



# INTERIM REPORT JANUARY-SEPTEMBER 2015

Vitrolife AB (publ)

Vitrolife is an international medical device Group. Vitrolife 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** 

# Increased organic growth

## Third quarter

- Sales amounted to SEK 177 (125) million, corresponding to an increase of 41 percent in SEK. Sales growth was 29 percent in local currency. The acquisition of Vitrolife A/S (formerly Unisense FertilTech A/S) contributed SEK 25 million to sales. Adjusted for this, sales growth amounted to 11 percent in local currency.
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 82 (49) million, corresponding to a margin of 46 (39) percent.

Income was positively affected by the recovered additional purchase price for the acquisition of Cryo Innovation to the tune of SEK 17 million. Adjusted for this one-time item, operating income before depreciation and amortization (EBITDA) amounted to SEK 65 million, corresponding to a margin of 37 percent. Fluctuations in exchange rates had a positive effect of SEK 10 million on operating income before depreciation and amortization (EBITDA).

- Net income amounted to SEK 52 (36) million, which gave earnings per share of SEK 2.41 (1.79).

## January - September

- Sales amounted to SEK 523 (374) million, corresponding to an increase of 40 percent in SEK. Sales growth was 25 percent in local currency. The acquisition of Vitrolife A/S (formerly Unisense FertilTech A/S) contributed SEK 79 million to sales. Adjusted for this, sales growth amounted to 6 percent in local currency.
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 198 (123) million, corresponding to a margin of 38 (33) percent. Income

was positively affected by the recovered additional purchase price for the acquisition of Cryo Innovation to the tune of SEK 17 million. Adjusted for this one-time item, operating income before depreciation and amortization (EBITDA) amounted to SEK 181 million, corresponding to a margin of 35 percent. Fluctuations in exchange rates had a positive effect of SEK 30 million on operating income before depreciation and amortization (EBITDA).

- Net income amounted to SEK 126 (81) million, which gave earnings per share of SEK 5.79 (4.07).

## The Group's Key Figures

SEK millions	July – September		January – September		Whole year
	2015	2014	2015	2014	
Net sales	177	125	523	374	511
Net sales growth, local currency, %	29	9	25	10	8
Gross margin, %	68	71	66	69	68
Operating income before depreciation and amortization (EBITDA)	82	49	198	123	167
EBITDA margin, %	46	39	38	33	33
Operating income (EBIT)	66	44	156	107	143
Net income	52	36	126	81	109
Net debt / Rolling 12 month EBITDA	-0.3	-0.6	-0.3	-0.6	-0.1
Earnings per share, SEK	2.41	1.79	5.79	4.07	5.46
Share price on closing day, SEK	169.50	141.75	169.50	141.75	166.00
Market cap at closing day	3 680	2 811	3 680	2 811	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 in the quarter amounted to 29 percent in local currency, 11 percent of which was organic growth. Organic growth was thus higher during the third quarter compared with the first half year.



During the third quarter all regions displayed good organic growth. Sales in the Asia and Pacific region were affected positively by the fact that market growth turned up in China, the world's largest IVF market. In recent years, China has eased its one-child policy. After the end of the reporting period, the Chinese authorities have decided to allow families to have two children. Within a few years, the decision may contribute positively to the demand for IVF treatments in China but in the short run the decision is estimated to only have a limited impact.

It is pleasing to note that Vitrolife A/S (formerly Unisense FertiliTech A/S) is ahead of the time plan for improved results that was adopted in conjunction with the acquisition. During 2014 Vitrolife A/S and its subsidiaries reported sales of SEK 77 million and a loss. In conjunction with the acquisition, a plan was adopted to increase revenues and reduce costs during 2015 compared with 2014 so that the acquisition would make a positive contribution to the Group's profitability as from 2016 and onwards. Sales in the acquired business

amounted to approximately SEK 79 million during the first nine months of the year and the acquisition contributed to a positive EBITDA result during the period. The improved result has been achieved through a combination of increased sales and reduced costs. There continues to be great interest in time-lapse in the IVF market but since the time-lapse technology is in an early phase, it is difficult to forecast the sales development within the area.

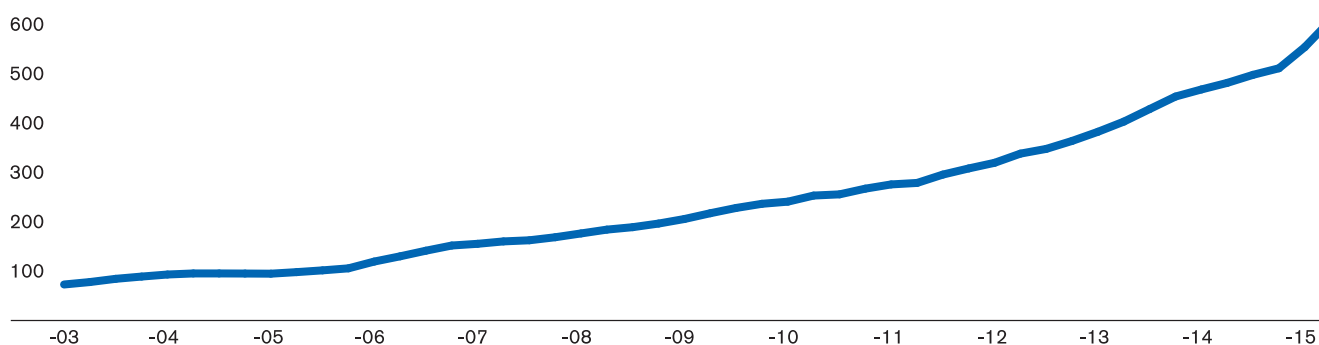
Operating income before depreciation and amortization (EBITDA), adjusted for the recovered additional purchase price for Cryo Innovation, amounted to SEK 65 million during the quarter, corresponding to a margin of 37 percent. The strong profitability during the quarter was generated by a combination of high sales, a favorable product mix in the form of a high percentage of sales of media products, positive exchange-rate effects and good cost control.

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

### Net sales (rolling 12 months)

700 SEK millions





# Third quarter 2015 (July - September)

## Net sales

Sales amounted to SEK 177 (125) million, corresponding to an increase of 41 percent in SEK. Sales growth was 29 percent in local currency. The acquisition of Vitrolife A/S contributed SEK 25 million to sales. Adjusted for this, sales growth amounted to 11 percent in local currency, corresponding to an increase of 22 percent in SEK.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 32 percent in local currency and amounted to SEK 76 (55) million. The increase amounted to 38 percent in SEK. Sales in the North and South American region amounted to SEK 32 (22) million. The increase in local currency amounted to 16 percent, corresponding to an increase of 41 percent in SEK. Sales in the Asia and Pacific region increased by 33 percent in local currency and amounted to SEK 69 (48) million. The increase amounted to 46 percent in SEK. Sales were positively affected by the fact that market growth in China turned up during the third quarter. All regions were positively affected by the acquisition of Vitrolife A/S.

The media product group increased by 15 percent in local currency during the quarter and amounted to SEK 110 (87) million, corresponding to an increase of 26 percent in SEK. The time-lapse product group amounted to SEK 28 (6) million. The other IVF products increased by 10 percent in local currency and amounted to SEK 35 (29) million, corresponding to an increase of 20 percent in SEK. Freight revenues amounted to SEK 4 (3) million.

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

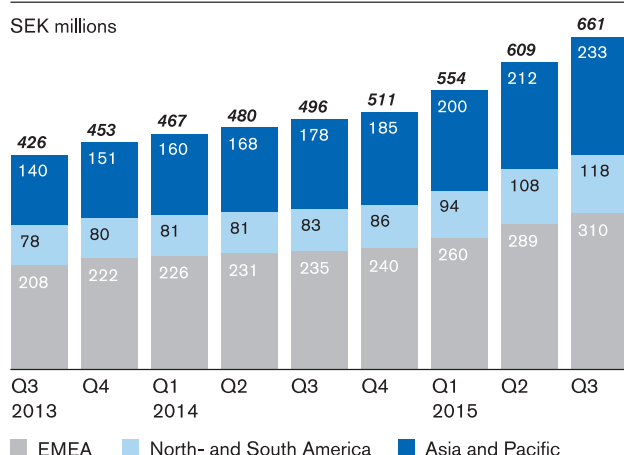


Fig 2. Sales development (per quarter)

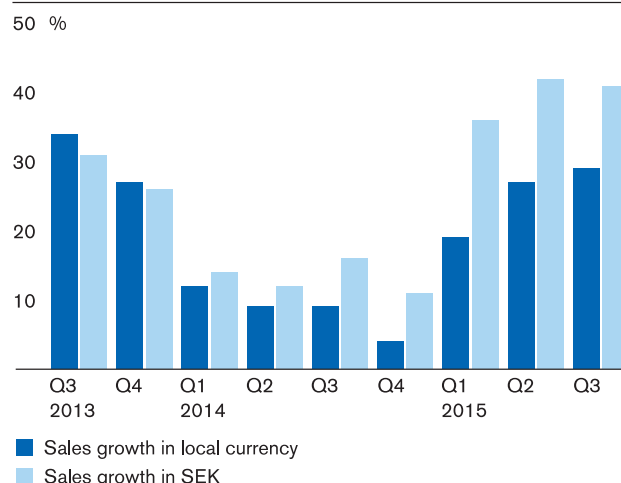
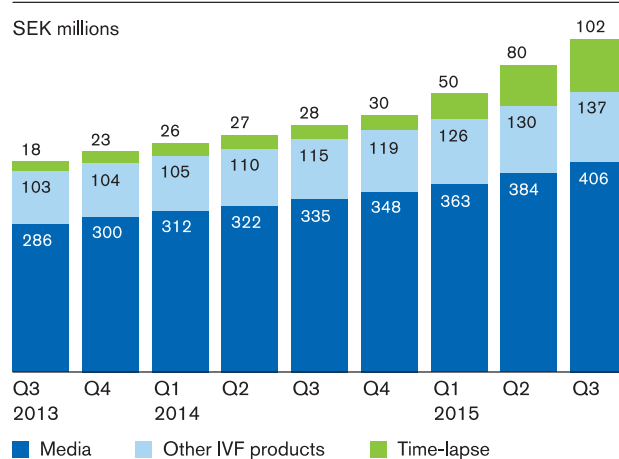


Fig 3. Net sales per product group (rolling 12 months)



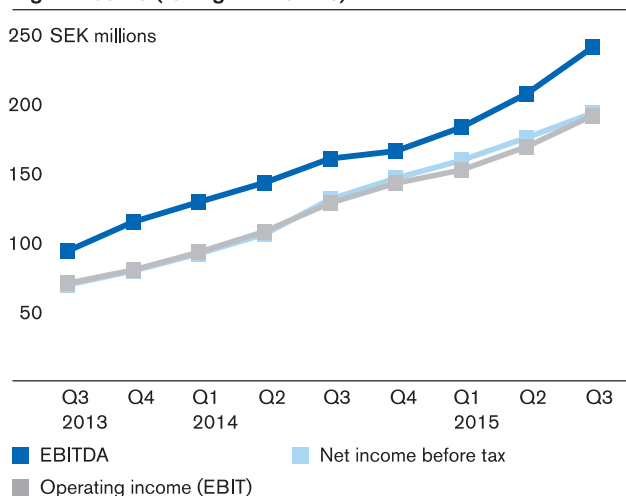
## Income

Operating income before depreciation and amortization (EBITDA) amounted to SEK 82 (49) million, corresponding to a margin of 46 (39) percent. Income was positively affected by the recovered additional purchase price for the acquisition of Cryo Innovation to the tune of SEK 17 million. Adjusted for this one-time item, operating income before depreciation and amortization (EBITDA) amounted to SEK 65 million, corresponding to a margin of 37 percent. No need of goodwill impairment has been identified, as Vitrolife's future forecasted cash flows far exceed book value. Fluctuations in exchange rates positively affected operating income before depreciation and amortization (EBITDA) to the tune of SEK 10 million.

Gross income amounted to SEK 120 (89) million. The gross margin amounted to 68 (71) percent and was negatively affected by the fact that EmbryoScope has a lower gross margin compared with the rest of Vitrolife's product range. The gross margin was also affected negatively by amortization of the surplus values related to the acquisition. This amortization amounted to SEK 5 (0) million during the quarter. The gross margin was positively affected by economies of scale.

Selling expenses amounted to 20 (19) percent of sales. Administrative expenses amounted to 12 (12) percent of sales. R&D costs amounted to 9 (6) percent of sales and the increase primarily consisted of a write-down of development projects in Vitrolife A/S to the tune of SEK 4 million. Depreciation, amortization and write-downs of SEK 16 (5) million were charged against income. The increase mainly consisted of amortization related to the acquisition of Vitrolife A/S and a write-down of development projects in Vitrolife A/S. Net financial income amounted to SEK 0 (5) million. Income before tax amounted to SEK 66 (49) million. Net income amounted to SEK 52 (36) million.

Fig 4. Income (rolling 12 months)



### Cash flow

The cash flow from operating activities amounted to SEK 60 (55) million. The change in working capital amounted to SEK 1 (6) million. Gross investments in tangible assets amounted to SEK -1 (-3) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -2 (0) million and consisted mainly of capitalized development costs. The cash flow from financing activities was SEK -17 (-5) million and consisted of repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 116 (119) million.

### Financing

Vitrolife's total credit facilities amounted to SEK 102 (87) million, of which SEK 52 (27) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 81 (69) percent. 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 quarter amounted to SEK 0 (-2) million. Cash and cash equivalents amounted to SEK 1 (1) million.

## The period 2015 (January - September)

### Net sales

Sales amounted to SEK 523 (374) million, corresponding to an increase of 40 percent in SEK. Sales growth was 25 percent in local currency. The acquisition of Vitrolife A/S contributed SEK 79 million to sales. Adjusted for this, sales growth amounted to 6 percent in local currency.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 32 percent in local currency and amounted to SEK 240 (173) million. The increase amounted to 40 percent in SEK. Sales in the North and South American region amounted to SEK 96 (64) million. The increase in local currency amounted to 18 percent, corresponding to an increase of 48 percent in SEK. Sales in the Asia and Pacific region increased by 21 percent in local currency and amounted to SEK 187 (137) million. The increase was 37 percent in SEK.

### Income

Operating income before depreciation and amortization (EBITDA) amounted to SEK 198 (123) million, corresponding to a margin of 38 (33) percent. Income was positively affected by the recovered additional purchase price for the acquisition of Cryo Innovation to the tune of SEK 17 million. Adjusted for this one-time item, operating income before depreciation and amortization (EBITDA) amounted to SEK 181 million, corresponding to a margin of 35 percent. Fluctuations in exchange rates had a positive effect of SEK 30 million on operating income before depreciation and amortization (EBITDA).

Gross income amounted to SEK 348 (259) million. The gross margin amounted to 66 (69) percent. Selling expenses amounted to 20 (22) percent of sales. Administrative expenses amounted to 12 (12) percent of sales. R&D costs amounted to 8 (8) percent of sales. Depreciation, amortization and write-downs of SEK 42 (16) million were charged against net income. Net financial items amounted to SEK 1 (3) million. Income before tax amounted to SEK 157 (110) million. Net income amounted to SEK 126 (81) million.

### Cash flow

Cash flow from operating activities amounted to SEK 99 (107) million. Gross investments amounted to SEK -25 (-12) million, of which SEK -16 million was investments in non-current assets and SEK -9 million was a milestone payment. The cash flow from financing activities amounted to SEK -66 (-34) million, of which SEK -33 million comprised repayment of borrowings and SEK -33 million dividend to shareholders. Cash and cash equivalents at the end of the period amounted to SEK 116 (119) 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 emerging countries, where the demand for this treatment is increasing rapidly. 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 has been and will continue to be on marketing and sales, primarily in the emerging markets, and to improve the 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 318 (235), of whom 143 (116) were women and 175 (119) were men. Of these 128 (129) people were employed in Sweden, 67 (0) in Denmark, 61 (52) in the USA and 62 (54) in the rest of the world. The number of people employed in the Group at the end of the period was 327 (248). 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.

November 5, 2015  
Gothenburg, Sweden

Thomas Axelsson  
CEO

### Financial reports

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

**The Report on Operations for 2015 will be published on Friday February 5, 2016.**

### Review report

#### Introduction

We have reviewed the interim report for Vitrolife AB (publ), corporate identity number 556354-3452, for the period January 1 - September 30, 2015. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

#### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed

in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, November 5, 2015

DELOITTE AB

Jan Nilsson  
Authorised Public Accountant

Fredrik Jonsson  
Authorised Public Accountant

#### Queries should be addressed to

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

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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 Thursday November 5, 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 – September		July – September		Whole year
	2015	2014	2015	2014	2014
Net sales	523 346	373 653	176 806	125 145	510 512
Cost of goods sold	-175 438	-114 802	-57 170	-36 267	-161 394
<b>Gross income</b>	<b>347 908</b>	<b>258 851</b>	<b>119 636</b>	<b>88 878</b>	<b>349 118</b>
Selling expenses	-103 674	-81 002	-34 822	-23 675	-112 098
Administrative expenses	-62 320	-44 042	-21 419	-14 677	-59 960
Research and development costs	-43 948	-30 101	-15 072	-7 072	-41 925
Other operating revenues and expenses	18 183	3 536	17 868	264	8 211
<b>Operating income</b>	<b>156 149</b>	<b>107 242</b>	<b>66 191</b>	<b>43 718</b>	<b>143 346</b>
Financial income and expenses	945	2 549	191	4 879	3 578
<b>Income after financial items</b>	<b>157 094</b>	<b>109 791</b>	<b>66 382</b>	<b>48 597</b>	<b>146 924</b>
Taxes	-30 878	-28 733	-13 975	-13 045	-37 456
<b>Net income</b>	<b>126 216</b>	<b>81 058</b>	<b>52 407</b>	<b>35 552</b>	<b>109 468</b>
<b>Attributable to</b>					
Parent Company's shareholders	125 665	80 682	52 324	35 493	109 109
Non-controlling interests	551	376	83	59	359
Earnings per share, SEK	5.79	4.07	2.41	1.79	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 42 093 thousand (15 829), of which SEK 16 002 thousand (5 001) for the third quarter.

## Statement of comprehensive income

SEK thousands	January – September		July – September		Whole year
	2015	2014	2015	2014	2014
<b>Net income</b>	<b>126 216</b>	<b>81 058</b>	<b>52 407</b>	<b>35 552</b>	<b>109 468</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to the income statement</i>					
Cash-flow hedges, net after tax	1 517	-851	-918	-898	717
Exchange rate differences, net after tax	3 233	8 745	12 224	6 342	20 794
<b>Total other comprehensive income, net after tax</b>	<b>4 750</b>	<b>7 894</b>	<b>11 306</b>	<b>5 444</b>	<b>21 511</b>
<b>Total comprehensive income</b>	<b>130 966</b>	<b>88 952</b>	<b>63 713</b>	<b>40 996</b>	<b>130 979</b>
<b>Attributable to</b>					
Parent Company's shareholders	130 415	88 576	63 630	40 937	130 620
Non-controlling interests	551	376	83	59	359



## Key ratios, total Group

	January – September		July – September		Whole year
	2015	2014	2015	2014	
Gross margin, %	66.5	69.3	67.7	71.0	68.4
Operating margin before depreciation and amortization, %	37.9	32.9	46.5	38.9	32.6
Operating margin, %	29.8	28.7	37.4	34.9	28.1
Net margin, %	24.1	21.7	29.6	28.4	21.4
Equity/assets ratio, %	80.6	69.3	80.6	69.3	72.2
Shareholders' equity per share, SEK	36.8	19.3	36.8	19.3	32.3
Return on equity, %	20.7	28.1	20.7	28.1	24.8
Cash flow from operating activities per share, SEK	4.57	5.41	2.74	2.75	7.29
Net cash (+) / Net debt (-), SEK millions	63.9	91.9	63.9	91.9	21.8

## Consolidated income statements per quarter

SEK thousands	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013
Net sales	176 806	184 145	162 396	136 859	125 145	129 436	119 072	123 502
Cost of goods sold	-57 170	-62 308	-55 960	-46 592	-36 267	-40 387	-38 149	-40 144
<b>Gross income</b>	<b>119 636</b>	<b>121 837</b>	<b>106 436</b>	<b>90 267</b>	<b>88 878</b>	<b>89 049</b>	<b>80 923</b>	<b>83 358</b>
Selling expenses	-34 822	-34 713	-34 139	-31 095	-23 675	-30 545	-26 782	-27 820
Administrative expenses	-21 419	-20 490	-20 411	-15 918	-14 677	-15 173	-14 192	-15 135
Research and development costs	-15 072	-13 913	-14 963	-11 824	-7 072	-11 524	-11 504	-22 384
Other operating revenues and expenses	17 868	-2 216	2 530	4 675	264	1 797	1 475	3 705
<b>Operating income</b>	<b>66 191</b>	<b>50 505</b>	<b>39 453</b>	<b>36 105</b>	<b>43 718</b>	<b>33 604</b>	<b>29 920</b>	<b>21 724</b>
Financial income and expenses	191	-2 326	3 080	1 029	4 879	-1 990	-340	212
<b>Income after financial items</b>	<b>66 382</b>	<b>48 179</b>	<b>42 534</b>	<b>37 134</b>	<b>48 597</b>	<b>31 614</b>	<b>29 580</b>	<b>21 936</b>
Taxes	-13 975	-9 600	-7 304	-8 724	-13 045	-8 487	-7 201	-6 552
<b>Net income</b>	<b>52 407</b>	<b>38 579</b>	<b>35 230</b>	<b>28 410</b>	<b>35 552</b>	<b>23 127</b>	<b>22 379</b>	<b>15 384</b>
<b>Attributable to</b>								
Parent Company's shareholders	52 324	38 354	34 987	28 427	35 493	23 011	22 178	15 357
Non-controlling interests	83	225	243	-17	59	116	201	27

## Key ratios per quarter, total Group

	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013
Shareholders' equity per share, SEK	36.8	33.9	34.1	32.3	19.3	17.2	16.8	15.8
Return on equity, %	20.7	21.5	22.5	24.8	28.1	24.2	21.8	19.4
Cash flow from operating activities per share, SEK	2.74	1.44	0.39	1.87	2.75	1.43	1.23	1.91

## Consolidated balance sheets

SEK thousands	Sep 30. 2015	Sep 30. 2014	Dec 31. 2014
<b>ASSETS</b>			
Goodwill	364 252	185 400	364 545
Other intangible fixed assets	175 556	17 136	196 846
Tangible fixed assets	90 271	85 366	92 322
Financial fixed assets	8 490	6 189	9 986
Inventories	111 571	63 123	91 677
Accounts receivable	104 542	65 526	84 620
Tax assets	7 909	–	7 988
Other current receivables	14 642	12 332	16 900
Liquid funds	115 902	119 274	107 598
<b>Total assets</b>	<b>993 135</b>	<b>554 346</b>	<b>972 482</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity, attributable to the Parent Company's shareholders	798 764	382 631	700 914
Non-controlling interests	2 193	1 619	1 657
Provisions	5 205	5 147	3 961
Deferred tax liabilities	20 782	16 656	26 270
Long-term interest bearing liabilities	39 765	11 018	60 019
Long-term non-interest bearing liabilities	–	18 997	19 830
Short-term interest bearing liabilities	12 235	16 385	25 774
Tax liabilities	24 625	24 024	28 578
Derivative instruments	858	793	2 803
Accounts payable	17 668	19 444	22 282
Other short-term non-interest bearing liabilities	71 040	57 632	80 394
<b>Total shareholders' equity and liabilities</b>	<b>993 135</b>	<b>554 346</b>	<b>972 482</b>
Pledged assets for own liabilities	21 973	21 594	21 661
Contingent liabilities	317	205	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		
<b>Opening balance January 1, 2014</b>	<b>20 228</b>	<b>220 287</b>	<b>-38 149</b>	<b>111 520</b>	<b>1 644</b>	<b>315 530</b>
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
<b>Closing balance December 31, 2014</b>	<b>22 144</b>	<b>494 610</b>	<b>-16 638</b>	<b>200 798</b>	<b>1 657</b>	<b>702 571</b>
<b>Opening balance January 1, 2015</b>	<b>22 144</b>	<b>494 610</b>	<b>-16 638</b>	<b>200 798</b>	<b>1 657</b>	<b>702 571</b>
Total comprehensive income	–	–	4 750	125 665	551	130 966
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Other transactions with non-controlling interests	–	–	–	–	-15	-15
<b>Closing balance September 30, 2015</b>	<b>22 144</b>	<b>494 610</b>	<b>-11 888</b>	<b>293 898</b>	<b>2 193</b>	<b>800 957</b>

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

## Condensed consolidated cash flow statements

SEK thousands	January – September		July – September		Whole year
	2015	2014	2015	2014	
Income after financial items	157 094	109 791	66 382	48 597	146 924
Adjustment for items not affecting cash flow	23 159	12 774	-1 541	3 042	11 610
Tax paid	-41 074	-19 104	-6 498	-3 239	-18 154
Change in inventories	-18 204	-268	-4 470	568	5 469
Change in trade receivables	-16 566	-2 102	8 216	5 824	3 201
Change in trade payables	-5 220	6 251	-2 505	-281	-3 384
<b>Cash flow from operating activities</b>	<b>99 189</b>	<b>107 342</b>	<b>59 584</b>	<b>54 511</b>	<b>145 666</b>
Cash flow from investing activities	-25 467	-11 723	-3 046	-3 176	-77 517
Cash flow from financing activities	-66 044	-33 537	-17 158	-5 051	-19 704
<b>Cash flow for the period</b>	<b>7 678</b>	<b>62 082</b>	<b>39 380</b>	<b>46 284</b>	<b>48 445</b>
Liquid funds at beginning of period	107 598	53 769	75 648	70 805	53 769
Exchange rate difference in liquid funds	626	3 423	874	2 185	5 384
<b>Liquid funds at end of period</b>	<b>115 902</b>	<b>119 274</b>	<b>115 902</b>	<b>119 274</b>	<b>107 598</b>

## Income statement for the Parent Company

SEK thousands	January – September		July – September		Whole year
	2015	2014	2015	2014	
Administrative expenses	-5 870	-5 535	-2 007	-1 979	-9 847
Other operating revenues and expenses	67	1 718	-3	-	-7
<b>Operating income</b>	<b>-5 803</b>	<b>-3 817</b>	<b>-2 010</b>	<b>-1 979</b>	<b>-9 854</b>
Write-down financial fixed assets	-	-	-	-	-799
Dividends from affiliated companies	185 000	902	-	-	4 918
Financial income and expenses	3 371	-1 904	1 914	73	-3 723
<b>Income after financial items</b>	<b>182 568</b>	<b>-4 819</b>	<b>-96</b>	<b>-1 906</b>	<b>-9 458</b>
Year-end adjustments (received group contribution)	-	-	-	-	10 984
Taxes	491	1 060	20	419	-4
<b>Net income</b>	<b>183 059</b>	<b>-3 759</b>	<b>-76</b>	<b>-1 487</b>	<b>1 522</b>

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

## Balance sheets for the Parent Company

SEK thousands	Sep 30. 2015	Sep 30. 2014	Dec 31. 2014
<b>ASSETS</b>			
Tangible fixed assets	12	12	12
Participation in affiliated companies	776 984	424 993	760 824
Other financial tangible assets	3 746	4 129	3 746
Deferred tax assets	491	1 060	-
Other current receivables	2 214	1 698	1 545
Receivables from affiliated companies	40 137	-	61 762
Liquid funds	640	780	2 119
<b>Total assets</b>	<b>824 224</b>	<b>432 672</b>	<b>830 008</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	706 094	274 080	555 601
Long-term interest bearing liabilities	39 765	11 018	59 472
Long-term non-interest bearing liabilities	-	18 997	19 830
Short-term interest bearing liabilities	12 235	5 744	18 079
Accounts payable	206	65	1 408
Liabilities to affiliated companies	64 243	112 116	164 968
Other short-term non-interest bearing liabilities	1 681	10 652	10 650
<b>Total shareholders' equity and liabilities</b>	<b>824 224</b>	<b>432 672</b>	<b>830 008</b>
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 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 -328 thousand (-478) 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 227,924 thousand (188,026) and SEK 100,088 thousand (65,544).

### Fair value hierarchy

SEK thousands	Fair value levels	Sep 30.2015	Sep 30.2014	Dec 31.2014
<b>Financial assets</b>				
Financial assets to fair value through income statement	3	3 746	4 129	3 746
<b>Total Financial assets</b>		<b>3 746</b>	<b>4 129</b>	<b>3 746</b>
<b>Financial liabilities</b>				
Financial liabilities to fair value through income statement	3	–	26 690	27 013
Derivatives for hedge accounting	2	858	793	2 803
<b>Total Financial liabilities</b>		<b>858</b>	<b>27 483</b>	<b>29 816</b>

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.

An additional purchase price corresponding to a value of 1,308,656 shares may be paid in addition to the fixed purchase price. The additional purchase price 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 very 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 price 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
<b>Total purchase price</b>	<b>338.6</b>

### 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
<b>Total</b>	<b>338.6</b>

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



# 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.

## **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.

## **Incubator**

Equipment for culture of embryos in a controlled environment.

## **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.

# TOGETHER. ALL THE WAY™

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