CELLAVISION 2019 ANNUAL REPORT

Net sales

SEK 462 m 2019
SEK 365 m 2018

+ 27 percent

Operating profit

SEK 127 m 2019
SEK 112 m 2018

+ 13 percent

EBITDA-margin

31,8 % 2019
32,5 % 2018

- 0,7 percentage points

HIGH LIGHTS 2019: LAUNCH OF CELLAVISION® DC-1 • ACQUISITION OF RAL DIAGNOSTICS

CELLAVISION

Enjoy the reading of

CellaVision Annual report 2019

We have a lot to tell you! Here is the Table of Contents

NOTE: This is an unofficial translation of the original Annual Report for 2019, which is in Swedish. In case of discrepancies, the Swedish version shall prevail.

Annual general meeting & calendar

Annual General Meeting

CellaVision's Annual General Meeting will be held on June 16, 2020 at 15.00 at Mobilvägen 12 in Lund.

The Company is closely monitoring the development of COVID-19, the corona virus, and will revert with more information closer to the AGM if it is deemed necessary to take any precautionary measures for the AGM due to infectivity reasons.

The Company encourages its shareholders not to attend the 2020 AGM in person. Shareholders are instead requested to vote by way of a proxy. More information regarding special proxy services, as well as templates for a proxy form are available on the Company's website.

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 held by Euroclear Sweden AB as per 10 June 2020, and who, no later than 10 June 2020, give notice to the Company of their intent to participate at the AGM have a right to participate at the AGM.

Notice to participate shall be given in writing to:
CellaVision AB, c/o Fredersen Advokatbyrå AB,
Turning Torso, 211 15 Malmö
or by e-mail to: cellavision@fredersen.se

The notice shall contain the shareholder's name, personal identity number or registration number and telephone number and, where applicable, the number of advisors (maximum two). Prior to the AGM, the shareholder will receive a confirmation. If no confirmation is received, notice has not been duly given. 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

In order to attend the AGM the shareholders whose shares are registered under the name of a nominee, must temporarily register his shares in his own name in the share register kept by Euroclear Sweden AB. Such registration must be executed no later than 10 June 2020 and should be requested with the nominee well in advance.

Dividend

In light of the general uncertainty and the measures introduced to reduce the spread of COVID-19 and its impact on CellaVision, the company's board of directors decided to withdraw the proposal for a dividend of SEK 1.50 per share and instead propose that no dividend be paid for the fiscal year of 2019.

Financial calendar

Interim Report Q2, July 16
Interim Report Q3, Oct 23
Year-end Bulletin 2020, Jan 29, 2021

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

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Investor relations contact

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

Magnus Blixt, CFO
magnus.blixt@cellavision.se

CellaVision 2019

Net sales increased to SEK 462 m (365), with an organic growth of 15 %.

Operating profit strenghtened to SEK 127 m (112), corresponding to an EBITA-margin of 31,8 % (32,5).

Continued **geographical expansion** with established organizations in Italy and Iberia

CellaVision® DC-1, a new product for small an medium sized labs for both the human- and veterinary market.

Innovation. Strengthened organization and new product offer to the veterinary market.

Developed partnership with new distribution agreements for CellaVision® DC-1 and the veterinary market.

Improved supply chain controlled ramp up of production of the CellaVision® DC-1.

Business development CellaVision acquired RAL Diagnostics in the last quarter of 2019.

The uncertainty and effects of **COVID-19** is great and therefore has the Board of Directors proposed that no **dividend** be paid for 2019.

Financial summary 2019

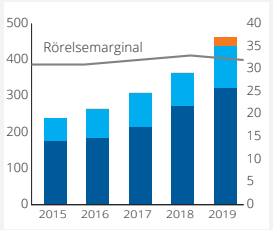
CellaVision's sales grew in 2019 by 27 percent to SEK 461.8 million (364.8). Adjusted for positive exchange rate effects of five percent, and a structural effect (acquisition) of seven percent, this corresponds to an organic increase of 15 percent compared with the corresponding period in 2018. The positive development was achieved after growth in all market areas. In the Americas, sales were SEK 231.2 million (185.5), representing growth of 25 percent. In EMEA sales were SEK 150.3 million (102.2), representing growth of 47 percent. Sales in EMEA include RAL Diagnostics (RAL), whose sales are mainly in EMEA. Without RAL growth was 23 percent in EMEA. In APAC growth was slightly weaker than in previous years and sales increased to SEK 80.3 million (77.1), corresponding to growth of four percent.

CellaVision's operating expenses amounted to SEK 210.2 million (159.3), corresponding to an increase of 32 percent. Adjusted for a structural effect (acquisition) operating expenses increased by 26 percent. The organic growth is explained by increased selling expenses due to the fast geographical expansion that CellaVision is currently implementing and increased investment in research and development. In addition, the acquisition of RAL has meant direct acquisition costs of SEK 4 million and non-recurrent costs for integration of SEK 1 million. The industrialization of the new product, the CellaVision® DC-1 has also entailed higher costs for production and quality control.

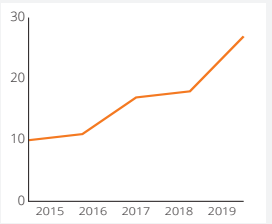
Both EBITDA and the EBITDA margin developed positively in 2019. EBITDA increased to SEK 146.7 (118.4) million and the EBITDA margin was 31.8 (32.5) percent. The strong marginal growth is explained by the leverage effect built into CellaVision's indirect business model. The gross margin was 72.9 percent (74.2) for the year. The decrease is due to a changed product mix. Through the acquisition of RAL Diagnostics the product group "Reagents" was added, with a gross margin of about 50 percent, which is lower than CellaVision's average.

The year's investments of SEK 266.3 (23.9) million is for the most part related to business combinations where the cash flow effect was SEK 247.6 million (0.0). The remaining investments were capitalized development costs and equipment. Cash flow from operating activities in 2019 was SEK 125.0 (74.1) million thanks to sound earnings and favorable growth of working capital. In light of the general uncertainty due to COVID-19 and its impact on CellaVision, the company's board of directors decided to withdraw the proposal for a dividend of SEK 1.50 per share and instead propose that no dividend be paid. Total cash flow for the year was SEK -67.3 (14.4) million.

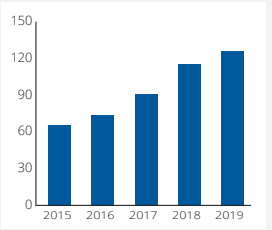
Net sales, SEK millions
EBITDA-marginal, %



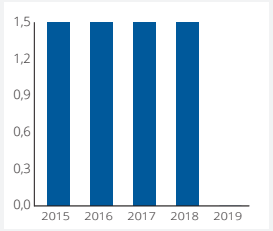
Sales growth, %



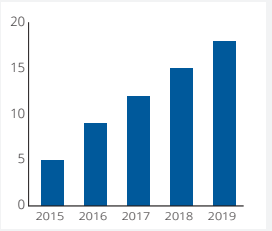
EBITDA, SEK millions



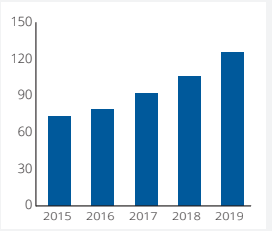
Dividend SEK,
(as proposed by the Board)



Number of market organizations by yearg

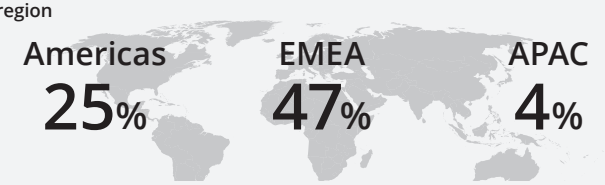


Average number of employees



SEK millions	2019	2018	2017	2016	2015
Net sales	461.8	364.8	309.3	265.0	239.4
Gross profit	336.7	270.9	223.2	188.9	174.2
EBITDA	146.7	118.4	99.3	82.4	73.0
Profit before tax	129.2	112.1	90.3	75.8	65.6
Cash flow	-67.3	14.4	22.4	24.7	54.8
Number of employees	177	117	99	84	73

Net sales per region



CEO Zlatko Rihter comments

In 2019 we laid the foundation for two new growth areas

2019 was another year of good growth for CellaVision. In total our sales were SEK 461.8 million (365), which corresponds to organic growth of 15 percent, which is entirely in line with our ambition to have annual organic growth of 15 percent. Including acquisitions and exchange rate effects, growth was 27 percent. EBITDA increased to SEK 146.7 million (118.4) and the EBITA margin was 31.8 percent (32.5), which is considerably higher than our 20 percent margin target.

We emerged from 2019 with three strong regions where the Americas and EMEA stood out in particular. Growth in the Americas was 24.6 percent and growth continued to be good in the USA and Canada. EMEA also experienced a strong performance with growth, including RAL Diagnostics sales from the last quarter, amounting to a good 47.0 percent. It is clear that our local market support initiatives are starting to deliver results. APAC reported more modest growth of four percent for the full year. In APAC it is the important Chinese market, closely followed by developments in Japan, that have driven the region.

Two new growth areas established

Through the launch of the CellaVision® DC-1 and the acquisition of RAL Diagnostics, in 2019 we established two new product areas with great potential to assist CellaVision's development. Both the launch of the CellaVision® DC-1 and the acquisition of RAL Diagnostics are the result of the six strategic initiatives taken by CellaVision with the aim of achieving growth of 15 percent and an EBITDA margin of at least 20 percent.

1. Geographical expansion

CellaVision's strategy of establishing local organizations for market support has been very successful. In the past three years we have established a total of nine local organizations for market support, including after a major initiative in EMEA. In early 2020 we also established a new organization in Russia, thus bringing us to a total of 18 local market organizations, giving us a direct presence in more than 40 countries. This ambitious expansion has already started to deliver results but is expected to contribute to our development to an even greater extent in coming years.

2. Segment expansion: launch of the CellaVision® DC-1 and acquisition of RAL Diagnostics

With the launch of the CellaVision® DC-1, CellaVision expanded its business to also include small and mid-size laboratories, and we now also have solutions for mid-size and small labs in both human and veterinary medicine. The response to the CellaVision® DC-1 from our customers has been fantastic, praising the unique image quality and robust design.

On October 1, 2019 we took a further important step in our ambition to expand to new segments in the market through the acquisition of the French company RAL Diagnostics (RAL). RAL manufactures products for sample preparation in hematology, pathology, cytology and microbiology and in 2018 had sales of about SEK 87 million and an EBITDA margin of about 15 percent. The cash purchase price was SEK 254,4 million.

The acquisition of RAL now gives us the opportunity to improve sample preparation quality, which is of great importance for blood analysis reliability. The quality of sample preparation is also significant for the optimum function of our systems and we are now able to develop standardized solutions.

3. Innovation

Innovation is a key area strategically for CellaVision and in 2019 we continued to develop the skills and capacity of the organization to be able to realize the plans we have for building an even stronger CellaVision. In the past four years the organization has grown from about 20 to 60 employees.

In 2019, the development of CellaVision® DC-1 was completed. At the same time, the work was intensified to obtain the product regulatory clearance in the American and Chinese markets. The ambition is to obtain FDA clearance for sale in the USA sometime in 2020 and the equivalent clearance for the Chinese market in 2021.

Coincidentally, in 2019 RAL also launched a product for small laboratories, the RAL Smearbox, that significantly improves the quality and stability of sample preparation. The RAL Smearbox will be integrated into CellaVision's product offer during 2020.

With the CellaVision® DC-1 we have made a fantastic technology journey, among other things through the development of our very own camera technology. Together with our unique network solutions, this means that CellaVision is now very well positioned to develop the next generation of revolutionary hardware and software for large laboratories.

In 2019 we implemented solutions for the veterinary market on all our platforms, as well as developing blood analyses for more animal species.

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 are continuing to work through our local market support organizations, as well as through our e-learning platform, the CellaVision® Academy.

5. Improved supply chain

Our supply chain organization worked intensively in 2019 on scaling up production of the CellaVision® DC-1. This has been a process in which we gradually increased capacity under strict quality control to establish production volumes at a good level by the end of the year. In parallel with this, the supply chain organization continued the ongoing work to reduce costs and increase efficiency.

Outlook

In 2019 we strengthened our business further and now have a robust platform for continued growth. We now have our own presence in the form of local organizations for market support in all our most important markets, we have launched the CellaVision® DC-1 in all significant markets apart from the USA and China, and we have acquired RAL, which broadens our product offer to also include sample preparation.

During the first quarter of 2020, COVID-19 emerged, and we have taken a number of measures to protect the company's operations and curb the spread of the virus. The company expects the COVID-19-pandemic to have a significant negative impact on CellaVision's sales and earnings for a number of months.

Despite this, we look to the future with confidence and focus on to step by step develop the fantastic opportunities the launch of the CellaVision® DC-1 and the acquisition of RAL have given us for a continued strong CellaVision.

Lund, May 2020

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 to replace traditional microscopes in laboratories through 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 products in sample preparation, which primarily consist of reagents, as well as digital solutions for medical microscopy that replace microscopes with analyzers based on digital image analysis, artificial intelligence and IT. CellaVision's solutions contribute to more effective workflows and improved diagnostics with higher quality in laboratory medicine at a lower cost.

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 inform the daily work and form a profitable corporate culture.

Customer comes first 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.

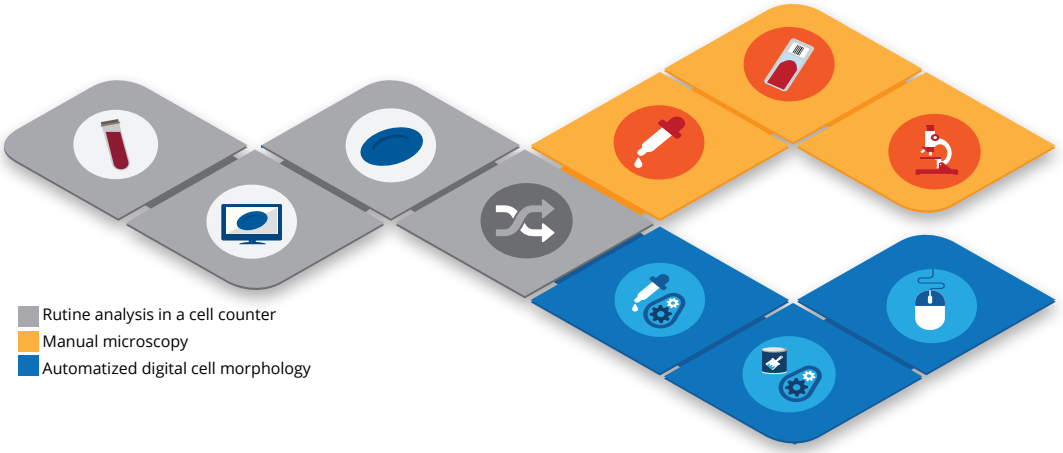
Initiative and responsibility Good ideas, competence and independent work with responsibility are required to drive CellaVision's business forward. All employees of CellaVision have the task of continually developing their areas of work to the extent necessary to achieve the company's objectives.

Simplicity and quality CellaVision strive 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.

CellaVision delivers unique solutions for digital blood analysis

CellaVision offers products and solutions to hematology laboratories that enable an efficient process for routine analysis of blood. The product offer consists of analyzers, applications, software and staining solutions. CellaVision's solutions enable laboratories to automate, standardize and digitalize their workflow. The company had penetrated 21 percent of the market in large laboratories in 2019.

Blood analysis plays an important and vital role in offering high-quality healthcare. Complete blood count is one of the world's most common diagnostic tests and is routinely used to obtain an overall status of cells in the blood. CellaVision's driving force and objective is to equip laboratory staff with the best tools and solutions available on the market to handle differential blood counts of blood cells.



Routine analysis by cell counter

A complete blood count is one of the most fundamental and useful analyses conducted in healthcare to determine the health of a patient. The result may indicate a number of different diseases. The same analysis can also be made to determine if an ongoing treatment is having the effect intended. Blood analysis and other pieces of the puzzle form the basis of making a diagnosis and possible treatment.

A cell counter is used to analyze the complete blood count. It is estimated that about four billion tests are carried out around the world every year. In about 15 percent of cases, the cell counter indicates the need for more in-depth microscopic examination of the blood cells with a differential blood count.

Manual microscopy

Before a biomedical analyst can start a microscopic examination, blood is smeared on a microscope slide followed by staining. At the majority of large laboratories nowadays the smear is prepared automatically, while the same process at smaller laboratories is handled manually. Smearing and staining carried out manually are difficult to standardize. Achieving a good smear is a skill that takes a long time to learn. Deficiencies at this stage of the work inevitably lead to problems in the subsequent work of analysis.

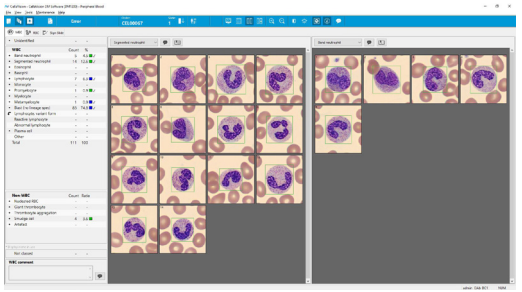
Differential blood counts are traditionally carried out in a microscope – a technique that has been the same for the past hundred years. The biomedical analyst forms a general sense of the stained smear and identifies the optimum area for further analysis.

The chosen area is examined systematically to discover and morphologically assess 100 - 200 white blood cells. The process is time-consuming and the result depends on a qualified and experienced biomedical analyst. When further medical assessment is needed the smear must be transported to another laboratory – which affects the response time considerably.

Automated digital cell morphology

Through digital image analysis and artificial intelligence CellaVision has redefined the process of differentiating blood cells. The company's innovative solutions enable standardized and faster analysis.

CellaVision's analyzers automatically find the correct area of examination and pre-classify the cells. The result is shown digitally on a screen. The pre-classification is reviewed and assured by a biomedical analyst who makes necessary adjustments if necessary. Using the digital process, the results can quickly and simply be shared with colleagues and morphology experts in other places.



Overview of CellaVision's solutions

The vision behind CellaVision's products and solutions is simple. CellaVision wants to replace a hundred-year old manual method with automated, digital and intelligent solutions that facilitate the work of laboratories. With the help of CellaVision's analyzers, software and staining solutions, biomedical analysts can standardize and improve the time-efficiency of their work to better meet modern demands. Through the years, CellaVision has gradually refined its offer to ensure delivery of integrated solutions that provide support throughout the analysis process.

Sample preparation
Sample preparation is an important part of qualitative analysis. CellaVision provides solutions that enable standardization and improved sample quality.

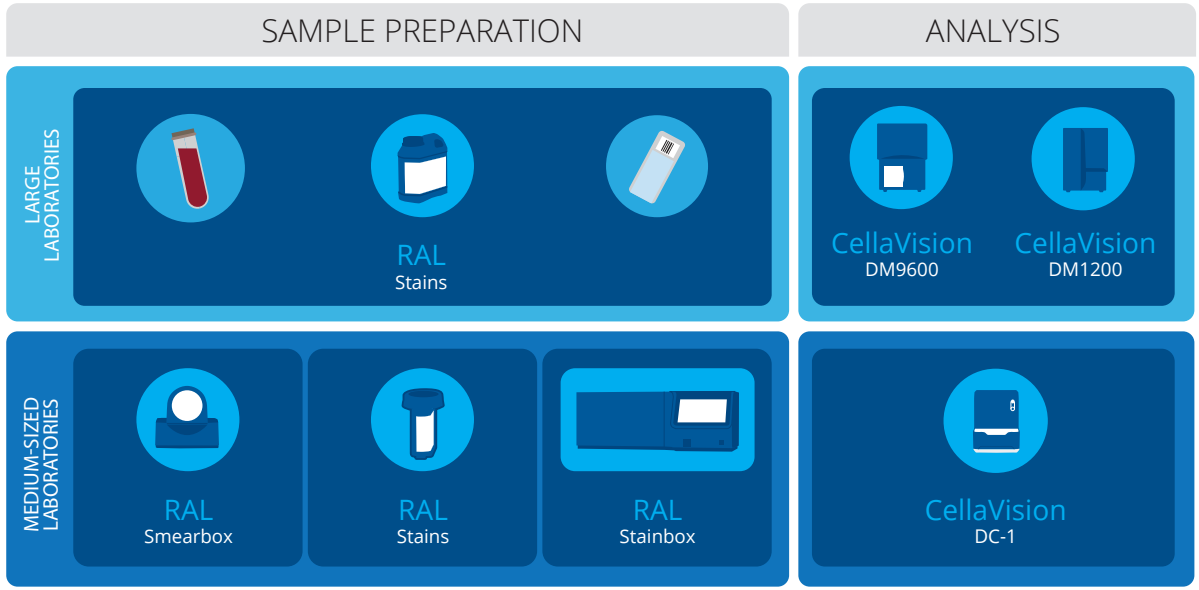
Large laboratories
In this market segment RAL's portfolio of staining reagents for use in large automatic blood smear and staining instruments is available. The reagent is also applicable at manual or semi-automatic staining stages for customers that are not so highly automated. Apart from traditional staining reagents, RAL offers a unique methanol-free product, MCDh (Micro Chromatic Detection for haematology). This reduces the environmental burden and increases safety of handling.

Mid-size and small laboratories
In this market segment sample preparation is a greater challenge, as the steps often rely on manual methods. A package solution is offered here, consisting of the RAL Smearbox, RAL Stainbox and the CellaVision DC-1 together with MCDh staining reagent and a staining protocol specially adapted to the CellaVision DC-1.

Sample analysis
CellaVision's flexible and versatile solutions consist of a number of analyzers along with supplementary applications, software and tools. The solutions can be configured to provide for and meet the customer's needs.

The product that make up the solutions
CellaVision offers a scalable solution depending on the customer's needs regarding analysis capacity, analysis type, sample preparation solutions, centralization of data and monitoring of workflow. As the customer's needs change, CellaVision offers compatible analyzers, applications, software solutions and staining solutions.

RAL also offers staining reagents in the areas of microbiology, pathology and cytology, which enables future market development.



CellaVision's market segments

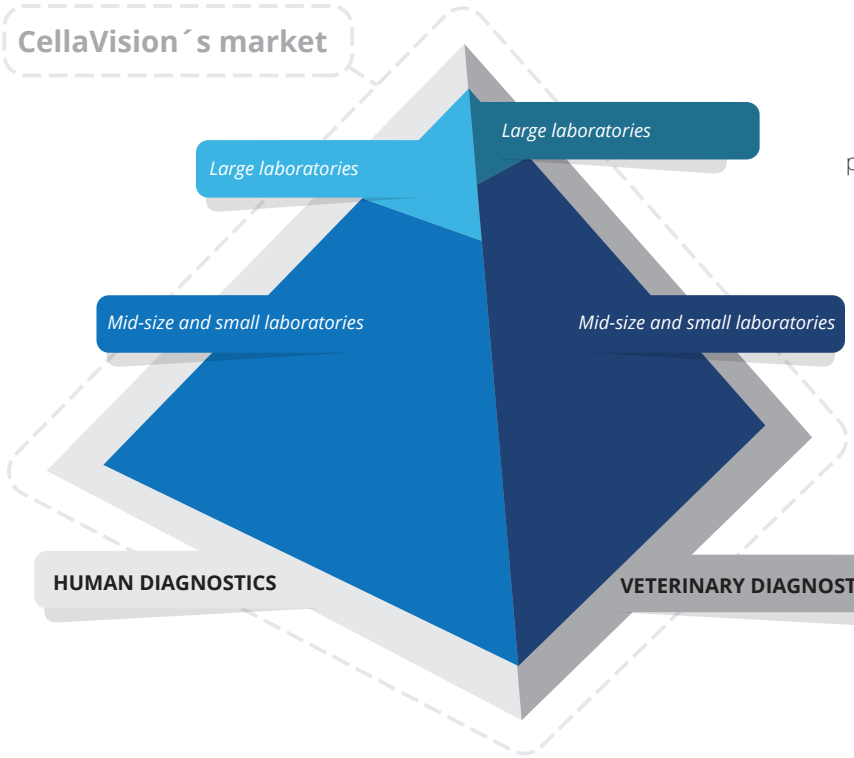
CellaVision's markets are human diagnostics and veterinary diagnostics. The product offer so far has been adapted to large laboratories for both human and veterinary diagnostics. After the launch of the CellaVision® DC-1 the company's product offer also provides for small and mid-size laboratories in both market segments.

Human diagnostics
CellaVision is market leader with a large installed base. The market is divided into two segments depending on the amount of blood analysis performed.

Large laboratories
The market for large laboratories has an estimated annual market value of SEK 1.4 billion and consists of about 17,000 laboratories. The market segment represents the majority of the company's sales, with market penetration of 21 percent at the close of 2019.

Mid-size and small laboratories
In the first quarter of 2019 CellaVision entered this second segment, consisting of about 100,000 smaller laboratories. Business development into this market segment was made possible by the introduction of the CellaVision® DC-1.

The company as yet is at an early stage of creating a presence in this market segment with high expectations of future long-term growth.

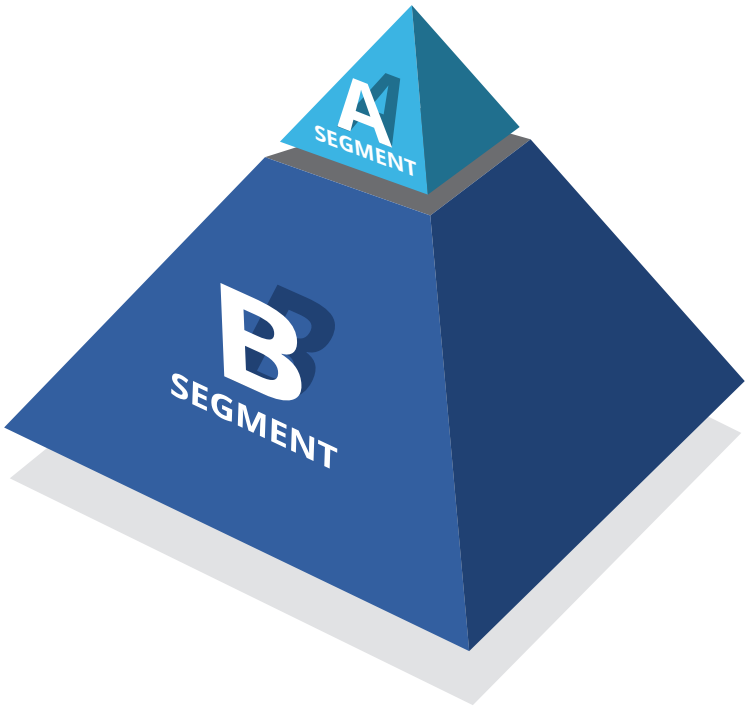


Veterinary diagnostics
The market is divided into two market segments, testing of animals for production and testing of pet animals. Globally, testing of pet animals accounts for the largest market share, 70 percent. CellaVision's measures here to establish a presence and operations should be seen as a long-term investment.

Large laboratories
The large laboratory market consists of commercial reference laboratories, medical centers and large veterinary hospitals. The global market is estimated to be about 500 reference laboratories in North America and Europe.

Mid-size and small laboratories
The market segment is fragmented and made up of regional and national laboratories for small independent veterinary clinics.

CellaVisions product portfolio - Human diagnostics



	Segments	
SAMPLE PREPARATION		
RAL Smearbox	B	*Staining system for consistent staining of blood and bone marrow smear.*
RAL Stainbox	B	*Staining system with a higher degree of automation than RAL Stainbox for customers*
RAL Stainer	A B	*with a higher volume of samples.*
RAL Stains & Reagents	A B	*Staining reagents for both manual and digital microscopy.*
INSTRUMENTS		
CellaVision DC-1	B	*CellaVision's smallest instrument with an analysis capacity of one glass at a time and a capacity of 10 glasses / hour.*
CellaVision DM1200	A	*CellaVision's medium size model with an analysis capacity of 12 glasses at a time and a capacity of 20 glasses / hour.*
CellaVision DM9600	A	*CellaVision's largest model with an analysis capacity of 96 glasses at a time capacity of 30 glasses / hour.*
SOFTWARES & APPLICATIONS		
CellaVision Peripheral Blood Application	A B	*Comes with every instrument. Delivers an analysis of white blood cells, red blood cells and platelets.*
CellaVision Advanced RBC Application	A	*Supplementary application for a more in-depth analysis of the red cells.*
Cellavision Body Fluid Application	A	*Additional application for analyzing body fluids.*
CellaVision Remote Review Software	A B	*Software for accessing images and results on remote.*
Cellavision Server Software	A	*Software for centralizing images and results in a common database for customers with multiple instruments.*
CellaVision Dashboard	A	*Software for monitoring instruments and analysis parameters.*
CellaVision Proficiency	A B	*Cloud-based software for training and knowledge testing in cell morphology.*

CellaVisions product portfolio - Veterinary diagnostics

	Segments	
SAMPLE PREPARATION		
RAL Smearbox	B	*Easy-to-use instrument that delivers high-quality blood smears in a closed system*
RAL Stainbox	B	*Staining system for consistent staining of blood and bone marrow smear.*
RAL Stainer	A B	*Staining system with a higher degree of automation than RAL Stainbox for customers with a higher volume of samples.*
RAL Stains & Reagents	A B	*Staining reagents for both manual and digital microscopy.*
INSTRUMENTS		
CellaVision DC-1 Vet*	B	*CellaVision's smallest instrument with an analysis capacity of one glass at a time and a capacity of 10 glasses / hour.*
CellaVision DM1200 Vet	A	*CellaVision's medium size model with an analysis capacity of 12 glasses at a time and a capacity of 20 glasses / hour.*
CellaVision DM9600 Vet	A	*CellaVision's largest model with an analysis capacity of 96 glasses at a time capacity of 30 glasses / hour.*
SOFTWARES & APPLICATIONS		
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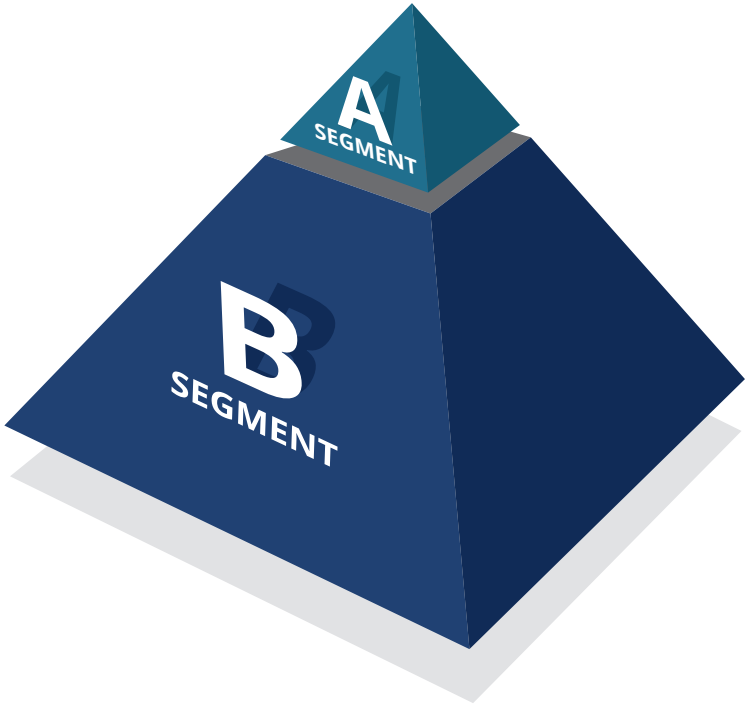
CellaVision Proficiency	A B	*Cloud-based software for training and knowledge testing in cell morphology.*

*Launch in Q2 2020



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. A production facility, producing reagents, was also included in the acquisition of RAL Diagnostics, located outside of Bordeaux, France.

Through CellaVision's indirect business model, the company 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 2019 CellaVision had 18 local organizations with direct presence in more than 40 countries.

INNOVATION

CELLAVISION

CellaVision's innovative products have revolutionized the digital microscopy. Innovation is at the core of CellaVision's operations and value creation.

MANUFACTURING

PARTNERSHIP

CellaVision does not manufacture its own instruments, but has chosen to work with subcontractors. In this way, a large scalability in production is created, while CellaVision avoids large investments in production equipment. The company manufactures reagents in-house.

MARKET SUPPORT

CELLAVISION

CellaVision continuously strives to strengthen its position in the market by establishing regional market support organizations. The support is aimed at both the company's distribution partners and end customers.

SALES & DISTRIBUTION

PARTNERSHIP

CellaVision's products for digital microscopy are included as an integrated final step in the blood analysis chain. The company therefore has sales and distribution collaborations with the world's leading cell counter manufacturers.

BLOOD ANALYS

END CUSTOMER

CellaVision's solutions for digital microscopy are used by medical laboratories around the world and have meant that blood tests can be performed with greater certainty at lower costs.

Strategic agenda

CellaVision's strategic agenda aims, through six initiatives – geographical expansion, expansion to new market segments, innovation, developed partnership, improved supply chain and business development – to create conditions for the company's continued growth in pace with its financial targets. The six 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.

15%

ORGANIC GROWTH

TARGET: Organic growth
CellaVision aims to have annual sales growth, over an economic cycle, of at least 15 percent. For 2019 organic growth was 15 percent and for the past five-year period growth was 16.3 percent.

20%

PROFITABILITY

TARGET: Profitability
CellaVision aims to have an EBITDA margin, over an economic cycle, of at least 20 percent. For 2019 the margin was 31.8 percent and for the past five-year period the operating margin was 31.6 percent on average.

1 GEOGRAPHIC EXPANSION

Geographical expansion
One of the most important success factors for CellaVision is establishing local organizations for market support in countries with great potential. In 2019 three new local organizations were established, which means that the number has grown from five organizations in 2015 to 18 organizations with direct presence in more than 40 countries in 2019.

2 SEGMENT EXPANSION

Segment expansion
In 2019 the company launched the new product CellaVision ® DC-1 for small and mid-size laboratories. Furthermore, RAL Diagnostics, with a focus on sample preparation, was acquired and the company also launched a new product offer for the veterinary market.

3 UNIQUE INNOVATION

Unique innovation
CellaVision continually develops the software and hardware systems to further simplify and improve work at hematology laboratories. The technological advances and innovations from the CellaVision® DC-1 form the basis of the next generation of analyzers, as well as further development of new applications.

4 STREAMLINED SUPPLY CHAIN

Streamlined supply chain
CellaVision works continually on component supply and lifecycle management of key components. The objective is to tie up less capital and increase efficiency and productivity.

5 DEVELOPED PARTNERSHIP

Developed partnerships
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. CellaVision continually develops its capacity to provide professional support to both partners and end customers.

6 BUSINESS DEVELOPMENT

Business development
In 2019 CellaVision acquired RAL Diagnostics, a leading market actor with production and sale of sample preparation in hematology, pathology, cytology and microbiology, based in Bordeaux, France. The acquisition broadened CellaVision's available market from about two billion to six billion kronor.

1 GEOGRAPHIC EXPANSION

Continued expansion of CellaVision's market support

One of the most important success factors for CellaVision is establishing local organizations for market support in markets with great potential. In 2019 the company established new support organizations in two countries and continued to strengthen the organization in China.

Continued expansion in 2019

The strategy of investing in local organizations for market support in selected markets continued in 2019 with establishments in Italy and Spain. At the close of 2019r CellaVision was fully operative in all the latest establishments in Thailand, India, Spain/Portugal and Italy. During the first quarter of 2020 an establishment was started in Russia and in 2020 CellaVision will also strengthen the organization in some of the existing markets, including India, to meet growing demand. Altogether CellaVision now has 18 local organizations offering market support in more than 40 countries.

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.

In 2019 great effort has been put into training CellaVision's distributors in the new product, the CellaVision® DC-1. This work will continue in 2020 and 2021 as the product is expected to be approved in the USA and China.

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 the digital platform, the CellaVision® User Club.

Considering that a majority of the company's distributors and customers are in North America and Asia, the investment in digital knowledge solutions for distributors and end users is crucial in providing satisfactory support in all parts of the world.

CellaVision establishing two new growth areas

CellaVision's technology, through its digital flows and unique analysis methods, has revolutionized the work of large hematology laboratories in healthcare. In 2019 the company's offer expanded to include small and mid-size laboratories in both the human and veterinary markets through the launch of the CellaVision® DC-1. In the last quarter of the year CellaVision also established itself in sample preparation through the acquisition of the French company RAL Diagnostics (RAL).

The CellaVision® DC-1 also reaches 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. With the launch of the CellaVision® DC-1 conditions are now good for building up a strong presence in this segment as well. The annual sales potential for these smaller laboratories is estimated in the long term to be a market on a level with or even greater than the market for large laboratories.

Acquisition of RAL creates new growth opportunities

The acquisition of RAL, completed on October 1, 2019, gives CellaVision control of sample preparation quality, which is of great importance for the final results of blood analysis. The acquisition gives CellaVision a well-established brand with solutions of the highest quality in staining and sample preparation. The acquisition provides CellaVision with important technology and new know-how, which in combination will form a good basis for continued growth:

Broadened product offer and larger market. Based on the combined product portfolios and potential to standardize workflow globally, the acquisition is expected to increase CellaVision's addressable market in hematology to a total of about SEK 6 billion.

Effective expansion of sales of RAL's hematology products to new markets. RAL holds a strong position in EMEA but has a limited presence in the Americas and APAC markets, where CellaVision has established a strong position in recent years. Consequently, there is a sound basis for effective sales expansion of RAL's solutions globally through CellaVision's market support organization and partnership with leading hematology distributors.

Expansion to related analysis areas. The acquisition of RAL supplies CellaVision with considerable experience and knowledge in microbiology, cytology and pathology, which opens up new future opportunities to apply CellaVision's technology beyond hematology.

Large veterinary laboratories – broadened portfolio and more analyses

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 the first quarter of 2020 solutions for the veterinary market were launched on all CellaVision's product platforms, which means that all systems will be able to analyze canine and feline blood. In addition, the CellaVision® DC-1 will also have an application for avian blood analysis.

Launch of the CellaVision® DC-1 and updated veterinary offer

The focus in 2019 has been on implementing the final product adaptations of the CellaVision® DC-1 in collaboration with CellaVision's supply chain organization and external suppliers. The product was officially launched in February 2019 at the MEDLAB Exhibition & Congress in Dubai. In 2019 a complete update of the offer to the veterinary market was also developed.

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

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 has integrated electronics for controlling the microscope, giving major advantages as regards both cost and performance.

Complete upgrade of the veterinary portfolio

In 2020 CellaVision will launch a complete upgrade of the veterinary portfolio. The Sysmex system, DI-60 Vet, and CellaVision®DC-1 Vet will be launched, while the current CellaVision® DM1200 Vet and CellaVision® DM9600 Vet will be upgraded to the latest software generation. All systems will be able to analyze canine and feline blood. In addition, the DC-1 Vet will also have an application for avian blood analysis.

Continued focus on innovation

CellaVision 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 and CellaVision applies considerable resources to being at the forefront of research and development. In 2019 the equivalent of 16 percent of sales was invested in the company's innovation activities. The development department covers three main specialties; developing system software, developing hardware and applications development. The number of employees in R&D grew during the year by about 39 percent. The acquisition of RAL Diagnostics (RAL) gives CellaVision the opportunity to improve sample preparation quality, which is of great importance for the final results of blood analysis. The quality of the sample preparation is important for optimal functioning of CellaVision's system and there is a great need in both large and small/mid-size laboratories for future standardized solutions.

Acquisition of RAL strengthens CellaVision's position

Through the acquisition of RAL Diagnostics CellaVision obtains solutions in staining and sample preparation of the highest quality, which creates the conditions to establish integrated solutions for hematology laboratories. The acquisition provides CellaVision with important technology and new know-how, which will form a good basis for continued innovation. Apart from RAL's offer in hematology, the company's product portfolio includes the areas of microbiology, cytology and pathology. The acquisition thus opens up new future opportunities for application of CellaVision's technology beyond the hematology segment.

RAL launches the Smearbox

In 2019 the RAL Smearbox was developed, a new product for blood smearing, which is the first step in all blood analysis. Just like the CellaVision®DC-1, the product was developed for small and mid-size laboratories and offers great advantages in the form of simple and secure handling and even distribution of blood cells on the slide.

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 78 registered patents. In connection with the acquisition of RAL, CellaVision's total patent portfolio was increased by five patent families covering 23 patents. Most of the patents are in the technology fields of image analysis and precision mechanics.

Focus on manufacturing of the CellaVision® DC-1

In 2019 the company continued simplifying the current supply chain structure with the aim of tying up less capital and increasing efficiency and productivity. Focus during the year has been on a controlled increase in the rate of production of the CellaVision® DC-1, reduced component and process costs and maintained service level to customers amid constantly increasing demand.

Upscaling production of the CellaVision® DC-1

The CellaVision® DC-1 was launched in early 2019 and during the year CellaVision's supply chain organization has worked intensively together with suppliers and the company's quality and innovation departments to gradually increase production volumes. Knowledge transfer from CellaVision to the third-party manufacturer, with responsibility for assembly and quality control, has been very extensive and CellaVision staff have been on site at manufacturer at certain periods to ensure as seamless a transfer as possible. At all times the focus has been on ensuring that the quality of all products delivered to customers is maintained. Initially this meant that production volumes were relatively low, but as initial product disruptions were dealt with, the output rate gradually increased and at the close of the year was at a good level.

Focus on cost and supply of components

In 2019 the supply chain continued the work of reducing costs of manufacture of the company's products through simplified processes and continual improvements in efficiency of purchasing and partnerships. The company also conducts strategic purchasing to ensure supply of components. This work has been particularly important as regards electronic components, where global demand in many cases exceeds supply.

High service level

CellaVision attaches great value to supplying systems, single-use products and spare parts in accordance with customers' wishes. The service level to customers was over 95 percent in 2019. Fluctuations in needs are carefully handled to optimize logistics and production flows. The basis for optimization lies in good knowledge of customer needs through sound forecasts and close cooperation with the treasury function and suppliers.

Supply chain at RAL Diagnostics (RAL)

RAL develops, markets and commercializes analyzers and a broad range of reagents intended for in vitro diagnostic products (IVD). The objective is to automate, standardize and improve the work at medical laboratories while strengthening user safety.

RAL manufactures a dozen strategic substances and produces more than 100 different solutions. The stages of production include different types of reactors, filtering systems and automated and half-automated packing systems. The production at RAL's facilities is designed to meet extremely high requirements in terms of safety for both employees and the physical buildings. RAL's production technology is specialized in production solutions that meet extremely stringent requirements.

All production is at the company's three facilities just outside Bordeaux in Martillac, France, and includes the manufacture of dyes and solutions, packaging of the products as well as quality control and logistics. RAL has extensive knowledge of all types of handling and distribution of flammable and hazardous goods.

Strong partnerships lay the foundation for continued growth

CellaVision's products are an integral final step in the blood analysis chain. The company therefore 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.

Established distributor partnerships

CellaVision cooperates with the majority of the leading manufacturers of cell counters and has global distribution agreements with all relevant hematology suppliers for large as well as small and mid-size laboratories.

Launch of the CellaVision® DC-1

In 2019 the CellaVision® Academy conducted extensive training initiatives in connection with the launch of the CellaVision® DC-1. The training targeted both CellaVision's internal marketing staff and the company's partners.

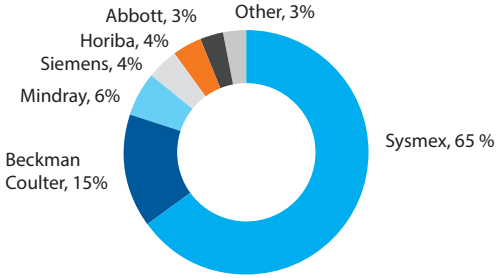
Continual work to strengthen collaboration with distributors and customers

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. Apart from supporting CellaVision's various partners locally, CellaVision's local organizations develop networks with end customers, providing important information about the market to enable penetration and sales via the indirect business model, as well as giving an insight into the needs of end customers, which is of great importance for future product development.

Great similarities between CellaVision and RAL Diagnostics (RAL)

There are great similarities between CellaVision and RAL, which means that the two companies are very well suited to each other. Both CellaVision and RAL apply an indirect business model and to a great extent share the same global partners and the same end customers. Already today CellaVision's and RAL's products are used together by several laboratories and form separate but interdependent steps in a complete blood analysis chain. These great similarities mean that RAL can be integrated in a natural way into CellaVision's partnerships and that RAL's products can be included in the CellaVision® Academy's training program.



Market share of CellaVisions distribution partners for large hematology laboratories

The acquisition of RAL Diagnostics (RAL) strengthens CellaVision in several dimensions

Through the acquisition of the French company RAL, completed on October 1, 2019, CellaVision can offer a unique combination of high-quality sample preparation and world-leading digital blood cell analysis.

All in all, the acquisition means that CellaVision gains a broader product offer and a larger market, that sales of RAL's products can expand to markets outside EMEA and that there will be future opportunities to apply CellaVision's technology in more areas than hematology.

RAL manufactures products for sample preparation in hematology, pathology, cytology and microbiology. Sales in 2018 amounted to about SEK 87 million with an EBITDA margin of about 15 percent. The cash purchase price was SEK 254,4 million.

The acquisition of RAL is a natural step in CellaVision's established strategy

The acquisition of RAL gives CellaVision the opportunity to improve sample preparation quality, which is of great importance for the final results of blood analysis. The quality of the sample preparation is important for optimal functioning of CellaVision's system and there is a great need in both large and small/mid-size laboratories for future standardized solutions.

Both companies operate in hematology, collaborate with the same global partners and have the same end users. Already today CellaVision's and RAL's products are used together at several laboratories and form separate but interdependent steps in a complete blood analysis chain. The acquisition provides CellaVision with important technology and new know-how, which in combination will form a good basis for continued growth.

Apart from RAL's offer in hematology, which is 50 percent of the company's sales, RAL's product portfolio covers the areas of microbiology, 40 percent, and cytology and pathology, which together constitute 10 percent.

The acquisition creates more growth opportunities

Growth through a broadened product offer. The acquisition is expected to increase CellaVision's available market in hematology to a total of about SEK 6 billion. The acquisition adds new technology in sample preparation and gives CellaVision improved control of quality of the blood smears analyzed in the company's equipment. Sample preparation primarily consists of consumables, which means that through the acquisition CellaVision gains access to recurring revenues.

Growth through expansion of RAL's hematology products to new markets. RAL holds a strong position in EMEA but has a limited presence in the Americas and APAC markets, where CellaVision has established a strong position in recent years. Consequently, there is a sound basis for effective sales expansion of RAL's solutions globally through CellaVision's market support organization and established partnerships.

Growth through expansion to related analysis areas. The acquisition of RAL supplies CellaVision with considerable experience and knowledge in microbiology, cytology and pathology, which opens up new future opportunities to apply CellaVision's technology beyond hematology.

RAL is a world leader in sample preparation within hematology, pathology, cytology and microbiology.

Market 2019

CELLAVISION

Market

In 2019 CellaVision's sales growth was 26,6 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 2019 CellaVision also launched the CellaVision® DC-1 on all markets apart from the USA and China. The launch of the CellaVision® DC-1 in these two markets is planned for 2020 and 2021 respectively.

Development by market area

All regions developed well in 2019. The Americas grew by 24.6 percent, EMEA by 47 percent and APAC by a slightly more modest four percent. Among the countries that reported particularly good performance during the year were Japan, which reported its best year ever, and India, where our organization for local market support developed faster than expected, with several important installations. The Americas continues to be CellaVision's strongest region and during the year Brazil performed better than expected.

Geographical expansion

In 2019 CellaVision established new organizations for local market support in Italy and Spain/Portugal. These organizations are now fully operational and are working intensively together with CellaVision's distributors to convert these markets from manual to digital solutions. At the year-end CellaVision had 17 local organizations that together offer market support in more than 40 countries. In early 2020 an organization for local market support was also established in Russia.

Launch of the CellaVision® DC-1

One of the year's most important activities was the launch of the CellaVision® DC-1. The global launch took place in Dubai in February and the new product has subsequently been introduced at international trade fairs around the world. In Europe the CellaVision® DC-1 was launched at the EuroMedLab 2019 in Barcelona. In APAC the launch took place at the MedLab trade fair in Singapore. With the exception of the USA and China, where introduction is planned for 2020 and 2021 respectively, the CellaVision® DC-1 is available for sale on all important markets.

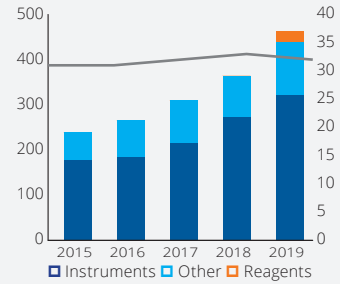
The CellaVision® DC-1 has had a fantastically good reception. Many customers are impressed that so much advanced technology can fit into such a small format. The great interest in 2019 meant that demand initially exceeded supply. However, the production rate gradually increased during the year.

Acquisition of RAL Diagnostics (RAL)

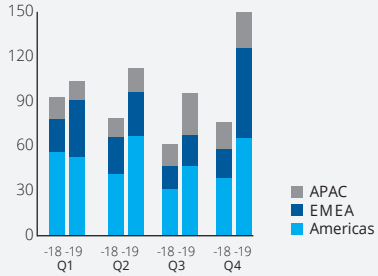
The acquisition of RAL means that CellaVision now has a unique combination of high-quality sample preparation and world-leading digital blood cell analysis. CellaVision thereby has full control of all parts of digital blood analysis and can ensure constant and high quality throughout the process.

On the sales side, integration between the two companies was started in earnest with a global sales meeting in Bordeaux, where RAL has its production facility. RAL holds a strong position in EMEA, but has a limited presence in the Americas and APAC markets, where CellaVision has established a strong position in recent years. Consequently, there is a sound basis for successful sales expansion of RAL's solutions globally through CellaVision's market support organization. The acquisition of RAL will also increase the share of recurring revenue as the current sale of consumables and spare parts is supplemented by RAL's products for sample preparation.

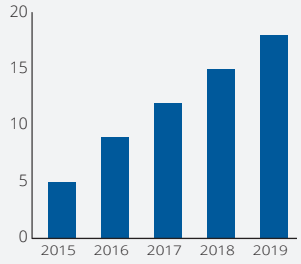
Net sales, SEK millions
EBITDA-margin, %

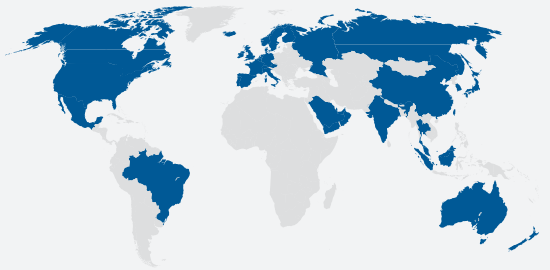


Net sales per quarter and geographical region 2018-2019, SEK millions



Number of market support organizations by year end





With 18 organizations for local marked support
CellaVision has direct presence in more then 40 countries

Niagara Falls
at the border
of USA and Canada

Americas

2019 was another year of good growth for the Americas. Sales increased by 24.6 percent to SEK 231.2 million (185.5) after continuing good sales of new installations in the USA and Canada. The emerging replacement market, sales of software and positive development in South America also contributed to the growth.

CellaVision's strategy delivers

In 2016 a strategy was implemented 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 market penetration is relatively low. The positive development in 2017, 2018 and 2019 is a result of this strategy. The emerging replacement market and rising sales of software and consumables have also contributed to the positive growth.

Geographical expansion

In recent years CellaVision has established local organizations for market support in Brazil and Mexico. Both these markets are relatively immature and require lengthy marketing activities to achieve significant sales volumes. However, development in 2019 exceeded expectations, with several substantial orders. During the year the first orders from Colombia were handled by the organization in Mexico and the first orders from Chile were handled by the Brazilian organization. CellaVision's positive view of the long-term opportunities in South America was thus further strengthened.

Important activities

In 2019 CellaVision participated in a series of congresses to market the company's digital morphology solutions. Among the most important were the major AACC Annual Scientific Meeting in Anaheim, the national CLMA KnowledgeLab in Texas and the regional ASCLS industry expo in New Jersey.

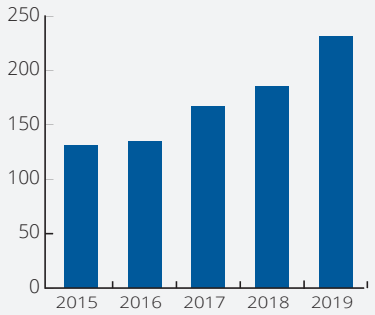
Launch of the CellaVision® DC-1 in Canada

The CellaVision® DC-1 is approved for sale in Canada and was introduced to the Canadian market at the annual ISLH International Symposium in Vancouver. During the year CellaVision conducted several training programs for its distribution partners in Canada and South America. The USA launch is expected to take place towards the end of 2020.

Americas 2019

Sales: SEK 231.2 million (185.5)
Share of Group sales: 50%
Growth: 24.6%
Number of employees: 12 (12)

Sales 2015-2019, SEK million




Schwarzwald, Germany

EMEA

EMEA developed well in 2019 with growth of 47 percent. EMEA's development includes sales from RAL Diagnostics (RAL), most of which are in EMEA and which were fully integrated from the fourth quarter. Growth without RAL was 23.3 percent. Thus, net sales were SEK 150.3 million (102.2). In the last three years CellaVision has step by step built up a strong presence with organizations for local market support in several countries in EMEA. The growth in 2019 is a result of these initiatives now starting to have a good effect.

The local presence strategy delivers

In recent years CellaVision has established organizations for local market support in several countries within EMEA, which has resulted in the sound growth of recent years. In 2019 Western Europe in particular contributed to growth, but the Middle East and North Africa also performed well. France, which has grown in a short space of time into CellaVision's third largest market globally, is a good example of how important a local presence is.

Geographical expansion

In 2019 CellaVision continued its geographical expansion with the establishment of organizations for local market support in Spain and in Italy. Both organizations are now fully operative and work intensively together with the distributors. In early 2020 an organization for local market support was also established in Russia.

Important activities

CellaVision participated in a number of congresses in 2019; these included the IBMS Institute of Biomedical Science Congress in Birmingham, United Kingdom and the DGKL Deutscher Kongress für Laboratoriumsmedizin in Magdeburg, Germany. The annual global sales meeting in December was held in Bordeaux, where CellaVision's and RAL's commercial organizations gathered for four days of introduction, training, factory visits and strategic planning.

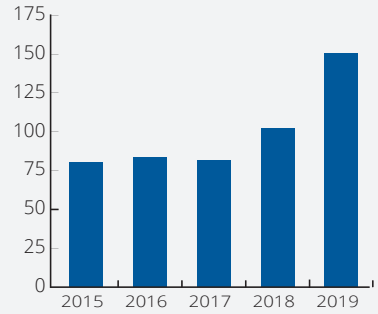
Launch of the CellaVision® DC-1

The global launch of the CellaVision® DC-1 took place in February at MedLab in Dubai. In Europe the new product was launched at Euro MedLab in Barcelona in May. The interest from distributors and customers has been very great and during the year CellaVision implemented a number of customer demonstrations and distributor training programs.

EMEA 2019

Sales: 150.2 MSEK (102.2)
Share of Group sales: 33 %
Growth: 47.0%
Number of employees: 48* (5)

Sales 2015-2019, SEK million



*Including RAL Diagnostics


Fuji, Japan

APAC

Growth in APAC for 2019 was four percent and amounted to SEK 80.3 million (77.1), which means that in 2019 the region accounted for 17.4 percent of CellaVision's total sales. The somewhat more modest growth was a result of a slightly slower sales rate, mainly in the important Chinese market. However, the underlying demand in China continues to be good. Other markets in Asia developed well, not least Japan, which had its best year ever.

Good growth in established markets

The underlying demand in China continues to be good and the slightly weaker growth early in the year is explained by large orders at the end of 2018. In Japan CellaVision celebrated its tenth anniversary in 2019 by reporting its best year ever.

Important project in Australia

In 2018 CellaVision's solutions were part of the tender that won a major procurement contract in New South Wales. The project covers about 60 large and small laboratories. Implementation of the new digital solution was started in 2019 and is expected to continue until 2022.

Good growth in new markets

In recent years CellaVision has established local organizations for market support in India, Korea and Thailand. All organizations are now fully operational. In India this has resulted among other things in some prestigious orders from leading laboratories. Growth has also been positive in Thailand and Korea.

Important activities

CellaVision conducted a number of important activities in China in 2019. In the Chengdu region a course in morphology was held for 250 participants and at the morphology conference Xi Jing Morphology Class, where CellaVision was one of the arrangers, 600 participants attended and about 80,000 followed the event online. CellaVision also attended a laboratory congress in Guangzhou, China and the JAMT Congress in Shimonoseki, Japan.

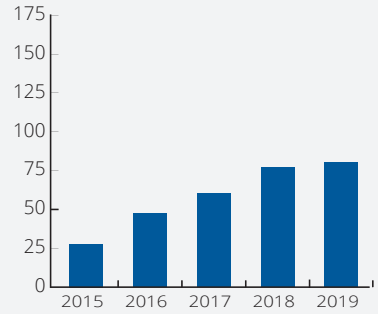
Launch of the CellaVision® DC-1

The regional launch of the CellaVision® DC-1 took place at MedLab Singapore in April. Interest in the new product is very great. The CellaVision® DC-1 is ready for sale in all major markets in APAC, apart from China, where the launch is expected to take place in 2021.

APAC 2019

Saels: 80.3 MSEK (77.1)
Share of Group sales: 17 %
Tillväxt: 4 .2%
Number of employees: 12 (9)

Sales 2015-2019, SEK million



The CellaVision share

CellaVision's share has been listed on Nasdaq Stockholm, Mid Cap since 2018. Before that the share was listed on Small Cap from May 2010. At the close of 2019 the market value was SEK 7,621 million and the number of shareholders was 9,286. The Board of Directors has withdrawn its original proposal of SEK 1.50 to the Annual General Meeting because of the uncertainties of the development of COVID-19 propose instead that no dividend be paid for the fiscal year of 2019.

Price trend and share trading

The price of the CellaVision share increased during the year by 66 percent, from SEK 192.50 at the start of the year to SEK 319.50 at year-end. In the same period the index increased by 29 percent (Nasdaq Stockholm PI). The highest price paid during the year was SEK 409.50 (July 29, 2019), and the lowest was SEK 188 (January 2, 2019). The company's market value at year-end was SEK 7,620,569 million (4,567,571).

In 2019 a total of 10.4 million shares (11.63) were traded for a value of SEK 3,211 million (2,432).

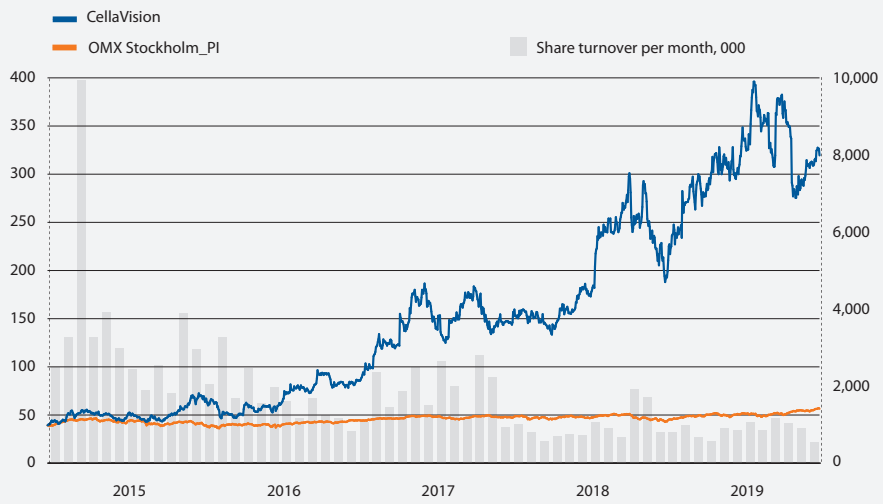
Share structure

Share capital in CellaVision AB at the close of 2019 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.

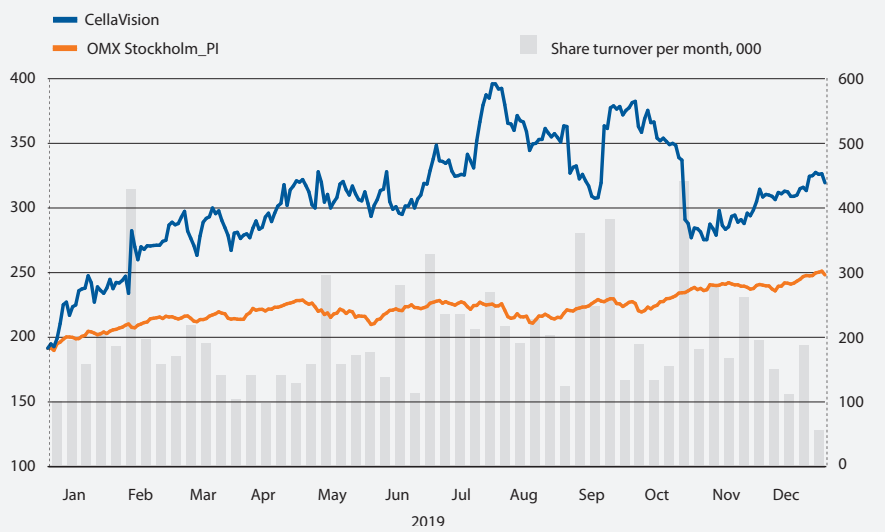
Ownership structure

The number of shareholders at year-end was 9,286 (7,412), which is an increase of just over 25 percent during the year.

Share performance and turnover 2015 - 2019



Share performance and turnover 2019



Of these, two shareholders, William Demant Invest A/S and State Street Bank and Trust CO, have direct and indirect holdings representing more than ten percent of the votes.

The ten largest shareholders controlled 64.4 percent of the company's shares on the balance sheet date. Swedish ownership was 48.2 percent of the votes. The total Swedish institutional ownership was 28.8 percent. The Board of Directors and the management together owned, privately and through companies, about 9.8 percent of the shares.

Dividend

Considering the general uncertainty and the measures introduced to reduce the spread of COVID-19 and its impact on CellaVision, the Board of Directors decided to withdraw the proposal of a dividend of SEK 1.50 per share and instead propose that no dividend be paid for the fiscal year of 2019.

The company's dividend policy implies that the dividend should correspond to 30 to 50 percent of the net profit, but always take into account the company's and the group's financial position, capital structure, acquisition needs and long-term financing needs. This year's dividend proposal is an exception to the long-term policy.

Analyses

During the year analyses of CellaVision have been made by:
ABG Sundal Collier (victor.forsell@abgsc.se)
Carnegie (ulrik.trattner@carnegie.se)
Pareto Securities (Christian.Lee@paretosec.com)

CellaVisions 10 largest owners per 31/12/2019

Shareholders	Shares	Ownership %
William Demant Invest A&S	3,236,475	13.6
State Street Bank and Trust Co, W9	3,169,493	13.3
Christer Fåhraeus m bolag	2,313,600	9.7
Grenlunden CEVI AB	2,296,000	9.6
Swedbank Robur fonder	1,763,079	7.4
Caceis Bank, Luxembourg Branch	668,350	2.8
Deutsche Bank AG,	575,667	2.4
Försäkringsbolaget, Avanza Pension	439,330	1.8
BNY MELLON, W9	403,322	1.7
Clearstream Banking S.A	401,537	1.7
Other		
Total	**23 851 547**	**100**

Owner structure 31/12/2019

Size	# Shareholders	%
1–500	8,020	86.4
501–1 000	562	6.0
1 001–5 000	502	5.4
5 001–10 000	69	0.7
10 001–15 000	34	0.4
15 001– 20 000	16	0.2
20 001-	83	0.9
Total	**9,286**	**100**

Sustainability

CELLAVISION


Planet


People


Product


Society

Sustainability at CellaVision

CellaVision has its headquarters in Sweden and local market support organizations in a total of 18 countries with direct presence in more than 40 countries. On October 1, 2019, RAL Diagnostics, a leading market player that manufactures products for sample preparation in hematology, pathology, cytology and microbiology, was acquired. The acquisition meant that CellaVision now also includes a production unit of reagents located just outside Bordeaux in France. Sales of products take place in collaboration with selected, globally established partners and CellaVision continuously monitors their work and policies on central sustainability issues.

Activity

CellaVision develops and sells digital solutions for blood and body fluid analysis. In connection with the acquisition of RAL Diagnostics, the company also provides reagents for sample preparation, which is an important step before conducting the in-depth analysis - whether the laboratory used manual or digital microscopes. Furthermore, CellaVision replaces manual microscopes with analytical instruments based on digital image analysis technology, artificial intelligence and IT. The solutions contribute to more efficient workflows and higher quality in laboratory medicine.

Development 2019

During the year, CellaVision continued to develop the company towards a more sustainable enterprise in terms of environmental responsibility and social impact, for example by now compensating for the company's total travel (previously only for employees in Sweden). CellaVision's goal is that the business must always be managed responsibly with continuous improvements in sustainability work. In connection with the acquisition, higher demands are placed on sustainability issues as a result of the acquired company's production of sample preparation products.

Business ethics and culture

Working together with CellaVision should mean a quality stamp for both customers, partners and employees. CellaVision's Code of Conduct describes values and guidelines for how the company's employees should behave in different business situations. The Code is based on the UN Universal Declaration of Human Rights and together with CellaVision's core values and policies form the basis for how the company works. The basic principles of the Code of Conduct are fairness, honesty and compliance with applicable laws. All employees within the CellaVision Group and others who represent the company, such as board members and consultants, are covered by the Code of Conduct and all employees are trained annually in what the Code of Conduct contains and covers.

Agenda 2030

The UN Agenda 2030 with 17 global goals is a framework for meeting the world's challenges and opportunities. CellaVision's business contributes directly to goal three; Health and Wellbeing, goal eight; Decent working conditions and economic growth and goal nine: Sustainable Industry, Innovations and Infrastructure. Through various initiatives, CellaVisions also contributes to the achievement of goals one; No poverty and goal four; Good education for all.

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 2019 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 one non-conformance and two recommendations. The non-conformance consisted of uncertainties in the development procedure as to how CellaVision takes the lifecycle perspective into account in the development process. The non-conformance has been dealt with by updating the procedure concerned.

CellaVision® DC-1 reduces environmental impact

The CellaVision® DC-1 was developed to be used at small satellite labs. In that the CellaVision® DC-1 is part of a digital network, cell images that are difficult to assess can be analyzed by experts at the central laboratory. The time savings of both time and transport are considerable.

Environmental objectives 2019

In 2019 three detailed environmental objectives were set for CellaVision in Lund: 1) deliver digital instead of paper-based manuals, 2) reduce distribution of DVDs by releasing software on support pages on the web and 3) reduce CellaVision's customers' transport by launching the CellaVision® DC-1.

Environmental work at RAL Diagnostics

RAL Diagnostics follows local environmental, health and safety legislation. The company currently has an environmental management system based on ISO14001 and is considering future environmental certification under ISO14001:2015.

Manufacturing with our selected partner

CellaVision does not manufacture instruments, instead the company has selected third party manufactures 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. In connection with the acquisition of RAL Diagnostics in the last quarter of 2019, a production plant outside Bordeaux, France with reagent production was acquired.

Logistics

CellaVision's ambition is to transport its products in as environmentally friendly way as possible. For transport to customers in the Americas and APAC this means that as far as possible CellaVision will use sea transport but use air transport in cases where customers so require. In 2019, 73 percent of shipments were by sea and land, while 27 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 2019, 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. The CDM project scheme has well-developed control mechanisms with independent authorized auditors that report directly to the UN. In 2019 CellaVision decided to continue to support the same CDM project as before – a wind power project 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.

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 in the daily work. Objectives, vision and guidelines 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. The company acquired the French company RAL Diagnostics (RAL) in the fourth quarter of 2019 and consequently discloses several key figures separately for the two operations in this chapter.

Responsible employer

CellaVision has a decentralized and flexible organizational structure, formed 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 to contribute with skills and commitment to the company's continued development. CellaVision believes that an even gender distribution enhances competence and creates a dynamic workplace, which is positive both for the work climate and for the company's long-term competitiveness. The company's ambition is to have an even number of men and women in recruitment processes. Of a total of 23 new employees during the year, nine were women and 14 men at CellaVision. At year-end the total number of women was 48 (38), equivalent to 35 (32) percent of the workforce. The total number of employees at year-end, excluding RAL, was 136 (117) and staff turnover was 3.1 percent (7.4). Sick leave of 1–13 days was 1.9 percent (3.1). In 2018 CellaVision globally had no reported incidents and no reported accidents. In the last quarter of 2019 a French company, RAL, was acquired, with 41 employees: 19 men and 22 women.

Work environment, talent, performance and management by objectives

All employees have annual appraisals and target discussions with their line manager. The purpose of the target discussions is to create the conditions for the company's employees to develop and be stimulated to achieve a positive work input, which contributes to increased productivity, efficiency and profitability. Individual development plans are linked to the targets to ensure continual competency development. CellaVision conducts an annual employee survey and quarterly pulse surveys (eNPS). The results show typically strong commitment, strong faith in the future and great confidence in colleagues. The surveys, 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.

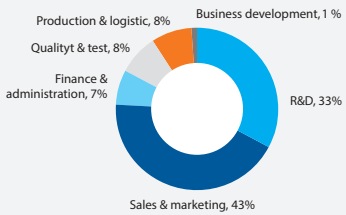
Attractive employer, recruitment and digitization

In 2019 CellaVision invested in building its brand as an attractive employer by a number of targeted initiatives toward universities. The company's geographical location, with many attractive employers in engineering professions in the region, has demanded for a strategy to attract the right skills. In 2019 CellaVision was the main sponsor of Lund Technical University's F-section and arranged various business evening events. Furthermore, the company offers various master thesis opportunities and participates in networks and mentoring programs. The cumulative effect of these initiatives has had a positive effect on recruitment. The company has continued to digitalize HR processes in recruitment, management of talent and performance to create transparency and efficiency.

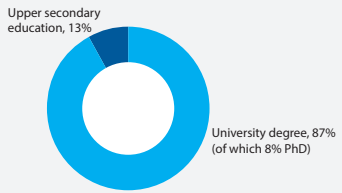
Continued geographical expansion and organization development

CellaVision continued its geographical expansion during the year with local organizations for market support in the company's key regions. During the year organizations for local market support were established in Italy and the Iberian Peninsula. The company also initiated establishment of a local organization for market support in Russia at the end of 2019. 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.

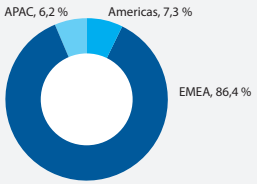
Employees per function



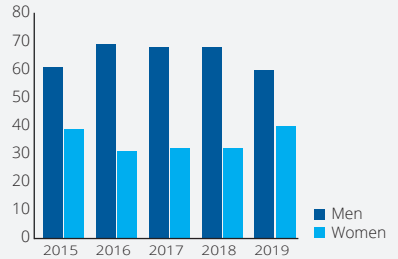
Educational level



Employees per region

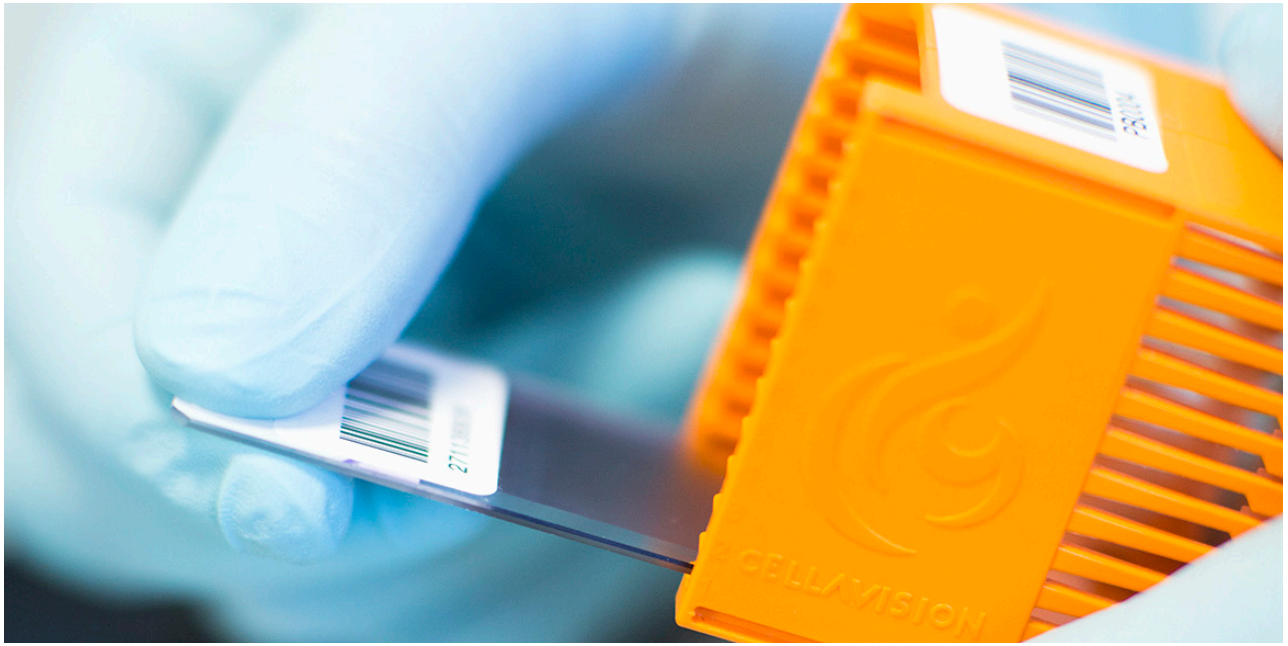


Distribution of men/women %



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.

Approval of the CellaVision® DC-1

In 2019 the CellaVision® DC-1 was approved for sale in many parts of the world. Approval is based on extensive clinical studies. During the year the local clinical studies required for approval of the CellaVision® DC-1 in the USA and China were also started. This work was intensified in the second half of 2019 and the ambition is to be able to start marketing the CellaVision® DC-1 in the USA in 2020 and in China in 2021.

Work environment

Using CellaVision's solutions, laboratories create a more attractive work environment. Interest in the occupation is weak among young people but the new technology creates both interest and attraction. Working long hours at a microscope puts a heavy strain on the body, injuring the neck, back and eyes. Using CellaVision's technology replaces the stressful work at the microscope with a considerably better ergonomic working posture with greater mobility.

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 the 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 online. 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, with 99 per cent of sales generated outside Sweden. The development of the local community where CellaVision is located is important to enable the company's long-term development. Therefore, the ambition is to create conditions to contribute to sustainable development by building on our own strengths: great technical know-how and strong commitment to the future.

CellaVision's goal is to increase interest in technical and scientific education and thus get more young people to decide to study at universities and other higher education institutions. Moreover, the company would like to see a greater proportion of women continuing their studies in technology for increased diversification. Apart from contributing to sustainable development of the region, the opportunities of recruiting talent are crucial to CellaVision's development in the short and long term.

Cooperation with schools and universities

The initiative launched in 2018 together with Malmö FF and Piläng school in Lomma was evaluated in spring 2019 with the aim of establishing a partnership with schools to increase interest in higher education in the region.

CellaVision was the main sponsor of Lund Technical University's F-Guild's introduction days and the Farad career fair, which specifically targets students of engineering physics. The company is also an active member of Athena's mentor program. Athena is a mentor program for women engineering students at Lund Technical University (LTH). Four CellaVision employees have acted as mentors during the year to support and guide students through their engineering course and contributed their own experiences from working life.

Chess and handball

For the fourth year in a row CellaVision was 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 was also involved in the initiative "Business meets the suburbs", a chess event where young people play together with representatives of the business community. CellaVision also sponsors the H43 handball club's youth activities to get more young people moving. As in previous years, in December the CellaVision Cup gathered about 130 children to compete.

CellaVision's sponsoring commitment

In 2019 the company established a sponsoring policy. The conditions laid down for CellaVision's sponsoring activities are that it can include sport, culture and community and that there must be a balance between boys and girls. There must be a clear direction towards youth activities in sponsoring agreements and the sponsoring must follow CellaVision's values in terms of ethics, moral standards and the environment and it must be engaging and long-term, as well as being part of other long-term marketing.

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 18 organizations for market support covering more than 40 countries.

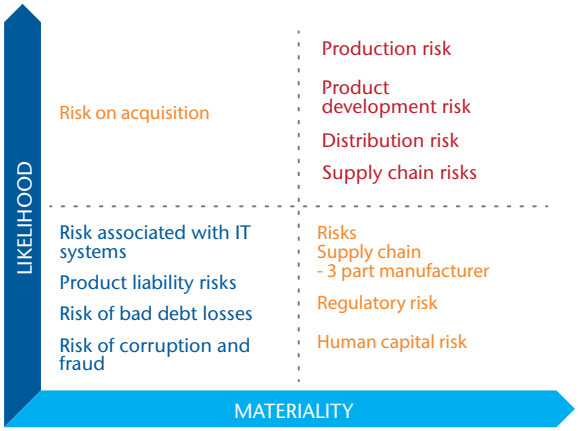
In 2019 a production facility in Bordeaux was included in connection with the acquisition of RAL Diagnostics. CellaVision invests in maintenance and equipment to ensure high efficiency as well as high quality in its own production of reagents and to meet EHS requirements. The company regularly monitors production bottlenecks to ensure long-term production and quality.

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.

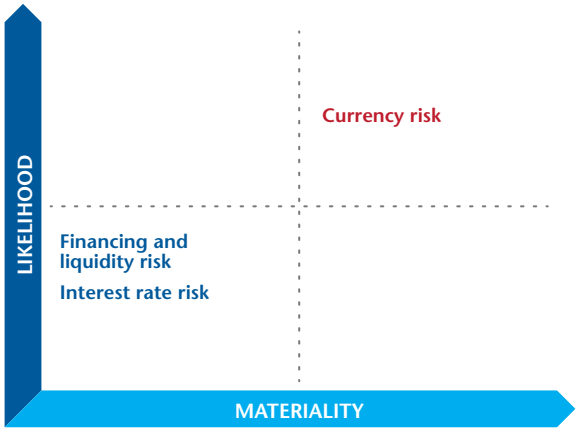
Financial risks are managed in accordance with the Group's financial policy, as adopted by the Board of CellaVision. The risks are identified and monitored on a continuous basis to ensure compliance with these guidelines.

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.

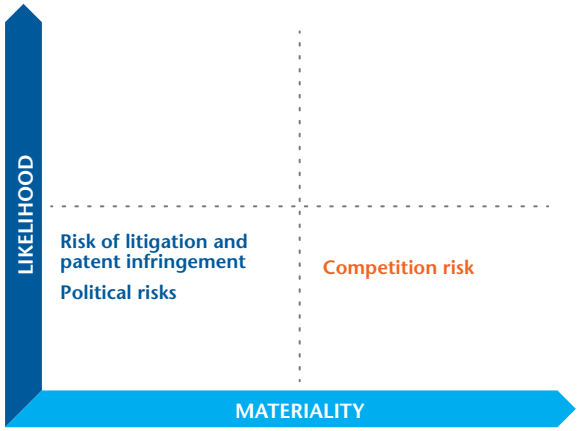
Operational risks



Financial risks



External risks



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.
Production risk	**Counteracting factors**
The Company is dependent on the effectiveness and quality of in house production of reagents. Production of reagents is dependent on an efficient production facility and compliance with regulations for EHS.	CellaVision invests in maintenace and equipent for the production environment. The Company regularly monitors production bottle necks to ensure a long-term output and quality. The company cooperates with union representatives and local authorities to ensure compliance with EHS regulations.
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.
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	Continuous updating of IT security protection and IT security awareness training of personnel.
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.	Monitoring of capital structure and interest costs in relation to profitability.
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 currently low as the company has strong operating cash flow, good liquidity and a low loan-to-value ratio.

External risk

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, 2019 to December 31, 2019. 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 products in sample preparation and 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. CellaVision applies an indirect business model that means the company's customers consist of medical device companies that supply hospital laboratories with equipment. Thus, the end customers are hospital laboratories and commercial laboratories. CellaVision also sells to the considerably smaller veterinary market. The product offer consists of products for sample preparation and systems for digital microscopy in hematology, consisting of reagents, analyzers and supplementary software and peripheral equipment. During the year CellaVision acquired a company in France, RAL Diagnostics, with products and solutions for standardized laboratory diagnostics and improved performance for cellular image processing. RAL Diagnostics is based in Bordeaux, France, constituting a complete facility including a production plant producing reagents.

Sales

CellaVision's products are sold globally via suppliers of blood analysis equipment. CellaVision's own market office supports the respective partners' marketing. The revenues mainly come from sales of analyzers equipped with software and products for sample preparation. Other 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 2019 the focus was on commercialization and production of the finished product, the CellaVision® DC-1, for small and mid-size laboratories, which was launched in early 2019.

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 standalone, 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.

CellaVision conducts continual product care of both hardware and software. In 2019 this meant for example an upgrade of selected components in the company's larger systems and updates of operative systems and applications.

CellaVision devotes considerable resources to being at the forefront of research and development. In 2019 the equivalent of 16 percent of sales was invested in the company's innovation activities. The development department is organized in four teams: applications 1 and 2, software and hardware. The number of employees grew during the year by about 39 percent.

Patents

CellaVision's innovations are protected by 20 (20) patented inventions, which at the close of the year had generated 78 (60) national patents. In connection with the acquisition of RAL Diagnostics five patent families covering 23 patents were added. Most of the company's patents are in the technology fields of image analysis as well as precision mechanics, reagents and sample preparation.

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 in terms of instruments, but owns a production plant with production of reagents in Bordeaux, France, since October 1, 2019.

Legal structure

CellaVision is a Group consisting of the parent company CellaVision AB and the five wholly-owned subsidiaries RAL Diagnostics (Bordeaux, France), CellaVision Inc. (Durham, USA), CellaVision Canada Inc. (Toronto, Canada), CellaVision Japan K.K. (Yokohama, Japan) and CellaVision International AB. Apart from RAL Diagnostics that covers a complete production facility, producing reagents, 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 177 (117) at the year-end. Of these, 106 (79) were men and 70 (38) women. In connection with the acquisition of RAL Diagnostics, the number of employees increased by 41, where 19 were men and 22 were women. There is more information under the heading "Employees" in the sustainability section on page 32.

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 in digital microscopy is limited to a few products and companies. Competition in sample preparation and reagents consists of a number of competing companies and the market can be regarded as mature, unlike the digital microscopy market.

Environment

CellaVision's 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. 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.

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 31 and under the heading "Products" on page 33 in the sustainability section.

Significant events during the year

- CellaVision's product for small and mid-size laboratories, the CellaVision® DC-1, was awarded CE marking in February 2019 and thereby became commercially available.
- CellaVision's Annual General Meeting re-elected Sören Mellstig as Chair of the Board of Directors and Christer Fåhraeus, Åsa Hedin, Anna Malm Bernsten, Niklas Prager, Jürgen Riedl and Stefan Wolf as Board Members. Torbjörn Kronander declined reelection as Member of the Board. Thus, the Board decreased by one member.
- In the second quarter market support organizations were established in Italy for addressing the Italian market and in Spain for addressing the Iberian Peninsula.
- In the third quarter CellaVision signed an agreement to acquire the French company RAL Diagnostics (RAL), which manufactures sample preparation products in hematology, pathology, cytology and microbiology.
- In the fourth quarter CellaVision completed the acquisition of RAL Diagnostics (RAL) for a purchase price of SEK 254.4 million.

Significant events after the year close

- The Annual General Meeting of CellaVision AB (publ) was postponed until June 16 and the Board of Directors withdrew the original proposal for a dividend due to the corona virus, COVID-19.

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 2019 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.

Net sales for the Group rose in 2019 to SEK 461.8 million (364.8), an organic increase of 15 percent compared with the previous year and taking into account the positive exchange rate effect on sales in 2019 of five percent. The gross margin was 72,9 percent (74,2) for the year. The Group's EBITDA for the year rose to SEK 146.7 million (118.4). Total operating expenses for the year increased to SEK 210.2 million (159.3). Total cash flow for the year was SEK -67.3 million (14.4).

Total expenditure for research and development amounted to SEK 72.4 million (57.7), corresponding to 16 percent (16) of sales. Capitalized expenditure for development projects during the year was SEK 16.0 million (18.4), corresponding to 3 percent (5) of sales. Investments in property, plant and equipment amounted to SEK 2.7 million (3.6).

Sales development in geographical markets

In the Americas sales were SEK 231.2 million (185.5), corresponding to an increase of 25 percent. Sales in EMEA were SEK 150.3 M (102.2), corresponding to an increase of 47 percent including structural effect (acquisition of RAL Diagnostics). Sales in Asia and the Pacific increased to SEK 80.3 million (77.1), corresponding to an increase of four percent.

Liquidity and cash flow

The funds at the disposal of the Group at the end of the year were SEK 102.3 million (169.1). The year's cash flow from operating activities was SEK 125.0 million (74.1). Total cash flow for the year was SEK -67.3 million (14.4). Total cash flow for the year was SEK -67.3 million (14.4), of which SEK -247.6 million is attributable to the business acquisition of RAL Diagnostics.

Parent company

Parent company sales were SEK 433.9 million (358.3). Profit before tax was SEK 116.6 million (89.7). The parent company's investments in property, plant and equipment amounted to SEK 1.5 million (3.5) and the cash flow was SEK -85.2 million (15.4). 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 2020

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

CellaVision is affected by a number of external factors. During the first quarter of 2020, COVID-19 broke out and CellaVision has taken a number of measures to protect the company's operations and curb the spread of the virus. The company expects the COVID-19-pandemic to have a significant negative impact on CellaVision's sales and earnings for a number of months.

Proposed distribution of profit

In light of the general uncertainty and the measures introduced to reduce the spread of COVID-19 and its impact on CellaVision, the company's Board of Directors decided to withdraw the proposal for a dividend of SEK 1.50 per share and instead propose that no dividend be paid.

CellaVision has a good financial position, but since the Board submitted its original dividend proposal in connection with the year-end report for the fourth quarter 2019, the world situation has changed significantly due to COVID-19. The Board therefore considers it justified to withdraw the dividend proposal.

Appropriation of profits (SEK)	
The following are at the disposal of the AGM	
Profit brought forward	176,119,487
Net profit/loss of the year	90,038,461
Total	**266,157,948**

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 0 per share is paid to the shareholders	0
On new account is transferred	266, 157, 948
Total	**266,157,948**

Statement by the Board of Directors on the proposed dividend

In assessing the amendment of the original proposal and instead proposing that no dividend be paid, 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.

The propose that no dividend shall be paid for the fiscal year of 2019 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	2019	2018	2017	2016	2015
Revenues	461,772	364,812	309,312	265,038	239,390
Cost of goods sold	-125,038	-93,946	-86,092	-76,102	-65,157
Gross profit	**336,734**	**270,866**	**223,220**	**188,936**	**174,233**
Selling expenses	-102,348	-82,362	-69,977	-56,859	-47,851
Administrative expenses	-51,394	-37,644	-35,565	-28,670	-33,788
Research and development costs	-56,417	-39,253	-26,786	-29,239	-27,124
Operating profit/loss	**126,575**	**111,607**	**90,892**	**74,168**	**65,470**
Profit/loss from financial items	2,645	490	-549	1,607	83
Tax	-30,048	-23,408	-20,620	-15,975	-12,731
Net profit/loss for the year	**99,172**	**88,688**	**69,723**	**59,800**	**52,822**

Balance sheet, Amounts in SEK thousands	2019	2018	2017	2016	2015
Assets					
Intangible assets	299,668	67,818	53,731	34,724	29,400
Tangible fixed assets	54,494	6,815	4,814	3,270	2,652
Financial assets	22,295	3,579	2,617	2,025	1,195
Deferred tax assets	0	0	0	0	9,902
Current assets	265,251	294,570	239,435	216,426	177,279
Total assets	**641,709**	**372,782**	**300,597**	**256,445**	**220,428**
Equity and liabilities					
Shareholders' equity	348,373	290,375	240,851	206,175	183,518
Non-current liabilities	167,472	10,517	8,620	1,251	0
Current liabilities	125,863	71,890	51,126	49,019	36,910
Total equity and liabilities	**641,709**	**372,782**	**300,597**	**256,445**	**220,428**

The balance sheet total in 2019 has increased with rights of use assets and short- and long-term lease liabilities. The right of use assets are reported as tangible fixed assets, while the leasing liabilities are reported as long-term debt, interest-bearing and short-term debt, interest-bearing.

Five year summary, key ratios and data per share

Key ratios	2019	2018	2017	2016	2015
Equity, SEK '000	348,373	290,375	240,851	206,175	183,518
Operating Capital, SEK '000	418,094	117,739	83,688	71,696	65,727
Liabilities to credit institutions, SEK '000	173,693	0	0	0	0
Net investments, SEK '000	18,314	22,895	29,101	13,960	9,411
Cash flow for the year, SEK '000	-67,326	14,434	22,428	24,710	54,790
Net debt/equity ratio	0.20	-0.58	-0.64	-0.64	-0.58
Equity-assets ratio, %	54	78	80	80	83
Return on equity, %	31	33	31	31	32
Return on operating capital, %	47	111	117	108	92
Average number of employees	125	106	92	79	73
Additional employees through acquisition	41	0	0	0	0
Number of employees at close of period	177	117	99	84	73

Data per share	2019	2018	2017	2016	2015
Net result before and after dilution, SEK	4.16	3.72	2.92	2.51	2.22
Equity before dilution, SEK	14.61	12.17	10.10	8.64	7.69
Equity after dilution, SEK	14.61	12.17	10.10	8.64	7.69
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 six strategic initiatives. In the past five-year period CellaVision's sales increased from SEK 239 million to SEK 462 million, corresponding to annual organic growth of 16 percent, four percent of which is attributable to positive exchange rate effects. In the same period the operating profit grew from SEK 65 million to SEK 127 million, corresponding to an EBITDA margin of 30.5 percent in 2015 and 31.8 percent in 2019. 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 73 people in 2015 to 125 in 2019.

Geographical expansion

During the period CellaVision expanded its organization of own sales companies and market offices from six to 18 and the number of countries in which the company has a presence of its own has thus grown to more than 40. 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, the USA and France. 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 2019 the CellaVision® DC-1 for small and mid-size laboratories was launched for both human and veterinary markets. The company also initiated the action required to take the next step in the application process for sales approval of the CellaVision® DC-1 in the USA and China in 2020.

Innovation

Innovation is one of CellaVision's absolute core activities and one in which CellaVision continually makes significant investments. In 2015 SEK 35.7 million was invested in the company's innovation activities and in 2019 the corresponding figure was SEK 72.4 million. As a percentage of sales this is equivalent to a constant of 16 percent. The number of employees in innovation activities increased from 2015 to 2019 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 2015 to nine in 2019. 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 of this the company has decided to use third-party manufacturers for all manufacturing and assembly of systems. This means that production, assembly, quality control and shipping to CellaVision's various distribution partners takes place from third-party manufacturers. This has resulted in less capital tied up and reduced transport.

The acquisition of RAL Diagnostics included a fully operational production facility for reagents outside Bordeaux in France. CellaVision invests in maintenance and equipment to monitor bottlenecks and ensure high efficiency.

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 five wholly-owned subsidiaries in Sweden, the USA, Canada, Japan and France, 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 2019.

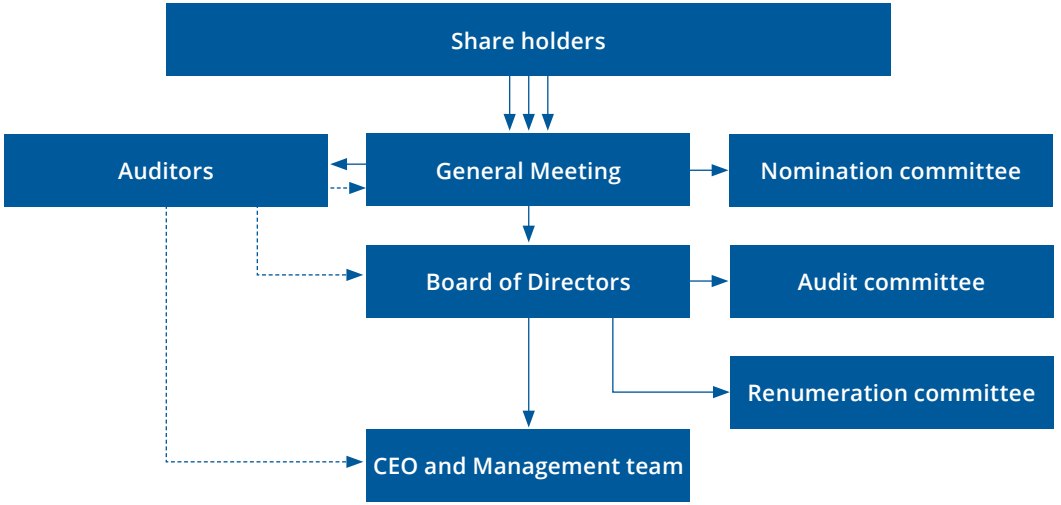
The term corporate governance normally refers to the rules and structure built up to govern and direct a limited liability company in an effective and controlled manner. Governance and control of CellaVision is divided between the shareholders at the Annual General Meeting, the Board of Directors and 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, 2019 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 9,286 (7,412) shareholders on the closing date. Of these, two shareholders have direct and indirect holdings constituting more than ten percent of the votes and capital: William Demant Invest A/S and State Street Bank. No shares are held by the company itself. For further information about the CellaVision share and shareholders please refer to pages 27–28 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 in sample preparation 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. At the General Meeting the shareholder must attend either 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 ten percent of the shares so requests.

Annual General Meeting 2019

CellaVision's Annual General Meeting was held on Wednesday, May 8, 2019 at CellaVision's address, Mobilvägen 12 in Lund. The Meeting was attended by 44 (39) shareholders, in person or through representatives. They represented about 55 (48) 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 2018 financial year.
- Discharge from liability of the members of the Board of Directors and the President.
- Re-election of Christer Fåhraeus, Åsa Hedin, Anna Malm Bernsten, Sören Mellstig, Niklas Prager, 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 46 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 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.

Nominating Committee for the Annual General Meeting in 2020

In accordance with a resolution of the 2019 Annual General Meeting, CellaVision's Nomination Committee ahead of the 2020 Annual General Meeting shall consist of one representative of each of the four largest shareholders in terms of voting rights at the end of August 2019. 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 2019. 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 2020 Annual General Meeting was Christer Fåhraeus.

In 2019 the Nomination Committee held three 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 2020 Annual General Meeting and are also available on the company's website together with an explanatory statement concerning the proposed Board of Directors.

Name/Representing	Voting share (31/12 2019)
Sören Mellstig, in cap of Board Chair co-opted.	
Nicklas Hansen, William Demant Invest A/S	13.6 %
Christer Fåhraeus, Christer Fåhraeus and comp.	9.7 %
Joel Eklund, Grenlunden CEVI AB	9.6 %
Bo Lundgren, Swedbank Robur Fonder	7.4 %
Total	**40.3 %**

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 appoint-

ed 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 8, 2019. 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 2019

In 2019 the Board of Directors consisted of seven members with no alternates. At the 2019 Annual General Meeting Christer Fåhraeus, Åsa Hedin, Anna Malm Bernsten, Sören Mellstig, Niklas Prager, Jürgen Riedl and Stefan Wolf were re-elected as Board Members. 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 50.

Work of the Board in 2019

In 2019 CellaVision's Board of Directors held a total of 11 minuted meetings, four 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 the acquisition of RAL Diagnostics, 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 twice. Questions dealt with are mainly internal control in the subsidiaries, risks, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

Remuneration Committee

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

Attendance and renumeration of the Board 2019

Name	Independence in to company	Independence to major shareholder	Audit Committee	Renumeration Committee	Board fees, SEK t	Attendance at Board meetings
Sören Mellstig	Yes	Yes	Member	Chairman	539	11/11
Christer Fåhraeus	Yes	No		Member	226	9/11
Torbjörn Kronander*	Yes	Yes		Member	92	3/4
Anna Malm Bernsten	Yes	Yes	Member		235	9/11
Niklas Prager	Yes	Yes	Chairman		255	11/11
Åsa Hedin	Yes	Yes		Member	235	9/11
Jürgen Riedl	Yes	Yes			215	11/11
Stefan Wolf	Yes	Yes			215	6/11
Total					**2 012**	

* Torbjörn Kronander was a member of the Board until the Annual General Meeting on May 8, 2019.

A more detailed presentation of the Board members can be found on page 50 and on the company's website www.cellavision.se

In 2019 the Remuneration Committee consisted of members of the Board Sören Mellstig, Christer Fåhraeus 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 one minuted meeting, 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 2019, 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 8, 2019. 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.

Composition of the management in 2019

The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. In 2019 the Executive Group Management consisted of nine 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

- The head of the subsidiary RAL Diagnostics (from the fourth quarter)

Apart from the head of the subsidiary RAL Diagnostics, all the members of the Executive Group Management are 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 51. 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 2019 Annual General Meeting Deloitte was re-elected as auditor up to and including the 2020 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 46.

Guidelines for remuneration to senior management in 2019

The Annual General Meeting 2019 resolved to approve the Board's proposal with guidelines for remuneration to senior executives in 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

In line with the AGM's decision on remuneration on the 8th of May 2019, the Board decided on an incentive program for the company's senior management in 2019/2021. 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, 2019 – December 31, 2021 is at least 15 percent annually. For maximum outcome the company's costs for the incentive program are estimated to be SEK 3.2 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, 2021. The cost is accrued over three years, corresponding to the duration of the program and any payment will be made in 2022.

The resolution means that the company, provided profitability and sales targets set by the Board at the start of 2019 have been achieved, will set aside 3 monthly salaries for the CEO, 1 monthly salaries for the VP Global Sales and 1.5 monthly salaries for other senior management participating in the incentive program in 2019.

Moreover, the company has a program from 2018 that continues to run, which is presented in the annual report for 2018. The program will close on December 31, 2020 and any payment will be made in 2021. For maximum outcome the company's costs for the program are estimated to be SEK 2.9 million (excluding social security contributions), based on participation of eight members of senior management in the program.

The cost of the company's program from 2017, which is reported in the annual report for 2017, and which ends on December 31, 2019, amounted to SEK 2.6 million (excluding social security contributions). Payment was made in accordance with the terms of the program during the first quarter of 2020.

Staff incentive program

The Board approved an incentive program for staff in 2019 that ran from January 1, 2019 to December 31, 2019. Eligible staff were those who were not senior management or covered by other incentive programs and who consequently were not eligible for the incentive program for senior management resolved by the 2019 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 2019. To participate in the incentive program the employee had to have been employed for at least six months in 2019 and be employed on December 31, 2019. The program for 2019 achieved the profitability and sales targets set up to 89,4% percent and therefore the cost to the company for the outcome of the bonus program to staff was SEK 2.7 million.

Proposed guidelines for remuneration to senior management in 2020

The Board of Directors proposes the following guidelines for remuneration to senior management in 2020, 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 2019
CellaVision works constantly to minimize risks by removing superfluous manual steps from the company's processes. In 2019 work continued on implementing a new group accounting system as part of this. In addition, efforts from the fourth quarter of 2019 were directed at integrating the acquired company RAL Diagnostics into the company's financial and economic processes to deliver a common result for the group.

Board of Directors & Auditors

Sören Mellstig

SÖREN MELLSTIG
Elected and Chairman of the Board since 2016.
Born: 1951
Other directorships: Chairman Ellevio AB (publ), Humana AB (publ), Impilo Holding AB, Delivery 1 Ltd and Remeo AB, ordinary member in Julins stiftelse. Former senior positions at AkzoNobel, CFO and vice president at Incentive, CFO, business area manager and CEO of Gambro 2000-2006.
Education: MBA.
Shares: 42 944

Christer Fåhraeus

CHRISTER FÅHRAEUS
Founder and Member of the Board 1994 .
Born: 1965
Other directorships: President/CEO of EQL Pharma AB. Chairman Respiratorius AB, Umansense AB, Bionamic AB and Longboat Laboratories AB and ordinary member in Flatfrog Laboratories AB, Reccan AB, EQL Pharma AB, Scandidos AB, Serstech AB and Gasporox AB. 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 (inc.comp).

Jurgen Riedl

JURGEN RIEDL
Member of the Board since 2018 .
Year of birth: 1977
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. Member of the Board Pågengruppen AB and BioLamina AB.
Education: M Sc. Chemical.
Shares: –

Stefan Wolf

STEFAN WOLF
Member of the since Board 2018.
Born: 1964
Other directorships: Division President of Immun Diagnostic Division at Thermo Fisher Scientific. Former experioence include CEO for Hemostasis, Hematology and Speciality Diagnostics på Siemens Healthineers.
Education: Biological Laboratory Science
Shares: -

Niklas Prager

NIKLAS PRAGER
Member of the Board since 2014.
Born: 1970
Other directorships:
Chariman of the Board in Qbtech AB, and member of the Board Adero AB. Former positions include CEO/President Medivir AB, Envirotainer AB, Qbtech AB och Pfizer AB.
Education: MBA
Shares: 8 720

Åsa Hedin

ÅSA HEDIN
Member of the Board since 2015.
Born: 1962
Other directorships: Chairman of the Board Artificial Solutions AB and ordinary member Nolato AB, Industrifonden AB, Crad AB, Tobii AB and Biotage AB. Former senior positions at Elekta AB, Siemens Healthcare and Gambro.
Educationg: MSc 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 20 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 the Board Phase Holographic Imaging AB and ProstaLund AB
Previous experience: Extensive experience from various positions and companies within the field of human resources, most recent position was at Gambro.
Education: B Sc Economics and Business Administration and B.Sc. Human Resources
CellaVision shares: –

Julien Veyssy

JULIEN VEYSSY
Managing Director RAL Diagnostics.
Employed: 2019 (2018 RAL Diagnostics)
Born: 1983
Previous experience: More than 13 years of experience in the IVD-industry and specifically in the hematology market. Most recent position Marketing manager at Sysmex, EMEA.
Shares: –

Peter Wilson

PETER WILSON
VP Global Marketing.
Employed in 2000
Born: 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	2019	2018
Net sales	8	461,772	364,812
Cost of goods sold	18	-125,038	-93,946
Gross profit		**336,734**	**270,866**
Selling expenses		-102,348	-82,362
Administrative expenses		-51,394	-37,644
Research and development expenditure		-56,417	-39,253
Operating profit/loss	10, 13, 14, 15, 16, 17, 18, 24, 25	**126,576**	**111,607**
Profit/loss from financial items			
Interest income and other financial gains	21	5,989	2,010
Interest expense and other financial losses	22	-3,344	-1,520
Profit/loss before tax		**129,220**	**112,097**
Income tax	23	-30,048	-23,408
Net profit for the year		**99,172**	**88,688**
Other comprehensive income:			
Components not to be reclassified to net profit:			
Effect on revaluation of pensions		-511	0
Tax effect on revaluation of pensions		143	0
Sum of Components not to be reclassified to net profit:		-368	0
Components to be reclassified to net profit:			
a) Cash flow hedges			
Reclassified to operating profit		4,546	-374
Revaluation of financial assets		-2,825	-4,947
Tax effect on cash flow hedges		-368	1,137
b) Translation differences			
Exchange rate differences on translation of subsidiaries		-6,382	797
Total components to be reclassified to net profit:		-5,029	-3,387
Total other comprehensive income		-5,397	-3,387
Total comprehensive income for the year		**93,775**	**85,302**
Earnings per share, before and after dilution (SEK)		4.16	3.72
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	2019	2018
ASSETS			
Non-current assets			
Capitalised expenditure for development	24	75,459	66,918
Goodwill	24	115,121	0
Trademarks, customer relationships and other intangible assets	24	109,088	900
Land and buildings	25	41,291	0
Plant and machinery	25	6,034	979
Equipment, tools, fixtures and fittings	25	7,169	5,837
Deferred tax assets	23	0	0
Financial assets	27	22,295	3,579
Total non-current assets		376,458	78,212
Current assets			
Inventories	26	54,808	34,454
Current receivables			
Trade receivables	30	88,922	75,813
Current tax receivables		1,437	797
Other receivables		12,744	7,686
Prepayments and accrued income	31	5,028	6,763
Total current receivables		108,130	91,059
Cash and cash equivalents		102,312	169,057
Total current assets		265,251	294,570
TOTAL ASSETS		641,709	372,782

Consolidated statement of financial position, Group

SEK thousands	Note	2019	2018
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	32	3,578	3,578
Other contributed capital		10,800	10,800
Reserves		-6,361	-964
Accumulated profit/loss including profit for the year		340,355	276,961
Total equity attributable to the parent company's shareholders		348,373	290,375
Non-current liabilities			
Deferred tax liability	23	38,539	8,059
Long-term debt, interest-bearing	33	122,927	0
Other provisions	34	6,007	2,458
Total non-current liabilities		167,472	10,517
Current liabilities			
Short-term debt, interest-bearing	33	50,766	0
Trade payables		21,716	26,753
Warranty provisions	34	1,903	1,752
Current tax liabilities		2,712	0
Other current liabilities		1,419	4,833
Accrued expenses and deferred income	35	47,348	38,552
Total current liabilities		125,863	71,890
TOTAL EQUITY AND LIABILITIES		641,709	372,782

Consolidated statement of cash flows, Group

SEK thousands	Note	2019	2018
Operating activities	1		
Profit/loss before tax		129,220	112,097
Paid tax		-28,063	-16,075
Adjustments for non-cash items	37	25,839	14,499
Cash flow from operating activities before changes in working capital		**126,997**	**110,521**
Change in inventories		522	-5,601
Change in operating receivables		8,333	-35,064
Change in operating liabilities		-9,858	4,213
Cash flow from changes in working capital		**-1,004**	**-36,452**
Cash flow from operating activities		**125,993**	**74,069**
Investing activities			
Acquisitions	29	-247,575	0
Capitalisation of development expenditure	24	-16,012	-18,419
Purchase of intangible assets	24	0	-900
Purchase of tangible fixed assets	25	-2,672	-3,576
Acquisition of financial assets		-40	-962
Cash flow from investing activities		**-266,299**	**-23,857**
Financing activities			
Acquired loans	33	123,413	0
Amortization of loans	33	-6,963	0
Amortization of leasing debts	33	-7,694	0
Dividend to shareholders		-35,777	-35,777
Cash flow from financing activities		**72,979**	**-35,777**
Cash flow for the year		**-67,326**	**14,434**
Cash and cash equivalents (opening balance)		169,057	154,546
Exchange rate fluctuations in cash and cash equivalents		581	77
Cash and cash equivalents (closing balance)		102,312	169,057
Supplementary disclosures, cash flow statement			
Interest received during the year	21	128	20
Interest paid during the year	22	-1,495	-159

Consolidated statement of changes in equity, Group

SEK thousands	Share capital	Other contributed capital	Other reserves	Translation reserve	Hedging reserve	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2018	3,578	10,800	0	2,677	-254	224,050	240,851
Comprehensive Income							
Net profit for the year						88,688	88,688
Other Comprehensive Income							
Revaluation of pensions after tax			0				0
Cash flow hedges, after tax					-4,184		-4,184
Exchange rate differences, after tax				797			797
Total Other Comprehensive Income			0	797	-4,184	0	-3,387
Total Comprehensive Income			0	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	0	3,474	-4,438	276,961	290,375
Opening balance at 1 January 2019	3,578	10,800	0	3,474	-4,438	276,961	290,375
Comprehensive Income							
Net profit for the year						99,172	99,172
Other Comprehensive Income							
Revaluation of pensions after tax			-368				-368
Cash flow hedges, after tax					1,353		1,353
Exchange rate differences, after tax				-6,382			-6,382
Total Other Comprehensive Income			-368	-6,382	1,353	0	-5,397
Total Comprehensive Income			-368	-6,382	1,353	99,172	93,775
Dividend to Parent Company's shareholders						-35,777	-35,777
Closing Balance at 31 December 2019	3,578	10,800	-368	-2,908	-3,085	340,355	348,373

Income statement, Parent company

SEK thousands	Note	2019	2018
Net sales	8, 11	433,854	358,349
Cost of goods sold	18.19	-137,880	-118,335
Gross profit		295,973	240,014
Selling expenses		-67,749	-55,552
Administrative expenses		-43,129	-37,573
Research and development expenditure		-71,737	-57,672
Operating profit/loss	11, 13, 14, 15, 16, 17, 19, 24, 25	113,359	89,217
Profit/loss from financial items			
Interest income and other financial gains	21	5,861	1,991
Interest expense and other financial losses	22	-2,652	-1,485
Profit/loss before tax		116,568	89,722
Income tax	23	-26,529	-19,439
Net profit for the year	39	90,038	70,284
Statement of Comprehensive Income			
Net profit for the year		90,038	70,284
Other Comprehensive Income		0	0
Sum of Other Comprehensive Income		0	0
Total Comprehensive Income for the year		90,038	70,284

Balance Sheet, Parent Company

SEK thousands	Note	2019	2018
ASSETS			
Non-current assets			
Capitalised expenditure for development	24	6,906	10,289
Other intangible assets	24	900	900
Equipment	25	6,034	6,310
Shares in subsidiaries	28	258,091	106
Deferred tax assets	23	3,678	2,844
Deposits	27	3,476	3,476
Total non-current assets		279,085	23,925
Current assets			
Inventories	26	27,746	28,848
Current receivables			
Trade receivables	30	64,804	70,676
Receivables from group companies		6,320	5,067
Current tax receivables		0	0
Other receivables		11,919	7,355
Prepayments and accrued income	31	5,916	5,605
Total current receivables		88,959	88,703
Cash and cash equivalents		75,214	160,664
Total current assets		191,918	278,215
TOTAL ASSETS		471,003	302,140

Balance Sheet, Parent Company

SEK thousands	Note	2019	2018
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	32	3,578	3,578
Statutory reserve		10,780	10,780
Non-restricted equity			
Profit brought forward		176,119	141,613
Net profit for the year		90,038	70,284
Total shareholders' equity		280,516	226,255
Non-current liabilities			
Long-term debt, interest-bearing	33	89,207	0
Other provisions	34	2,538	2,458
Total provisions		91,745	2,458
Current liabilities			
Short-term debt, interest-bearing	33	23,789	0
Trade payables		14,886	26,161
Liabilities to group companies		20,585	13,129
Warranty provisions	34	1,903	1,752
Current tax liabilities	23	1,916	2,766
Other current liabilities		1,568	1,528
Accrued expenses and deferred income	35	34,096	28,092
Total current liabilities		98,742	73,427
TOTAL EQUITY AND LIABILITIES		471,003	302,140

Cash flow statement, Parent company

SEK thousands	Note	2019	2018
Operating activities	1		
Profit/loss before tax		116,568	89,722
Paid tax		-27,363	-13,770
Adjustments for non-cash items	37	8,736	13,659
Cash flow from operating activities before changes in working capital		**97,941**	**89,612**
Change in inventories		1,101	-4,986
Change in operating receivables		-758	-32,873
Change in operating liabilities		-4,628	5,567
Cash flow from changes in working capital		**-4,285**	**-32,292**
Cash flow from operating activities		**93,656**	**57,320**
Investing activities			
Acquisitions	29	-257,985	0
Purchase of intangible assets	24	0	-900
Acquisition of financial assets		0	-1,718
Purchase of tangible fixed assets	25	**-1,498**	**-3,494**
Cash flow from investing activities		-259,483	-6,112
Financing activities			
Acquired loans	33	122,307	0
Amortization of loans	33	-5,947	0
Dividend to shareholders		**-35,777**	**-35,777**
Cash flow from financing activities		80,583	-35,777
Cash flow for the year		-85,244	15,430
Cash and cash equivalents (opening balance)		160,664	145,398
Exchange rate fluctuations in cash		-206	-165
Cash and cash equivalents (closing balance)		75,214	160,664
Supplementary disclosures, cash flow statement			
Interest received during the year	21	0	0
Interest paid during the year	22	-416	-123

Statement of change in equity, Parent company

SEK thousands	Share capital	Other contributed capital	Retained earnings	Total shareholders' equity
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
Opening balance at 1 January 2019	3,578	10,780	211,897	226,255
Net profit for the year			90,038	90,038
Other Comprehensive Income				
Other Comprehensive Income			0	0
Total Other Comprehensive Income			0	0
Total Comprehensive Income			90,038	90,038
Dividend to Parent Company's shareholders			-35,777	-35,777
Closing Balance at 31 December 2019	3,578	10,780	266,158	280,516

Note 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 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 January 1 - December 31 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 and liabilities recorded at fair value via the Group's statement of comprehensive income.

New and amended standards and interpretations in 2019

As of January 1, 2019 CellaVision applies IFRS 16 Leases. IFRS 16 means that the previous classification into operating and finance leases is replaced by a model in which assets and liabilities for essentially all leases will be recognized in the statement of financial position. CellaVision has leases for premises, machinery, vehicles and other equipment, which are recognized as right-of-use assets in the statement of financial position as of January 1, 2019.

CellaVision has applied the simplified method (modified retroactive approach) in the transition. The method means that the comparative year 2018 has not been restated in accordance with the new standard but the effect of IFRS 16 is recognized in its entirety in the opening balance at January 1, 2019.

The effect of the transition to IFRS 16 has meant that right-of-use assets and leasing liabilities to the value of SEK 31.6 million are recognized in the statement of financial position as at January 1, 2019. The majority of the right-of-use assets are premises, amounting to SEK 29.9 million. The value of right-of-use assets has been determined on the basis of the present value of the lease liabilities as at that date. For premises CellaVision has used the company's assessed incremental borrowing rate of 3 percent when discounting the remaining lease liability. For car leases the interest rate implicit in the respective lease is used for calculation. For all right-of-use assets the term of the lease has been used to estimate the depreciation period applied.

The balance sheet total for the Group has thus increased on implementation, and key ratios, not defined under IFRS, equity-assets ratio, EBITDA and earnings per share have been marginally affected.

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 early and are not expected to have any material impact on the Group's financial reporting.

Consolidation principles

Consolidated accounts

CellaVision is a Swedish public limited liability company with its registered office in Lund at the address Mobilvägen 12. The consolidated accounts include the parent company CellaVision AB 556500–0998 and the wholly-owned subsidiaries CellaVision Inc., USA, CellaVision Canada Inc., CellaVision Japan K.K., CellaVision International AB and RAL Diagnostic SAS in France (RAL). RAL was acquired on October 1, 2019 and has been included in the consolidated accounts since then. 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 transactions 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 dif-ferent 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

CellaVision applies IFRS15 for revenue recognition that is based on when significant risks and rewards associated with a product or service have been transferred to the customer. For sales of analyzers and/or software the revenue includes both the analyzer and/or the software. The entire revenue referring to the system, analyzer plus software, is recognized when the significant risks and rewards associated with the analyzer are transferred to the customer, which normally coincides with delivery to the customer. The same principles are applied for revenue recognition of reagents. For services to end consumers the revenue constitutes payment for servicing the analyzer. 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. When upgrading software (new functions, technologies or applications) for end customers, the revenue constitutes payment for upgrading of software and is recognized in revenue at the time of delivery or distribution of 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 receiva-ble.

Operating segments

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are reviewed regularly by the company's chief operating decisionmaker, and for which discrete financial information is available. The company's reporting of operating segments is in line with the internal reports submitted to the chief operating decisionmaker. The chief operating decision maker is the function that assesses the performance of the operating segments and decides on allocation of resources. The company's assessment is that the President and CEO is the chief operating decision maker. CellaVision's operations only comprise one operating segment; automated microscopy systems and reagents in the field of hematology, and therefore reference is made to the income statement and balance sheet regarding operating segment reporting.

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 allocat-ed to projects. Examples of such expenditure are:

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

Depreciation on equipment and computer equipment is not capitalized. Any borrowing costs for qualified assets for newly started projects are capitalized. As the company has not incurred any borrowing costs, none have been capitalized. The financial expenses re-ported in the Group are not attributable to development activities and their financing.

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 substantially all the risks and rewards incidental to ownership of an asset from the lessor to the lessee. Leases that are not finance leases are classified as operating leases. CellaVision applies IFRS 16 as of January 1, 2019, meaning that operating and finance leases are not differentiated. Consequently, most leases will be recognized in the consolidated balance sheet. Instead of operating lease expenses, depreciation and interest expense will be recognized in the consolidated income statement. Short-term leases of less than 12 months and leases for which the underlying asset is of low value are, however, reported as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The leases refer mainly to premises, vehicles, computers and some office equipment.

Employee benefits
Employee benefits in the form of salaries, bonus, paid holiday, paid sick leave etc., are recognized as they are earned. Pensions and other post-employment benefits are classified as defined contribution or defined benefit pension plans. Only a small part of the Group's pensions are classified and recognized as defined benefit plans.

Defined contribution pension plans
A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate legal entity. The Group has no legal or constructive obligation to pay further contributions if this legal entity does not have sufficient assets to pay all employee benefits associated with the employees' service in the current or prior periods. The Group's payments for defined contribution pen-sion plans are recognized as an expense in the income statement for the period they refer to.

Defined benefit pension plans
A defined benefit pension plan is a plan that defines an amount of pension benefit that an employee will receive on retirement, based on factors such as age, years of service and salary. The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. Regarding defined benefit plans, the liability is calculated using the "projected unit credit method" in a way that allocates the cost over the employee's working lifetime. The calculation is made by actuaries, who also revalue the pension plans' commitments. These commitments are measured at the present value of the expected future payments using a discount rate that corresponds to the interest rate on first-class corporate bonds or government bonds with a remaining maturity approximately equivalent to the commitments in question. Actuarial gains and losses as a result of experience adjustments and changes in actuarial assumptions are reported in other comprehensive income in the period in which they arise.

Part of the ITP plans in Sweden are financed through insurance premiums to Alecta. This is a defined benefit plan that covers several employers. As the Group has not had access to such information as will make it possible to report this plan as a defined benefit plan it is therefore reported as a defined contribution plan.

Other incentive programs
Long-term incentive program
The Group has a long-term incentive program for the company's senior executives based on the growth of earnings per share. Any compensation is paid in the year after the program closes. At the close of each reporting period the company reviews the fair value of the debt including provision for social security contributions. The change in the debt corresponding to the incremental amount at the close of each reporting period is recognized in the income statement. The following programs have been adopted and refer to:

Maturity	Refers to
2017–2019	Executive Group Management
2018–2020	Executive Group Management
2019–2021	Executive Group Management

Short-term incentive program
Apart from the long-term programs, the Group has a 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 it is probable that they can be applied in the future.

Intangible assets
Intangible assets consist of capitalized expenditure for development, goodwill and trademarks, customer relations and other intangible assets.

Capitalized expenditure for development
Capitalized expenditure for development is recognized 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. Depreciation is started when the respective product is introduced into the market.

Goodwill
Goodwill is the part of the purchase price on acquisition of the shares of a subsidiary that exceeds the market value of the identifiable net assets less liabilities and reported contingent liabilities. The reported goodwill has an indefinite useful life, and therefore it is tested at least once a year to identify any impairment loss. Any impairment loss on goodwill is recognized in the income statement.

Trademark, customer relations and other intangible assets
The trademark is recognized at cost of acquisition and has an indefinite useful life and in the same way as goodwill is tested once a year for impairment loss. Customer relations are recognized at cost of acquisition less accumulated amortization. Amortization is propor-tionate over the expected useful life. Other intangible assets consist of acquired technology and internally generated technology. Amorti-zation is proportionate over the expected useful life. Amorti-zation for technology intended for blood smears will start after commer-cialization of the product, which is expected to be in 2020.

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 intan-gible 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 machinery, analyzers, 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 on right-of-use assets corresponds to the maturity of the leases. Depreciation for non-right-of-use assets is based on the assets' cost of acquisition and estimated useful life as follows:

- Development projects 5 years
- Technology 5 years
- Customer relations 14 years
- Analyzers 5 years
- Buildings and land improvements 5-30 years
- Plant and machinery 5 years
- Equipment, tools, fixtures and fittings 5 years
- Computer equipment 3 years

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 intan-gible 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 increa-sed 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 of acquisition/ production according to the first-in, first-out method (FIFO) and net realizable value (lower of cost or market). The value of own production includes raw materials, direct labor, other direct costs and production-related costs. Inventories include raw materials, semi-finished products and finished products.

Statement of cash flows
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 ex-pected to be recovered or paid with-in twelve months of the balance sheet date.

Provisions
A provision is recognized 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 current liabilities and financial derivatives in the form of an option to buy a property and 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 terms and conditions traded on an active market is determined with reference to the quoted 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 on the basis of 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 measurement, IFRS 9
Financial assets are classified on the basis of the business model in which the asset is managed and the nature of the cash flows generated by the asset. If the financial asset is held in the context of a business model aimed at collecting its contractual cash flows (hold to collect) and the agreed terms of the financial asset at certain times give rise to cash flows consisting solely of payments of principal and interest on the outstanding principal the asset is recognized at amortized cost.

If the objective of the business model is instead achieved by both collecting the contractual cash flows and selling financial assets (hold to collect and sell) and the agreed terms of the financial asset at certain times give rise to cash flows consisting solely of payments of prin-cipal and interest on the outstanding principal the asset is recognized at fair value via other comprehensive income.

All other business models (other) where the purpose is speculation, held for trading or where the cash flow characteristics rule out other business models, recognition is at fair value through the income statement.

Impairment, IFRS 9
The Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost. As at every balance sheet date the Group recognizes the change in expected credit losses since initial recognition in income.

For all financial assets the Group measures the loss allowance in an amount equivalent to 12 months expected credit losses. For financial instruments for which there have been significant increases in credit risk since initial recognition, a provision is recognized based on credit losses for the entire life of the asset (the general model).

For trade receivables and contract assets there are simplifications that mean the Group recognizes expected credit losses for the remain-ing life of the asset (the simplified approach).

The Group defines default as the assessment that it is improbable that a counterparty will meet its commitments on the basis of indicators such as financial difficulties and missed payments. The Group writes off a receivable when it is estimated that no possibilities exist for further cashflows.

Financial assets, IFRS 9
Cash and cash equivalents
Cash and cash equivalents include cash funds and bank balances and other short-term investments that can easily be converted to cash and that are subject to an insignificant risk of changes in value. For classification as cash and cash equivalents the original maturity may not exceed three months. Cash funds and bank balances are held within the hold to collect business model and thus measured at amortized cost. Since bank balances are payable on demand the amortized cost is equivalent to the nominal amount. Cash and cash equivalents are covered by the general model for impairment. For cash and cash equivalents the exemption for low credit risk is applied. An impairment reserve for credit risk in cash and cash equivalents is considered immaterial. Short-term investments are categorized as "Held for trade" and measured at fair value with value changes recognized in the income statement. At the close of 2019 the Group had no short-term investments.

Trade receivables
Trade receivables are held within the hold to collect business model and measured at amortized cost. However, the expected maturity of trade receivables is short and therefore the value has been recognized at the nominal amount without discounting. Trade receivables are covered by the simplified approach for impairment. The expected credit losses for trade receivables are calculated using the provision matrix based on earlier events, current circumstances and forecasts of future economic conditions and the time value of money if applicable.

Financial liabilities, IFRS 9
Trade payables
Trade payables are categorized as "Financial liabilities measured at amortized cost". However, the expected maturity of trade payables is short, and therefore the value has been recognized at the nominal amount without discounting.

Amounts owed to credit institutions
At the close of 2019 the Group had pledged trade receivables to the value of SEK 13,629 thousand. The total loans from credit institutions were SEK 173,692 thousand, of which SEK 28,658 thousand refers to liabilities attributable to leases under IFRS 16. The Group has a guaranteed credit facility of SEK 30,000 thousand, which is unused.

Derivative 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 be-tween accounting and taxation. There is an exemption from application of IFRS 9 and IFRS 16 in legal entities in RFR 2.

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 under a separate heading.

Intangible assets
Before January 1, 2016 expenditure for product development was capitalized in the parent company, but as of January 2016 this is expensed in accordance with applicable accounting recommendations.

Leased assets
The Parent Company applies the exemption in RFR 2 on IFRS 16 for leased assets. Utilization rights and lease liabilities are not recog-nized in the balance sheet as these are recognized as a cost on a straight-line basis over the lease period.

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 on initial application.

Note 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 and EUR. 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 0–70 per cent of currency exposure in net flows 12 months forward and a further 0–40 per cent 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**	437/106	444/112	451/119	458/125
	9,2	442/110	449/116	456/123	464/129
	9,5	448/114	455/120	462/127	469/133
	9,8	453/118	460/124	467/130	474/137

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 interest-bearing liabilities in the form of a bank loan denominated in EUR. There is also an unused overdraft of SEK 30 million.

Interest rates

kSEK	2019	12/31/2019	2018	12/31/2018
	Impact on earnings	Impact on equity	Impact on earnings	Impact on equity
Financial expenses +1%	-1,140	-1,140	0	0
Financial expenses -1%	1,140	1,140	0	0
Financial income +1%	0	0	0	0
Financial income -1%	0	0	0	0
Revaluation effect +1%	0	38	0	56
Revaluation effect -1%	0	-38	0	-56

Interest rate risk

Interest rate risk refers to the risk that fair value or future cash flows fluctuate as a result of changed market interest rates. The Group is mainly exposed to interest rate risk through its loan financing. The loans run at variable interest rates, which means that the Group's future financial costs are affected by changes in market interest rates. The Group is also affected by changed market rates as a result of the derivative instruments held to hedge transaction exposure (see above). The fair value of forward contracts is immediately affected by changes in market interest rates, which in turn affects the Group's report on total profit.

According to the Group's financial policy, interest rate risk should not be hedged.

The sensitivity anslysis for interest rate risk shows the Group's sensitivity to an increase and a decrease of 1 percent of the market interest rate, respectively. Interest rate sensitivity is based on the effect on profit after tax of a change in market interest rates, both in terms of interest income and costs and unrealized value changes in derivatives.

Liquidity and financing risk

Prudence in management of liquidity risk entails holding sufficient liquid assets and realizable 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.

Maturity structure of the Group

Nominal amounts,	0-12 months		1-5 years	
kSEK	2019	2018	2019	2018
Bank loans	41,741	0	103,294	0
Financial leasing liabilities	9,025	0	19,633	0
Trade payables	21,716	26,753	0	0
Other liabilities	8,290	11,489	0	0
Total financial liabilities	**80,772**	**38,242**	**122,927**	**0**

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.

2019

	Derivatives held for hedging	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	88,922	0	88,922	88,922
Other receivables	329	5,878	0	6,207	6,207
Cash and cash equivalents	0	102,312	0	102,312	102,312
Total financial assets	**329**	**197,112**	**0**	**197,441**	**197,441**
Liabilities to credit institutions	0	0	145,035	145,035	145,035
Lease liability	0	0	28,658	28,658	28,658
Trade payables	0	0	21,716	21,716	21,716
Other liabilities	4,159	0	4,131	8,290	8,290
Total financial liabilities	**4,159**	**0**	**199,540**	**203,698**	**203,698**

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
Lease liability	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**

There have been no reclassifications between the valuation categories above during periods.

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 14 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.

Impairment
The recoverable amount for the cash-generating units is determined based on value-in-use calculations. These calculations are based on estimated future cash flows based on financial budgets approved by the operational management for the coming year. Thereafter, estimates have been made covering a five-year period. Cash flows beyond the five-year period are calculated based on retained profitability and limited growth. The most important variables in calculating the value in use are operating margin, growth and the discount rate. These are estimated based on industry experience and historical experience.

The discount rate after tax has been determined using standard tools for calculating the return requirement on equity valued at market value and a weighted average of the return requirement for the company's total capital. The discount rate (WACC, Weighted Average Cost of Capital) amounts to 10,4 percent (12,8 percent before tax)

The discount rate is based on the interest rate on the 10-year French government bond as of December 31, 2019, market risk premium for France, beta and capital structure in line with a selected group of comparable listed companies and a specific risk premium.

Note 4. Capital structure

CellaVision defines managed assets as the sum of the Group's net debt and equity. At the end of 2019 managed assets were 406,125 thousand (121,318).

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 2019 the company achieved sales growth of 27 per cent (18) and the operating margin was 27.4 per cent (30.6).

CellaVision has a strong financial position that allows investment in product development as well as geographic market expansion. The General Meeting in 2018 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 CellaVision'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 and production of reagents 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 analyzers in which software is included and reagents for sample preparation. The software does not function as stand-alone products and the reagents are sold to the same customer base as the instruments. Other sales such as spare parts, service etc. is each less than 10% of total sales. CellaVision has a centralized business model. Most of the business is linked to the parent company through global customer contracts. One subsidiary produces reagents and the role of the other subsidiaries is only of a marketing nature and their business is small and not a subject for cost allocation. Follow-up of sales by geographical region and product line is of interest to the company, but overheads and operating margin are monitored at the central level.

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 155 (124) million and the others with sales of SEK 103 (85) million, 65 (64) million and SEK 62 (50) million.

Note 8. Income by geographical area

	Group			Parent company		
2019	Instruments	Reagents	Other	Instruments	Reagents	Other
Sweden	292	0	489	292	0	0
EMEA	93,968	21146	34,400	94055	0	32,934
Americas	152,411	723	78,020	153893	0	73,617
APAC	74,650	287	5,386	75178	0	3,885
Total	**321,321**	**22,156**	**118,295**	**323,418**	**0**	**110,436**

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

Sales at a given time in the Group were SEK 455,860 thousand (359,111) and revenues distributed over time were SEK 5,912 thousand (5,701). Revenues distributed over time refer to pre-paid service contracts. The value of accrued income attributable to revenue distributed over time amounted to SEK 3,207 thousand (3,057).

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

Group	2019	2018
EMEA	353,221	74,128
Americas	191	489
APAC	750	16
Total	354,163	74,633

In non-current assets above, no financial assets are included.

Note 10. Expenses classified by nature of expense

	2019	2018
Depreciation, amortisation and impairment (Note 18)	20,155	6,807
Costs for remuneration to employees (Note 13, 14, 15)	125,029	102,486
Changes in inventories of finished goods and work in progress	1,426	258
Raw materials	110,262	88,456
Transport costs	3,291	1,416
Capitalized expenses	-16,012	-18,419
Premises costs	1,779	6,951
Travel expenses	13,167	9,742
External services	23,551	18,267
Other expenses	52,548	37,241
Total cost of goods sold, selling, administrative and R&D expenses	335,196	253,205

As of 2019, IFRS 16 will be applied to the Group and most of the costs for rents will end as depreciation.

Note 11. Intra-Group and related party transactions

SEK 4,176 thousand (5,468) of the parent company's invoicing refers to subsidiaries. 1,304 (1,670) KSEK refers to instruments, 2,310 (2,869) kSEK refers to spare parts and 562 (928) kSEK is software sales. Invoicing from subsidiaries to the parent company refers to market support and amounted to SEK 31, 635 thousand (26, 766) on market terms. For Information on subsidiaries see note 28. The remuneration paid to senior executives is shown in note 15.

We have not had any other related party transactions 2019 then the ones described above.

Note 12. Employees

	2019		2018	
Average number of employees	Average number of employees	Of whom men	Average Number of employees	Of whom men
Parent company, Sweden	114	76	93	63
Subsidiary, USA	7	4	8	5
Subsidiary, Canada	2	1	2	1
Subsidiary, Japan	2	2	3	2
Total	125	83	106	71
Subsidiary, France - from October 1st	41	19	0	0

	2019		2018	
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

	2019		2018	
Salaries and other remuneration:	Board, CEO	Others	Board, CEO	Others
Parent company	6,783	59,009	5,709	49,127
Subsidiaries	0	21,385	0	16,525
Total	6,783	80,394	5,709	65,652

Note 14. Social security and pension costs

	2019		2018	
Social security and pension costs:	Social security costs	Of which pension costs	Social security costs	Of which pension costs
Parent company	32,526	10,670	28,418	8,924
Subsidiaries	5,326	510	2,768	335
Total	37,852	11,180	31,186	9,259

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 2019 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 3.7 million (3.3 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 2019 Alecta's surplus in the form of the collective solvency level was 148 per cent (142 per cent).

There are defined benefit pensions in France and the liability recognized in the balance sheet for this is the present value of the defined benefit obligation on the balance sheet date less the fair value of plan assets. The calculations are made by actuaries, who also re-evaluate the pension plans' commitments. The debt amounts to SEK 3.5 million (0), where the majority of the debt falls due for payment in excess of 5 years and no part for the next 12 months.

Note 15. Remuneration to senior management

				2019
Salaries, remuneration and other benefits:	Fixed salary	Variable renumeration	Other benefits	Pension
Board of Directors:				
Sören Mellstig	539	0	0	0
Christer Fåhraeus	226	0	0	0
Åsa Hedin	235	0	0	0
Torbjörn Kronander	92	0	0	0
Anna Malm Bernsten	235	0	0	0
Niklas Prager	255	0	0	0
Jurgen Riedl	215	0	0	0
Stefan Wolf	215	0	0	0
CEO	2,795	1,666	3	859
Other senior management	8,417	2,952	458	3,132
Total	13,224	4,618	461	3,991

				2018
Salaries, remuneration and other benefits:	Fixed salary	Variable renumeration	Other benefits	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

In accordance with a resolution of the Annual General Meeting, remuneration is payable to the Board of Directors of SEK 2,010 thousand (2,010), of which SEK 500 thousand (450) to the Chairman of the Board and SEK 225 thousand (200) to each of the other board members. In addition, the boardmenbers receives 40 KSEK (40) for being chariman and 20 KSEK (20) 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 (8).

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 4,618 thousand (3,474). See also the description in the corporate governance report.

In 2019 the CEO was paid a fixed salary including remuneration for paid leave of SEK 2,795 thousand (2,514), plus benefits valued at SEK 3 thousand (2). In addition to a fixed salary, variable remuneration of SEK 1,666 thousand (1,307) was expensed. Other senior executives in the management group were 2019 paid total fixed salaries of SEK 8,417 thousand (7,839) plus benefits mainly comprising car benefit valued at SEK 458 thousand (468). In addition to a fixed salary, variable remuneration of SEK 2,952 thousand (2,167) 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

	2019		2018	
Fees to the company's auditors, Deloitte	Group	Parent company	Group	Parent company
Audit	509	290	260	250
Addition to the audit engagement	0	0	30	30
Tax advisory	11	11	5	5
Other engagements	99	99	66	66
Total	618	400	361	351

	2019		2018	
Fees to the company's auditors, Hastings	Group	Parent company	Group	Parent company
Audit	235	0	0	0
Addition to the audit engagement	0	0	0	0
Tax advisory	0	0	0	0
Other engagements	0	0	0	0
Total	235	0	0	0

The audit assignment includes review of the annual report and accounts, as well as the management of the board and the chief executive officer. The audit assignment also includes 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. Leasing

	2019	2018
Contracted future lease charges	Parent company	Parent company
- Within one year	7,344	7,765
- Later than one but within five years	18,378	29,082
- Later than within five years	0	0
Total	25,722	36,847

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 9 906 thousand (7,327) in the Group. The parent company's leasing fees for the year amounted to SEK 8 559 thousand (6,729).
Opening-closing balance sheet analysis of right of use assets are presented in note 25.

The Group leases a number of assets, primarily buildings, machinery and cars. The average lease term is 3 years (2018: 4 years).

An estimated one quarter of the leases for buildings, machines and cars expired during the current financial year. The expired leases were replaced by new leases for the underlying assets. New acquisitions for the year amounted to MSEK 7.6, of which MSEK 7.3 is attributable to business acquisitions.

Amounts recognized in the income statement	2019
Depreciation on right of use	7,694
Interest expenses for leasing liabilities	844
Costs attributable to short-term and leasing contracts of low value	1,368

As of December 31, 2019, the Group has obligations regarding short-term and leasing agreements of low value of kSEK 2, 971

Cash flow	2019
Amortization of leasing liabilities	7,694
Interest expense leasing liabilities	844
Short-term leasing and low value leasing	1,368
Total cash flow	9,906

Reconciliation of disclosure of operating leases in accordance with IAS 17 and reported leasing liability in accordance with IFRS 16	
Commitments for operating leases as of December 31, 2018	38,023
Leases with short maturity and less value	-6,456
Reported lease liability in the balance sheet January 1, 2019	31,566

The weighted average marginal loan rate was 3%.

Note 18. Depreciation

	2019		2018	
	Group	Parent company	Group	Parent company
Intangible assets	9,801	3,382	5,232	5,232
Property, plant and equipment	10,354	1,774	1,575	1,189
Total	20,155	5,156	6,807	6,421

Note 19. Depreciation per function

	2019		2018	
	Group	Parent company	Group	Parent company
Cost of goods sold	9,375	3,382	5,232	5,232
Selling expenses	4,223	443	683	297
Administrative expenses	1,917	443	297	297
Research and development expenses	4,640	888	595	595
Total	20,155	5,156	6,807	6,421

Note 20. Exchange rate effects

	2019		2018	
	Group	Parent company	Group	Parent company
Exchange rate effects have been reported in the income statement as follows				
Exchange rate gain in operating profit	1,134	1,134	2,411	2,411
Exchange rate loss in operating profit	-6,771	-6,771	-5,762	-5,762
Total	-5,637	-5,637	-3,351	-3,351

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

	2019		2018	
	Group	Parent company	Group	Parent company
Interest income	128	0	20	0
Exchange differences, Group loan	5,861	5,861	1,991	1,991
Total	5,989	5,861	2,010	1,991

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

	2019		2018	
	Group	Parent company	Group	Parent company
Interest expenses	1,495	416	159	123
Exchange differences, Group loan	1,849	2,236	1,362	1,362
Total	3,344	2,652	1,520	1,485

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

Note 23. Taxes

	2019		2018	
Tax on result for the year	Group	Parent company	Group	Parent company
Current tax	-28,063	-27,363	-20,431	-20,205
Deferred tax expenses	-1,986	834	-2,977	766
Total tax on result for the year	**-30,048**	**-26,529**	**-23,408**	**-19,439**
Deferred tax				
Utilization of tax losses	-1,326	0	0	0
Revaluation of tax losses	0	0	0	0
Temporary differences				
Provisions	834	834	766	766
Inventory	145	0	33	0
Capitalised expenditure for development	-2,378	0	-3,441	0
Other immaterial assets	601	0	0	0
Leasing	247	0	0	0
Trademarks	0	0	0	0
Customer relationships	258	0	0	0
Other temporary differences	-367	0	-335	0
Total deferred tax	**-1,986**	**834**	**-2,977**	**766**
Deferred tax asset/liability				
Deferred tax asset, loss carry-forwards	1,597	0	0	0
Temporary differences				
Provisions	3,678	3,678	2,844	2,844
Inventory	236	0	91	0
Capitalised expenditure for development	-14,225	0		
Other immaterial assets	-6,814	0	-11,847	0
Leasing	247	0	0	0
Trademarks	-6,344	0	0	0
Customer relationships	-13,859	0	0	0
Other temporary differences	-3,056	0	853	0
Total carrying amount for deferred tax liability/asset	**-38,539**	**3,678**	**-8,059**	**2,844**
Unrecognized deferred tax assets	723	0	1,077	0
Loss carry-forwards	0	0	0	0

There are accumulated loss carry forwards in Japan. The time limit for the carry forwards is seven years. No part of loss carry forwards in Japan has been recognized in the accounting. In Japan the tax loss is SEK 2 089 thousand that can be utilized at the latest in 2023.

	2019		2018	
Reconciliation, taxation	Group	Parent company	Group	Parent company
Accounting profit/loss before tax	129,220	116,568	112,097	89,722
Tax at current tax rate	-27,653	-24,946	-24,661	-19,739
Tax effect of:				
-Effect of different tax rates in foreign subsidiaries	-624	0	-248	0
-Non taxable income	1	0	204	203
-Non-deductible expenses	-1,063	-296	-374	-196
-Utilization of tax loss defecits where deferred tax assets is not recognized	409	0	568	0
Tax on result for the year	**-28,930**	**-25,242**	**-24,511**	**-19,732**
Adjustments current year due to prior year current tax	-1,279	-1,279	588	382
Changed tax rate on deferred tax asset	161	-8	515	-89
Reported tax expense for the year	**-30,048**	**-26,529**	**-23,408**	**-19,439**

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

Note 24. Intangible assets

	2019		2018	
Capitalized expenditure for development	Group	Parent company	Group	Parent company
Opening cost of acquisition	98,242	41,612	79,823	41,612
Capitalized during the year	16,012	0	18,419	0
Acquisiton of business	0	0	0	0
Disposals/ retirements	-200	0	0	0
Closing accumulated cost of acquisition	114,054	41,612	98,242	41,612
Opening depreciation	-31,323	-31,323	-26,091	-26,091
Depreciation for the year	-7,272	-3,383	-5,232	-5,232
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Closing accumulated depreciation	-38,595	-34,706	-31,323	-31,323
Closing carrying amount	75,459	6,906	66,918	10,289

	2019		2018	
Goodwill	Group	Parent company	Group	Parent company
Opening cost of acquisition	0	0	0	0
Acquisition during the year	0	0	0	0
Acquisiton of business	118,435	0	0	0
Translation difference	-3,314	0	0	0
Closing accumulated cost of acquisition	115,121	0	0	0
Closing carrying amount	115,121	0	0	0

	2019		2018	
Trademarks, customer relationships and other intangible assets	Group	Parent company	Group	Parent company
Opening cost of acquisition	900	900	0	0
Acquisition during the year	0	0	900	900
Acquisiton of business	114,660	0	0	0
Translation difference	-3,968	0	0	0
Closing accumulated cost of acquisition	111,592	900	900	900
Opening depreciation	0	0	0	0
Depreciation for the year	-2,529	0	0	0
Acquisiton of business	0	0	0	0
Translation difference	25	0	0	0
Closing accumulated depreciation	-2,504	0	0	0
Closing carrying amount	109,088	900	900	900

Expenditure on research and development was SEK 72,429 thousand (57,672), which is 16 percent (16) of net sales. Of this expenditure SEK 16,012 thousand (18,419) has been capitalized and the remaining SEK 56,417 thousand (39,253) has been charged to the result for the year. The reported value of capitalized development costs not yet subject to depreciation amounts to SEK 14,106 thousand (62,236). 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 114,660 thousand (900) and consisted of the aquisition of the French subsidiary RAL Diagnostics; allocated to Trademark SEK 26,105 thousand (0), customer relationships SEK 58,070 thousand (0), Technololgy SEK 30,484 thousand (0) and Goodwill SEK 118,435 thousand (0).

Valuation of trademarks

The carrying value of a brand is contingent on future profitability of the products the brand refers to and the value is tested annually. If it has not been possible to test the impairment requirement for an individual brand, the recoverable amount has been calculated on the cash-generating unit to which the brand is allocated. Calculating the cash-generating unit's recoverable value for assessing possible impairment of the brand, several assumptions about future conditions and estimations of parameters are made. The management's assessment is that no reasonable changes in the important assumptions will result in the estimated total recoverable value of the cash-generating unit being lower than the brand's total carrying value.

Acquired brands were estimated to amount to SEK 26.1 million (EUR 2.4 million) when preparing the acquisition analysis for RAL Diagnostics and were deemed to have an indefinite useful life.

At the end of the period, the carrying amount of trademarks with indefinite useful lives, amounted to SEK 25.4 million.

Valuation of goodwill

The carrying amount of goodwill is contingent on future profitability of the cash-generating unit to which goodwill is allocated and the value is tested annually. For the assessment of possible impairment of goodwill several assumptions about future conditions and estimates of parameters are made when calculating the recoverable amount of cash-generating units. The management's assessment is that no reasonable changes in the important assumptions will cause the estimated total recoverable value of each cash-generating unit to be lower than their total carrying amount.

The goodwill was SEK 118.4 million (EUR 11.0 million) at the time of preparation of the acquisition analysis for RAL Diagnostics.

At the end of the period, the carrying amount of goodwill amounted to SEK 115.1 million.

Sensitivity analysis

The sensitivity analysis shows a certain margin between value in use and book value. The fact that the margin is not so large at present is due to the recent acquisition of RAL Diagnostic at market value. The sensitivity analysis shows an increase of the discount rate of 0.5 percentage points gives a margin between the value in use and the book value of -6 percent. A sensitivity analysis of the operating margin of -1 percentage point gives a margin of -5 percent.

Note 25. Tangible fixed assets

Right of use assets	2019		2018	
Land and buildings	Group	Parent company	Group	Parent company
Opening cost of acquisition	0	0	0	0
As of January 1 2019, IFRS 16	29,913	0	0	0
Change of valuation principle	570	0	0	0
Year's acquisitions	0	0	0	0
Acquisiton of business	3,456	0	0	0
Disposals/ retirements	0	0	0	0
Translation difference	15	0	0	0
Closing accumulated cost of acquisition	**33,953**	**0**	**0**	**0**
Opening depreciation	0	0	0	0
Depreciation for the year	-7,091	0	0	0
Acquisiton of business	0	0	0	0
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Translation difference	5	0	0	0
Closing accumulated depreciation	**-7,086**	**0**	**0**	**0**
Closing carrying amount	**26,867**	**0**	**0**	**0**

Right of use assets	2019		2018	
Plant and machinery	Group	Parent company	Group	Parent company
Opening cost of acquisition	0	0	0	0
Change of valuation principle	-631	0	0	0
Year's acquisitions	0	0	0	0
Acquisiton of business	2,360	0	0	0
Disposals/ retirements	0	0	0	0
Translation difference	-20	0	0	0
Closing accumulated cost of acquisition	**1,709**	**0**	**0**	**0**
Opening depreciation	0	0	0	0
Depreciation for the year	-124	0	0	0
Acquisiton of business	0	0	0	0
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Translation difference	-2	0	0	0
Closing accumulated depreciation	**-126**	**0**	**0**	**0**
Closing carrying amount	**1,583**	**0**	**0**	**0**

Right of use assets	2019		2018	
Equipment, tools, fixtures and fittings	Group	Parent company	Group	Parent company
Opening cost of acquisition	0	0	0	0
As of January 1 2019, IFRS 16	1,654	0	0	0
Change of valuation principle	-1,838	0	0	0
Year's acquisitions	216	0	0	0
Acquisiton of business	1,531	0	0	0
Disposals/ retirements	-157	0	0	0
Translation difference	-7	0	0	0
Closing accumulated cost of acquisition	**1,399**	**0**	**0**	**0**
Opening depreciation	0	0	0	0
Depreciation for the year	-479	0	0	0
Acquisiton of business	0	0	0	0
Reversal of acc. depreciation on disposals/retirements	157	0	0	0
Translation difference	-3	0	0	0
Closing accumulated depreciation	**-325**	**0**	**0**	**0**
Closing carrying amount	**1,074**	**0**	**0**	**0**

Tangible fixed assets that are not right of use assets	2019		2018	
Land and buildings	Group	Parent company	Group	Parent company
Opening cost of acquisition	0	0	0	0
Year's acquisitions	0	0	0	0
Acquisiton of business	19,987	0	0	0
Disposals/ retirements	0	0	0	0
Translation difference	-135	0	0	0
Closing accumulated cost of acquisition	**19,852**	**0**	**0**	**0**
Opening depreciation	0	0	0	0
Depreciation for the year	-200	0	0	0
Acquisiton of business	-5,148	0	0	0
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Translation difference	-80	0	0	0
Closing accumulated depreciation	**-5,428**	**0**	**0**	**0**
Closing carrying amount	**14,424**	**0**	**0**	**0**

Tangible fixed assets that are not right of use assets	2019		2018	
Plant and machinery	Group	Parent company	Group	Parent company
Opening cost of acquisition	3,844	1,982	3,762	1,982
Year's acquisitions	123	0	82	0
Acquisiton of business	11,149	0	0	0
Disposals/ retirements	-13	0	0	0
Translation difference	6	0	0	0
Closing accumulated cost of acquisition	**15,109**	**1,982**	**3,844**	**1,982**
Opening depreciation	-2,933	-1,508	-2,454	-1,415
Depreciation for the year	-367	-11	-479	-93
Acquisiton of business	-7,384	0	0	0
Reversal of acc. depreciation on disposals/retirements	13	0	0	0
Translation difference	12	0	0	0
Closing accumulated depreciation	**-10,659**	**-1,519**	**-2,933**	**-1,508**
Closing carrying amount	**4,450**	**463**	**911**	**474**

Tangible fixed assets that are not right of use assets	2019		2018	
Equipment, tools, fixtures and fittings	Group	Parent company	Group	Parent company
Opening cost of acquisition	9,831	9,831	6,337	6,337
Year's acquisitions	1,600	1,498	3,494	3,494
Acquisiton of business	771	0	0	0
Disposals/ retirements	0	0	0	0
Translation difference	-16	0	0	0
Closing accumulated cost of acquisition	**12,186**	**11,329**	**9,831**	**9,831**
Opening depreciation	-3,994	-3,994	-2,898	-2,898
Depreciation for the year	-2,093	-1,764	-1,096	-1,096
Acquisiton of business	-3	0	0	0
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Translation difference	-1	0	0	0
Closing accumulated depreciation	**-6,091**	**-5,758**	**-3,994**	**-3,994**
Closing carrying amount	**6,095**	**5,571**	**5,837**	**5,837**

Note 26. Inventories

	2019		2018	
Inventories	Group	Parent company	Group	Parent company
Raw materials and consumables	8,645	906	999	999
Finished goods	46,164	26,840	33,455	27,849
Total	**54,808**	**27,746**	**34,454**	**28,848**

Inventories recognized as an expense during the year amount to SEK 110,262 (88,456) thousand in the Group and SEK 102,004 (86,079) thousand in the parent company. Impairment loss on inventories during the year amounted to SEK -472 (327) thousand in the Group and SEK -268 (327) thousand in the parent company. Of the inventory value, no part has been recognized at net sales value.

Note 27. Other financial assets

	2019		2018	
	Group	Parent company	Group	Parent company
Favorable contract real estate	17,925	0	0	0
Deposit	3,940	3,476	3,579	3,476
Other financial assets	430	0	0	0
Closing carrying amount	**22,295**	**3,476**	**3,579**	**3,476**

Call option real estate refers to the difference between the right to acquire property at a fixed price and the market value.

	2019		2018	
Deposits	Group	Parent company	Group	Parent company
Opening cost of acquisition	3,579	3,476	2,617	2,523
Recovered deposit	0	0	0	0
Additional deposits	356	0	952	952
Translation differences for the year	5	0	10	0
Closing carrying amount	**3,940**	**3,476**	**3,579**	**3,476**

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
RAL Diagnostics SAS	449 261 403	Martilllac, France	901,515	100	257,985 kSEK

Note 29. Acquisitions

Acquisition of subsidiaries

On October 1, 2019, CellaVision AB acquired 100% of the share capital in RAL Diagnostics (RAL) for SEK 254.4 million (EUR 23.7 million), on cash-debt free basis. RAL is a French company, located just outside of Bordeaux with 45 employees. The company manufactures sample preparation products in hematology, pathology, cytology and microbiology. The acquisition of RAL is a step in the Group's strategic direction to be a leader in global digitalization and automation of blood analyses for both the human and veterinary segments. Combining CellaVision's and RAL's core technologies enables improved diagnostics outcome. The combination of CellaVision's and RAL's technologies improve quality in areas such as image quality, cell classification and lab workflow. The acquisition is financed through a combination of CellaVision's own cash and cash equivalents and a bank loan arranged by Skandinaviska Enskilda Banken of EUR 11.4 million.

As of the reporting date, the accounting for the acquisition has only been provisionally determined since the valuation of some assets has not yet been completed.

The fair value of acquired receivables (which mainly consist of trade receivables or other receivables) amounts to SEK 36.2 million. Contractual gross amount amounts to the same amount as there is no risk of loss assessed.

Goodwill arose from the acquisition of RAL Diagnostics because the acquisition value for the company included a control premium. The transferred compensation also included amounts attributable to the benefits of expected synergies, revenue growth, development of future markets and the overall workforce of the companies. The acquisition of RAL Diagnostics also improves the quality of sample preparation, which can create added value for customers who buy CellaVision's existing instruments. These benefits have not been reported separately from goodwill as they do not meet the criteria for accounting for identifiable intangible assets.

No part of the goodwill that arose in connection with the acquisition is expected to be tax deductible.

The acquisition's impact on the Group's earnings

Of the Group's revenue, SEK 25,350 thousand is attributable to RAL Diagnostics. RAL Diagnostics has contributed SEK 5,765 thousand to the Group's EBITDA. If the acquisition had taken place on January 1, 2019, the Group's revenues would have amounted to SEK 531,708 thousand and the Group's EBITDA to SEK 151,496 thousand.

All amount in ' 000 SEK	RAL Diagnostics
Compensation transferred	
Cash and cash equivalents	254,359
Total tranferred compensation	**254,359**

Acquisition-related expenses amount to SEK 3.6 million during the fourth quarter and are reported as administration expenses in the consolidated income statement.

All amount in ' 000 SEK	RAL Diagnostics
Reported amounts per date of acquisition for net assets acquired	
Non-current assets	
Trademark	26,105
Customer relationships	58,070
Technology	30,484
Tangible assets	25,844
Financial assets	19,214
Current assets	
Inventories	20,746
Trade receivables	21,206
Other receivables	15,009
Prepayments and accrued income	1,011
Cash and cash equivalents	6,784
Non-current liabilities	
Interest-bearing non-current liabilities	18,785
Other non-current liabilities	515
Deferred tax liability	29,095
Other provisions	3,036
Current liabilities	
Interest-bearing current liabilities	21,643
Trade payables	10,156
Other current liabilities	3,017
Accrued expenses and deferred income	2,302
Identifiable assets and liabilities, net	**135,924**
Tranferred compensation	254,359
Goodwill	**118,435**

Note 30. Trade receivables

Trade receivables overdue but not written down:

	2019	2018
1–30 days overdue	9,352	16,026
31–60 days overdue	3,252	5,057
61–90 days overdue	128	16
91–120 days overdue	539	279
More than 121 days overdue	5	329
Total	13,277	21,706

As at 31 December 2019 trade receivables of SEK 13,277 thousand (21,706) 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 12,610 thousand were settled at the end of February 2020. 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 0 thousand (10) as at 31 December 2019. There are no pledges as collateral for receivables.

Risk matrix

All amount in ' 000 SEK	1-30	31-60	61-90	91-120	>120	Total
Aging accounts receivable	9,352	3,252	128	539	5	13,277
Percent at riskt	0%	0%	0%	0%	3%	3%
Amount at risk	0	0	0	0	0	0

Note 31. Prepaid expenses and accrued income

	2019		2018	
	Group	Parent company	Group	Parent company
Office rent	277	1,911	1,787	1,787
Pension premiums	358	358	309	309
Insurance premiums	717	712	742	742
Market activity costs	244	244	482	445
License fees	1,895	1,895	1,903	1,903
Other	1,537	796	1,539	418
Total	5,028	5,916	6,763	5,605

Note 32. Share capital

The registered share capital in the parent company was distributed, as at 31 December 2019, 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 33. Reconciliation of liabilities attributable to financing activities

The table below presents this year's change in the Group's liabilities linked to financing the business. The table includes current and non-current liabilities. The part that falls due for payment within: 1 year amounts to SEK 50,766 thousand), 1-5 years SEK 120,144 thousand and after 5 years SEK 2,782 thousand.

Group	Liabilities to credit institutions	Lease liability	Factoring	Total
As of December 31, 2018	0	0	0	0
Cash items				
New loans	123,413	0	0	123,413
Amortization of loans	-6,963	0	0	-6,963
Change in factoring debt	0	0	-343	-343
Non-cash items				
Effect of implementation of IFRS 16 Leasing, Jan 1, 2019	0	31,566	0	31,566
Change of valuation principle	0	-2,468	0	-2,468
Leases at the start of the year	0	1,093	0	1,093
Amortization of leases	0	-7,694	0	-7,694
Increase through aquisition of business	19,984	6,472	13,972	40,428
Effect of changes in exchange rates	-5,029	-311	0	-5,340
As of December 31, 2019	131,405	28,658	13,629	173,692

The table below presents this year's change in the Parent company's liabilities linked to financing the business. The table includes current and non-current liabilities. The part that falls due for payment within: 1 year amounts to SEK 23,789 thousand and 1-5 years SEK 89,207 thousand. No part is due for payment exceeding 5 years.

Parent company	Liabilities to credit institutions	Lease liability	Factoring	Total
As of December 31, 2018	0	0	0	0
Cash items				
Borrowing of loans	122,307	0	0	122,307
Amortization of loans	-5,947	0	0	-5,947
Change in factoring debt	0	0	0	0
Non-cash items				
Effect of implementation of IFRS 16 Leasing, Jan 1, 2019	0	0	0	0
Leases at the start of the year	0	0	0	0
Amortization of leases	0	0	0	0
Increase through aquisition of business	0	0	0	0
Effect of changes in exchange rates	-3,364	0	0	-3,364
As of December 31, 2019	112,996	0	0	112,996

Note 34. Provisions

	2019		2018	
Long-term provisions	**Group**	**Parent company**	**Group**	**Parent company**
Opening amount	2,458	2,458	2,401	2,401
Allocated during year	1,765	1,765	1,383	1,383
Acquisiton of business	3,469	0	0	0
Reclassified to short provision	-1,685	-1,685	-1,326	-1,326
Total	**6,007**	**2,538**	**2,458**	**2,458**
Provisions fall due for payment				
- Within one year	0	0	0	0
- Later than one but within five years	2,620	2,538	2,458	2,458
- Later than five years	3,387	0	0	0
Total	**6,007**	**2,538**	**2,458**	**2,458**

	2019		2018	
Warranty provisions	**Group**	**Parent company**	**Group**	**Parent company**
Opening amount	1,752	1,752	1,428	1,428
Allocated during year	1,903	1,903	1,752	1,752
Reversed provisions	-1,549	-1,549	-586	-586
Utilised	-203	-203	-842	-842
Total	**1,903**	**1,903**	**1,752**	**1,752**
Provisions fall due for payment				
- Within one year	1,903	1,903	1,752	1,752
- Later than one but within five years	0	0	0	0
Total	**1,903**	**1,903**	**1,752**	**1,752**

Long-term provisions for the Parent Company as a whole consist of bonus reimbursement to the company's management. Provisions for pensions will also be added for the Group. The pension provision is based on actuarial calculations that are based on assumptions about discount rates, future salary increases and expected inflation.

Note 35. Accrued expenses and deferred income

	2019		2018	
	Group	**Parent company**	**Group**	**Parent company**
Holiday liability	10,695	7,407	8,153	6,727
Board fee	601	601	765	765
Social security contributions	14,070	11,450	7,362	7,362
Staff costs	400	400	889	889
Incentive program	11,905	10,042	9,609	7,815
Deferred income	3,360	3,207	3,468	3,057
Other	6,316	989	8,306	1,479
Total	**47,348**	**34,096**	**38,552**	**28,092**

Deferred income mainly consists of deferred software licenses from customers. Contract liabilities in the form of deferred income are reported until performance commitments are fulfilled or expires for the customer to use and are reported as income over time.

	2019		2018	
	Group	**Parent company**	**Group**	**Parent company**
Opening balance deferred income	3,468	3,057	4,443	2,918
Recognized revenue during the year	-3,468	-3,057	-4,443	-2,918
Debited during the year	3,360	3,207	3,468	3,057
Closing balance deferred income	**3,360**	**3,207**	**3,468**	**3,057**

Closing debt is expected to be recognized in 2020.

Note 36. Pledged assets and contingent liabilities

	2019		2018	
Pledged assets	**Group**	**Parent company**	**Group**	**Parent company**
Pledged liquid funds	9,754	9,754	9,754	9,754
Floating charge	28,581	12,500	0	0
Total	**38,335**	**22,254**	**9,754**	**9,754**
Contingent liabilities	None	None	None	None

Pledged liquid funds refer to bank guarantees.

Note 37. Non-cash items

Group	2019	2018
Depreciation	20,155	6,807
Change in accruals and provisions	8,028	7,069
Unrealized price differences	-2,345	623
Total	25,839	14,499

Parent company	2019	2018
Depreciation	5,157	6,422
Change in accruals and provisions	5,924	6,614
Unrealized price differences	-2,345	623
Total	8,736	13,659

Note 38. Disputes in the Group

There are no disputes within the Group with third parties.

Note 39. Appropriation of company profits

	2019 Parent company
The following profits are at disposal at the AGM	
Profit brought forward	176,120
Net profit/loss for the year	90,038
Total	266,158
The Board of Directors proposes the AGM the following	
No dividend	0
To be carried forward	266,158
Total	266,158

Note 40. Events after the balance sheet date

The company expects the COVID-19-pandemic to have a significant negative impact on CellaVision's sales and earnings for several months.

Due to the COVID-19 the Board of Directors has withdrawn the original dividend proposal and proposes instead that no dividend will be paid for 2019 (SEK 1.50 / share) at the Annual General Meeting 2020 (AGM).

In accordance with the above, the AGM has been postponed and will be held on 16 June 2020 at 15.00 CEST at the Company's premises, at Mobilvägen 12, in Lund, Sweden.

The Annual Report was adopted by the board and approved for publication on May 25th, 2020.

Approval of the annual report

Approval of the annual report

The annual accounts and consolidated accounts were approved by the Board of Directors on 25 May 2020. 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 June 16, 2020.

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 16 June 2020 at 15.00 at CellaVision's premises, Mobilvägen 12 in Lund.

Dividend per share

In light of the general uncertainty and the measures introduced to reduce the spread of COVID-19 and its impact on CellaVision, the company's Board of Directors decided to withdraw the proposal for a dividend of SEK 1.50 per share and instead propose that no dividend be paid for the fiscal year 2019.

Lund, May 25 2020

Sören Mellstig
Chairman of the Board

Christer Fåhraeus
Member of the Board

Åsa Hedin,
Member of the Board

Anna Malm Bernsten
Member of the Board

Niklas Prager
Member of the Board

Jürgen Riedl
Member of the Board

Stefan Wolf
Member of the Board

Zlatko Rihter
President and CEO

Our audit report was submitted on 25 May 2020
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 2019-01-01 - 2019-12-31 except for the corporate governance report on pages 44-51. The annual accounts and consolidated accounts of the company are included on pages 38-82 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Identification and valuation of capitalized development expenditure

Description of the risk

- CellaVision reported in the balance sheet of 31 December 2019 capitalized development expenditures of 75 million SEK (67).
- Identification of research and development phase is essential to ensure these expenditures are activatable.
- 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 note 1 the Group's accounting policies on page 63, note 3 of critical accounting estimates and judgements on page 68 and note 24 on capitalized development expenditure on page 75 of the annual report.

Our audit procedures

- We have audited the company's internal controls to identifying division of the research and development phase.
- We have audited the company's 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.

Idenfification of acquisition values

Description of the risk

- In 2019, CellaVision completed the acquisition of RAL Diagnostics for a total purchase price of MSEK 254. Reported intangible assets attributable to the acquisition amounted to MSEK 233 at the time of the acquisition.
- Accounting for acquisitions involves significant estimates and assessments by the management to determine the fair value of acquired assets and assumed liabilities.
- The value of the reported assets depends on future returns and profitability in the cash-generating unit the assets refer to. The valuation is based on a number of assumptions such as estimated future cash flows, discount rates and growth.

For further information, see Note 1 to the Group's accounting principles on pages 63-64, note 24 on intangible assets on page 75 and note 29 on acquisitions on page 78 in the annual report.

Our audit procedures

- We have, with the help of a valuation expert, examined the company's prepared acquisition calculation, including the Group's assumptions and assessments for the valuation of acquired assets and assumed liabilities.
- We have reviewed the accuracy and completeness of the relevant notes in the financial statements.

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 3-37, 86-90. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

A further description of our 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 of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of CellaVision AB (publ) for the financial year 2019-01-01 - 2019-12-31 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 general meeting of the shareholders on the 5 maj 1997 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 44-51 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 May 25, 2020
Deloitte AB

Maria Ekelund
Authorized public accountant

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 annual report are presented below. Reconciliation of these measures is shown in the tables below.

Net sales

KSEK	Jan-Dec 2019 (%)	Jan-Dec 2019 MSEK	Jan-Dec 2018 (%)	Jan-Dec 2018 MSEK
Last period		364,812		309,312
Organic growth	15%	54,754	15%	46,220
Currency effect	5%	16,856	3%	9,279
Structural growth	7%	25,350	0%	0
Current period	27%	461,772	18%	364,812

EBITDA

KSEK	Jan-Dec 2019	Jan-Dec 2018
Operating profit	126,576	111,607
Depreciation	20,155	6,807
EBITDA	146,731	118,414

Gross margin

KSEK	Jan-Dec 2019	Jan-Dec 2018
Net sales	461,772	364,812
Gross profit	336,734	270,866
Gross margin	72.9%	74.2%

Operating margin

KSEK	Jan-Dec 2019	Jan-Dec 2018
Net sales	461,772	364,812
Operating profit	126,576	111,607
Operating margin	27.4%	30.6%

Return on equity

KSEK	Jan-Dec 2019	Jan-Dec 2018
Profit/loss for the period	99,172	88,688
Average equity	319,374	265,613
Return on equity	31%	33%

Return on operating capital

KSEK	Jan-Dec 2019	Jan-Dec 2018
Operating profit/loss	126,576	111,607
Average operating capital	267,917	100,714
Return on operating capital	47%	111%

Equity-asset ratio

KSEK	Jan-Dec 2019	Jan-Dec 2018
Equity	348,373	290,375
Balance sheet total	641,709	372,782
Equity ratio	54.3%	77.9%

Net investments

KSEK	Jan-Dec 2019	Jan-Dec 2018
Tangible assets	2,672	3,576
Intangible assets	16,012	19,319
Disposals	-370	0
Net investments	18,314	22,895

Equity per share

KSEK	Jan-Dec 2019	Jan-Dec 2018
Equity	348,373	290,375
Number of shares	23,851,547	23,851,547
Equity per share	14.61	12.17

Net debt/equity ratio

KSEK	Jan-Dec 2019	Jan-Dec 2018
Liabilities to credit institutions, interest-bearing	173,693	0
Cash and bank	102,312	169,057
Equity	348,373	290,375
Net debt/equity ratio	0.20	-0.58

Operating capital

KSEK	Jan-Dec 2019	Jan-Dec 2018
Balance sheet total	641,709	372,782
Cash and bank	102,312	169,057
Deferred tax assets	0	0
Other long-term receivables	4,371	3,579
Other current liabilities, not interest-bearing	1,419	4,833
Trade payables	21,716	26,753
Warranty provisions	1,903	1,752
Accrued expenses and deferred income	47,348	38,552
Other provisions	6,007	2,458
Defferred tax liability	38,539	8,059
Operating capital	418,094	117,739

EBITDA. Operating profit before write-downs 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 balance sheet total.
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.

Glossary

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

Anemia
Deficiency of red blood cells. Too low a count of hemoglobin, the blood's oxygen carrier, which is found in red blood cells.

Artificial intelligence/Artificial neural networks
Mathematical model that mimics the brain's method of learning.

Biomedical analyst
A licensed professional category working at laboratories and physiological units. Biomedical analysts specialized in laboratory medicine perform various types of laboratory analysis, such as of blood or tissue. The analysis is done for example to make a diagnosis, monitor the course of an illness or assess treatment.

Blood platelets
Colloquial term for thrombocytes. Their main purpose is to stop bleeding in the body's blood vessels by plugging open wounds that have arisen. If that does not stop the bleeding the thrombocytes activate blood coagulation.

Cerebrospinal fluid
Clear fluid that surrounds the brain and 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. Most of the samples are analyzed using a cell counter. 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 analyzers, the sample is examined manually in a microscope.

Clinical chemistry
Medical specialty with the task of producing, further developing and providing healthcare services with chemical analyses of blood or other bodily fluids, cell analyses and immunological analyses.

Cytology
The science 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 authority in the USA that regulates food and drugs.

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
The branch of medical technology that refers to samples analyzed outside the body.

Leukemia/blood cancer
Leukemia is a general term for several cancer-like blood disorders in the blood-building bone marrow where the white blood cells change and multiply in an uncontrolled way in the bone marrow and blood.

Neural networks
Mathematical theory that mimics the brain's method of learning.

Pathology
The science of the cause and development of diseases, in particular with reference to structural changes in the morphological structure 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.

Red blood cells (erythrocytes)
Have the task of carrying oxygen to the cells, and carbon dioxide from them to the lungs. Normally the most abundant cell type in the blood.

State Food and Drug Administration of the People´s Republic of China (SFDA)
The authority in China that regulates food and drugs.

White blood cells (leucocytes)
Their most important task is to defend the body against infections. In a healthy person there are normally five classes 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.

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.

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.

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.

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

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.)

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

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

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.

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

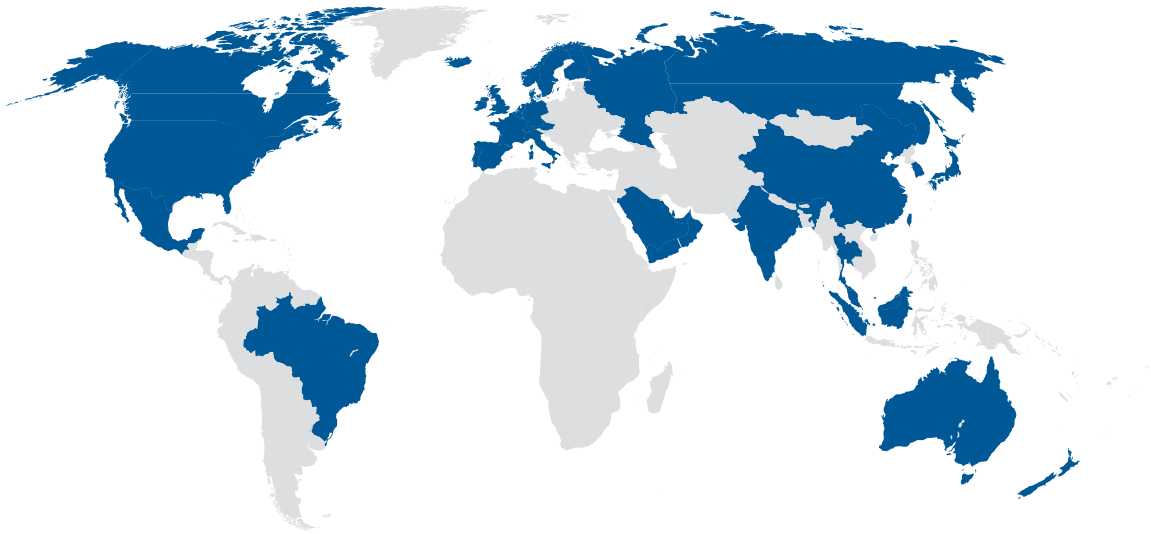
INDIA
Mumbai (Market Support office)
E-mail: pata@cellavision.com
Established 2018

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

IBERIA
Madrid (Market Support office)
E-mail: daga@cellavision.com
Established 2019

ITALY
Neaple (Market Support office)
E-mail: gana@cellavision.com
Established 2019

RUSSIA
Moscow (Market Support office)
E-mail: olhe@cellavision.com
Established 2020



With 18 organizations för local market support, CellaVision has established local presence in 40 countries.