

# REPORT ON OPERATIONS 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** 

# Continued profitable growth

## Fourth quarter

- Sales amounted to SEK 199 (137) million, corresponding to an increase of 45 percent in SEK. Net sales growth was 38 percent in local currency. Sales were positively affected by the acquisition of Vitrolife A/S (formerly Unisense FertiliTech A/S) of SEK 38 million. The acquisition was carried out on November 26, 2014, and thus organic growth during the quarter amounted to 23 percent in local currency.
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 81 (44) million, corresponding to a margin of 41 (32) percent. Fluctuations in exchange rates had a positive effect of SEK 5 million on operating income before depreciation and amortization (EBITDA).
- Net income amounted to SEK 57 (28) million, which gave earnings per share of SEK 2.63 (1.39).

## Whole year 2015

- Sales amounted to SEK 722 (511) million, corresponding to an increase of 41 percent in SEK. Net sales growth was 28 percent in local currency. Sales were positively affected by the acquisition of Vitrolife A/S (formerly Unisense FertiliTech A/S) of SEK 116 million. The acquisition was carried out on November 26, 2014, and thus organic growth during the year amounted to 11 percent in local currency.
- Operating income before depreciation and amortization (EBITDA) amounted to SEK 279 (167) million, corresponding to a margin of 39 (33) percent. Income was positively affected by the recovered additional purchase price for the acquisition of Cryo Innovation of SEK 17 million. Adjusted for this one-time item, operating income before depreciation and amortization (EBITDA) amounted to SEK 262 million, corresponding to a margin of 36 percent. Fluctuations in exchange rates had a positive effect of SEK 35 million on operating income before depreciation and amortization (EBITDA).
- Net income amounted to SEK 183 (109) million, which gave earnings per share of SEK 8.42 (5.46).

## After the end of the period

- The Board proposes a dividend of SEK 2.40 (1.50) per share.
- Decision to consolidate the Group's time-lapse business to the subsidiary Vitrolife A/S in Denmark during 2016.

## The Group's Key Figures

SEK millions	October – December		January – December	
	2015	2014	2015	2014
Net sales	199	137	722	511
Net sales growth, local currency, %	38	4	28	8
Gross margin, %	69	66	67	68
Operating income before depreciation and amortization (EBITDA)	81	44	279	167
EBITDA margin, %	41	32	39	33
Operating income (EBIT)	70	36	226	143
Net income	57	28	183	109
Net debt / Rolling 12 month EBITDA	-0.5	-0.1	-0.5	-0.1
Earnings per share, SEK	2.63	1.39	8.42	5.46
Share price on closing day, SEK	288.50	166.00	288.50	166.00
Market cap at closing day	6 263	3 604	6 263	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 38 percent in local currency, of which 23 percent was organic growth. During the fourth quarter all geographic regions reported good growth. The world's largest IVF market, China, which had weak development during the first half year, is back to a normal situation, with increased demand and expansion of the number of treatment cycles. It was also pleasing to note that sales of the time-lapse product EmbryoScope were the highest so far during a single quarter since the acquisition was made at the end of 2014.



Operating income before depreciation and amortization (EBITDA) amounted to SEK 81 million for the quarter, corresponding to a margin of 41 percent. The continued strong profitability was generated by a combination of sales growth, economies of scale, positive currency effects and good cost control.

During the autumn Vitrolife carried out a review of the company's strategy. The aim to become the world-leading supplier of medical device products for assisted reproduction remains unchanged. An update of how the company is to achieve this objective has been carried out, amongst other things on the basis of how the world is changing. Vitrolife has identified five strategic areas of focus for the coming years in order to achieve the objective:

- Establish a scalable organizational structure with the focus on common values.
- Expand sales through an improved customer offer and increased digital sales.
- Broaden the product portfolio and ensure a profitable time-lapse range.
- Achieve economies of scale through increased internal efficiency.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

To further support the strategy, Vitrolife launched a changed organizational structure after closing day. The organization consists of three business units whose products are sold by three geographic market organizations. There will be support functions within the business units and market regions, and in certain cases globally as well for all employees. The business units will be responsible for providing an attractive product offer in each of the product areas - Media, Disposable Devices and Time-lapse. The market regions will be responsible for selling all products in each market on the basis of local customer needs. The aim is that this organization will contribute to increased decentralized decision-making and be better able to take advantage of the opportunities that exist in the market. As from 2016, Vitrolife plans to report results by geographic segment as a consequence of the change in organization.

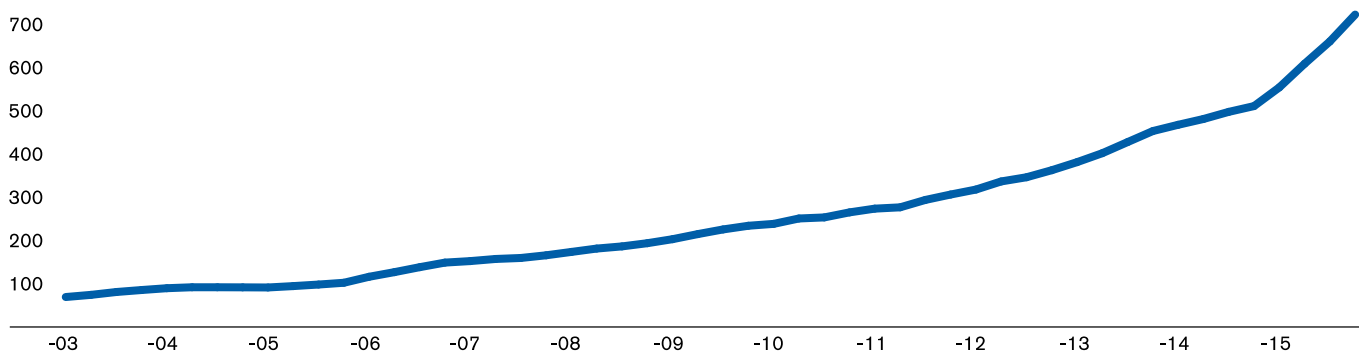
As a result of the strategic review and weak development of profitability during the year for the company's time-lapse product Primo Vision, Vitrolife decided after closing day to consolidate the Group's time-lapse business to the subsidiary Vitrolife A/S in Denmark during 2016. This change is expected to create synergies in production and product development, which in turn enables the company to offer a more competitive and profitable range of time-lapse products. The consolidation of the business from Hungary to Denmark is expected to entail one-time expenses of SEK 4-7 million during 2016.

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)

800 SEK millions



## Fourth quarter 2015 (October - December)

### Net sales

Sales amounted to SEK 199 (137) million, corresponding to an increase of 45 percent in SEK. Net sales growth was 38 percent in local currency. Sales were positively affected by the acquisition of Vitrolife A/S (formerly Unisense FertiTech A/S) of SEK 38 million. The acquisition was carried out on November 26, 2014, and thus organic growth during the quarter amounted to 23 percent in local currency.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 41 percent in local currency and amounted to SEK 95 (67) million. Sales in the North and South American region amounted to SEK 30 (22) million. The increase in local currency amounted to 21 percent. Sales in the Asia and Pacific region increased by 43 percent in local currency and amounted to SEK 74 (48) million. All regions were positively affected by the acquisition of Vitrolife A/S.

The media product group increased by 12 percent in local currency during the quarter and amounted to SEK 110 (92) million, corresponding to an increase of 19 percent in SEK. The time-lapse product group amounted to SEK 44 (10) million. The other IVF products increased by 23 percent in local currency and amounted to SEK 41 (32) million, corresponding to an increase of 29 percent in SEK. Freight revenues amounted to SEK 4 (3) million.

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

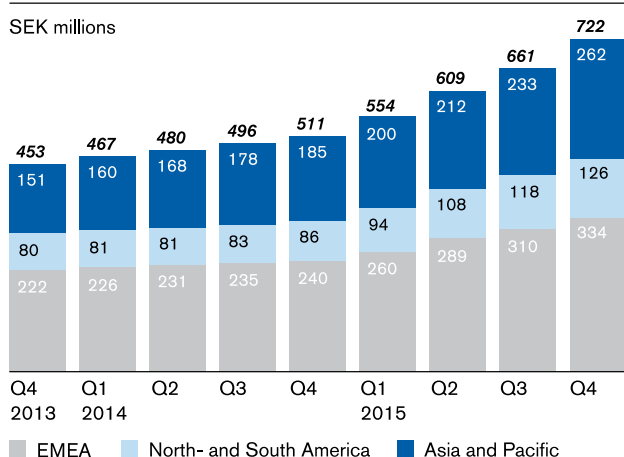


Fig 2. Sales development (per quarter)

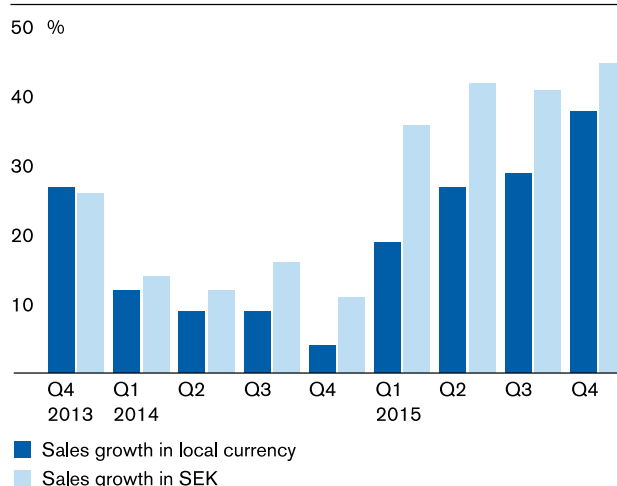
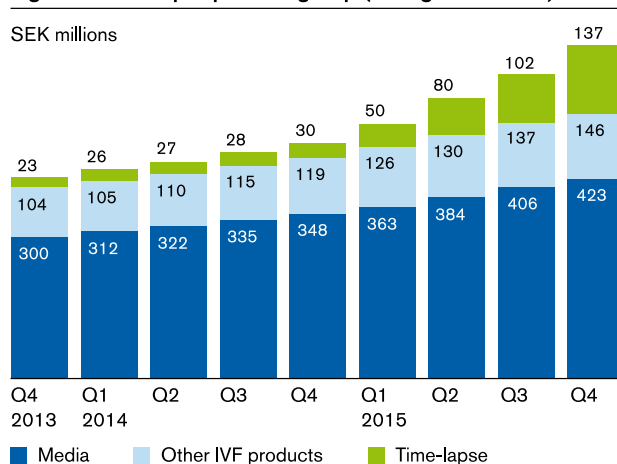


Fig 3. Net sales per product group (rolling 12 months)

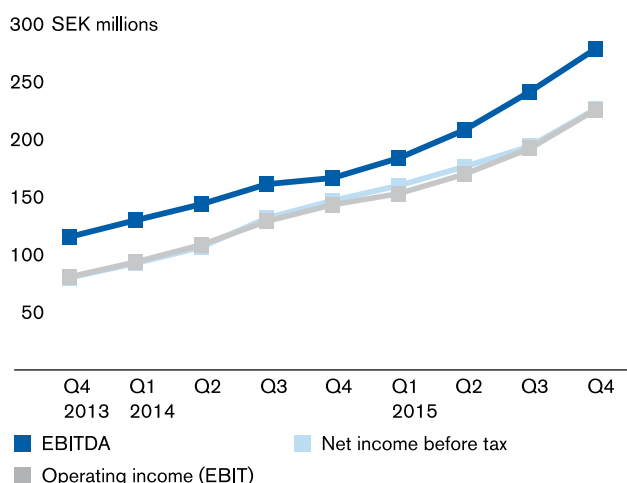


### Income

Operating income before depreciation and amortization (EBITDA) amounted to SEK 81 (44) million, corresponding to a margin of 41 (32) percent. Fluctuations in exchange rates positively affected operating income before depreciation and amortization (EBITDA) of SEK 5 million.

Gross income amounted to SEK 137 (90) million. The gross margin amounted to 69 (66) percent and was positively impacted by economies of scale. Selling expenses amounted to 18 (23) percent of sales and were positively impacted by economies of scale. Administrative expenses amounted to 9 (12) percent of sales and were positively impacted by the dissolution of reserves regarding supplier commitments of SEK 2 million and economies of scale. R&D costs amounted to 6 (9) percent of sales and were positively impacted by economies of scale and by lower external expenses during the quarter. Depreciation, amortization and write-downs of SEK 11 (7) million were charged against income. The increase mainly consisted of depreciation and amortization as a result of the acquisition of Vitrolife A/S. Net financial income amounted to SEK 0 (1) million. Income before tax amounted to SEK 70 (37) million. Net income amounted to SEK 57 (28) million.

Fig 4. Income (rolling 12 months)



### Cash flow

The cash flow from operating activities amounted to SEK 94 (38) million. The change in working capital amounted to SEK 19 (1) million and consisted mainly of payments of accounts receivables and a reduction in inventories as a result of high sales. Gross investments in tangible assets amounted to SEK -3 (-2) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -3 (-3) million and consisted mainly of capitalized development costs. The cash flow from financing activities was SEK -3 (14) million and consisted of repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 200 (108) million.

### Financing

Vitrolife's total credit facilities amounted to SEK 98 (136) million, of which SEK 48 (86) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 80 (70) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to -0.5 (-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 -43 (-5) million. Income included invoicing of management fee of SEK 5 million and a write-down of the shares in the Hungarian subsidiary Vitrolife Kft of SEK 47 million as a result of weak development of profitability for the company's time-lapse product Primo Vision. The book value of the shares after the write-down amounted to SEK 15 million. Cash and cash equivalents amounted to SEK 1 (2) million.

## Whole year 2015

### Net sales

Sales amounted to SEK 722 (511) million, corresponding to an increase of 41 percent in SEK. Net sales growth was 28 percent in local currency. Sales were positively affected by the acquisition of Vitrolife A/S (formerly Unisense Fertil iTech A/S) of SEK 116 million. The acquisition was carried out on November 26, 2014, and thus organic growth during the year amounted to 11 percent in local currency. Sales in the EMEA region (Europe, the Middle East and Africa) increased by 34 percent in local currency and amounted to SEK 334 (240) million. Sales in the North and South American region amounted to SEK 126 (86) million. The increase in local currency amounted to 18 percent. Sales in the Asia and Pacific region increased by 26 percent in local currency and amounted to SEK 262 (185) million.

### Income

Operating income before depreciation and amortization (EBITDA) amounted to SEK 279 (167) million, corresponding to a margin of 39 (33) percent. Income was positively affected by the recovered additional purchase price for the acquisition of Cryo Innovation of SEK 17 million. Adjusted for this one-time item, operating income before depreciation and amortization (EBITDA) amounted to SEK 262 million, corresponding to a margin of 36 percent. Fluctuations in exchange rates had a positive effect of SEK 35 million on operating income before depreciation and amortization (EBITDA).

Gross income amounted to SEK 485 (349) million. The gross margin amounted to 67 (68) percent. The gross margin was negatively affected by the acquisition of Vitrolife A/S and positively affected by economies of scale. Selling expenses amounted to 19 (22) percent of sales. Administrative expenses amounted to 11 (12) percent of sales. R&D costs amounted to 8 (8) percent of sales. The expenses were positively affected by economies of scale. Depreciation, amortization and write-downs of SEK 53 (23) million were charged against net income. Net financial items amounted to SEK 1 (4) million. Income before tax amounted to SEK 227 (147) million. Net income amounted to SEK 183 (109) million.

### Cash flow

Cash flow from operating activities amounted to SEK 194 (146) million. Gross investments amounted to SEK -31 (-78) million, of which SEK -22 million was investments in non-current assets and SEK -9 million was a milestone payment. The cash flow from financing activities amounted to SEK -69 (-20) million, of which SEK -36 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 200 (108) million.

## Prospects for 2016

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 2016 will continue to be on marketing and sales, primarily in the emerging markets, and to achieve a more profitable and competitive time-lapse offer. 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

- Establish a scalable organizational structure with the focus on common values.
- Expand sales through an improved customer offer and increased digital sales.
- Broaden the product portfolio and ensure a profitable time-lapse range.
- Achieve economies of scale through increased internal efficiency.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

## Other information

### Organization and personnel

During the period the average number of employees was 320 (242), of whom 144 (118) were women and 176 (124) were men. Of these 128 (128) people were employed in Sweden, 66 (6) in Denmark, 62 (53) in the USA and 64 (55) in the rest of the world. The number of people employed in the Group at the end of the period was 330 (332).

### 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.

### 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 2.40 (1.50) per share.

### 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. During the period the Board decided to adjust the company's policy regarding currency risk management, so that in future no new currency hedging agreements will be entered into. Otherwise, the reported risks, as they are described in the 2014 Annual Report, 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.

## Election committee

The following people have been appointed as members of Vitrolife's election committee for the 2016 Annual General Meeting:

Patrik Tigerschiöld, representing Bure Equity AB  
Niels Jacobsen, representing William Demant Invest A/S  
Thomas Olausson  
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, 2015.

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 April 28, 2016, 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 2015 will be available to be downloaded from Vitrolife's website during week 15 and in a printed version at the company's head office in Gothenburg during week 16. The Annual Report is sent out to those shareholders who have notified the company that they wish to have the printed version.

## Events after the end of the period

The Board's proposal for dividend amounts to SEK 2.40 (1.50) per share.

To further support the strategy, Vitrolife launched a changed organizational structure after closing day. The organization consists of three business units whose products are sold by three geographic market organizations.

As a result of the strategic review and weak development of profitability during the year for the company's time-lapse product Primo Vision, Vitrolife decided after closing day to consolidate the Group's time-lapse business to the subsidiary Vitrolife A/S in Denmark during 2016. This change is expected to create synergies in production and product development, which in turn enables the company to offer a more competitive and profitable range of time-lapse products. The consolidation of the business from Hungary to Denmark is expected to entail one-time expenses of SEK 4-7 million during 2016.

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

February 5, 2016  
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.

### During 2016 it is planned that the following reports will be submitted:

Interim report January – March: Tuesday April 26  
Interim report January – June: Friday July 15  
Interim report January – September: Thursday November 3

## Queries should be addressed to

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

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

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 5, 2016 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	
	2015	2014	2015	2014
Net sales	722 370	510 512	199 023	136 859
Cost of goods sold	-237 550	-161 394	-62 112	-46 592
<b>Gross income</b>	<b>484 820</b>	<b>349 118</b>	<b>136 911</b>	<b>90 267</b>
Selling expenses	-139 860	-112 098	-36 186	-31 095
Administrative expenses	-80 467	-59 960	-18 147	-15 918
Research and development costs	-55 737	-41 925	-11 789	-11 824
Other operating revenues and expenses	17 379	8 211	-803	4 675
<b>Operating income</b>	<b>226 135</b>	<b>143 346</b>	<b>69 986</b>	<b>36 105</b>
Financial income and expenses	705	3 578	-241	1 029
<b>Income after financial items</b>	<b>226 840</b>	<b>146 924</b>	<b>69 745</b>	<b>37 134</b>
Taxes	-43 479	-37 456	-12 600	-8 724
<b>Net income</b>	<b>183 361</b>	<b>109 468</b>	<b>57 145</b>	<b>28 410</b>
<b>Attributable to</b>				
Parent Company's shareholders	182 845	109 109	57 180	28 427
Non-controlling interests	516	359	-35	-17
Earnings per share, SEK	8.42	5.46	2.63	1.39
Average number of outstanding shares	21 710 115	19 987 534	21 710 115	20 457 329
Number of shares at closing day	21 710 115	21 710 115	21 710 115	21 710 115

Depreciation, amortization and write-downs were charged against income for the period by SEK 53,063 thousand (23,250), of which SEK 10,971 thousand (7,421) for the fourth quarter.

## Statement of comprehensive income

SEK thousands	January – December		October – December	
	2015	2014	2015	2014
<b>Net income</b>	<b>183 361</b>	<b>109 468</b>	<b>57 145</b>	<b>28 410</b>
<b>Other comprehensive income</b>				
<i>Items that may be reclassified to the income statement</i>				
Cash-flow hedges, net after tax	2 844	717	1 327	1 568
Exchange rate differences, net after tax	-10 887	20 794	-14 120	12 049
<b>Total other comprehensive income, net after tax</b>	<b>-8 043</b>	<b>21 511</b>	<b>-12 793</b>	<b>13 617</b>
<b>Total comprehensive income</b>	<b>175 318</b>	<b>130 979</b>	<b>44 352</b>	<b>42 027</b>
<b>Attributable to</b>				
Parent Company's shareholders	174 802	130 620	44 387	42 044
Non-controlling interests	516	359	-35	-17



## Key ratios, total Group

	January – December		October – December	
	2015	2014	2015	2014
Gross margin, %	67.1	68.4	68.8	66.0
Operating margin before depreciation and amortization, %	38.7	32.6	40.7	31.8
Operating margin, %	31.3	28.1	35.2	26.4
Net margin, %	25.3	21.4	28.7	20.8
Equity/assets ratio, %	79.8	69.9*	79.8	69.9*
Shareholders' equity per share, SEK	38.8	32.3	38.8	32.3
Return on equity, %	23.5	24.8	23.5	24.8
Cash flow from operating activities per share, SEK	8.91	7.29	4.35	1.87
Net cash (+) / Net debt (-), SEK millions	152.1	21.8	152.1	21.8

\* Recalculation has been made for the comparison period 2014, where deferred tax has been reclassified to be presented gross in the balance sheet.

## Consolidated income statements per quarter

SEK thousands	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014
Net sales	199 023	176 806	184 145	162 396	136 859	125 145	129 436	119 072
Cost of goods sold	-62 112	-57 170	-62 308	-55 960	-46 592	-36 267	-40 387	-38 149
<b>Gross income</b>	<b>136 911</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>
Selling expenses	-36 186	-34 822	-34 713	-34 139	-31 095	-23 675	-30 545	-26 782
Administrative expenses	-18 147	-21 419	-20 490	-20 411	-15 918	-14 677	-15 173	-14 192
Research and development costs	-11 789	-15 072	-13 913	-14 963	-11 824	-7 072	-11 524	-11 504
Other operating revenues and expenses	-803	17 868	-2 216	2 530	4 675	264	1 797	1 475
<b>Operating income</b>	<b>69 986</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>
Financial income and expenses	-241	191	-2 326	3 081	1 029	4 879	-1 990	-340
<b>Income after financial items</b>	<b>69 745</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>
Taxes	-12 600	-13 975	-9 600	-7 304	-8 724	-13 045	-8 487	-7 201
<b>Net income</b>	<b>57 145</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>Attributable to</b>								
Parent Company's shareholders	57 180	52 324	38 354	34 987	28 427	35 493	23 011	22 178
Non-controlling interests	-35	83	225	243	-17	59	116	201

## Key ratios per quarter, total Group

	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014
Shareholders' equity per share, SEK	38.8	36.8	33.9	34.1	32.3	19.3	17.2	16.8
Return on equity, %	23.5	20.7	21.5	22.5	24.8	28.1	24.2	21.8
Cash flow from operating activities per share, SEK	4.35	2.74	1.44	0.39	1.87	2.75	1.43	1.23

# Consolidated balance sheets

SEK thousands	Dec 31. 2015	Dec 31. 2014
<b>ASSETS</b>		
Goodwill	350 474	364 545
Other intangible fixed assets	165 044	196 846
Tangible fixed assets	89 641	92 322
Financial fixed assets	9 666	9 986
Deferred tax assets	29 964	33 303*
Inventories	102 284	91 677
Accounts receivable	99 783	84 620
Tax assets	–	7 988
Other current receivables	11 973	16 900
Derivative instruments	842	–
Liquid funds	199 572	107 598
<b>Total assets</b>	<b>1 059 243</b>	<b>1 005 785</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity, attributable to the Parent Company's shareholders	843 151	700 914
Non-controlling interests	1 821	1 657
Provisions	5 191	3 961
Deferred tax liabilities	42 057	59 573*
Long-term interest bearing liabilities	35 627	60 019
Long-term non-interest bearing liabilities	–	19 830
Short-term interest bearing liabilities	11 876	25 774
Tax liabilities	35 148	28 578
Derivative instruments	–	2 803
Accounts payable	21 749	22 282
Other short-term non-interest bearing liabilities	62 623	80 394
<b>Total shareholders' equity and liabilities</b>	<b>1 059 243</b>	<b>1 005 785</b>
Pledged assets for own liabilities	22 077	21 661
Contingent liabilities	355	350

\* For the comparison period 2014, deferred tax has been reclassified to be presented gross.

## 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	–	–	-8 043	182 845	516	175 318
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Dividend to non-controlling interests	–	–	–	–	-277	-277
Other transactions with non-controlling interests	–	–	–	–	-75	-75
<b>Closing balance December 31, 2015</b>	<b>22 144</b>	<b>494 610</b>	<b>-24 681</b>	<b>351 078</b>	<b>1 821</b>	<b>844 972</b>

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

## Condensed consolidated cash flow statements

SEK thousands	January – December		October – December	
	2015	2014	2015	2014
Income after financial items	226 840	146 924	69 745	37 134
Adjustment for non-cash items	33 857	11 610	10 699	-1 162
Tax paid	-46 334	-18 154	-5 260	949
Change in inventories	-9 766	5 469	8 437	5 735
Change in trade receivables	-4 120	3 201	12 446	5 303
Change in trade payables	-6 951	-3 384	-1 733	-9 635
<b>Cash flow from operating activities</b>	<b>193 526</b>	<b>145 666</b>	<b>94 334</b>	<b>38 324</b>
Cash flow from investing activities	-31 394	-77 517	-5 926	-65 793
Cash flow from financing activities	-68 924	-19 704	-2 880	13 833
<b>Cash flow for the period</b>	<b>93 208</b>	<b>48 445</b>	<b>85 528</b>	<b>-13 636</b>
Liquid funds at beginning of period	107 598	53 769	115 902	119 274
Exchange rate difference in liquid funds	-1 234	5 384	-1 858	1 960
<b>Liquid funds at end of period</b>	<b>199 572</b>	<b>107 598</b>	<b>199 572</b>	<b>107 598</b>

## Income statements for the Parent Company

SEK thousands	January – December		October – December	
	2015	2014	2015	2014
Net sales	4 522	–	4 522	–
Administrative expenses	-7 808	-9 847	-1 937	-4 313
Other operating revenues and expenses	38	-7	-30	-1 725
<b>Operating income</b>	<b>-3 248</b>	<b>-9 854</b>	<b>2 555</b>	<b>-6 038</b>
Write-down participations in Group companies	-46 588	–	-46 588	–
Write-down financial fixed assets	–	-799	–	-799
Dividends from Group companies	185 644	4 918	644	4 015
Financial income and expenses	3 874	-3 723	503	-1 817
<b>Income after financial items</b>	<b>139 682</b>	<b>-9 458</b>	<b>-42 886</b>	<b>-4 639</b>
Year-end adjustments (contributed/received Group contribution)	-826	10 984	-826	10 984
Taxes	–	-4	-491	-1 064
<b>Net income</b>	<b>138 856</b>	<b>1 522</b>	<b>-44 203</b>	<b>5 281</b>

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

## Balance sheets for the Parent Company

SEK thousands	Dec 31. 2015	Dec 31. 2014
<b>ASSETS</b>		
Tangible fixed assets	12	12
Participations in Group companies	730 396	760 824
Other financial fixed assets	3 746	3 746
Other current receivables	1 205	1 545
Receivables from Group companies	40 824	61 762
Liquid funds	592	2 119
<b>Total assets</b>	<b>776 775</b>	<b>830 008</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>		
Shareholders' equity	661 890	555 601
Long-term interest bearing liabilities	35 627	59 472
Long-term non-interest bearing liabilities	–	19 830
Short-term interest bearing liabilities	11 876	18 079
Accounts payable	293	1 408
Liabilities to Group companies	64 600	164 968
Other short-term non-interest bearing liabilities	2 489	10 650
<b>Total shareholders' equity and liabilities</b>	<b>776 775</b>	<b>830 008</b>
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 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 (transfer 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 (-599) 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 306,310 thousand (199,320) and SEK 94,061 thousand (138,563).

### Fair value hierarchy

SEK thousands	Fair value levels	Dec 31. 2015	Dec 31. 2014
<b>Financial assets</b>			
Financial assets to fair value through income statement	3	3 746	3 746
Derivatives for hedge accounting	2	842	–
<b>Total Financial assets</b>		<b>4 588</b>	<b>3 746</b>
<b>Financial liabilities</b>			
Financial liabilities to fair value through income statement	3	–	27 013
Derivatives for hedge accounting	2	–	2 803
<b>Total Financial liabilities</b>		<b>–</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 FertilTech 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 FertilTech corresponding to DKK 50.0 million. The value of the non-cash consideration amounted to SEK 276,239,313.

In addition to the fixed purchase price, an additional purchase price may be payable on condition that certain defined sales objectives are met in the periods 2015 and 2016 to 2017, respectively. The additional purchase price corresponds to a value of 327,164 shares for the period 2015 and 981,492 shares for the period 2016 to 2017. The sales objectives for the period 2015 have not been attained, and thus no additional purchase price is payable for this period. For the period 2016 to 2017, the previous assessment remains that the likelihood of an additional purchase price being payable is very low and Vitrolife therefore does not report any commitment in the financial statements for the additional purchase price.

During the fourth quarter, the acquisition analysis was completed, as a result of which a minor adjustment has been made regarding the acquisition balance. It is now assessed that tax loss carry-forward, which also existed at the time of acquisition, will be able to be utilized in the future and thereby gives rise to a deferred tax asset of SEK 6.2 million. The table below has been updated and the deferred tax asset is classified under financial assets, and goodwill has been reduced by the same amount. The table summarizes the purchase price paid and acquired assets and liabilities recognized at fair value at the date of acquisition.

SEK millions	2014
Purchase price	FertilTech
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	38.1
Current assets	66.6
Current liabilities	-32.8
Long-term liabilities	-45.3
Deferred tax liability due to surplus value	-33.1
<b>Total acquired assets and liabilities</b>	<b>174.1</b>

Goodwill	164.5
<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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