



INTERIM REPORT JANUARY-JUNE 2015

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 

Good growth and strengthened income

Second quarter

- Sales amounted to SEK 184 (129) million, corresponding to an increase of 42 percent in SEK. Sales growth was 27 percent in local currency. The acquisition of Vitrolife A/S (formerly Unisense FertilTech A/S) contributed SEK 32 million to sales. Adjusted for this, sales growth amounted to 5 percent in local currency.
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 62 (38) million, corresponding to a margin of 34 (29) percent.
- Fluctuations in exchange rates had a positive effect of SEK 9 million on operating income before depreciation and amortization (EBITDA).
- Net income amounted to SEK 39 (23) million, which gave earnings per share of SEK 1.77 (1.16).
- Vitrolife launched a new and improved product generation of the stand-alone time-lapse system Primo Vision.
- Vitrolife launched a new media system for oocyte vitrification (egg freezing).

First half year

- Sales amounted to SEK 347 (249) million, corresponding to an increase of 39 percent in SEK. Sales growth was 23 percent in local currency. The acquisition of Vitrolife A/S (formerly Unisense FertilTech A/S) contributed SEK 54 million to sales. Adjusted for this, sales growth amounted to 4 percent in local currency.
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 116 (74) million, corresponding to a margin of 33 (30) percent. Fluctuations in exchange rates had a positive effect of SEK 20 million on operating income before depreciation and amortization (EBITDA).
- Net income amounted to SEK 74 (46) million, which gave earnings per share of SEK 3.38 (2.28).

The Group's Key Figures

SEK millions	April – June		January – June		Whole year 2014
	2015	2014	2015	2014	
Net sales	184	129	347	249	511
Net sales growth, local currency, %	27	9	23	10	8
Gross margin, %	66	69	66	68	68
Operating income before depreciation and amortization (EBITDA)	62	38	116	74	167
EBITDA margin, %	34	29	33	30	33
Operating income (EBIT)	51	34	90	64	143
Net income	39	23	74	46	109
Net debt / Rolling 12 month EBITDA	0.0	-0.3	0.0	-0.3	-0.1
Earnings per share, SEK	1.77	1.16	3.38	2.28	5.46
Share price on closing day, SEK	164.50	109.50	164.50	109.50	166.00
Market cap at closing day	3 571	2 171	3 571	2 171	3 604

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 before depreciation and amortization (EBITDA) of 30 percent.

CEO's comments

Growth during the quarter amounted to 27 percent in local currency, of which 5 percent was organic growth. During 2015 organic growth has been around 4-5 percent. There are signs which suggest that market growth has been low during the year, amongst other things due to the fact that the number of treatments in China, the world's largest IVF market, has decreased during the first half of 2015. However, increased demand was seen in China during the end of the quarter. Looking ahead, there is nothing to suggest that interest in or the need for IVF will wane. Indeed, in Vitrolife's assessment the IVF market will continue to display good growth.



EmbryoScope contributed SEK 32 million to sales during the second quarter. The company is following the plan established in connection with the acquisition to increase revenues and reduce expenses during 2015 compared with 2014 so that the acquisition will make a positive contribution to the Group's profitability as from 2016.

A year ago I wrote that collaboration between pharmaceutical companies and medical device companies will become more common in the future. This has now become a reality as Merck Serono, the market leader in hormone preparations for assisted reproductive treatment, has entered into a collaboration agreement with the medical device manufacturer Genea and the genetics company Illumina. In this collaboration the companies are forming the Global Fertility Alliance, with the aim of developing technologies and processes within the assisted reproductive treatment laboratory. It is too early to say what this collaboration will mean for Vitrolife, but it is likely that it will affect the competitive situation in various ways. This may involve a risk, but as I see it, it can also be positive as there will now be one more player providing education and aiming to improve assisted reproductive treatment.

ESHRE, the largest scientific conference in the IVF area, was held in June, this time in Lisbon. As usual Vitrolife was well represented and one of the things the company presented was a new and improved product generation of the stand-alone time-lapse system Primo Vision. Vitrolife received a lot of positive feedback on the system and it was above all the excellent image quality that attracted people's attention. Vitrolife also launched a new media system for oocyte vitrification (egg freezing), which is a growing segment in IVF. In addition to this, the company met existing and potential customers and carried out a number of research-related activities. One activity was a symposium on time-lapse that demonstrated the clinical and financial benefits of time-lapse. One researcher presented increased pregnancy results when time-lapse was made use of and another researcher demonstrated reduced healthcare costs for society in the UK when time-lapse was used. There was great interest in this symposium. There have been doubts in the market this last year regarding the benefits of time-lapse, but after the great interest at ESHRE it is my assessment that there is now a more positive attitude to this technology, which is promising for the future. Today time-lapse is used in just under 10 percent of IVF treatments worldwide. A clear majority of these are performed using Vitrolife's time-lapse systems. The UK is the market that has the highest time-lapse penetration. In Vitrolife's assessment, half of the IVF treatments there are done using time-lapse.

It is now up to us to follow up all the contacts we made with customers during the fair and to continue to work purposefully to give the customer 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 2015 (April - June)

Net sales

Sales amounted to SEK 184 (129) million, corresponding to an increase of 42 percent in SEK. Sales growth was 27 percent in local currency. The acquisition of Vitrolife A/S contributed SEK 32 million to sales. Adjusted for this, sales growth amounted to 5 percent in local currency, corresponding to an increase of 18 percent in SEK.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 40 percent in local currency and amounted to SEK 90 (61) million. The increase amounted to 47 percent in SEK. Growth has been positively affected by the acquisition of Vitrolife A/S.

Sales in the North and South American region amounted to SEK 34 (20) million. The increase in local currency amounted to 28 percent, corresponding to an increase of 64 percent in SEK. Growth has been positively affected by the acquisition of Vitrolife A/S.

Sales in the Asia and Pacific region increased by 10 percent in local currency and amounted to SEK 60 (48) million. The increase was 26 percent in SEK. Growth was affected positively by the acquisition of Vitrolife A/S. Vitrolife reported only marginal growth in China during the second quarter. In Vitrolife's assessment, the number of treatment cycles decreased during the first half of 2015.

The media product group increased by 9 percent in local currency during the quarter and amounted to SEK 108 (87) million, corresponding to an increase of 24 percent in SEK. The time-lapse product group amounted to SEK 37 (7) million. The other IVF products increased by 3 percent in local currency and amounted to SEK 35 (31) million, corresponding to an increase of 14 percent in SEK. Freight revenues amounted to SEK 4 (4) million.

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

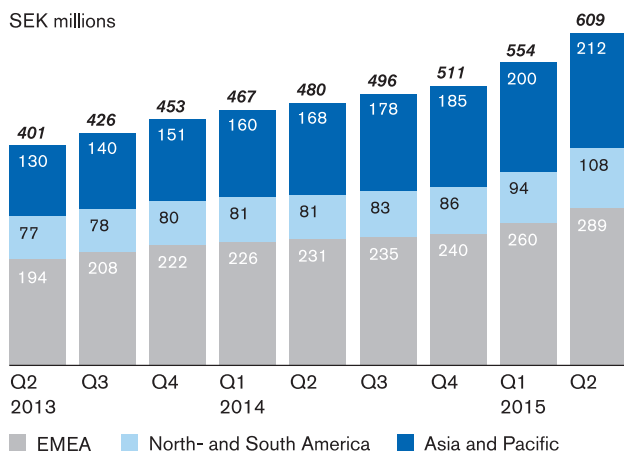


Fig 2. Sales development (per quarter)

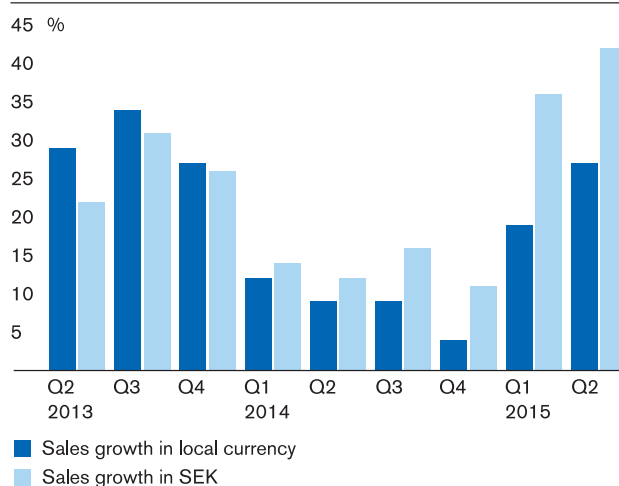
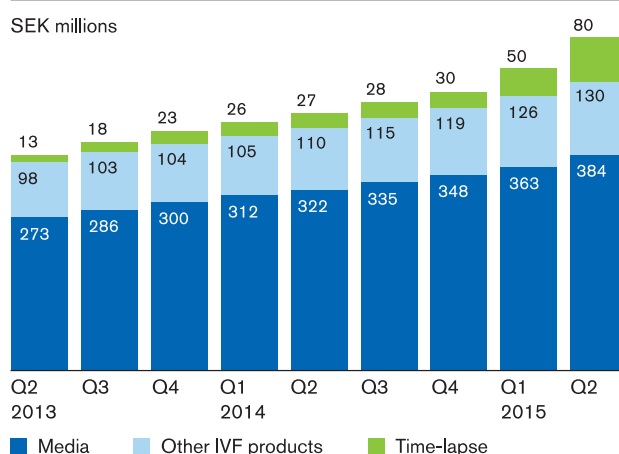


Fig 3. Net sales per product group (rolling 12 months)



Income

Operating income before depreciation and amortization (EBITDA) amounted to SEK 62 (38) million, corresponding to a margin of 34 (29) percent. Fluctuations in exchange rates had a positive effect of SEK 9 million on operating income before depreciation and amortization (EBITDA).

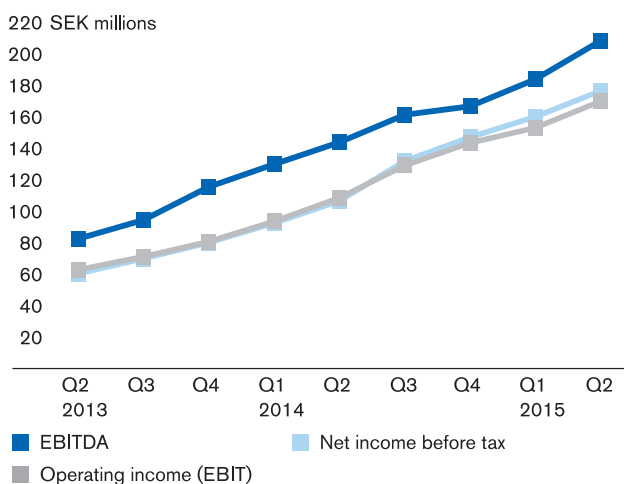
Gross income amounted to SEK 122 (89) million. The gross margin amounted to 66 (69) percent and was negatively affected by the fact that EmbryoScope has a lower gross margin than the rest of Vitrolife's product range. The gross margin was also negatively affected by amortization of surplus values as a consequence of the acquisition. This amortization amounted to SEK 5 (0) million in the quarter. The gross margin was positively affected by economies of scale.

Selling expenses amounted to 19 (24) percent of sales and the decrease consisted primarily of economies of scale and the dissolution of reserves attributable to anticipated bad debt losses of SEK 4 million. Adjusted for this item of a one-time nature, selling expenses amounted to 21 percent of sales. Administrative expenses amounted to 11 (12) percent of sales. R&D costs amounted to 8 (9) percent of sales.

and the decrease consisted mainly of economies of scale. Depreciation, amortization and write-downs of SEK 12 (4) million were charged against net income. The increase consisted primarily of increased amortization as a result of the acquisition of Vitrolife A/S.

Net financial income amounted to SEK -2 (-2) million and primarily consisted of fluctuations in exchange rates. Income before tax amounted to SEK 48 (32) million. Net income amounted to SEK 39 (23) million.

Fig 4. Income (rolling 12 months)



Cash flow

The cash flow from operating activities amounted to SEK 31 (28) million. The change in working capital amounted to SEK -28 (-4) million and consisted of increased inventories, primarily related to raw materials, and increased accounts receivable as a consequence of increased sales. Gross investments in tangible assets amounted to SEK -3 (-1) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -4 (0) million and consisted mainly of capitalized development costs. The cash flow from financing activities was SEK -37 (-24) million and consisted primarily of dividend of SEK -32 million and the repayment of borrowings of SEK -5 million. Cash and cash equivalents at the end of the period amounted to SEK 76 (71) million.

Financing

Vitrolife's total credit facilities amounted to SEK 118 (91) million, of which SEK 68 (31) million was utilized. The credit facilities were primarily used for the financing of corporate acquisitions. The equity/assets ratio was 77 (68) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to 0.0 (-0.3) 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 184 (-3) million and included dividend of SEK 185 million received from subsidiaries. Cash and cash equivalents amounted to SEK 1 (1) million.

The period 2015 (January - June)

Net sales

Sales amounted to SEK 347 (249) million, corresponding to an increase of 39 percent in SEK. Sales growth was 23 percent in local currency. The acquisition of Vitrolife A/S contributed SEK 54 million to sales. Adjusted for this, sales growth amounted to 4 percent in local currency, corresponding to an increase of 18 percent in SEK.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 33 percent in local currency and amounted to SEK 167 (118) million. The increase amounted to 42 percent in SEK. Sales in the North and South American region amounted to SEK 62 (41) million. The increase in local currency amounted to 17 percent, corresponding to an increase of 50 percent in SEK. Sales in the Asia and Pacific region increased by 14 percent in local currency and amounted to SEK 118 (90) million. The increase was 32 percent in SEK.

Income

Operating income before depreciation and amortization (EBITDA) amounted to SEK 116 (74) million, corresponding to a margin of 33 (30) percent. Fluctuations in exchange rates had a positive effect of SEK 20 million on operating income before depreciation and amortization (EBITDA).

Gross income amounted to SEK 228 (170) million. The gross margin amounted to 66 (68) percent. Selling expenses amounted to 20 (23) percent of sales. Administrative expenses amounted to 12 (12) percent of sales. R&D costs amounted to 8 (9) percent of sales. Depreciation and amortization of SEK 26 (11) million were charged against net income. Net financial items amounted to SEK 1 (-2) million. Income before tax amounted to SEK 91 (61) million. Net income amounted to SEK 74 (46) million.

Cash flow

The cash flow from operating activities amounted to SEK 40 (53) million. Gross investments amounted to SEK -22 (-9) million and the cash flow from financing activities was SEK -49 (-28) million. Cash and cash equivalents at the end of the period amounted to SEK 76 (71) 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, 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 be on the external processes within marketing and sales, primarily in the emerging markets, and to achieve profitability in Vitrolife A/S. 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 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 support growth.

Other information

Organization and personnel

During the period the average number of employees was 314 (233), of whom 141 (116) were women and 173 (117) were men. Of these 127 (130) people were employed in Sweden, 67 (0) in Denmark, 59 (51) in the USA and 61 (52) in the rest of the world. The number of people

employed in the Group at the end of the period was 337 (246). The increase is mainly related to Vitrolife A/S.

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 2014, note 29.

Dividend

It was decided at the Annual General Meeting on May 5 that the proposed dividend of SEK 1.50 per share would be paid out to the shareholders. Payment of the dividend took place on May 12.

Risk management

Vitrolife works constantly and systematically to identify, evaluate and manage overall risks and different systems and processes. 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.

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 2014. 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 2014, note 24. The risks as they are described in the Annual Report for 2014 are assessed to be essentially unchanged for 2015.

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 scrapping. 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 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 14, 2015

Gothenburg, Sweden

Thomas Axelsson
CEO

Carsten Browall
Chairman of the Board

Barbro Fridén
Board member

Tord Lendau
Board member

Pia Marions
Board member

Fredrik Mattsson
Board member

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

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 Tuesday July 14, 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 – June			April – June		Whole year 2014
	2015	2014	2015	2014	2014	
Net sales	346 540	248 508	184 145	129 436	510 512	
Cost of goods sold	-118 268	-78 535	-62 308	-40 387	-161 394	
Gross income	228 272	169 973	121 837	89 049	349 118	
Selling expenses	-68 852	-57 327	-34 713	-30 545	-112 098	
Administrative expenses	-40 901	-29 365	-20 490	-15 173	-59 960	
Research and development costs	-28 875	-23 029	-13 913	-11 524	-41 925	
Other operating revenues and expenses	314	3 271	-2 216	1 797	8 211	
Operating income	89 958	63 523	50 505	33 604	143 346	
Financial income and expenses	755	-2 329	-2 326	-1 990	3 578	
Income after financial items	90 713	61 194	48 179	31 614	146 924	
Taxes	-16 904	-15 688	-9 600	-8 487	-37 456	
Net income	73 809	45 506	38 579	23 127	109 468	
Attributable to						
Parent Company's shareholders	73 341	45 189	38 354	23 011	109 109	
Non-controlling interests	468	317	225	116	359	
Earnings per share, SEK	3.38	2.28	1.77	1.16	5.46	
Average number of outstanding shares	21 710 115	19 830 936	21 710 115	19 830 936	19 987 534	
Number of shares at closing day	21 710 115	19 830 936	21 710 115	19 830 936	21 710 115	

Depreciation, amortization and write-downs were charged against income for the period by SEK 26 090 thousand (10 828), of which SEK 11 897 thousand (4 300) for the second quarter.

Statement of comprehensive income

SEK thousands	January – June			April – June		Whole year 2014
	2015	2014	2015	2014	2014	
Net income	73 809	45 506	38 579	23 127	109 468	
Other comprehensive income						
<i>Items that may be reclassified to the income statement</i>						
Cash-flow hedges, net after tax	2 435	47	810	216	717	
Exchange rate differences, net after tax	-8 992	2 403	-11 435	5 069	20 794	
Total other comprehensive income, net after tax	-6 557	2 450	-10 625	5 285	21 511	
Total comprehensive income	67 252	47 956	27 954	28 412	130 979	
Attributable to						
Parent Company's shareholders	66 784	47 639	27 729	28 296	130 620	
Non-controlling interests	468	317	225	116	359	

Key ratios, total Group

	January – June		April – June		Whole year
	2015	2014	2015	2014	
Gross margin, %	65.9	68.4	66.2	68.8	68.4
Operating margin before depreciation and amortization, %	33.5	29.9	33.9	29.3	32.6
Operating margin, %	26.0	25.6	27.4	26.0	28.1
Net margin, %	21.3	18.3	21.0	17.9	21.4
Equity/assets ratio, %	77.0	67.9	77.0	67.9	72.2
Shareholders' equity per share, SEK	33.9	17.2	33.9	17.2	32.3
Return on equity, %	21.5	24.2	21.5	24.2	24.8
Cash flow from operating activities per share, SEK	1.82	2.66	1.44	1.43	7.29
Net cash (+) / Net debt (-), SEK millions	7.55	39.7	7.55	39.7	21.8

Consolidated income statements per quarter

SEK thousands	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013
Net sales	184 145	162 396	136 859	125 145	129 436	119 072	123 502	108 642
Cost of goods sold	-62 308	-55 960	-46 592	-36 267	-40 387	-38 149	-40 144	-36 196
Gross income	121 837	106 436	90 267	88 878	89 049	80 923	83 358	72 446
Selling expenses	-34 713	-34 139	-31 095	-23 675	-30 545	-26 782	-27 820	-24 779
Administrative expenses	-20 490	-20 411	-15 918	-14 677	-15 173	-14 192	-15 135	-11 693
Research and development costs	-13 913	-14 963	-11 824	-7 072	-11 524	-11 504	-22 384	-12 425
Other operating revenues and expenses	-2 216	2 530	4 675	264	1 797	1 475	3 705	-464
Operating income	50 505	39 453	36 105	43 718	33 604	29 920	21 724	23 086
Financial income and expenses	-2 326	3 080	1 029	4 879	-1 990	-340	212	65
Income after financial items	48 179	42 534	37 134	48 597	31 614	29 580	21 936	23 151
Taxes	-9 600	-7 304	-8 724	-13 045	-8 487	-7 201	-6 552	-6 124
Net income	38 579	35 230	28 410	35 552	23 127	22 379	15 384	17 027
Attributable to								
Parent Company's shareholders	38 354	34 987	28 427	35 493	23 011	22 178	15 357	16 935
Non-controlling interests	225	243	-17	59	116	201	27	92

Key ratios per quarter, total Group

	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013
Shareholders' equity per share, SEK	33.9	34.1	32.3	19.3	17.2	16.8	15.8	15.0
Return on equity, %	21.5	22.5	24.8	28.1	24.2	21.8	19.4	14.4
Cash flow from operating activities per share, SEK	1.44	0.39	1.87	2.75	1.43	1.23	1.91	1.59

Consolidated balance sheets

SEK thousands	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
ASSETS			
Goodwill	358 394	183 789	364 545
Other intangible fixed assets	181 957	18 368	196 846
Tangible fixed assets	91 697	84 214	92 322
Financial fixed assets	10 597	5 772	9 986
Inventories	105 668	60 751	91 677
Accounts receivable	109 846	69 595	84 620
Tax assets	7 733	–	7 988
Derivative instruments	319	–	–
Other current receivables	15 420	11 971	16 900
Liquid funds	75 648	70 805	107 598
Total assets	957 279	505 265	972 482
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to the Parent Company's shareholders	735 133	341 694	700 914
Non-controlling interests	2 067	1 565	1 657
Provisions	4 911	5 025	3 961
Deferred tax liabilities	21 975	17 849	26 270
Long-term interest bearing liabilities	48 852	13 932	60 019
Long-term non-interest bearing liabilities	618	18 847	19 830
Short-term interest bearing liabilities	19 243	17 166	25 774
Tax liabilities	15 995	11 641	28 578
Derivative instruments	–	1 943	2 803
Accounts payable	20 415	11 106	22 282
Other short-term non-interest bearing liabilities	88 070	64 497	80 394
Total shareholders' equity and liabilities	957 279	505 265	972 482
Pledged assets for own liabilities	21 870	21 473	21 661
Contingent liabilities	418	272	350

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, 2014	20 228	220 287	-38 149	111 520	1 644	315 530
Total comprehensive income	–	–	21 511	109 109	359	130 979
Dividend (SEK 1.00 per 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
Opening balance January 1, 2015	22 144	494 610	-16 638	200 798	1 657	702 571
Total comprehensive income	–	–	-6 557	73 341	468	67 252
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Other transactions with non-controlling interests	–	–	–	–	-58	-58
Closing balance June 30, 2015	22 144	494 610	-23 195	241 574	2 067	737 200

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

Consolidated cash flow statements

SEK thousands	January – June		2015	April – June		Whole year 2014
	2015	2014		2014	2014	
Income after financial items	90 713	61 194	48 179	31 614	146 924	
Adjustment for items not affecting cash flow	24 700	9 729	14 831	3 942	11 610	
Tax paid	-34 576	-15 866	-4 314	-3 395	-18 154	
Change in inventories	-13 734	-835	-9 885	797	5 469	
Change in trade receivables	-24 783	-7 926	-21 792	-5 373	3 201	
Change in trade payables	-2 714	6 533	4 161	851	-3 384	
Cash flow from operating activities	39 606	52 829	31 180	28 436	145 666	
Cash flow from investing activities	-22 421	-8 547	-7 391	-628	-77 517	
Cash flow from financing activities	-48 886	-28 485	-37 209	-24 228	-19 704	
Cash flow for the period	-31 701	15 797	-13 420	3 580	48 445	
Liquid funds at beginning of period	107 598	53 769	90 458	65 514	53 769	
Exchange rate difference in liquid funds	-249	1 239	-1 390	1 711	5 384	
Liquid funds at end of period	75 648	70 805	75 648	70 805	107 598	

Income statement for the Parent Company

SEK thousands	January – June		2015	April – June		Whole year 2014
	2015	2014		2014	2014	
Administrative expenses	-3 863	-3 556	-1 665	-2 019	-9 847	
Other operating revenues and expenses	70	1 718	71	-6	-7	
Operating income	-3 793	-1 838	-1 594	-2 025	-9 854	
Write-down financial fixed assets	-	-	-	-	-799	
Dividends from affiliated companies	185 000	902	185 000	902	4 918	
Financial income and expenses	1 456	-1 977	400	-1 663	-3 723	
Income after financial items	182 663	-2 913	183 806	-2 786	-9 458	
Year-end adjustments (received group contribution)	-	-	-	-	10 984	
Taxes	471	641	220	613	-4	
Net income	183 134	-2 272	184 026	-2 173	1 522	

Depreciation and amortization were charged against income for the period by SEK 0 thousand (0), of which SEK 0 thousand (0) for the second quarter.

Balance sheets for the Parent Company

SEK thousands	Jun 30, 2015	Jun 30, 2014	Dec 31, 2014
ASSETS			
Tangible fixed assets	12	12	12
Participation in affiliated companies	760 690	424 993	760 824
Other financial tangible assets	3 746	4 000	3 746
Deferred tax assets	471	641	-
Other current receivables	3 644	2 515	1 545
Receivables from affiliated companies	71 347	6 974	61 762
Liquid funds	1 003	1 109	2 119
Total assets	840 913	440 244	830 008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	706 170	275 567	555 601
Long-term interest bearing liabilities	48 852	12 415	59 472
Long-term non-interest bearing liabilities	618	18 847	19 830
Short-term interest bearing liabilities	17 513	5 977	18 079
Accounts payable	718	44	1 408
Liabilities to affiliated companies	47 875	116 798	164 968
Other short-term non-interest bearing liabilities	19 167	10 596	10 650
Total shareholders' equity and liabilities	840 913	440 244	830 008
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	-	-	-

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 2015 have had any significant impact on the Group.

Note 2. Financial instruments - Fair value

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

Classified in level 2 are derivatives for hedge accounting. Valuation of fair value for currency forward contracts is based on published forward rates on an active market.

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on the latest transaction (new issue of shares). Hence, fair value is estimated to be equal to book value. Other liabilities relating to conditional purchase price have been measured by future cash flows, based on expected sales, 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 -239 thousand (-299) during the period, which is reported among financial items.

Fair value for other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest-bearing liabilities is estimated to be equal to their book value (accumulated amortized cost). 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 amount to SEK 193,538 thousand (142,886) and SEK 125,150 thousand (76,452).

Fair value hierarchy

SEK thousands	Fair value levels	Jun 30.2015	Jun 30.2014	Dec 31.2014
Financial assets				
Financial assets to fair value through income statement	3	3 746	4 000	3 746
Derivatives for hedge accounting	2	319	–	–
Total Financial assets		4 065	4 000	3 746
Financial liabilities				
Financial liabilities to fair value through income statement	3	18 194	26 302	27 013
Derivatives for hedge accounting	2	–	1 943	2 803
Total Financial liabilities		18 194	28 245	29 816

Level 1: valued at fair value based on quoted prices on an active market for identical assets.

Level 2: valued at fair value based on other observable inputs for assets and liabilities than quoted price included in level 1.

Level 3: valued at fair value based on inputs for assets and liabilities unobservable to the market.

Note 3. Acquisition of subsidiary

No acquisition has occurred during 2015.

During the fourth quarter of 2014 Vitrolife acquired all shares in Unisense FertiliTech A/S. After the acquisition, the name was changed to Vitrolife A/S.

The acquisition was carried out through payment via 1,879,179 Vitrolife shares and payment of existing shareholder loans in FertiliTech 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. 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.

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
Purchase price	FertiliTech
Liquid funds	62.4
New issue of shares	276.2
Total purchase price	338.6

Identified assets and liabilities

Trademark	31.0
Products and development projects	145.1
Fixed assets	4.5
Financial assets	31.9
Current assets	66.6
Current liabilities	-32.8
Long-term liabilities	-45.3
Deferred tax liability due to surplus value	-33.1
Total acquired assets and liabilities	167.9

Goodwill	170.7
Total	338.6

SEK millions	
Liquid funds paid	-62.4
Liquid funds in acquired business	1.7
Effect on group liquid funds	-60.7

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 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 cash (+) / Net debt (-)

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:

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.

Biotechnology

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

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.

Cell therapy

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

Clinical study/trial

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

Embryo

A fertilized and cell divided egg.

Incubator

Equipment for culture of embryos in a controlled environment.

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.

In vivo

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

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

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

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.

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.

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 analyzed.

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.

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