



INTERIM REPORT JANUARY-JUNE 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 today has 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 income and high growth

Second quarter

- Sales growth was 9 percent in local currency. Sales amounted to SEK 129 (116) million, corresponding to an increase of 12 percent in SEK. Last year's figure included sales of STEEN Solution™ to Xvivo to the tune of SEK 3 million. Adjusted for this, the increase in sales amounted to 12 percent in local currency.
- Vitrolife launched the company's new culture media for time-lapse, G-TL™.

- Operating income (EBIT) amounted to SEK 34 (19) million, corresponding to an operating margin of 26 (16) percent.
- Net income amounted to SEK 23 (12) million, which gave earnings per share of SEK 1.16 (0.61).

First half year

- Sales growth was 10 percent in local currency. Sales amounted to SEK 249 (221) million, corresponding to an increase of 13 percent in SEK. Last year's figure included sales of STEEN Solution to Xvivo to the tune of SEK 5 million. Adjusted for this, the increase in sales amounted to 13 percent in local currency.

- Operating income (EBIT) amounted to SEK 64 (36) million, corresponding to an operating margin of 26 (16) percent.
- Net income amounted to SEK 46 (24) million, which gave earnings per share of SEK 2.28 (1.21).

The Group's Key Figures

SEK millions	Apr – Jun		Jan – Jun		Whole year 2013
	2014	2013	2014	2013	
Net sales	129	116	249	221	453
Net sales growth, local currency, %	9	29	10	28	29
Gross margin, %	69	66	68	66	66
Operating income before depreciation and amortization (EBITDA)	38	24	74	46	115
Operating income (EBIT)	34	19	64	36	80
Operating margin, %	26	16	26	16	18
Net income	23	12	46	24	57
Net debt / Rolling 12 month EBITDA	-0.3	0.6	-0.3	0.6	-0.1
Earnings per share, SEK,	1.16	0.61	2.28	1.21	2.84
Share price on closing day, SEK	109.50	63.00	109.50	63.00	94.25
Market cap at closing day	2 171	1 249	2 171	1 249	1 869

For definitions, see page 13

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.

CEO's comments

Sales growth in the Asia and Pacific region continues to develop strongly and the growth during the quarter amounted to 19 percent in local currency. The growth is driven by an expanding market in countries such as China and India. In the more mature markets of Japan and Australia, where Vitrolife has successfully taken market share in recent years, sales growth during the second quarter was in line with market growth there.



The EMEA region (Europe, Middle East and Africa) reported growth of 6 percent in local currency during the quarter. Adjusted for the discontinued sales of STEEN Solution™ to Xvivo, growth was 12 percent. Increased price competition for disposable instruments such as needles for egg retrieval and pipettes can be seen in the region at present.

In the North and South American region sales decreased by 2 percent in local currency. Adjusted for last year's discontinued distributor sales of laser equipment, growth amounted to 11 percent, which is higher than market growth in the region.

The year's biggest scientific conference in the IVF field, ESHRE, was held at the end of June and beginning of July, this time in Munich. As usual Vitrolife was represented and in addition to the traditional stall presentation and display, Vitrolife carried out a variety of activities. Vitrolife met existing and potential customers and carried out a number of research-related activities. Vitrolife also carried out product training and product demonstrations of the company's newly launched culture media for time-lapse, G-TL™.

Together with gynecologists, Vitrolife presented further clinical data at the trade fair regarding improved results, in the form of the pregnancy rates that clinics achieve by using EmbryoGlue™. There were also lectures on Vitrolife's time-lapse product Primo Vision and on the company's range of disposable plastic products for IVF,

Labware. Meetings such as ESHRE are an excellent opportunity to gain deeper knowledge and information on research and development in the field. Of course it is also a chance to get updated information on competitors and to meet potential collaboration partners.

The increased competition from generics for pharmaceutical companies selling hormones will lead to changes in the industry in the long term. Collaboration between pharmaceutical companies and medical device companies will be more common in the future. This entails both opportunities and threats. There is still great interest in time-lapse in the market and in my assessment it is likely that time-lapse will become a generally used technology. However, the market is beginning to be divided into two camps. The first group believes in time-lapse and has already bought equipment or is going to buy equipment in the coming years. The other group wants to see further scientific results for time-lapse regarding the system's clinical advantages before they are prepared to invest in the technology. Customers can also be divided into those who are interested in buying time-lapse together with the accompanying built-in incubator and those who rather want to buy a stand-alone time-lapse microscope, that is the type of product that Vitrolife offers.

We must now follow up all the contacts we made with customers during the trade fair and continue to work purposefully to give customers better results, which by extension gives us as a company better results.

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.

I wish you a pleasant summer.

Thomas Axelsson, CEO

Second quarter 2014 (April - June)

Net sales

Vitrolife's net sales increased by 9 percent in local currency during the second quarter and amounted to SEK 129 (116) million. Sales growth in SEK amounted to 12 percent.

Sales for the EMEA region (Europe, the Middle East and Africa) increased by 6 percent in local currency in the second quarter and amounted to SEK 61 (55) million. The increase in SEK amounted to 11 percent. The previous year included sales of SEK 3 million to Xvivo of contract manufactured STEEN Solution™. Adjusted for this, growth amounted to 12 percent in local currency and 17 percent in SEK.

Sales in the North and South American region amounted to SEK 20 (21) million. Sales decreased by 2 percent in local currency, corresponding to a decrease of 2 percent in SEK. Last year included distributor sales of laser equipment to the tune of SEK 3 million. Adjusted for this, growth amounted to 11 percent in local currency and 11 percent in SEK. Sales in the Asia and Pacific region increased by 19 percent in local currency and amounted to SEK 48 (40) million. The increase amounted to 21 percent in SEK.

The media product group increased by 10 percent in local currency in the quarter and amounted to SEK 87 (77) million, corresponding to an increase of 13 percent in SEK. Other IVF products increased by 16 percent in local currency and amounted to SEK 38 (32) million, corresponding to an increase of 19 percent in SEK. The increase consisted, amongst other things, of the Primo Vision time-lapse system and aspiration needles for egg retrieval. Sales of contract manufactured STEEN Solution™ to Xvivo amounted to SEK 0 (3) million and freight revenues to SEK 4 (3) million.

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

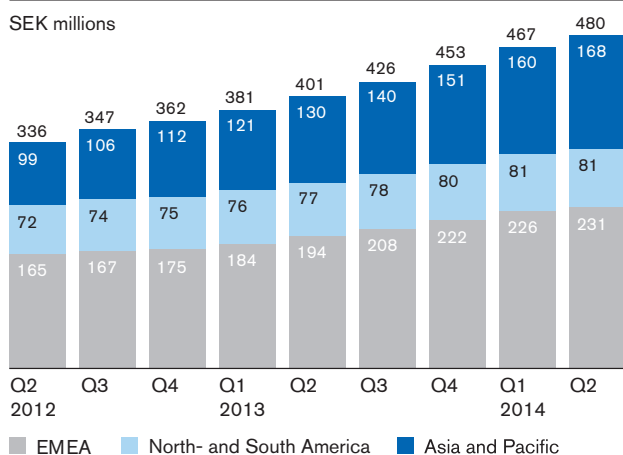


Fig 2. Sales development (per quarter)

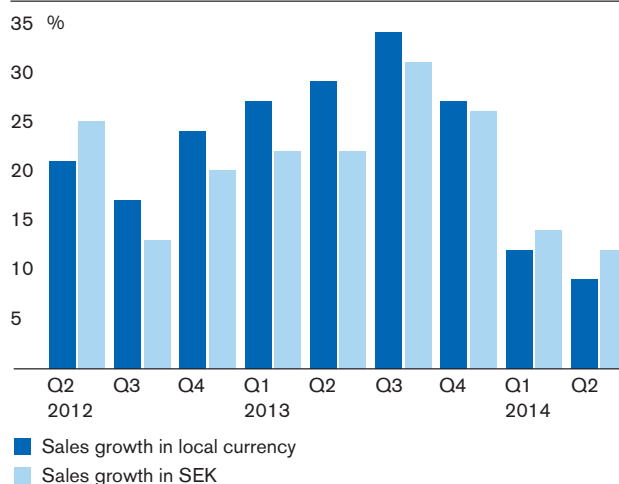
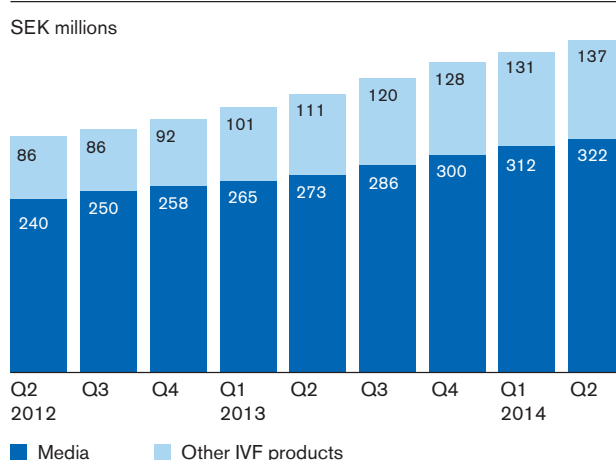


Fig 3. Net sales per product group (rolling 12 months)



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 30 of June 2013, 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

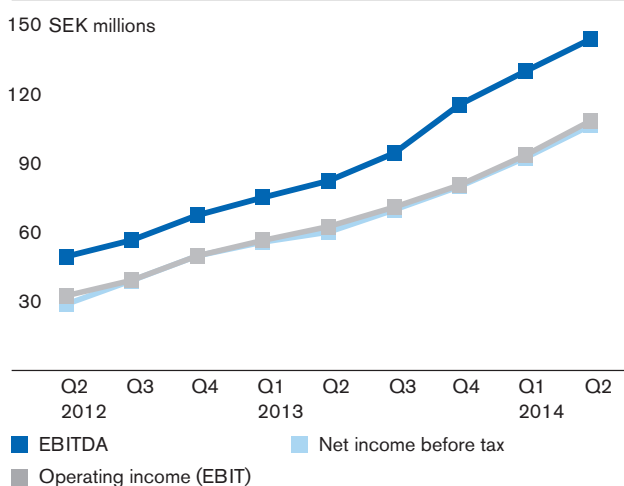
Operating income (EBIT) amounted to SEK 34 (19) million, corresponding to an operating margin of 26 (16) percent.

Gross income amounted to SEK 89 (76) million. The gross margin amounted to 69 (66) percent and was positively affected by cessation of distributor sales of laser equipment in the USA, termination of the contract manufacturing of STEEN Solution™ for Xvivo and by economies of scale.

Selling expenses amounted to 24 (25) percent of sales and the decrease consisted mainly of economies of scale. Administrative expenses amounted to 12 (13) percent of sales. R&D costs amounted to 9 (11) percent of sales. Depreciation and amortization according to plan of SEK 4 (5) million were charged against income.

Net financial items amounted to SEK -2 (-1) million. Income before tax amounted to SEK 32 (18) million. Net income amounted to SEK 23 (12) million.

Fig 4. Income (rolling 12 months)



Cash flow

The cash flow from operating activities amounted to SEK 28 (18) million. The change in working capital amounted to SEK -4 (-6) million and primarily consisted of increased accounts receivables as a consequence of increased sales. Gross investments amounted to SEK -1 (-4) million and consisted primarily of purchase of equipment. The cash flow from financing activities was SEK -24 (-15) million and consisted of dividend to the tune of SEK -20 million and the repayment of borrowings of SEK -4 million. Cash and cash equivalents at the end of the period amounted to SEK 71 (19) million.

Financing

Vitrolife's total credit facilities amounted to SEK 91 (107) million, of which SEK 31 (65) 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 68 (60). Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to -0.3 (0.6) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income before tax for the second quarter amounted to SEK -3 (-4) million. Cash and cash equivalents amounted to SEK 1 (1) million.

The period 2014 (January - June)

Net sales

Vitrolife's net sales increased by 10 percent in local currency during the first half year and amounted to SEK 249 (221) million. Sales growth in SEK amounted to 13 percent. Sales for the EMEA region increased by 5 percent in local currency during the period and amounted to SEK 118 (108) million. The increase in SEK amounted to 9 percent. Last year included sales of contract manufactured Steen Solution™ to Xvivo to the tune of SEK 5 million. Adjusted for this, growth amounted to 10 percent in local currency and 14 percent in SEK. Sales in the North and South American region amounted to SEK 41 (40) million. The increase amounted to 3 percent in local currency, corresponding to an increase of 4 percent in SEK. Last year included distributor sales of laser equipment to the tune of SEK 3 million. Adjusted for this, growth amounted to 12 percent in local currency and 12 percent in SEK. Sales in the Asia and Pacific region increased by 22 percent in local currency and amounted to SEK 90 (73) million. The increase in SEK amounted to 23 percent.

Income

Operating income (EBIT) amounted to SEK 64 (36) million, corresponding to an operating margin of 26 (16) percent.

Gross income amounted to SEK 170 (145) million. The gross margin amounted to 68 (66) percent. Selling expenses amounted to 23 (25) percent of sales. Administrative expenses amounted to 12 (13) percent of sales. R&D costs amounted to 9 (11) percent of sales. Depreciation and amortization of SEK 11 (10) million were charged against net income. Net financial items amounted to SEK -2 (-1) million. Income before tax amounted to SEK 61 (35) million. Net income amounted to SEK 46 (24) million.

Cash flow

The cash flow from operating activities amounted to SEK 53 (37) million. Gross investments amounted to SEK -1 (-7) million and the cash flow from financing activities was SEK -36 (-23) million. Cash and cash equivalents at the end of the period amounted to SEK 71 (19) 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 half year the average number of employees was 233 (229), of whom 116 (120) were women and 117 (109) were men. Of these 130 (130) people were employed in Sweden, 51 (54) in the USA and 52 (45) in

the rest of the world. The number of people employed in the Group at the end of the period was 246 (247).

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.

Dividend

It was decided at the Annual General Meeting on May 5 that the proposed dividend of SEK 1.00 per share would be paid out to the shareholders. Payment of the dividend took place on May 13.

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.

Certification

The Board and the CEO certify that the half-year report gives a true and fair view of the company's and the Group's business activities, financial position and results, and describes the essential risks and uncertainty factors that the company and the companies which are part of the Group face.

July 11, 2014
Gothenburg, Sweden

Thomas Axelsson
CEO

Carsten Browall
Chairman of the Board

Maris Hartmanis
Board member

Tord Lendau
Board member

Fredrik Mattsson
Board member

Barbro Fridén
Board member

Pia Marions
Board member

Financial reports

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

This report has not been reviewed by the company's auditor.

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

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 Friday July 11, 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 – June		2014	April – June		Whole year 2013
	2014	2013		2013	2013	
Net sales	248 508	220 594	129 436	115 991	452 738	
Cost of goods sold	-78 535	-75 843	-40 387	-39 853	-152 183	
Gross income	169 973	144 751	89 049	76 138	300 555	
Selling expenses	-57 327	-55 512	-30 545	-28 964	-108 110	
Administrative expenses	-29 365	-29 062	-15 173	-15 601	-55 891	
Research and development costs	-23 029	-24 065	-11 524	-12 194	-58 874	
Other operating revenues and expenses	3 271	-522	1 797	-743	2 718	
Operating income	63 523	35 589	33 604	18 636	80 398	
Financial income and expenses	-2 329	-886	-1 990	-1 101	-610	
Income after financial items	61 194	34 703	31 614	17 535	79 788	
Taxes	-15 688	-10 413	-8 487	-5 253	-23 088	
Net Income	45 506	24 290	23 127	12 282	56 700	
Attributable to						
Parent Company's shareholders	45 189	23 983	23 011	12 108	56 274	
Non-controlling interests	317	307	116	174	426	
Earnings per share, SEK	2.28	1.21	1.16	0.61	2.84	
Average number of outstanding shares	19 830 936	19 830 936	19 830 936	19 830 936	19 830 936	
Number of shares at closing day	19 830 936	19 830 936	19 830 936	19 830 936	19 830 936	

Depreciation, amortization and write-downs has reduced income for the period by SEK 10 828 thousand (10 413), of which SEK 4 300 thousand (5 338) for the second quarter.

Statement of comprehensive income

SEK thousands	January – June		2014	April – June		Whole year 2013
	2014	2013		2013	2013	
Net income	45 506	24 290	23 127	12 282	56 700	
Other comprehensive income						
<i>Items that may be reclassified to the income statement</i>						
Cash-flow hedges, net after tax	47	-924	216	338	1 492	
Exchange rate differences, net after tax	2 403	2 254	5 069	6 040	-2 702	
Total other comprehensive income, net after tax	2 450	1 330	5 285	6 378	-1 210	
Total comprehensive income	47 956	25 620	28 412	18 660	55 490	
Attributable to						
Parent Company's shareholders	47 639	25 313	28 296	18 486	55 064	
Non-controlling interests	317	307	116	174	426	

Other key ratios, total Group

	January – June		April – June		Whole year
	2014	2013	2014	2013	2013
Gross margin. %	68.4	65.6	68.8	65.6	66.4
Operating margin before depreciation and amortization. %	29.9	20.9	29.3	20.7	25.5
Operating margin. %	25.6	16.1	26.0	16.1	17.8
Net margin. %	18.3	11.0	17.9	10.6	12.5
Equity/assets ratio. %	67.9	59.8*	67.9	59.8*	65.1*
Shareholders' equity per share. SEK.	17.23	14.40*	17.23	14.40*	15.83*
Return on equity. %	24.2	11.0*	24.2	11.0*	19.8*
Cash flow from operating activities per share. SEK	2.66	1.89	1.43	0.9	5.36
Net cash (+) / Net debt (-). SEK millions	39.7	-46.3	39.7	-46.3	15.1

* Prior years' deferred tax in the U.S. have been adjusted and recorded in equity in accordance with IAS 8.

Consolidated income statements per quarter

SEK thousands	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012
<i>Continuing operations*</i>								
Net sales	129 436	119 072	123 502	108 642	115 991	104 605	97 949	82 926
Cost of goods sold	-40 387	-38 149	-40 144	-36 196	-39 853	-35 990	-34 489	-27 988
Gross income	89 049	80 923	83 358	72 446	76 138	68 615	63 460	54 939
Selling expenses	-30 545	-26 782	-27 820	-24 779	-28 964	-26 548	-29 231	-22 245
Administrative expenses	-15 173	-14 192	-15 135	-11 693	-15 601	-13 461	-11 670	-9 256
Research and development costs	-11 524	-11 504	-22 384	-12 425	-12 194	-11 872	-12 761	-6 991
Other operating revenues and expenses	1 797	1 475	3 705	-464	-743	221	2 338	-1 805
Operating income	33 604	29 920	21 724	23 086	18 636	16 955	12 137	14 640
Financial income and expenses	-1 989	-340	212	65	-1 101	214	-414	-1 095
Income after financial items	31 614	29 580	21 936	23 151	17 535	17 169	11 723	13 545
<i>Discontinued operations**</i>								
Net sales	-	-	-	-	-	-	-	14 352
Operating Income	-	-	-	-	-	-	-	-1 652
Income after financial items	-	-	-	-	-	-	303 207***	-1 922
<i>Total group</i>								
Taxes	-8 487	-7 201	-6 552	-6 124	-5 253	-5 159	-11 988	-3 155
Net income	23 127	22 379	15 384	17 027	12 282	12 010	302 942	8 468
Attributable to								
Parent Company's shareholders	23 011	22 178	15 357	16 935	12 108	11 878	302 914	8 410
Non-controlling interests	116	201	27	92	174	132	28	58

* 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

	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012
Shareholders' equity per share. SEK,	17.23	16.8	15.83*	15.0*	14.40*	13.99*	14.01	18.26**
Return on equity. %,	24.2	21.8	19.3*	14.4*	11.0*	9.1*	9.2	9.4**
Cash flow from operating activities per share. SEK	1.43	1.23	1.91	1.59	0.90	0.99	0.95	0.32**

* Prior years' deferred tax in the U.S. have been adjusted and recorded in equity in accordance with IAS 8. It has not been possible to restate prior years' effects on a quarterly basis, but the error has been corrected in the opening balance of 2013. Consequently, there are no translated effects for Q3 and Q4 2012.

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

Consolidated balance sheets

SEK thousands	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
ASSETS			
Goodwill	183 789	182 670	183 275
Other intangible fixed assets	18 368	40 760	22 982
Tangible fixed assets	84 214	93 005	85 958
Financial fixed assets	5 772	1 161	5 442
Inventories	60 751	64 295	59 916
Accounts receivable	69 595	68 046	61 456
Other current receivables	11 971	10 804	12 184
Liquid funds	70 805	18 824	53 769
Total assets	505 265	479 565	484 982
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to the Parent Company's shareholders	341 694	285 484*	313 886*
Non-controlling interests	1 565	1 493	1 644
Provisions	5 025	1 355	4 277
Deferred tax liabilities	17 849	12 814*	18 914*
Long-term interest bearing liabilities	13 932	47 860	21 622
Long-term non-interest bearing liabilities	18 847	25 922	24 916
Short-term interest bearing liabilities	17 166	17 219	17 028
Derivative instruments	1 943	1 156	1 884
Accounts payable	11 106	16 788	15 596
Other short-term non-interest bearing liabilities	76 138	69 474	65 215
Total shareholders' equity and liabilities	505 265	479 565	484 982
Pledged assets for own liabilities	21 473	21 085	21 240
Contingent liabilities	272	812	238

* Prior years' deferred tax in the U.S. have been adjusted and recorded in equity in accordance with IAS 8.

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		
Opening balance January 1, 2013	20 228	220 287	-36 939	74 215	1 191	278 982
Adjustment of prior years' deferred tax in the U.S., recorded in equity according to IAS 8.	–	–	–	-7 070	–	-7 070
Adjusted opening balance January 1, 2013	20 228	220 287	-36 939	67 145	1 191	271 912
Total comprehensive income	–	–	-1 210	56 274	426	55 490
Dividend	–	–	–	-11 899	–	-11 899
Other transactions with non-controlling interests	–	–	–	–	27	27
Closing balance December 31, 2013	20 228	220 287	-38 149	111 520	1 644	315 530
Opening balance January 1, 2014	20 228	220 287	-38 149	111 520	1 644	315 530
Total comprehensive income	–	–	2 450	45 189	317	47 956
Dividend	–	–	–	-19 831	–	-19 831
Other transactions with non-controlling interests	–	–	–	–	-396	-396
Closing balance June 30, 2014	20 228	220 287	-35 699	136 878	1 565	343 259

Consolidated cash flow statements

SEK thousands	January – June		April – June		Whole year 2013
	2014	2013	2014	2013	
Income after financial items	61 194	34 703	31 614	17 535	79 788
Adjustment for items not affecting cash flow	9 729	13 094	3 942	7 315	37 312
Tax paid	-15 866	-7 315	-3 395	-1 366	-11 993
Change in inventories	-835	-1 887	797	-1 846	2 492
Change in trade receivables	-7 926	-12 362	-5 373	-8 631	-6 860
Change in trade payables	6 533	11 255	851	4 844	5 388
Cash flow from operating activities	52 829	37 488	28 436	17 851	106 127
Cash flow from investing activities	-1 417	-6 987	-628	-3 653	-14 387
Cash flow from financing activities	-35 615	-22 901	-24 228	-14 823	-49 205
Cash flow for the period	15 797	7 600	3 580	-625	42 535
Liquid funds at beginning of period	53 769	11 680	65 514	19 310	11 680
Exchange rate difference in liquid funds	1 239	-456	1 711	139	-446
Liquid funds at end of period	70 805	18 824	70 805	18 824	53 769

Income statement for the Parent Company

SEK thousands	January – June		April – June		Whole year 2013
	2014	2013	2014	2013	
Administrative expenses	-3 556	-2 768	-2 019	-1 283	-5 678
Other operating revenues and expenses	1 718	3	-6	-1	-123
Operating income	-1 838	-2 765	-2 025	-1 284	-5 801
Write-down part in affiliated companies	-	-	-	-	-5 196
Dividends from affiliated companies	902	-	902	-	2 949
Financial income and expenses	-1 977	-581	-1 663	-2 479	-63
Income after financial items	-2 913	-3 346	-2 786	-3 763	-8 111
Year-end adjustments (received group contribution)	-	-	-	-	6 178
Taxes	641	736	613	828	-103
Net income	-2 272	-2 610	-2 173	-2 935	-2 036

Depreciation and amortization has reduced income for the period by SEK 0 thousand (15), of which SEK 0 thousand (7) for the second quarter. 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. Previous years group contribution have been accounted in balance sheet (shareholders' equity).

Balance sheets for the Parent Company

SEK thousands	Jun 30. 2014	Jun 30. 2013	Dec 31. 2013
ASSETS			
Tangible fixed assets	12	25	12
Participation in affiliated companies	424 993	424 993	424 993
Other financial tangible assets	4 000	-	4 000
Other current receivables	3 156	1 205	712
Receivables from affiliated companies	6 974	17 637	8 628
Liquid funds	1 109	875	565
Total assets	440 244	444 735	438 910
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	275 567	297 097	297 671
Long-term interest-bearing liabilities	12 415	17 487	14 756
Long-term non-interest-bearing liabilities	18 847	27 447	26 949
Short-term interest-bearing liabilities	5 977	6 074	6 224
Accounts payable	44	642	571
Liabilities to affiliated companies	116 798	81 948	81 813
Other short-term non-interest-bearing liabilities	10 596	14 040	10 926
Total shareholders' equity and liabilities	440 244	444 735	438 910
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	-	586	-

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 have had any significant impact on the Group during 2014.

Note 2. Fair value and book value of financial assets and liabilities, IFRS 13

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 (accumulated amortized cost). 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 accumulated amortized cost amounts to SEK 142 872 thousand (88 899) and SEK 73 190 thousand (146 628).

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 financial assets relating to unlisted shares. Since unable to determine reliable market value, book value is used as an indicator of fair value. 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 299 thousand (-) during the period, which is reported among financial costs.

Fair value hierarchy

SEK thousands	Fair value levels	Jun 30, 2014	Jun 30, 2013	Dec 31, 2013
Financial assets				
Financial assets to fair value through income statement	3	4 000	-	4 000
Total Financial assets		4 000	-	4 000
Financial liabilities				
Financial liabilities to fair value through income statement	3	26 987	-	26 950
Derivatives for hedge accounting	2	1 943	1 156	1 884
Total Financial liabilities		28 930	1 156	28 834

Note 3. Acquisition of subsidiary

No acquisition of subsidiary has occurred during 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 was SEK 2 million at the end of 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 Non-controlling interests 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™

Vitrolife AB (publ)

Vitrolife Sweden AB
Box 9080
SE-400 92 Gothenburg
Sweden
Tel +46 31 721 80 00
Fax +46 31 721 80 99

A.T.S. Srl

Via Pistrucchi, 26
20137 Milano
Italy
Tel +39 2 541 22100
+39 347 4760 309
Fax +39 2 541 22100

Vitrolife Kft. /

Cryo Management Ltd.
1117 Budapest
Budafoki út 187-189
Hungary
Tel +36 1 211-2041
Fax +36 1 883-8461

Vitrolife, Inc.

3601 South Inca Street
Englewood, CO 80110
United States
Tel +1 303 762 1933
Fax +1 303 781 5615

6835 Flanders Drive
Suite 500
San Diego, CA 92121
United States
Tel +1 800 995 8081 (USA)
+1 858 824 0888 (Intl.)
Fax +1 858 824 0891

Vitrolife K.K.

MG Meguro Ekimae 808
2-15-19 Kami-osaki, Shinagawa-ku
Tokyo 141-0021
Japan
Tel: +81 3-6721-7240
Fax: + 81 3-5420-1430

Vitrolife Ltd.

1 Chapel Street
Warwick
CV34 4HL
Great Britain
Tel: +44 800 032 0013
Mobil: +44 7796 603 857
Mobil: +44 7969 626 083
Fax: +44 800 032 0014

Vitrolife Pty Ltd.

Front, 107 Canterbury Road
Middle Park, VIC 3206
Australia
Tel: +61 3 9696 3221
Fax: +61 3 9686 2281

Vitrolife Sweden AB**Beijing Representative Office**

Rm 2905-FI 29-CITC-C
6A Jianguomenwai Avenue
Chaoyang District
Beijing CN-100022
China
Tel + 86 10 6593 9890
Fax +86 10 6563 9833

Vitrolife Sweden AB**Branch Office**

ZAC Paris Rive Gauche
118 - 122 Avenue de France
75 013 Paris
France
Tel: +33 5 5959 2661
Fax: +33 5 5959 2790

HertArt ApS

Korskildelund 6
2670 Greve
Denmark
Tel: +45 3691 5170