



REPORT ON OPERATIONS 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 330 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, Mid Cap.

Vitrolife 

Acquisition of FertiTech and strengthened income

Fourth quarter

- Acquisition of all the shares in Unisense FertiTech A/S ("FertiTech"), the market leader in embryo monitoring, time-lapse, for IVF.
- Non-cash issue of 1,879,179 shares for part-financing of the acquisition of FertiTech.
- Sales amounted to SEK 137 (124) million, corresponding to an increase of 11 percent in SEK. Sales growth was 4 percent in local currency. Last year's figure included sales of the transplant product STEEN Solution™ to Xvivo to the tune of SEK 5 million. Adjusted for this, the increase in sales

amounted to 8 percent in local currency. FertiTech contributed SEK 2 million to sales for the quarter.

- Operating income (EBIT) amounted to SEK 36 (22) million, corresponding to an operating margin of 26 (18) percent. SEK -15 million was charged against operating income during the quarter due to the acquisition of FertiTech. Of this sum, SEK -9 million were items of a one-time nature. Fluctuations in exchange rates had a positive effect of SEK 5 million on operating income.
- Net income amounted to SEK 28 (15) million, which gave earnings per share of SEK 1.39 (0.77).

Whole year 2014

- Sales amounted to SEK 511 (453) million, corresponding to an increase of 13 percent in SEK. Sales growth was 8 percent in local currency. Last year's figure included sales of the transplant product STEEN Solution™ to Xvivo to the tune of SEK 13 million. Adjusted for this, the increase in sales amounted to 11 percent in local currency. FertiTech contributed SEK 2 million to sales for the year.
- Operating income (EBIT) amounted to SEK 143 (80) million, corresponding to an operating margin of 28 (18) percent. SEK -15 million was charged against operating income during the year due to the acquisition

of FertiTech. Of this sum, SEK -9 million were items of a one-time nature. Fluctuations in exchange rates had a positive effect of SEK 14 million on operating income.

- Net income amounted to SEK 109 (57) million, which gave earnings per share of SEK 5.46 (2.84).

After the end of the period

- The Board proposes a dividend of SEK 1.50 (1.00).
- In conjunction with the year-end closing, the Board decided to adjust the company's profitability objective to an operating margin before depreciation and amortization (EBITDA) of 30 percent.

The Group's Key Figures

SEK millions	Oct – Dec		Jan – Dec	
	2014	2013	2014	2013
Net sales	137	124	511	453
Net sales growth, local currency, %	4	27	8	29
Gross margin, %	66	67	68	66
Operating income before depreciation and amortization (EBITDA)	44	38	167	115
Operating income (EBIT)	36	22	143	80
Operating margin, %	26	18	28	18
Net income	28	15	109	57
Net debt / Rolling 12 month EBITDA	-0.1	-0.1	-0.1	-0.1
Earnings per share, SEK,	1.39	0.77	5.46	2.84
Share price on closing day, SEK	166.0	94.25	166.0	94.25
Market cap at closing day	3 604	1 869	3 604	1 869

For definitions, see page 14

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 before depreciation and amortization (EBITDA) of 30 percent.

CEO's comments

It was an exciting final quarter for Vitrolife. Just as previously during the year, Vitrolife continues to increase its sales and report good profitability and a strong cash flow. At the same time, in line with the company's strategy of growing both organically and through acquisitions, the largest acquisition in the company's history was carried out when Unisense FertiTech A/S ("FertiTech") was acquired.



On November 26, Vitrolife acquired all the shares in FertiTech, the market leader in embryo monitoring, time-lapse, for IVF. The company's product, EmbryoScope®, is used in the monitoring of embryos in approximately two thirds of all IVF cycles in the world where time-lapse technology is used. Together with Primo Vision and Vitrolife's new time-lapse medium G-TL, which has demonstrated good results in clinical studies, Embryoscope® creates a very strong product portfolio in this product segment. Intensive integration work has been ongoing during the fourth quarter and this work will continue during the first part of 2015.

FertiTech reported reduced sales and a loss for the whole of 2014. The income was affected by one-time expenses both before and after the acquisition date. FertiTech was consolidated into the Vitrolife group from the acquisition date. One-time expenses charged against the income after the acquisition date has therefore affected the fourth quarter income. There is a split picture as to how customers in the market see time-lapse at present. In certain markets, such as the UK, time-lapse has made a broad impact, while for various reasons there is resistance in several other mature markets. In growth markets, such as China, time-lapse technology has been recently introduced. It is part of Vitrolife's acquisition plan, through a number of measures, to both increase revenues and reduce costs during 2015 compared with 2014, so that the acquisition will make a positive contribution to the Group's profitability from 2016 and onwards. Vitrolife's view of the future of time-lapse within IVF remains positive, but Vitrolife assesses that it is at present difficult to estimate how quickly the introduction of time-lapse will occur.

During the last few days of the year Vitrolife obtained market approval in China for the company's time-lapse product Primo Vision. This is the final result of an

application process that has taken several years. It means that Vitrolife is the only company to have approved time-lapse equipment in the world's largest IVF market.

Sales growth during the quarter amounted to 8 percent adjusted for the previous year's sale of the transplant product STEEN Solution™ to Xvivo. Vitrolife is meeting increased price competition in the market in certain product segments. Vitrolife's strategy is to sell the company's products primarily on the basis the products' qualities and the accompanying support and less on the basis of price. This strategy means that the company sometimes loses deals where the customer primarily focuses on price. The areas where price competition is keenest are the products where differentiation on the basis of the product's qualities, for example certain single-use instruments, is the most difficult. However, the fact that Vitrolife chooses to refrain from competing through price and continues to grow in product segments where the company has good economies of scale means that the underlying profitability continues to develop positively.

Operating income during the quarter amounted to SEK 36 million and has been affected positively by currency effects to the tune of SEK 5 million. The company's income has benefited primarily from the fact that the Swedish krona has lost in value against EUR and CNY, the Chinese currency. SEK -15 million was charged against operating income during the quarter due to the acquisition of FertiTech. Of this sum, SEK -9 million were items of a one-time nature. Excluding FertiTech, the operating margin amounted to 37 percent.

All in all I am very pleased with the performance of the company and our employees during the year. We have continued to create profitable growth and furthermore invested in exciting future growth opportunities.

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

Fourth quarter 2014 (October - December)

Net sales

Sales amounted to SEK 137 (124) million, corresponding to an increase of 11 percent in SEK. Sales growth was 4 percent in local currency. FertiTech has contributed to net sales with SEK 2 million.

Sales for the EMEA region (Europe, the Middle East and Africa) increased by 1 percent in local currency in the fourth quarter and amounted to SEK 67 (63) million. The increase in SEK amounted to 6 percent. The previous year included sales of SEK 5 million to Xvivo of contract manufactured STEEN Solution™. Adjusted for this, growth amounted to 10 percent in local currency and 16 percent in SEK.

Sales in the North and South American region amounted to SEK 22 (20) million. Sales decreased by 2 percent in local currency, corresponding to an increase of 12 percent in SEK. Last year included distributor sales of laser equipment to the tune of SEK 1 million. Adjusted for this, growth amounted to 5 percent in local currency and 19 percent in SEK.

Sales in the Asia and Pacific region increased by 10 percent in local currency and amounted to SEK 48 (41) million. The increase amounted to 18 percent in SEK.

The media product group increased by 8 percent in local currency in the quarter and amounted to SEK 92 (80) million, corresponding to an increase of 16 percent in SEK. Other IVF products increased by 9 percent in local currency and amounted to SEK 42 (36) million, corresponding to an increase of 17 percent in SEK. Sales of contract manufactured STEEN Solution™ to Xvivo amounted to SEK 0 (5) million and freight revenues to SEK 3 (3) million.

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

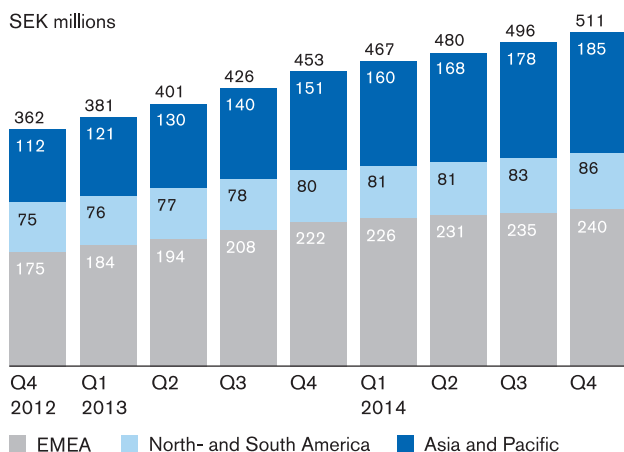


Fig 2. Sales development (per quarter)

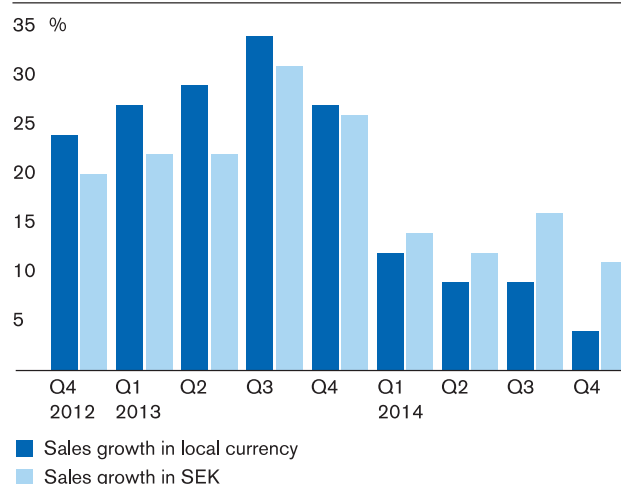
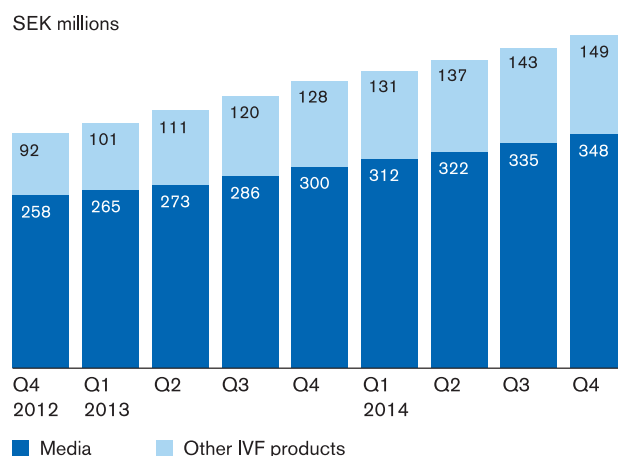


Fig 3. Net sales per product group (rolling 12 months)



Acquisition of Unisense FertiTech A/S

On November 26, Vitrolife acquired all the shares in Unisense FertiTech A/S ("FertiTech"), the market leader in embryo monitoring, time-lapse, for IVF. The company has developed and produces and markets the time-lapse incubator EmbryoScope®, which is used in the monitoring of embryos in approximately two thirds of all IVF cycles in the world where time-lapse technology is used. FertiTech's head office is in Aarhus, Denmark. The company was formed in 2003 and has approximately 70 employees.

In 2014 FertiTech and its subsidiaries had sales of approximately SEK 77 (94) million and reported income before depreciation and amortization (EBITDA) of SEK -45 (-25) million. Of this sum, SEK -11 million were items of a one-time nature. FertiTech was consolidated into Vitrolife from the acquisition date. FertiTech contributed to the Vitrolife full year net sales of SEK 2 million. FertiTech has had an effect of SEK -13 million on the group's income before depreciation and amortization (EBITDA). Of this sum, SEK -7 million were items of a one-time nature.

Vitrolife has been active in the time-lapse market since 2012 via the product Primo Vision, which has been devel-

oped and is manufactured by Vitrolife's Hungarian subsidiary. Today the time-lapse market for IVF may be divided into two segments depending on the type of solution. The first is a specially developed microscope that is placed in the clinic's existing incubator. Primo Vision is the market leader in this segment. The second solution is a system where the incubator and the microscope have been integrated. EmbryoScope® is the market leader in this segment. By adding EmbryoScope® to Vitrolife's current time-lapse product range, Vitrolife can offer customers flexible time-lapse solutions on the basis of their needs and requirements. It is expected that the acquisition will make a positive contribution to future product generations, as the combined knowledge of the development teams in Denmark and Hungary can be utilized for future product development.

Vitrolife estimates that, after an introductory phase for the new technology on the market, the time-lapse market will grow and in the long term have the potential to become a standard tool in IVF treatment as a result of the improved treatment results and the more efficient procedures enabled by the technology.

Vitrolife acquired the shares in FertilTech through a non-cash issue of 1,879,179 shares and payment of the existing shareholder loans in FertilTech of DKK 50 million. An earn-out corresponding to a value of 1,308,656 shares may be paid in addition to the fixed purchase sum. The earn-out will only be paid if certain defined sales objectives for the periods 2015 and 2016 to 2017 are met. Vitrolife will determine whether the earn-out will be paid in shares or in cash. The earn-out only falls due if sales exceed the plan that forms the basis of the acquisition calculation. In Vitrolife's assessment, there is little likelihood of an earn-out falling due and Vitrolife thus does not report any liability in the financial statements for the earn-out.

It is expected that the transaction will affect Vitrolife's EBITDA per share negatively during 2015 but contribute positively as from 2016 as a result of increased sales due to the use of Vitrolife's global market presence and to implemented cost synergies.

As part of the integration, Vitrolife has changed the name of the company from Unisense FertilTech A/S to Vitrolife A/S.

Updated financial objectives

In conjunction with the year-end closing, the Board decided to adjust the company's profitability objective to an operating margin before depreciation and amortization (EBITDA) of 30 percent. This decision has been made in the light of Vitrolife's improved profitability and the amortization of the surplus value resulting from the acquisition of FertilTech. This amortization is charged against operating income, and operating income before depreciation and amortization (EBITDA) is thus assessed to be a fairer measure of the

company's earning capacity in the years to come.

Income

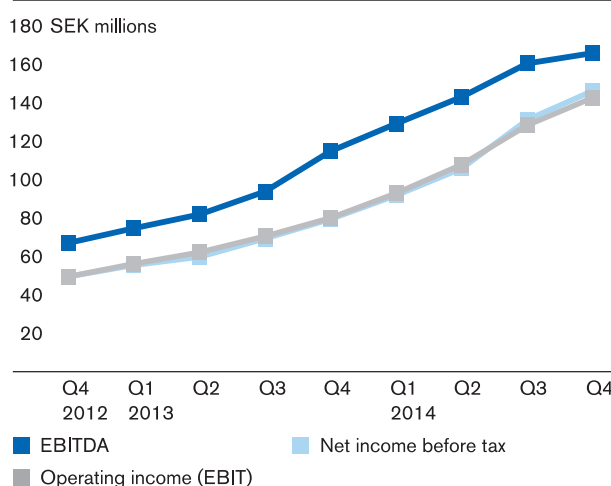
Operating income (EBIT) amounted to SEK 36 (22) million, corresponding to an operating margin of 26 (18) percent. Fluctuations in exchange rates had a positive effect of SEK 5 million on operating income. SEK -15 million was charged against operating income during the quarter due to the acquisition of FertilTech. Of this sum, SEK -9 million were items of a one-time nature.

Gross income amounted to SEK 90 (83) million. FertilTech has had an effect of SEK -6 million on gross income, of which SEK -4 million were items of a one-time nature, primarily related to inventory obsolescence. The gross margin amounted to 66 (67) percent and was positively affected by the cessation of distributor sales of laser equipment in the American region, termination of the contract manufacturing of STEEN Solution™ for Xvivo, currency effects and economies of scale. The margin has been negatively affected by the acquisition of FertilTech.

Selling expenses amounted to 23 (23) percent of sales. Adjusted for FertilTech, selling expenses amounted to 20 percent of sales and the decrease consisted mainly of economies of scale and temporary vacancies in the sales force. Administrative expenses amounted to 12 (12) percent of sales. Adjusted for FertilTech, administrative expenses amounted to 9 percent of sales and the decrease consisted mainly of the adjustment of reserves regarding bonus and legal expenses. R&D costs amounted to 9 (18) percent of sales. Adjusted for FertilTech, R&D costs amounted to 8 percent of sales. The previous year included a write-down of SEK 9 million for Labware. Depreciation, amortization and write-downs of SEK 7 (16) million were charged against income.

Net financial items amounted to SEK 1 (0) million and primarily consisted of fluctuations in exchange rates. Income before tax amounted to SEK 37 (22) million. Net income amounted to SEK 28 (15) million.

Fig 4. Income (rolling 12 months)



Cash flow

The cash flow from operating activities amounted to SEK 38 (38) million. The change in working capital amounted to SEK 1 (3) million. Gross investments in tangible assets amounted to SEK -2 (-3) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -3 (0) million and consisted mainly of capitalized development costs. Financial investments amounted to SEK -61 (-4) million and concerned the acquisition of FertiTech. The cash flow from financing activities was SEK 14 (-8) million and consisted of the acquisition loan of SEK 60 million regarding FertiTech and the repayment of borrowings of SEK 46 million, of which SEK 41 million was repayment of the existing overdraft in FertiTech. Cash and cash equivalents at the end of the period amounted to SEK 108 (54) million.

Financing

Vitrolife's total credit facilities amounted to SEK 136 (99) million, of which SEK 86 (39) million was utilized. The credit facilities were used for the financing of corporate acquisitions and the MEA laboratory in Denver. The equity/assets ratio was 72 (65) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to -0.1 (-0.1) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income before tax for the quarter amounted to SEK -5 (-4) million. Cash and cash equivalents amounted to SEK 2 (1) million.

Whole year 2014

Net sales

Sales amounted to SEK 511 (453) million, corresponding to an increase of 13 percent in SEK. Sales growth was 8 percent in local currency.

Sales for the EMEA region increased by 3 percent in local currency during the period and amounted to SEK 240 (222) million. The increase in SEK amounted to 8 percent. Last year included sales of contract manufactured Steen Solution™ to Xvivo to the tune of SEK 13 million. Adjusted for this, growth amounted to 9 percent in local currency and 15 percent in SEK. Sales in the North and South American region amounted to SEK 86 (80) million. The increase amounted to 3 percent in local currency, corresponding to an increase of 8 percent in SEK. Last year included distributor sales of laser equipment to the tune of SEK 5 million. Adjusted for this, growth amounted to 10 percent in local currency and 16 percent in SEK. Sales in the Asia and Pacific region increased by 18 percent in local currency

and amounted to SEK 185 (151) million. The increase in SEK amounted to 22 percent.

Income

Operating income (EBIT) amounted to SEK 143 (80) million, corresponding to an operating margin of 28 (18) percent. Fluctuations in exchange rates had a positive effect of SEK 14 million on operating income.

Gross income amounted to SEK 349 (301) million. The gross margin amounted to 68 (66) percent. Selling expenses amounted to 22 (24) percent of sales. Administrative expenses amounted to 12 (12) percent of sales. R&D costs amounted to 8 (13) percent of sales. Depreciation, amortization and write-downs of SEK 23 (35) million were charged against income. Net financial items amounted to SEK 4 (-1) million. Income before tax amounted to SEK 147 (80) million. Net income amounted to SEK 109 (57) million.

Cash flow

The cash flow from operating activities amounted to SEK 146 (106) million. Gross investments amounted to SEK -78 (-14) million and the cash flow from financing activities was SEK -20 (-49) million. Cash and cash equivalents at the end of the period amounted to SEK 108 (54) million.

Prospects for 2015

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 2015 will continue to be on the external processes within marketing and sales, primarily in the emerging markets, and to achieve profitability in FertiTech. 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 January to December the average number of employees was 242 (234), of whom 118 (121) were women and 124 (113) were men. Of these 128 (130) people were employed in Sweden, 53 (54) in the USA and 61 (50) in the rest of the world. The number of people employed in the Group at the end of the period was 332 (240). The increase is mainly related to the acquisition of FertilTech.

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. It is therefore the intention of the Board to propose to the Annual General Meeting a dividend of SEK 1.50 (1.00) 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.

Election committee

The following people have been appointed as members of Vitrolife's election committee for the 2015 Annual General Meeting:

Patrik Tigerschiöld, representing Bure Equity AB
Thomas Olausson
Martin Lewin, representing Eccenovo AB
Carsten Browall, Chairman of the Board

The appointments have been made in accordance with the instructions regarding principles for the appointment of the company's election committee, which were adopted at the Annual General Meeting of Vitrolife on May 5, 2014.

Shareholders who wish to have a matter considered at the meeting can make a written request to this effect to the Board. Such a request for consideration of a matter is to be sent to Vitrolife AB (publ), Att: Chairman of the Board, Box 9080, 400 92 Göteborg, Sweden, and must have been received by the Board at least seven weeks before the Annual General Meeting, or in any case in such good time that the matter, if so necessary, can be included in the invitation to the meeting.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on May 5, 2015, at 5 pm at Vitrolife's premises in Gothenburg, visitors' address Gustaf Werners gata 2. Shareholders will be invited to attend through an announcement in the Swedish Official

Gazette and through information in Dagens Industri that shareholders have been invited to attend, no earlier than six weeks and no later than four weeks before the meeting.

It is estimated that Vitrolife's Annual Report for 2014 will be available to be downloaded from Vitrolife's website during week 16 and in a printed version at the company's head office in Gothenburg during week 17. The Annual Report is sent out to those shareholders who have previously notified the company that they wish to have the printed version.

Events after the end of the period

In conjunction with the year-end closing, the Board decided to adjust the company's profitability objective to an operating margin before depreciation and amortization (EBITDA) of 30 percent.

February 6, 2015
Gothenburg, Sweden

The Board of Directors

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 2015 it is planned that the following reports will be submitted:

Interim report January – March: Tuesday April 28
Interim report January – June: Tuesday July 14
Interim report January – September: Thursday November 5

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 February 6, 2015 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 - December		October - December	
	2014	2013	2014	2013
Net sales	510 512	452 738	136 859	123 502
Cost of goods sold	-161 394	-152 183	-46 592	-40 144
Gross income	349 118	300 555	90 267	83 358
Selling expenses	-112 098	-108 110	-31 095	-27 820
Administrative expenses	-59 960	-55 891	-15 918	-15 135
Research and development costs	-41 925	-58 874	-11 824	-22 384
Other operating revenues and expenses	8 211	2 718	4 675	3 705
Operating income	143 346	80 398	36 105	21 724
Financial income and expenses	3 578	-610	1 029	212
Income after financial items	146 924	79 788	37 134	21 936
Taxes	-37 456	-23 088	-8 724	-6 552
Net income	109 468	56 700	28 410	15 384
Attributable to				
Parent Company's shareholders	109 109	56 274	28 427	15 357
Non-controlling interests	359	426	-17	27
Earnings per share, SEK	5.46	2.84	1.39	0.77
Average number of outstanding shares	19 987 534	19 830 936	20 457 329	19 830 936
Number of shares at closing day	21 710 115	19 830 936	21 710 115	19 830 936

Depreciation, amortization and write-downs has reduced income for the period by SEK 23 250 thousand (34 911), of which SEK 7 421 thousand (16 430) for the fourth quarter.

Statement of comprehensive income

SEK thousands	January - December		October - December	
	2014	2013	2014	2013
Net income	109 468	56 700	28 410	15 384
Other comprehensive income				
<i>Items that may be reclassified to the income statement</i>				
Cash-flow hedges, net after tax	717	1 492	1 568	1 335
Exchange rate differences, net after tax	20 794	-2 702	12 049	1 068
Total other comprehensive income, net after tax	21 511	-1 210	13 617	2 403
Total comprehensive income	130 979	55 490	42 027	17 786
Attributable to				
Parent Company's shareholders	130 620	55 064	42 044	17 759
Non-controlling interests	359	426	-17	27

Other key ratios, total Group

	January - December		October - December	
	2014	2013	2014	2013
Gross margin. %	68.4	66.4	66.0	67.5
Operating margin before depreciation and amortization. %	32.6	25.5	31.8	30.8
Operating margin. %	28.1	17.8	26.4	17.6
Net margin. %	21.4	12.5	20.8	12.5
Equity/assets ratio. %	72.2	65.1*	72.2	65.1*
Shareholders' equity per share. SEK.	32.3	15.8*	32.3	15.8*
Return on equity. %	24.8	19.4*	24.8	19.4*
Cash flow from operating activities per share. SEK	7.29	5.36	1.87	1.91
Net cash (+) / Net debt (-). SEK millions	21.8	15.1	21.8	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	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013
Net sales	136 859	125 145	129 436	119 072	123 502	108 642	115 991	104 605
Cost of goods sold	-46 592	-36 267	-40 387	-38 149	-40 144	-36 196	-39 853	-35 990
Gross income	90 267	88 878	89 049	80 923	83 358	72 446	76 138	68 615
Selling expenses	-31 095	-23 675	-30 545	-26 782	-27 820	-24 779	-28 964	-26 548
Administrative expenses	-15 918	-14 677	-15 173	-14 192	-15 135	-11 693	-15 601	-13 461
Research and development costs	-11 824	-7 072	-11 524	-11 504	-22 384	-12 425	-12 194	-11 872
Other operating revenues and expenses	4 675	264	1 797	1 475	3 705	-464	-743	221
Operating income	36 105	43 718	33 604	29 920	21 724	23 086	18 636	16 955
Financial income and expenses	1 029	4 879	-1 990	-340	212	65	-1 101	214
Income after financial items	37 134	48 597	31 614	29 580	21 936	23 151	17 535	17 169
Taxes	-8 724	-13 045	-8 487	-7 201	-6 552	-6 124	-5 253	-5 159
Net income	28 410	35 552	23 127	22 379	15 384	17 027	12 282	12 010
Attributable to								
Parent Company's shareholders	28 427	35 493	23 011	22 178	15 357	16 935	12 108	11 878
Non-controlling interests	-17	59	116	201	27	92	174	132

Key ratios per quarter, total Group

	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013
Shareholders' equity per share. SEK,	32.3	19.3	17.23	16.8	15.83*	15.0*	14.40*	13.99*
Return on equity. %,	24.8	28.1	24.2	21.8	19.4*	14.4*	11.0*	9.1*
Cash flow from operating activities per share. SEK	1.87	2.75	1.43	1.23	1.91	1.59	0.90	0.99

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

Consolidated balance sheets

SEK thousands	Dec 31. 2014	Dec 31. 2013
ASSETS		
Goodwill	364 545	183 275
Other intangible fixed assets	196 846	22 982
Tangible fixed assets	92 322	85 958
Financial fixed assets	9 986	5 442
Inventories	91 677	59 916
Accounts receivable	84 620	61 456
Tax asset	7 988	–
Other current receivables	16 900	12 184
Liquid funds	107 598	53 769
Total assets	972 482	484 982
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity, attributable to the Parent Company's shareholders	700 914	313 886*
Non-controlling interests	1 657	1 644
Provisions	3 961	4 276
Deferred tax liabilities	26 270	18 914*
Long-term interest bearing liabilities	60 019	21 622
Long-term non-interest bearing liabilities	19 830	24 916
Short-term interest bearing liabilities	25 774	17 028
Tax liabilities	28 578	10 465
Derivative instruments	2 803	1 884
Accounts payable	22 282	15 596
Other short-term non-interest bearing liabilities	80 394	54 751
Total shareholders' equity and liabilities	972 482	484 982
Pledged assets for own liabilities	21 661	21 240
Contingent liabilities	350	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 (0.60 SEK/share)	–	–	–	-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	–	–	21 511	109 109	359	130 979
Dividend (1.00 SEK/share)	–	–	–	-19 831	–	-19 831
Dividend to non-controlling interests	–	–	–	–	-408	-408
New issue of shares*	1 916	274 323	–	–	–	276 239
Other transactions with non-controlling interests	–	–	–	–	62	62
Closing balance December 31, 2014	22 144	494 610	-16 638	200 798	1 657	702 571

* The number of issued shares is 1 879 179 shares.

Consolidated cash flow statements

SEK thousands	January - December		October - December	
	2014	2013	2014	2013
Income after financial items	146 924	79 788	37 134	21 936
Adjustment for items not affecting cash flow	11 610	37 312	-1 162	14 374
Tax paid	-18 154	-11 993	949	-2 155
Change in inventories	5 469	2 492	5 735	3 266
Change in trade receivables	3 201	-6 860	5 303	-5 863
Change in trade payables	-3 384	5 388	-9 635	6 093
Cash flow from operating activities	145 666	106 127	38 324	37 651
Cash flow from investing activities	-77 517	-14 387	-65 793	-6 724
Cash flow from financing activities	-19 704	-49 205	13 833	-8 359
Cash flow for the period	48 445	42 535	-13 636	22 568
Liquid funds at beginning of period	53 769	11 680	119 274	30 997
Exchange rate difference in liquid funds	5 384	-446	1 960	204
Liquid funds at end of period	107 598	53 769	107 598	53 769

Income statement for the Parent Company

SEK thousands	January - December		October - December	
	2014	2013	2014	2013
Administrative expenses	-9 847	-5 678	-4 313	-1 270
Other operating revenues and expenses	-7	-123	-1 725	-131
Operating income	-9 854	-5 801	-6 038	-1 401
Write-down part in affiliated companies	-	-5 196	-	-5 196
Write-down financial fixed assets	-799	-	-799	-
Dividends from affiliated companies	4 918	2 949	4 015	2 949
Financial income and expenses	-3 723	-63	-1 817	-694
Income after financial items	-9 458	-8 111	-4 639	-4 342
Year-end adjustments (received group contribution)	10 984	6 178	10 984	6 178
Taxes	-4	-103	-1 064	-932
Net income	1 522	-2 036	5 281	904

Depreciation and amortization has reduced income for the period by SEK 0 thousand (28), of which SEK 0 thousand (13) for the fourth quarter.

Balance sheets for the Parent Company

SEK thousands	Dec 31. 2014	Dec 31. 2013
ASSETS		
Tangible fixed assets	12	12
Participation in affiliated companies	760 824	424 993
Financial fixed assets	3 746	4 000
Other current receivables	1 545	711
Receivables from affiliated companies	61 762	8 629
Liquid funds	2 119	565
Total assets	830 008	438 910
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	555 601	297 671
Long-term interest-bearing liabilities	59 472	14 756
Long-term non-interest-bearing liabilities	19 830	26 949
Short-term interest-bearing liabilities	18 079	6 224
Accounts payable	1 408	571
Liabilities to affiliated companies	164 968	81 812
Other short-term non-interest-bearing liabilities	10 650	10 927
Total shareholders' equity and liabilities	830 008	438 910
Pledged assets for own liabilities	3 100	3 100
Contingent liabilities	-	-

Note 1. 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. IFRS 13, Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13, into the following hierarchy:

The following are classified in level 1: Financial fixed assets, 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-downs 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 199 320 thousand (117 000) and SEK 149 001 thousand (88 302).

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 an effect on the income statement of SEK -599 thousand (1 078) during the period, which is reported among financial items.

Fair value hierarchy

SEK thousands	Fair value levels	Fair value	
		Dec 31.2014	Dec 31.2013
Financial assets			
Financial assets to fair value through income statement	3	3 746	4 000
Total Financial assets		3 746	4 000
Financial liabilities			
Financial liabilities to fair value through income statement	3	27 013	26 950
Derivatives for hedge accounting	2	2 803	1 884
Total Financial liabilities		29 816	28 834

Note 3. Acquisition of subsidiary

On November 26, 2014 Vitrolife acquired all the shares in Unisense FertilTech A/S, CVR no. 27 40 67 93, address Tueager 1 DK-8200 Aarhus N Denmark. In line with the authorization from the general meeting of shareholders, the Board decided to carry out a non-cash issue of 1,879,179 shares in conjunction with the acquisition. These shares constitute part of the purchase sum for the acquisition of FertilTech. The acquisition was carried out through payment via 1,879,179 Vitrolife shares and payment of existing shareholder loans in FertilTech corresponding to DKK 50.0 million. The value of the non-cash consideration amounted to SEK 276,239,313.

A supplementary purchase sum corresponding to a value of 1,308,656 shares may be paid in addition to the fixed purchase sum. The supplementary purchase sum will only be paid if certain defined sales objectives are met for the periods 2015 and 2016 to 2017, respectively.

FertilTech and its subsidiaries had sales of SEK 76.7 million during 2014 and reported income before depreciation and amortization (EBITDA) of SEK -45.0 million. The acquisition has affected Vitrolife's reported sales positively by SEK 2.2 million and income measured in terms of EBITDA by SEK -12.7 million. It is expected that the transaction will affect Vitrolife's EBITDA per share negatively during 2015 but contribute positively as from 2016 as a result of increased sales due to the use of Vitrolife's global market presence and to implemented cost synergies. Acquisition costs amount to SEK 2.4 million and have been carried as an expense in their entirety. The surplus value attributable to the acquisition amounted to SEK 272.6 million at November 26, 2014, of which SEK 104.0 million related to products, SEK 31.0 million related to trademarks and SEK -33.1 million related to deferred tax attributable to the surplus value. The remaining surplus value of SEK 170.7 million was goodwill associated with synergies related, amongst other things, to the use of Vitrolife's global market presence for the distribution of FertilTech's products. Furthermore, goodwill is attributable to the personnel, as a considerable part of the value lies in the personnel's collective ability to rapidly develop new versions of the technological products. The table below summarizes the purchase sum paid and acquired assets and liabilities reported at fair value at the date of acquisition.

SEK millions	2014	2013
Identified assets and liabilities	FertilTech	HertArt
Trademark	31.0	-
Products and development projects	145.1	-
Fixed assets	4.5	3.9
Intangible fixed assets	-	4.6
Financial assets	31.9	-
Current assets	66.6	0.6
Current liabilities	-32.8	-4.4
Long-term liabilities	-45.3	-
Deferred tax liability due to surplus value	-33.1	-
Total acquired assets and liabilities	167.9	4.7
Goodwill	170.7	0.0
Capital loss, revaluation of shares at acquisition date	-	1.0
Part of result from the associated company (25 %)	-	0.6
Total	338.6	6.3

	FertilTech	HertArt
Purchase price		
Liquid funds	62.4	2.4
Conditional purchase price	-	1.1
Previously paid purchase price	-	2.8
New issue of shares	276.2	-
Total purchase price	338.6	6.3

SEK millions	FertilTech	HertArt
Liquid funds paid	-62.4	-2.4
Liquid funds in acquired business	1.7	0.3
Effect on group liquid funds	-60.7	-2.1

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.

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 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.

Incubator

Equipment for culture of embryos in a controlled environment.

Time-lapse

Technology for supervision of embryos. Pictures of the development of the embryo are taken in short time interval, then played as a film and analysed.

TOGETHER. ALL THE WAY™

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