CELLAVISION

ANNUAL REPORT

2017

Net sales SEK 309.3 m (265.0)

Operating profit SEK 90.9 m (74.2)

Operating margin 29.4% (28.0)

Content

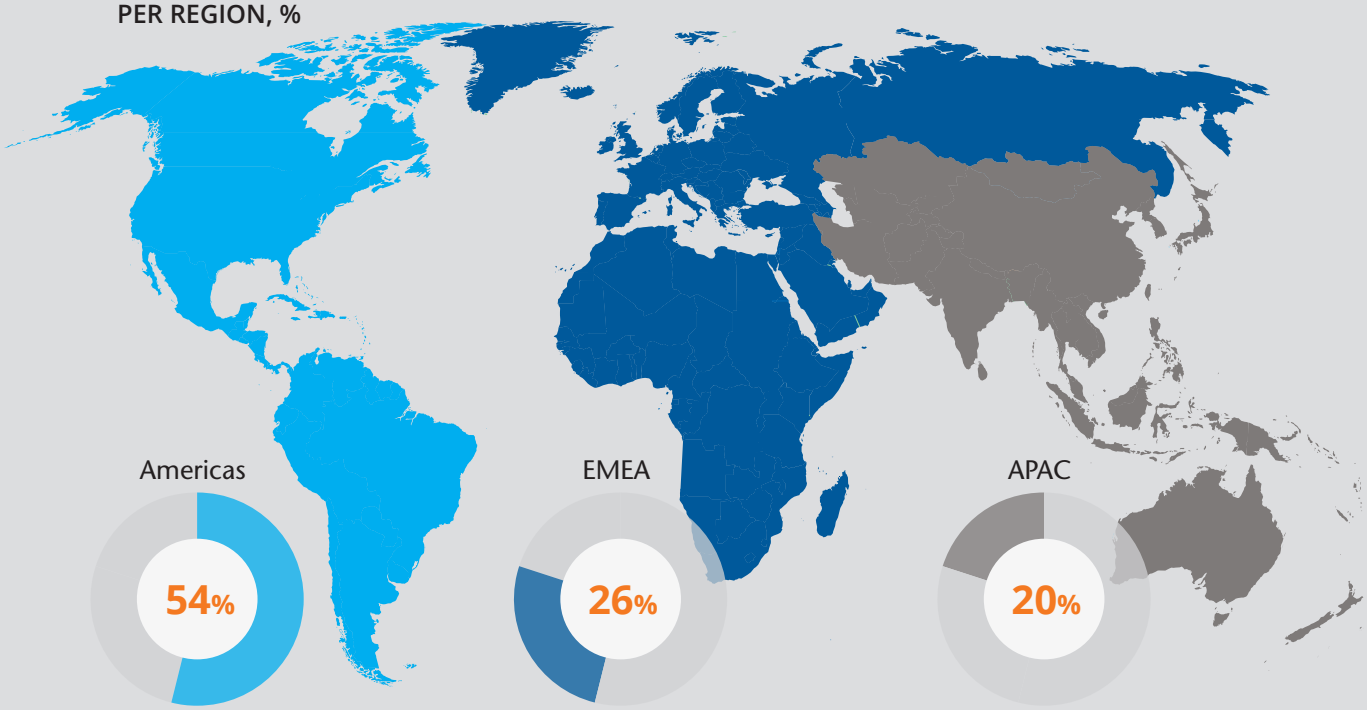
CellaVision 2017

- **Net sales 309 MSEK (265)**
  corresponding to organic growth of 16%
- **Operating profit 91 MSEK (74)**
  corresponding to an operating margin of 29.4% (28.0)
- **Geographic expansion**
  Three new organizations for local market support
- **Segment expansion**
  Continued process in the veterinary market
  New product for small & mid size labs planned for launch in late 2018
- **Innovation**
  Strengthened organization
  Completion of a new technology platform
- **Developed partnerships**
  Extended distributor cooperation
  Continued investment in CellaVision Academy
- **Improved supply chain**
  New structure for CellaVision's supply chain implemented

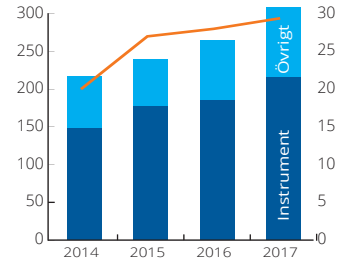
Key Ratios

SEK millions	2017	2016	2015	2014	2013
Net sales	309,3	265,0	239,4	216,9	179,9
Gross profit	223,2	188,9	174,2	145,1	112,6
Operating profit	90,9	74,2	65,5	42,8	25,9
Profit before tax	90,3	75,8	65,6	43,4	24,7
Cash flow	22,4	24,7	54,8	-6,0	11,6
Number of employees	99	85	75	72	69

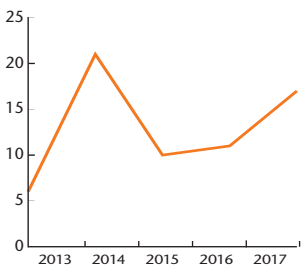
NET SALES PER REGION, %



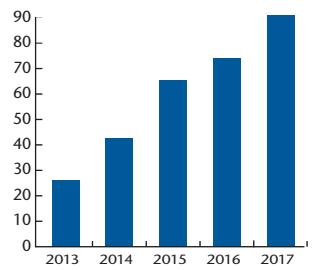
Net sales, SEK millions
Operating margin, %



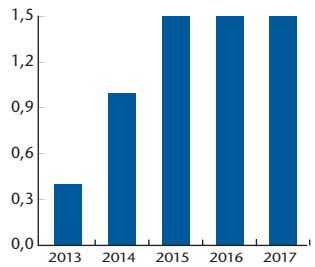
Sales growth, %



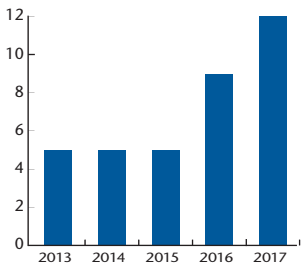
Operating profit, SEK millions



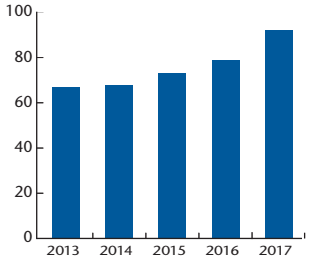
Dividend, kr (as proposed by the Board)



Number of market organisations at year-end



Average number of employees



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. CellaVision develops and sells digital solutions for medical microscopy in hematology and is now a world leader in this segment.

CellaVision replaces manual microscopes with analyzers based on digital image analysis, artificial intelligence and IT. The solutions contribute to more effective workflows and higher quality in laboratory medicine. CellaVision's solutions are used in the field of hematology, which is the science of blood and its diseases.

In healthcare hematology is a specialist area that researches and treats diseases of the blood and blood-forming organs. CellaVision operates in a sub-segment of the hematology market with great potential for continued growth.

CellaVision works continually to strengthen its offer to the market. During the year, work continued to develop products for small and mid-size laboratories in addition to developing the product offer for large laboratories and the veterinary market.

CellaVision's products are sold globally via the world's five foremost hematology companies, where Sysmex is the largest, followed by Beckman Coulter, Siemens, Abbott and Horiba. Apart from these, there is also collaboration with BioSpecifix. Through strong partners CellaVision increases its visibility and its opportunities in the market.

In addition to CellaVision's products, as described below, the company has developed an integrated system together with Sysmex, with the product name DI-60, which allows full automation of the blood analysis.

CellaVisions scalable business model: focus on core function and strong partnerships

Innovation	Manufacturing	Market support	Sales & distribution	Blood analysis
CellaVision Core	Partnership	CellaVision Core	Partnership	End customer
CellaVision's innovative products have revolutionized digital microscopy. Innovation is the core of CellaVision's business and value creation.	CellaVision does not manufacture its products on its own but has chosen to work with subcontractors. In this way, high scalability is created in manufacturing while CellaVision avoids large investments in production equipment.	CellaVision continuously works to strengthen its position in the market by establishing regional organizations for market support. The support applies to the company's distribution partners as well as to end customers.	CellaVision digital microscopy products are included as an integrated end stage in the blood analysis chain. The company therefore has sales and distribution partnerships with the global leading manufacturers of cell counters.	CellaVision solutions for digital microscopy are used by major medical laboratories around the world and have meant that blood analysis can be done with greater certainty at lower costs.

CellaVision's products

Improve **EFFICIENCY**

CellaVision
DM9600

A hematology system designed for high volume labs

Loading capacity: 96 slides, with continuous feed
Throughput: Approximately 30 slides / h

CellaVision
DM1200

A hematology system designed for high and medium volume labs

Loading capacity: 12 slides
Throughput: Approximately 20 slides / h

Promote **QUALITY**

PB

CellaVision
PERIPHERAL BLOOD APPLICATION

Performs a comprehensive pre-classification of WBCs and allows for initial review of RBCs and PLTs

aRBC

CellaVision
ADVANCED RBC APPLICATION

Performs a comprehensive pre-characterization of RBCs

BF

CellaVision
BODY FLUID APPLICATION

Performs a comprehensive pre-classification of WBCs in body fluid preparations

Enhance **COLLABORATION**

CellaVision
REMOTE REVIEW SOFTWARE

Enables multi-site/multi-analyzer organizations to transfer workflow data to a single centralized database

CellaVision
SERVER SOFTWARE

Enables multi-site/multi-analyzer organizations to transfer workflow data to a single centralized database

Expand **COMPETENCE**

CellaVision
PROFICIENCY

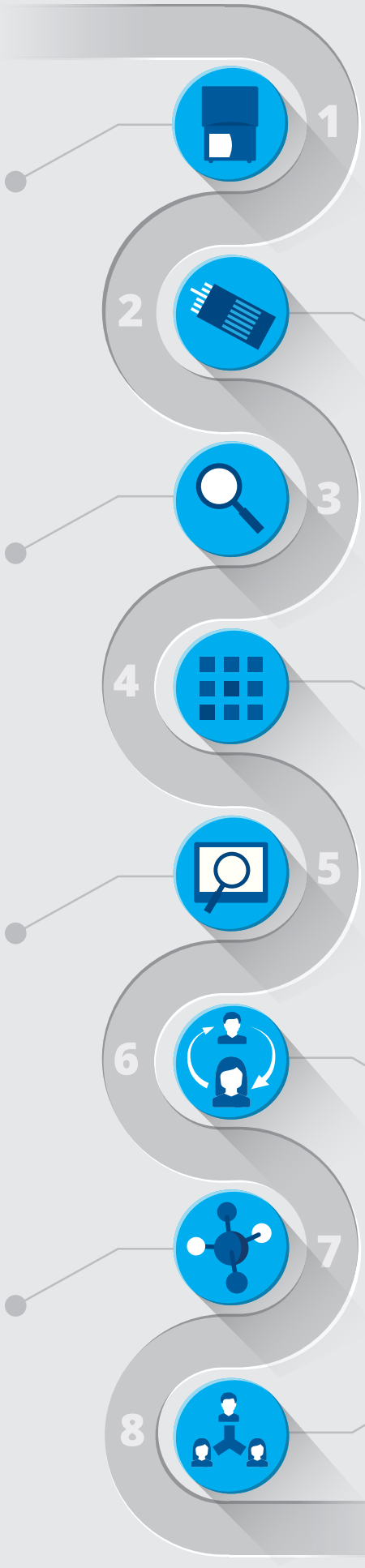
Makes it easier to set-up a structured and integrated process for proficiency assessment and competency promotion

AV

CellaVision
CELLATLAS

A free App that helps promote learning and competence in the area of cell morphology

Using manual microscopy when analyzing blood is a time consuming and tedious process that is completely dependent on experienced personnel to make the results reliable. CellaVision's solutions for digital blood analysis offer the opposite: an innovative technology that simplifies the analysis process, reduces dependency on individuals and creates an automated workflow for blood cell analysis.



A technological shift

The microscope is replaced by a digital imaging system that automatically locates and then captures digital images of cells from barcoded slides.

Slide processing

Barcoded slides are placed in a magazine before being loaded onto the system. The system reads the slide barcode, queries the Laboratory Infor ma tion System for patient demo graph ics and order data before positioning the slide under the microscope.

Cell location and image capture

The system identifies the monolayer, locates individual cells and captures high quality cell images.

Pre-classification pre-characterization

The system uses innovative image analysis technology to perform a preclassification of white blood cells and a pre-characterization of red blood cell morphology. WBCs are preclassified into 17 cell types and RBCs are pre-characterized based on 21 morphological characteristics.

Review and verification

The preclassified and pre characterized cells are presented to the Medical Technologist for review and verification. Structured interfaces, smart functionalities and embedded tools help speed up the review and verification process, while promoting accuracy and consistency.

Remote review and verification

With CellaVision technology, it is possible to review and verify cell differentials from anywhere, anytime.

Opens up new ways of working

Our technology makes it possible to explore new ways of structuring workflows and managing manpower resources. Create a streamlined work flow within a single lab unit or connect multiple labs in a network, where it is possible to process and review slides independently at all sites or centralize to review slides processed in different sites at one core lab.

Promotes collaboration and consultation

With CellaVision, it becomes easier and quicker for Medical Technologists to collaborate within and between lab units. Challenging slides that require a second opinion can be accessed remotely by Supervisors and Morphology Experts for speedy collaboration and consultation.

* WBC: White Blood Cell, ** RBC: Red Blood Cell

Continued geographical expansion and growth in line with targets

2017 was another year of growth for CellaVision. In total our sales were SEK 309 million (265), corresponding to organic growth of 16 percent, well in line with the company's ambition to have annual organic growth of 15 percent. The sound performance was achieved through favorable development in APAC and the Americas. The operating profit increased to SEK 91 million (74) and the operating margin to 29.4 percent (28.0), considerably higher than the target of 20 percent.

The strongest growth, of 27 percent, was in APAC, which accounted for 20 percent of our total annual sales. The Americas also reported good progress during the year with a sales increase of 24 percent. In EMEA development was considerably weaker, with growth decreasing by two percent.

In 2017 CellaVision continued to develop the company's business in accordance with the five strategic initiatives aimed at ensuring continued sound development in line with our financial targets, i.e. average organic growth of 15 percent and an operating margin of at least 20 percent.

1. GEOGRAPHICAL EXPANSION

Continued investment in market penetration

CellaVision currently has more than 2,700 installed systems, corresponding to global market penetration of 18 percent (16) and just over 30 percent of the laboratories that upgraded their analyzers in 2017 chose CellaVision's systems. In other words, we have good prospects of continuing to grow in large human healthcare laboratories, which are our most important market segment. A decisive factor for this success is having our own presence in the form of local organizations for market support.

In 2017 we continued our long-term focus on market penetration by establishing local organizations for market support in France, in the German-speaking countries of Europe, in the United Kingdom/Ireland and in Brazil. During the year we also continued to strengthen our organization in China. Establishment of local organizations for market support in interesting markets is an ongoing process and we are planning further establishments in 2018.

2. SEGMENT EXPANSION

CellaVision's technology, which currently focuses mainly on large human healthcare laboratories, is eminently suitable for other market segments. In 2017 we worked intensively to complete our new technology platform developed for small and mid-size laboratories in both the human healthcare and veterinary segments, with a planned launch in late 2018.

New strategy for the veterinary market

As part of our ambitions for the veterinary market we have changed to an indirect business model with sales via various distribution partners, i.e. the same business model we have for the human healthcare market. In 2017 we signed an agreement with Sysmex Americas for addressing the veterinary market in the Americas.

The veterinary market continues to be fragmented and our efforts to establish a strong presence in this market is a long-term investment. The attractiveness of our offer to the veterinary market and its potential for major efficiency gains is shown not least by the large order we received from one of the leading veterinary chains in the USA in 2015. After implementation of CellaVision's digital solutions, this customer improved analysis quality and also freed up considerable resources in its operations.

3. INNOVATION

Innovation broadens the offer to new market segments

CellaVision's intensive innovation continued vigorously in 2017. The development of our new technology platform for small and mid-size laboratories has reached an intensive final phase. The launch, as previously communicated, is planned for late 2018. In 2017 SEK 25.2 million was capitalized in this project and total capitalization for the project amounts to SEK 43.0 million.

FDA cleared the CellaVision Advanced RBC Application

The CellaVision Advanced RBC Application, a software application that speeds up and simplifies morphological assessment of red blood cells, received clearance by the US regulatory authority, the FDA in the third quarter of 2017. This makes the product commercially available globally.

Strengthened organization

CellaVision's capacity to develop attractive solutions is crucial to our continued development. Our strong position in hematology can be further consolidated and through our development work we are aiming ultimately to broaden our business to new interesting areas. In 2017 we expanded our development capacity by increasing the number of developers by about 20 percent.

4. DEVELOPED PARTNERSHIPS

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

support organizations, as well as through our e-learning platform, the CellaVision Academy.

The CellaVision Academy – our tool for the future
In 2015 we established the CellaVision Academy, aimed at supporting our geographical expansion by offering professional training opportunities to our distributors and end customers. In 2017 we launched more training modules at the same time as working intensively to produce training material as part of the CellaVision Academy, ahead of the launch of our new technology platform.

During the year we also expanded our network of distribution partners by signing agreements with Sysmex in the Americas (veterinary segment) and Boule Diagnostics.

5. IMPROVED SUPPLY CHAIN

In 2017 we streamlined our supply chain by completing the transfer of remaining production in Lund to our sub-contractor. The change means that we have improved both productivity and cost-control. In early 2017 we moved CellaVision to new, modern premises in Lund. This means that all our staff are under one roof, which is a great improvement compared with before, when the supply chain organization was in its own premises, separate from other parts of the company.

Looking to the future
2017 was CellaVision's best ever year and a year when we exceeded our financial target of organic growth of 15 percent and an operating margin of at least 20 percent. Our ambition is to build on this by keeping focused on our five strategic initiatives.

Lund in April 2018

Zlatko Rihter,
President and CEO

Strategic agenda

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

TARGET: ORGANIC GROWTH

CellaVision aims to have annual sales growth, over an economic cycle, of at least 15 percent. For 2017 organic growth was 16 percent and for the past five-year period growth was 14 percent.

TARGET: PROFITABILITY

CellaVision aims to have an operating margin, over an economic cycle, of at least 20 percent. For 2017 the operating margin was 29.4 percent and for the past five-year period it was 19 percent.

1

GEOGRAPHICAL EXPANSION

One important success factor for CellaVision is establishing local organizations for market support in countries with great potential. In 2017, three new local organizations were established, which means that the number has grown from five organizations in 2015 to 12 organizations covering 23 countries in 2017.

2

SEGMENT EXPANSION

CellaVision's technology has revolutionized the market for large hematology laboratories in healthcare. The company is now working to expand its offer to related segments in the market, primarily small and mid-size laboratories in both human and veterinary market.

3

UNIQUE INNOVATION

CellaVision continually develops the software and hardware systems to further simplify and improve work at hematology laboratories. The current focus of innovation is on completing the technology platform for small and mid-size laboratories in both human and veterinary market.

4

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.

5

IMPROVED SUPPLY CHAIN

CellaVision is currently simplifying the structure of the present supply chain, among other things by reducing the number of sub-contractors, with the aim of tying up less capital and increasing efficiency and productivity.

Initiative 1: Geographical expansion

Market support close to the customer is a requirement for long-term growth

One of the most important success factors for CellaVision is establishing local organizations for market support in markets with great potential. In 2017 the company established three new support organizations and significantly strengthened the organization in China.

Continued expansion in 2017

The strategy of consistently investing in local organizations for market support in selected markets continued in full force in 2017, with establishments in the German-speaking countries of Europe, in the United Kingdom/Ireland and in Brazil. In China CellaVision expanded its presence to include the southern part of the country. This establishment means that CellaVision now has 12 local organizations for market support, giving the company a presence in a total of 23 countries.

The expansion of the new organizations for local market support is taking place in stages and initially they will consist of a small 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 training program launched in 2015 that is continually expanding its content.

The local organizations also act as support to CellaVision's end customers, who can receive help in implementing the new digital working method in their operations and training laboratory staff in using CellaVision's solutions.

Considering that a majority of the company's distributors and customers are in North America and Asia, the CellaVision Academy initiative, with its training modules for distributors, and the CellaVision User Club, with material for end users, are crucial in providing satisfactory support in all parts of the world.

Great successes in China

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

Initiative 2: Segment expansion

Expansion to new market segments increases potential

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

Small and mid-size laboratories

CellaVision now has a strong position in the market for large hematology laboratories. This market consists of about 15,000 laboratories. Apart from the large laboratories, there are another 100,000 or so small and mid-size laboratories that are regarded as interesting for CellaVision. The annual sales potential for these laboratories is estimated to be half a billion Swedish kronor.

Demand from the smaller laboratories is mainly for a lower cost and lower capacity solution, since the volume of samples is considerably lower, while the image and analysis quality should be as high as for the larger analyzers.

CellaVision did not previously have a solution suitable for the smaller laboratories, but with the launch of the new technology platform planned for 2018 there will be good prospects of building up a strong presence in this segment as well.

Large veterinary laboratories

Large veterinary laboratories are a relatively new market for CellaVision. The global market is estimated to be about 500 reference laboratories in North America and Europe. The veterinary market is fragmented and CellaVision's efforts to establish a strong presence in this market should be seen as a long-term investment. CellaVision previously addressed this market through direct sales, but in 2016/2017 instead started to use the same indirect sales strategy as for the rest of the company's sales.

Evaluation of new expansion opportunities

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

CellaVision's unique innovation combines scientific disciplines such as advanced precision engineering, optics, image analysis, autofocus and artificial intelligence.

Initiative 3: Unique innovation

Focus on the solution for small and mid-size laboratories

The focus of development in 2017 was on completing the new technology platform. In parallel with this, CellaVision continued to develop new applications and evaluate various possibilities of broadening the product offer to more markets and market segments.

Successful innovation builds on science and technology, but also on development together with customers. CellaVision has developed technology platforms that combine scientific disciplines such as precision mechanics, optics, image analysis, autofocus and artificial intelligence. In addition, CellaVision is the only company to have commercialized its products globally after meeting requirements imposed by the authorities in the respective countries regarding safety, reliability and quality.

Continued intensive development work

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

New technology platform

In 2017 much of the innovation focused on completing the new technology platform for small and mid-size laboratories in both human and veterinary medicine. The new platform provides a cost-effective solution in digital morphology for small and medium-sized hematology laboratories with maintained analytical quality and network connectivity, but with a slightly lower level of automation than the offer to large laboratories. It will be possible to use it as a stand-alone product, 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. A launch on selected markets is planned for late 2018.

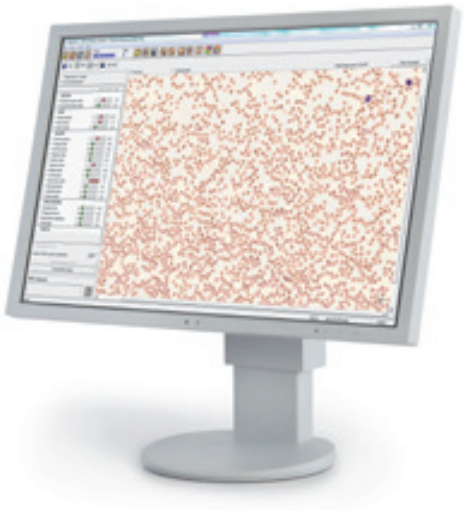
Continued growing focus on innovation

CellaVision devotes considerable resources to being at the forefront of research and development. In 2017 the equivalent of 17 percent of sales was invested in the company's innovation activities. The company actively follows relevant trends in healthcare and technological development to identify new potential areas of expansion as early as possible and during the year continued to evaluate new possible areas of application for its unique technology.

The development department is mainly organized in three teams: Applications, Software, and Hardware. The number of employees grew during the year by about 20 percent.

Growing 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 23 patent families and 59 registered patents, three of which were granted in 2017. Most of the patents are in the technology fields of image analysis and precision mechanics.



Initiative 4: Developed partnerships

Strong partnerships lay the foundation for continued growth

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

Expanded cooperation with distributors

CellaVision already collaborates with Sysmex, Beckman Coulter, Siemens, Abbot, Horiba and BioSpecifix. In 2017 collaboration with Boule Diagnostics was started and the agreement with Sysmex was extended to also cover sales to the veterinary segment in North America. Boule Diagnostics, Horiba and BioSpecifix all have a good presence in the segment for small and mid-size laboratories, which will be of great importance for launching the new technology platform.

Continual work to strengthen collaboration with distributors and customers

Having good relations with partners is crucial to CellaVision's successes and the company is continually strengthening its capacity to provide support in different parts of the sales process and to transfer knowledge of its solutions for digital morphology and help 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 effectively utilize the opportunities offered by the market. Another part of the work of strengthening distributors' ability to successfully sell CellaVision's products is the CellaVision Academy, an e-learning based training platform established in 2015. The target group for the CellaVision Academy consists of the partners' product and applications specialists, salespeople and service engineers. Among customers, the target group is users of CellaVision's equipment. The overall purpose of the CellaVision Academy is to deal with knowledge transfer cost effectively.

Training preparations

In 2017 the team behind the CellaVision Academy has worked intensively to produce extensive material for the training initiative to be implemented in connection with the launch of the new technology platform for small and mid-size laboratories. The training will target both CellaVision's internal marketing staff and the company's partners.

Initiative 5: Improved supply chain

Continued simplification of the supply chain and launch preparations

CellaVision today collaborates with about 75 sub-contractors. In 2017 the company continued simplifying the current supply chain structure with the aim of tying up less capital and increasing efficiency and productivity. During the year production preparations were also started for the new technology platform for small and mid-sized laboratories, planned to be launched in 2018.

New supply chain structure for CellaVision

In 2017 CellaVision moved the final testing of products that previously took place at the company's Lund facility to the sub-contractor that is already responsible for all assembly of the company's products. This change also meant that the interim storage facility in Helsingborg could be closed.

Extensive knowledge transfer

The simplification of CellaVision's supply chain requires an even more developed partnership with the company's sub-contractor on the assembly side and extensive knowledge transfer. In 2017 CellaVision carefully reviewed the quality system and administration to ensure that all central documents, such as instructions and procedures, are updated for the new workflow and that knowledge transfer to sub-contractors has been structured and effective. It is essential that suppliers have access to correct information and training so that they can deliver the high level of quality required by CellaVision. During the year CellaVision also outsourced spare parts manufacture to one of the company's suppliers.

Focus on cost

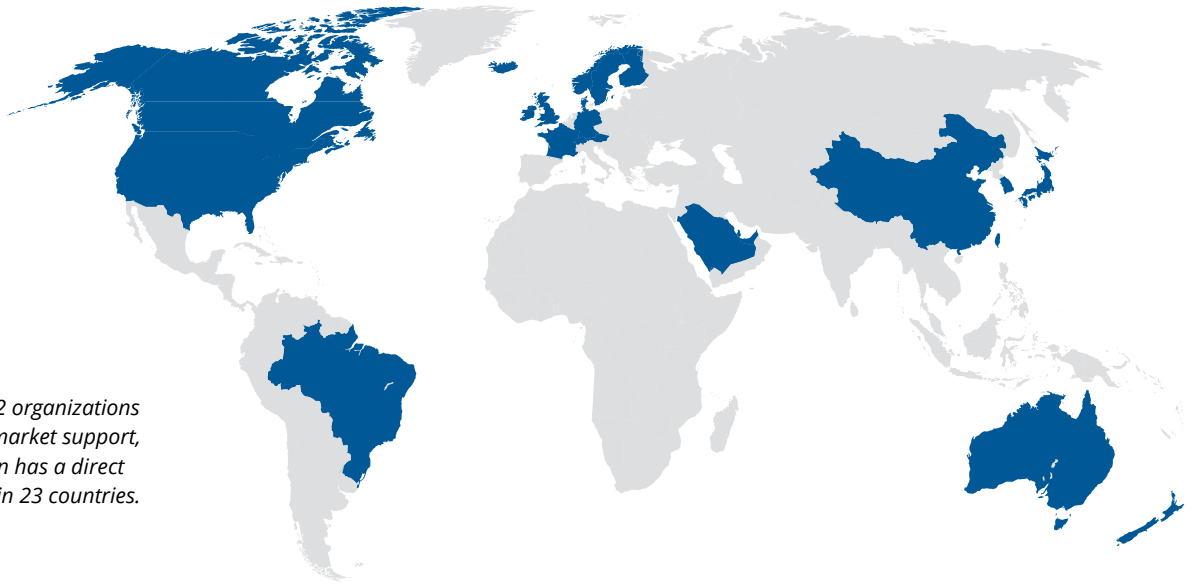
CellaVision works continually to reduce manufacturing costs for the company's products by finding exactly the right partner and by implementing regular efficiency improvements to achieve as low a total price as possible. This work includes in-depth partnership with important suppliers. The partnership includes implementing a Lean program with cost gains that benefit both parties. Other important areas for reducing manufacturing costs are the choices of components and materials.

Preparations for production of the new technology platform

In 2018 CellaVision will launch the new technology platform for small and mid-size laboratories. The preparations for this new production line started in 2017 to ensure a successful introduction of the new product.

Market

In 2017 CellaVision's sales growth was 17 percent. The positive development is above all a result of CellaVision's sound partnership with leading suppliers of cell counters for large laboratories and the continued efforts to establish our own organizations for local market support in interesting markets. In 2017 CellaVision also worked intensively on market preparations ahead of the launch of the new technology platform planned for the later half of 2018.



With its 12 organizations for local market support, CellaVision has a direct presence in 23 countries.

Development by market area

In 2017 CellaVision experienced positive development in the Americas and APAC, with growth of 24 and 27 percent respectively, while development in EMEA was somewhat weaker, -2 percent. The work of strengthening our own presence in important markets continued during the year, with establishment of local organizations for market support in the German-speaking part of Europe, in the United Kingdom/Ireland and in Brazil. At the close of 2017 CellaVision had 12 local organizations for market support, giving the company a direct presence in 23 countries. CellaVision is planning for more establishments in 2018.

The e-learning platform, CellaVision Academy, is also an important instrument for strengthening collaboration with the company's distribution partners and end customers. The platform is constantly developing and in 2017 a training module for preparation of blood smears was introduced.

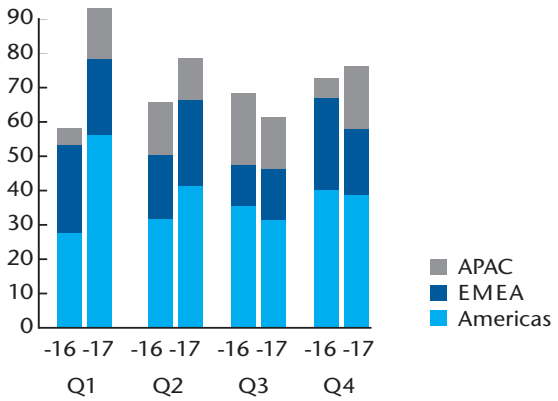
Launch preparations

As part of the launch of the new technology platform for small and mid-sized human healthcare and veterinary laboratories, CellaVision signed a global distribution agreement with Boule Diagnostics, which will be an important partner for reaching these segments.

Continued marketing to the veterinary market

CellaVision is continuing its long-term marketing activities in the veterinary market. In 2017 a distribution agreement was signed for this product segment with Sysmex in the Americas. The agreement strengthens CellaVision's presence in the North American veterinary market. CellaVision has also signed a similar agreement with SemaCare for sales in the veterinary market in Oceania. In the first quarter of 2017 CellaVision received its first veterinary order outside the Americas, from NMBU (the Norwegian University of Life Sciences).

Sales per quarter and by region 2016-2017, SEK million



Americas

Sales: SEK 167 million (135)
Growth: 24 %
Share of Group sales: 54 %

The Americas reported strong growth in 2017. Sales increased by 24 percent to SEK 167.3 million (134.5). The strong growth is from continuing good penetration of the USA and Canada markets and to a lesser extent from the emerging replacement market.

CellaVision's strategy delivers

In 2016 a clear strategy was implemented for mature markets, in which CellaVision, along with its distribution partners, has a clear structure and a high level of ambition in addressing the areas of the USA and Canada where the company's penetration is relatively low. The positive development in 2017 is largely the result of this strategy. During the year, CellaVision and its distribution partners provided training to end users to optimize their work and introduce new software and applications.

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

In 2017 CellaVision established a local organization for market support based in São Paulo. Brazil is assessed to be a relatively immature market where long-term work will be required to achieve substantial sales volumes, but bearing in mind the size of the country and its considerable investments in healthcare (corresponding to 8.5 percent of GDP in 2011) Brazil has long-term potential as a significant market for CellaVision.

Long-term investment in the veterinary market

In 2015 CellaVision's sales to the veterinary market in the USA were considerable. Though this was not repeated in 2016 or 2017, the company continues to see good opportunities to establish good sales in the long term in this market segment. In 2017 CellaVision therefore signed an agreement with Sysmex Americas for sales in the veterinary area. The agreement applies to both South and North America, but most future sales are expected to be in the USA and Canada.

EMEA

Sales: SEK 82 million (83)
Growth: -2 %
Share of Group sales: 26 %

EMEA's performance was weak in 2017. Total net sales were SEK 81.8 million (83.3). In 2016 and 2017 CellaVision established several organizations for local market support in EMEA and assesses that these investments will mean stronger growth in coming years, above all through better penetration of the markets in Western Europe.

Clear strategy and high level of activity

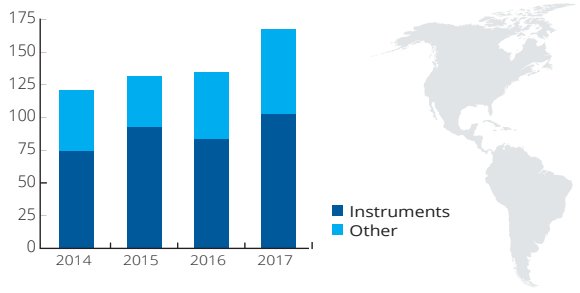
CellaVision's goal is to improve penetration in a number of large markets with good growth potential, in particular Germany, France, Italy, the United Kingdom and Spain, by continuing the structured working method implemented in 2016. The activity level was high throughout the year, with several training opportunities, presentations and demonstrations around Europe and the Middle East, as well as participation in trade fairs and congresses.

Geographical expansion

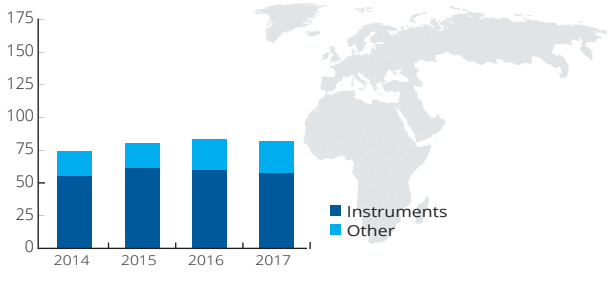
CellaVision's strategy is to establish a direct presence in the form of local organizations for market support in countries with a substantial hematology market. A local presence makes it possible to successfully implement the structured penetration strategy the company strives for. In 2016 CellaVision established an organization for local market support in France, which delivered very good results in 2017. France is still thought to have great growth potential and collaboration with local distributors was lifted to an entirely new level during the year.

In 2017 CellaVision continued its geographical expansion through establishing its own organizations similar to those in France in the German-speaking countries of Europe and in the United Kingdom/Ireland. Both market areas are regarded as very interesting. Now that CellaVision has staff in place that can train and support both distributors and customers, the outlook for these markets is considered to be very good.

Americas: Sales 2014-2017, MSEK



EMEA: Sales 2014-2017, MSEK



APAC

Sales: SEK 60 million (47)
Growth: 27 %
Share of Group sales: 20 %

2017 was another year of strong growth for APAC. Sales increased by 27 percent to SEK 60.3 million (47.3), which means that in 2017 the region accounted for 20 percent of CellaVision's total sales. The sound growth is a result of positive development in several of the region's markets, not least China and Japan.

Strong development in established markets

China continues to be CellaVision's largest market in APAC. The trend remained strong in 2017 and CellaVision continues to strengthen its organization for local market support in the country. In 2017 this meant that the organization was also established in the southern part of the country. Japan also experienced a strong 2017. CellaVision has worked with determination in this important market and through regular meetings with the distributors' sales organizations over time has built good relations. For 2017 this means a new sales record in Japan.

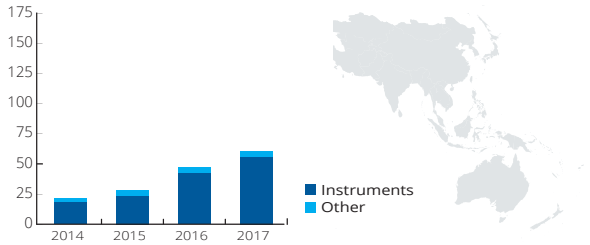
High level of activity in Australia

In 2016 CellaVision established an organization for local market support in Australia. In 2017 the activity level was very high and sales are growing rapidly from the previously low levels. Australia has good prospects of continued growth at a good rate in coming years. Given the long distances in Australia, the new technology platform for small and mid-size laboratories and the CellaVision Remote Review software that makes it possible to examine the samples electronically via networks, will be strong drivers for growth.

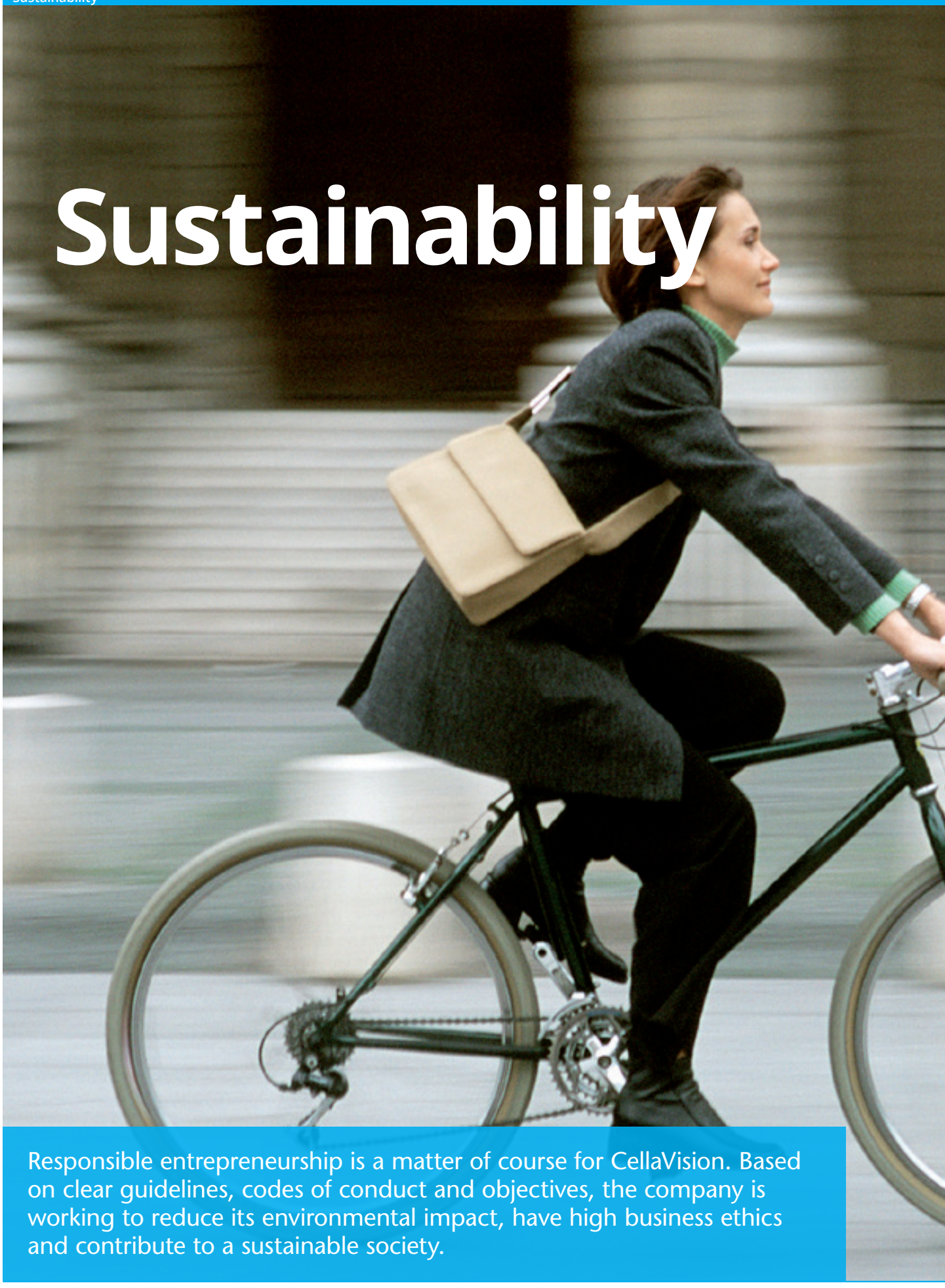
South Korea

In 2016 CellaVision established an organization for local market support in South Korea. In 2017 this organization worked intensively to create interest and build confidence in CellaVision's solutions. Much progress has been made, including a substantial order to CellaVision from the Samsung Medical Center in Seoul, but much work still remains to be done to establish CellaVision in this market.

APAC: Sales 2014-2017, MSEK



Sustainability



Responsible entrepreneurship is a matter of course for CellaVision. Based on clear guidelines, codes of conduct and objectives, the company is working to reduce its environmental impact, have high business ethics and contribute to a sustainable society.

CellaVision has its head office in Sweden and local organizations for market support in a total of 12 countries, which gives the company a local presence in 23 countries. Manufacture and sale of products is in collaboration with selected, globally established partners and CellaVision continually follows up their work and policies as regards central sustainability issues.

DEVELOPMENT IN 2017

During the year CellaVision continued to develop the company towards more sustainable enterprise as regards environmental responsibility and social impact, for example by carrying out logistical changes that have reduced the company's carbon dioxide emissions. CellaVision's ambition is to ensure that the business is run responsibly, with continual improvements in sustainability work.

Business ethics and culture

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

CellaVision's core values

Customer in focus

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

Initiative and responsibility

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

Simplicity and quality

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

CellaVision conducts active and goal-oriented environmental work in selecting suppliers and resource consumption in product development.

Planet

The ISO 14001 Environmental Standard forms the foundation of CellaVision's environmental work

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. Consequently, for selecting suppliers and using resources in product development CellaVision's environmental work is active and objectives-driven. The company does not conduct activities that are subject to reporting under the Environmental Code.

Important advances to reduce environmental impact

In 2017 several environmental objectives were set for CellaVision in Lund, aimed at continuing to measure and reduce the company's environmental impact. In accordance with the environmental objective, in 2017 CellaVision simplified the structure of its supply chain. The change means that CellaVision's products are shipped directly from our third-party manufacturers to customers, which has led to a reduction in transport.

CellaVision has also initiated a project with a view to only send digital manuals to our customers in regions where the legislation allows this. In the summer a follow-up audit was conducted, adapted to the phase in the certification cycle, aimed at evaluating the management system's conformity with the requirements of the standard and its effectiveness in achieving its objectives. The audit was also intended to identify areas of improvement for the company's management system.

The audit resulted in one minor non-conformance and two improvement opportunities. The identified non-conformance has since been corrected and approved by the audit leader, who recommends that the certificate be sustained. The audit leader stated that the company's environmental management system is well adapted to the business and its changes and is able to respond to and manage relevant requirements and expected results.

Manufacturing with our selected partner

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

Logistics

CellaVision's ambition is to transport its products in as environmentally friendly way as possible. For shipments to customers in the Americas and APAC, this means that as far as possible CellaVision uses sea transport. Air transport is only used in cases where the customer so requires. In 2017, 23 percent of shipments were by sea and land, while 77 percent were by air.

Climate compensation for carbon emissions

Carbon emissions caused by CellaVision's operations are mainly due to business trips by air. To compensate for these emissions, CellaVision decided, 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. The CDM project that CellaVision again decided to invest in is also eligible for the environmental movement's "Gold standard", which means that the project contributes to sustainable development in a wider perspective. In 2017 CellaVision's management made a standing resolution to climate compensate annually for the amount of emissions reported.

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

In the 2017 employee survey, 97% of the employees agreed in the statement that "All in all, I would say that CellaVision is a very good workplace".

People

Strong corporate culture with competent and committed employees

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 our employees in their daily work. Together with objectives, vision and guidelines they constitute CellaVision's corporate culture and form the basis of how work is carried out, the quality delivered and open and respectful treatment of customers, partners, investors and employees.

Responsible employer

CellaVision has a decentralized and flexible organizational structure, characterized by competence, entrepreneurship, management by objectives and short decision lines. As an employer CellaVision wants to offer a secure, stimulating and fulfilling workplace with opportunities for all employees to contribute their skills and commitment to the company's continued development. CellaVision believes that an even gender distribution enhances competence and creates a dynamic in working groups, which is positive both for the work climate and for the company's long-term competitiveness. When recruiting, one of the company's ambitions is to meet as many women as men. Of a total of 18 new employees during the year, nine were women and nine men. At year-end the total number of women was 32 (28), equivalent to 32 (32) percent of the workforce. The total number of employees at year-end was 99 (85). Staff turnover during the year was 5.9 percent (8) and sickness absence of 1–13 days was 1.6 percent (1.2). In 2017 CellaVision globally had no reported incidents and no reported accidents.

Annual performance reviews and employee surveys

All employees have annual performance reviews and target discussions with their immediate manager. These reviews follow up and evaluate previous targets and new individual targets are set with a clear link to the overall objectives of the business. Individual development plans are linked to the targets to ensure continual competency development. The employees' perception of CellaVision as a workplace has been followed up both with an annual employee survey and eNPS measurements (employee Net Promoter Score). In the 2017 eNPS measurements CellaVision's scores were very high and in the annual employee survey the average global result was 4.56 on a five-point scale for the statement "All in all, I would say that CellaVision is a very good workplace". The employee survey and eNPS, together with performance reviews, form the basis of how CellaVision is to work to retain and improve employees' well-being, performance and commitment.

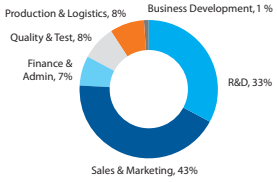
Continued geographical expansion and organization development

CellaVision continued its geographical expansion during the year with local organizations for market support in the company's key regions. During the year a total of three new organizations for market support were established in Brazil, Germany (for the German-speaking part of Europe), and in the United Kingdom/Ireland. Apart from this, the market support organization in China was augmented. In other respects, the number of employees increased in the research and development organization and the market organization was strengthened by establishing a Scientific and Medical Affairs Manager to drive innovation and product development forward to meet future market requirements and needs.

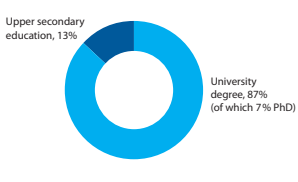
Social commitment

CellaVision's social commitment focuses on the core areas of education, young people and entrepreneurship. For the past eight years CellaVision has supported the charitable organization Hand in Hand instead of giving Christmas presents to partners and customers. Hand in Hand creates jobs for the poorest by educating women, so that they can start companies and thereby work themselves out of poverty under their own power. In 2017 the company's contribution was to the "Jobs for Change" project in Kajiado, Kenya. Find out more about the activities of Hand in Hand at: www.handinhand.nu. For the third 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 also sponsors the H43 handball club youth activities and in 2017 the CellaVision Cup was played. About 130 children participated in 16 teams and, including parents and grandparents, the event attracted about 400 – 500 people. All the children who took part were winners that day and received a CellaVision medal.

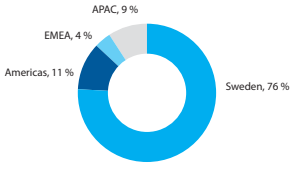
Employees per area of responsibility



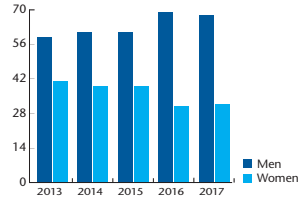
Employees´ level of education



Employees per country



Distribution of men and women, %



CellaVision's solutions contribute to the community by providing more patients with faster care at lower healthcare costs.

Product

Solutions for faster healthcare, lower costs, reduced environmental impact

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.

For 2017, one of the company's continued goals was to find alternatives for conducting a life-cycle analysis to obtain an overall picture of the total extent of environmental impact over the lifecycles of our products. Continued discussions have been held with external suppliers but no decision has yet been made to carry out this analysis.

Quality

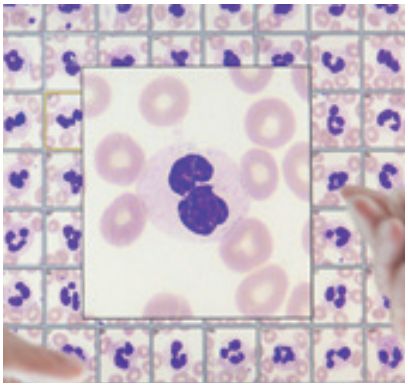
CellaVision develops medical equipment in a highly regulated environment. The company is certified under the quality standard ISO 13485 and complies with the requirements of international legislation and product safety standards, such as IEC standards, the European Directive on in vitro diagnostics (IVD), 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 quality inspection by the FDA was conducted in November 2016 and did not lead to any observations by the Administration.

Work environment

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

Environment

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



The CellaVision share

Share price at beginning of the year, SEK

86.00

Share price at yearend, SEK

143.75

Increase in value during the year, %

67%

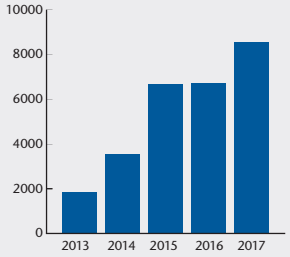
Market capitalization at year-end, SEK

3,429

Proposed dividend SEK

1.50

No. of shareholders, 2013-2017



Owner structure

Listing

CellaVision's share is listed on Nasdaq Stockholm, Small Cap since May 2010 and as of 2018 on Mid Cap.

CellaVision share

Ticker: CEVI
Sector: Health Care
ISIN code: SE0000683484

CellaVision's share was listed on Nasdaq Stockholm, Small Cap list from May 2010 to December 2017. In January 2017, the CellaVision share was moved up to Mid Cap. The company's market capitalization at the end of 2017 amounted to SEK 3,429 million and the number of shareholders were 8,558. The Board proposes a dividend of SEK 1.50 per share to the 2018 Annual General Meeting in May 2018.

Share structure

Share capital in CellaVision AB at the close of 2017 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.

Price trend and share trading

The price of the CellaVision share increased during the year by 67 percent, from SEK 86.00 at the start of the year to SEK 143,75 at year-end. In the same period the index increased by 9.7 percent (Nasdaq Stockholm PI). The highest price paid during the year was SEK 186.50 (June 9, 2017), and the lowest was SEK 85.00 (January 2, 2017). The company's market value at year-end was SEK 3,428,660 million (2,051).

In 2017 a total of 22.5 million shares (20.7) were traded for a value of SEK 3,243 million (1,338).

Ownership structure

The number of shareholders at year-end was 8,558, (6,720), which is an increase of just over 21 percent during the year. Of these, no shareholder has direct or indirect holdings that represent more than ten percent of the votes. The ten largest shareholders controlled 47.7 percent of the company's shares on the balance sheet date. Swedish ownership was 63.5 percent of the votes. The total Swedish institutional ownership was 37.3 percent. The Board of Directors and the management together owned, privately and through companies, about 10.9 percent of the shares.

Dividend

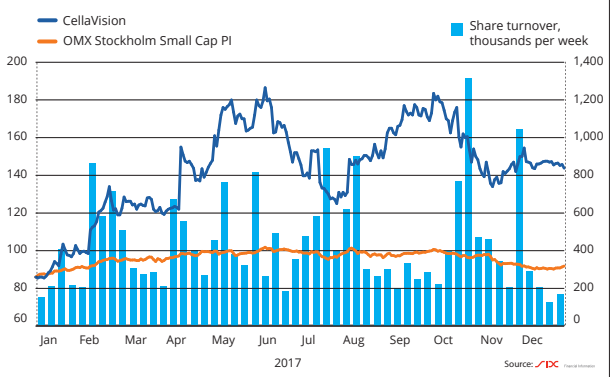
In 2017 a dividend of SEK 1.50 per share was paid. The Board of Directors proposes to the 2018 Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2017, which corresponds to 51% of the net profit.

Moreover, the 2017 Annual General Meeting adopted a policy that dividend shall correspond to 30 to 50 percent of net earnings, but always take into account the company's capital structure, acquisition requirements and long-term financing requirements.

Analyses

During the year analyses of CellaVision have been carried out by ABG Sundal Collier (Sten.Gustafsson@abgsc.se).

Share performance and turnover 2017



CellaVisions largest 10 owners per 31/12/2017

Shareholders	Shares	Owner-ship, %
Christer Fåhraeus with companies	2,313,600	9.7
Swedbank Robur fonder	2,062,368	8.6
SSB CLIENT OMNIBUS	1,908,123	8.0
Fosielund holding AB	1,000,000	4.2
Försäkringsbolaget Skandia	967,776	4.1
Grenspecialisten Förvaltning AB	946,360	4.0
Försäkringsbolaget Avanza pension	726,748	3.0
CLIENTS ACCOUNT -DCS	497,824	2.1
CLEARSTREAM BANKING S.A., W8IMY	476,702	2.0
STATE STREET BANK & TRUST COM	468,402	2.0
Other		
Total	**23,851,547**	**100**

Owner structure 31/12/2017

Size	Number of shares	%
1–500	6,610	77.2
501–1,000	920	10.8
1,001–5,000	744	8.7
5,001–10,000	108	1.3
10,001–15,000	40	0.5
15,001– 20,000	24	0.3
20,001-	112	1.3
Total	**8,558**	**100**

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.

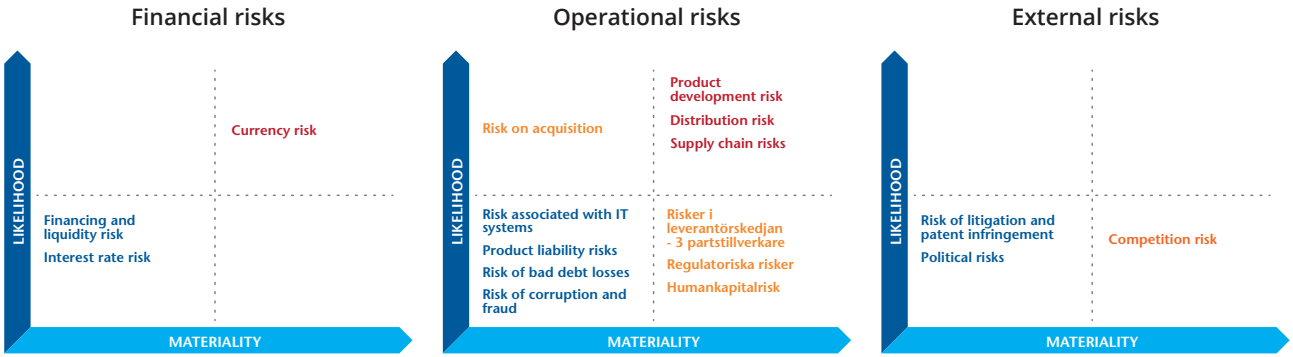
A good example of this is the currency risk that CellaVision is exposed to. Favorable development of the currencies that CellaVision trades in, primarily USD and EUR, impacts sales and earnings positively. Conversely, negative development of the currencies has a dampening effect on the company's financial 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. At present CellaVision sells in 23 countries and has its own organizations for local market support in 12 countries.

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

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

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



Financial risks

Currency risk	Counteracting factors
Exchange rate fluctuations may have a negative impact on the Company's earnings when income from sales and costs of production and purchasing are in different currencies (transaction risk). There may also be a negative impact on the Company's earnings on translation of foreign subsidiaries' earnings to SEK and on the Company's equity when foreign subsidiaries' net assets are translated into SEK (translation risk).	The Company's financial policy, adopted by the Board, includes guidelines for dealing with financial risks in the Company. The transaction risk is limited in the short term in that the Company applies forward cover to currency flows. The translation risks are limited by the fact that the subsidiaries' balance sheet totals are not significant.

Interest rate risk	Counteracting factors
Interest rate risk refers to how changes in market interest rates impact cash flow and earnings as well as the value of financial instruments.	Interest rate risk is low since at present the Company does not have any loans.

Financing and liquidity risk	Counteracting factors
Financing risk refers to the risk that refinancing of loans due will be more difficult and that the Company has insufficient liquidity to meet its payment obligations.	The financing risk is low at present, since the Company has good liquidity and no loans.

Operational risks

Product development risk	Counteracting factors
CellaVision's sustained earnings and competitiveness depends on the ability to develop new and innovative products and solutions for which there is demand from customers.	Investments in product development in accordance with the Company's strategy. Regular monitoring of HW and SW roadmaps.

Technical risk	Counteracting factors
Through improved machine learning applications, artificial intelligence (AI) has undergone rapid development in recent years and advanced algorithms are generally available.	In recent years the Company has accumulated skills in the latest machine learning applications and these are used as a natural part of development work.

Distribution risk	Counteracting factors
CellaVision sells via distributors and is dependent in the long term on the distributors' ability to sell the Company's products.	Development of an indirect sales model in accordance with the Company's strategy.

Supply chain risks	Counteracting factors
The Company is dependent on the effectiveness and quality of third party manufacturers for production of analyzers and spare parts. Production of analyzers and spare parts is dependent on access to critical components.	CellaVision has considerable knowledge of production and quality control of the Company's products, which reduces dependency on third-party manufacturers. CellaVision monitors availability of critical components in general and of LTB in particular.

Human capital risk	Counteracting factors
CellaVision is dependent on access to competent engineers to ensure innovation and technological leadership in products and services.	CellaVision offers commercial terms and works with "employer branding". The Company forges links with higher education institutions and students for participation in project work.

Regulatory risks	Counteracting factors
Approval is required for sales in each respective market. The approval may be withdrawn if the Company does not meet applicable quality requirements. Delays in approval of new products entail income losses.	The Company regularly evaluates the resources available to maintain quality requirements and effectiveness in "regulatory affairs".

Risk of bad debt losses	Counteracting factors
Credit losses have a negative impact on the Company's earning capacity.	Credit risk is minimized in that the Company has a small number of large customers with long-term business relations. The business model is simple and the products maintain good quality, which minimizes the risk of disputes.

Risk of corruption and fraud	Counteracting factors
The Company may suffer financial loss and reputational damage if employees act unethically.	The Company communicates internal rules clearly to all employees to prevent corruption and fraud. The "Code of conduct" is signed annually by all employees and new recruits

Risk on acquisition	Counteracting factors
Acquisitions may entail unforeseen costs and increased business risk.	The Company has developed procedures for analysis, implementation, monitoring and integration of acquisitions, including due diligence. Procedures for acquisition are under development.

Risk associated with IT systems	Counteracting factors
CellaVision has identified three areas of risk associated with IT systems:	
Operational security – availability of IT systems and data	Operation of the central IT environment is outsourced to a third-party supplier that ensures high operational security and data security.
Data security – risk of loss of data	CellaVision has procedures for data access and authorizations that ensure compliance with data integrity requirements.
Protection from breaches – by employees and external parties	Development of a risk matrix for the IT area is in progress.

Product liability risks	Counteracting factors
CellaVision can incur costs for rectifying faults in products supplied. Claims for damages may arise if the company's products do not meet applicable quality requirements.	CellaVision limits product liability risks by following procedures for quality assurance and by carrying out extensive tests of the Company's products.

External risks

Competition risk	Counteracting factors
CellaVision holds a dominant position in the market for digital image processing in hematology. The main competition is still from the manual microscope. CellaVision's earning capacity may decrease if the company is exposed to competition in the field of digital image analysis.	CellaVision invests in product development to meet customers' needs for new innovative products and technical solutions. This is one of the most important conditions for the Company's future competitiveness.

Risk of litigation and patent infringement	Counteracting factors
This risk applies to the costs the Company may incur as a consequence of bringing legal action, costs in connection with settlement and costs for damages awarded.	Existing patents are monitored in connection with product development to avoid involuntary patent infringement.

Political risks	Counteracting factors
Political decisions can affect demand both positively and negatively.	CellaVision is mainly active in countries where the risk of political decisions that drastically change market conditions is assessed to be relatively low.

Administration report

The Board of Directors and the President of CellaVision AB (publ), corporate identity number 556500- 0998, hereby submit the annual accounts and consolidated accounts for the financial year January 1, 2017 to December 31, 2017. Figures in parentheses refer to the previous year. All amounts are in millions of Swedish kronor (SEKm) unless otherwise stated. The corporate governance report is part of the administration report.

Activities

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

Sales

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

Product development

CellaVision is continually conducting development projects in the morphology field to strengthen its customer offer. The company primarily uses its internal resources to develop, but the strategy also includes development through cooperation with partners. In 2017 focus lay on completing the development of a new product for small and mid-size laboratories. The company expects the new product to reach the market in late 2018.

Patents

CellaVision's innovations are protected by 23 (24) patented inventions, which at the close of the year had generated 59 (58) national patents. The oldest patent expires in 2018 and the most recent in 2035. The patent expiring in 2018 refers to a patent in a product that is no longer applicable to CellaVision. Most of the company's patents are in the technology fields of image analysis and precision mechanics.

Product supply and manufacture

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

Legal structure

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

Employees

The number of employees of the Group, restated as full-time positions, was 99 (85) at the year-end. Of these, 67 (57) were men and 32 (28) women. For more information, see the section "People" in the sustainability section on page 25.

Competition

In the healthcare sector manual microscopy is the most common method for blood and body fluid analysis. The market for digital microscopy is continually growing. Commercial competition is limited to a few products and companies.

Environment

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

Significant events during the year

- In a press release, CellaVision informed the market of preliminary figures for the first quarter in view of the company's substantial sales increase of at least 60% compared with the same period in 2016.
- CellaVision's Annual General Meeting re-elected Sören Mellstig as Chair of the Board of Directors and the Christer Fåhraeus, Åsa Hedin, Roger Johanson, Torbjörn Kronander, Anna Malm Bernsten and Niklas Prager as Board Members.
- Establishment of organizations for market support in the German-speaking part of Europe, the United Kingdom/Ireland and Brazil.
- The US regulatory authority FDA gave clearance to CellaVision® Advanced RBC Application, making the product commercially available in the USA.
- Distribution agreement with Sysmex for the veterinary market in the Americas.
- Distribution agreement with BioSpecifix for distribution in Australia.
- Distribution agreement with Boule Diagnostics ahead of the 2018 launch of the product for small and mid-size laboratories

The Group's financial development

Fluctuations in sales

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

Sales, performance and investments

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

Net sales for the Group increased in 2017 to MSEK 309.3 (265.0), an organic increase of 16 percent compared with the previous year, taking into account the negative impact of the currency effect of 1 percent on revenue in 2017. The gross margin was 72 percent (71) for the year. The Group's operating profit for the year rose to SEK 90.9 million (74.2). Total operating expenses for the year increased to SEK 132.3 million (114.8). Total cash flow for the year was SEK 22.4 million (24.7).

The expences of research and development were SEK 52.8 million (41.5), equivalent to 17 percent (16) of sales. Capitalized expenditure for development projects during the year was SEK 26.0 million (12.3), which corresponds to 8 percent (5) of the sales. Investments in property, plant and equipment amounted to SEK 3.1 million (1.9).

Sales development in geographical markets

In the Americas sales were SEK 167.3 million (134.5), corresponding to an increase of 24 percent in Swedish kronor and an increase of 23 percent in local currencies. Sales in EMEA were SEK 81.8 million (83.3), corresponding to a decrease of 2 percent in Swedish kronor and 3 percent in local currencies. Sales in Asia and the Pacific increased to SEK 60.3 million (47.2), corresponding to an increase of 27 percent in Swedish kronor and 25 percent in local currencies.

Liquidity and cash flow

The funds at the disposal of the Group at the end of the year were SEK 154.5 million (132.5). The year's cash flow from operating activities was SEK 87.9 million (75.5). Total cash flow for the year was SEK 22.4 million (24.7).

Parent company

Parent company sales during the year were SEK 303.0 million (254.4). The pre-tax profit was SEK 64.4 million (58.9). The parent company's investments in property, plant and equipment during the year amounted to SEK 3.0 million (1.1) and the cash flow was SEK 22.1 million (24.9). In other respects, please refer to the information for the Group.

Risks and risk management

External risks such as changes in exchange rates and reduced demand due to increased competition or deterioration in the investment climate constitute factors of uncertainty but not material risks to CellaVision's operations. CellaVision is exposed to exchange rate fluctuations through its international operations and structure. The exposure mainly arises through costs in Swedish kronor against income in US dollars and euros. In the short term the effect of currency movements is dampened by forward cover. For a more detailed description of the operational, financial and external risks and uncertainties facing CellaVision, please refer to the risk analysis in Note 2.

Outlook for 2018

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

Proposed distribution of profit

The Board of Directors proposes to the 2018 Annual General Meeting that a dividend of SEK 1.50 per share for 2017, which corresponds to 51% of net profit.

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

Statement by the Board of Directors concerning the proposed dividend

Appropriation of profits (SEK)	
The following profits are at the disposal of the Annual General Meeting:	
Profit brought forward	127,274,180
Net profit/loss for the year	50,116,310
Total	**177,390,490**

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

Five year summary

Income statement

Amounts in SEK thousands	2017	2016	2015	2014	2013
Revenues	309,312	265,038	239,390	216,916	179,851
Cost of goods sold	-86,092	-76,102	-65,157	-71,814	-67,225
Gross profit	**223,220**	**188,936**	**174,233**	**145,102**	**112,626**
Selling expenses	-69,977	-56,859	-47,851	-42,691	-39,344
Administrative expenses	-35,565	-28,670	-33,788	-36,833	-26,653
Research and development costs	-26,786	-29,239	-27,124	-22,765	-20,683
Other operating income	0	0	0	0	0
Other operating expenses	0	0	0	0	0
Operating profit/loss	**90,892**	**74,168**	**65,470**	**42,813**	**25,946**
Profit/loss from financial items	-549	1,607	83	556	-1,256
Tax	-20,620	-15,975	-12,731	-11,904	-5,758
Net profit/loss for the year	**69,723**	**59,800**	**52,822**	**31,465**	**18,932**

Balance sheet

Amounts in SEK thousands					
Assets					
Intangible assets	53,731	34,724	29,400	27,224	26,466
Property, plant and equipment	4,814	3,270	2,652	3,203	3,195
Non-current financial assets	2,617	2,025	1,195	208	83
Deferred tax assets	0	0	9,902	22,507	33,078
Current assets	239,435	216,426	177,279	149,107	125,751
Total assets	**300,597**	**256,445**	**220,428**	**202,249**	**188,573**
Equity and liabilities					
Shareholders' equity	240,851	206,175	183,518	151,296	132,516
Non-current liabilities and other provisions	8,620	1,251	0	0	0
Current liabilities and current provisions	51,126	49,019	36,910	50,953	56,057
Total equity and liabilities	**300,597**	**256,445**	**220,428**	**202,249**	**188,573**

Key ratios

Equity, SEK '000	240,851	206,175	183,518	151,296	132,516
Operating Capital, SEK '000	83,688	71,696	65,727	76,676	61,451
Liabilities to credit institutions, SEK '000	0	0	0	0	19,978
Net investments, SEK '000	29,101	13,960	9,411	13,471	11,793
Cash flow for the year, SEK '000	22,428	24,710	54,790	-5,977	11,646
Net debt/equity ratio	-0.64	-0.64	-0.58	-0.34	-0.29
Equity-assets ratio, %	80	80	83	75	70
Return on equity, %	31	31	32	22	15
Return on operating capital, %	117	108	92	62	45
Average number of employees	92	79	73	68	67
Number of employees at close of period	99	84	73	72	69

Data per share

Net result before and after dilution, SEK	2.92	2.51	2.22	1.32	0.79
Equity before dilution, SEK	10.10	8.64	7.69	6.34	5.56
Equity after dilution, SEK	10.10	8.64	7.69	6.34	5.56
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

CellaVision's good performance in the past five years is mainly a result of the company's five strategic initiatives. In the past five-year period CellaVision's sales increased from SEK 180 million to SEK 309 million, corresponding to annual organic growth of 14 percent. In the same period the operating profit grew from SEK 26 million to SEK 91 million, corresponding to an operating margin of 14.4 percent in 2013 and 29.4 percent in 2017. 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 67 people in 2013 to 92 in 2017.

Geographical expansion
During the period CellaVision expanded its organization of own sales companies and market offices from four to twelwe. The number of countries where the company has a presence of its own has thereby grown to 23. Establishing new organizations for market support requires limited investments. For a new establishment CellaVision usually starts with one or two employees, increasing the number of employees over time and as sales grow. CellaVision now has its own legal entities in Japan, Canada and the USA. Administration for other markets is via Business Sweden, which is a cost-effective solution.

Segment expansion
The first market segment CellaVision started to address was large human healthcare laboratories and this is a market that continues to offer sound growth opportunities. 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. CellaVision is also planning for expansion to small and mid-size laboratories in both human healthcare and veterinary market.

Innovation.
Innovation is one of CellaVision's absolute core activities and one in which CellaVision continually makes significant investments. In 2013 SEK 30.9 million was invested in the company's innovation activities and in 2017 the corresponding figure was SEK 52.8 million. As a percentage of sales this is equivalent to a constant of 17 percent. The number of employees in innovation activities increased in the period from 30 to 40. 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 partners' sales organizations, making the company's sales very cost effective. The number of partners increased during the period from five in 2013 to seven in 2017. To create an effective way to train its partners throughout the world in CellaVision's digital analysis method the CellaVision Academy was launched in 2015. The CellaVision Academy largely consists of different e-learning modules, but also includes traditional training and is aimed at both partners and end users.

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

Corporate Governance

CellaVision is a Swedish public limited liability company with its registered office in Lund. Apart from the parent company, the Group consists of four wholly-owned subsidiaries in Sweden, the USA, Canada and Japan, as well as offices for local market support in the USA, Canada, Brazil, China, Japan, South Korea, Australia, Sweden, United Arab Emirates, France, Germany and the United Kingdom. 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 2016.

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, 2017 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 8,558 (6,720) shareholders on the closing date. Of these, no shareholder has direct or indirect holdings constituting more than ten percent of the votes and capital. No shares are held by the company itself. For further information about the CellaVision share and shareholders please refer to pages 28-29 and CellaVision's website.

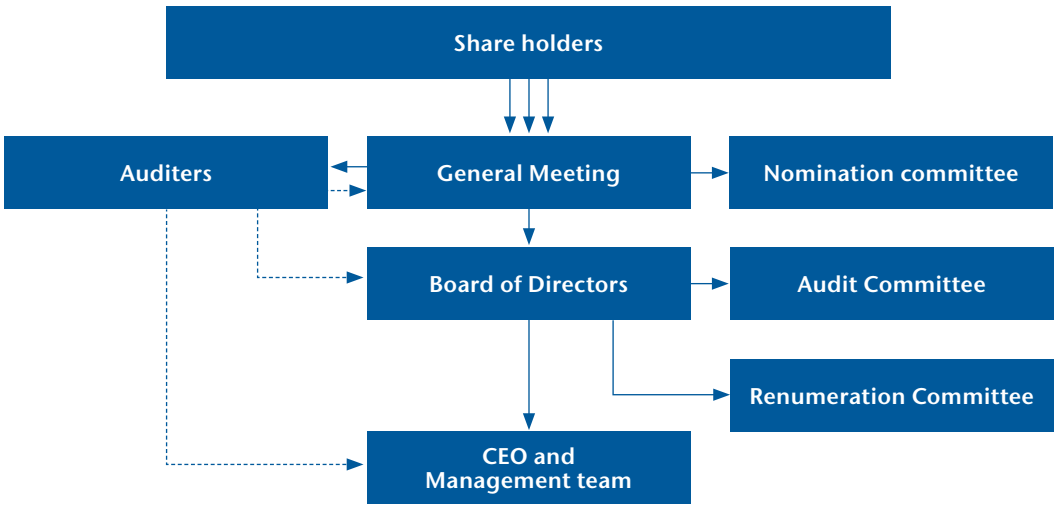
Articles of Association

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

General Meeting of Shareholders

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

Overall governace structure for CellaVision



the register of shareholders at least five business days before the Meeting and notify the intention to attend to the company at the latest on the date specified in the notice to attend.

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

Annual General Meeting 2017

- CellaVision's Annual General Meeting was held on Wednesday, May 5, 2017 at CellaVision's address, Mobilvägen 12 in Lund. The Meeting was attended by 44 (45) shareholders, in person or through representatives. They represented about 31.5 (21) 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 2016 financial year.
- Discharge from liability of the members of the Board of Directors and the President.
- Re-election of Christer Fåhraeus, Åsa Hedin, Roger Johanson, Torbjörn Kronander, Anna Malm Bernsten, Sören Mellstig and Niklas Prager 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 29 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.
- Dividend policy was adopted.

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

Nomination Committee

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

Nomination Committee for the 2018 Annual General Meeting

In accordance with a resolution of the 2017 Annual General Meeting, CellaVision's Nomination Committee ahead of the 2018 Annual General Meeting shall consist of one representative of each of the four largest shareholders in terms of voting rights at the end of September 2017, and by the Chairman of the Board, Sören Mellstig, as deputy. The composition of the Nomination Committee was announced on October 26 in connection with the interim report for January-September 2017. 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 2018 Annual General Meeting was Christer Fåhraeus.

In 2017 the Nomination Committee held six 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 2018 Annual General Meeting and are also available on the company's website together with an explanatory statement concerning the proposed Board of Directors.

Nomination Committee for the 2018 Annual General Meeting

Name/Represented	Voting share (31/12 2017)
Sören Mellstig, in the capacity of Board Chair	
Christer Fåhraeus (Christer Fåhraeus including companies)	9.7 %
Bo Lundgren, Swedbank Robur Fonder	8.6 %
Joel Eklund, Fosielund Holding AB	4.2 %
Caroline Sjösten, Skandia	4.1 %
Total	26.6 %

Board of Directors

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

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

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

Chair of the Board

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

The Board's Rules of Procedure

The Board of Directors adopts rules of procedure for its work annually. The current rules of procedure were adopted on May 5, 2017. 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 2017

The Board of Directors consists of seven members with no alternates. At the 2017 Annual General Meeting Christer Fåhraeus, Åsa Hedin, Roger Johanson, Torbjörn Kronander, Anna Malm Bernsten, Sören Mellstig and Niklas Prager 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 42-43.

Work of the Board in 2017

In 2017 CellaVision's Board of Directors held a total of ten minuted meetings, two of which by telephone. Four of the meetings were held in connection with the approval of the year-end bulletin and the interim reports. On occasions when any member has been prevented from attending the Chair of the Board has obtained views concerning the decision in advance. Important questions during the year included strategy, market assessments and material risks.

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

Audit Committee

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

The Audit Committee consists of three members who are all independent in relation to the company and its management as well as being independent in relation to the company's major shareholders: Sören Mellstig, Roger Johanson and Niklas Prager. Roger Johanson chairs the Committee. During the year the Committee met four times. Questions dealt with are

Attendance and renumeration to the Board in 2017

Name	Independence in relation to the company	Independence in relation to the company´s major shareholders	Audit Committee	Renumeration Committee	Board fee SEK thousands	Attendance at Board meetings
Sören Mellstig	Yes	Yes	Member	Chairman	460	10/10
Christer Fåhraeus	Yes	No			180	10/10
Roger Johanson	Yes	Yes	Chairman		220	8/10
Torbjörn Kronander	Yes	Yes		Member	200	10/10
Anna Malm Bernsten	Yes	Yes			180	10/10
Niklas Prager	Yes	Yes	Member		200	8/10
Åsa Hedin	Yes	Yes		Member	200	7/10
Total	**n/a**	**n/a**	**n/a**	**n/a**	**1,640**	**n/a**

A more detailed presentation of the members of the Board can be found on page 42 and on the company website www.cellavision.se.

Board meetings 2017

12 December
Budget & business plan

24 October
Interim report

5 September
Strategy meeting
follow-up

17 July (telco)
Interim report

6 February
Year-end bulletin
Audit report

6 April (telco)
Press release

3 May (telco)
Interim report

5 May
Board meeting
prior to AGM

5 May
Inaugural meeting

14 June
Strategy meeting

mainly internal control in the subsidiaries, risks, audit planning and governance and follow-up of operations. The company's auditor and CFO participate regularly at the Audit Committee meetings.

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

In 2017 the Remuneration Committee consisted of the following members of the Board, Sören Mellstig, Torbjörn Kronander and Åsa Hedin, who are all independent of the company and the company management. Sören Mellstig chairs the Committee. During the year the Committee has held two minuted meetings, and conducted several telephone and email contacts. In addition to guidelines and principles of remuneration to the President/CEO and other senior management during the year the Committee discussed the company's incentive program for the President/CEO, management and other staff.

President/CEO and Executive Group Management

The President/CEO is appointed by and receives instructions from the Board of Directors. CellaVision's President and Chief Executive Officer in 2017, 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 5, 2017. 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 2017
The President/CEO has appointed a management team to be responsible for various parts of CellaVision's business. In 2017 the Executive Group Management consisted of eight people besides the President/CEO:

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

All the members of the Executive Group Management were at the company's head office in Lund, Sweden. The Executive Group Management holds minuted meetings at which operative issues are discussed. The Executive Group Management draws up a business plan annually, which is adopted by the Board. A more detailed presentation of the President/CEO and the management team can be found on page 42-43. 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 2017 Annual General Meeting Deloitte was re-elected as auditor up to and including the 2018 Annual General Meeting.

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

Remuneration

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

Guidelines for remuneration to senior management in 2017
The 2017 Annual General Meeting resolved to approve the Board's proposed guidelines for remuneration to senior management of CellaVision AB as follows: The company is to offer commercially based total remuneration that enables the recruitment and retention of senior management. The remuneration to company management is to consist of fixed salary, benefits in kind, variable remuneration and pension. Fixed salary plus variable salary together constitute the individual's target salary.

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

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

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

Long-term incentive program for senior management
The Annual General Meeting held on May 5, 2016 adopted the Board's proposed incentive program for the company's senior management in 2017/19. The outcome of the program is dependent on the company's performance and sales in 2017 and 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, 2017 – December 31, 2019 is at least 15 percent annually. For maximum outcome the company's costs for the incentive program are estimated to be SEK 2.6 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, 2019. The cost for the program is accrued over three years and potential payment will be made in 2020.

The resolution means that the company, provided profitability and sales targets set by the Board at the start of 2017 have been achieved, will set aside 3 monthly salaries for the CEO, 2 monthly salaries for the VP Global Sales and 1.5 monthly salaries for other senior management participating in the incentive program in 2017.

Moreover, the company has a program from 2016 that continues to run, which is presented in the annual report for 2016. The program will close on December 31, 2018 and any payment will be made in 2019. For maximum outcome the company's costs for the program are estimated to be SEK 3.2 million (excluding social security contributions), based on participation of eight members of senior management in the program.

Staff incentive scheme
Moreover, the Board approved an incentive program for staff in 2017 that runs for the current year, January 1, 2017 to December 31, 2017. Eligible staff are those who are not senior management and who consequently are not eligible for the incentive scheme for senior management resolved by the 2017 Annual General Meeting.

The decision meant that the employee would 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 2017. To participate in the incentive program the employee must have been employed for at least six months in 2017 and be employed on December 31, 2017. The program for 2017 achieved the profitability and sales targets set up to 84.5 percent and therefore the cost to the company for the outcome of the bonus program to staff was SEK 1.7 million.

Proposed guidelines for remuneration to senior management in 2018

The Board of Directors proposes the following guidelines for remuneration to senior management in 2018, 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 2017
CellaVision works constantly to minimize risks by removing superfluous manual steps from the company's processes.

Board of Directors, Auditors and Management


Sören Mellstig
Chairman


Christer Fåhraeus
Board Member


Roger Johanson
Board Member


Torbjörn Kronander
Board Member


Anna Malm Bernsten
Board Member


Niklas Prager
Board Member


Åsa Hedin
Board Member


Zlatko Rihter
CEO


Magnus Blixt
CFO


Jeppe Bransdstrup
VP BD


Magnus Johnsson
VP Quality


Magnus Lindeberg
VP S&S


Mattias Lundin
VP G Sales


Adam Morell
VP I&E


Maria Morin
VP HR & CC


Peter Wilson
VP G Marketing

BOARD OF DIRECTORS

SÖREN MELLSTIG
Elected and Chairman of the Board since 2016
Year of birth: 1951
Other directorships: Chairman of Trelleborg AB (publ), Ellevio AB, Impilo AB and Member of the Board at Julins stiftelse. Former positions include management positions at AkzoNobel, CFO and vice VD in Incentive, CFO, business development and finally CEO and president of Gambro 2000-2006.
Education: MBA.
CellaVision shares: 42,944

CHRISTER FÅHRAEUS
Founder of CellaVision. Member of the board since 1994.
Year of birth: 1965
Other directorships: CellaVision's founder and CEO until June 1998. CEO of EQL Pharma AB. Former positions include CEO of Anoto Group AB and Flatfrog Laboratories AB. Founder of Anoto Group AB, Precise Biometrics AB, Agellis Group AB and Flatfrog Laboratories AB among others. Chairman of the Board of Longboat laboratories AB, Respiratorius AB and Flatfrog Laboratories AB and Umanense AB. Member of the Board of EQL Pharma AB, Lunds universitets innovationssystem AB, Fårö Capital AB, Reccan AB.
Education: M Sc. Bioengineering, B Sc Mathematics, Ph D (hc).
CellaVision shares:
2,316,000 (incl. companies).

ROGER JOHANSON
Elected 2011
Year of birth: 1959
Other directorships: Partner i Caram Alternative Investments AB. Former Head of Venture Capital & Direct Investments at Skandia Liv. Former positions include CEO and president at Medicarb AB and management positions at DAKO A/S and Becton Dickinson AB.
Education: M.SC Chemical Engineering.
CellaVision shares: 3,000

TORBJÖRN KRONANDER
Elected 2007
Year of birth: 1957
Other directorships: President and CEO of Sectra AB. Founder of Sectras' medical division and cofounder of the research center, CMIV (Center for Medical Image science and Visualization) in Linköping. Member of the Board in Sectra and Shannon AB. Honorary Doctor of Medicine and Member of the Board in IVA.
Education: Doctor of Technology, MBA.
CellaVision shares: 278, 000

ANNA MALM BERNSTEN
Elected 2010
Yera of birth: 1961
Other directorships: CEO of Bernsten Konsult AB. Former positions include President and CEO of Carmeda AB and management positions at Pharmacia & Upjohn and GE Healthcare Life Sciences. Chairman of the Board of Medivir AB and Björn Axén Institute AB. Member of the Board in Pågengruppen AB and Probi AB.
Education: Civilingenjör Kemi.
CellaVision Shares: –

NIKLAS PRAGER
Elected 2014
Year of birth: 1970
Other directorships: Chairman of the Board Fodi Skandinavien AB and Qbtech AB, Member of the Board BioInvent AB and Adero AB. Former positions as CEO and president of Medivir AB, Envirotainer AB, Qbtech AB and Pfizer AB.
Education: MBA.
CellaVisions shares: 8,720

ÅSA HEDIN
Elected 2015.
Year of birth: 1962.
Other directorships: Member of the Board of Nolato AB, Immunovia AB, Fingerprint AB and Tobii AB. Former leading positions at Elekta AB and Gambro.
Education: MSc Biofysics
CellaVision shares: –

AUDITOR

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

MANAGEMENT TEAM

ZLATKO RIHTER
President and CEO.
Employed in 2015
Year of birth: 1970
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.
Other directorships: Member of the Board of ETAC AB and Malmö FF.
Education: M.Sc. Mechanical Engineering, Economics.
CellaVision shares: 70,000

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
CellaVision shares: 8,000

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.
CellaVision shares: 2,500

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.
CellaVision shares: –

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

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.
CellaVision shares: 900

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,
CellaVision shares: –

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

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

Consolidated statement of comprehensive income, Group

SEK thousands	Note	2017	2016
Net sales	8	309,312	265,038
Cost of goods sold	18	-86,092	-76,102
Gross profit		223,220	188,936
Selling expenses		-69,977	-56,859
Administrative expenses		-35,565	-28,670
Research and development expenditure		-26,786	-29,239
Operating profit/loss	10, 13, 14, 15, 16, 17, 18, 24, 25	90,892	74,168
Profit/loss from financial items			
Interest income and other financial gains	21	1,859	3,663
Interest expense and other financial losses	22	-2,408	-2,056
Profit/loss before tax		90,343	75,775
Income tax	23	-20,620	-15,975
Net profit for the year		69,723	59,800
Other comprehensive income:			
Components not to be reclassified to net profit:		0	0
Components to be reclassified to net profit:			
a) Cash flow hedges			
Reclassified to operating profit		3,240	-249
Revaluation of financial assets		-751	-2,721
Tax effect on cash flow hedges		-549	653
b) Translation differences			
Exchange rate differences on translation of subsidiaries		-1,210	951
Total components to be reclassified to net profit:		730	-1,366
Total other comprehensive income for the year		730	-1,366
Total comprehensive income for the year		70,453	58,434
Earnings per share (SEK)		2.92	2.51
Earnings per share after dilution (SEK)		2.92	2.51
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	2017	2016
ASSETS			
Non-current assets			
Capitalised expenditure for development	9. 24	53,731	34,724
Equipment	9. 25	4,814	3,270
Deferred tax assets	23	0	0
Deposits	27	2,617	2,025
Total non-current assets		61,162	40,019
Current assets			
Inventories	26	28,754	36,275
Current receivables			
Trade receivables	29	43,157	33,238
Current tax receivables		2,134	3,700
Other receivables		5,078	5,499
Prepayments and accred income	30	5,766	5,260
Total current receivables		56,135	47,697
Cash and cash equivalents		154,546	132,454
Total current assets		239,435	216,426
TOTAL ASSETS		300,597	256,445
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	31	3,578	3,578
Other contributed capital		10,800	10,800
Reserves		2,423	1,693
Accumulated profit/loss including profit for the year		224,050	190,104
Total equity attributable to the parent company's shareholders		240,851	206,175
Non-current liabilities			
Deferred tax liability	23	6,219	1,251
Other Provisions		2,401	0
Total non-current liabilities		8,620	1,251
Current liabilities			
Trade payables		21,490	16,451
Warranty provisions	32	1,428	1,248
Other current liabilities		1,632	3,803
Accrued expenses and deferred income	33	26,576	27,517
Total current liabilities		51,126	49,019
TOTAL EQUITY AND LIABILITIES		300,597	256,445

Consolidated statement of cash flows, Group

SEK thousands	Note	2017	2016
Operating activities	1		
Profit/loss before tax		90,343	75,775
Paid tax		-14,176	-6,225
Adjustments for non-cash items	35	9,122	7,322
Cash flow from operating activities before changes in working capital		85,289	76,872
Change in inventories		7,295	-11,505
Change in operating receivables		-9,729	-3,263
Change in operating liabilities		5,043	13,414
Cash flow from changes in working capital		2,609	-1,354
Cash flow from operating activities		87,898	75,518
Investing activities			
Capitalisation of development expenditure	24	-26,003	-12,276
Purchases of property, plant and equipment	25	-3,098	-1,925
Acquisition of non-current financial assets		-592	-830
Cash flow from investing activities		-29,693	-15,031
Financing activities			
Dividend		-35,777	-35,777
Cash flow from financing activities		-35,777	-35,777
Cash flow for the year		22,428	24,710
Cash and cash equivalents (opening balance)		132,454	106,695
Exchange rate fluctuations in cash and cash equivalents		-336	1,049
Cash and cash equivalents (closing balance)		154,546	132,454
Supplementary disclosures, cash flow statement			
Interest received during the year	21	334	1
Interest paid during the year	22	-158	-37

Consolidated statement of changes in equity, Group

SEK thousands	Share capital	Other contributed capital	Translation reserve	Hedging reserve	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2016	3,578	10,800	2,936	123	166,081	183,518
Comprehensive Income						
Net profit for the year					59,800	59,800
Other Comprehensive Income						
Cash flow hedges, after tax				-2,317		-2,317
Exchange rate differences, after tax			951			951
Total Other Comprehensive Income			951	-2,317	0	-1,366
Total Comprehensive Income			951	-2,317	59,800	58,434
Dividend to Parent Company's shareholders					-35,777	-35,777
Closing Balance at 31 December 2016	3,578	10,800	3,887	-2,194	190,104	206,175
Opening balance at 1 January 2017	3,578	10,800	3,887	-2,194	190,104	206,175
Comprehensive Income						
Net profit for the year					69,723	69,723
Other Comprehensive Income						
Cash flow hedges, after tax				1,940		1,940
Exchange rate differences, after tax			-1,210			-1,210
Total Other Comprehensive Income			-1,210	1,940	0	730
Total Comprehensive Income			-1,210	1,940	69,723	70,453
Dividend to Parent Company's shareholders					-35,777	-35,777
Closing Balance at 31 December 2017	3,578	10,800	2,677	-254	224,050	240,851

Income statements, Parent company

SEK thousands	Note	2017	2016
Net sales	8, 11	302,975	254,395
Cost of goods sold	19	-108,230	-96,348
Gross profit		194,745	158,047
Selling expenses		-41,730	-30,708
Administrative expenses		-35,563	-28,668
Research and development expenditure		-52,789	-41,445
Operating profit/loss	11, 13, 14, 15, 16, 17, 19, 24, 25	64,663	57,226
Profit/loss from financial items			
Interest income and other financial gains	21	1,784	3,624
Interest expense and other financial losses	22	-2,086	-1,901
Profit/loss before tax		64,361	58,949
Income tax	23	-14,245	-12,733
Net profit for the year	20	50,116	46,216
Statement of Comprehensive Income			
Net profit for the year		50,116	46,216
		0	0
Other comprehensive income		0	0
Sum of other comprehensive income		0	0
Total comprehensive income for the year	20	50,116	46,216

Balance Sheets, Parent Company

SEK thousands	Note	2017	2016
ASSETS			
Non-current assets			
Capitalised expenditure for development	24	15,521	22,518
Equipment	25	4,006	2,047
Shares in subsidiaries	28	106	106
Deferred tax assets	23	2,078	1,248
Deposits	27	2,523	1,929
Total non-current assets		24,234	27,848
Current assets			
Inventories	26	23,862	32,167
Current receivables			
Trade receivables	29	38,689	25,894
Receivables from group companies		6,918	5,693
Current tax receivables		2,134	3,700
Other receivables		5,078	5,331
Prepayments and accred income	30	4,940	3,883
Total current receivables		57,759	44,501
Cash and bank balances		145,398	123,924
Total current assets		227,019	200,592
TOTAL ASSETS		251,253	228,440
EQUITY AND LIABILITIES			
Shareholders' equity			
Restricted equity			
Share capital	31	3,578	3,578
Statutory reserve		10,780	10,780
Non-restricted equity			
Profit brought forward		127,274	116,836
Net profit for the year		50,116	46,216
Total shareholders' equity		191,748	177,410
Provisions			
Other provisions		2,401	0
Total provisions		2,401	0
Current liabilities			
Trade payables		20,904	16,076
Liabilities to group companies		12,306	11,465
Warranty provisions	32	1,428	1,248
Other current liabilities		1,271	993
Accrued expenses and deferred income	33	21,195	21,248
Total current liabilities		57,104	51,030
TOTAL EQUITY AND LIABILITIES		251,253	228,440

Cash flow statement, Parent company

SEK thousands	Note	2017	2016
Operating activities	1		
Profit/loss before tax		64,362	58,949
Paid tax		-13,509	-5,503
Adjustments for non-cash items	35	9,552	3,757
Cash flow from operating activities before changes in working capital		60,405	57,203
Change in inventories		8,305	-10,815
Change in operating receivables		-13,167	670
Change in operating liabilities		5,947	15,645
Cash flow from changes in working capital		1,085	5,500
Cash flow from operating activities		61,490	62,703
Investing activities			
Purchases of financial assets		-593	-917
Purchases of property, plant and equipment	25	-3,046	-1,098
Cash flow from investing activities		-3,639	-2,015
Financing activities			
Loans repaid		0	0
Dividend		-35,777	-35,777
Cash flow from financing activities		-35,777	-35,777
Cash flow for the year		22,074	24,911
Cash and cash equivalents (opening balance)		123,924	99,782
Exchange rate fluctuations in cash		-600	-769
Cash and cash equivalents (closing balance)		145,398	123,924
Supplementary disclosures, cash flow statement			
Interest received during the year	21	334	0
Interest paid during the year	22	-161	-37

Statement of change in equity, Parent company

SEK thousands	Share capital	Other contributed capital	Retained earnings	Total shareholders' equity
Opening balance at 1 January 2016	3,578	10,780	152,613	166,971
Net profit for the year			46,216	46,216
Other Comprehensive Income				
Other Comprehensive Income			0	0
Total Other Comprehensive Income			0	0
Total Comprehensive Income			46,216	46,216
Dividend to Parent Company's shareholders			-35,777	-35,777
Closing Balance at 31 December 2016	3,578	10,780	163,052	177,410
Opening balance at 1 January 2017	3,578	10,780	163,052	177,410
Net profit for the year			50,116	50,116
Other Comprehensive Income				
Other Comprehensive Income			0	0
Total Other Comprehensive Income			0	0
Total Comprehensive Income			50,116	50,116
Dividend to Parent Company's shareholders			-35,777	-35,777
Closing Balance at 31 December 2017	3,578	10,780	177,390	191,748

Notes

Not 1. General information, accounting policies and valuation principles

Accounting policies

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

New and amended standards and interpretations in 2017
New and amended standards and improvements that came into force in 2017 have not had any impact on the Group's financial reporting for the financial year.

New and amended standards and interpretations not yet in force
The International Accounting Standards Board (IASB) has issued a number of new and amended standards, which have not yet come into force. None of these have been applied in advance. A description is given below of new and amended standards and interpretations that are considered to have an impact on the Group's financial reporting in the period they are applied for the first time. IFRS 15 Revenue from contracts with customers will become effective for fiscal years beginning January 1, 2018. CellaVision has in 2017 conducted an analysis of the impact of IFRS 15. The analysis is facilitated by the fact that the majority of customer contracts and revenue streams are tied to the parent company and a limited number of major customers. The result of the analysis is that the adoption of IFRS 15 will not have any impact on the consolidated financial statements except for additional disclosure requirements. IFRS 9 Financial instruments will become effective for fiscal years beginning January 1, 2018. The adoption of IFRS 9 will have very limited effect on the consolidated financial statements. IFRS 16 primarily affects lessees and the central effect is that all leases that are reported as operating leases today are reported in a manner similar to the current accounting of financial leases. This means that even for operational leases, asset and liability need to be reported, with the associated accounting for depreciation and interest costs - unlike today, when no lease and related liabilities are reported, and leasing fees are reclassified on a straight-line basis as leasing costs.

The Group, as an operating leaseholder, will be affected by the introduction of IFRS 16. Estimated estimates of the effect of IFRS 16 and the choice of transition methods have not yet been implemented. The disclosures provided in Note 17 on operating leases provide an indication of the type and scope of the agreements that currently exist.

The company management considers that other new and amended standards and interpretations, which have not yet come into force, will not have any material impact on the Group's financial reports in the period they are applied for the first time.

Group accounting policies

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

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

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

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

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

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

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

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

Exchange rate gains and losses
Realised 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 incident to ownership of an asset from the lessor to the lessee. Leases that are

not finance leases are classified as operating leases. The Group does not hold any finance leases as at the balance sheet date. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The operating leases 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., as well as pensions, are recognized as they are earned. In regards to pensions and other post-employment benefits, they are classified as defined contribution or defined benefit pension plans.

Pensions
All employees of the Parent Company are covered by the ITP plan administered by Alecta, apart from staff employed before 1 May 1999. These employees are covered by "alternative ITP", where the employees themselves may choose the insurer. These have the same amounts at their disposal as if they had been part of the ITP plan. Employees with an income in excess of 10 price base amounts are offered "tenfold earners" solutions. This means that they can choose the insurer for a part of the ITP contribution. Both these solutions are classified and reported as defined contribution plans. The ITP plan administered by Alecta is a defined benefit pension plan. However, in accordance with a statement by the Swedish Financial Reporting Board (UFR 10), this plan is reported as a defined contribution plan as Alecta cannot produce sufficient information for reporting it as a defined benefit plan. For further information please refer to the note on Social security and pension costs. The Group's American employees are covered by a 410K plan, which is a defined contribution plan. All pension commitments have been taken over by insurance companies and thus all pension plans are reported as defined contribution plans and pension premiums are recognized as expenses in the period in which the employees render the related services.

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

Duration	Refers to
2015–2017	Executive Group Mgmt
2016-2018	Executive Group Mgmt

Other incentive programs

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

Duration	Refers to
2017–2019	Executive Group Mgmt

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Related party transactions
For reporting any transactions with related parties please refer to note Employee benefits and other related party transactions.

Financial instruments
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.

On every balance sheet date the company evaluates whether there are objective indications that a financial asset or group of assets is impaired due to past events. Examples of such events are significant deterioration in the financial position of the counterparty or non-payment of amounts due. Financial assets and financial liabilities that are not measured at fair value through profit or loss on subsequent recognition are recognized at fair value on initial recognition, adding or subtracting transaction costs. Financial assets and financial liabilities that are not measured at fair value through profit or loss on subsequent recognition are recognized at fair value on initial recognition. In subsequent recognition financial instruments are measured at amortized cost or fair value depending on the initial classification under IAS 39.

On initial recognition, a financial asset or financial liability is classified in one of the following categories:

Financial assets
- Fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available for sale financial assets

Financial liabilities
- Fair value through profit or loss
- Other financial liabilities measured at amortized cost

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

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

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

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

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

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

Cash and cash equivalents
Cash and cash equivalents include cash funds, 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 categorized as "Loans and receivables" which means measurement at amortized cost. Since bank balances are payable on demand the amortized cost is equivalent to the nominal amount. 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 2016 and 2017 the Group had no short-term investments.

Trade receivables
Trade receivables are categorized as "Loans and receivables" which means measurement 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. Deduction is made for doubtful receivables. Impairment of trade receivables is recognized under operating expenses.

Trade payables
Trade payables are categorized as "Other financial liabilities", which means measurement 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.

Liabilities to credit institutions
At the close of 2016 and 2017 the Group had no pledged trade receivables and no liabilities to credit institutions.

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

Parent company's accounting policies

The parent company applies the Annual Accounts Act and the Swedish Financial Reporting Board Recommendation RFR 2 Accounting for legal entities. Application of RFR 2 means that the parent company as far as possible applies all the IFRS adopted by the EU within the framework of the Annual Accounts Act and the Act on Safeguarding Pension Obligations, taking into account the relationship between accounting and taxation. 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 financial income and expense, non-current assets, equity and the existence of provisions under a separate heading.

Financial instruments
The parent company does not apply IAS 39 Financial instruments: recognition and measurement. The parent company applies hedge accounting based on cost of acquisition in accordance with the Annual Accounts Act. The net value of CellaVision's derivatives was SEK -0.2 million (-2.7) at December 31, 2017.

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

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

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

Not 2. Financial risk management and financial instruments

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

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

Market Risks

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

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

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

		Euro			
		9.0	**9.3**	**9.6**	**9.9**
USD	**7.9**	291/76	296/81	301/85	306/90
	8.2	295/79	300/83	305/88	310/93
	8.5	299/82	304/86	309/91	315/96
	8.8	303/85	308/89	313/94	319/98

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

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

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

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

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

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

2017	Assets and liabilities recognized at fair value through income statement	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	43,157	0	43,157	43,157
Other receivables	0	5,078	0	5,078	5,078
Cash and cash equivalents	0	154,546	0	154,546	154,546
Total financial assets	**0**	**202,781**	**0**	**202,781**	**202,781**
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	21,490	21,490	21,490
Other liabilities	231	0	1,401	1,632	1,632
Total financial liabilities	**231**	**0**	**22,891**	**23,122**	**23,122**

2016	Assets and liabilities recognized at fair value through income statement	Interest bearing debts and trade receivables	Financial liabilities at accrued acquisition value	Total carrying value	Fair value
Trade receivables	0	33,238	0	33,238	33,238
Other receivables	0	5,499	0	5,499	5,499
Cash and cash equivalents	0	132,454	0	132,454	132,454
Total financial assets	**0**	**171,191**	**0**	**171,191**	**171,191**
Liabilities to credit institutions	0	0	0	0	0
Trade payables	0	0	16,451	16,451	16,451
Other liabilities	2,721	0	1,082	3,803	3,803
Total financial liabilities	**2,721**	**0**	**17,533**	**20,254**	**20,254**

Fair value measurement of financial instruments
Financial liabilities measured at fair value in the balance sheet consist only of currency forwards. The currency forwards mature within 24 months and are recorded as other current liabilities in the balance sheet. For other financial assets and financial liabilities the carrying amounts are assessed to be a good approximation of the fair values because the maturity and/or interest rate fixing is less than three

months, which means that a discount based on current market conditions is not expected to have any material effect.

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

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

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

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

Not 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 area is 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.

Not 4. Capital structure

CellaVision defines managed assets as the sum of the Group's net debt and equity. At the end of 2017 managed assets were 73,721 thousand (73,721).

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 2017 the company achieved sales growth of 16,7 per cent (11) and the operating margin was 29,4 per cent (28,0).

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

Not 5. Operational risk factors

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

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

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

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

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

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

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

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

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

Not 6. Information on operating segments

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

Not 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 three customers that each account for more than ten per cent of the company's total sales. The largest customer with sales of SEK 92 million and the other two with sales of SEK 54 million and SEK 35 million.

Note 8. Income by geographical area

	2017		2016	
	Group	Parent company	Group	Parent company
Sweden	789	789	1,146	1,146
EMEA	80,973	83,969	82,179	80,702
Americas	167,277	161,311	134,419	127,396
APAC	60,273	56,906	47,294	45,151
Total	309,312	302,975	265,038	254,395

Income from external customers is reported by geographic area based on the delivery address. Group sales of SEK 309,312 thousands of which SEK 301,170 thousand refers to system sales (hardware and software) and SEK 8,142 thousand refers to sales of services. Parent company sales of SEK 302,975 thousands of which SEK 302,094 thousand refers to system sales (hardware and software) and SEK 881 thousand refers to sales of services.

Note 9. Non-current assets by geographical area

Group	2017	2016
Sweden	57,737	36,771
Americas	781	1,198
APAC	27	25
Total	58,545	37,994

Note 10. Expenses classified by nature of expense

	2017	2016
Depreciation, amortisation and impairment (Note 18)	8,450	8,260
Costs for remuneration to employees (Note 13, 14, 15)	91,399	74,106
Changes in inventories of finished goods and work in progress	1,631	398
Raw materials	77,465	68,752
Transport costs	1,397	1,074
Capitalized expenses	-26,003	-12,277
Premises costs	6,509	5,389
Travel expenses	7,092	6,391
External services	18,968	15,759
Other expenses	31,512	23,018
Total cost of goods sold, selling, administrative and R&D expenses	218,420	190,870

Not 11. Intra-Group transactions

SEK 8,933 thousand (8,842) of the parent company's invoicing refers to subsidiaries. Invoicing from subsidiaries to the parent company amounted to SEK 25,075 thousand (24,294).

Note 12. Employees

		2017		2016
Average number of employees	Number employees	Of whom men	Number employees	Of whom men
Parent company, Sweden	79	56	67	48
Subsidiaries, USA	8	4	7	4
Subsidiaries, Canada	2	1	2	1
Subsidiaries, Japan	3	2	3	2
Total	92	63	79	55

	2017		2016	
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 remuneration, distributed

	2017		2016	
Salaries and other remuneration:	Board, CEO	Others	Board, CEO	Others
Parent company	5,088	44,341	3,727	35,391
Subsidiaries	0	15,941	0	13,428
Total	5,088	60,282	3,727	48,819

Note 14. Social security and pension costs

		2017		2016
Social security and pension costs:	Social security costs	Of which pension costs	Social security costs	Of which pension costs
Parent company	23,260	7,729	18,185	5,894
Subsidiaries	2,769	480	2,902	210
Total	26,029	8,210	21,087	6,104

Pension obligation corresponds to 25% 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 2017 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 3.2 million (2017: 2.3 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 2017 Alecta's surplus in the form of the collective solvency level was 154 per cent (2016: 148 percent).

Note 15. Remuneration to senior management

	2017		2016	
Salaries, remuneration and other benefits:	Salary	Pension	Salary	Pension
Board of Directors:				
Lars Gatenbeck	0	0	133	0
Sören Mellstig	460	0	267	0
Christer Fåhraeus	180	0	200	0
Åsa Hedin	200	0	200	0
Roger Johanson	220	0	200	0
Torbjörn Kronander	200	0	200	0
Anna Malm Bernsten	180	0	200	0
Niklas Prager	200	0	200	0
CEO	3,462	611	2,600	435
Other senior management	9,753	2,495	7,778	2,114
Total	14,855	3,106	11,978	2,549

In accordance with a resolution of the Annual General Meeting, remuneration is payable to the Board of Directors of SEK 1,640 thousand (1,600), of which SEK 400 thousand (400) to the Chairman of the Board and SEK 180 thousand (200) to each of the other board members. In addition, the boardmenbers receives 40 KSEK for being chariman and 20 KSEK for participationg in the renumumeration or audit committee. There are no agreements on pensions, severance pay or other benefits. During the year the Board of Directors comprised of 7 members (7).

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

There is an incentive program for senior management consisting of a earnings per share related program and an annual individual program. The outcome is capped to 9 months' salary for the CEO. Four months' salary goes into the annual individual program and 2,5 months' salary goes to the earnings per share related program where it can be doubled if the f 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 2,317 thousand (1,566). See also the description in the corporate governance report.

In 2017 the CEO was paid a fixed salary including remuneration for paid leave of SEK 2,539 thousand (2,127), plus benefits valued at SEK 2 thousand (0). In addition to a fixed salary, variable remuneration of SEK 921 thousand (473) was paid. Other senior executives in the management group were paid total fixed salaries of SEK 7,861 thousand (6,850) plus benefits mainly comprising car benefit valued at SEK 496 thousand (245). In addition to a fixed salary, variable remuneration of SEK 1,396 thousand (674) was paid. There were 8 other members of senior management for part of the year. CellaVision has for the year had no related party transactions. 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

	2017		2016	
Fees to the company's auditors, Deloitte AB	Group	Parent company	Group	Parent company
Audit	185	185	185	185
Addition to the audit engagement	40	40	45	45
Tax advisory	30	30	57	57
Other engagements	12	0	12	12
Total	267	255	299	299

Note 17. Operational leases contracts

	2017		2016	
Contracted future lease charges	Group	Parent company	Group	Parent company
- Within one year	5,599	5,599	6,110	6,110
- Later than one but within five years	16,350	16,350	14,903	14,903
- Later than within five years	0	0	4,929	4,929
Total	21,949	21,949	25,942	25,942

The Group is a lessee through operational leases for rental of premises as well as car leasing. The lease period for the Group's rental premises varies between 1-5 years. Extension of the lease at the end of the lease period may be at what the Group considers to be a market rent. In some cases, the rent is index-adjusted according to the CPI, but 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 5,977 thousand (6,025) in the Group. The parent company's leasing fees for the year were SEK 5,212 thousand (5,097). The total amount at the balance sheet date of future minimum lease payments for non-cancellable agreements amounts to 0 kSEK (0) for the Group.

Note 18. Depreciation group

	2017		2016	
	Intangible asset	Tangible asset	Intangible asset	Tangible asset
Cost of goods sold	6,996	0	6,952	0
Selling expenses	0	639	0	703
Administrative expenses	0	272	0	202
Research and development expenses	0	543	0	403
Total	6,996	1,454	6,952	1,308

Note 19. Depreciation parent company

	2017		2016	
	Intangible asset	Tangible asset	Intangible asset	Tangible asset
Cost of goods sold	6,996	0	6,952	0
Selling expenses	0	272	0	202
Administrative expenses	0	272	0	202
Research and development expenses	0	543	0	403
Total	6,996	1,087	6,952	807

Note 20. Exchange rates effects

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

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

	2017		2016	
	Group	Parent company	Group	Parent company
Interest income	334	334	1	0
Exchange differences, Group loan	1,525	1,450	3,662	3,624
Total	1,859	1,784	3,663	3,624

No part of the parent company's interest income/expenses is intra-group. All interest income refers to financial assets that are not valued at fair value via profit or loss.

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

	2017		2016	
	Group	Parent company	Group	Parent company
Interest expenses	158	161	37	37
Exchange differences, Group loan	2,249	1,925	2,019	1,864
Total	2,408	2,086	2,056	1,901

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

Note 23. Taxes

	2017		2016	
	Group	Parent company	Group	Parent company
Tax on result for the year				
Current tax	-16,201	-15,075	-4,168	-4,100
Deferred tax expenses	-4,419	830	-11,807	-8,633
Total tax on result for the year	**-20,620**	**-14,245**	**-15,975**	**-12,733**
Deferred tax				
Utilization of tax losses	0	0	-7,698	-7,698
Revaluation of tax losses	0	0	0	0
Temporary differences				
Provisions	830	830	-935	-935
Inventory	0	0	0	0
Immaterial assets	-5,720	0	-3,174	0
Currency hedges	471	0	0	0
Total deferred tax	**-4,419**	**830**	**-11,807**	**-8,633**
Deferred tax asset/liability				
Deferred tax asset, loss carry-forwards	0	0	0	0
Temporary differences	0	0	0	0
Provisions	2,078	2,077	0	0
Inventory	58	0	0	0
Immaterial assets	-8,406	0	0	0
Currency hedges	51	0	-1,251	1,247
Total carrying amount for deferred tax liability/asset	**-6,219**	**2,077**	**-1,251**	**1,247**
Unrecognised deferred tax assets	1,549	0	1,563	0
Loss carry-forwards	0	0	0	0

There are accumulated loss carry forwards in Japan. The time limit for the carry forewards is 7 years. No part of loss carry forwards in Japan has been recognized in the accounting. In Japan the tax loss is JPY 65 million that can be utilized at the latest in 2023.

	2017		2016	
Reconciliation, taxation	Group	Parent company	Group	Parent company
Accounting profit/loss before tax	90,343	64,362	75,775	58,948
Tax at current tax rate	-19,875	-14,160	-16,670	-12,969
Tax effect of:				
-Effect of different tax rates in foreign subsidiaries	-398	0	459	0
-Non taxable income	0	0	266	266
-Non-deductible expenses	-251	-85	-287	-30
-Utilization of tax loss defecits where deferred tax assets is not recognized	175	0	257	0
-Tax losses where deferred tax asset is not reported	0	0	0	0
Tax on result for the year	**-20,349**	**-14,245**	**-15,975**	**-12,733**
Adjustments current year due to prior year current tax	-271	0	0	0
Reported tax expense for the year	-20,620	-14,245	-15,975	-12,733

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

Note 24. Intangible assets

	2017		2016	
	Group	Parent company	Group	Parent company
Opening cost of acquisition	53,820	41,612	41,543	41,543
Year's acquisitions	26,003	0	12,276	70
Disposals/ retirements	0	0	0	0
Closing accumulated cost of acquisition	**79,823**	**41,612**	**53,820**	**41,612**
Opening depreciation	-19,095	-19,095	-12,143	-12,143
Depreciation for the year	-6,996	-6,996	-6,952	-6,952
Reversal of acc. depreciation on disposals/retirements	0	0	0	0
Closing accumulated depreciation	**-26,091**	**-26,091**	**-19,095**	**-19,095**
Closing carrying amount	**53,731**	**15,521**	**34,724**	**22,518**

Expenditure on research and development was SEK 52,789 thousand (41,515), which is 17 percent (16) of net sales. Of this expenditure SEK 26,003 thousand (12,276) has been capitalized and the remaining SEK 26,786 thousand (29,239) has been charged to the result for the year. The reported value of capitalized development costs not yet subject to depreciation amounts to SEK 43,817 thousand (17,814). The year's development work refers to development aimed at strengthening the product portfolio in relation to customers in the sub-field of hematology.

Note 25. Equipment

	2017 Group	2017 Parent company	2016 Group	2016 Parent company
Opening cost of acquisition	7,001	5,273	5,317	4,175
Year's acquisitions	3,098	3,046	1,925	1,098
Disposals/ retirements	0	0	-241	0
Closing accumulated cost of acquisition	**10,099**	**8,319**	**7,001**	**5,273**
Opening depreciation	-3,898	-3,226	-2,851	-2,419
Depreciation for the year	-1,454	-1,087	-1,308	-807
Reversal of acc. depreciation on disposals/retirements	0	0	261	0
Closing accumulated depreciation	**-5,352**	**-4,313**	**-3,898**	**-3,226**
Translation difference	67	0	167	0
Closing carrying amount	**4,814**	**4,006**	**3,270**	**2,047**

Note 26. Inventories

Inventories	2017 Group	2017 Parent company	2016 Group	2016 Parent company
Raw materials and consumables	947	947	1,079	1,079
Finished goods	27,807	22,915	35,196	31,088
Total	28,754	23,862	36,275	32,167

Inventories recognized as an expense during the year amount to SEK 77,465 (68,752) thousand in the Group and SEK 74,528 (64,685) thousand in the parent company. Impairment loss on inventories during the year amounted to SEK 422 (-189) thousand in the Group and SEK 422 (-189) thousand in the parent company. None of the inventories has been recognized at net sales value.

Note 27. Deposits

	2017 Group	2017 Parent company	2016 Group	2016 Parent company
Opening cost of acquisition	2,025	1,929	1,195	1,083
Recovered deposit	-5	0	-29	0
Additional deposits	603	594	847	846
Translation differences for the year	-7	0	12	0
Closing carrying amount	**2,617**	**2,523**	**2,025**	**1,929**

Note 28. Shares and participations in subsidiaries

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

Note 29. Trade receivables

Trade receivables overdue but not written down:

	2017	2016
1–30 days overdue	8,411	8,703
31–60 days overdue	-310	301
61–90 days overdue	229	33
91–120 days overdue	2,213	1,258
More than 121 days overdue	8	571
Total	10,552	10,866

As at 31 December 2017 trade receivables of SEK 10,552 thousand (10,866) were due for payment in the Group, but no impairment loss was identified. These trade receivables are from customers who have not previously had any payment difficulties. The age analysis for the Group relating to these trade receivables is shown above. Of these receivables SEK 8,953 thousand were settled at the end of February 2018. As at 31 December 2017 the Group reports a loss referring to provision for anticipated bad debt losses of SEK 7 thousand (130). The provision for doubtful trade receivables was SEK 7 thousand (130) as at 31 December 2017. Adoption of IFRS 9 will not have a significant impact on the groups financial reports. There are no pledges as collateral for receivables.

Note 30. Prepaid expenses and accrued income

	2017 Group	2017 Parent company	2016 Group	2016 Parent company
Office rent	1,347	1,347	495	495
Pension premiums	259	259	235	235
Insurance premiums	696	696	620	620
Market activity costs	367	268	253	173
License fees	2,064	2,064	2,298	2,298
Other	1,032	306	1,359	62
Total	5,766	4,940	5,260	3,883

Not 31. Share capital

The registered share capital in the parent company was distributed, as at 31 December 2017, among 23,851,547 shares with a quotient value of SEK 0.15 (0.15) each. The number of shares in issue is unchanged compared with the same period in the previous year. Each share entitles the holder to one vote and each person entitled to vote at a general meeting of shareholders may vote for the full number of shares owned and represented by her or him without limit to the voting right. All shares confer an equal right to share in the company's assets and profits. No shares are held by the company itself.

Note 32. Warranty provisions

	2017 Group	2017 Parent company	2016 Group	2016 Parent company
Opening amount	1,248	1,248	1,110	1,110
Allocated during year	1,428	1,428	1,248	1,248
Reversed provisions	-599	-599	-531	-531
Utilised	-649	-649	-579	-579
Total	1,428	1,428	1,248	1,248
Provisions fall due for payment				
- Within one year	1,428	1,428	1,248	1,248
- Later than one but within five years	0	0	0	0
Total	1,428	1,428	1,248	1,248

Note 33. Accrued expenses and deferred income

	2017		2016	
	Group	Parent company	Group	Parent company
Holiday liability	6,788	5,678	6,070	5,080
Board fee	0	0	1,071	1,071
Social security contributions	5,004	5,004	6,103	6,103
Staff costs	735	735	980	980
Incentive program	7,252	5,606	4,595	4,595
Prepaid income	4,443	2,918	6,142	1,886
Other	2,353	1,254	2,556	1,533
Total	26,576	21,195	27,517	21,248

Note 34. Pledged assets and contingent liabilities

	2017		2016	
Pledged assets	Group	Parent company	Group	Parent company
Bank guarantees	9 754	9 754	9 754	9 754
Floating charge	0	0	12 500	12 500
Total	9 754	9 754	22 254	22 254
Contingent liabilities	None	None	None	None

Note 35. Non-cash items

Group	2017	2016
Depreciation	8,450	8,261
Change in accruals and provisions	672	-939
Total	9,122	7,322
Parent company	2017	2016
Depreciation/amortisation	8,083	7,759
Change in accruals and provisions	1,469	-4,002
Total	9,552	3,757

Not 36. Disputes in the Group

There are no disputes within the Group with third parties.

Note 37. Appropriation of company profits

	2017 Parent company
The following profits are at disposal at the AGM	
Profit brought forward	127,274
Net profit/loss for the year	50,116
Total	177,390
The Board of Directors proposes the AGM the following	
Dividend to shareholders SEK 1.50 per share	35,777
To be carried forward	141,613
Total	177,390

Not 38. Events after the balance sheet date

There are no significant events after the close of the year to report. The Annual Report was adopted by the board and approved for publication on April 10th, 2018.

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 2017 (%)	Jan-Dec 2017 MSEK	Jan-Dec 2016 (%)	Jan-Dec 2016 MSEK
Last period		265 038		239 390
Organic growth	16%	42 406	9%	20 492
Currency effect	0	1 867	2%	5 156
Current period	17%	309 312	11%	265 038

Net earnings per share

KSEK	Jan-Dec 2017	Jan-Dec 2016
Profit/loss for the period	69 723	59 800
Number of shares	23 851 547	23 851 547
Net earnings per share	2,92	2,51

EBITDA

KSEK	Jan-Dec 2017	Jan-Dec 2016
Operating profit	90 892	74 168
Depreciation	8 450	8 261
EBITDA	99 342	82 429

Gross margin

KSEK	Jan-Dec 2017	Jan-Dec 2016
Net sales	309 312	265 038
Gross profit	223 220	188 936
Gross margin	72,2%	71,3%

Operating margin

KSEK	Jan-Dec 2017	Jan-Dec 2016
Net sales	309 312	265 038
Operating profit	90 892	74 168
Operating margin	29,4%	28,0%

Return on equity

KSEK	Jan-Dec 2017	Jan-Dec 2016
Profit/loss for the period	69 723	59 800
Average equity	223 513	194 847
Return on equity	31%	31%

Return on operating capital

KSEK	Jan-Dec 2017	Jan-Dec 2016
Operating profit/loss	90 892	74 168
Average operating capital	82 628	69 337
Return on operating capital	110%	107%

Equity-asset ratio

KSEK	2017	2016
Equity	240 851	206 175
Balance sheet total	300 597	256 445
Equity ratio	80,1%	80,4%

Net investments

KSEK	Jan-Dec 2017	Jan-Dec 2016
Tangible assets	3 098	1 925
Intangible assets	26 003	12 276
Disposals	0	-241
Net investments	29 101	13 960

Equity per share

KSEK	2017	2016
Equity	240 851	206 175
Number of shares	23 851 547	23 851 547
Equity per share	10,10	8,64

Net debt/equity ratio

KSEK	2017	2016
Liabilities to credit institutions, interest-bearing	0	0
Cash and bank	154 546	132 454
Equity	240 851	206 175
Net debt/equity ratio	-0,64	-0,64

Operating capital

KSEK	2017	2016
Balance sheet total	300 597	256 445
Cash and bank	154 546	132 454
Deferred tax assets	0	0
Other long-term receivables	2 617	2 025
Other current liabilities, not interest-bearing	1 632	3 803
Trade payables	21 490	16 451
Warranty provisions	1 428	1 248
Accrued expenses and deferred income	26 576	27 517
Other provisions	2 401	0
Defferred tax liability	6 219	1 251
Operating capital	83 688	71 696

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

Approval of the annual report

Approval of the annual report
The annual accounts and consolidated accounts were approved by the Board of Directors on April 10, 2018. The Group's statement of comprehensive income, statement of financial position and the parent company's income statement and balance sheet will be submitted to the Annual General Meeting for approval on May 4, 2018.

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

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

Annual General Meeting
The Annual General meeting will be held on May 4, 2018 at 15.00 at CellaVision's premises, Mobilvägen 12 in Lund.

Dividend per share
The Board of Directors proposes to the Annual General Meeting that a dividend of SEK 1.50 per share be distributed for 2017.

Lund 10 April 2018

Sören Mellstig
Chairman of the Board

Christer Fåhraeus
Member of the Board

Åsa Hedin,
Member of the Board

Roger Johanson,
Member of the Board

Torbjörn Kronander
Member of the Board

Anna Malm Bernsten
Member of the Board

Niklas Prager
Member of the Board

Zlatko Rihter
President and CEO

Our audit report was submitted on 10 April 2018
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 2017-01-01 - 2017-12-31 except for the corporate governance report on pages 36-41. The annual accounts and consolidated accounts of the company are included on pages 32-64 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 2017 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 2017 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not comprise the corporate governance report on pages 36-41. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

Key Audit Matters

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

Valuation of capitalized development expenditure

Description of the risk

- CellaVision reported in the balance sheet of 31 December 2017 capitalized development expenditures of 54 million SEK (35).
- The value of the assets is contingent on future returns on products related to development expenditure. The company makes impairment testing per product group.
- Incorrect assessment and assumptions can produce an effect on the Group's results and financial position.

For further information we refer to the Group's accounting policies on pages 52-55, note 3 of critical accounting estimates and judgements on page 56 and note 24 on capitalized development expenditure on page 59 of the annual report.

Our audit procedures

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

Other information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 2-31 and 68-71. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of CellaVision AB (publ) for the financial year 2017-01-01 - 2017-12-31 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.

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

Deloitte AB was appointed auditor of CellaVision AB by the annual general meeting of the shareholders on the 5 of May 2017 and has been the company's auditor since 2003.

The auditor's examination of the corporate governance statement
The Board of Directors is responsible for that the corporate governance statement on pages 36-41 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 April 10, 2018
Deloitte AB
Signature on Swedish original

Maria Ekelund
Authorized Public Accountant

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Financial definitions

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

Net earnings per share
Net earnings in relation to average weighted number of shares.

Net earnings per share after full dilution
Net earnings divided by the average weighted number of shares plus the additional number for full dilution.

Net investments
Tangible and intangible investments adjusted for disposals.

Equity per share
Equity in relation to average weighted number of shares.

Equity per share after full dilution
Equity in relation to average weighted number of shares increased by the number that resides at full dilution.

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

Interest coverage ratio
Operating result plus financial income divided by financial expenses.

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

Return on equity
Net earnings in relation to average equity.

Return on operting capital
Result after financial items as a percentage of average operating capital.

Operating Capital
Balance sheet total less financial liabilities, deferred tax liabilities and non-interest bearing liabilities.

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

Sources

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

- The World Market for Hematology. Kalorama Information–11/22/2013.
- The World Market for Hematology. Kalorama Information - 11/22/2013.
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- Briggs C, Longair I, Slavik M, Thwaite K, Mills R, Thavaraja V, et al. Can automated blood film analysis replace the manual differential? An evaluation of the CellaVision DM96 automated image analysis system. Int J Lab Hematol. 2009;31(1):48-60.
- de Bitencourt ED, Voegeli CF, Onzi Gdos S, Boscato SC, Ghem C, Munhoz T. Validation of the Sysmex sp-1000i automated slide preparer-stainer in a clinical laboratory. Rev Bras Hematol Hemoter. 2013;35(6):404-8. doi: 10.5581/1516-8484.20130121
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- Empati och high tech - Delresultat från LEV-projektet; S2012.011; Socialdepartementet.
- For U.S. Healthcare; Time Is Right for Laboratory Automation, Medical Device and Diagnostic Industry, Aug 2013.
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- CAP Today Dec 2012, College of American Pathologist.
- CellaVisions uppskattning baserad på kännedom om den globala hematologimarknaden.
- Ett planeringsunderlag inför läsåret 2013/14. Rapport 2012:22 R.Högskoleverket, Högskoleutbildningarna och arbetsmarknaden.
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- Pathologist.
- The World Market for Hematology. Kalorama Information–11/22/2013.
- Staff Shortages in Labs May Put Patients at Risk. 2009. The Wall Street Journal.
- Reversing the Lab Workforce Shortage Trend. Advance Healthcare Network. 2011.
- The World Market for Hematology. Kalorama Information - 11/22/2013.
- The hospital market in China. Business Sweden (på uppdrag av CellaVision), 2011.
- United Nations, Population Ageing and Development 2012.

Annual General Meeting & calendar

Annual General Meeting
CellaVision's Annual General Meeting will be held on May 4, 2018 at 15.00 at Mobilvägen 12 in Lund.

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

Participation
Shareholders who wish to attend the AGM must be listed in the share register hold by Euroclear Sweden on April 27, 2018, and must have given notice of their intention to attend by mail to:

CellaVision AB, c/o Advokatfirman Lindahl
Studentgatan 6, 211 38 Malmö
eller via epost: cellavision@lindahl.se
eller per fax: +46 40 664 66 55

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

Dividend
The Board of Directors proposes that the AGM approve a dividend of SEK 1:50 per share for 2017.

Financial calendar
Interim Report Q1, May 3
Interim Report Q2, July 17
Interim Report Q3, Oct 23
Year-end Bulletin 2016, Feb 9, 2019

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

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

Production facts
Production: CellaVision & Columbi Communications AB
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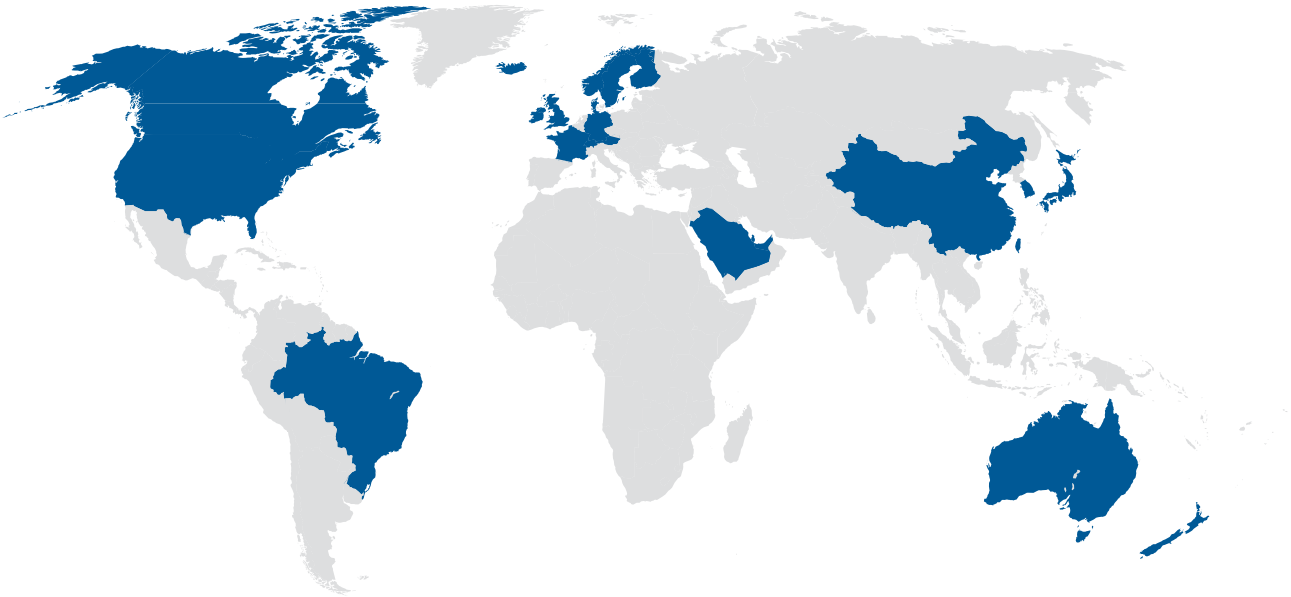
CellaVision in the world



With 12 local market support organizations, CellaVision has a direct presence in 23 countries.

HEAD QUARTERS
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Established 1998

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Org.nr. 556500-0998

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