



# INTERIM REPORT JANUARY-MARCH 2014

Vitrolife AB (publ)

Vitrolife is an international medical device Group. The Fertility product area develops, produces and markets products for assisted reproduction. Work is also carried out to enable the use and handling of stem cells for therapeutic purposes.

Vitrolife has today approximately 240 employees and the company's products are sold in approximately 110 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in USA, Australia, France, Italy, United Kingdom, China, Japan, Hungary and Denmark. The Vitrolife share is listed on NASDAQ OMX Stockholm, Small Cap.

**Vitrolife** 

# Strengthened operating margin

## First quarter

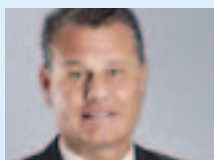
- Sales growth was 12 percent in local currency. Sales amounted to SEK 119 (105) million, corresponding to an increase of 14 percent in SEK.
- Operating income (EBIT) amounted to SEK 30 (17) million, corresponding to an operating margin of 25 (16) percent. Operating income included a recovered additional purchase price of SEK 2 million regarding

the acquisition of Cryo Management Ltd. Adjusted for this, the operating margin amounted to 23 (16) percent.

- Net income amounted to SEK 22 (12) million, which gave earnings per share of SEK 1.12 (0.60).

## CEO's comments

Sales increased by 12 percent in local currency during the first quarter and the operating margin amounted to 25 percent.



Sales growth in the Asia and Pacific region continues to develop strongly. Growth during the quarter amounted to 26 percent in local currency. Growth is driven by an expanding market in countries such as China and India but also by the fact that the company has been successful in gaining market share in more mature markets such as Japan and Australia. During the first quarter a competitor gained approval for sales of media in China, and competition in the market is thus expected to increase. However, Vitrolife has a very strong position in China and a well-defined strategy for how the company should continue to grow in the market.

The EMEA region (Europe, the Middle East and Africa) reported growth of 5 percent in local currency during the quarter. Adjusted for the terminated sales of STEEN Solution™ to Xvivo, growth was 7 percent. Growth within the region varied during the quarter. Spain, the UK and France displayed good growth while development was lower in the Nordic region and Belgium. Increased price competition can also be seen in the region at present within single-use instruments such as needles for oocyte retrieval and pipettes.

Sales in the North and South American region increased by 10 percent in local currency. Adjusted for the previous year's terminated distributor sales of laser equipment,

growth amounted to 12 percent, which is greater than market growth in the region.

In recent years considerable work has been put into improving profitability in the whole organization. In the first quarter Vitrolife reported an operating margin of 25 percent. Even if this included a positive one-time effect regarding a recovered additional purchase price and lower selling expenses than normal due to temporary vacancies, it is clear after the past three quarters that we have managed to establish higher profitability in the Group. The operating margin has been strengthened due to an improved product mix, economies of scale, the focusing of resources where they will give the greatest profitability and internal work on efficiency in the whole organization. The company's growth objective of 20 percent per year over a three-year period is considerably greater than market growth. Investments are therefore necessary to achieve this objective. These investments will be made both internally and through acquisitions. It is in this context that Vitrolife's new operating margin objective of 17 percent should be seen.

Looking ahead, the market outlook is essentially unchanged and Vitrolife therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10 percent per year in the foreseeable future.

Thomas Axelsson  
CEO

## The Group's Key Figures

SEK millions	January – March		Whole year
	2014	2013	2013
Net sales	119	105	453
Net sales growth, local currency, %	12	27	29
Gross margin, %	68	66	66
Operating income before depreciation and amortization (EBITDA)	36	22	115
Operating income (EBIT)	30	17	80
Operating margin, %	25	16	18
Net income	22	12	57
Net debt / Rolling 12 month EBITDA	-0.2	0.6	-0.1
Earnings per share, SEK,	1.12	0.60	2.84
Share price on closing day, SEK	94.50	52.00	94.25
Market cap at closing day	1 874	1 031	1 869

\* For definition, see page 12

### Vitrolife's financial objectives

Vitrolife's Board considers that Vitrolife should have a strong capital base in order to enable continued high growth, both organically and through acquisitions. The company's net debt in relation to EBITDA should normally not exceed 3 times. Vitrolife's Board targets a profitable growth. The objective for Vitrolife's growth over a three year period is an increase in sales by an average of 20 percent per year, with an operating margin of 17 percent.

## First quarter 2014 (January - March)

### Net sales

Vitrolife's net sales increased by 12 percent in local currency during the first quarter and amounted to SEK 119 (105) million. Sales growth in SEK amounted to 14 percent and was positively affected by the strengthening of EUR and GBP and negatively by the weakening of AUD and JPY. The sales growth in the first quarter was organic while the first quarter last year contained acquired growth in the form of Cryo Management Ltd.

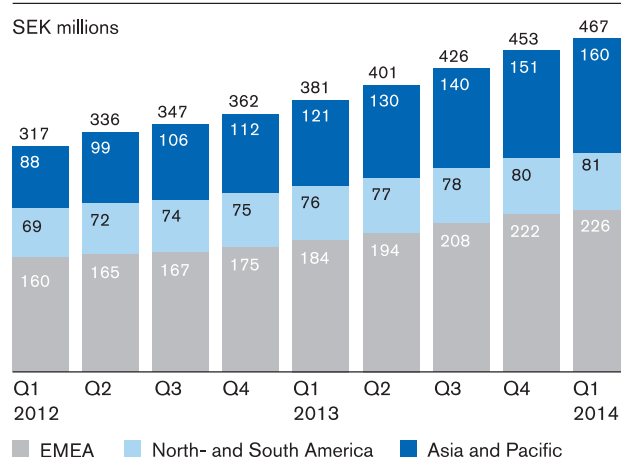
Sales for the EMEA region (Europe, the Middle East and Africa) increased by 5 percent in local currency in the first quarter and amounted to SEK 57 (53) million. The increase in SEK amounted to 8 percent. The previous year included sales of SEK 1 million to Xvivo of contract manufactured STEEN Solution™. These sales were terminated during 2013. Adjusted for this, growth amounted to 7 percent in local currency and 11 percent in SEK. During the quarter Spain, the UK and France displayed strong growth while the Nordic region and Belgium displayed reduced sales.

Sales in the North and South American region amounted to SEK 20 (19) million. In local currency the increase amounted to 10 percent, corresponding to an increase of 10 percent in SEK. The previous year included distributor sales of laser equipment to the tune of SEK 1 million. These were terminated at the beginning of 2014. Adjusted for this, growth amounted to 12 percent in local currency and 13 percent in SEK.

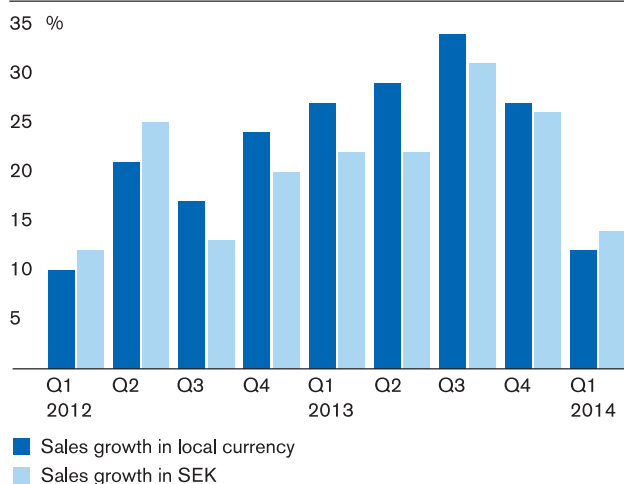
Sales in the Asia and Pacific region increased by 26 percent in local currency and amounted to SEK 42 (33) million. The increase amounted to 24 percent in SEK. Growth was primarily generated by continuing good development in China, Japan, Australia and India.

The media product group increased by 15 percent in local currency in the quarter and amounted to SEK 82 (70) million, corresponding to an increase of 16 percent in SEK. Other IVF products increased by 10 percent in local currency and amounted to SEK 34 (31) million, corresponding to an increase of 11 percent in SEK. The increase consisted amongst other things of the Primo Vision time-lapse system and the launch of the new Labware product range in selected markets while the sales of disposable instruments decreased during the quarter. Sales of contract manufactured STEEN Solution™ to Xvivo amounted to SEK 0 (1) million and freight revenues to SEK 3 (3) million.

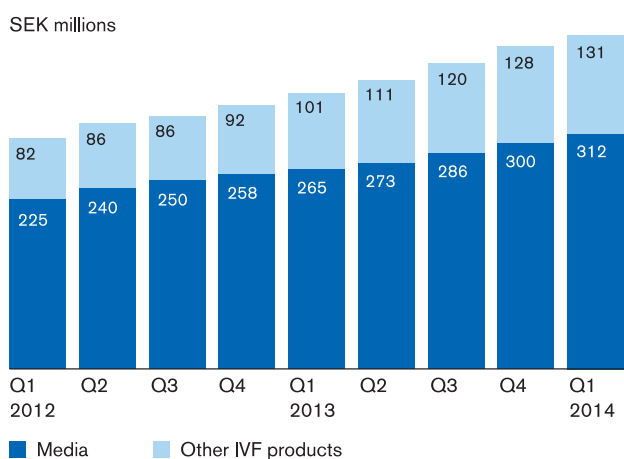
Fig 1. Net sales per geographic area (rolling 12 months)



**Fig 2. Sales development (per quarter)**



**Fig 3. Net sales per product group (rolling 12 months)**



### Update on the lawsuits in the USA

During 2012 three lawsuits were filed against Vitrolife's American subsidiary together with Southwest Transplant Alliance and the University of Texas, in which damages were being claimed in connection with three lung transplants. As the products were sold before the distribution of Xvivo, Vitrolife will also handle these lawsuits in the future. Xvivo has the legal responsibility for products sold from October 1, 2012. Vitrolife has insurance covering damages and is represented by lawyers hired by the insurance company. Vitrolife's insurance policy contains excess, whereby Vitrolife is obliged to pay for legal costs and damages up to USD 50 thousand per lawsuit. At the end of the reporting period, Vitrolife had made provision for a total of USD 150 thousand.

The legal proceedings have been ongoing during the quarter and these included the giving of depositions. In the assessment of the insurance company's lawyers representing Vitrolife it is uncertain when any significant progress will be made in this matter.

### Income

Operating income (EBIT) amounted to SEK 30 (17) million, corresponding to an operating margin of 25 (16) percent.

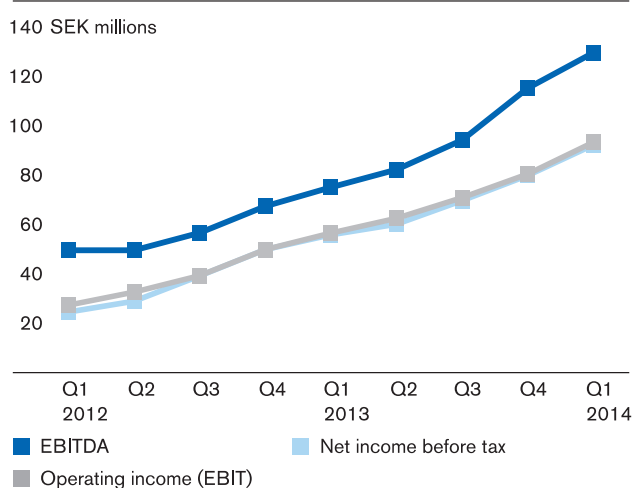
Gross income amounted to SEK 81 (69) million. The gross margin amounted to 68 (66) percent and was positively affected by economies of scale, termination of the contract manufacturing of STEEN Solution™ for Xvivo and by the cessation of distributor sales of laser equipment in the USA.

Selling expenses amounted to 22 (25) percent of sales and the decrease consisted mainly of economies of scale and temporary personnel vacancies in several direct sales markets. Administrative expenses amounted to 12 (13) percent of sales. R&D costs amounted to 10 (11) percent of sales.

Other operating revenues and expenses amounted to SEK 1 (0) million and stemmed from a recovered additional purchase price of SEK 2 million regarding the acquisition of Cryo Management Ltd in 2012 and exchange rate differences. Depreciation and amortization according to plan of SEK 5 (5) million were charged against income. Write-downs of SEK 2 (-) million were charged against income and concerned scrapped IT equipment.

Net financial items amounted to SEK 0 (0) million. Income before tax amounted to SEK 30 (17) million. Net income amounted to SEK 22 (12) million and was positively affected by a deferred tax asset of SEK 2 (-) million in the USA.

**Fig 4. Income (rolling 12 months)**



### Cash flow

The cash flow from operating activities amounted to SEK 24 (20) million. Tax paid during the quarter amounted to SEK -12 (-6) million and contained payment of Swedish corporate tax of SEK 11 (5) million for the previous year. The change in working capital amounted to SEK 1 (3) million and primarily consisted of increased operating

liabilities as a consequence of expanding business operations. Gross investments in tangible assets amounted to SEK -1 (-3) million. Gross investments in intangible assets amounted to SEK 0 (-1) million. The cash flow from financing activities was SEK -11 (-8) million and consisted of payment of the additional purchase price of SEK 7 (-) million for Cryo Management Ltd and the repayment of borrowings of SEK 4 (8) million. Cash and cash equivalents at the end of the period amounted to SEK 66 (19) million.

### Financing

Vitrolife's total credit facilities amounted to SEK 94 (114) million, of which SEK 34 (75) million was utilized. The credit facilities were used for the financing of business activities in the form of an overdraft in the subsidiary Vitrolife Sweden AB, corporate acquisition credit and loans for financing of the new MEA laboratory in Denver.

The equity/assets ratio was 69 (61). Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to -0.2 (0.6) times.

### Parent Company

Business activities focus on company-wide management and the company has no employees. Operating income included a recovered additional purchase price of SEK 2 (-) million regarding the acquisition of Cryo Management Ltd. Income before tax for the first quarter amounted to SEK 0 (0) million. Cash and cash equivalents amounted to SEK 1 (1) million.

## Prospects for 2014

As the standard of living rises in several developing countries, more and more people choose to wait before they have children. This trend, which has existed in the West for decades, leads to reduced fertility, which in turn drives the fertility treatment market. The same trend is now developing in new emerging countries such as China and India, where the demand for this treatment is increasing rapidly. Still only a few percent of all the couples in the world who have fertility problems are treated using IVF. Vitrolife therefore anticipates a constantly expanding market which in monetary terms is expected to grow by 5–10 percent per year in the foreseeable future.

The focus during 2014 will be on the external processes within marketing and sales, primarily in the emerging markets. The company continues to work on further refining and communicating the concept of best partner and total supplier to the customers. Work is also being done to secure that the internal processes are run in a rational and cost-effective way.

## The company in brief

### Business concept

Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for assisted reproduction.

### Goal

Vitrolife's goal is to become the world-leading supplier of medical devices for assisted reproduction.

### Strategies

- Have a fully comprehensive product range of effective and quality-assured fertility products.
- Have world-leading production with the highest quality-control and efficiency.
- Have a global support organization covering all IVF-treatments world-wide.
- Have an organizational structure and processes to deliver growth.

## Other information

### Organization and personnel

During the first quartel the average number of employees was 233 (226), of whom 117 (120) were women and 116 (106) were men. Of these 130 (128) people were employed in Sweden, 50 (54) in the USA and 53 (44) in the rest of the world. The number of people employed in the Group at the end of the period was 246 (239).

### Information on transactions with related parties

No transactions that have substantially affected the company's results and financial position have been carried out with related parties during the period. For information on related parties, see the Annual Report for 2013, note 30.

### Proposed appropriation of earnings

In accordance with the dividend policy of Vitrolife AB (publ), a dividend, or another equivalent form of distribution, shall be proposed annually which on average over time corresponds to 30 percent of net profits for the year after tax has been paid. The Board has accordingly proposed that the Annual General Meeting on May 5, 2014 adopt a dividend of SEK 1.00 (0.60) per share.

### Risk management

Vitrolife is constantly working to identify, evaluate and manage overall risks and different systems and processes. During 2010 Enterprise Risk Management (ERM) was introduced, a system which aims to ensure that identified

risks are handled in a systematic way. Risk analyses are performed continually with regard to the company's normal business activities and also in connection with activities that are outside Vitrolife's regular quality system. In this way the company can have a high rate of development and at the same time be aware of both the opportunities and risks. During 2013, an audit committee was instituted.

The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Management report, in the Annual Report for 2013. These are primarily constituted by the company's market investments, product development investments, currency risks and legal risks.

The company's management of risks is also described in the Corporate Governance Report in the same Annual Report. The same applies to the Group's management of financial risks, which are described in the Annual Report for 2013, note 25. The risks as they are described in the Annual Report for 2013 are assessed to be essentially unchanged for 2014.

### Seasonal effects

Vitrolife's sales are affected relatively marginally by seasonal effects. There is often a downturn in orders before and during holiday periods. The reason that orders tail off before holiday periods is that fertility clinics minimize their stock, primarily of fertility media, as these have a relatively short shelf life, so as not to risk rejects. The third quarter has the greatest negative effect from holiday periods, as July and August are affected by holiday periods, primarily in Europe. During the first quarter sales in China are affected negatively by the Chinese New Year in January or February. During the fourth quarter sales in December are negatively affected by the Christmas and New Year holidays. All in all, total sales are usually relatively even between the first and

second half of the year.

### Events after the end of the period

No other events have occurred after the end of the period that significantly affect the assessment of the financial information in this report.

### Annual General Meeting and Annual Report

The Annual General Meeting will be held on May 5, 2014 at 5 p.m. on Vitrolife's premises in Gothenburg, visiting address Gustaf Werners gata 2. For more information, please see Vitrolife's website.

Vitrolife's Annual Report for 2013 is available for download on Vitrolife's website and as a printed version at the company's head office in Gothenburg. The Annual Report has been sent to all new shareholders and to other shareholders who have previously registered that they wish to receive the printed version.

April 23, 2014  
Gothenburg  
Vitrolife AB (publ)

Thomas Axelsson  
CEO

### Financial reports

Vitrolife's interim reports are published on the company's website, [www.vitrolife.com](http://www.vitrolife.com), and are sent to shareholders who have registered that they would like to have this information.

#### During 2014 it is planned that the following reports will be submitted:

Interim report January – June: Friday July 11

Interim report January – September: Thursday November 6

### Queries should be addressed to

Thomas Axelsson, CEO, phone +46 31 721 80 01  
Mikael Engblom, CFO, phone +46 31 721 80 14

Vitrolife is required to publish the information in this report in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The report was submitted for publication on Wednesday April 23, 2014 at 8.30 am.

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.

## Consolidated income statements

SEK thousands	January – March		Whole year
	2014	2013	2013
Net sales	119 072	104 605	452 738
Cost of goods sold	-38 149	-35 990	-152 183
<b>Gross income</b>	<b>80 923</b>	<b>68 615</b>	<b>300 555</b>
Selling expenses	-26 782	-26 548	-108 110
Administrative expenses	-14 192	-13 461	-55 891
Research and development costs	-11 504	-11 872	-58 874
Other operating revenues and expenses	1 475	221	2 718
<b>Operating income</b>	<b>29 920</b>	<b>16 955</b>	<b>80 398</b>
Financial income and expenses	-340	214	-610
<b>Income after financial items</b>	<b>29 580</b>	<b>17 169</b>	<b>79 788</b>
Taxes	-7 201	-5 159	-23 088
<b>Net Income</b>	<b>22 379</b>	<b>12 010</b>	<b>56 700</b>
<b>Attributable to</b>			
Parent Company's shareholders	22 178	11 878	56 274
Non-controlling interests	201	132	426
Earnings per share, SEK	1.12	0.60	2.84
Average number of outstanding shares	19 830 936	19 830 936	19 830 936
Number of shares at closing day	19 830 936	19 830 936	19 830 936

Depreciation, amortization and write-downs has reduced income for the period by SEK 6 528 thousand (5 075).

## Statement of comprehensive income

SEK thousands	January – March		Whole year
	2014	2013	2013
<b>Net income</b>	<b>22 379</b>	<b>12 010</b>	<b>56 700</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified to the income statement</i>			
Cash-flow hedges, net after tax	-169	-1 262	1 492
Exchange rate differences, net after tax	-2 666	-3 795	-2 702
<b>Total other comprehensive income, net after tax</b>	<b>-2 835</b>	<b>-5 057</b>	<b>-1 210</b>
<b>Total comprehensive income</b>	<b>19 544</b>	<b>6 953</b>	<b>55 490</b>
<b>Attributable to</b>			
Parent Company's shareholders	19 343	6 821	55 064
Non-controlling interests	201	132	426

## Other key ratios. total group

	January – March		Whole year
	2014	2013	2013
Gross margin. %	68.0	65.6	66.4
Operating margin before depreciation and amortization. %	30.6	21.0	25.5
Operating margin. %	25.1	16.2	17.8
Net margin. %	18.8	11.5	12.5
Equity/assets ratio. %	68.8	61.4	66.1
Shareholders' equity per share. SEK.	17.16	14.35	16.18
Return on equity. %.	21.3	10.3	18.9
Cash flow from operating activities per share. SEK	1.23	0.99	5.36
Net cash (+) / Net debt (-). SEK millions	31.1	-47.0	15.1

## Consolidated income statements per quarter

SEK thousands	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012
<i>Continuing operations*</i>								
Net sales	119 072	123 502	108 642	115 991	104 605	97 949	82 926	95 224
Cost of goods sold	-38 149	-40 144	-36 196	-39 853	-35 990	-34 489	-27 988	-32 237
<b>Gross income</b>	<b>80 923</b>	<b>83 358</b>	<b>72 446</b>	<b>76 138</b>	<b>68 615</b>	<b>63 460</b>	<b>54 939</b>	<b>62 987</b>
Selling expenses	-26 782	-27 820	-24 779	-28 964	-26 548	-29 231	-22 245	-26 881
Administrative expenses	-14 192	-15 135	-11 693	-15 601	-13 461	-11 670	-9 256	-12 488
Research and development costs	-11 504	-22 384	-12 425	-12 194	-11 872	-12 761	-6 991	-10 504
Other operating revenues and expenses	1 475	3 705	-464	-743	221	2 338	-1 805	-428
<b>Operating income</b>	<b>29 920</b>	<b>21 724</b>	<b>23 086</b>	<b>18 636</b>	<b>16 955</b>	<b>12 137</b>	<b>14 640</b>	<b>12 686</b>
Financial income and expenses	-340	212	65	-1 101	214	-414	-1 095	530
<b>Income after financial items</b>	<b>29 580</b>	<b>21 936</b>	<b>23 151</b>	<b>17 535</b>	<b>17 169</b>	<b>11 723</b>	<b>13 545</b>	<b>13 216</b>
<i>Discontinued operations**</i>								
Net sales	-	-	-	-	-	-	14 352	14 042
Operating Income	-	-	-	-	-	-	-1 652	3 974
<b>Income after financial items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>303 207***</b>	<b>-1 922</b>	<b>5 048</b>
<i>Total group</i>								
Taxes	-7 201	-6 552	-6 124	-5 253	-5 159	-11 988	-3 155	-5 003
<b>Net income</b>	<b>22 379</b>	<b>15 384</b>	<b>17 027</b>	<b>12 282</b>	<b>12 010</b>	<b>302 942</b>	<b>8 468</b>	<b>13 261</b>
<b>Attributable to</b>								
Parent Company's shareholders	22 178	15 357	16 935	12 108	11 878	302 914	8 410	13 168
Non-controlling interests	201	27	92	174	132	28	58	93

\*Continuing operations comprise Fertility.

\*\* Discontinued operations comprise Transplantation which was distributed to the shareholders October 1, 2012.

\*\*\* Non-taxable gain from distribution of Xvivo Perfusion AB (Transplantation) to the shareholders.

## Key ratios per quarter, total group

	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012
Shareholders' equity per share. SEK,	17.16	16.18	15.29	14.68	14.35	14.01	18.26*	18.15
Return on equity. %,	21.3	18.9	13.9	10.4	10.3	9.2	9.4*	10.8
Cash flow from operating activities per share. SEK	1.23	1.91	1.59	0.90	0.99	0.95	0.32*	1.03

\* Distribution of shares in Xvivo Perfusion AB has been moved from short-term non-interest bearing liabilities to equity.



## Consolidated balance sheets

SEK thousands	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
<b>ASSETS</b>			
Goodwill	180 969	175 586	183 275
Other intangible fixed assets	19 176	32 376	22 982
Tangible fixed assets	83 878	93 873	85 958
Financial fixed assets	5 548	3 225	5 442
Deferred tax assets	4 616	4 918	2 826
Inventories	61 548	62 450	59 916
Accounts receivable	63 222	56 584	61 456
Other current receivables	12 971	15 873	12 184
Derivative instruments	–	1 647	–
Liquid funds	65 514	19 309	53 769
<b>Total assets</b>	<b>497 442</b>	<b>465 841</b>	<b>487 808</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity, attributable to the Parent Company's shareholders	340 299	284 610	320 956
Non-controlling interests	1 811	1 283	1 644
Appropriations	4 762	1 230	4 277
Deferred tax liabilities	14 263	13 343	14 670
Long-term interest bearing liabilities	17 587	49 477	21 622
Long-term non-interest bearing liabilities	18 155	23 235	24 916
Short-term interest bearing liabilities	16 820	16 826	17 028
Derivative instruments	1 667	–	1 884
Accounts payable	17 567	20 815	15 596
Other short-term non-interest bearing liabilities	64 511	55 022	65 215
<b>Total shareholders' equity and liabilities</b>	<b>497 442</b>	<b>465 841</b>	<b>487 808</b>
Pledged assets for own liabilities	21 345	20 684	21 240
Contingent liabilities	236	784	238

## Consolidated changes in shareholders' equity

SEK thousands	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
<b>Opening balance January 1, 2013</b>	<b>20 228</b>	<b>220 287</b>	<b>-36 939</b>	<b>74 215</b>	<b>1 191</b>	<b>278 982</b>
Total comprehensive income	–	–	-1 210	56 274	426	55 490
Dividend	–	–	–	-11 899	–	-11 899
Other transactions with non-controlling interests	–	–	–	–	27	27
<b>Closing balance December 31, 2013</b>	<b>20 228</b>	<b>220 287</b>	<b>-38 149</b>	<b>118 590</b>	<b>1 644</b>	<b>322 600</b>
<b>Opening balance January 1, 2014</b>	<b>20 228</b>	<b>220 287</b>	<b>-38 149</b>	<b>118 590</b>	<b>1 644</b>	<b>322 600</b>
Total comprehensive income	–	–	-2 835	22 178	201	19 544
Other transactions with non-controlling interests	–	–	–	–	-34	-34
<b>Closing balance March 31, 2014</b>	<b>20 228</b>	<b>220 287</b>	<b>-40 984</b>	<b>140 768</b>	<b>1 811</b>	<b>342 110</b>

## Consolidated cash flow statements

SEK thousands	January – March		Whole year 2013
	2014	2013	
Income after financial items	29 580	17 168	79 788
Adjustment for items not affecting cash flow	5 788	5 779	37 312
Tax paid	-12 470	-5 949	-11 993
Change in inventories	-1 632	-41	2 492
Change in trade receivables	-2 553	-3 731	-6 860
Change in trade payables	5 682	6 412	5 388
<b>Cash flow from operating activities</b>	<b>24 395</b>	<b>19 638</b>	<b>106 127</b>
Cash flow from investing activities	-790	-3 334	-14 387
Cash flow from financing activities	-11 387	-8 078	-49 205
<b>Cash flow for the period</b>	<b>12 218</b>	<b>8 226</b>	<b>42 535</b>
Liquid funds at beginning of period	53 769	11 680	11 680
Exchange rate difference in liquid funds	-473	-597	-446
<b>Liquid funds at end of period</b>	<b>65 514</b>	<b>19 309</b>	<b>53 769</b>

## Income statements for the Parent Company

SEK thousands	January – March		Whole year 2013
	2014	2013	
Administrative expenses	-1 537	-1 485	-5 678
Other operating revenues and expenses	1 724	4	-123
<b>Operating income</b>	<b>187</b>	<b>-1 481</b>	<b>-5 801</b>
Write-down part in affiliated companies	–	–	-5 196
Dividends from affiliated companies	–	–	2 949
Financial income and expenses	-314	1 899	-63
<b>Income after financial items</b>	<b>-127</b>	<b>418</b>	<b>-8 111</b>
Year-end adjustments (received group contribution)	–	–	6 178
Taxes	28	-92	-103
<b>Net income</b>	<b>-99</b>	<b>326</b>	<b>-2 036</b>

Depreciation and amortization has reduced income for the period by SEK 0 thousand (8). From year 2013 group contribution is accounted in income statement with year-end adjustments according to new accounting principles, comparative period has also been adjusted according to new principles. In previous years group contribution have been accounted in balance sheet (shareholders' equity).

## Balance sheets for the Parent Company

SEK thousands	Mar 31, 2014	Mar 31, 2013	Dec 31, 2013
<b>ASSETS</b>			
Tangible fixed assets	12	32	12
Participation in affiliated and associated companies	424 993	422 175	424 993
Other financial tangible assets	4 000	–	4 000
Other current receivables	3 261	3 184	712
Receivables from affiliated companies	8 626	14 436	8 628
Liquid funds	562	672	565
<b>Total assets</b>	<b>441 454</b>	<b>440 499</b>	<b>438 910</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	297 572	312 630	297 671
Long-term interest-bearing liabilities	13 422	18 103	14 756
Long-term non-interest-bearing liabilities	18 155	33 352	26 949
Short-term interest-bearing liabilities	6 019	6 009	6 224
Accounts payable	3 371	706	571
Liabilities to group companies	91 892	63 681	81 813
Other short-term non-interest liabilities	11 023	6 018	10 926
<b>Total shareholders' equity and liabilities</b>	<b>441 454</b>	<b>440 499</b>	<b>438 910</b>
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	–	558	–

## Note 1. Accounting Principles

### Accounting principles

This interim report has been prepared for the Group in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting, and for the Parent Company in accordance with the Annual Accounts Act and recommendation RFR 2.2 of the Swedish Financial Reporting Board, Accounting for Legal Entities. Unless otherwise stated below, the accounting principles applied to the Group and the Parent Company are consistent with the accounting principles used in the presentation of the most recent Annual Report. No new or amended accounting principles effective 2014 had any significant impact on the Group during first quarter.

## Note 2. Fair value and book value of financial assets and liabilities

### Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13. Measurement of the Group's financial assets and liabilities is divided into the following hierarchy:

The following are classified in level 1: accounts receivable, other current receivables, cash and cash equivalents, accounts payable and other liabilities and borrowings incurring interest payments. Fair value for these financial assets and liabilities is estimated to be equal to their book value. Book value minus write-down constitute an approximate fair value for accounts receivable and payable. All long-term interest-bearing loans have floating rates and therefore estimated that the fair value substantially conform with the book value. Financial assets and liabilities measured at amortized cost amounts to SEK134 824 thousand (81 540) and SEK 78 060 thousand (144 060).

The following are classified in level 2: Derivatives for hedge accounting. Valuation of fair value for currency forward contracts is based on published forward rates in an active market.

The following are classified in level 3: Other liabilities relating to conditional purchase price have been measured by future cash flows being discounted by current market rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has generated a cost of SEK 138 thousand (-) during the period, which is reported among financial costs.

### Fair value hierarchy

SEK thousands	Fair value levels	Mar 31.2014	Mar 31. 2013	Dec 31.2013
<b>Financial liabilities</b>				
Financial liabilities to fair value through income statement	3	25 810	-	26 950
Derivatives for hedge accounting	2	1 667	-	1 884
<b>Total Financial liabilities</b>		<b>27 477</b>	<b>-</b>	<b>28 834</b>

## Note 3. Acquisition of subsidiary

No acquisition of subsidiary has occurred during first quarter 2014. During 2013 Vitrolife exercised an option to acquire all the shares in HertArt, former associated company. During the fourth quarter of 2013, Vitrolife conducted write-down of Labware to the tune of SEK 9 million as a result of an assessment that parts of the previously capitalized development costs will not generate future revenues. The write-down of the intangible assets have been recorded as a R & D cost. The residual value of intangible assets for Labware is SEK 2 million at the end of the fourth quarter 2013.

SEK millions	2013
Purchase sum per April 1, 2013	HertArt
Liquid funds, acquisition 75 %	2.4
Conditional purchase price, acquisition 75 %	1.1
Previously paid, acquisition 25 % (associated company)	2.8
Total purchase price	6.3
Identified assets and liabilities per April 1, 2013	
Fixed assets	3.9
Intangible fixed assets	4.6
Current assets	0.6
Operating liabilities	-4.4
Total acquired assets and liabilities	4.7
Capital loss, revaluation of shares at acquisition date	1.0
Part of result from the associated company (owned 25 %)	0.6
Total	6.3

# Definitions

## **Gross margin**

Net sales minus the cost of goods sold as a percentage of net sales for the period.

## **Operating margin before depreciation and amortization**

Operating income before depreciation and amortization as a percentage of net sales for the period.

## **Operating margin**

Operating income after depreciation and amortization as a percentage of net sales for the period.

## **Profit margin**

Income for the period as a percentage of net sales for the period.

## **Return on shareholders' equity**

Rolling 12 months net income as a percentage of the average shareholders' equity for the same period.

## **Equity/assets ratio**

Shareholders' equity and minority interest as a percentage of total assets.

## **Earnings per share**

Income for the period in relation to the average number of outstanding shares for the period.

## **Earnings per share after full dilution**

Income for the period in relation to the average number of outstanding shares for the period, taking into

account outstanding share warrants where the net present value of the strike price in the middle of the redemption period or the remaining redemption period is less than the average share price for the period.

## **Cash flow from operating activities per share**

The cash flow from operating activities for the period in relation to the average number of outstanding shares for the period.

## **Shareholders' equity per share**

Shareholders' equity in relation to the number of shares outstanding at closing day.

## **Net loans receivable/Net borrowings**

Cash and cash equivalents plus interest-bearing receivables minus interest-bearing liabilities.

# Glossary

The following explanations are intended to help the reader to understand certain specific terms and expressions in Vitrolife's reports:

## **IVF, In Vitro Fertilization**

Fertilization between the woman's and the man's sex cells and cultivation of embryos outside the body.

## **In vitro (Latin "in glass")**

A process that has been taken out from a cell to take place in an artificial environment instead, for example in a test tube.

## **Embryo**

A fertilized egg.

## **Blastocyst**

An embryo at days 5-7 after fertilization. Cell division has gone so far that the first cell differentiation has taken place and the embryo thereby now has two different types of cells.

## **Vitrification**

Process for converting a material to a glasslike solid state, for example through rapid freezing, in this case rapid freezing of eggs and embryos, in order to be able to carry out IVF on a later occasion.

## **IUI**

Intra-Uterine Insemination, "artificial insemination". A high concentration of active sperms is injected in order to increase the chance of pregnancy.

## **Stem cells**

Non-specialized cells to be found in all multi-cell organisms. Have the ability to mature (differentiate) into several cell types. Are usually divided up into three groups: adult stem cells (in the fully grown individual), embryonic stem cells and stem cells from the umbilical cord. In the developing embryo stem cells give rise to all tissue in the fetus-to-be. In adult individuals stem cells constitute a repair system to replace damaged cells. As stem cells have the potential to mature into specialized cell types, there are great hopes regarding their medical role.

## **Cell therapy**

Describes the process when new cells are added to tissue in order to treat a disorder.

## **Preclinical study**

Research that is done before a pharmaceutical or a treatment method is sufficiently documented to be studied in people, for example testing of substances on tissue samples and later testing on experimental animals.

## **Clinical study/trial**

An investigation in healthy or sick people in order to study the effect of a pharmaceutical or treatment method.

## **Biological quality tests**

Using biological systems (living cells, organs or animals) to test how well a product or input material functions in relation to a requirement specification.

## **Medical devices**

Comprise devices used to make a diagnosis of a disease, treat a disease and as rehabilitation.

## **Biotechnology**

Combination of biology and technology, which primarily means using cells or components from cells (such as enzymes or DNA) in technical applications.

## **In vivo**

Biological processes in living cells and tissue when they are in their natural place in whole organisms.

# TOGETHER. ALL THE WAY™

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