
Warranty provisions	32	1,752	1,428
Other current liabilities		4,833	1,632
Accrued expenses and deferred income	33	38,552	26,576
Total current liabilities		71,890	51,126
TOTAL EQUITY AND LIABILITIES		372,782	300,597

Consolidated statement of cash flows, Group

SEK thousands	Note	2018	2017
Operating activities	1		
Profit/loss before tax		112,097	90,343
Paid tax		-16,075	-14,176
Adjustments for non-cash items	35	14,499	9,122
Cash flow from operating activities before changes in working capital		110,521	85,289
Change in inventories		-5,601	7,295
Change in operating receivables		-35,064	-9,729
Change in operating liabilities		4,213	5,043
Cash flow from changes in working capital		-36,452	2,609
Cash flow from operating activities		74,069	87,898
Investing activities			
Capitalisation of development expenditure	24	-18,419	-26,003
Purchase of non-current assets	24	-900	0
Purchase of property, plant and equipment	25	-3,576	-3,098
Acquisition of non-current financial assets		-962	-592
Cash flow from investing activities		-23,857	-29,693
Financing activities			
Dividend to shareholders		-35,777	-35,777
Cash flow from financing activities		-35,777	-35,777
Cash flow for the year		14,434	22,428
Cash and cash equivalents (opening balance)		154,546	132,454
Exchange rate fluctuations in cash and cash equivalents		77	-336
Cash and cash equivalents (closing balance)		169,057	154,546
Supplementary disclosures, cash flow statement			
Interest received during the year	21	20	334
Interest paid during the year	22	-159	-158

Consolidated statement of changes in equity, Group

SEK thousands	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2017	3,578	10,800	3,887	-2,194	190,104	206,175
Comprehensive Income						
Net profit for the year					69,723	69,723
Other Comprehensive Income						
Cash flow hedges, after tax				1,940		1,940
Exchange rate differences, after tax			-1,210			-1,210
Total Other Comprehensive Income			-1,210	1,940	0	730
Total Comprehensive Income			-1,210	1,940	69,723	70,453
Dividend to Parent Company's shareholders					-35,777	-35,777
Closing Balance at 31 December 2017	3,578	10,800	2,677	-254	224,050	240,851
Opening balance at 1 January 2018	3,578	10,800	2,677	-254	224,050	240,851
Comprehensive Income						
Net profit for the year					88,688	88,688
Other Comprehensive Income						
Cash flow hedges, after tax				-4,184		-4,184
Exchange rate differences, after tax			797			797
Total Other Comprehensive Income			797	-4,184	0	-3,387
Total Comprehensive Income			797	-4,184	88,688	85,302
Dividend to Parent Company's shareholders					-35,777	-35,777
Closing Balance at 31 December 2018	3,578	10,800	3,474	-4,438	276,961	290,375

Income statement, Parent company

SEK thousands	Note	2018	2017
Net sales	8, 11	358,349	302,975
Cost of goods sold	19	-118,335	-108,230
Gross profit		240,014	194,745
Selling expenses		-55,552	-41,730
Administrative expenses		-37,573	-35,563
Research and development expenditure		-57,672	-52,789
Operating profit/loss	11, 13, 14, 15, 16, 17, 19, 24, 25	89,217	64,663
Profit/loss from financial items			
Interest income and other financial gains	21	1,991	1,784
Interest expense and other financial losses	22	-1,485	-2,086
Profit/loss before tax		89,722	64,361
Income tax	23	-19,439	-14,245
Net profit for the year	37	70,284	50,116
Statement of Comprehensive Income			
Net profit for the year		70,284	50,116
Other Comprehensive Income		0	0
Sum of other Comprehensive Income		0	0
Total Comprehensive Income for the year	37	70,284	50,116

Balance Sheet, Parent company

SEK thousands	Note	2018	2017
ASSETS			
Non-current assets			
Capitalised expenditure for development	24	10,289	15,521
Other intangible assets	24	900	0
Equipment	25	6,310	4,006
Shares in subsidiaries	28	106	106
Deferred tax assets	23	2,844	2,078
Deposits	27	3,476	2,523
Total non-current assets		23,925	24,234
Current assets			
Inventories	26	28,848	23,862
Current receivables			
Trade receivables	29	70,676	38,689
Receivables from group companies		5,067	6,918
Current tax receivables		0	2,134
Other receivables		7,355	5,078
Prepayments and accrued income	30	5,605	4,940
Total current receivables		88,703	57,759
Cash and bank balances		160,664	145,398
Total current assets		278,215	227,019
TOTAL ASSETS		302,140	251,253

Balance Sheet, Parent company

SEK thousands	Note	2018	2017
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	31	3,578	3,578
Statutory reserve		10,780	10,780
Non-restricted equity			
Profit brought forward		141,613	127,274
Net profit for the year		70,284	50,116
Total shareholders' equity		226,255	191,748
Provisions			
Other provisions	32	2,458	2,401
Total provisions		2,458	2,401
Current liabilities			
Trade payables		26,161	20,904
Liabilities to group companies		13,129	12,306
Warranty provisions	32	1,752	1,428
Current tax liabilities	23	2,766	0
Other current liabilities		1,528	1,271
Accrued expenses and deferred income	33	28,092	21,195
Total current liabilities		73,427	57,104
TOTAL EQUITY AND LIABILITIES		302,140	251,253

Cash flow statement, Parent company

SEK thousands	Note	2018	2017
Operating activities	1		
Profit/loss before tax		89,722	64,362
Paid tax		-13,770	-13,509
Adjustments for non-cash items	35	13,659	9,552
Cash flow from operating activities before changes in working capital		**89,612**	**60,405**
Change in inventories		-4,986	8,305
Change in operating receivables		-32,873	-13,167
Change in operating liabilities		5,567	5,947
Cash flow from changes in working capital		**-32,292**	**1,085**
Cash flow from operating activities		**57,320**	**61,490**
Investing activities			
Purchase of non-current assets	24	-900	0
Purchase of financial assets		-1,718	-593
Purchase of property, plant and equipment	25	**-3,494**	**-3,046**
Cash flow from investing activities		-6,112	-3,639
Financing activities			
Loans repaid		0	0
Dividend to shareholders		**-35,777**	**-35,777**
Cash flow from financing activities		-35,777	-35,777
Cash flow for the year		15,430	22,074
Cash and cash equivalents (opening balance)		145,398	123,924
Exchange rate fluctuations in cash		-165	-600
Cash and cash equivalents (closing balance)		160,664	145,398
Supplementary disclosures, cash flow statement			
Interest received during the year	21	0	334
Interest paid during the year	22	-123	-161

Statement of change in equity, Parent company

SEK thousands	Share capital	Other contributed capital	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2017	3,578	10,780	163,052	177,410
Net profit for the year			50,116	50,116
Other Comprehensive Income				
Other Comprehensive Income			0	0
Total Other Comprehensive Income			0	0
Total Comprehensive Income			50,116	50,116
Dividend to Parent Company's shareholders			-35,777	-35,777
Closing Balance at 31 December 2017	3,578	10,780	177,390	191,748
Opening balance at 1 January 2018	3,578	10,780	177,390	191,748
Net profit for the year			70,284	70,284
Other Comprehensive Income				
Other Comprehensive Income			0	0
Total Other Comprehensive Income			0	0
Total Comprehensive Income			70,284	70,284
Dividend to Parent Company's shareholders			-35,777	-35,777
Closing Balance at 31 December 2018	3,578	10,780	211,897	226,255

Not 1. General information, accounting policies and valuation principles

Accounting policies

CellaVision AB's consolidated accounts were prepared in accordance with the Annual Accounts Act (ÅRL), International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the IFRS Interpretations Committee approved for use within the EU. The Swedish Financial Reporting Board recommendation RFR 1 "Supplementary accounting rules for groups" has also been applied. The parent company's annual accounts were prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 2 "Accounting for legal entities". The consolidated and annual accounts are stated in SEK thousands and refer to the period 1 January-31 December for income statement related items and December 31 for balance sheet-related items. Assets and liabilities are recorded in accordance with the historical cost method with the exception of certain financial assets recorded at fair value through the consolidated statement of comprehensive income of the Group.

New and amended standards and interpretations in 2018

As of January 1, 2018, CellaVision applies IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers.

IFRS 9 came into force on January 1, 2018 and replaces IAS 39 in its entirety. IFRS 9 entails changes in the areas of classification and valuation, impairment losses (expected loan losses instead of losses incurred) and hedge accounting. All of the Group's financial assets were categorized as loan receivables and trade receivables under IAS 39, and were valued at amortized cost. The transition has not entailed any changes in the valuation for the Group since the Group's business model for all financial assets is considered to be hold to collect. The effect of the new credit reservation models did not quantify to any significant amount at the transition. The Group applies hedge accounting in accordance with IFRS 9, which has not entailed any change in relation to the previous accounting policies. In accordance with IFRS 9, the Group has chosen not to apply the standard retroactively and thus has not recalculated the comparative figures in the 2018 financial statements.

IFRS 15 introduces a new model for revenue recognition that is based on when the control of a product or service is transferred to the customer. The new standard has replaced all previous standards, statements and interpretations concerning revenue recognition. During 2017, the Group completed the analysis of the effects of an adoption to IFRS 15 using a modified retroactive method. The conclusion of the study is that the implementation of the new standard does not have any significant effect on the Group's financial reports.

New and amended standards and interpretations not yet in force

The International Accounting Standards Board (IASB) has issued a number of new and amended standards, which have not yet come into force. None of these have been applied in advance. A description is given below of new and amended standards and interpretations that are considered to have an impact on the Group's financial reporting in the period they are applied for the first time. IFRS 16 Leases will enter into force for the fiscal years beginning January 1, 2019. IFRS 16 primarily affects lessees and the central effect is that all leases that today are reported as operating leases must be reported in a manner similar to the current accounting of financial leases. This means that even for operational leases, asset and liability need to be reported, with the associated accounting for depreciation and interest costs - unlike today, when no lease and related liabilities are reported, and leasing fees are reclassified on a straight-line basis as leasing costs. CellaVision has lease contracts for office premises and leasing agreements for cars that will be recognized in the balance sheet as of January 1, 2019. In the balance sheet, a ROU asset and a lease liability will be reported to the value of SEK 31.2 million. CellaVision will use a simplified transition method.

Group accounting policies

Consolidated accounts

CellaVision AB is a Swedish public limited liability company with its registered office in Lund at Mobilvägen 12. The consolidated accounts include the parent company CellaVision AB and the wholly owned subsidiaries CellaVision Inc., USA, CellaVision Canada Inc., CellaVision Japan K.K. and CellaVision International AB. The consolidated accounts were prepared in accordance with the acquisition accounting method. This means that consolidated subsidiaries' identifiable assets, liabilities and contingent liabilities are recognized at fair value at the time of acquisition. If the cost of acquisition exceeds net assets recorded as above, the difference constitutes goodwill. Internal invoicing and internal dealings within the Group are eliminated in the consolidated accounts.

Translation of foreign operations

The functional currency is determined for each foreign operation. The foreign subsidiaries, which have a functional currency different from CellaVision's functional currency, which is Swedish kronor, are translated at the closing day rate for all balance sheet items and at the average rate for income statement items. The translation differences thereby arising are an effect partly of the net profit/loss being translated at different rates in the income statement and balance sheet respectively, and partly of the net assets being translated at a different rate at the end of the year than at the beginning of the year. Translation differences are reported in "Other comprehensive income". For other exchange rate differences please see under the heading "Exchange rate gains and losses".

Revenue recognition

As of January 1, 2018, CellaVision applies IFRS15. IFRS 15 introduces a new model for revenue recognition that is based on when significant risks and benefits related to a product or service is transferred to the customer. The new standard has replaced all previous standards, statements and interpretations concerning revenue recognition.

For sales of instruments and/or software, the revenue includes both the instrument and/or the software. The entire revenue referring to the system, instrument plus software, is recognized when the significant risks and rewards associated with the instrument are transferred to the customer, which normally coincides with delivery to the customer. For services to end consumers the revenue constitutes payment for servicing the instrument. This revenue is accrued over the period of the service agreement. This may refer to one occasion or run for a longer period of time. For software upgrades (new functions, technology or applications) to end consumers the revenue constitutes payment for software upgrades and is recognized at the time of delivery or distribution of a license key.

Interest income is recognized on a time-proportion basis using the effective interest method. Effective interest is the interest rate that makes the present value of the total future cash flows during the interest rate fixing period equal to the carrying amount of the receivable.

Operating Segments

An operating segment is a part of an entity that conducts business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the entity's chief operating decision maker, and for which discrete financial information is available. The entity's operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function, who is assessing the performance of the operating segments and allocating resources. The entity's assessment is that the group CEO is the chief operating decision-maker. CellaVision's business operations comprise one operating segment; automated microscopy systems in the field of hematology, and refers to the income statement and balance sheet for reporting of operating segments.

Expenditure on research and development

Research expenditure is expensed as it is incurred. Expenditure for development of future products is expensed up to and including the prototype stage. Expenditure thereafter and until commercialization is capitalized, to the extent it is probable that the product will be commercially viable. Expenditure for developing already existing applications and hardware platforms is expensed as it arises. In order to handle this effectively, the company applies a project accounting system in which all research and development expenditure is allocated to projects. Examples of such expenditure are:

- Goods and materials
- Consultant fees for construction and design
- Salaries and payroll overheads

Depreciation on equipment and computer equipment is not capitalized. Financial year borrowing costs for qualified assets for newly started projects are capitalized. Since the company did not incur any borrowing costs no such costs have been capitalized. The financial costs undertaken by the company do not refer to development activities and their costs.

Exchange rate gains and losses

Realized and unrealized exchange rate differences attributable to operating costs and transactions are reported among other operating income or expenses. Exchange rate differences referring to short-term and long-term financial transactions are recorded as financial items.

Leases
A finance lease is a lease that transfers all the substantial risks and rewards associated with ownership of an asset from the lessor to the lessee. Leases that are not finance leases are classified as operating leases. The Group does not hold any finance leases as at the balance sheet date. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The operating leases mainly refer to premises, vehicles, computers and some office equipment.

Employee benefits
Employee benefits in the form of salaries, bonus, paid holiday, paid sick leave etc., as well as pensions, are recognized as they are earned. With regards to pensions and other post-employment benefits, they are classified as defined contribution or defined benefit pension plans.

Pensions
All employees of the Parent Company are covered by the ITP plan administered by Alecta, apart from staff employed before 1 May 1999. These employees are covered by "alternative ITP", where the employees themselves may choose the insurer. These have the same amounts at their disposal as if they had been part of the ITP plan. Employees with an income exceeding that of 10 price base amounts are offered "tenfold earners" solutions. This means that they can choose the insurer for a part of the ITP contribution. Both these solutions are classified and reported as defined contribution plans. The ITP plan administered by Alecta is a defined benefit pension plan. However, in accordance with a statement by the Swedish Financial Reporting Board (UFR 10), this plan is reported as a defined contribution plan. For further information please refer to note for Social security and pension costs. The Group's American employees are covered by a 410K plan, which is a defined contribution plan. All pension commitments have been taken over by insurance companies and thus all pension plans are reported as defined contribution plans and pension premiums are recognized as expenses in the period in which the employees render the related services.

Share-price related remuneration
The Group has a share-price related incentive program in which settlement will be in cash. The outcome of the program is dependent on a comparison between the company's share price and the NASDAQ OMX general index over the duration of the program. Any remuneration will be paid in the year after the program expires. At the close of each reporting period the company will review the fair value of the liability including social security costs. A change in the liability equivalent to the earnings at the close of each reporting period will be reported in the income statement. As of December 31, 2018, the liability equivalent amounted to SEK 1.5 million excluding social security contributions. The following programs have been approved and refer to:

Duration	Refers to
2016-2018	Executive Group Mgmt

Other incentive programs
Long term Incentive program
The Group has a long-term Incentive program based on the development of earnings per share. Any remuneration will be paid in the year after the program expires. At the close of each reporting period the company will review the fair value of the liability including social security costs. A change in the liability equivalent to the earnings at the close of each reporting period will be reported in the income statement. The following programs have been approved and refer to:

Duration	Refers to
2017–2019	Executive Group Mgmt
2018–2020	Executive Group Mgmt

Short term Incentive program
Apart from the long-term programs, the Group has a short-term bonus program covering all employees in which any payment is made the year after the vesting period. At the close of each reporting period the company evaluates the debt including provision for social security contributions. The debt corresponding to the incremental amount at the close of each reporting period is recognized in the income statement.

Income taxes
Income tax recognized in revenue includes tax to be paid or received for the current year, adjustments of previous years' current tax and changes in deferred tax. The valuation of all tax liabilities/assets is at nominal amounts and is done in accordance with the tax regulations and tax rates that have been adopted. Deferred tax is estimated in accordance with the balance sheet method on all temporary differences existing between the reported and tax base values for assets and liabilities. Deferred tax assets referring to loss carry forwards or other future tax-related deductions are only reported to the extent that is probable that they can be applied in the future.

Intangible assets
Intangible assets consist of capitalized expenditure for development that is recorded at cost of acquisition less accumulated amortization. Development expenditure recognized as an asset is amortized over the estimated useful life of five years. CellaVision's products are replaced by new models at intervals of about five years. Amortization is started on market introduction of the respective product.

An intangible asset is removed from the statement of financial position on retirement or disposal or when no future economic benefit is expected from the use or retirement/disposal of the asset. The gain or loss arising when an intangible asset is removed from the statement of financial position, consisting of the difference between the net disposal proceeds and the asset's carrying amount, is recognized in the income statement when the asset is removed from the statement of financial position.

Property, plant and equipment
Property, plant and equipment, consisting of instruments, equipment and computer equipment, is reported at cost of acquisition less accumulated depreciation.

The carrying amount of an item of property, plant and equipment is removed from the statement of financial position on retirement or disposal, or when no future economic benefit is expected from the use or retirement/sale of the asset. The gain or loss arising on retirement or disposal of the asset, consisting of the difference between any net disposal proceeds and its carrying amount, is recognized in the income statement in the period when the asset is removed from the statement of financial position.

Depreciation
Depreciation/amortization is based on the historical cost and estimated useful life of the assets:

- Development projects 5 years
- Instruments 5 years
- Equipment 5 years
- Computer equipment 3 years

The estimated useful life of analyzers and development work is consistent with the estimated product life cycle.

Impairment of property, plant and equipment and intangible assets
On each balance sheet date, the Group analyzes the carrying amounts for property, plant and equipment and intangible assets to establish whether there is any indication of value impairment. If this is the case, the asset's recoverable amount is calculated in order to establish the value of any impairment loss. Where it is not possible to calculate the recoverable amount for an individual asset, the Group calculates the recoverable amount for the cash-generating unit to which the asset belongs.

Intangible assets with an indefinite useful life and intangible assets not yet ready for use must be tested for impairment annually, or when there is an indication of impairment.

The recoverable amount is the higher of fair value less selling costs and value in use. When calculating value in use estimated cash flows are discounted to present value using a discount rate before tax that reflects the current market assessment of the time value of money and the risks associated with the asset.

If the recoverable amount of an asset (or cash generating unit) is established as a lower value than the carrying amount, the carrying amount of the asset (or cash generating unit) is written down to the recoverable amount. An impairment loss must be recognized immediately in the income statement.

When an impairment loss is subsequently reversed, the carrying amount of the asset (cash generating unit) is increased to the revalued recoverable amount, but the increased carrying amount may not exceed the carrying amount that would have been determined if no impairment loss had been recorded for the asset (cash generating unit) in previous years. A reversal of an impairment loss is recognized immediately in the income statement.

The company management has set budgeted gross margins based on its expectations of market developments. The weighted average rate of growth used is in line with forecasts in industry reports. Taking the above into account, the company management considers that no impairment loss exists.

Inventories
Inventories are recorded at the lower of cost according to the first-in, first-out method (FIFO) and net realizable value (lower of cost or market). The inventories contain finished products and input components for additional instruments.

Cash flow statement
The cash flow statement is prepared in accordance with the indirect method. Cash and bank balances are counted as cash and cash equivalents.

Classification of assets and liabilities
Non-current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid more than twelve months after the balance sheet date. Current assets and liabilities consist in all essentials only of amounts expected to be recovered or paid within twelve months of the balance sheet date.

Provisions
A provision is reported when an obligation exists as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and when a reliable estimate can be made of the amount. Warranty provisions are made for products sold. The warranty period is one year. Warranty costs are reported under "Cost of goods sold".

Related party transactions
For reporting any transactions with related parties please refer to note 11.

Financial instruments
The Group's financial instruments mainly comprise trade receivables, cash and cash equivalents, trade payables, other short-term liabilities and financial derivatives in the form of currency forwards.

A financial asset or financial liability is recognized on the balance sheet when the company becomes a party to the contractual provisions of the instrument. A financial asset or part of a financial asset is to be removed from the balance sheet when the contractual rights are realized, expire or when the company loses control over it. A financial liability or part of a financial liability is to be removed from the balance sheet when the obligation in the contract is discharged or otherwise cancelled.

Fair value of financial instruments
The fair value of financial assets and financial liabilities are determined as follows:

- The fair value of financial assets and liabilities with standard conditions traded on an active market is determined with reference to listed market price (level 1).
- The fair value of other financial assets and liabilities is determined in accordance with generally accepted valuation models based on data obtained from observable current market transactions (level 2).
- The fair value is determined based on valuation models in which material inputs are based on non-observable data (level 3). The Group has no financial instruments classified at level 3.

For all financial assets and liabilities, the carrying amount is assessed to be a good approximation of its fair value, unless otherwise stated in subsequent notes.

Amortized cost
Amortized cost refers to the amount at which the asset or liability was initially recognized less principal repayments, plus or minus cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial instrument to the initial carrying amount of the financial asset or financial liability.

Offset of financial assets and liabilities
Financial assets and liabilities are offset and recognized net in the balance sheet when there is a legally enforceable right to set off the recognized amounts and an intention to settle them on a net basis, or to realize the asset and settle the liability simultaneously.

Classification and valuation, IFRS 9

Financial assets are classified based on the business model in which the asset is managed and the nature of the cash flows that the asset generates. If the financial asset is held within the framework of a business model whose goal is to collect contractual cash flows (hold to collect) and the agreed terms for the financial asset at specified times gives rise cash flows that solely consist of payments of principal and interest on the outstanding amount of the capital, the asset is reported at amortized cost.

If the business model's goals instead are achieved by both collecting contractual cash flows and selling financial assets (hold to collect and sell), and the agreed terms for the financial asset at specified times give rise to cash flows that solely consist of payments of principal and interest on the outstanding amount, the asset is reported at fair value through other comprehensive income.

All other business models (other) where the purpose is speculation, holdings for trading or where the cash flows character excludes other business models, accounting is applied at fair value through the income statement.

Impairment, IFRS 9
The Group reports a loss reserve for expected losses on financial assets that are valued at amortized cost. As of each balance sheet date, the Group reports the change in expected credit losses since the first reporting date in the result.

For all financial assets, the Group values the loss reserve at an amount corresponding to 12 months' expected credit losses. For financial instruments for which there have been significant increases in the credit risk since the first accounting date, a reserve based on loan losses for the entire duration of the asset (the general model) is reported.

For trade receivables and contract assets, there are simplifications that entails that the Group directly reports expected credit losses for the asset's remaining maturity (the simplified model).

The Group defines defaults as being considered unlikely that the counterparty will meet its obligations due to indicators such as financial difficulties and missed payments. The Group writes off a receivable when no opportunities for additional cash flows are deemed to exist.

Financial assets, IFRS 9
Cash and cash equivalents
Cash and cash equivalents include cash and bank balances and other short-term liquid investments that can easily be converted into cash and are subject to a minor risk of changes in value. In order to be classified as cash and cash equivalents, the maturity must not exceed three months from the date of the acquisition. Cash and bank balances are held in the hold to collect business model and are therefore valued at amortized cost. Due to the fact that bank funds are payable on demand, the amortized cost corresponds to the nominal amount. Cash and cash equivalents are covered by the general model for impairment. For cash and cash equivalents, the exception is applied for low credit risk. Write-down reserves for credit risk in cash and cash equivalents have been assessed as insignificant. Short-term investments are categorized as "Holdings for trading" and valued at fair value with changes in value reported in the income statement. At the end of 2018, the Group has no short-term investments.

Trade receivables
Trade receivable are held in the hold to collect business model and valued at amortized cost. However, the expected maturity of trade receivable is short, which is why reporting is done at a nominal amount without discounting. Trade receivables are covered by the simplified model for impairment. The expected loan losses for trade receivables are calculated using a commission matrix which is based on past events, current conditions and forecasts for future economic conditions and the time value of the money if applicable.

Financial liabilities, IFRS 9

Trade payables

Trade payables are categorized as "Financial liabilities at amortized cost". However, the expected maturity of trade payables is short, and therefore the liability is recognized at the nominal amount without discounting.

Liabilities to credit institutions

At the close of 2018 the Group had no pledged trade receivables and no liabilities to credit institutions.

Derivative financial instruments and hedge accounting, IFRS 9

The currency forwards used for hedging future cash flows and forecast sales in foreign currency are recognized in the balance sheet at fair value, in accordance with level 2 above. The effective portion of the changes in value are reported in other comprehensive income until the hedged flow affects the income statement, when the hedging instrument's accumulated changes in value are recognized in the income statement, where they meet and match the effects on earnings of the hedged transaction. The ineffective portion of the value changes is recognized directly in the income statement.

Parent company's accounting policies

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities. Application of RFR 2 means that the parent company as far as possible applies all the IFRS adopted by the EU within the framework of the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the relationship between accounting and taxation. In RFR 2 there are exceptions to applying IFRS 9 in legal entities. The amendments that came into force on January 1, 2018 mean that companies that choose to apply the exemption shall also apply the write-down requirements in accordance with IFRS 9.

The differences between the accounting policies of the parent company and Group are described below:

Classification and formats

The parent company's income statement and balance sheet follow the format of the Annual Accounts Act schedules. The difference in relation to IAS 1 Presentation of Financial Statements applied when preparing the Group's financial statements mainly concerns reporting of equity and the existence of provisions as a separate heading.

Financial instruments

For hedge accounting, the Parent Company applies the exception in RFR 2 on IFRS 9. The net value of CellaVision's derivatives amounted to SEK -5.6 million (-0.2) at December 31, 2018.

Intangible assets

Before January 2016 expenditure for product development was reported in the form of capitalized development expenditure in the parent company, but per January 1st 2016 these expenditures are reported as expensed cost in accordance with current accounting standards.

Participations in group companies

Participations in group companies are recorded at cost of acquisition in the parent company's financial statements. Acquisition related costs for group companies that are recognized in the consolidated accounts, are included as part of the cost of acquisition of participations in group companies.

Amendments to RFR 2 and the Annual Accounts Act that have not yet come into force

Approved amendments to RFR 2 that have not yet come into force are not expected to have any material impact on the parent company's financial statements when they are first applied.

Not 2. Financial risk management and financial instruments

In its operations, the Group is exposed to various types of financial risk such as market risk, liquidity risk and credit risk. Market risk mainly consists of currency risk when interest rate risk is limited. The Board of Directors of the company is ultimately responsible for exposure, management and follow-up of the Group's financial risks.

CellaVision works continually to balance its capital and financing risk by means of timely establishment of sufficient credit facilities for the needs that can be foreseen, monitoring cash flows, and working to optimize working capital. The overall goal is to ensure a capital structure that supports long-term profitable growth. Given that the company's operations have good profitability, the company's financial position is satisfactory. In the view of the Board, the company's financing and capital structure does not prevent the company from meeting its commitments in the short and long term, nor from implementing necessary investments.

Market Risks

Currency risk

Currency risk refers to the risk that fair value or future cash flows will fluctuate as a result of changed exchange rates. Exposure to currency risk mainly derives from payment flows in foreign currency, called transaction exposure, and from translation of balance sheet items in foreign currency as well as translation of foreign subsidiaries' income statements and balance sheets to the Group's presentation currency, which is Swedish kronor, called balance sheet exposure.

The Group operates internationally and is exposed to currency risk from various currency exposures, mainly in USD and EUR. The company's purchases are mainly in SEK. Sales are predominantly in USD and EUR. The Group uses currency forwards to hedge contracted inflows of foreign currency. Derivatives held for foreign currency hedging are valued at level 2, financial instruments where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than listed prices included in level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). Currency forwards are valued on the basis of observable information referring to exchange rates on the balance sheet date and market rates for remaining maturities. The amount referring to ineffectiveness of cash flow hedges recognized in the income statement is SEK 0 (0). CellaVision continuously hedges 40–70 per cent of currency exposure in net flows 12 months forward and a further 20–40% for months 13–24. Balance sheet exposure is not hedged.

Currency exchange rate fluctuations in euro and dollar is calculated to affect the groups revenue and operating profit according to the table below:

		Euro			
		9.9	**10.2**	**10.5**	**10.8**
USD	**8.9**	345/95	351/100	356/105	362/110
	9.2	349/99	355/103	361/108	366/113
	9.5	354/102	359/107	365/112	370/117
	9.8	358/105	363/110	369/115	375/120

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will vary due to changes in market interest and that the Group's interest expense will increase as a consequence of increased market rates. The Group's financial assets consist of deposits. The assets' value is so insignificant that a very low risk is considered to exist. The Group has no interest-bearing liabilities.

Liquidity and financing risk

Prudence in management of liquidity risk entails holding sufficient liquid assets and realisable securities or agreed lines of credit to be able to fulfil obligations. CellaVision minimizes this risk by holding sufficient cash. At present the liquidity risk is deemed to be reasonably low, mainly due to the Group's liquidity.

Credit and counterparty risk

Credit risk refers to the risk that the counterparty in a transaction will cause loss to the Group by not fulfilling its contractual obligations. The Group's exposure to credit risk mainly refers to trade receivables and liquid funds. CellaVision collaborates with triple A distributors and established hematology companies. In the Nordic countries the customers are publicly funded hospitals. There is some concentration of credit risk relating to trade receivables but historically these customers have not had any payment difficulties.

The credit risk in liquid funds is limited because the Group's counterparties are banks with high credit rating.

The Group's and the parent company's maximum exposure to credit risk is assessed to correspond to book values of all financial assets.

Classification of financial instruments

Classification of financial assets and liabilities and their fair value is presented below. There have been no reclassifications between the valuation categories during periods.

2018

	Derivatives held for hedging	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	75 813	0	75 813	75 813
Other receivables	1 105	7 355	0	8 460	8 460
Cash and cash equivalents	0	169 057	0	169 057	169 057
Total financial assets	**1 105**	**252 225**	**0**	**253 330**	**253 330**
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	26 753	26 753	26 753
Other liabilities	6 656	0	4 833	11 489	11 489
Total financial liabilities	**6 656**	**0**	**31 586**	**38 242**	**38 242**

2017

	Derivatives held for hedging	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	43 157	0	43 157	43 157
Other receivables	0	5 078	0	5 078	5 078
Cash and cash equivalents	0	154 546	0	154 546	154 546
Total financial assets	**0**	**202 781**	**0**	**202 781**	**202 781**
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	21 490	21 490	21 490
Other liabilities	231	0	1 401	1 632	1 632
Total financial liabilities	**231**	**0**	**22 891**	**23 122**	**23 122**

Fair value measurement of financial instruments

Financial liabilities measured at fair value in the balance sheet consist only of currency forwards. The currency forwards mature within 24 months and are recorded as other current liabilities in the balance sheet. For other financial assets and financial liabilities the carrying amounts are assessed to be a good approximation of the fair values because the maturity and/or interest rate fixing is less than three months, which means that a discount based on current market conditions is not expected to have any material effect.

Financial assets and financial liabilities measured at fair value in the balance sheet are classified into one of three levels based on the information used to establish the fair value. The Group's hedging instruments are measured at fair value in accordance with Level 2 below. During the periods there have been no transfers between levels.

Level 1 – Quoted prices in an active market. The Group has no financial instruments measured at fair value at Level 1.

Level 2 - Financial instruments, where fair value is determined on the basis of valuation models based on other observable data for the asset or liability than quoted prices included in Level 1, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The Group's currency forwards are classified at Level 2 via the Group's statement of comprehensive income and recorded as other current liabilities in the Group's statement of financial position.

Level 3 – Financial instruments where fair value is determined on the basis of valuation models in which material inputs are based on non-observable data. The Group has no financial instruments measured at fair value at Level 3.

Note 3. Important estimates and assumptions for accounting purposes

Establishment of reports and application of different accounting policies are often based on management's estimates or assumptions considered to be reasonable under the current circumstances. These assumptions and estimates are often based on experience but also on other factors, including expectations of future events. For CellaVision, the following areas are worth noting:

Capitalized development expenditure

The recoverable amount of capitalized development costs is determined based on the estimated economic life and volume. This calculation is based on estimated future cash flow based on financial forecasts approved by management and reflects product lifecycles.

Reserved amount for long-term incentive program

Calculation of the reserved amount for long-term incentive programs depends on the development of earnings per share over the term of the incentive program.

Note 4. Capital structure

CellaVision defines managed assets as the sum of the Group's net debt and equity. At the end of 2018 managed assets were 121,318 thousand (86,305).

The Group's objectives regarding capital structure are to secure the Group's ability to continue operations to generate returns for shareholders and benefits to other stakeholders and to ensure that the capital structure is optimal considering the cost of capital.

When managing the capital, the Group follows up on metrics such as sales growth and operating margin. The objective is to increase sales by an average of 15% per year with an operating margin exceeding 20% over a business cycle. In 2018 the company achieved sales growth of 18 per cent (17) and the operating margin was 30.6 per cent (29.4).

CellaVision has a strong financial position that allows investment in product development as well as geographic market expansion. The General Meeting in 2017 adopted a dividend policy corresponding to 30-50 percent of net income, but always take into account the Company's and the Group's financial position, capital structure, acquisitions and long-term financing needs.

Note 5. Operational risk factors

Distributors

CellaVision's strategy is to establish strategic alliances with global players in medical technology. CellaVision operates through distributors in all markets. This means that Cella Vision's future expansion depends on successful distributors. The company mainly distributes its products through the primary hematology companies in the world; Sysmex, Beckman Coulter, Siemens Healthcare Diagnostics, Abbott, Horiba, Biospecifix and Boule. CellaVision is dependent on their successes in the field of hematology, where CellaVision's products are marketed. Despite the fact that CellaVision has well-functioning and extensive contractual relationships with its distributors, these partnerships can be terminated. There is no guarantee that the distributor will sign a new agreement with CellaVision. Discontinued cooperation with a major distributor could have a negative impact on CellaVision's sales and earnings. All contracts are non-exclusive and run for 2–3 years.

Suppliers

The company's strategy is to enter into strategic partnerships, in which the partners handle the manufacturing of the products. This means that CellaVision will be dependent on a number of suppliers of key components such as cameras, microscopes and control equipment as well as companies that manage the assembly and final inspection of the systems. The company has collaborated with a contract manufacturer since 2006 and has long-term cooperation and contracts with its most important subcontractors. Despite this, contracts can be terminated. There is no guarantee that the suppliers will subsequently decide to sign a new agreement with the company. Suspension of deliveries due to terminated contracts or discontinued cooperation with a subcontractor may have a negative impact on CellaVision's sales and earnings.

Dependence on key personnel

CellaVision has a distinct high-tech specialization and is therefore dependent on being able to recruit and retain highly qualified employees.

Cost savings in health care

For economic and political reasons, measures are being taken to reduce costs in the health care sector in Western Europe and the US, for example. Ongoing changes and rationalization, despite CellaVision's efforts at developing cost-effective solutions, may have a negative impact on the company's future sales and earnings.

Product development

Continued development of existing and new products and solutions is of great importance to CellaVision. If the company's ability to develop products ceases, or if products cannot be introduced in accordance with established schedules, or if the market reception is worse than expected, this may result in a negative impact on CellaVision's sales and earnings.

Competition

There is a risk that new competitors with a greater resource base in terms of skills and capital may establish themselves in CellaVision's market and offer better methods and more effective products than CellaVision. Increased competition could result in price pressure on CellaVision products. In order to counteract this, the company constantly monitors competition.

Product liability

Testing, marketing and selling medical devices and solutions entails a risk of claims for damages and there is no guarantee that claims for compensation linked to product liability will not be made against CellaVision. The company has extensive insurance coverage for such claims.

Patents and rights

CellaVision conducts an active patent strategy to protect investments in core technology by applying for patents for new inventions. However, it cannot be guaranteed that current or future patent applications will lead to patents or that approved patents will offer sufficient protection against competitors. In addition, there is always a risk that disputes referring to patent infringement and other intellectual property rights may be started against or by CellaVision. The company has extensive insurance coverage for such claims.

Legislation and regulatory framework

Manufacturing, marketing and distribution of medical devices and equipment takes place on a regulated market where such bodies as the FDA (US Food and Drug Administration) and the EU have rules for clinical evaluation, approval and quality testing. CellaVision meets the current requirements in Europe and USA for CellaVision DM. If CellaVision's operations were to be subject to restrictions by government agencies or if the company did not receive necessary future official approval, it could have a negative impact on CellaVision commercially and financially.

Note 6. Information on operating segments

CellaVision's operations comprise only one segment; analyzers for microscopy systems in the field of hematology, and therefore reference is made to the consolidated statement of comprehensive income and financial statement regarding segment reporting. CellaVision sells an analyzer in which software is included. The software and the tool CellaVision Image Capture System do not function as stand-alone products. Other sales such as spare parts, service etc. is each less than 10% of total sales. CellaVision has a centralized business model. The absolute majority of the business is linked to the parent company through global customer contracts. The role of the subsidiaries are only of a marketing nature and their business is small and not a subject for cost allocation. Follow-up of sales by geographical region is of interest to the company, but overheads and operating margin are monitored at the central level, since the subsidiaries' share of total costs is small.

Note 7. Information on major customers

The products are sold globally via partners and in selected markets also via CellaVision's own sales companies. CellaVision has four customers that each account for more than ten per cent of the company's total sales. The largest customer with sales of SEK 124 (103) million and the others with sales of SEK 85 (64) million, 64 (58) million and SEK 50 (38) million.

Note 8. Income by geographical area

	Group		Parent company	
2018	Instruments	Other	Instruments	Other
Sweden	0	859	0	859
EMEA	76,456	24,933	76,474	25,989
Americas	124,566	60,946	124,595	55,941
APAC	71,312	5,740	69,300	5,191
Total	**272,334**	**92,478**	**270,369**	**87,980**

	Group		Parent company	
2017	Instruments	Other	Instruments	Other
Sweden	0	789	0	789
EMEA	57,728	23,244	59,000	24,956
Americas	102,314	64,964	104,569	56,751
APAC	55,581	4,692	53,684	3,226
Total	**215,623**	**93,689**	**217,253**	**85,722**

Sales at a given time in the Group were SEK 359,111 thousand (303,713) and revenues distributed over time were SEK 5,701 thousand (5,599). Revenues distributed over time refer to pre-paid service contracts. The value of accrued income attributable to revenue distributed over time amounted to SEK 3,057 thousand (2,918).

Note 9. Non-current assets by geographical area based on the non-current assets physical location

Group	2018	2017
Sweden	74,128	57,737
Americas	489	781
APAC	16	27
Total	**74,633**	**58,545**

In non-current assets above, no financial instruments, in terms of deposits, are included.

Note 10. Expenses classified by nature of expense

	2018	2017
Depreciation, amortisation and impairment (Note 18)	6,807	8,450
Costs for remuneration to employees (Note 13, 14, 15)	102,486	91,399
Changes in inventories of finished goods and work in progress	258	1,631
Raw materials	88,456	77,465
Transport costs	1,416	1,397
Capitalized expenses	-18,419	-26,003
Premises costs	6,951	6,509
Travel expenses	9,742	7,092
External services	18,267	18,968
Other expenses	37,241	31,512
Total cost of goods sold, selling, administrative and R&D expenses	253,205	218,420

Note 11. Intra-Group and related party transactions

SEK 5,468 thousand (8,933) of the parent company's invoicing refers to subsidiaries. 1,670 (2,101) KSEK refers to instruments, 2,869 (4,001) kSEK refers to spare parts and 928 (2,831) kSEK is software sales. Invoicing from subsidiaries to the parent company refers to market support and amounted to SEK 26, 766 thousand (25,075) on market terms. For Information on subsidiaries se Note 28.

We have not had any other related party transactions 2018 then the ones described above.

Note 12. Employees

	2018		2017	
Average number of employees	Number employees	Of whom men	Number employees	Of whom men
Parent company, Sweden	93	63	79	56
Subsidiary, USA	8	5	8	4
Subsidiary, Canada	2	1	2	1
Subsidiary, Japan	3	2	3	2
Total	106	71	92	63

	2018		2017	
Number of women in senior management:	Board of Directors	Other positions	Board of Directors	Other positions
Parent company	2	1	2	1
Subsidiaries	0	0	0	0
Total	2	1	2	1

Note 13. Salaries and other remunerations, distributed

	2018		2017	
Salaries and other remuneration:	Board, CEO	Others	Board, CEO	Others
Parent company	5,709	49,127	5,088	44,341
Subsidiaries	0	16,525	0	15,941
Total	5,709	65,652	5,088	60,282

Note 14. Social security and pension costs

	2018		2017	
Social security and pension costs:	Social security costs	Of which pension costs	Social security costs	Of which pension costs
Parent company	28,418	8,924	23,260	7,729
Subsidiaries	2,768	335	2,769	480
Total	31,186	9,259	26,029	8,210

Pension obligation corresponds to 30% of base salary for the CEO. For other employees in Sweden the pension obligations of the defined benefit ITP 2 Plan for old-age and family pension (or family pension) are vested through insurance with Alecta. According to a statement by the Swedish Financial Reporting Board, UFR10 Classification of ITP Plans financed through insurance in Alecta, this is a defined benefit plan covering several employers. For the 2018 financial year the company has not had access to information that makes it possible to report its proportionate share of the plan obligations, plan assets and costs, which means that it is not possible to report the plan as a defined benefit plan. The ITP 2 pension plan, which is vested through insurance with Alecta, is therefore reported as a defined contribution plan. The premium for the defined benefit old-age and family pension is calculated individually and depends among other things on salary, accrued pension and expected remaining working life. Expected contributions in the next reporting period for ITP 2insurance with Alecta amount to SEK 3.3 million (2017: 3,2 million).

The collective solvency level comprises the market value of Alecta's assets as a percentage of its insurance commitments calculated in accordance with Alecta's actuarial methods and assumptions, which do not comply with IAS 19. Normally the collective solvency level should be allowed to vary between 125 and 155 per cent. If Alecta's collective solvency level falls short of 125 per cent or exceeds 155 per cent measures must be taken to allow the solvency level to return to its normal interval. If the solvency level is low, one measure could be to increase the agreed price for writing of new business and increasing existing benefits. If the solvency level is high one measure could be to introduce premium reductions. At the end of 2018 Alecta's surplus in the form of the collective solvency level was 142 per cent (2017: 154 per cent).

Note 15. Remuneration to senior management

				2018
Salaries, remuneration and other benefits:	Fixed salary	Variable renumeration	Other bebefits	Pension
Board of Directors:				
Sören Mellstig	494	0	0	0
Christer Fåhraeus	193	0	0	0
Åsa Hedin	213	0	0	0
Roger Johanson	73	0	0	0
Torbjörn Kronander	213	0	0	0
Anna Malm Bernsten	207	0	0	0
Niklas Prager	227	0	0	0
Jurgen Riedl	133	0	0	0
Stefan Wolf	133	0	0	0
CEO	2,514	1,307	2	717
Other senior management	7,839	2,167	468	2,693
Total	12,239	3,474	470	3,410

				2017
Salaries, remuneration and other benefits:	Fixed salary	Variable renumeration	Other bebefits	Pension
Board of Directors:				
Sören Mellstig	460	0	0	0
Christer Fåhraeus	180	0	0	0
Åsa Hedin	200	0	0	0
Roger Johanson	220	0	0	0
Torbjörn Kronander	200	0	0	0
Anna Malm Bernsten	180	0	0	0
Niklas Prager	200	0	0	0
Jurgen Riedl	0	0	0	0
Stefan Wolf	0	0	0	0
CEO	2,539	921	2	611
Other senior management	7,861	1,396	496	2,495
Total	12,040	2,317	498	3,106

In accordance with a resolution of the Annual General Meeting, remuneration is payable to the Board of Directors of SEK 2,010 thousand (1,640), of which SEK 450 thousand (400) to the Chairman of the Board and SEK 200 thousand (180) to each of the other board members. In addition, the boardmenbers receives 40 KSEK for being chariman and 20 KSEK for participationg in the renumumeration or audit committee. No other remunerations have been paid. There are no agreements on pensions, severance pay or other benefits. During the year the Board of Directors comprised of 8 members (7).

The President/Chief Executive Officer's period of notice is twelve months for termination by the company and six months for termination by the President/ Chief Executive Officer. For termination by the company, or by the President/Chief Executive Officer for material breach of contract by the company, the President/Chief Executive Officer is entitled to severance pay equivalent to twelve months' salary. No further severance pay is payable.

There is an incentive program for senior management consisting of a earnings per share related program and an annual individual program. The outcome is capped to 9 months' salary for the CEO. Four months' salary goes into the annual individual program and 2,5 months' salary goes to the earnings per share related program where it can be doubled if the growth of earnings per share over a three year period exceeds 15% per year. For other members of senior management, the outcome is capped at 3 months' salary. Half goes into the annual individual program and the other half goes to the earnings per share related program where it can be doubled if the growth of earnings per share price over a three year period exceeds 15% per year. During the year, costs related to incentive programs where expensed to income to the amount of SEK 3,474 thousand (2,317). See also the description in the corporate governance report.

In 2018 the CEO was paid a fixed salary including remuneration for paid leave of SEK 2,514 thousand (2,539), plus benefits valued at SEK 2 thousand (2). In addition to a fixed salary, variable remuneration of SEK 1,307 thousand (921) was expensed. Other senior executives in the management group were paid total fixed salaries of SEK 7,839 thousand (7,861) plus benefits mainly comprising car benefit valued at SEK 468 thousand (496). In addition to a fixed salary, variable remuneration of SEK 2,167 thousand (1,396) was expensed. There were 8 (8) other members of senior management for part of the year. The Remuneration Committee prepares questions of remuneration and other conditions of employment for the company management. Decisions are made by the Board.

Note 16. Audit fees

	2018		2017	
Fees to the company's auditors, Deloitte AB	Group	Parent company	Group	Parent company
Audit	260	250	185	185
Addition to the audit engagement	30	30	40	40
Tax advisory	5	5	30	30
Other engagements	66	66	12	0
Total	361	351	267	255

Audit assignments include review of the annual report and accounts, as well as the management of the board and the chief executive officer. Audit assignment also include other tasks that is the responsibility of the company's auditor to perform, as well as advice or other assistance that is caused by obervations in such auditing or implementation of such other tasks.

Note 17. Operating lease contracts

	2018		2017	
Contracted future lease charges	Group	Parent company	Group	Parent company
- Within one year	8,201	7,765	5,599	5,599
- Later than one but within five years	29,821	29,082	16,350	16,350
- Later than within five years	0	0	0	0
Total	38,023	36,847	21,949	21,949

The Group is a lessee through operational leases for rental of premises as well as car leasing. The lease period for the Group's rental premises varies between 1-5 years. Extension of the lease at the end of the lease period may be at what the Group considers to be a fair market value rent. In some cases, the rent is index-adjusted according to the CPI and the majority of lease agreements are extended with existing terms unless the agreement has been terminated for terms change. The lease term for various office equipment varies between 1-3 years. The total of the year's expensed leasing fees for operating leases amounts to SEK 7,327 thousand (5,977) in the Group. The parent company's leasing fees for the year were SEK 6,729 thousand (5,212).

Note 18. Depreciation group

	2018		2017	
	Capitalised expenditure for development	Tangible asset	Capitalised expenditure for development	Tangible asset
Cost of goods sold	5,232	0	6,996	0
Selling expenses	0	683	0	639
Administrative expenses	0	297	0	272
Research and development expenses	0	595	0	543
Total	5,232	1,575	6,996	1,454

Note 19. Depreciation parent company

	2018		2017	
	Capitalised expenditure for development	Tangible asset	Capitalised expenditure for development	Tangible asset
Cost of goods sold	5,232	0	6,996	0
Selling expenses	0	297	0	272
Administrative expenses	0	297	0	272
Research and development expenses	0	595	0	543
Total	5,232	1,189	6,996	1,087

Note 20. Exchange rate effects

	2018		2017	
	Group	Parent company	Group	Parent company
Exchange rate effects have been reported in the income statement as follows				
Exchange rate gain in operating profit	2,411	2,411	0	2,257
Exchange rate loss in operating profit	-5,762	-5,762	-3,467	-2,229
Total	-3,351	-3,351	-3,467	28

Note 21. Interest income and other similar profit/loss items

	2018		2017	
	Group	Parent company	Group	Parent company
Interest income	20	0	334	334
Exchange differences, Group loan	1,991	1,991	1,525	1,450
Total	2,010	1,991	1,859	1,784

No part of the parent company's interest income/expenses is intra-group. All interest income is attributable to instruments that are reported at amortized cost.

Note 22. Interest expenses and other similar profit/loss items

	2018		2017	
	Group	Parent company	Group	Parent company
Interest expenses	159	123	158	161
Exchange differences, Group loan	1,362	1,362	2,249	1,925
Total	1,520	1,485	2,408	2,086

No part of the interest expense is directly attributable to development activities and their costs. All interest expense refers to financial debts that are valued at acquisition value.

Note 23. Taxes

	2018		2017	
	Group	Parent company	Group	Parent company
Tax on result for the year				
Current tax	-20,431	-20,205	-16,201	-15,075
Deferred tax expenses	-2,977	766	-4,419	830
Total tax on result for the year	**-23,408**	**-19,439**	**-20,620**	**-14,245**
Deferred tax				
Utilization of tax losses	0	0	0	0
Revaluation of tax losses	0	0	0	0
Temporary differences	0	0	0	0
Provisions	766	766	830	830
Inventory	33	0	0	0
Immaterial assets	-3,441	0	-5,720	0
Currency hedges	-335	0	471	0
Total deferred tax	**-2,977**	**766**	**-4,419**	**830**
Deferred tax asset/liability				
Deferred tax asset, loss carry-forwards	0	0	0	0
Temporary differences	0	0	0	0
Provisions	2,844	2,844	2,078	2,077
Inventory	91	0	58	0
Immaterial assets	-11,847	0	-8,406	0
Currency hedges	853	0	51	0
Total carrying amount for deferred tax liability/asset	**-8,059**	**2,844**	**-6,219**	**2,077**
Unrecognized deferred tax assets	1,077	0	1,549	0
Loss carry-forwards	0	0	0	0

There are accumulated loss carry forwards in Japan. The time limit for the carry forwards is 7 years. No part of loss carry forwards in Japan has been recognized in the accounting. In Japan the tax loss is SEK 3.1 million that can be utilized at the latest in 2023.

	2018		2017	
Reconciliation, taxation	Group	Parent company	Group	Parent company
Accounting profit/loss before tax	112,097	89,722	90,343	64,362
Tax at current tax rate	-24,661	-19,739	-19,875	-14,160
Tax effect of:				
-Effect of different tax rates in foreign subsidiaries	-248	0	-398	0
-Non taxable income	204	203	0	0
-Non-deductible expenses	-374	-196	-251	-85
-Utilization of tax loss defecits where deferred tax assets is not recognized	568	0	175	0
-Tax losses where deferred tax asset is not reported	0	0	0	0
Tax on result for the year	**-24,511**	**-19,732**	**-20,349**	**-14,245**
Adjustments current year due to prior year current tax	588	382	-271	0
Changed tax rate on deferred tax asset	515	-89	0	0
Reported tax expense for the year	**-23,408**	**-19,439**	**-20,620**	**-14,245**

Income tax amounts in other comprehensive income refers entirely to cash flow hedges.

Note 24. Capitalized expenditure for development and other intangible assets

	2018		2017	
Capitalized expenditure for development	Group	Parent company	Group	Parent company
Opening cost of acquisition	79,823	41,612	53,820	41,612
Capitalized during the year	18,419	0	26,003	0
Disposals/ retirements	0	0	0	0
Closing accumulated cost of acquisition	**98,242**	**41,612**	**79,823**	**41,612**
Opening depreciation	-26,091	-26,091	-19,095	-19,095
Depreciation for the year	-5,232	-5,232	-6,996	-6,996
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Closing accumulated depreciation	**-31,323**	**-31,323**	**-26,091**	**-26,091**
Closing carrying amount	**66,918**	**10,289**	**53,731**	**15,521**

	2018		2017	
Other intangible assets	Group	Parent company	Group	Parent company
Opening cost of acquisition	0	0	0	0
Acquisition during the year	900	900	0	0
Closing accumulated cost of acquisition	**900**	**900**	**0**	**0**
Opening depreciation	0	0	0	0
Depreciation for the year	0	0	0	0
Closing accumulated depreciation	0	0	0	0
Closing carrying amount	**900**	**900**	**0**	**0**

Expenditure on research and development was SEK 57,672 thousand (52,789), which is 16 percent (17) of net sales. Of this expenditure SEK 18,419 thousand (26,003) has been capitalized and the remaining SEK 39,253 thousand (26,786) has been charged to the result for the year. The reported value of capitalized development costs not yet subject to depreciation amounts to SEK 62,236 thousand (43,817). The year's development work refers to development aimed at strengthening the product portfolio in relation to customers in the sub-field of hematology.

Expenditure on other intangible assets amounted to SEK 900 thousand (0) and consisted of technology intended for blood smears. Depreciation of the asset will commence upon commercialization of the product, which is expected to occur in the first quarter of 2020.

Note 25. Equipment

	2018		2017	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	10,099	8,319	7,001	5,273
Year's acquisitions	3,576	3,494	3,098	3,046
Disposals/ retirements	0	0	0	0
Closing accumulated cost of acquisition	**13,675**	**11,813**	**10,099**	**8,319**
Opening depreciation	-5,352	-4,313	-3,898	-3,226
Depreciation for the year	-1,575	-1,189	-1,454	-1,087
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Closing accumulated depreciation	**-6,927**	**-5,502**	**-5,352**	**-4,313**
Translation difference	67	0	67	0
Closing carrying amount	**6,815**	**6,310**	**4,814**	**4,006**

Note 26. Inventories

	2018		2017	
Inventories	Group	Parent company	Group	Parent company
Raw materials and consumables	999	999	947	947
Finished goods	33,455	27,849	27,807	22,915
Total	**34,454**	**28,848**	**28,754**	**23,862**

Inventories recognized as an expense during the year amount to SEK 88,456 (77,465) thousand in the Group and SEK 86,079 (74,528) thousand in the parent company. Impairment loss on inventories during the year amounted to SEK 327 (-422) thousand in the Group and SEK 327 (-422) thousand in the parent company. None of the inventories has been recognized at net sales value.

Note 27. Deposits

	2018		2017	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	2,617	2,523	2,025	1,929
Recovered deposit	0	0	-5	0
Additional deposits	952	952	603	594
Translation differences for the year	10	0	-7	0
Closing carrying amount	**3,579**	**3,476**	**2,617**	**2,523**

Note 28. Shares and participations in subsidiaries

Company	Corporate identity number	Registered office	Number of participations	Share of equity (%)	Book value
CellaVision International AB	556573-4299	Lund, Sweden	1,000	100	100 kSEK
CellaVision Inc., Canada	1724445	Toronto, Canada	1,000	100	6 kSEK
CellaVision Inc., USA	06-1624895	Delaware, USA	10	100	1 SEK
CellaVision Japan K.K.	0104-01-074862	Yokohama, Japan	200	100	1 SEK

Note 29. Trade receivables

Trade receivables overdue but not written down:

	2018	2017
1–30 days overdue	16,026	8,411
31–60 days overdue	5,057	-310
61–90 days overdue	16	229
91–120 days overdue	279	2,213
More than 121 days overdue	329	8
Total	21,706	10,552

As at 31 December 2018 trade receivables of SEK 21,706 thousand (10,552) were due for payment in the Group, but no impairment loss was identified. These trade receivables are for the most part related to a few partners. The company's assesment is that there are no significant credit risks with these partners who previously have not had any payment difficulties. The age analysis for the Group relating to these trade receivables is shown above. Of these receivables SEK 21,215 thousand were settled at the end of February 2019. Reserve for doubtful trade receivables have been calculated based on historical data. The calculation model is shown in the table below. The provision for doubtful trade receivables was SEK 10 thousand (7) as at 31 December 2018. There are no pledges as collateral for receivables.

Risk matrix

All amount in ' 000 SEK	1-30	31-60	61-90	91-120	>120	Totalt
Aging accounts receivable	16,026	5,057	16	279	329	21,706
Percent at riskt	0%	0%	0%	0%	3%	3%
Amount at risk	**0**	**0**	**0**	**0**	**10**	**10**

Note 30. Prepaid expenses and accrued income

	2018		2017	
	Group	Parent company	Group	Parent company
Office rent	1,787	1,787	1,347	1,347
Pension premiums	309	309	259	259
Insurance premiums	742	742	696	696
Market activity costs	482	445	367	268
License fees	1,903	1,903	2,064	2,064
Other	1,539	418	1,032	306
Total	**6,763**	**5,605**	**5,766**	**4,940**

Not 31. Share capital

The registered share capital in the parent company was distributed, as at 31 December 2018, among 23,851,547 shares with a quotient value of SEK 0.15 (0.15) each. The number of shares in issue is unchanged compared with the same period in the previous year. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. No shares are held by the company itself.

Note 32. Provisions

	2018		2017	
Long-term provisions	Group	Parent company	Group	Parent company
Opening amount	2,401	2,401	0	0
Allocated during year	1,383	1,383	2,401	2,401
Reclassified to incentive program	-1,326	-1,326	0	0
Total	2,458	2,458	2,401	2,401
Provisions fall due for payment				
- Within one year	0	0	0	0
- Later than one but within five years	2,458	2,458	2,401	2,401
Total	2,458	2,458	2,401	2,401

	2018		2017	
Warranty provisions	Group	Parent company	Group	Parent company
Opening amount	1,428	1,428	1,248	1,248
Allocated during year	1,752	1,752	1,428	1,428
Reversed provisions	-586	-586	-599	-599
Utilised	-842	-842	-649	-649
Total	1,752	1,752	1,428	1,428
Provisions fall due for payment				
- Within one year	1,752	1,752	1,428	1,428
- Later than one but within five years	0	0	0	0
Total	1,752	1,752	1,428	1,428

Long-term provisions consist entirely of bonus provisions to the company's management.

Note 33. Accrued expenses and deferred income

	2018		2017	
	Group	Parent company	Group	Parent company
Holiday liability	8,153	6,727	6,788	5,678
Board fee	765	765	0	0
Social security contributions	7,362	7,362	5,004	5,004
Staff costs	889	889	735	735
Incentive program	9,609	7,815	7,252	5,606
Prepaid income	3,468	3,057	4,443	2,918
Other	8,306	1,479	2,353	1,254
Total	38,552	28,092	26,576	21,195

Note 34. Pledged assets and contingent liabilities

	2018		2017	
Pledged assets	Group	Parent company	Group	Parent company
Bank guarantees	9,754	9,754	9,754	9,754
Floating charge	0	0	0	0
Total	9,754	9,754	9,754	9,754
Contingent liabilities	None	None	None	None

Pledged liquid funds refer to bank guarantees.

Note 35. Non-cash items

Group	2018	2017
Depreciation	6,807	8,450
Change in accruals and provisions	7,069	672
Unrealized price differences	623	0
Total	14,499	9,122

Parent company	2018	2017
Depreciation	6,422	8,083
Change in accruals and provisions	6,614	1,469
Unrealized price differences	623	0
Total	13,659	9,552

Not 36. Disputes in the Group

There are no disputes within the Group with third parties.

Note 37. Appropriation of company profits

	2018 Parent company
The following profits are at disposal at the AGM	
Profit brought forward	141,613
Net profit/loss for the year	70,284
Total	211,897
The Board of Directors proposes the AGM the following	
Dividend to shareholders SEK 1.50 per share	35,777
To be carried forward	176,120
Total	211,897

Not 38. Events after the balance sheet date

There are no significant events after the close of the year to report. The Annual Report was adopted by the board and approved for publication on April 10th, 2019.

Reconciliation tables KPIs, non-IFRS measures

The company presents certain financial measures in the annual report which are not defined according to IFRS. The company considers these measures to provide valuable supplementary information for investors and the company's management as they enable the assessment of relevant trends. CellaVision's definitions of these measures may differ from other companies' definitions of the same terms. These financial measures should therefore be seen as a supplement rather than as a replacement for measures defined according to IFRS. Definitions of measures which are not defined according to IFRS and which are not mentioned elsewhere in the interim report are presented below. Reconciliation of these measures is shown in the tables below.

Net sales

KSEK	Jan-Dec 2018 (%)	Jan-Dec 2018 MSEK	Jan-Dec 2017 (%)	Jan-Dec 2017 MSEK
Last period		309,312		265,038
Organic growth	15%	46,220	16%	42,406
Currency effect	3%	9,279	1%	1,867
Current period	18%	364,812	17%	309,312

EBITDA

KSEK	Jan-Dec 2018	Jan-Dec 2017
Operating profit	111,607	90,892
Depreciation	6,807	8,450
EBITDA	118,414	99,342

Gross margin

KSEK	Jan-Dec 2018	Jan-Dec 2017
Net sales	364,812	309,312
Gross profit	270,866	223,220
Gross margin	74.2%	72.2%

Operating margin

KSEK	Jan-Dec 2018	Jan-Dec 2017
Net sales	364,812	309,312
Operating profit	111,607	90,892
Operating margin	30.6%	29.4%

Return on equity

KSEK	Jan-Dec 2018	Jan-Dec 2017
Profit/loss for the period	88,688	69,723
Average equity	265,613	223,513
Return on equity	33%	31%

Return on operating capital

KSEK	Jan-Dec 2018	Jan-Dec 2017
Operating profit/loss	111,607	90,892
Average operating capital	100,714	77,692
Return on operating capital	111%	117%

Equity-asset ratio

KSEK	Jan-Dec 2018	Jan-Dec 2017
Equity	290,375	240,851
Balance sheet total	372,782	300,597
Equity ratio	77.9%	80.1%

Net investments

KSEK	Jan-Dec 2018	Jan-Dec 2017
Tangible assets	3,576	3,098
Intangible assets	19,319	26,003
Disposals	0	0
Net investments	22,895	29,101

Equity per share

KSEK	Jan-Dec 2018	Jan-Dec 2017
Equity	290,375	240,851
Number of shares	23,851,547	23,851,547
Equity per share	12.17	10.10

Net debt/equity ratio

KSEK	Jan-Dec 2018	Jan-Dec 2017
Liabilities to credit institutions, interest-bearing	0	0
Cash and bank	169,057	154,546
Equity	290,375	240,851
Net debt/equity ratio	-0.58	-0.64

Operating capital

KSEK	Jan-Dec 2018	Jan-Dec 2017
Balance sheet total	372,782	300,597
Cash and bank	169,057	154,546
Deferred tax assets	0	0
Other long-term receivables	3,579	2,617
Other current liabilities, not interest-bearing	4,833	1,632
Trade payables	26,753	21,490
Warranty provisions	1,752	1,428
Accrued expenses and deferred income	38,552	26,576
Other provisions	2,458	2,401
Defferred tax liability	8,059	6,219
Operating capital	117,739	83,688

EBITDA: *Operating profit before amortization and depreciation.*
Gross margin. *Gross profit as a percentage of net sales.*
Gross profit. *Net sales less cost of goods sold.*
Shareholders' equity per share: *Shareholders' equity attributable to Parent Company shareholders divided by the number of outstanding shares at the end of the period.*
Operating margin (EBIT): *Operating profit (EBIT) as a percentage of net sales for the period.*
Operating profit (EBIT): *Earnings before interest and tax.*
Equity/assets ratio: *Shareholders' equity including non-controlling interests as a percentage of total assets.*
Currency effect: *Exchange rate effects on sales growth for the period.*
Net investments: *Tangible and intangible investments adjusted for disposals.*
Net debt/equity ratio: *Net debt, which is calculated as liabilities to credit institutions, interest-bearing less cash and bank at the end of the period, in relation to equity.*
Return on equity: *Profit/loss for the period in relation to average equity.*
Return on operating capital: *Operating profit/loss in relation to average operating capital.*
Operating capital: *Balance sheet total less cash and bank, financial assets, deferred tax assets and non-interest bearing liabilities.*

Approval of the annual report

Approval of the annual report

The annual accounts and consolidated accounts were approved by the Board of Directors on April 10, 2019. The Group's statement of comprehensive income, statement of financial position and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for approval on May 8, 2019.

The Board of Directors and President/CEO hereby certify that the annual accounts have been prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board recommendation, RFR 2 and give a true and fair view of the company's financial position and performance and that the administration report gives a fair review of the development of the company's business, financial position and performance and describes material risks and uncertainties to which the company is exposed.

The Board of Directors and President/CEO hereby certify that the consolidated accounts have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, the Annual Accounts Act and the Swedish Financial Reporting Board recommendation RFR 1, and give a true and fair view of the Group's financial position and performance and that the administration report for the Group gives a fair review of the development of the Group's business, financial position and performance and describes material risks and uncertainties to which the companies in the Group are exposed.

Annual general meeting

The Annual General meeting will be held on May 8, 2019 at 15.00 at CellaVision's premises, Mobilvägen 12 in Lund.

Dividend per share

The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2018.

Lund, April 10 2019

Sören Mellstig
Chairman of the Board

Christer Fåhraeus
Member of the Board

Åsa Hedin,
Member of the Board

Stefan Wolf,
Member of the Board

Torbjörn Kronander
Member of the Board

Anna Malm Bernsten
Member of the Board

Niklas Prager
Member of the Board

Jürgen Riedl
Member of the Board

Zlatko Rihter
President and CEO

Our audit report was submitted on 10 April 2019
Deloitte AB

Maria Ekelund
Authorised Public Accountant

Auditor's report

To the general meeting of the shareholders of CellaVision AB (publ) corporate identity number 556500-0998

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of CellaVision AB (publ) for the financial year 2018-01-01 - 2018-12-31 except for the corporate governance report on pages 38-45. The annual accounts and consolidated accounts of the company are included on pages 32-69 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 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not comprise the corporate governance report on pages 38-45. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

Our opinion 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 CellaVision AB (publ), 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.

Valuation of capitalized development expenditure

Description of the risk

- CellaVision reported in the balance sheet of 31 December 2018 capitalized development expenditures of 67 million SEK (54).
- The value of the assets is contingent on future returns on products related to development expenditure. The company makes impairment testing per product group.
- Incorrect assessment and assumptions can produce an effect on the Group's results and financial position.

For further information we refer to the Group's accounting policies on pages 56-59, note 3 of critical accounting estimates and judgements on page 60 and note 24 on capitalized development expenditure on page 64 of the annual report.

Our audit procedures

- We have audited the company's key controls of the company's internal controls to identify the company's division of the research and development phase.
- We have audited the company's key controls to identify indications of impairment and that the impairment is made in the correct period.
- We have audited the company's assumptions and methods used in the impairment test to ensure that assumptions are reasonable and that the procedures are applied consistently and with integrity in the model.

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 2-31 and 67-68. 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.

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 responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revsiornsansvar. This description is a part of the Auditor´s report.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit or the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulations precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of CellaVision AB (publ) for the financial year 2018-01-01 - 2018-12-31 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 responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website www.revisorsinspektionen.se/revsiornsansvar. This description is a part of the Auditor´s report.

Deloitte AB was appointed auditor of CellaVision AB by the annual general meeting of the shareholders on the 5 of May 2017 and has been the company's auditor since then. CellaVision AB has been a public company since 2010.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 38-45 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR´s auditing standard RevU 16 The auditor´s examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

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

Malmö 10/4 2019

Deloitte AB

Signature on Swedish original

Maria Ekelund
Authorized Public Accountant

Glossary

Algorithm
A systematic procedure in mathematics and data processing consisting of a finite number of steps that specify how a calculation is performed or a given problem is solved.

Anemia
A blood deficiency in which there is an abnormally low content of hemoglobin, the oxygen transporting substance in blood that is found in red blood cells.

Artificial intelligence/Artificial neural network
A mathematical theory that simulates the brain's method of learning.

Cerebrospinal fluid
A transparent fluid that surrounds the brain and the spinal cord.

Cell counter
When a hematological disease is suspected a complete blood count is the first test ordered by healthcare services. A complete blood count is routinely used to obtain an overall status of different cells in the blood. The main part of the samples can be analyzed using cell counters. Samples showing any type of abnormality are sent on for further examination in CellaVision's analyzer, where the blood is smeared and stained on a microscope slide. Without access to CellaVision's systems, the sample is examined manually in a microscope.

Cytology
The study and investigation of cells. Examination mainly of liquid-based samples, such as from spinal fluid, lung fluid and synovial fluid, for the purpose of finding bacteria, cancer cells and blood cells. Perhaps the most frequent cytology test is a Pap smear test from the cervix, which is used to detect malignant or premalignant cell changes.

Food and Drug Administration (FDA)
The US regulatory authority.

Hematology
Means "the science of blood and its diseases" and is a medical specialty that researches and treats diseases of the blood and blood-forming organs.

In vitro
diagnostics refers to a wide range of medical laboratory tests analyzed outside the body.

Clinical chemistry
The medical discipline responsible for developing, refining and providing medical services with chemical analyses, blood analyses, immunological analyses and other methods.

Leukemia
is a type of cancer of the blood or bone marrow characterized by an abnormal increase of immature white blood cells called "blasts". Leukemia is a broad term covering a spectrum of diseases.

Lymphoma
is a cancer of the lymphocytes, a type of cell that forms part of the immune system.

Medical Technologist
is an allied health professional who exercises technical and scientific functions in medical laboratories. Perform tests on clinical specimens such as blood or tissues in order to get information about the health of a patient as pertaining to the diagnosis, treatment, and prevention of disease.

Neural networks
A mathematical theory that simulates the brain's method of learning.

Pathology
The study of the causes and development of diseases, particularly with respect to changesin the morphology of cells, tissues and organs. Microscopic studies of tissue sections and biopsies, which can be paraffin-embedded or frozen. Examples of pathology analyses are biopsies of suspected breast cancer tissue.

Platelet
Also called thrombocyte. Platelets are small blood components that help the clotting process by sticking to the lining of blood vessels. Important in the formation of blood clots (coagulation).

Red blood cells (erythrocytes)
carry oxygen to the cells, and carbon dioxide from them into the lungs. Normally constitutes the largest number of cells in the blood.

Thrombotic thrombocytopenic purpura (TTP or Moschcowitz syndrome)
is a rare disorder of the blood-coagulation system, causing extensive microscopic clots to form in the small blood vessels throughout the body. These small blood clots, called thrombi, can damage many organs including the kidneys, heart and brain.

White blood cells
(leukocytes) are cells of the immune system involved in defending the body against infectious disease. In a healthy person, there are normally five types of white blood cells: neutrophils, eosinophils, basophils, monocytes and lymphocytes.

Financial definitions

Average number of employees
The number of employees at the end of each month, divided by twelve.

Equity per share
Equity divided by the number of shares at the end of the year.

Equity per share after full dilution
Equity after dilution divided by the number of shares at year-end, as though full dilution had taken place.

Net investments
Investments in property, plant and equipment and intangible assets adjusted for disposals.

Earnings per share
Profit/loss divided by average weighted number of shares.

Earnings per share after full dilution
Profit/loss for the year divided by the average weighted number of shares plus the additional number for full dilution.

Equity-assets ratio
Equity as a percentage of the balance sheet total.

Net debt/equity ratio
Net loan liability in relation to equity. (Net loan liability is calculated as loan liability minus cash at the end of the period.)

Return on equity
Net earnings divided by average equity.

Return on operating capital
Profit/loss before financial income and financial expenses divided by average operating capital.

Interest coverage ratio
Operating profit plus interest income divided by interest expense.

Operating capital
Balance sheet total less cash and cash equivalents, financial assets, deferred tax assets and non-interest-bearing liabilities.

Cash flow for the year
Profit/loss after financial items plus amortization/depreciation and other non-cash items, less tax paid, adjusted for decrease/increase in working capital excluding cash and cash equivalents and less net investment in non-current assets, change in loans raised/repaid and dividend paid.

Sources

Information provided in the Annual Report concerning markets, competition and future growth constitutes CellaVision Group's assessment based mainly on material compiled within the Group. Moreover are the sources below included in the assessment.

The World Market for Hematology. Kalorama Information–11/22/2013.

The World Market for Hematology. Kalorama Information - 11/22/2013.

H Ceelie, R B Dinkelaar, W van Gelder. Examination of peripheral blood films using automated microscopy; evaluation of Diffmaster Octavia and Cellavision DM96; Journal of Clinical Pathology. 2007 Jan;60(1):72-90.

Briggs C, Longair I, Slavik M, Thwaite K, Mills R, Thavaraja V, et al. Can automated blood film analysis replace the manual differential? An evaluation of the CellaVision DM96 automated image analysis system. Int J Lab Hematol. 2009;31(1):48-60.

de Bitencourt ED, Voegeli CF, Onzi Gdos S, Boscato SC, Ghem C, Munhoz T. Validation of the Sysmex sp-1000i automated slide preparer-stainer in a clinical laboratory. Rev Bras Hematol Hemoter. 2013;35(6):404-8. doi: 10.5581/1516-8484.20130121

The World Market for Hematology. Kalorama Information - 11/22/2013.

The World Market for Hematology. Kalorama Information - 11/22/2013.

United Nations, Population Ageing and Development 2012.

Predicted Growth for In Vitro Diagnostics Markets Globally Signals Upward Trajectory in Medical Laboratory Business; Dark Daily Laboratory and Pathology News Jan 14 2013.

The World Market for Hematology. Kalorama Information - 11/22/2013.

Reducing Manual Steps, Improving Turnaround Times, and Creating a Lean Laboratory Environment: ISD Testing on the Dimension® Integrated Chemistry Systems. Dark Daily Laboratory and Pathology News.

Empati och high tech - Delresultat från LEV-projektet; S2012.011; Socialdepartementet.

For U.S. Healthcare; Time Is Right for Laboratory Automation, Medical Device and Diagnostic Industry, Aug 2013.

The World Market for Hematology. Kalorama Information - 11/22/2013.

Hälsovård: Konsolideringsvåg bland amerikanska sjukhus. Dagens Industri. 2013-08-13.

CAP Today Dec 2012, College of American Pathologist.

CellaVisions uppskattning baserad på kännedom om den globala hematologimarknaden.

Ett planeringsunderlag inför läsåret 2013/14. Rapport 2012:22 R.Högskoleverket, Högskoleutbildningarna och arbetsmarknaden.

Staff Shortages in Labs May Put Patients at Risk. 2009. The Wall Street Journal.

CAP Today Dec 2012, College of American

Pathologist.

The World Market for Hematology. Kalorama Information–11/22/2013.

Staff Shortages in Labs May Put Patients at Risk. 2009. The Wall Street Journal.

Reversing the Lab Workforce Shortage Trend. Advance Healthcare Network. 2011.

The World Market for Hematology. Kalorama Information - 11/22/2013.

The hospital market in China. Business Sweden (på uppdrag av CellaVision), 2011.

United Nations, Population Ageing and Development 2012.

CellaVision in the world

HEAD QUARTERS
CellaVision AB (publ)
Mobilvägen 12
22362 Lund
Established 1998

Visiting address:
Mobilvägen 12
Tel: +46 46 460 16 00
www.cellavision.se
Org.nr. 556500-0998

USA
CellaVision Inc.
2530 Meridian Pkwy,
Suite 300
Durham, NC 27713
E-post: us.info@cellavision.com
Established 2001

CANADA
CellaVision Canada Inc.
2 Bloor St West, Suite 2120 Toronto,
ON M4W 3E2
E-post: ca.info@cellavision.com
Established 2007

JAPAN
CellaVision Japan K.K.
9th Floor Sotestu KS Building 1-1-5
Kitasaiwai,Nishi-ku,
Kanagawa 220-0004 Japan Email:
info@cellavision.jp
Established 2008

CHINA
Shanghai (Market Support office)
Email: cn.info@cellavision.com
Etablerat 2012
Beijing , (Market Support office)
E-mail: cn.info@cellavision.com
Established 2013

SOUTH KOREA
Seoul (Market Support office)
E-mail: hoju@cellavision.com
Established 2016

MIDDLE EAST
Dubai (Market Support office)
Email: hohe@cellavision.com
Established 2016

AUSTRALIA
Sydney (Market Support office)
E-mail: josn@cellavision.com
Established 2016

FRANCE
Paris (Market Support office)
E-mail: sybe@cellavision.com
Established 2016

GERMANY (DACH)
Berlin (Market Support office)
E-mail: suma@cellavision.com
Established 2017

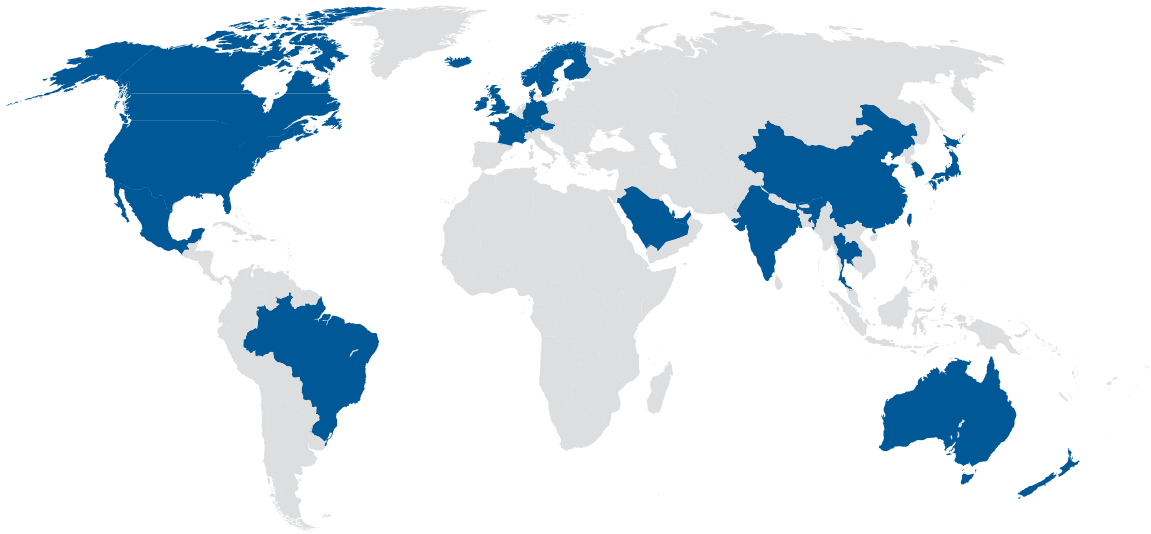
BRASIL
São Paulo (Market Support office)
E-mail: kech@cellavision.com
Established 2017

UK
London (Market Support office)
E-mail: sawa@cellavision.com
Established 2017

MEXICO
Mexico City (Market Support office)
E-mail: roji@cellavision.com
Established 2018

INDIA
Mumbai (Market Support office)
E-mail: pata@cellavision.com
Established 2018

THAILAND
Bangkok (Market Support office)
E-mail: pahu@cellavision.com
Established 2018



With 15 organizations för local market support, CellaVision has established local presence in 30 countries.