

# ANNUAL REPORT 2015





#### 4. CEO comments

A successful year for Vitrolife with continued profitable growth and the development of time-lapse operations.



#### 6. Business concept, goals and strategies

Vitrolife's long-term goal is to become the world leading supplier of medical devices for assisted reproduction.



#### 12. Market and Sales

Great interest in Vitrolife's time-lapse system at the annual international IVF congress ESHRE in Lisbon.



#### 18. Sustainable business

Quality assured products contribute to sustainable business. This is achieved by ensuring that each product distributed to customers meets the promised quality standards which, in turn, enables effective treatments.



#### 10. Time-lapse by Vitrolife

In 2015, a milestone was reached, when the total number of IVF treatments with the support of Vitrolife's time-lapse technology surpassed 400,000.

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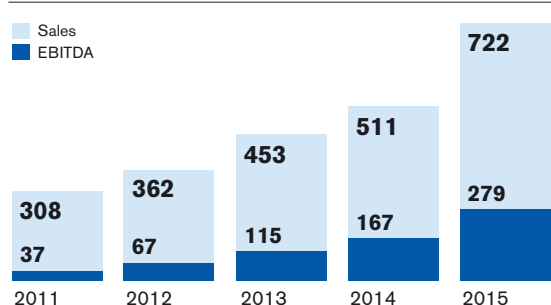
This is a translation of the Swedish version of the Annual Report. When in doubt, the Swedish wording prevails.

# SUMMARY OF 2015

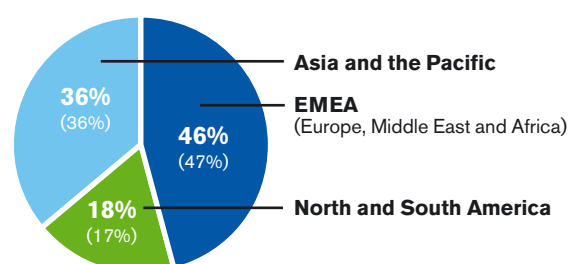
## CONTINUED PROFITABLE GROWTH

- Sales amounted to SEK 722 million (511), corresponding to an increase of 41% in SEK. Sales growth was 28% in local currency.
- The acquisition of Vitrolife A/S (formerly, Unisense Fertilitech A/S) contributed SEK 116 million to sales. The acquisition was completed on 26 November 2014, which is why organic growth during the year totalled 11% in local currency.
- Operating income before amortisation and depreciation and (EBITDA) was SEK 279 million (167), corresponding to a margin of 39% (33). Fluctuations in exchange rates had a positive impact of SEK 35 million on EBITDA.
- Net income amounted to SEK 183 million (109), generating earnings per share of SEK 8.42 (5.46).

### Sales and EBITDA\* SEK M



### Sales per region 2015 (2014)



### Key figures\*

	2015	2014	2013	2012	2011
Net sales, SEK M	722	511	453	362	308
Net sales growth, local currency, %	28	8	29	18	28
Gross income, SEK M	485	349	301	238	200
Gross margin, %	67	68	66	66	65
EBITDA, SEK M	279	167	115	67	37
EBITDA margin, %	39	33	25	19	12
Net income, SEK M	183	109	57	27	15
Average number of employees	320	242	234	215	211
Net debt (+) cash (-) / EBITDA	-0.5	-0.1	-0.1	0.9	1.2
Earnings per share, SEK	8.42	5.46	2.84	1.36	0.77
Equity per share, SEK	38.84	32.30	15.80	14.01	17.53
Share price at closing date, SEK	288.50	166.00	94.25	40.30	44.80
Market value at closing date, SEK M	6 263	3 604	1 869	799	876

In this Annual Report, unless otherwise stated, the corresponding figures for the preceding year are given in parenthesis.

\* Continuing operations pertain to Fertility. In 2012, Vitrolife's transplantation operations were spun off to the company's shareholders and are subsequently reported as discontinued operations.



## CEO COMMENTS

# PROFITABLE GROWTH AND DEVELOPMENT OF TIME-LAPSE OPERATIONS

### Profitable growth

In 2015, sales increased 28% in local currencies, of which 11% comprised organic growth. In monetary terms, global growth in the IVF market was 5-10%, which means Vitrolife also gained market shares in 2015. All of Vitrolife's sales regions reported positive growth for the year. The development in China, the world's largest IVF market, varied during the year. In the first six months, the market trended weakly in China before posting strong growth in the last six months. Profitability continued to strengthen during the year and, as earlier, this was attributable to increased sales, economies of scale, efficient cost control and continuous efficiency work. Exchange rates also made a positive contribution to the earnings trend in 2015.

### Increased technology content and market consolidation

During the year, the trend toward increased technology content in treatments continued. The key drivers for increased technology content are improved treatment results, increased earnings potential and more efficient processes at clinics. Across the globe, use of PGS (preimplantation genetic screening) and time-lapse increased during the year. Another market trend is for IVF clinics to merge and form chains. Australia, the UK and the US are examples of markets where consolidation is in progress. Mergers create economies of scale for the clinics in terms of marketing, procurement and skills supply. Consolidation in the market among suppliers to IVF clinics has also been ongoing for the last few years. This trend continued in 2015. Vitrolife is an active participant in this supplier consolidation process.

### Development of time-lapse operations

At the end of 2014, Vitrolife acquired Unisense FertiTech A/S, now Vitrolife A/S, the market leader in IVF time-lapse technology and the manufacturer of the integrated time-lapse incubator EmbryoScope (for more information about time-lapse, refer to pages 10-11). These operations were integrated during 2015, and it was pleasing to note that the losses at Vitrolife A/S in 2014 have been turned into a profit in 2015. This earnings improvement at Vitrolife A/S is partly attributable to increased sales and partly to reduced costs. The sales increase was achieved through measures including utilising Vitrolife's global distribution structure. Cost savings were achieved through synergies and by focusing operations on activities that create customer value.

However, sales and therefore profitability were weak during the year for Vitrolife's stand-alone time-lapse microscope Primo Vision, which is manufactured in Hungary. Consequently, after the closing date, Vitrolife decided to merge the Group's time-lapse operations to Vitrolife A/S in Denmark during 2016. This change is expected to give rise to synergies in production and product development which, in turn, will enable the company to supply a competitive and profitable time-lapse offering.

At present, time-lapse technology is used for about 10% of IVF treatments worldwide, a clear majority of which are conducted with products from Vitrolife. The market still has substantial interest in time-lapse technology, even if some parts of the market hesitate to invest in the new technology.

However, the use of time-lapse technology is increasing every year across the globe.

### Updated strategy and changed organisation

During the autumn, Vitrolife has completed a review of the company's strategy. The goal to become the world-leading supplier of medical devices for assisted reproduction remains unchanged. An update based, inter alia, on changes in the market has been carried out for the company's strategy for reaching this goal. For more information about the strategy, refer to page 6. A new organisational structure was launched after the closing date with the objective of supporting the implementation of Vitrolife's updated strategy. The organisation comprises three business units, whose products are sold through three geographic marketing organisations.

### Outlook for 2016

The market outlook remains essentially unchanged and Vitrolife therefore anticipates a continuously expanding market which, in monetary terms, is expected to continue to grow by 5-10% per year for the foreseeable future.

### Thank you

Finally, I would like to give my heartfelt thanks to all of our employees and business partners who, through their customer-oriented efforts focused on profitable growth, have put Vitrolife in a favourable position for moving forward.

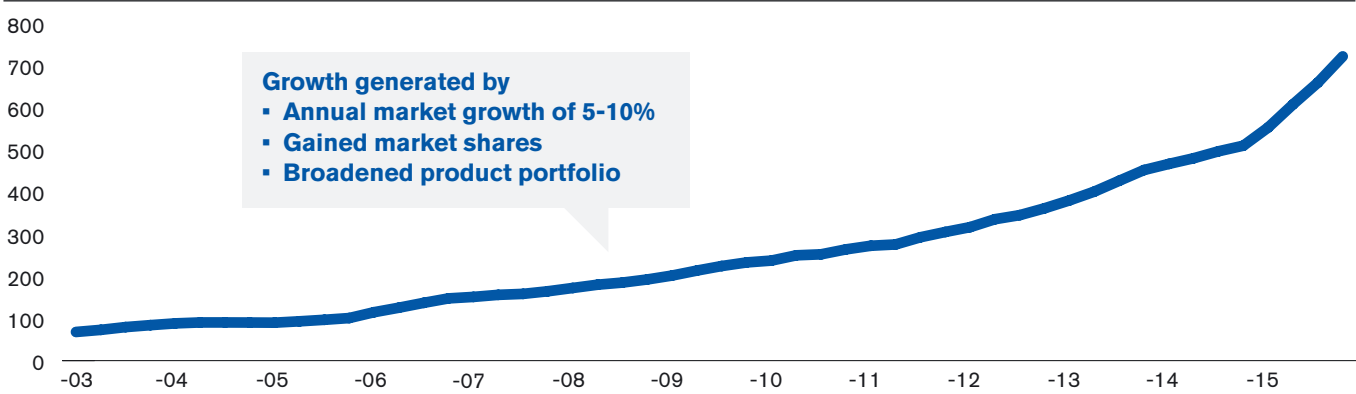
Gothenburg, March 2016

Thomas Axelsson  
CEO



**"INCREASED SALES,  
ECONOMIES OF  
SCALE AND INTERNAL  
EFFICIENCY EFFORTS  
CONTRIBUTED TO  
CONTINUED PROFITABLE  
GROWTH"**

**Sales rolling 12 months, SEK M. Compound Annual Growth Rate (CAGR) 2003-2015: 20%**



# BUSINESS CONCEPT, GOALS AND STRATEGIES

## THE GOAL IS TO BECOME THE WORLD LEADING SUPPLIER OF MEDICAL DEVICES FOR ASSISTED REPRODUCTION

### 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.

### Strategy

Vitrolife has identified five strategic focus areas to reach this goal:

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

### Vitrolife's growth strategy

Vision with a purpose	Distinct business goal	Delivering financial value
"To fulfil the dream of having a baby"	"To become the world leading supplier of medical devices for assisted reproduction"	ANNUAL GROWTH 20% EBITDA MARGIN 30% NET DEBT/EBITDA <3



**Solid growth platform with global functions based on 20 years of IVF experience**

## 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% per year, with an operating margin before depreciation and amortization (EBITDA) of 30%.

## Achievement of financial objectives

### Sales growth

Over the last six years, Vitrolife's sales in the fertility area have grown both organically and through acquisitions by

an average of 21% per year. Organic growth has been driven by IVF market growth of 5-10% per year.

Vitrolife has also gained market shares by expanding the sales organisation and broadening the product portfolio. In 2015, sales growth in local currencies was 28%. The target of 20% annual growth is defined as organic and acquired growth measured in local currencies and averaged over a three-year period. Average growth over the 2013 to 2015 period was 26% and, accordingly, growth outperformed the target.

### EBITDA margin

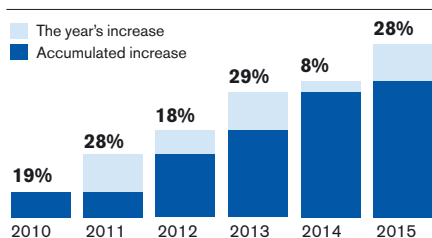
The EBITDA margin has increased over the last six-year period and was 39% in 2015. The increased margin was attained through a combination

of growth, economies of scale and internal efficiency. Consequently, the company reported above-target earnings in 2015.

### Net debt/EBITDA

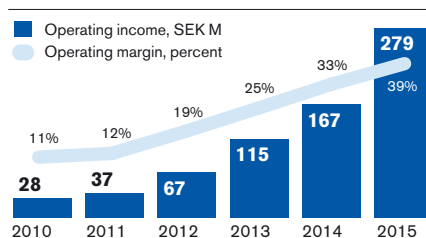
In 2015, net debt in relation to EBITDA (operating income before amortisation and depreciation) amounted to a multiple of -0.5 (-0.1). Net debt declined in 2015 due to a strong cash flow from operations. In relation to the target, Vitrolife's debt provides scope for financing acquisitions over the coming years through increased debt.

Over the past 6-year period the average growth rate (CAGR) has been 21 percent per year measured in local currency\*

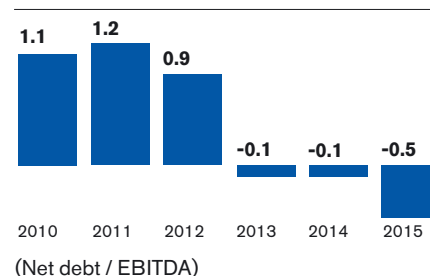


\* Continuing operations

The EBITDA margin has increased during 2015\*



Vitrolife's debt enables loan-financed acquisitions



## Achievement of financial objectives

Financial objectives	Objective 2015	Actual 2015	Achievement
Sales growth in local currencies	20%	28%	✓
EBITDA margin	30%	39%	✓
Net debt/EBITDA	<3	-0.5	✓

## IVF TREATMENT

# IN VITRO FERTILISATION IS THE MOST EFFECTIVE METHOD FOR TREATING INVOLUNTARY CHILDLESSNESS

### Involuntary childlessness

The World Health Organization (WHO) estimates that approximately 10% of all couples of reproductive age have difficulties in having children. This means that more than 100 million couples need some form of treatment.

### Treatment of infertility

There are several methods to treat human infertility. In vitro fertilisation (IVF), colloquially known as the test-tube baby procedure, is the most effective method. However, because the treatment is relatively expensive and often stressful, other simpler methods are often tried prior to IVF.

### The IVF process

Usually, IVF treatment starts with the use of hormones to stimulate the woman to induce the ovaries to produce more mature eggs than usual. The eggs are then retrieved from the ovaries using an oocyte aspiration needle. In addition, the man provides sperm and fertilisation is achieved by sperm and eggs being brought together in a medium (nutrient solution) in a culture dish.

An alternative process is to inject sperm into the eggs using a micropipette. This process is known as ICSI and has revolutionised treatment results for male infertility.

The fertilised eggs, which are called embryos, are then cultured in nutrient solutions, known as media, in an incubator which has a controlled environment that mimics the human body in terms of temperature and pH. After culture for a period of 2-6 days, the most optimal embryo or embryos is/are selected and transferred to the uterus using a transfer catheter. Embryos can be assessed by removing them from the incubator and performing a visual inspection on a number of occasions during the culture process or by utilising new time-lapse technology for monitoring embryos.

Any surplus high quality eggs and embryos can then be frozen so that they can be thawed and used on a later occasion if the treatment fails to result in pregnancy or if more children are desired. There are two methods of freezing. One of these, known as

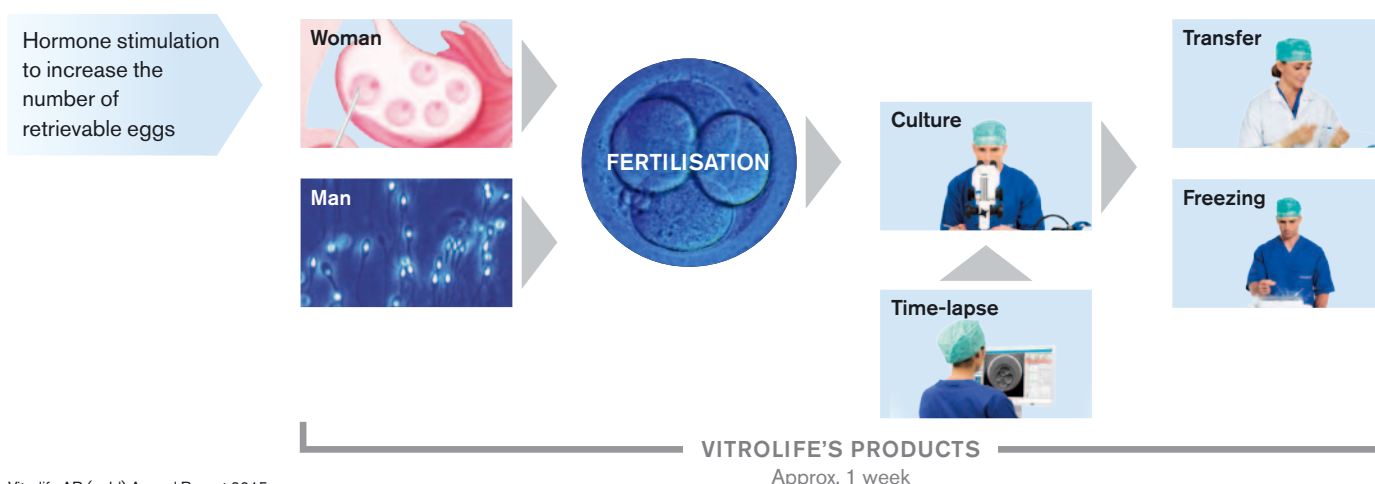
slow freezing, is based on the embryos being slowly frozen in a controlled manner, which takes about 2-4 hours. The other method is called vitrification and is based on an extremely rapid cooling of embryos. This method is also used for cryopreservation of unfertilised eggs.

### Treatment results

In the mid-1980s, the pregnancy rate after IVF treatment was in average approximately 15%, and was accompanied by an excessively high rate of twins and triplets, which involved higher risk for the mother and children. Toward the end of the 1990s, the corresponding figure was approximately 25-35% and certain clinics can now achieve 50% or higher.

The underlying reasons are refinement of the method and the further development of the composition of the media used. The pregnancy rate largely depends on the group being treated – age, diagnosis and the number of embryos transferred are all crucial for successful treatment results.

### The IVF process





# VITROLIFE'S PRODUCT RANGE

## BROAD PORTFOLIO OF QUALITY-ASSURED IVF PRODUCTS

### Competitive offering

IVF treatment involves several stages: from the handling of eggs and sperm, to the culture and transfer of embryos as well as cryopreservation solutions for eggs, sperm and embryos.

Vitrolife's product range includes needles for oocyte retrieval, culture media, micromanipulation pipettes and disposable plastic products. The culture media is developed to mimic the natural environment inside the human body and to provide the embryo with the nutrients it requires for optimal development.

Vitrolife also offers products for the cryopreservation of sperm, eggs and embryos, all of the highest quality to thereby enable excellent results at clinics.

Time-lapse technology is used by IVF-clinics worldwide to monitor embryo development. Vitrolife, with its time-lapse systems Primo Vision and EmbryoScope, is the market leader in

this field. For more information about time-lapse, refer to pages 10-11.

### Collaboration

Vitrolife's aim is to create long-term and close collaborations with dedicated customers, which has generated success and excellent treatment results. These collaborations, which also comprise Vitrolife's brand promise, are called "Together. All the way." For Vitrolife, the brand promise signifies a feeling the company wants everyone who comes into contact with Vitrolife to experience.

### Service and support

The possibility of becoming pregnant through IVF is influenced by several factors. The woman's age comprises a key factor, since a woman's fertility decreases as she ages. Not only the underlying diagnosis but also other factors, such as hormone treatment and the technique used to transfer the embryo to the woman, have an impact on the results. The environment in which the embryo is cultured materially

impacts the results and factors such as the correct temperature, pH and air quality, are decisive. Other crucial factors for successful treatment comprise the quality, settings and handling of the technical equipment being used. Any material that the embryo comes into contact with during the procedure could negatively impact results. Therefore, in addition to a quality-assured product line, Vitrolife has a team of experienced embryologists who help customers to set up their processes and flows in an optimal manner.

### Satisfied customers

Vitrolife's customers appreciate the company's product range and the service provided. In the 2015 annual customer satisfaction survey, 84% replied that they were very satisfied or satisfied with Vitrolife as a supplier of IVF products and services.

For more information on Vitrolife's products, visit the company's website at: [www.vitrolife.com](http://www.vitrolife.com).

### Some of the products in Vitrolife's product portfolio



Media



Labware



Time-lapse monitoring system



Micropipettes



Vitrification system



Needles for oocyte retrieval

## TIME-LAPSE BY VITROLIFE

# A NEW STANDARD OF CARE IN ASSISTED REPRODUCTION

With the introduction of time-lapse technology, the field of assisted reproduction took a leap forward.

### Solving the observational dilemma

The desire to observe embryos regularly in order to make accurate assessments, while minimising the stress entailed for the embryo of being removed from the protective incubator has been a longstanding dilemma. Time-lapse technology solves this problem by offering clinics the possibility of following embryonic development in a completely undisturbed environment.

Images taken of the embryo's development with the help of time-lapse technology can be played as a video that can be analysed at the clinic and remotely. Without access to time-lapse technology, embryos must be taken out of the incubator to be assessed, which



exposes them to unnecessary stress. Time-lapse technology enables the entire development of the embryo to be studied, increasing the probability of choosing the embryo with the best chances of leading to pregnancy.

### Time-lapse technology in assisted reproduction

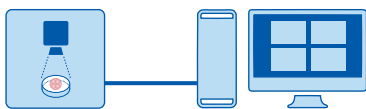
Time-lapse improves the probability of becoming pregnant and reduces the number of early miscarriages. The technology also introduces new

possibilities for IVF clinics to improve workflow, quality control and communication between embryologists, clinicians and patients.

Based on pioneering research, time-lapse technology has developed into a powerful and well-proven method for ensuring undisturbed culture of embryos, while providing invaluable, detailed insight into embryo development. Refer to page 11 for references.

### A proven technology

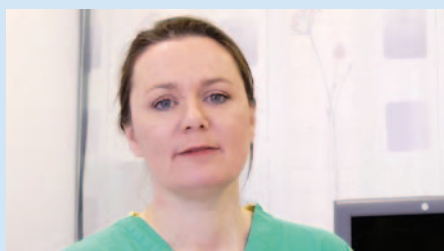
Vitrolife's time-lapse concept includes the time-lapse systems EmbryoScope and Primo Vision, together with the culture medium G-TL. Multiple published clinical studies have proven that Vitrolife's time-lapse products have improved results in IVF treatment. In 2015, a milestone was reached, when the total number of IVF patients treated with the support of Vitrolife's time-lapse technology surpassed 400,000.



When using time-lapse technology during IVF, the embryo is placed in an undisturbed environment inside an incubator equipped with a microscope. The microscope has a built-in camera that takes images of the embryos at short time intervals during the culture procedure. The images are then replayed as a video that can be analysed at the clinic and remotely.



**"I would certainly find it very difficult to work at a clinic that did not have time-lapse."**



Jenny Cloherty, Galway Fertility Clinic

**The Galway Fertility Clinic in Ireland performs between 400 to 500 fresh cycles of IVF every year. Their philosophy is to offer the highest standard of care to all patients. Jenny Cloherty, Lab Director at Galway Fertility Clinic says:**

– We started to use EmbryoScope for a few cases, and straight away we saw great benefits, so we invested in a second one in 2014 and for the last year we have been using EmbryoScope for all of our IVF cases, so that everyone can benefit from this technology.

– At Galway Fertility Clinic, we are committed to offering time-lapse imaging to all

of our patients and we hope to continue that into the future. I would certainly find it very difficult to work at a clinic that did not have time-lapse. I think the limited amount of information that you can get from traditional treatment limits our choices and limits our embryo selection or deselection criteria.

– We have now used EmbryoScope for more than 1,000 cycles and, when we review the data, we can see that we have a take-home baby rate of 34%. These results come from our patient population for all ages, where more than 40% of our patients are over 38 years of age and all have used their own eggs. We hope to continue the success rates we have achieved by continuing to use time-lapse moving forward.

**"I strongly believe that time-lapse technology will help us to improve embryo selection even more."**

**Dr Yoshida is the founder and president of Kiba Park Clinic, a large IVF-clinic in Tokyo, Japan. The clinic uses the Primo Vision Time-lapse Embryo Monitoring**



Dr Yoshida, Kiba Park Clinic

**System for assessment of embryos during IVF treatment.**

– We perform single embryo transfers for most of our patients. It is really important that we can identify and transfer the most viable embryo. Among embryo selection methods, there are invasive methods, like PGD and PGS, and non-invasive methods, such as time-lapse. I strongly believe that time-lapse technology will help us to improve embryo selection even more.

– We currently use Primo Vision for patients with many oocytes or for repeated-failure patients. Moving forward, we see many benefits from using Primo Vision for all patients. We feel that we are just at the start of what we can achieve using Primo Vision," says Dr Yoshida.

## Vitrolife's products for time-lapse



EmbryoScope time-lapse system with integrated incubator



Primo Vision time-lapse system for stand-alone incubators



G-TL culture medium designed for time-lapse



## MARKET AND SALES

# THE IVF MARKET IS GROWING BY 5-10% PER YEAR DRIVEN BY INCREASING AVERAGE INCOMES AND AGES AMONG PROSPECTIVE PARENTS

### Market size and growth

Vitrolife's customers comprise private and public clinics, hospitals and laboratories. The cost of the disposable products used in an IVF treatment (excluding hormones) amounts to approximately SEK 2,000 per treatment cycle for the clinic. Time-lapse treatment costs about SEK 500 – 2,000 per treatment cycle, depending on the technical solution used. The total cost of assisted reproduction averages about SEK 50,000 per treatment cycle, but varies considerably from country to country.

Vitrolife estimates that each year about 1.5 million oocyte retrieval procedures are carried out and about 2.5 million transfers (embryos transferred to the woman). The reason transfers outnumber oocyte retrievals is that fertilised eggs that are not used in the first transfer are frozen and used if the first

treatment fails or if siblings are desired. The amount of reliable data regarding the number of treatments worldwide is limited and, accordingly, the figures are estimated by Vitrolife on the basis of local market data and official statistics.

With disposable products valued at approximately SEK 2,000 per treatment, excluding hormones, the world market for disposable products amounts to slightly more than SEK 3 billion. In addition to disposable products, there is market potential in the form of equipment used for IVF, such as time-lapse systems.

Market growth is estimated at 5-10% per year, with considerably higher growth in Asia and Eastern Europe than in Western Europe and North America. In the more mature markets, the focus is on price and consolidation of clinics.

## IN BRIEF

### Customers

Private and public clinics, hospitals and laboratories

### Number of customers

Approx. 4,000

### Payment of treatment

Partly subsidised in most countries in Europe, private in the US and Asia

### Number of treatments per year

Approx. 1.5 million egg retrievals and approx. 2.5 million transfers

### Cost per treatment

Disposable products approx.

SEK 2,000\*

Time-lapse approx. SEK 500-2,000

Total cost treatment approx.

SEK 50,000

### Total size of market

Disposable products approx.

SEK 3 billion\*

\* excluding hormones

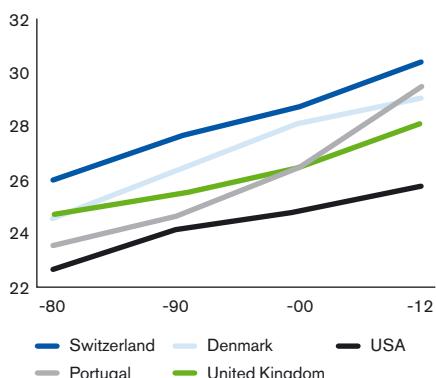
## GREAT INTEREST IN TIME-LAPSE AT THE ANNUAL IVF CONGRESS

In 2015, the annual international IVF congress ESHRE was held in Lisbon, Portugal. 9,900 people from around the world attended the congress to share in new research, discussions and exhibitions. 69 scientific studies of Vitrolife's time-lapse system were published at the congress. Substantial interest was shown in the time-lapse system and there were more than 400 participants at Vitrolife's symposium on the subject.





### Average age of first-time mothers rising



Growth is mainly driven by the following global trends: a growing middle class, prospective parents choosing to have children later in life and increased social acceptance of IVF.

In the more mature markets, value driving factors primarily comprise public financing, laws and regulations and technological progress. Israel, where an unlimited number of treatments is offered free of charge, is the country with the highest number of treatments per capita. The Nordic countries, where the majority of patients have historically been offered subsidised treatment, are also high on the list.

Per capita, the number of treatments in countries such as the US, China, India and Russia is considerably lower. In the US, this is probably attributable to the need to finance treatment privately; in other words, because relatively few states require health insurance to include cover for assisted reproduction, treatment is very expensive for the patient. In states where the treatment is a mandatory component of health insurance, as in Massachusetts, the number of treatments per capita is appreciably higher.

Any decrease in public subsidies will negatively impact the market in the short term. However, having children is such a priority for most people that other things are sidelined, even if the cost is higher. Treatment may be put off until later but as the time window is limited, particularly for women, the market generally recovers to levels prior to the subsidy change relatively quickly.

In countries where few IVF treatments are performed, factors such as personal finances, technical competence, cultural limitations and availability often affect the continued development of the market.

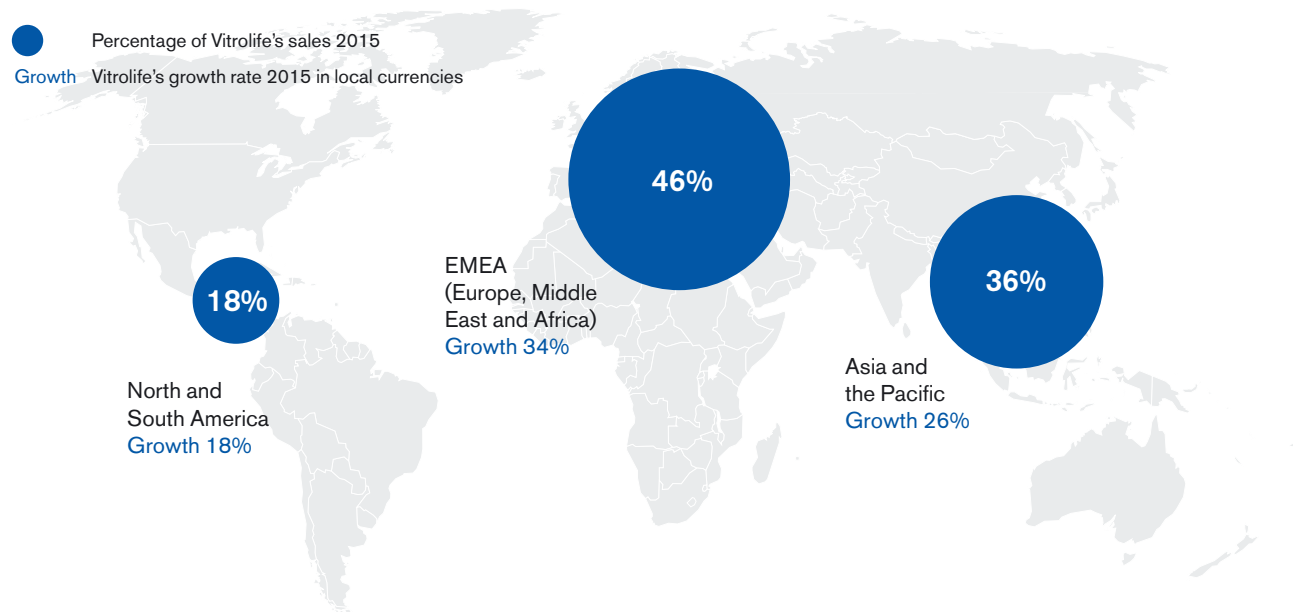
### Vitrolife's sales in 2015

In 2015, Vitrolife's sales were SEK 722 million (511), up 28% in local currencies and 41% in SEK. Sales were positively impacted by the acquisition of Vitrolife A/S (formerly Unisense FertilTech A/S), which contributed SEK 116 million to sales. Organic growth totalled 11% in local currencies. Sales in the Asia and Pacific region increased 26% in local currencies and amounted to SEK 262 million (185). Sales in the EMEA region (Europe, the Middle East and Africa) increased 34% in local currencies and amounted to SEK 334 million (240). In the North and South American region, sales totalled SEK 126 million (86). Sales growth totalled 18% in local currencies.

### Competitors

Vitrolife's main competitors comprise global companies which, like Vitrolife, have relatively comprehensive IVF product ranges. Prominent examples are Cook Medical and Cooper Surgical. There are also global competitors who have specialised in limited product groups.

### Vitrolife's sales and growth per region



## VALUE CHAIN

# SAFETY IN THE FORM OF CONSISTENTLY HIGH QUALITY IS ONE OF VITROLIFE'S COMPETITIVE ADVANTAGES

### Evaluation of new product concepts and product development

Vitrolife's operations cover the product's entire value chain, from research through to distribution and sales. Together with the marketing department, the research and development department evaluates new product possibilities with a focus on customer needs, medical needs and financial prerequisites. Extensive testing is carried out prior to starting the development of a new product. Vitrolife collaborates with key opinion leaders to secure optimal functionality and to gain rapid market acceptance of new products.

### Preclinical and clinical studies

Preclinical and clinical studies document the efficacy and safety of the products. These studies are then presented at scientific congresses or published in scientific journals. When a product is ready for launch, these studies comprise an excellent base for communication of the product's value.

### Patents and trademarks

Vitrolife develops innovative products on a solid scientific basis and, as far as possible, protects these products through product or process patents, or through confidential product formulations and manufacturing protocols. Patent applications are submitted in each product's key markets. Vitrolife also owns a number of trademarks, such as EmbryoGlue<sup>®</sup>, EmbryoScope<sup>®</sup> Time-lapse system and Primo Vision<sup>®</sup> Time-lapse Embryo Monitoring System.

### Sourcing, quality control and production

Vitrolife has its own production and a large element of Vitrolife's competitiveness comprises its well-developed production technology. Since input goods of the specification required for assisted reproduction cannot be ordered, substantial time and resources are invested in locating and testing these. The quality system is based on several different standards and regulatory frameworks. Advanced tests that are continuously developed and improved ensure high and consistent quality and comprise a strategic competitive tool.

### Product approval

The majority of Vitrolife's products are classified as medical devices and are therefore subject to documentation requirements that differ from those applicable for pharmaceuticals. Product approval is required in each individual market in which the products will be sold. In the US, for example, approval is required from the Food and Drug Administration (FDA) and in the EU, the product must be marked Conformité Européenne (CE).

### Sales/customer support

A higher level of qualified customer support is needed in pace with the development of more advanced products. The provision of customer support, both in markets served directly and through distributors, ensures that the products are used correctly thus enabling the clinics to utilise the improvements delivered by the products. In recent years, Vitrolife has arranged a number of customer education, known as workshops, both locally and at the company's own facilities. The workshops are conducted by an experienced team from Vitrolife comprising embryologists and individuals with extensive IVF experience.

**Vitrolife's operations cover the product's entire value chain, from research through to distribution**

#### Research

- Focus on customer and medical needs
- Extensive testing
- Applications for patent protection including trademark protection

#### Development

- Preclinical and clinical studies
- Presentation of results at congresses and publication in scientific journals

#### Product approval

- Generally classified as medical devices
- Regulatory bodies issue marketing authorisation prior to sales starting



### **Vitrolife's quality system**

- ISO 14001:2004
- ISO 13485:2003/2012
- ISO 9001:2008
- US Quality System Requirements
- Canadian Medical Device Regulations
- EU Good Distribution Practise, etc.

### **Audits performed**

- DNV, BSI, Presafe, TÜV Rheinland and TÜV SÜD

**VITROLIFE HAS WORLD-LEADING PRODUCTION WITH FIRST-CLASS QUALITY CONTROL AND EFFICIENCY**

### **Sourcing/ quality control**

- Extensive quality testing to identify the best raw materials
- High quality requirements for input goods
- Quality system based on several different standards and regulatory frameworks

### **Production/ quality control**

- Own production
- Effective and functional products with high safety and quality levels
- Advanced testing ensures high and consistent quality

### **Sales and distribution**

- Sales conducted directly and through distributors in a total of about 110 markets
- Own global customer support organisation
- Customer support/workshops
- Global cold chain for distribution

# ORGANISATION

## A GROWING INTERNATIONAL ORGANISATION

### Organisation

Vitrolife's head office, from which its Swedish business operations are conducted, is located in Gothenburg. In addition to Sweden, Vitrolife has production in Denver and San Diego in the US, Budapest in Hungary and Aarhus in Denmark. The company has local offices in Australia, China, Denmark, France, Hungary, Italy, Japan, the UK and the US. A new organisational structure was launched after the closing date with the objective of supporting Vitrolife's updated strategy. The organisation comprises three business units, whose products are sold through three geographic marketing organisations.

### Employees

During the January to December 2015 period, the average number of employees was 320 (242), of whom 144 (118) were women and 176 (124) were men. Of these, 128 people (128) were employed in Sweden, 62 (53) in the US, 66 (6) in Denmark and 64 (55) in the rest of the world. At the end of the period, the number of people employed in the Group was 330 (332). In 2015, 45% (49) of the employees were women and 55% (51) men and the average age was 41 (40).

### Corporate culture

Vitrolife's vision is "To fulfil the dream of having a baby" and describes what is most important for us – helping people realise their dream of becoming parents. Vitrolife strives to maintain a decentralised and flexible organisational structure, characterised by competence, entrepreneurial spirit, management by objectives and fast decision procedures. The values guide employees in how to act and take decisions in various situations. Detailed descriptions are available for each value, including everyday examples of their meaning, with the aim that all employees will use them as guidance in their daily work. The values are also discussed at the performance reviews held during the year.

Since it is crucial that Vitrolife's operations comply with local legislation, international and national codes of conduct and Vitrolife's standards, all employees and business partners receive continuous training in Vitrolife's Code of Conduct. The company also has a whistleblower function, comprising Human Resources and Vitrolife's Board, to which employees can report any deviations from the Code of Conduct.

### Equal opportunities and diversity

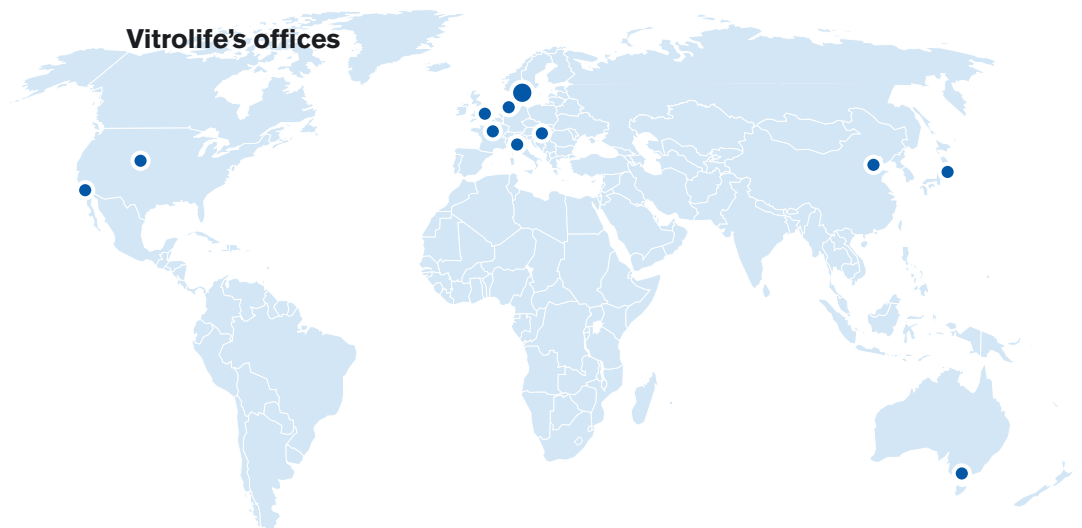
Vitrolife's equal opportunities policy and diversity activities are prioritised areas within the company and are based on the belief that operations are strengthened by having differing viewpoints and experience represented.

Vitrolife is a global organisation in which language skills and the ability to operate in different cultures are key elements for achieving success.

Each year, an employee survey is conducted that includes questions regarding perceived discrimination or harassment. In conjunction with feedback on the results, the focus is on an inclusive and tolerant work environment, and how employees should make the company aware when conditions are less satisfactory.

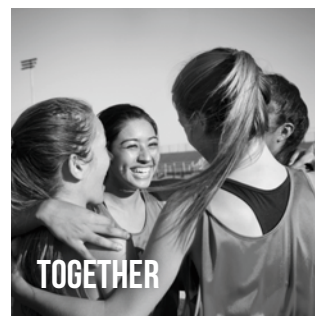
Vitrolife has developed a global recruitment process with tools that support efforts to objectively define needs and to make competence-based selections when recruiting.

**VITROLIFE IS AN INTERNATIONAL MEDICAL DEVICE GROUP WITH SALES IN ABOUT 110 MARKETS**





**Vitrolife's values guide the employees in their daily work**



**Development and training**

Vitrolife's intellectual capital is one of the company's primary assets. The employees' skills are crucial for future growth. Together, employees and management identify development needs and prepare development plans in conjunction with the annual performance reviews as part of efforts to retain the right skills. In addition to personal development measures, specific job training comprising qualifications and requalification is also conducted. Moreover, internal and external programmes exist for the development of employees and management.

Another method of developing employees and broadening competence is to stimulate internal transfers. By encouraging internal rotation and developing existing services, employees are challenged to develop themselves further.

In 2015, the company started working with global competence teams. Employees with specialised skills are organised

across functional and country borders to work in a structured fashion with the exchange of experience, learning and problem solving. This has increased both efficiency and quality, and efforts to develop competence teams will therefore continue in 2016.

**Work environment**

Vitrolife's overriding objective is to create a healthy work environment and to prevent ill-health and accidents occurring. The annual employee survey follows up employee satisfaction vis-à-vis their working conditions, and dialogue and influence are used to improve the work environment. Employees are also trained to carry out work in a way that reduces risk and prevents ill-health. Flexible working hours help employees find a favourable work-life balance.

Local work environment efforts are managed by the company through the management and Human Resources enlisting the support of business partners, for example, local employer organisations and consultants.

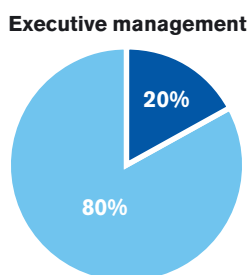
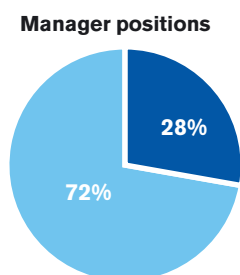
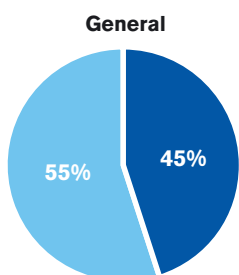
In the US, this support is provided through the suppliers included in the company's health and medical care plans. A safety committee leads organised work environment efforts for the operations in Sweden. This committee includes a safety representative appointed by the trade union together with other employee representatives and the management. Established plans are in place for responsibility and risk assessment, as are procedures for identifying, rectifying and following up any shortfalls in the work environment.

**Collective agreements**

Since 2014, Vitrolife Sweden AB has been covered by collective agreements. The company is a member of Innovation and Chemical Industries in Sweden (IKEM) and, consequently, is bound by IKEM's agreement with unions including IF Metall, Unionen and Unions for Professionals. Collaboration with local unions has worked well and facilitates solutions that best take into consideration both the employees' and the employer's interests.

**Gender distribution**

■ Women ■ Men



## SUSTAINABLE BUSINESS

# FOCUS ON LONG-TERM COMPETITIVENESS AND PROFITABILITY

### Introduction

Vitrolife's sustainability activities are aimed at strengthening the Group's long-term competitiveness and profitability. This is achieved through long-term, responsible actions vis-à-vis the company's stakeholders such as shareholders, customers, employees, suppliers and society as a whole. Vitrolife's corporate governance policies are described in the Corporate Governance Report on pages 27-29. The company's values and work with personnel-related sustainability matters are described on pages 16-17.

### Environmental policy

Vitrolife's vision is to fulfil the dream of having a baby. To realise this vision, the company develops, manufactures and markets products and systems in field of assisted reproduction (ART). Vitrolife endeavours to improve its environmental performance by committing to the following:

- Continuous improvements and emissions prevention
- Compliance with legal and other relevant requirements
- Minimising the environmental impact of energy consumption and transportation
- Communication of our environmental policy to employees, suppliers, distributors and the general public

### Environmental impact

The main facility in Gothenburg is since 2014 certified in line with the ISO 14001 standard. After mapping the environmental performance, the main environmental challenges were identified as the transportation of personnel and products and the consumption of electricity.

A policy for sustainable travel has been issued by Vitrolife that contains examples of how to minimise the

environmental impact of travel. One example is the use of the video conferencing equipment installed at all Vitrolife offices, which minimise the need for internal travel. Another example is that the company purchases eco-certified company cars.

Since air-freight is almost always a necessity, the transportation of products also impacts the environment. IVF media are sensitive products that must be stored and transported under refrigerated conditions to maintain product quality. IVF media are kept cold during transportation by being packed with ice packs in well-insulated styrofoam boxes. When outside of a cold store, these styrofoam boxes have a limited time before the inside temperature increases above specifications. Hence, transportation time must be minimised, making air freight the only alternative. However, the environmental impact can be reduced

Since air-freight is almost always a necessity, the transportation of products also impacts the environment. IVF media are sensitive products that must be stored and transported under refrigerated conditions to maintain product quality. However, the environmental impact can be reduced through efficient packing and fewer shipments. The packing of refrigerated freight has been optimised over a long period by Vitrolife.



through efficient packing and fewer shipments. The packing of refrigerated freight has been optimised over a long period by Vitrolife. Vitrolife strives to reduce the amount of refrigerated freight by informing customers about the CO<sub>2</sub> emissions generated by transportation and, thereby, to encourage customers to order larger quantities on fewer occasions. One of the company's goals has been to increase sales to existing customers. This results in larger shipments and, per shipped product, more eco-friendly transportation. The company also uses professional freight carriers with efficient transportation systems that optimise shipments through bundling and transportation routes that reduce CO<sub>2</sub> emissions and costs.

A large proportion of electricity consumption is attributable to production equipment. Examples of ongoing initiatives to reduce electricity consumption include insulation of the water system, the reduction of losses in the compressed air system and enhancement of the efficiency of the lighting system.

### Quality-assured products

Vitrolife's products are sold worldwide. Customer input is compiled regularly and reported to the management. The aim is to treat customers, clinics

and patients in a sustainable manner. This is achieved by ensuring that each product distributed to customers meets the promised quality standards which, in turn, enables effective treatments.

This level of quality can be assured by using quality systems that meet international requirements for medical devices, for example ISO 13485. With its quality system, Vitrolife has committed to comply with the regulations set by the authorities in each country where the products are sold or distributed. This means, inter alia, that each product is sold clearly marked for its approved range of applications, has instructions for correct use and that a system is in place to assess risk and register side-effects. For more information about Vitrolife's quality system and value chain, refer to pages 14-15.

### Responsible business

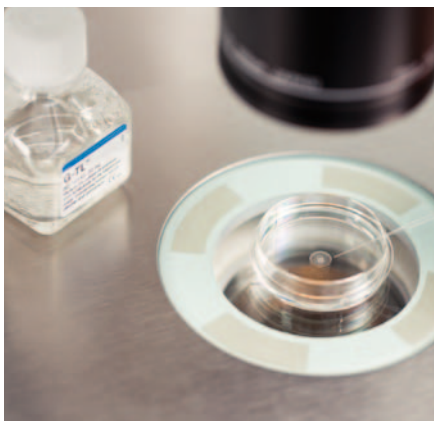
All employees and business partners receive continuous training in Vitrolife's Code of Conduct to ensure that Vitrolife's operations comply with local legislation, international and national codes of conduct, and Vitrolife's standards. The Code of Conduct is included as part of the evaluation when selecting and qualifying suppliers.



Vitrolife endeavours to make a positive impact in those countries where the company operates. Vitrolife follows the OECD's Transfer Pricing Guidelines to achieve a fair allocation of company taxes between the countries where the company operates.

### Social responsibility

Helping people to have children is not only important for maintaining a balanced birth rate, it also grants people the joy of parenthood. Millions of women around the world lack access to maternity care. Therefore, Vitrolife supports Läkarmissionen's efforts to create safe birthing conditions for women in the Congo, which saves lives and reduces suffering.

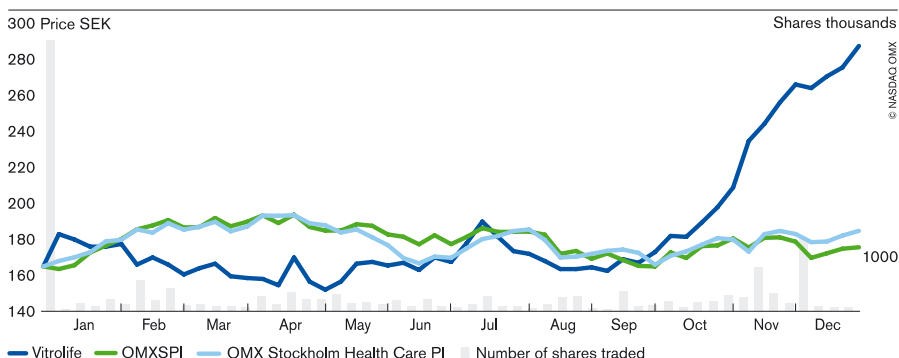


**QUALITY ASSURED PRODUCTS  
CONTRIBUTE TO SUSTAINABLE  
BUSINESS. THIS IS ACHIEVED BY  
ENSURING THAT EACH PRODUCT  
DISTRIBUTED TO CUSTOMERS  
MEETS THE PROMISED QUALITY  
STANDARDS WHICH, IN TURN,  
ENABLES EFFECTIVE TREATMENTS.**

# THE VITROLIFE SHARE

## CONTINUED INCREASE IN SHAREHOLDER VALUE

### Share price performance and turnover 2015



**+74%**  
**GROWTH DURING 2015**

In 2015, Vitrolife's share was listed on NASDAQ Stockholm, Mid Cap. The share has been listed since 26 June 2001, under the ticker: VITR.

### Share structure

On 31 December 2015, the share capital of Vitrolife AB (publ) was SEK 22,144,317 (22,144,317) allocated among 21,710,115 (21,710,115) shares with a quotient value of SEK 1.02. All shares carry the same number of votes and entitle shareholders to equal shares in Vitrolife's assets and earnings. There were no warrants outstanding as of 31 December 2015.

### Share price performance and turnover

At 30 December 2015, the latest price paid for the share was SEK 288.50 per share (166.00), up 74% year-on-year. Taking into account the dividend of SEK 1.50 paid during the year, the increase was 75%. NASDAQ Stockholm's index increased 6% during the same period and the OMX Stockholm Health Care rose 12%. At the end of 2015, Vitrolife's market capitalization

was SEK 6,263 million (3,604), based on the latest share price paid. The highest share price during the year was SEK 288.50 (166.00) on 30 December (30 December). The lowest share price during the year was SEK 151.50 (82.75) on 20 April (27 January).

During the year, Vitrolife's share turnover on NASDAQ Stockholm totalled SEK 10,661,389 (8,099,277) amounting to a value of SEK 2,087 million (1,007). The total number of transactions was 57,428 (32,482). The total share turnover corresponded to 49.1% (37.3) of the number of shares outstanding at the end of the year.

### Ownership structure

At 31 December 2015, the number of shareholders in Vitrolife was 6,372 (5,679), of these, 88% (85) owned 1,000 shares or less. The ten largest shareholders accounted for 57% (59) of the shares. The proportion of shareholders with registered addresses outside of Sweden was about 43% (38).

### Dividend policy and dividend

Vitrolife's Board and CEO intend to propose, on an annual basis, a dividend or other corresponding distribution that on average and over time corresponds to 30% of the year's net profit after paid tax. Decisions regarding the proposed dividend or its equivalent will take into account the company's future profits, financial position, capital requirements and position in general. The company's net debt to EBITDA ratio should in normal circumstances not exceed a multiple of 3.

In 2015, a dividend was paid of SEK 1.50 per share (1.00). In accordance with the dividend policy, the Board and CEO intend to propose that the 2016 AGM resolve in favour of a dividend of SEK 2.40 per share.

### Share buybacks

The Board was authorised by the 2015 AGM to repurchase the company's own shares with the aim of adjusting the company's capital structure. During the year, no purchases of own shares were made.



## Share savings programme

The 2015 AGM resolved to introduce a long-term incentive programme (LTI) with the aim of aligning the interests of shareholders with those of the executive management and to encourage the purchase of Vitrolife shares. In addition to the executive management, the offer was open to ten employees, making a total of 15 of the company's employees. If, during a specified period and within the LTI's framework, programme participants purchased shares with their own funds on NASDAQ Stockholm up to a ceiling amount, Vitrolife matched this through a cash payment, of the same amount, in the form of a one-time payment (the "Matching Amount"). Participants used the Matching Amount to acquire shares in Vitrolife on NASDAQ Stockholm. Under the agreement between the company and the respective participants, these shares are subject to a lock-up period of not less than three years. Provided that certain conditions are met, Vitrolife will make a further one-time payment corresponding to

the Matching Amount; however, this will not compensate for the employee's marginal tax cost (the "Performance Amount"). The participants are to use the Performance Amount to acquire shares in Vitrolife on NASDAQ Stockholm. The criteria for payment of the Performance Amount include, inter alia, that participants are still employed at the company and have retained their shares throughout the initial three-year period, and that the performance target set by the Board regarding the Vitrolife's earnings (EBITDA) per share during the 2017 financial year has been met. The aggregate cost for the company during the period regarding payment of the Matching and Performance Amounts may not exceed SEK 4.8 million.

## Warrant programme

Vitrolife has no warrant programme outstanding.

## Price quotes and current information

Continuous information about the

share is available at: [www.vitrolife.com](http://www.vitrolife.com). Press releases, interim reports and annual reports are also available there and it is possible to subscribe to receive these by email.

## Insider status

Vitrolife is obliged to notify the Sweden's Financial Supervisory Authority (FI) of any individuals with insider status in the company. These individuals must notify their shareholdings and any changes in these holdings. The Board of Directors, auditors and the management team are considered to hold insider status at Vitrolife. A complete list of individuals with insider status is available at FI's website: [www.fi.se](http://www.fi.se).

## Analysts

The following companies monitor Vitrolife on a regular basis:

- DnB Nor
- RedEye
- Remium

### Per share data

	2015	2014	2013	2012	2011
Average number of shares	21 710 115	19 987 534	19 830 936	19 585 116	19 559 909
No. of shares at closing date	21 710 115	21 710 115	19 830 936	19 830 936	19 562 769
Shareholders' equity per share, SEK	38.84	32.30	15.80	14.01	17.53
Earnings per share, SEK	8.42	5.46	2.84	1.56	1.55

### Vitrolife's ten largest shareholders

Shareholders	No. of shares	Shares and votes, %
Bure Equity AB (publ)	4 709 790	21.7
William Demant Invest A/S	3 851 210	17.7
Nordea Investment Funds	880 539	4.1
SEB Investment Management	792 641	3.6
State Street Bank Trust Client, Omnibus	771 000	3.6
Eccenovo AB	675 000	3.1
State Street Bank & Trust Com., Boston	472 415	2.2
Lannebo Fonder	345 963	1.6
Försäkringsaktiebolaget Avanza Pension	328 449	1.5
Banque Carnegie Luxembourg S.A.	256 623	1.2
Other shareholders	8 626 485	39.7
<b>Total</b>	<b>21 710 115</b>	<b>100.0</b>

Source: Euroclear Sweden's shareholders' register at 31 December 2015

### Shareholder statistics

Size of holding votes	No. of shares, thousands	No. of shareholders	Shares and votes, %
1 – 500	693	4 867	3.2
501 – 1 000	597	706	2.7
1 001 – 5 000	1 351	571	6.2
5 001 – 10 000	666	90	3.1
10 001 – 15 000	479	37	2.2
15 001 – 20 000	295	16	1.4
20 000 –	17 629	85	81.2
<b>Total</b>	<b>21 710</b>	<b>6 372</b>	<b>100.0</b>

Source: Euroclear Sweden's shareholders' register at 31 December 2015

# 5-YEAR SUMMARY

SEK Thousands	2015	2014	2013	2012	2011
<b>Income statements</b>					
<i>Continuing operations</i>					
Net sales	722 370	510 512	452 738	362 020	308 065
Gross income	484 820	349 118	300 555	238 300	200 474
Operating income	226 135	143 346	80 398	49 725	20 660
<i>Discontinued operations</i>					
Net sales	–	–	–	42 197	48 050
Operating income	–	–	–	7 167	20 257
<i>Group total</i>					
Net sales	722 370	510 512	452 738	404 217	356 115
Operating income	226 135	143 346	80 398	56 894	40 917
Non-taxable gain from distribution of Xvivo	–	–	–	303 207	–
Income after financial items	226 840	146 924	79 788	358 885	45 102
Net income	183 361	109 468	56 700	334 065	30 644
Depreciation and amortisation, continuing operations	53 063	23 250	34 911	17 578	16 758
<b>Balance sheets</b>					
<i>Group total</i>					
Intangible fixed assets	515 518	561 392	206 257	216 008	204 437
Tangible fixed assets	89 641	92 322	85 958	94 445	95 444
Financial fixed assets	39 630	43 289	5 442	8 929	13 463
Inventories	102 284	91 676	59 916	62 409	65 709
Accounts receivable	99 783	84 620	61 456	52 436	53 373
Other current receivables	11 973	24 888	12 184	16 291	12 430
Derivative instruments	842	–	–	–	1 051
Liquid funds	199 572	107 598	53 769	11 680	20 873
Total assets	1 059 243	1 005 785	484 982	462 198	466 780
Equity	843 151	700 914	313 886	277 791	342 970
Minority interest	1 821	1 657	1 644	1 191	933
Appropriations	47 248	63 534	23 190	12 214	–
Long-term interest bearing liabilities	35 627	60 019	21 622	58 228	55 868
Long-term non-interest bearing liabilities	–	19 830	24 916	32 605	–
Short-term interest bearing liabilities	11 876	25 774	17 028	16 825	11 101
Derivative instruments	–	2 803	1 884	–	–
Accounts payable	21 749	22 282	15 596	17 444	19 865
Other short-term non-interest bearing liabilities	97 771	108 972	65 216	45 900	36 043
Total shareholders' equity and liability	1 059 243	1 005 785	484 982	462 198	466 780
<b>Cash flow statements</b>					
<i>Group total</i>					
Cash flow from operating activities	193 526	145 666	106 127	59 930	39 460
Cash flow from investing activities	-31 394	-77 517	-14 387	-62 539	-37 811
Cash flow from financing activities	-68 924	-19 704	-49 205	-5 607	381
Cash flow for the year	93 208	48 445	42 535	-8 216	2 030
Liquid funds at beginning of year	107 598	53 769	11 680	20 873	18 617
Exchange rate difference in liquid funds	-1 234	5 384	-446	-977	226
Liquid funds at end of year	199 572	107 598	53 769	11 680	20 873
<b>Other</b>					
<i>Group total</i>					
Investments, excl. acquisitions	-22 259	-9 710	-12 507	-31 063	-38 564
Net sales outside Sweden, %	97	97	93	94	96

# KEY FIGURES AND DEFINITIONS

	2015	2014	2013	2012	2011
<b>Margin ratios</b>					
<i>Continuing operations</i>					
Gross margin, %	67.1	68.4	66.4	65.8	65.1
Operating margin before depreciation and amortisation, %	38.7	32.6	25.5	18.6	12.1
Operating margin, %	31.3	28.1	17.8	13.7	6.7
<b>Other ratios</b>					
<i>Group total</i>					
Return on equity, %	23.5	24.8	19.4	9.2**	9.1
Net sales per employee, SEK M	2.3	2.1	1.9	1.9	1.7
Average number of employees	320	242	234	215	211
Net debt (-) cash (+), SEK M	152.1	21.8	15.1	-63.4	-46.1
Equity/assets ratio, %	79.8	69.9	65.1	60.4	73.5
<b>Share data</b>					
<i>Group total</i>					
Average number of outstanding shares	21 710 115	19 987 534	19 830 936	19 585 116	19 559 909
Number of shares at closing date	21 710 115	21 710 115	19 830 936	19 830 936	19 562 769
Earnings per share, SEK	8.42	5.46	2.84	1.56**	1.55
Cash flow from operating activities per share, SEK	8.91	7.29	5.36	2.99	2.02
Equity per share, SEK	38.84	32.30	15.80	14.01	17.53
Dividend per share, SEK	2.40*	1.50	1.00	0.60	0.60
Share price at closing date, SEK	288.50	166.0	94.25	40.30	44.80
Price per Earnings	34.3	30.4	33.2	26.0**	28.9

\* Proposed dividend, subject to the Annual General Meeting's decision.

\*\* Excluding capital gain of SEK 303,207 thousand related to the distribution of Xvivo Perfusion AB in 2012.

## Gross margin

Net sales minus the cost of goods sold as a percentage of net sales for the period.

## Return on equity

Income for the period as a percentage of the average shareholders' equity for the period.

## Equity/assets ratio

Shareholders' equity and minority interest as a percentage of total assets.

## Shareholders' equity per share

Shareholders' equity in relation to the number of shares outstanding at closing day.

## Operating margin before depreciation and amortisation

Operating income before depreciation and amortisation as a percentage of net sales for the period.

## Net sales per employee

Net sales for the period divided by the average number of employees.

## Earnings per share

Income for the period in relation to the average number of outstanding shares for the period.

## Price per Earnings

Share price at closing day in relation to earnings per share.

## Operating margin

Operating income after depreciation and amortisation as a percentage of net sales for the period.

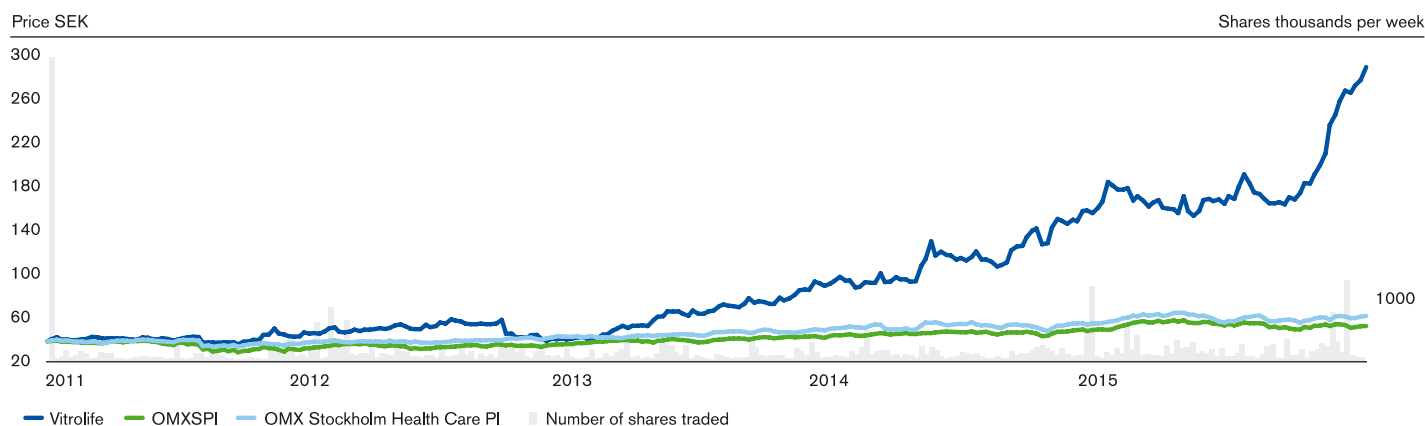
## Net debt

Cash and cash equivalents plus interest-bearing receivables minus interest-bearing liabilities and provisions.

## 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.

# SHARE PRICE DEVELOPMENT 5 YEARS



# MANAGEMENT REPORT

The Board of Directors and the CEO of Vitrolife AB (publ), corporate registration number 556354-3452, hereby submit the annual report and consolidated financial statements for the 2015 financial year.

## Operations

Vitrolife is an international medical device group that develops, produces and markets products for assisted reproduction. Further information on the number of shares and ownership structure is available in the Corporate Governance Report on page 27.

Currently, the Group has about 330 employees and the company's products are sold in approximately 110 markets. The company's head office is in Gothenburg, Sweden, and there are also offices in Australia, China, Denmark, France, Hungary, Italy, Japan, the UK and the US. More information about the organisation is available on pages 16-17 and about the environment on pages 18-19.

Vitrolife's goal is to become the world-leading supplier of medical devices for assisted reproduction. The company's product range includes nutrient solutions (media), advanced disposable instruments such as needles and pipettes, disposable plastic products and technological aids such as time-lapse technology. Vitrolife also offers products that enable the use and handling of stem cells for therapeutic purposes.

Through close collaboration with leading research scientists in the field, the company is at the cutting edge of research and product development in terms of function and safety. Production is distributed so that volume media products are produced in Denver in the US and specialised products with a higher labour content are produced in Gothenburg. Instruments are produced at the company's facilities in Gothenburg and in San Diego in the US. Time-lapse products are manufactured in Budapest, Hungary, and Aarhus, Denmark. Marketing and sales are carried out by the company itself and in partnership with distributors. Vitrolife's customers primarily comprise public and private clinics but also include research institutions.

## Research and development

Vitrolife mainly conducts proprietary product development, while the majority of research is carried out in close collaboration with leading research scientists in the relevant field. Continuous research is performed to create new products and to enhance existing products. The company's primary research agreements in the fertility field are with Professor David K. Gardner and the University of Melbourne in Australia. Agreements are also in place with eminent individuals in the field of fertility in the US and Europe. Product development is based on market needs and Vitrolife continuously assesses acquisitions of companies or product areas as complements to its own products.

## Sales

In 2015, Vitrolife's sales were SEK 722 million (511), up 28% in local currencies and 41% in SEK. Sales were positively impacted by the acquisition of Vitrolife A/S (formerly Unisense FertilTech A/S), which contributed SEK 116 million to sales.

Sales in the Asia and Pacific region increased 26% in local currencies and amounted to SEK 262 million (185). Sales in the EMEA region (Europe, the Middle East and Africa) increased 34% in local currencies and amounted to SEK 334 million (240) during the year. In the North and South American region, sales totalled SEK 126 million (86), up 18% in local currencies.

Organic growth totalled 11% in local currencies. In monetary terms, global growth in the IVF market was 5-10%, which means Vitrolife also captured market shares in 2015. All of Vitrolife's sales regions reported positive growth for the year. The trend in China, the world's largest IVF market, varied over the year. In the first six months, the market trended weakly in China before posting strong growth in the last six months.

## Investments

Investments during the year totalled SEK 31 million (355). Investments in intangible fixed assets totalled SEK 13 million (3) and pertained primarily to capitalised time-lapse development expenditure. Investments in tangible fixed assets totalled SEK 10 million (6) and pertained primarily to equipment. During the year, additional purchase prices of SEK 9 million (7) were paid, of which SEK 8 million (7) pertained to the acquisition of Cryo Management and SEK 1 million (0) to the acquisition of HertArt. The preceding year included the acquisition of Unisense FertilTech A/S, now Vitrolife A/S, for SEK 339 million, of which SEK 61 million impacted cash flow; see Note 4.

## Significant events

### Integration of Vitrolife A/S

On 26 November 2014, Vitrolife acquired all of the shares in Unisense FertilTech A/S, now Vitrolife A/S, the market leader in time-lapse embryo monitoring for IVF. For more information about the acquisition, see Note 4, and for more information about time-lapse technology, refer to pages 10-11.

In 2014, Vitrolife A/S reported a loss, which in 2015 was turned into a profit. This earnings improvement at Vitrolife A/S was partly attributable to increased sales and partly to reduced costs. The sales increase was achieved through measures including utilising Vitrolife's global distribution structure. Cost savings were achieved through synergies and by focusing operations on activities that create customer value.

As part of the integration, Vitrolife merged the US subsidiaries FertilTech Inc and Vitrolife Inc at the end of the year. The aim of the merger was to achieve synergies within marketing and sales in the US market by utilising a shared sales chan-

nel for Vitrolife's products in this market. During the year, Vitrolife liquidated the dormant Danish subsidiary Unisense Respirometry A/S since the company's operations were not assessed as likely to generate future income for the Group.

## Updated strategy

At the end of the year, Vitrolife completed a review of the company's strategy. The goal of becoming the world-leading supplier of medical devices for assisted reproduction remains unchanged. However, an update based on changes in our macro environment has been carried out for the company's strategy for reaching this goal. Vitrolife has identified five strategic focus areas in the coming years to reach this goal:

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

## Significant risks and uncertainties

Vitrolife's goal is to become the world-leading supplier of medical devices for assisted reproduction. The risks and possibilities that the company manages as part of this work pertain to its own operations and the business environment in general. Many risks and possibilities are managed through continuous development of internal procedures and controls, while others are governed by external factors.

The risks are presented under the following categories:

- Macro-economic risks
- Operating risks
- Financial risks

### Macro-economic risks

#### *Changes in economic conditions*

An economic downturn could result in a decline in the demand for privately financed treatment, particularly in countries with low levels of state subsidies such as the US. However, experience has shown that this type of treatment is often highly prioritised by patients. With regard to the treatments paid for by the public purse, changes in the economy could impact the level of subsidies, but making these changes tends to be a drawn-out process.

#### *Legal and regulatory environment*

The market for Vitrolife is impacted by applicable legislation and other regulations in many countries. Legislative changes or political decisions can influence Vitrolife's ability to conduct or develop operations.

Vitrolife's products need various types of regulatory approval prior to being offered for sale. In the fertility field, the authorities are interested in more closely regulating the market for medical devices with the aim of increasing patient safety and reducing the risk of malpractice. Compared



## Significant risks and uncertainties

### Macro-economic risks

- Changes in economic conditions
- Legal and regulatory environment
- The market

with its competitors, Vitrolife has made substantial progress with registering products, the CE marking of products and systems and compliance with international quality standards. This is expected to benefit Vitrolife's development in coming years.

Due to the nature of the company's operations, a certain risk exists with regard to claims for damages and liability. Vitrolife holds insurance cover for general and operations-related damages claims to protect the Group against the financial impact of any such claims.

#### *The market*

Vitrolife operates in a competitive field. During the year, the trend toward increased technology content in treatments continued. New products and enhanced treatment methods are launched continuously and the future development of the medical device market could impact Vitrolife's competitiveness. Vitrolife invests continuously in research and development to ensure that the company can provide the market with a competitive product offering. Another market trend is for IVF clinics to merge and form chains. Australia, the UK and the US are examples of markets where consolidation is in progress. Mergers create economies of scale for the clinics in terms of marketing, procurement and skills supply. Consolidation in the market among suppliers to IVF clinics has also been ongoing in recent years. This trend continued in 2015. Vitrolife is an active participant in this consolidation process.

### Operational risks

#### *Production*

These comprise risks that limit or prevent Vitrolife from developing, manufacturing and retailing high quality, effective and safe products. The risks have been identified and are, essentially, reduced to manageable levels through inbuilt safety margins in the production processes and through agreements with suppliers, collaborations and customers. Vitrolife's share is extremely limited in terms of the total risk perspective connected with a treatment, it is still diligently managed. Vitrolife's extensive quality programme is aimed at ensuring that the company meets its own requirements as well as those set by public authorities and customers.

#### *Information*

Information pertains, among other items, to IT and the support systems required for the operations to develop efficiently. Vitrolife has secured the back-up systems for key functions to ensure high operational reliability and high data availability.

### Operational risks

- Production
- Information
- Personnel
- Insurance cover
- Legal disputes

#### *Personnel*

Vitrolife's future development is partly dependent on key individuals with specialist expertise remaining with the organisation. The company works actively with a performance management process to minimise risks and to ensure skills supply for the entire organisation.

#### *Insurance cover*

Vitrolife conducts regular reviews together with brokers and insurance providers at both local and global levels with the aim of ensuring the correct coverage for the business and the areas of responsibility.

#### *Legal disputes*

Vitrolife has a number of patents and other intellectual property that are important to the company. In the market, there are a number of other patents that are held by other companies, whereby demarcation is sometimes difficult to define. Vitrolife is currently involved in disputes with Auxogyn Inc in the US and the EU regarding a patent in the time-lapse field. Based on the existing facts, the company's assessment is that the financial risk pertaining to these disputes is of minor significance. Otherwise, the company is not involved in any legal processes regarding its own or third party rights. However, there is no guarantee that such a claim will not be raised by or targeted at the company in the future.

In 2012, three suits were filed against Vitrolife's US subsidiary together with Southwest Transplant Alliance and the University of Texas with a claim for damages in connection with three lung transplants. Since the products were sold prior to the spin-off of Xvivo, Vitrolife is also dealing with these claims moving forward. Vitrolife has a liability insurance in place and is represented by lawyers engaged by the insurance company. Vitrolife's insurance policy is subject to an excess, which means that Vitrolife must defray the first USD 50 thousand of legal costs and damages for each suit. The legal process continued during the year with items including depositions. The insurance company's lawyers, who are representing Vitrolife, have made the assessment that it is uncertain when any significant progress will be made with the case.

### Financial risks

In terms of cash-flow risks, Vitrolife's largest exposure is to EUR value changes, since 46% (43) of sales are in this currency. The majority of costs are in SEK, USD and DKK. In 2015, forward contracts of EUR 9.6 million were hedged and, for 2016, EUR 4.8 million has been hedged. During the year, the Board decided to adjust the company's policy for managing cur-

### Financial risks

- Currency risks
- Interest-rate risks
- Credit risks

rency risk and, henceforth, not to enter into any new currency hedging agreements.

At the closing date, Vitrolife had a floating interest acquisition loan of EUR 5.2 million, pertaining to the acquisition of Vitrolife A/S.

At the closing date, Vitrolife had accounts receivable outstanding of SEK 99.8 million (84.6). In conjunction with closing procedures, individual testing is performed of accounts receivable in terms of solvency and credit rating. Historically, Vitrolife has had low credit losses since customer demand is stable.

For more detailed information about financial instruments and risk management, refer to Note 24. Refer to Note 31, for information about critical estimates and assessments.

### Seasonal effects

Vitrolife's sales are affected relatively marginally by seasonal effects. There is often a downturn in orders prior to and during holiday periods. The reason that orders decline before holiday periods is that fertility clinics minimise their stocks, primarily of media, as these have a relatively short shelf life, so as not to risk scrapping. The third quarter suffers the greatest negative impact from holiday periods, since July and August are affected by holiday periods, primarily in Europe. During the first quarter, sales in China are negatively impacted by the Chinese New Year, which falls in January or February. Sales in December are negatively affected in the fourth quarter by the Christmas and New Year holidays. Altogether, total sales are usually relatively even between the first and second halves of the year.

### Guidelines for remuneration of executive management

The Annual General Meeting on 5 May 2015 resolved to adopt the policies for remuneration and other employment terms of the CEO and the executive management in accordance with the following:

Remuneration paid to the CEO and other executive management comprises basic salary, variable remuneration, pension and other benefits. All pension benefits comprise defined-contribution plans. Variable remuneration are prepared by the Remuneration Committee and decided on by the Board.

#### *Fixed basic salary*

The fixed basic salaries of the CEO and other members of executive management are reconsidered each year. The allocation between basic salary and, where appropriate, variable remuneration should be proportionate to the executive's

responsibility and authority. The other members of the executive management currently consists of five individuals: one woman and four men. The composition and size of this group can change over time as a consequence of how the business develops.

#### Variable remuneration (STI)

The CEO's variable remuneration is capped at a maximum of 50% of annual salary. For other members of the executive management, variable remuneration is capped at a maximum of 25% of annual salary. The variable remuneration for the CEO and other members of the executive management is based on the outcome of a number of primarily quantitative parameters compared with set targets. The quantitative parameters relate to the company's sales and income (EBITDA). The total cost to the company of the total variable remuneration for the CEO and other members of the executive management is not permitted to exceed SEK 4,500,000 (including social security expenses).

#### Long-term incentive programme (LTI)

A long-term incentive programme (LTI), in addition to the aforementioned variable remuneration, was introduced with the aim of aligning the interests of shareholders with those of the executive management and to encourage the purchase of Vitrolife shares. The LTI comprises the following principal components for the executive management and certain selected key individuals at the company:

i. In addition to the executive management, the programme includes ten employees, making a total of 15 (the participants mentioned below).

ii. If, during a specified period and within the LTI's framework, programme participants purchase shares with their own funds on NASDAQ Stockholm up to a ceiling amount, Vitrolife will match this through a cash payment of the same amount, i.e. compensated for the employee's marginal tax cost, in the form of a one-time payment (the "Matching Amount"). Each participant will be entitled to buy shares for an amount relative to the employee's responsibility and authority. The limits for each participant's Matching Amount are between SEK 50,000 and SEK 200,000. The participants are to use the Matching Amount to acquire shares in Vitrolife on NASDAQ Stockholm. Under the agreement between the company and the respective participants, these shares are subject to a lock-up period of not less than three years.

iii. Provided that the conditions stated in item (iv) are met, Vitrolife will make a further one-time payment corresponding to the Matching Amount; however, this will not compensate for the employee's marginal tax cost (the "Performance Amount"). The participants are to use the Performance Amount to acquire shares in Vitrolife on NASDAQ Stockholm. Under the agreement between the company and the respective participants, these shares are subject to a lock-up period of not less than one year.

iv. The criteria for payment of the Performance Amount include, inter alia, that participants are still employed at the company and have retained

their shares acquired in accordance with item (ii) throughout the initial three-year period, and that the performance target set by the Board regarding Vitrolife's earnings (EBITDA) per share during the 2017 financial year has been met.

v. The aggregate cost for the company during the period regarding payment of the Matching and Performance Amounts may not exceed SEK 4,800,000.

#### Other

The notice period for the CEO is a maximum of 12 months and for other members of the executive management is between three and six months. In case of termination by the company, a severance payment of up to 12-months' salary is payable to the CEO. No severance payment is payable to the other members of the executive management in the event of termination of their employment.

The Board can depart from the guidelines if, in an individual case, particular reasons exist for so doing.

The company currently has no warrant programme outstanding.

The remuneration policy is evaluated each year and submitted to the Annual General Meeting for resolution.

### Outlook for 2016

As the standard of living rises in most developing countries, more and more people are choosing to wait before having 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 continuously expanding market which, in monetary terms, is expected to continue to grow by 5-10% per year for the foreseeable future.

In 2016, focus will remain on marketing and sales, primarily in the emerging markets and on achieving a more profitable and competitive time-lapse offering. The company will continue to refine and communicate the best partner and total supplier concept to customers. Moreover, work is continuing with ensuring that the internal processes are run in a cost-effective manner.

### Events after the closing date

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.

### Parent Company

Business activities focus on Group-wide administration and the company has no employees. The Parent Company's income derives from re-invoicing of the SEK 5 million (0) management fee. Total investments during the year amounted to SEK 9 million (347), of which earn-out provisions pertaining to acquisitions amounted to SEK 9 million (7). Of these, SEK 8 million (7) pertained to the acquisition of Cryo Management and SEK 1 million (0) to the acquisition of HertArt. The preceding year included the acquisition of Vitrolife A/S, for SEK 339 million, of which SEK 62 million impacted cash flow. No investments were made in tangible fixed assets (-).

### Proposed appropriation of profit

The Board of Directors and the CEO propose that the funds available of SEK 467,142,823, be appropriated as follows:

Dividend (SEK 2.40)	SEK 52,104,276
Carried forward	SEK 415,038,547
Total	SEK 467,142,823

The proposed dividend lies within the scope of the profit distribution policy adopted by the company, refer to page 27. It is the considered opinion of the Board that the company's restricted shareholders' equity is fully covered following distribution of the proposed dividend. Furthermore, the Board also concludes that the proposed distribution to shareholders is justified considering the parameters stated in Chapter 17 Section 3, second and third paragraphs of the Swedish Companies Act (the nature, scope and risks of the business as well as consolidation needs, liquidity and overall position).

The financial statements were approved for publication by the Board of the Parent Company on 9 March 2016.

Regarding the company's earnings and position in other respects, refer to the following income statements, balance sheets and cash-flow statements together with associated notes.

# CORPORATE GOVERNANCE REPORT



## Corporate governance – introduction

Good corporate governance ensures that companies are run as efficiently as possible in the interests of their shareholders. The Board, in consultation with the company's executive management, is tasked with establishing the overall goals and strategy of the company. This requires the Board to have good insight into the market and its trends. In conjunction with strategy work during the year, Vitrolife's Board visited London, for reasons including meeting a representative from one of the UK's largest clinic chains. The aim of the visit was to understand the underlying drivers behind the consolidation of IVF clinics and the market's

increased use of technology for performing IVF treatments. The insights obtained from the meeting with the clinic chain were utilised when establishing the company's strategy.

During the year, the Board's sustainability work included discussing future development opportunities using external expertise. Moreover, efforts to further strengthen internal controls have continued through the work of the Audit Committee among other initiatives.

*Carsten Browall*  
Chairman of the Board

Vitrolife AB (publ) is a Swedish public limited company listed on NASDAQ Stockholm. The corporate governance policies applied by Vitrolife are based on Swedish legislation, primarily the Swedish Companies Act and the Swedish Annual Accounts Act, and NASDAQ Stockholm AB's regulations. Furthermore, they also comply with the provisions in the Swedish Corporate Governance Code (the "Code") and pertain to the 2015 financial year. Further information about corporate governance at Vitrolife is available at [www.vitrolife.com](http://www.vitrolife.com).

## Shareholders

According to Euroclear Sweden's shareholder register, Vitrolife had 6,372 shareholders at 31 December 2015 (5,679), and the proportion of shareholders with registered addresses outside Sweden was about 43% (38). The ten largest shareholders on 31 December 2015 are specified below.

## Shares

On 31 December 2015, the share capital of Vitrolife AB (publ) was SEK 22,144,317 (22,144,317) allocated among 21,710,115 (21,710,115) shares. The shares are traded on NASDAQ Stockholm. At 31 December 2015, Vitrolife's market capitalization was SEK 6,263 million (3,604). All shares carry the same number of votes and entitle shareholders to equal shares in Vitrolife's assets and earnings.

## Dividend policy

Vitrolife's Board and CEO intend to propose, on an annual basis, a dividend or other corresponding distribution that on average and over time corresponds to 30% of the year's net profit after paid tax. Decisions regarding the proposed dividend or its equivalent will take into account the company's future profits, financial position, capital requirements and position in general. The company's net debt to EBITDA ratio should in normal circumstances not exceed a multiple of 3.

## General meetings of shareholders

Vitrolife's highest decision-making body is the general meeting of shareholders. The Annual General Meeting (AGM) is held within six months of the end of the financial year. Notice convening the AGM is issued no earlier than six and no later than four weeks prior to the meeting. All shareholders entered in the shareholders' register and who have notified their intent to attend in time are entitled to participate and vote at the meeting. Shareholders who are unable to attend may be represented by a proxy.

## 2015 Annual General Meeting

The previous AGM was held in Gothenburg on 5 May 2015. All of the Board members were present at the AGM, as were the company's auditors; Jan Nilsson and Fredrik Jonsson, and the Election Committee's members; Thomas Olausson and Martin Lewin. The AGM resolved to re-elect Carsten Browall, Fredrik Mattsson,

Tord Lendau, Barbro Fridén and Pia Marions as Board members, and to elect Jón Sigurdsson as a new Board member. Maris Hartmanis declined re-election. Carsten Browall was re-elected Chairman of the Board. A resolution was passed to adopt Board fees of a total of SEK 1,440,000, of which SEK 450,000 to the Chairman, SEK 150,000 to each of the other Board members, SEK 60,000 to the Chairman of the Audit Committee, SEK 60,000 to the Chairman of the Remuneration Committee and SEK 30,000 to the other members of these committees.

The Board's proposed dividend for the 2014 financial year of SEK 1.50 was adopted. The record date was set for Thursday 7 May 2015.

The Board was authorised, for the period until the next AGM, to decide on one or more occasions to make a new issue of a maximum of 2,170,000 shares corresponding to slightly less than 10% of the company's share capital. The Board was authorised, for the period until the next AGM, to decide on one or more occasions to buy back the company's own shares. At any one moment in time, treasury shares are permitted to amount to a maximum of 10% of all shares in the company.

The proposed remuneration policies and other terms of employment for the executive management were adopted.

## Governance structure



## Vitrolife's ten largest shareholders

Shareholders	No. of shares	Shares and votes, %
Bure Equity AB (publ)	4 709 790	21.7
William Demant Invest A/S	3 851 210	17.7
Nordea Investment Funds	880 539	4.1
SEB Investment Management	792 641	3.6
State Street Bank Trust Client, Omnibus	771 000	3.6
Eccenovio AB	675 000	3.1
State Street Bank & Trust Com., Boston	472 415	2.2
Lannebo Fonder	345 963	1.6
Försäkringsaktiebolaget Avanza Pension	328 449	1.5
Banque Carnegie Luxembourg S.A.	256 623	1.2
Other shareholders	8 626 485	39.7
<b>Summa</b>	<b>21 710 115</b>	<b>100.0</b>

Source: Euroclear Sweden's shareholder register at 31 December 2015.



## Election Committee

On 7 October 2015, the following individuals were announced as members of Vitrolife's Election Committee ahead of the 2016 AGM:

Patrik Tigerschiöld, representing Bure Equity AB  
Niels Jacobsen, representing William Demant Invest A/S  
Thomas Olausson  
Carsten Browall, Chairman of the Board

The appointments were made in compliance with the instruction regarding the principles for appointing an Election Committee for the company, which were adopted by Vitrolife's AGM on 5 May 2015.

The Chairman of the Board is tasked as follows – to not later than the end of the third quarter each year, provide each of the three largest shareholders with the opportunity to appoint a member to the Election Committee. If any of these three shareholders should refrain from appointing a member of the Election Committee, the next largest shareholder is contacted and asked to appoint a member of the Election Committee. The term of office is one year. The Chairman of the Board is a member of the Election Committee and calls the first meeting of the Election Committee. Thereafter, a chairman is appointed for the Election Committee, which may not be the Chairman of the Board.

Given the needs of the Group, the Election Committee is tasked with assessing, inter alia, the competence and qualities that the Board members should possess. The aim is to create an appropriate Board composition, whereby the Board members' combined competence and experience provide a broad base that corresponds well to the phase and the market conditions in which Vitrolife operates. The Committee keeps itself updated regarding general trends for Board fees for listed Swedish companies.

The Election Committee's assessment is that no Board members other than Fredrik Mattsson and Jón Sigurdsson are dependent in relation to the company, the executive management or the company's major shareholders. Fredrik Mattsson is Investment Director at Bure Equity AB, which owns about 22% of the shares in the company. Jón Sigurdsson is the CEO of Össur, whose principal owner William Demant owns about 18% of the shares in Vitrolife.

Ahead of the AGM in April 2016, the Election Committee will submit proposals for the Chairman of the AGM, the number of Board members, the Chairman of the Board and other elected Board members. The Election Committee will also submit proposals regarding fees for work on the Board and its committees. No separate remuneration has been paid by the company to members of the Election Committee for their work on the Committee.

## 2016 Annual General Meeting

The AGM will be held on 28 April 2016 at 5:00 p.m. at Vitrolife's premises at Gustaf Wernersgata 2, Gothenburg. Shareholders are notified through an announcement in Post- och Inrikes Tidningar and Dagens Industri that a general meeting has been called no more than six

weeks and no less than four weeks prior to the general meeting. Shareholders who wish to have an issue addressed by the general meeting can make a written request to this effect to the Board. Any such request to address an issue must be sent to Vitrolife AB (publ), Att: Chairman of the Board, Box 9080, SE 400 92 Gothenburg, Sweden, and must be received by the Board not later than seven weeks prior to the general meeting, or in any case in time for the issue, if required, to be included in the notice convening the general meeting. More information is available at [www.vitrolife.com](http://www.vitrolife.com).

In accordance with the dividend policy, the Board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 2.40 per share.

## Board of Directors

### General

The Board is responsible for the company's administration of its affairs and organisation. At the 2015 AGM, six Board members were elected with competence in both medical devices and biotechnology as well as within the areas of finance and strategy. The company's CFO Mikael Engblom served as the Board's secretary during the year. In 2015, the Board held 12 meetings (14), all of which were minuted.

The CEO and CFO have presented issues at Board meetings. The remuneration and other benefits paid to Board members of Vitrolife are detailed in Note 7. The Board members' shareholdings in Vitrolife are set out on page 51.

### The Board's work

Each year, the Board is to convene for a minimum of four scheduled meetings, equally distributed over the year, and one statutory Board meeting. The meetings can be held in the form of physical meetings and as telephone meetings.

The Chairman leads and organises the Board's work. A proposed agenda and decision data regarding the items to address at the meeting is sent ahead of each meeting. The proposed agenda is drawn up by the CEO in consultation with the Chairman. Items presented to the Board are for information purposes, discussion or decision. Decisions are only taken following discussion and after all members present have been given opportunity to be heard. The Board's extensive experience in various areas generates constructive and open discussion. During the year, no Board member registered dissent with regard to any Board decision. Any open issues are followed up on an ongoing basis.

One of the year's meetings was dedicated solely to strategic issues. In conjunction with the work

on strategy, the Board travelled to London to meet with a representative from a leading clinic chain. The aim of the meeting included understanding the challenges and possibilities being created through the growth of clinic chains.

The Board's formal work plan was adopted at the statutory Board on 5 May 2015 and is revised each year. The plan regulates areas such as the allocation of responsibilities, number of scheduled meetings, the form of notifications, decision data and minutes, conflicts of interest, mandatory items to be submitted by the CEO to the Board and authorised signatories. The Board addresses ongoing items such as business conditions, interim reports, budgets, strategies and external information.

In addition to the Board material, the CEO sends monthly reports containing a financial report and a description of actual events in operations and the market. The aim is to keep the Board informed about the development of the company's operations to enable the Board to take well-founded decisions. Once each year, the Board holds a meeting that evaluates the work of the CEO, which the executive management does not attend. The Board ensures the quality of the financial reporting through its own work, the work of the Audit Committee and through contact with the auditors. The company's auditors participated at the meeting addressing the annual report, where the audit results were reported, and at meetings of the Audit Committee. At the board meeting, the auditors also met with the board without attendance of the executive management.

In 2014, an extensive evaluation of the Board was carried out with assistance from an external consultant. The results showed that the Board functioned well and that there were a few development areas to focus on moving forward. In 2015, the Board worked with the development areas identified in 2014, including the company's sustainability efforts. The Board also evaluated the Board's work in the form of a verbal evaluation in 2015. The findings of the evaluation were that the Board functioned well and that the development areas identified in 2014 had been systematically addressed in 2015.

## Sustainable business guidelines

Vitrolife's Board has issued guidelines for the company's societal conduct that are aimed at securing the company's long-term capacity to create value. Vitrolife aims to endeavour to add value for its customers, employees, shareholders and other stakeholders by maintaining healthy profitability while offering goods and services in the international market. In parallel, the company is to maintain a high ethical standard and be

## Board members attendance

Name	Year elected	Dependent	Attendance Board meetings	Attendance Remuneration Comm.	Attendance Audit Comm.
Carsten Browall	2012		12/12		6/6
Barbro Fridén	2010		11/12	1/1	
Maris Hartmanis	2008		5/5	1/1	
Tord Lendau	2008		12/12		6/6
Pia Marions	2013		10/12		6/6
Fredrik Mattsson	2007	x	12/12	1/1	
Jón Sigurdsson	2015	x	7/7		

Dependent = As defined by the Swedish Corporate Governance Code.



a good corporate citizen on the world stage. Vitrolife and its employees comply with legislation in the respective countries in which the company operates. Vitrolife follows the applicable international and national codes of conduct and Vitrolife's Code of Conduct. In situations where neither national legislation nor Vitrolife's Code of Conduct provide any guidance, the company's own norms are applied, which are based on Vitrolife's values and culture.

### Members of the Board

Vitrolife's Board comprises six individuals, including the Chairman. For personal details about the Board members and their shareholdings, please refer to page 51.

### Guidelines for remuneration of the executive management

The AGM on 5 May 2015 resolved to adopt the policies for remuneration and other employment terms for the CEO and the executive management in accordance with the following: Remuneration comprises basic salary, variable remuneration, pension and other benefits as detailed in the Management Report on page 26 and in Note 7.

Each year, the Board is tasked with evaluating whether any sort of share-related incentive programme should be proposed to the AGM. Currently, the company has one share-related incentive programme outstanding, which was adopted by the 2015 AGM. For further information about the programme, refer to page 26.

The remuneration policy is evaluated each year and submitted to the Annual General Meeting for resolution.

### Remuneration Committee

In 2014, Vitrolife introduced a separate Remuneration Committee. The Committee assists the Board in preparing items and decision data pertaining to remuneration issues for the executive management. The Remuneration Committee's areas of responsibility are defined in the Board's formal work plan and in the Remuneration Committee's instruction. The Group's guidelines for remuneration of the executive management are included in the Management Report on page 26.

Fredrik Mattsson was appointed Chairman of the Committee and Barbro Fridén and Jón Sigurdsson as Committee members. All members are deemed independent of the company and the executive management.

### Audit Committee

In 2013, Vitrolife introduced a separate Audit Committee. The Audit Committee assists the Board with the work of monitoring the company's and the Group's financial reporting and internal controls. The Audit Committee's areas of responsibility are defined in the Board's formal work plan and in the Audit Committee's instruction.

Tord Lendau was appointed Chairman of the Committee and Pia Marions and Carsten Browall as Committee members. All members are deemed independent of the company and the executive management. During the year, the Audit Committee considered issues including internal controls, internal audits, external audits,

accounting policies, significant valuation issues, external reporting and financial risk management.

### Executive management

For personal details about the executive management and their shareholdings, refer to page 51.

### Election of auditors

The 2014 AGM resolved in line with the proposal of the Election Committee to elect Deloitte AB, with Authorised Public Accountant Jan Nilsson as Principal Auditor, and Authorised Public Accountant Fredrik Jonsson, as the company's new auditors for a term of office of three years. The auditors have no assignments in any companies that are closely linked to Vitrolife's principal shareholders and have confirmed their independence towards the company.

Jan Nilsson and Fredrik Jonsson have reported their observations from the audit to the Board and the Audit Committee. The annual report, accounts and the administration of the Board and the CEO were examined within the scope of the above work. In addition to the audit assignment, which is paid according to customary invoicing norms, Deloitte AB has provided consultancy and audit-related services amounting to about SEK 0.3 million, during the financial year.

### The Board's description of the key elements in the company's system for internal control, follow-up and risk management

The Board's responsibility for internal control is regulated by the Swedish Companies Act and the Swedish Corporate Governance Code. The Board is responsible for ensuring that the company has good internal controls. The report is limited to a description of how the internal controls regarding financial reporting are organised and it pertains to the 2015 financial year.

The objective of internal financial controls at Vitrolife is to ensure the accuracy of the financial reporting and to create an efficient decision process in which requirements, targets and frameworks are clearly defined. Ultimately, the controls aim to protect the company's assets and, thereby, the shareholders' investments.

### Control environment

The control environment forms the basis for internal controls. Vitrolife's control environment includes healthy values, integrity, competence, leadership philosophy, organisational structure, responsibility and authorities. Vitrolife's internal work procedures, instructions, policies, guidelines and manuals provide guidance to employees. At Vitrolife, a clear allocation of roles and responsibilities for efficient management of operational risks is ensured through measures including the Board's formal work plan, the Audit Committee's instruction and the instruction for the CEO. The CEO reports regularly to the Board, even between Board meetings; refer to page 28 and the section under "The Board's work." The CEO is responsible, in terms of the operating activities, for the system of internal controls required to construct a control environment for material risks.

Vitrolife also has guidelines and policies for financial governance and follow-up as well as

communication issues. Frameworks are in place for credit and currency management.

### Risk assessment

Vitrolife works with risk analysis on an ongoing basis to identify potential sources of error in the financial reporting. Refer to the Management Report on page 25 and to Note 24 for information about financial risks. The risk of material misstatements in the financial statements can occur in conjunction with the accounting for and valuation of assets, liabilities, income and expenses, or from deviations from the disclosure requirements. Vitrolife's risk assessment of the financial statements aims to identify and evaluate the most material risks.

### Control activities

Control activities are primarily aimed at preventing, identifying and correcting errors in the financial reporting. Based on an established system, Vitrolife conducts a detailed follow-up each month of various activities vis-à-vis budget at account level with the aim of analysing deviations and identifying material errors in the accounting. The company also performs a monthly analysis of the Group's assets and liabilities. Since 2014, Vitrolife has had a separate internal audit function to strengthen internal controls through measures including expanded internal audits of the Group's subsidiaries. Vitrolife has an Audit Committee that contributes to expanded control of the company's financial reporting and follow up of internal audits.

### Follow-up

The Board continuously evaluates the information submitted by the executive management, which comprises both financial information and material issues pertaining to internal controls. The Board and the Audit Committee continuously follow up the effectiveness of internal controls, which, in addition to ongoing updates for deviations, are carried out, inter alia, by ensuring that measures are implemented in respect of the proposed actions that may have arisen through external audits. During the year, one Audit Committee meeting specifically addressed issues pertaining to internal controls. A system is in place to ensure uniform procedures for following up internal controls when visiting subsidiaries, including reporting back to the Board.

### Information and communication

Proper disclosures and clear lines of communication, both internal and external, mean that all parts of operations exchange and report relevant, significant operational data in an efficient manner. To achieve this, Vitrolife has issued a communication policy regarding information management in the financial process, as well as policies and guidelines for other types of information. The executive management has communicated these to employees and they can also be accessed by all employees through the Vitrolife quality system. Guidelines have been set out for how communication with external parties should take place, who is authorised to provide certain types of information and when a log book should be kept. The ultimate aim of the aforementioned policies is to ensure compliance with disclosure requirements pertaining to legislation and listing agreements, and that investors receive the information in time.

# INCOME STATEMENTS WITH COMMENTS

SEK thousands	Note	Group		Parent Company	
		2015	2014	2015	2014
Net sales	2,3	722 370	510 512	4 522	–
Cost of goods sold		-237 550	-161 394	–	–
<b>Gross income</b>		<b>484 820</b>	<b>349 118</b>	<b>4 522</b>	<b>–</b>
Selling expenses		-139 860	-112 098	–	–
Administrative expenses		-80 467	-59 960	-7 808	-9 847
Research and development expenses		-55 737	-41 925	–	–
Other operating revenue	5	32 430	15 131	68	–
Other operating expenses	6	-15 051	-6 920	-30	-7
<b>Operating income</b>	2, 3, 7, 8, 9, 11, 25	<b>226 135</b>	<b>143 346</b>	<b>-3 248</b>	<b>-9 854</b>
<b>Net financial items</b>	10, 11				
Financial income		8 880	13 186	195 752	9 822
Financial expenses		-8 175	-9 608	-52 822	-9 426
<b>Income after financial items</b>		<b>226 840</b>	<b>146 924</b>	<b>139 682</b>	<b>-9 458</b>
Year-end adjustments (paid/received Group contribution)		–	–	-826	10 984
Income taxes	12	-43 479	-37 456	–	-4
<b>Income for the year</b>		<b>183 361</b>	<b>109 468</b>	<b>138 856</b>	<b>1 522</b>
<b>Attributable to</b>					
Parent Company's shareholders		182 845	109 109	138 856	1 522
Non-controlling interests		516	359	–	–
<b>Earnings per share, SEK</b>	21	<b>8.42</b>	<b>5.46</b>	<b>–</b>	<b>–</b>

## Group

Sales amounted to SEK 722 million (511), corresponding to an increase of 41% in SEK. Sales growth was 28% in local currencies. Sales was positively affected by the acquisition of Vitrolife A/S (formerly Unisense FertiliTech A/S) of SEK 116 million. The acquisition was completed on 26 November 2014 and thus the organic growth amounted to 11% in local currencies.

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 279 million (167), corresponding to a margin of 39% (33). Income was positively affected by the recovered additional purchase price for the acquisition of Vitrolife Kft. of SEK 17 million. Adjusted for this one-time item, operating income before depreciation

and amortisation (EBITDA) amounted to SEK 262 million, corresponding to a margin of 36%. Profitability has risen due to growth, economies of scale and internal streamlining efforts. Gross income amounted to SEK 485 million (349), corresponding to a gross margin of 67% (68). Fluctuations in exchange rates had a positive impact of SEK 35 million on operating income.

Selling expenses amounted to 19% (22) of sales. Administrative expenses amounted to 11% (12) of sales. R&D costs amounted to 8% (8) of sales. The expenses were positively affected by economies of scale. Depreciation, amortisation and impairment of SEK 53 million (23) were charged against income. The increase mainly consisted of amortisation as a result of the acquisition of Vitrolife A/S. Net finan-

cial items amounted to SEK 1 million (4). Income before tax totalled SEK 227 million (147). Net income was SEK 183 million (109).

## Parent Company

The Parent Company's operations focus on Group-wide administration and the company has no employees. Income included invoicing of management fee of SEK 5 million (0). Net financial items include dividends from group companies of SEK 186 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. Income before tax was SEK 139 million (2).

# INCOME STATEMENTS AND STATEMENTS OF OTHER COMPREHENSIVE INCOME

SEK thousands	Group		Parent Company	
	2015	2014	2015	2014
<b>Income for the year</b>	<b>183 361</b>	<b>109 468</b>	<b>138 856</b>	<b>1 522</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	–	–
Exchange-rate differences, net after tax	-10 887	20 794	–	–
<b>Total other comprehensive income</b>	<b>-8 043</b>	<b>21 511</b>	<b>–</b>	<b>–</b>
<b>Comprehensive income</b>	<b>175 318</b>	<b>130 979</b>	<b>138 856</b>	<b>1 522</b>
<b>Attributable to</b>				
Parent Company's shareholders	174 802	130 620	138 856	1 522
Non-controlling interests	516	359	–	–

## 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 expenses	-11 789	-15 072	-13 913	-14 963	-11 824	-7 072	-11 524	-11 504
Other operating revenue/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>
Net financial items	-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>
Income taxes	-12 600	-13 975	-9 600	-7 304	-8 724	-13 045	-8 487	-7 201
<b>Income for the period</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

# STATEMENTS OF FINANCIAL POSITION WITH COMMENTS

SEK thousands	Note	Group		Parent Company	
		31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
<b>ASSETS</b>	4, 24, 26				
<b>Fixed assets</b>					
<i>Intangible fixed assets</i>	13				
Capitalised development expenditure		72 089	77 767	–	–
Patents		5 918	9 638	–	–
Goodwill		350 474	364 546	–	–
Other intangible fixed assets		87 037	109 441	–	–
<i>Tangible fixed assets</i>	14				
Land and buildings		46 624	57 196	–	–
Plant and machinery		11 074	12 666	–	–
Equipment, tools, fixtures and fittings		29 948	21 549	12	12
Construction in progress		1 995	911	–	–
<i>Financial fixed assets</i>					
Participations in Group companies	4, 28	–	–	730 396	760 824
Other shares and participations		3 746	3 746	3 746	3 746
Deferred tax assets	12	29 964	33 303*	–	–
Other financial fixed assets		5 920	6 240	–	–
<b>Total fixed assets</b>		<b>644 789</b>	<b>697 003</b>	<b>734 154</b>	<b>764 582</b>
<b>Current assets</b>					
<i>Inventories</i>	15	102 284	91 676	–	–
<i>Current receivables</i>					
Accounts receivable	17	99 783	84 620	–	–
Receivables from Group companies	16	–	–	40 824	61 762
Current tax assets		–	7 988	–	–
Other receivables		3 715	9 020	–	660
Prepaid expenses and accrued income	18	8 258	7 880	1 205	885
Derivative instruments		842	–	–	–
<i>Cash and cash equivalents</i>	19	199 572	107 598	592	2 119
<b>Total current assets</b>		<b>414 454</b>	<b>308 782</b>	<b>42 621</b>	<b>65 426</b>
<b>TOTAL ASSETS</b>		<b>1 059 243</b>	<b>1 005 785</b>	<b>776 775</b>	<b>830 008</b>

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

## Fixed assets

Gross investments in intangible fixed assets amounted to SEK 13 million (3) and consisted mainly of capitalized development costs. Goodwill has decreased by SEK 14 million, of which SEK 6 million was attributable to reclassification to deferred tax asset in the acquisition analysis for Vitrolife A/S and the remaining to exchange-rate fluctuations. Other intangible fixed assets have decreased by SEK 22 million, largely attributable to amortization of as a result of the acquisition of Vitrolife A/S. For further information; refer to Note 13.

Gross investments in tangible fixed assets amounted to SEK 10 million (6) and consisted mainly of production equipment. For further information; refer to Note 14.

## Current assets

Inventories grew SEK 10 million during the year, from SEK 92 million to SEK 102 million. The average inventory level was 13% (15) of net sales for the year. Accounts receivable rose SEK 15 million, from SEK 85 million to SEK 100 million. Accounts receivable averaged 13% (14) of net sales for the year. The increases in current assets were attributable to growth in sales and an expanding business.

## Parent Company

The Parent Company's assets largely comprise participations in Group companies. These were valued at SEK 730 million (761) at the closing date. During 2015, a write-down by SEK 47 million of the shares in the Hungarian subsidiary Vitrolife Kft

has been made as a result of weak development of profitability for the company's time-lapse product Primo Vision. Based on future earning potential, no impairment has been deemed necessary for other shares in subsidiaries. For further information on participations in Group companies; refer to Note 28.

Otherwise, the Parent Company's assets comprise receivables from Group companies of SEK 41 million (62).



SEK thousands	Note	Group		Parent Company	
		31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
<b>SHAREHOLDERS' EQUITY</b>	4, 20, 21				
<b>Group</b>					
Share capital		22 144	22 144	–	–
Other capital contributed		494 610	494 610	–	–
Reserves		-24 681	-16 638	–	–
Retained earnings incl. income for the year		351 078	200 798	–	–
<b>Parent Company</b>					
<b>Restricted shareholders' equity</b>					
Share capital (21,710,115)		–	–	22 144	22 144
Statutory reserve		–	–	172 604	172 604
<b>Unrestricted shareholders' equity</b>					
Share premium reserve		–	–	322 043	322 043
Retained earnings		–	–	6 243	37 288
Income for the year		–	–	138 856	1 522
<b>Shareholders' equity, attributable to the Parent Company's shareholders</b>		<b>843 151</b>	<b>700 914</b>	<b>661 890</b>	<b>555 601</b>
Non-controlling interests		1 821	1 657	–	–
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>844 972</b>	<b>702 571</b>	<b>661 890</b>	<b>555 601</b>
<b>LIABILITIES</b>	4, 24, 26				
<b>Long-term liabilities</b>					
Long-term interest-bearing liabilities	22	35 627	60 019	35 627	59 472
Long-term non-interest-bearing liabilities		–	19 830	–	19 830
Deferred tax liabilities	12	42 057	59 573*	–	–
Other provisions		5 191	3 961	–	–
<b>Total long-term liabilities</b>		<b>82 875</b>	<b>143 383</b>	<b>35 627</b>	<b>79 302</b>
<b>Current liabilities</b>					
Short-term interest-bearing liabilities	22	11 876	25 774	11 876	18 079
Accounts payable		21 749	22 282	293	1 408
Liabilities to Group companies	16	–	–	64 600	164 968
Current tax liabilities		35 148	28 578	–	4
Derivative instruments		–	2 803	–	–
Other liabilities		4 414	15 804	577	8 462
Accrued expenses and deferred income	23	58 209	64 590	1 912	2 184
<b>Total current liabilities</b>		<b>131 396</b>	<b>159 831</b>	<b>79 258</b>	<b>195 105</b>
<b>TOTAL LIABILITIES</b>		<b>214 271</b>	<b>303 214</b>	<b>114 885</b>	<b>274 407</b>
<b>TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES</b>		<b>1 059 243</b>	<b>1 005 785</b>	<b>776 775</b>	<b>830 008</b>
Pledged assets for own liabilities	27	22 077	21 661	3 100	3 100
Contingent liabilities	27	355	350	–	–

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

#### Shareholders' equity and liabilities

Interest-bearing liabilities decreased by SEK 38 million year-on-year. The decrease was attributable to loan repayments of SEK 37 million (19) and the remaining SEK 1 million to exchange-rate fluctuations in the EUR and USD. Provisions are mainly composed of endowment insurances for pensions and warranty commitments for products sold.

The debt ratio has been positively affected by payments and recoveries of additional purchase prices by SEK 9 million and SEK 18 million respectively.

Accounts payable averaged 3% (4) of net sales for the year. The equity/assets ratio was 80% (70).

#### Parent Company

The SEK 106 million (258) change in the Parent Company's shareholders' equity was attributable to comprehensive income for the year of SEK 139 million (2) and the dividend paid to shareholders of SEK -33 million (-20).

# CHANGES IN SHAREHOLDERS' EQUITY

Group	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
SEK thousands						
<b>Opening shareholders' equity 1 Jan. 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>
Comprehensive income for the year	–	–	21 511	109 109	359	130 979
Dividend (SEK 1.00 per share)	–	–	–	-19 831	–	-19 831
Dividend, non-controlling interests	–	–	–	–	-408	-408
New share issue*	1 916	274 323	–	–	–	276 239
Other transactions with non-controlling interests	–	–	–	–	62	62
<b>Closing shareholders' equity 31 Dec. 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 shareholders' equity 1 Jan. 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>
Comprehensive income for the year	–	–	-8 043	182 845	516	175 318
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Dividend, non-controlling interests	–	–	–	–	-277	-277
Other transactions with non-controlling interests	–	–	–	–	-75	-75
<b>Closing shareholders' equity 31 Dec. 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>

Parent Company	Restricted shareholders' equity		Unrestricted shareholders' equity			Total shareholders' equity
	Share capital	Statutory reserve	Share premium reserve	Retained earnings	Income for the year	
SEK thousands						
<b>Opening shareholders' equity 1 Jan. 2014</b>	<b>20 228</b>	<b>172 943</b>	<b>47 381</b>	<b>59 155</b>	<b>-2 036</b>	<b>297 671</b>
Reclassifications	–	-339	339	–	–	–
AGM's appropriation of profits	–	–	–	-2 036	2 036	–
Comprehensive income for the year	–	–	–	–	1 522	1 522
Dividend (SEK 1.00 per share)	–	–	–	-19 831	–	-19 831
New share issue*	1 916	–	274 323	–	–	276 239
<b>Closing shareholders' equity 31 Dec. 2014</b>	<b>22 144</b>	<b>172 604</b>	<b>322 043</b>	<b>37 288</b>	<b>1 522</b>	<b>555 601</b>
<b>Opening shareholders' equity 1 Jan. 2015</b>	<b>22 144</b>	<b>172 604</b>	<b>322 043</b>	<b>37 288</b>	<b>1 522</b>	<b>555 601</b>
AGM's appropriation of profits	–	–	–	1 522	-1 522	–
Comprehensive income for the year	–	–	–	–	138 856	138 856
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
<b>Closing shareholders' equity 31 Dec. 2015</b>	<b>22 144</b>	<b>172 604</b>	<b>322 043</b>	<b>6 243</b>	<b>138 856</b>	<b>661 890</b>

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

# CASH-FLOW STATEMENTS

SEK thousands	Note	Group		Parent Company	
		31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	19				
<b>Operating activities</b>					
Income after financial items		226 840	146 924	139 682	-9 458
Adjustment for non-cash items		33 857	11 610	39 809	-136
Tax paid		-46 334	-18 154	-	-108
<b>Cash flow from operating activities before changes in working capital</b>		<b>214 363</b>	<b>140 380</b>	<b>179 491</b>	<b>-9 702</b>
Increase (-)/Decrease (+) in inventories		-9 766	5 469	-	-
Increase (-)/Decrease (+) in operating receivables		-4 120	3 201	9 421	-41 013
Increase (+)/Decrease (-) in operating liabilities		-6 951	-3 384	-123 887	84 292
<b>Cash flow from operating activities</b>		<b>193 526</b>	<b>145 666</b>	<b>65 025</b>	<b>33 577</b>
<b>Investing activities</b>					
Business combinations		-9 136	-67 807	-9 136	-69 499
Investments in intangible fixed assets		-13 090	-2 897	-	-
Investments in tangible fixed assets		-9 539	-6 023	-	-
Investments in financial fixed assets		371	-790	-	-545
<b>Cash flow from investing activities</b>		<b>-31 394</b>	<b>-77 517</b>	<b>-9 136</b>	<b>-70 044</b>
<b>Financing activities</b>					
Borrowings		-	60 250	-	60 250
Loan repayments		-36 621	-59 715	-27 523	-6 431
Dividends received		-	-	2 753	3 907
Dividends paid		-32 842	-20 239	-32 565	-19 831
Changes in long-term financial receivables		539	-	-	-
<b>Cash flow from financing activities</b>		<b>-68 924</b>	<b>-19 704</b>	<b>-57 335</b>	<b>37 895</b>
<b>Cash flow for the year</b>		<b>93 208</b>	<b>48 445</b>	<b>-1 446</b>	<b>1 428</b>
Opening cash and cash equivalents		107 598	53 769	2 119	565
Exchange-rate difference in cash and cash equivalents		-1 234	5 384	-81	126
<b>Closing cash and cash equivalents</b>		<b>199 572</b>	<b>107 598</b>	<b>592</b>	<b>2 119</b>

## Cash flow

Consolidated cash flow from operating activities totalled SEK 194 million (146) for 2015. The cash flow from investing activities was SEK -31 million (-78) for the Group.

During the year, cash flow related to gross investments was SEK -10 million (-6) for tangible fixed assets, SEK -13 million (-3) for intangible fixed assets and SEK 0 million (-1) for financial fixed assets.

Investments in subsidiaries amounted to SEK -9 million (-68), attributable to payments of additional purchase prices for Vitrolife Kft. and Hert Art Aps of SEK -8 million and SEK -1 million respectively.

The cash flow from financing activities was SEK -69 million (-20) and comprised items including dividend paid to shareholders of SEK -33 million (-20) and loan repayments of SEK -37 million (-60).

In total, cash flow for the year was SEK 93 million (48) for the Group. At 31 December 2015, consolidated cash and cash equivalents was SEK 200 million (108).

# NOTES TO THE FINANCIAL STATEMENTS

Vitrolife AB (the Parent Company) and its subsidiaries comprise 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. The Parent Company Vitrolife AB (publ), Corporate registration number 556354-3452, is a limited liability company registered in Sweden with its registered office in Gothenburg, Sweden, the visiting address is Gustaf Werners gata 2, with the postal address Box 9080, SE-400 92 Gothenburg, Sweden. The Parent Company is listed on the Mid Cap list of the Nasdaq Stockholm.

The Board of Directors resolved to adopt these consolidated financial statements for publication on 9 March 2016.

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## Note 1 Accounting policies

### Compliance with standards and legislation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), published by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU for application within the EU. Supplementary information pursuant to the Swedish Financial Reporting Board's recommendation: RFR 1 – Supplementary Accounting Rules for Groups, has also been taken into consideration.

The Parent Company applies the same accounting policies as the Group except in the cases listed below in the section "Parent Company's accounting policies". The deviations arising between the Parent Company's and the Group's accounting policies are due to the limitations on the possibility of applying IFRS in the Parent Company, as a result of the Swedish Annual Accounts Act and the Pension Obligations Vesting Act and in certain cases for tax reasons. Furthermore, RFR 2 – Accounting for Legal Entities has also been applied.

### Functional currency and reporting currency

The Parent Company's functional currency is SEK, which is also the reporting currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All figures, if not otherwise stated, are rounded off to the nearest thousand.

### Conditions relating to the preparation of the Parent Company's and consolidated financial statements

Preparing the financial statements in conformity with IFRS requires management

to make assessments, estimates and assumptions that affect the application of the accounting policies and the carrying amounts for assets, liabilities, revenue and expenses. These estimates and assumptions are based on historic experience and a number of other factors deemed reasonable under the prevailing circumstances. The results of these estimates and assumptions are later used to assess the carrying amounts for assets and liabilities that are not otherwise clearly apparent from other sources. The actual outcome may deviate from these estimates and assessments.

The estimates and assumptions are regularly reviewed. Changes in the estimates are recognised in the period they are made if this is the only period affected by the change, or in the period the changes are made and in future periods if they also affect future periods.

Assessments made by management on application of IFRS that have a substantial effect on the financial statements and estimates made that may involve material adjustments in the following year's financial statements are described in detail in Note 31.

The accounting policies for the Group stated below have been applied to all periods presented in the consolidated financial statements, unless otherwise stated. The Group's accounting policies have been applied consistently in the reporting and consolidation of subsidiaries.

No standards, amendments or interpretations that entered force in 2015 are deemed to have had material impact on the Group financial statements.

### New IFRSs and IFRIC interpretations that have not yet come into effect or been applied by Vitrolife, but which are assessed as possibly impacting the Group

IFRS 9 – Financial Instruments, addresses the classification, measurement and recognition of financial assets and liabilities. (Not adopted by the EU and cannot be applied before. Enters force on 1 January 2018.)

IFRS 15 – Revenue from Contracts with Customers has resulted in a new revenue-recognition model, which will apply for all industries and transactions. (Not adopted by the EU and cannot be applied before. Enters force on 1 January 2018.)

IFRS 16 – Leasing will result in changes on how to account for leasing agreements. (Not adopted by the EU and cannot be applied before. Enters force on 1 January 2019.)

No other IFRS or IFRIC interpretations that have not yet come into effect are expected to have any material impact on the Group.

### Classification

Fixed assets, long-term liabilities and provisions essentially consist of amounts that are expected to be recovered or paid more than 12 months after the closing date. Current assets and current liabilities consist mainly of amounts that are expected to be recovered or paid within 12 months of the closing date.

### Consolidation policies

#### Subsidiaries

The consolidated financial statements include the Parent Company Vitrolife AB (publ) and the subsidiaries in which the Parent Company has a controlling influence at year end. All subsidiaries in the Group are wholly owned by the Parent Company with the exception of A.T.S. Srl, of which Vitrolife owns 70% as of 31 December 2015.

Acquisitions of subsidiaries are accounted for using the purchase method, which means that assets and liabilities are recognised at fair value in line with the established acquisition analysis. The difference between the cost of the subsidiaries' shares and the fair value of the acquired assets, assumed liabilities and contingent liabilities comprise consolidated goodwill. The purchase consideration also includes the fair value of all assets and liabilities that are part of the contractual, contingent purchase consideration. Acquisition-related costs are expensed as they arise.

They are included in the consolidated financial statements from the acquisition date until the date on which the control ceases.

Intra-Group receivables and liabilities, income and expenses, and unrealised gains or losses arising from intra-Group transactions are eliminated in their entirety when preparing the consolidated financial statements.

### Foreign currencies

Transactions in foreign currency are measured in the functional currency at the exchange rate prevailing on the transaction date. Monetary assets and liabilities in foreign currency are measured in the functional currency at the exchange rate prevailing on the closing date. Exchange-rate differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are recognised at historic cost are translated at the exchange rate applicable on the transaction date. Non-monetary assets and liabilities that are recognised at fair value are translated to the functional currency at the exchange rate applicable on the date



of fair-value measurement. The change in exchange rates is then recognised in the same manner as other changes in value for the asset or liability.

Functional currency is the currency of the primary economic environment in which the Group company operates. The companies included in the Group comprise the Parent Company and subsidiaries. The Parent Company's functional currency and its presentation currency are SEK. The Group's presentation currency is SEK.

The following exchange rates have been applied in these statements:

Currency	Average exchange rate		Closing rate	
	2015	2014	31 Dec 2015	31 Dec 2014
EUR	9.3562	9.0968	9.1350	9.5155
USD	8.4350	6.8577	8.3524	7.8117
AUD	6.3393	6.1855	6.0861	6.3746
GBP	12.8962	11.2917	12.3785	12.1388
CNY	1.3424	1.1135	1.2868	1.2595
JPY (100)	6.9678	6.4867	6.9346	6.5362
DKK (100)	125.4419	122.0332	122.4168	127.8087
HUF (100)	3.0197	2.9472	2.9177	3.0209

Source: The Riksbank

Assets and liabilities in foreign operations, including goodwill and other consolidated surplus and deficit values, are translated to SEK at the exchange rate on the closing date. Revenue and costs in a foreign operation are translated to SEK at an average rate which constitutes an approximation of the exchange rates that existed on each reporting date. Translation differences that arise in currency translations of foreign operations are recognised in other comprehensive income.

#### Net investments in foreign operations

Monetary long-term receivables and liabilities in foreign operations are assessed as part of the company's net investment in foreign operations when settlement of these receivables and liabilities is not planned and unlikely in the foreseeable future. All resulting exchange-rate differences for these items are recognised in other comprehensive income. On the divestment of any such foreign operation, the accumulated exchange-rate differences are recognised in profit or loss.

#### Revenue

Revenue for sales of goods is recognised in profit or loss when the significant risks and benefits associated with the ownership of the goods have been transferred to the buyer, which is normally in conjunction with delivery. Normally, revenue is recognised when the buyer has accepted delivery and installation and inspection have been carried out. Revenue can also be recognised on delivery but prior to installation if the delivery has transferred the contractual risks and benefits to the buyer.

Sales pertains to revenue from the sale of goods and invoiced freight, and is reported excluding VAT. Sales revenue is recognised on the invoice date. Invoicing is carried out in conjunction with delivery. Revenue is recognised at the fair value of the amount that is received or is expected to be received for sold goods and service as part of daily operations. The revenue recognition of services, such as freight, is carried out when the services are performed.

Interest income is recognised on an ongoing basis and dividends when the right to receive them has been established. Intra-Group sales are eliminated from the consolidated financial statements.

#### Operating expenses and financial income and expenses

##### Leasing

In the consolidated financial statements, leasing is classified as either financial or operational. All of the Group's lease agreements have been classified and recognised as operational. For operating leases, the leasing fee is expensed across the duration of the lease based on its useful life, which can differ from the actual payment made to cover the leasing fee during the year. Also refer to Note 25.

##### Financial income and expenses

Financial income and expenses comprise interest income on bank balances, receivables and interest-bearing securities, and interest expenses on loans, dividend income, exchange-rate differences, unrealised and realised gains from financial investments and derivative instruments used in financial operations.

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO. Vitrolife report sales on geographical areas and product segment. However, result follow-up is only conducted on group level why only one segment is reported. After closing day, Vitrolife launched a changed organizational structure. As a consequence, Vitrolife plans to report results by geographic segment as from 2016.

#### Financial instruments

Financial instruments recognised in the balance sheet include, on the assets side, cash and cash equivalents, accounts receivable, other receivables, other financial fixed assets and derivatives. Accounts payable, other liabilities, loan payables, share of provisions and derivatives are recognised under liabilities.

A financial asset or financial liability is recognised in the balance sheet when the company becomes a party to the instrument's contractual terms and conditions. Accounts receivable are included in the balance sheet when an invoice has been issued. Accounts payable are included when an invoice has been received.

A financial asset is derecognised from the balance sheet when the contractual rights to the asset are realised, expired or the company loses control over them. The same applies to a portion of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation has been fulfilled or in some other manner extinguished. The same applies to a portion of a financial liability. Acquisitions and sales of financial assets are recognised at the transaction date, which is the date when the company commits to acquire or sell the asset, except where the company acquires or divests listed securities in which case settlement date accounting is applied. On each closing date, the Group tests whether any financial asset or group of financial assets has been impaired.

The fair value of listed financial instruments is based on quoted market prices on the closing date. For unlisted financial instruments, or if the market of a certain financial asset is not active, the value is determined by applying recognised measurement techniques, whereby the Group makes assumptions that are based on the market conditions prevailing on the closing date. Market rates form the basis for the calculation of the fair value of long-term loans. For other financial instruments with no specified market value, the fair value is deemed to correspond to the carrying amount.

Receivables and liabilities in foreign currencies are measured at the exchange rate on the closing date. Exchange-rate differences on operating receivables and operating liabilities are included in operating income, while exchange-rate differences on financial receivables and liabilities are reported as financial items.

#### Financial assets measured at fair value in profit or loss

This category consists of two subcategories: financial assets held for trading and other financial assets that the company initially chooses to put in this category. A financial asset is classified as held for trading if acquired with the aim of selling in the short term. Derivatives are classified as held for trading unless used for hedge accounting. Assets in this category are continuously measured at fair value, with unrealised changes in value recognised in profit or loss.

#### Accounts receivable and other receivables

These types of receivables are recognised at amortised cost. If the maturity of the receivable is short, it is recognised at the nominal amount without discounting in line with the amortised cost method. If the receivable is expected to be held for more than 12 months, it is classified as long-term receivables and otherwise as other receivables. Accounts receivable are initially recognised at fair value and, thereafter, at amortised cost. Since the expected maturity of an account receivable is short, a nominal value without discounting is recognised. An amount is deducted for doubtful receivables, which are assessed on an individual basis. The impairment of accounts receivable are recognised under operating expenses.

#### Cash and cash equivalents

Cash and cash equivalents comprise cash balances, immediately available bank balances and other money market instruments with maturities of three months or less. Items subject to fixed interest are measured at amortised cost.

#### Financial liabilities measured at fair value

This category comprises derivatives with negative fair values and the share of other liabilities pertaining to additional purchase prices.

#### Borrowings

Borrowings are initially recognised at fair value, net, after transaction costs and, subsequently, at amortised cost. Any difference between the amount received and the amount to be repaid is recognised in profit and loss over the loan period by applying the effective interest method. All loans have floating rates and, therefore the fair value is assessed as essentially corresponding with the carrying amount. Borrowings are classified as interest-bearing non-current or current liabilities in the balance sheet.

#### Accounts payable

Accounts payable are initially recognised at fair value and, thereafter, at amortised cost using the effective interest method.

#### Derivatives

Derivative instruments comprise forward contracts that are used to cover risks for exchange-rate fluctuations. The Group classifies its forward contracts that are used to hedge forecast flows as cash-flow hedges. The effective portion of changes in the fair value of derivative instruments that are designated and qualify under

hedge accounting rules as cash-flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. The measurement of fair value for currency forward contracts is based on published forward rates in an active market.

### Intangible fixed assets

#### Capitalised development expenditure

Research expenditure pertains to expenses for research aimed at obtaining new scientific or technical knowledge. Development expenditure pertains to expenses where research findings or other knowledge is applied to realise new or enhanced products or processes.

Research expenditure is expensed in the period in which it occurs. Development expenditure is recognised in the Group as an intangible asset when the asset is assessed as able to generate future financial benefits and then only under the prerequisite that it is technically and financially feasible to complete the asset, that the intent is and conditions exist for the asset to be used in operations or sold and that the value can be reliably calculated.

In the consolidated balance sheet, capitalised development expenditure is recognised at cost less accumulated amortisation and impairment.

#### Goodwill

Goodwill represents the difference between the cost of the business combination and the fair value of the acquired assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairment. Goodwill is distributed among cash-generating units and is not amortised, but instead tested annually for any impairment.

#### Other intangible assets

Other intangible assets acquired by the Group are recognised at cost, less accumulated amortisation and impairment losses. Expenses for internally generated goodwill and brands are recognised in profit or loss when the cost is incurred.

#### Additional expenses

Additional expenses for an intangible asset are added to the cost only if they increase the future economic benefits over and above the original assessment and the costs can be reliably estimated.

All other expenditures are expensed as incurred.

#### Amortisation

Amortisation is recognised on a straight-line basis in profit or loss over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill is systematically tested for impairment annually or as soon as there is an indication that the asset has declined in value. Amortisable intangible assets are amortised as from the date the asset is available for use. The estimated useful lives are:

Capitalised development expenditure	5-7 years
Patents	10 years
Brands, technology, customer relationships	10 years

Capitalised development expenditure is mainly amortised over a five-year period, which corresponds to most products' expected life. The amortisation period for patents and brands tracks the underlying patent's or brand's life, which averages ten years.

### Tangible fixed assets

Tangible fixed assets are recognised as assets in the balance sheet when, based on information available, it is likely that the future financial benefits associated with the holding will accrue to the company and that the cost of the asset can be calculated in a reliable manner.

#### Additional expenses

Additional expenses are added to the cost only if it is probable that the future financial benefits associated with the asset will accrue to the company and the cost can be reliably calculated. All other additional expenses are expensed in the period they are incurred.

The decisive factor for determining when an additional expense will be added to the cost is whether the expense pertains to the exchange of identified components, or parts thereof, in which case they are capitalised. The expense is also added to the cost when new components have been created. Any undepreciated carrying amounts for exchanged components, or parts thereof, are scrapped and expensed in conjunction with the exchange. Repairs are expensed on an ongoing basis.

#### Financial expenses

Financial expenses are charged to profit or loss for the period to which they are attributable.

### Depreciation

Depreciation according to plan is based on the original cost less the estimated residual value. Depreciation takes place straight line over the estimated useful life of the asset, land is not depreciated. The estimated useful lives are:

Buildings	20-31 years
Permanent equipment	10-20 years
Plant and machinery	10 years
Equipment, tools, fixtures and fittings	5 years
Computer equipment	3 years
Vehicles and transportation	5 years

Annual assessments are made of assets' residual values and useful lives.

### Inventories

Inventories are measured at the lower of cost and net realisable value, thereby taking into consideration the risk of obsolescence, which is assessed on an individual basis. The cost is calculated according to weighted average prices. The cost of semi-finished and finished products manufactured in-house comprises direct production costs and a reasonable proportion of indirect production costs based on normal capacity.

### Impairment

At each reporting date, an assessment is made of whether any indication exists of any impairment of the Group's assets. However, any need for impairment pertaining to goodwill and other intangible assets, which are not impaired on an ongoing basis, and financial assets is tested at least once each year. If an impairment need is identified, the Group makes an assessment of the asset's recoverable value. The recoverable value is the higher of an asset's fair value less selling expenses and its value in use. The value in use is defined as the present value of all cash payments or receipts attributable to the asset for the period it is expected to be used by the operations plus the present value of the net realisable value at the end of its useful life.

The asset is impaired to its recoverable amount if the calculated recoverable amount is less than the carrying amount. An earlier impairment is reversed when there has been a change in the assumptions used as a basis for the asset's recoverable value when it was impaired and which mean that the impairment is no longer deemed necessary. Reversals of previous impairments are tested individually and recognised in profit or loss. Impairment losses on goodwill are not reversed in a following period. Goodwill and other intangible fixed assets with indefinite useful lives are followed on an ongoing basis and tested annually for impairment, or more often when there is an indication that the asset may have diminished in value.

### Earnings per share

The calculation of earnings per share is based on income for the year in the Group attributable to the Parent Company's shareholders and the weighted average number of shares outstanding during the year.

### Remuneration of employees

All employees have defined-contribution pension plans. The premiums are expensed on an ongoing basis and there are no obligations to pay further fees. The Group's earnings are charged with costs as the benefits accrue. For more information see Note 7.

### Provisions

A provision is recognised in the balance sheet when the Group has an existing legal or informal obligation as a result of an event that has occurred, and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the effect of when payment occurs is significant, provisions are calculated by discounting expected future cash flows using an interest rate before tax that reflects current market assessments of the monetary value over time and, if appropriate, the risks associated with the liability.

### Share capital

Transaction expenses that are directly attributable to the issue of new common shares or options are recognised, net after tax, in shareholders' equity as a deduction from the proceeds.

### Income taxes

The actual tax expense is calculated based on the applicable tax rules on the closing date that have been decided or which are, in practice, decided in those countries where the Parent Company's subsidiaries operate and generate taxable income. The management regularly evaluates the claims made in tax with regard to situations where the applicable tax rules are subject to interpretation and make, when deemed appropriate, provisions for amounts that will probably be payable to the tax authorities.

Deferred tax is recognised in its entirety and calculated using the balance-sheet method on all temporary differences arising between the tax base of assets and

liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is calculated by applying the tax rates (and laws) that were decided or announced on the closing date and which were expected to apply when the deferred tax asset was utilised or the deferred tax liability settled.

Deferred tax assets are recognised insofar as it is probable that tax surpluses will be available in the future against which temporary differences can be utilised.

Deferred tax assets relating to deductible temporary differences and loss carry-forwards are recognised only insofar as it is probable that they can be utilised to lower future tax payments.

Deferred tax is calculated based on temporary differences that arise on shares in subsidiaries, except when the date for reversal of the temporary difference can be controlled by the Group and it is likely that the temporary difference will not be reversed in the foreseeable future.

Total income tax comprises current and deferred tax.

Taxes are recognised in profit or loss, except when the underlying transactions are recognised in other comprehensive income, provided that the relating tax effect is recognised in other comprehensive income. Current tax is tax payable or recoverable for the current year. This also includes adjustments of current tax attributable to prior periods. Deferred tax is calculated in accordance with the balance-sheet method, based on temporary differences between carrying amounts and tax bases of assets and liabilities. The amount is calculated based on how the temporary differences are expected to be balanced and on the basis of the tax rates and tax rules that have been decided or announced as of the closing date. Temporary differences are not taken in to consideration in consolidated goodwill and nor in differences attributable to shares in subsidiaries that are not expected to be taxed in the foreseeable future. In the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

#### Contingent liabilities

A contingent liability is recognised when there is a possible commitment originating from events that have occurred and whose occurrence is confirmed only by one or several uncertain future events or when there is a commitment that is not recognised as a liability or provision because it is probable that an outflow of resources will be required.

#### Cash-flow statements

The cash-flow statements are drawn up according to the indirect method.

#### Parent Company's accounting policies

The Parent Company prepares its annual accounts in accordance with the Annual Accounts Act (1995:1554) and the Financial Accounting Standards Council's recommendation RFR 2 – Accounting for Legal Entities. Under RFR 2, the Parent Company, in preparing the annual financial statements for the legal entity, applies all EU-approved IFRSs and statements insofar as this is possible within the framework of the Annual Accounts Act and the Pension Obligations Vesting Act and with respect to the connection between accounting and taxation. The recommendations specify which exceptions and additions are to be made from and to IFRS. The differences between the accounting policies of the Group and the Parent Company are stated below.

The accounting policies for the Parent Company stated below have been consistently applied in all periods presented in the financial statements of the Parent Company. The accounting policies are unchanged compared with the preceding year.

#### Shares and participations

Shares and participations in Group companies are recognised at cost and subject to impairment testing each year. Dividends are recognised in profit or loss.

#### Income taxes

Untaxed reserves including deferred tax liabilities are recognised in the Parent Company. However, in the consolidated financial statements, untaxed reserves are divided into deferred tax liabilities and shareholders' equity.

#### Shareholders' contributions and Group contributions

Unconditional shareholders' contributions are recognised directly in shareholders' equity at the recipient and capitalised in shares and participations at the giver, to the extent that impairment is not required. Recognition of Group contributions has been carried out in line with the alternative rule in RFR 2. Group contributions are recognised as year-end adjustments.

## Note 2 Segment reporting

Vitrolife has only one operating segment, Fertility. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO. Vitrolife report sales on geographical areas and product segment. However, result follow-up is only conducted on group level why only one segment is reported. After closing day, Vitrolife launched a changed organizational structure. As a consequence, Vitrolife plans to report results by geographic segment as from 2016.

The Fertility segment works with the development, production and marketing of nutrient solutions (media), products for cryopreservation, advanced disposable instruments such as needles and pipettes as well as time-lapse technology for assisted reproduction. The segment also works with media and instruments to enable the use and handling of stem cells for therapeutic purposes. The operating income included amortisation, depreciation and impairment charges of SEK 53 million (23). In 2015, no single customer of Vitrolife accounted for more than 10% of total sales.

#### Financial data by geographic area

	China	USA	Sweden	North and South America*	Asia and the Pacific**	EMEA***	Group total
Revenue from external customers							
2015	129 915	79 699	18 122	46 381	131 853	316 400	722 370
2014	85 435	57 484	14 311	28 367	99 828	225 087	510 512
Fixed assets (intangible and tangible)							
2015	–	88 132	469 120	–	41	47 866	605 159
2014	–	87 350	514 882	–	51	51 431	653 714

\* excl. USA \*\* excl. China \*\*\* excl. Sweden

## Note 3 Sales by product group

	Media	Time-lapse	Other IVF-products	Freight	Group total
Revenue from external customers					
2015	422 899	137 878	144 561	17 032	722 370
2014	347 963	29 960	118 889	13 700	510 512

## Note 4 Business combinations

No acquisition has occurred during 2015.

During the fourth quarter of 2014 Vitrolife acquired all shares in Unisense FertilTech A/S (today 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. Investigation has shown that a tax loss carry-forward, which also existed at the time of acquisition, is assessed possible to utilise even after the change in ownership. This 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 fixed assets, and goodwill has been reduced by the same amount. The table summarizes the purchase price paid and acquired assets and liabilities recognised 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
Tangible fixed assets	4.5
Financial fixed assets	38.1
Inventories	30.3
Other short-term receivables	34.6
Cash and cash equivalents	1.7
Current liabilities	-32.8
Long-term liabilities	-45.3
Deferred tax liability due to surplus value	-33.1
Total acquired assets and liabilities	174.1

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>

## Note 5 Other operating revenue

	Group		Parent Company	
	2015	2014	2015	2014
Foreign exchange gains on operating receivables/liabilities	13 293	9 964	68	-
Disposal gains on machinery and equipment	-	1	-	-
Adjusted purchase price HertArt Aps, Vitrolife Kft. and Conception Technologies	18 516	3 535	-	-
External contributions, product development	357	923	-	-
Other	264	708	-	-
<b>Total</b>	<b>32 430</b>	<b>15 131</b>	<b>68</b>	<b>-</b>

## Note 6 Other operating expenses

	Group		Parent Company	
	2015	2014	2015	2014
Foreign exchange losses on operating receivables/liabilities	-14 552	-6 902	-30	-7
Disposal loss on machinery and equipment	-	-18	-	-
Other	-499	-	-	-
<b>Total</b>	<b>-15 051</b>	<b>-6 920</b>	<b>-30</b>	<b>-7</b>

## Note 7 Employees, personnel costs and Board fees

### Average number of employees

	Total		Of whom, men	
	2015	2014	2015	2014
<b>Parent Company, Sweden</b>	-	-	-	-
<b>Subsidiaries</b>				
Sweden	128	128	51	48
Denmark	66	6	41	1
USA	62	53	37	31
Rest of the world	64	55	47	44
<b>Total</b>	<b>320</b>	<b>242</b>	<b>176</b>	<b>124</b>

### Share of women in senior positions

	2015	2014
Board of Directors	33%	33%
Management team	20%	20%

### Salaries, other benefits and social charges

	Salaries and benefits		Social charges	
	2015	2014	2015	2014
Parent Company	1 330	1 070	418	336
- of which pension costs	(-)	(-)	(-)	(-)
Subsidiaries	153 078	108 854	46 542	36 745
- of which pension costs	(-)	(-)	(13 425)	(9 573)
<b>Total</b>	<b>154 408</b>	<b>109 924</b>	<b>46 960</b>	<b>37 081</b>
- of which pension costs	(-)	(-)	(13 425)	(9 573)

Of the Group's pension costs SEK 892 thousand (884) pertained to the Board and CEO, of which SEK 892 thousand (884) was attributable to the CEO.

### Salaries and benefits allocated by country and between Board members/CEO and other employees

	Board/CEO		Other employees	
	2015	2014	2015	2014
<b>Parent Company, Sweden</b>	<b>1 330</b>	<b>1 070</b>	<b>-</b>	<b>-</b>
<b>Subsidiaries</b>				
Sweden	4 496	3 958	62 360	55 746
- of which bonus, etc.	(1 620)	(966)	-	-
Denmark	-	-	30 117	5 106
USA	-	-	31 541	22 828
Rest of the world	-	-	24 564	21 216
<b>Total</b>	<b>5 826</b>	<b>5 028</b>	<b>148 582</b>	<b>104 896</b>
- of which bonus, etc.	(1 620)	(966)	-	-

### Board of Directors

Pursuant to the 2014 AGM's resolution, fees of SEK 1,110 thousand (930) were paid to the Board. The Chairman Carsten Browall received SEK 330 thousand and the five other Board members each received SEK 150 thousand, and the Audit Committee Chairman Tord Lendau, received an additional fee of SEK 30 thousand. On 5 May 2015, Vitrolife's AGM resolved to pay Board fees of SEK 1,440 thousand for the period until the next AGM. SEK 450 thousand is payable to the Chairman Carsten Browall and SEK 150 thousand each to the five other Board members, an additional fee of SEK 60 thousand to the Audit Committee Chairman, an additional fee of SEK 60 thousand to the Remuneration Committee Chairman and SEK 30 thousand to all other members of these committees.

### CEO

In the 2015 financial year, the CEO Thomas Axelsson received salary totalling SEK 4,496 thousand, of which SEK 1,144 thousand comprised variable remuneration and SEK 476 thousand according to the long-term incentive programme ("LTI") adopted by the AGM 2015. No car allowance was paid. A defined-contribution pension applies and pension premiums amounting to 30% of fixed remuneration are paid. A six-month notice period applies for termination of the CEO's contract by the company and vice versa. In case of termination by the company, a severance payment is payable of up to 12-months' salary. The CEO's employment contract includes a non-competition clause. The retirement age is 65.



## Other executive management

In the 2015 financial year, executive management, which comprises 5 (5) persons including the CEO, received salaries of SEK 11,854 thousand (9,689), of which SEK 2,239 thousand (1,813) was variable remuneration and SEK 1 214 thousand (-) according to the LTI-programme. Variable remuneration was contingent on the outcome of a number of mainly quantitative parameters compared with set targets. The quantitative parameters are related to sales and result (EBITDA) for the company. Remuneration according to the LTI-programme refers to incentive programme for certain selected key individuals with the aim of aligning the interests of shareholders with those of the executive management and to encourage the purchase of Vitrolife shares. For further information, see page 26. Customary occupational pension premiums were paid for and the retirement age is 65. A notice period of three to six months applies for the termination of employment contracts for other executive management by the company and vice versa. No severance payments are payable. No loans exist to executive management. After closing day, the group of executive management was increased to comprise six persons.

## Defined-contribution pension plans

In Sweden, the Group funds defined-contribution pension plans for its employees. Outside Sweden, defined-contribution plans are partly defrayed by the subsidiaries and partly defrayed by fees paid by the employees. Payments to these plans are made on an ongoing basis pursuant to the respective plan's rules.

	Group		Parent Company	
	2015	2014	2015	2014
Payments to defined-contribution plans	13 425	9 573	-	-

## Endowment insurance

Endowment insurance includes plans for the CEO and the former CEO of SEK 2,077 thousand (1,661). These endowment insurance plans are recognised under other financial assets and provisions; refer to Note 27.

## Note 8 Auditors' fees

	Group		Parent Company	
	2015	2014	2015	2014
<b>Deloitte</b>				
Audit assignment	1 106	707	680	609
Audit activities other than audit assignment	31	140	17	140
Tax consultancy	182	70	182	70
Other services	136	80	136	80
<b>Other auditors</b>				
Audit assignment	162	288	-	-
Audit activities other than audit assignment	-	-	-	-
Tax consultancy	-	-	-	-
Other services	-	-	-	-
<b>Total</b>	<b>1 617</b>	<b>1 285</b>	<b>1 015</b>	<b>899</b>

Audit assignments refers to the examination of the annual accounts, the accounting records and the administration of the CEO, other tasks incumbent on the company's auditor to perform as well as advice or other assistance resulting from observations made during an audit or the conduct of such other duties. Audit activities other than the audit assignment, pertain to quality assurance services, including assistance regarding observations made during such a review, which is carried out in accordance with ordinances, the Articles of Association, bye-laws or agreements, and which result in a report that is also intended for others than the client. Advice on tax questions is reported separately. Everything else comprises other services.

## Note 9 Operating expenses

	Group		Parent Company	
	2015	2014	2015	2014
Raw materials and consumables	-95 661	-68 288	-	-
Changes in inventories of finished goods and work in progress	10 608	1 525	-	-
Personnel costs	-214 264	-156 287	-418	-338
Depreciation, amortisation and impairment	-53 063	-23 250	-	-
Other external costs	-161 234	-129 077	-7 390	-9 509
Other operating expenses	-15 051	-6 920	-30	-7
<b>Total</b>	<b>-528 665</b>	<b>-382 297</b>	<b>-7 838</b>	<b>-9 854</b>

## Note 10 Net financial items

	Group		Parent Company	
	2015	2014	2015	2014
Interest income	304	332	2 150	232
Foreign exchange gains	8 575	12 846	7 958	4 672
Dividends from participations in Group companies	-	-	185 644	4 918
Other financial income	1	8	-	-
<b>Financial income</b>	<b>8 880</b>	<b>13 186</b>	<b>195 752</b>	<b>9 822</b>
Interest expense	-1 187	-963	-894	-528
Foreign exchange losses	-6 627	-7 035	-5 012	-7 500
Impairment of participations in Group companies	-	-	-46 588	-
Impairment of financial fixed assets	-	-799	-	-799
Fair value valuation	-328	-599	-328	-599
Other financial expenses	-33	-212	-	-
<b>Financial expenses</b>	<b>-8 175</b>	<b>-9 608</b>	<b>-52 822</b>	<b>-9 426</b>
<b>Total</b>	<b>705</b>	<b>3 578</b>	<b>142 930</b>	<b>396</b>

## Note 11 Exchange-rate differences

	Group		Parent Company	
	2015	2014	2015	2014
In operating income	-1 259	3 068	38	-7
In financial items	1 948	5 811	2 945	-2 828
<b>Total</b>	<b>689</b>	<b>8 879</b>	<b>2 983</b>	<b>-2 835</b>

## Note 12 Taxes

	Group		Parent company	
	2015	2014	2015	2014
<b>Tax expense for the year</b>				
Current tax for the year	-55 214	-34 172	0	0
Tax pertaining to preceding year	3 797	-367	0	-4
<b>Total current tax</b>	<b>-51 417</b>	<b>-34 539</b>	<b>0</b>	<b>-4</b>
<i>Deferred tax</i>				
Amortisation surplus values	6 243	890	-	-
Intra-Group profit in inventories	1 097	681	-	-
Capitalised/dissolved loss carry-forwards	-2 351	885	-	-
Change untaxed reserves	724	-3 959	-	-
Other temporary differences	2 225	-1 414	-	-
<b>Total tax expense</b>	<b>-43 479</b>	<b>-37 456</b>	<b>0</b>	<b>-4</b>

## Reconciliation effective tax rate

Income before tax	226 840	146 924	138 856	1 526
Estimated Swedish tax 22 % (22 %)	-49 905	-32 323	-30 548	-336
Differences in foreign tax rates	-3 964	-373	-	-
Tax pertaining to preceding year	3 797	-367	0	-4
Effect of changed tax rate (Denmark)	1 242	-	-	-
Non-deductible expenses	-1 437	-5 810	-45	-571
Impairment of participations in Group companies	-	-	-10 249	-176
Non-taxable income	5 608	513	-	-
Dividend received from Group companies	-	-	40 842	1 083
Utilisation of priorly non-capitalised loss carry-forwards and settlement of foreign tax	1 180	904	-	-
Items recognised directly in shareholders' equity	-	-	-	-
<b>Total tax expense</b>	<b>-43 479</b>	<b>-37 456</b>	<b>0</b>	<b>-4</b>

Deferred tax Group	Deferred tax asset		Deferred tax liability	
	2015	2014	2015	2014
Untaxed reserves	-	-	-18 059	-18 783
Intra-Group profit in inventories	504	1 601	2 476	-
Surplus values fixed assets	-	1 352	-26 865	-36 117
Temporary differences acquisition loans	-	559	-	-
Loss carry-forwards	37 683	29 524	-	-
Temporary differences derivative instruments	-	-	-185	617
Temporary differences fixed assets	-12 039	267	576	-6 402
Other temporary differences	3 816	-	-	1 112
<b>Total</b>	<b>29 964</b>	<b>33 303*</b>	<b>-42 057</b>	<b>-59 573*</b>

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

The deferred tax assets and tax liabilities above are partially recognised in the balance sheet on a net basis after taking into account offsetting possibilities. Deferred tax assets and tax liabilities have been measured at the tax rates that are expected to apply for the period when the asset is realised or the liability settled, according to the tax rates and regulations that have been determined or notified at the closing date.

#### Change in deferred tax assets/tax liabilities

Of the change in deferred tax assets/tax liabilities, the following items have been recognised in other comprehensive income, a negative amount of SEK 0.8 million pertaining to temporary differences in derivatives and a positive amount of SEK 0.6 million pertaining to other temporary differences. In conjunction with the preparation of the acquisition analysis for the Vitrolife A/S Group, loss carry-forwards in the US subsidiary FertilTech Inc, which are attributable to the period prior to the change in ownership, have been assessed as available for use by Vitrolife. A deferred tax assets of SEK 6.2 million has been capitalised, which has resulted in a corresponding decrease in goodwill in the acquisition analysis, refer to Note 4 for more information. All other changes in deferred tax were recognised in net income for the year. During the year, Vitrolife Inc, in the US, acquired FertilTech Inc from the Group company Vitrolife A/S, Denmark, and in December 2015, FertilTech Inc was merged with Vitrolife Inc.

Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent it has been estimated these can be used against future taxable profits. Total deferred tax assets of SEK 37.7 million comprise tax loss carry-forwards of SEK 138.2 million in Vitrolife A/S Denmark, SEK 17.9 million in Vitrolife Inc, in the US, and SEK 5.4 million in Vitrolife Kft, Hungary making a total of SEK 162 million.

Tax loss carry-forwards attributable to HertArt Aps in Denmark amounted to SEK 5.9 million at the closing date. No deferred tax assets were taken into consideration, since these loss carry-forwards are subject to a degree of uncertainty regarding the extent to which they can be used in the future.

#### Restrictions pertaining to tax loss carry-forwards

In the US, loss carry-forwards are subject to a time limitation of 20 years and expire on 31 December 2034. Under existing regulations, other loss carry-forwards have no expiry date. All loss carry-forwards are subject to restrictions with regard to the proportion of the loss carry-forward that can be used to offset taxable profits in respective years.

## Note 13 Intangible fixed assets

Group	Develop- ment costs	Patents	Goodwill	Other	Total
<b>Accumulated cost</b>					
Opening balance					
1 Jan 2014	43 123	9 582	201 268	14 470	268 442
Purchases	2 538	360	-	-	2 898
Business combinations	65 401	8 847	170 752	101 825*	346 825
Disposals/impairment	-10 511	-2 221	-	-	-12 732
Translation differences for the year	6 216	1 007	10 518	3 121	20 862
Closing balance					
31 Dec 2014	106 767	17 575	382 538	119 416	626 296

Opening balance					
1 Jan 2015	106 767	17 575	382 538	119 416	626 296
Purchases	12 107	983	-	-	13 090
Disposals /impairment	-5 719	-3 628	-	-	-9 347
Adjustment acquisition analysis**	-	-	-6 201	-	-6 201
Reclassifications	-1 402	-	-	1 402	-
Translation differences for the year	-4 475	438	-7 870	-4 112	-16 019
Closing balance					
31 Dec 2015	107 278	15 368	368 467	116 706	607 819

\* Business combinations 2014 refer to trademarks of SEK 31.0 million and technology of SEK 70.8 million.

\*\* Further information, see Note 4.

#### Accumulated amortisation and impairment

Opening balance					
1 Jan 2014	-31 064	-6 345	-17 993	-6 784	-62 186
Disposals/impairment	10 872	-	-	-	10 872
Reclassifications	43	-72	-	-	-29
Amortisation for the year	-4 773	-554	-	-2 966	-8 293
Translation differences for the year	-4 078	-966	-	-225	-5 269
Closing balance					
31 Dec 2014	-29 000	-7 937	-17 993	-9 975	-64 905

Opening balance					
1 Jan 2015	-29 000	-7 937	-17 993	-9 975	-64 905
Disposals/impairment	2 448	36	-	-	2 484
Reclassifications	3 047	-	-	-3 047	-
Amortisation for the year	-13 177	-797	-	-16 509	-30 483
Translation differences for the year	1 493	-752	-	-138	603
Closing balance					
31 Dec 2015	-35 189	-9 450	-17 993	-29 669	-92 301

#### Carrying amounts

At 31 Dec 2014	77 767	9 638	364 545	109 441	561 391
At 31 Dec 2015	72 089	5 918	350 474	87 037	515 518

#### Parent Company

	Patents	Total
<b>Accumulated cost</b>		
Opening balance 1 Jan 2014	160	160
Closing balance 31 Dec 2014	160	160

Opening balance 1 Jan 2015	160	160
Closing balance 31 Dec 2015	160	160

#### Accumulated amortisation and impairment

Opening balance 1 Jan 2014	-160	-160
Amortisation for the year	-	-
Closing balance 31 Dec 2014	-160	-160

Opening balance 1 Jan 2015	-160	-160
Amortisation for the year	-	-
Closing balance 31 Dec 2015	-160	-160

#### Carrying amounts

At 31 Dec 2014	0	0
At 31 Dec 2015	0	0

## Amortisation has been allocated in profit or loss by function as follows:

	Group		Parent Company	
	2015	2014	2015	2014
Cost of goods sold	-26 659	-3 756	-	-
Selling expenses	-172	-1 171	-	-
Administrative expenses	-269	-276	-	-
Research and development expenses	-3 383	-3 090	-	-
Total	-30 483	-8 293	-	-

The Group's goodwill is attributable to the acquisition of subsidiaries and their operations.

Vitrolife has one operating segment, Fertility, wherefore goodwill has been tested for impairment for the Group as a whole. The impairment test has been carried out based on budget and forecasts, where the first forecast year is based on the company's budget and the following four years based on historical growth rates after adjustment for management forecasts. The forecasts have been prepared internally by the management using historical data, the collective experience of management and their best assessment of the company's development potential and market growth. The forecast cash flows after the first five years have been based on a more conservative growth rate of 4% (4) per year, with a deceleration in the growth rate of 5% per year. The present values were calculated for forecast cash flows using a discount rate before tax of 9.0% (9.6). The key variables in the forecasts are market share and growth, gross margin, selling expenses and investments. The estimate is based on a continued, healthy gross margin and the need for investment has been assessed as that needed to replace existing assets. Working capital has been assumed to change in line with sales and the debt/equity ratio is assessed as unchanged, since growth is expected to occur within the framework of existing operations and with own funds. The recoverable amount, which is calculated at Group level as the value in use, exceeds the carrying amount. The management's assessment is that no reasonable changes in the key variables and assumptions will lead to the unit's recoverable amount being less than the carrying amount.

To support the impairment tests performed on the intangible fixed assets, a comprehensive analysis was performed of the sensitivity in the variables used in the model. The assumption of an increase in the discount rate to 10.0%, shows that the recoverable amounts still exceed the carrying amounts. Other assumptions, such as the gross margin, need for investment and growth rate have been assumed as constant.

## Note 14 Tangible fixed assets

Group	Land and buildings	Plant and machinery	Equipment, tools, fixtures and fittings	Construction in progress	Total
<b>Accumulated cost</b>					
Opening balance 1 Jan 2014	66 297	35 462	75 328	36	177 124
Purchases	-	1 033	4 044	911	5 987
Business combinations	1 131	1 798	1 601	-	4 530
Sales/disposals	-142	-536	-5 227	-	-5 905
Reclassifications	-	36	-	-36	-
Translation differences for the year	9 267	1 807	7 083	-	18 157
Closing balance 31 Dec 2014	76 553	39 600	82 829	911	199 893
Opening balance 1 Jan 2015	76 553	39 600	82 829	911	199 893
Purchases	722	1 639	5 183	1 995	9 539
Sales/disposals	-2 768	-11 118	-1 331	-404	-15 621
Reclassifications	-16 055	432	16 130	-507	-
Translation differences for the year	3 688	570	2 737	-	6 995
Closing balance 31 Dec 2015	62 140	31 123	105 548	1 995	200 806
<b>Accumulated depreciation and impairment</b>					
Opening balance 1 Jan 2014	-14 828	-24 143	-52 196	-	-91 168
Depreciation for the year	-2 835	-2 029	-7 599	-	-12 463
Sales/disposals	90	466	4 724	-	5 280
Reclassifications	692	-286	-377	-	29
Translation differences for the year	-2 476	-942	-5 832	-	-9 249
Closing balance 31 Dec 2014	-19 357	-26 934	-61 280	-	-107 571

Opening balance 1 Jan 2015	-19 357	-26 934	-61 280	-	-107 571
Depreciation for the year	-3 215	-3 401	-8 408	-	-15 024
Sales/disposals	2 750	10 554	1 493	-	14 797
Reversal of impairment	-	-	131	-	131
Reclassifications	5 151	-	-5 151	-	-
Translation differences for the year	-845	-268	-2 385	-	-3 498
Closing balance 31 Dec 2015	-15 516	-20 049	-75 600	-	-111 165

## Carrying amounts

At 31 Dec 2014	57 196	12 666	21 549	911	92 322
At 31 Dec 2015	46 624	11 074	29 948	1 995	89 641

## Parent Company

	Equipment and tools	Total
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## Accumulated cost

Opening balance 1 Jan 2014	400	400
Closing balance 31 Dec 2014	400	400

Opening balance 1 Jan 2015	400	400
Closing balance 31 Dec 2015	400	400

## Accumulated depreciation and impairment

Opening balance 1 Jan 2014	-388	-388
Depreciation for the year	-	-
Closing balance 31 Dec 2014	-388	-388

Opening balance 1 Jan 2015	-388	-388
Depreciation for the year	-	-
Closing balance 31 Dec 2015	-388	-388

## Carrying amounts

At 31 Dec 2014	12	12
At 31 Dec 2015	12	12

## Depreciation has been allocated in profit or loss by function as follows:

	Group		Parent Company	
	2015	2014	2015	2014
Cost of goods sold	-8 340	-6 763	-	-
Selling expenses	-357	-256	-	-
Administrative expenses	-4 968	-4 290	-	-
Research and development expenses	-1 359	-1 154	-	-
Total	-15 024	-12 463	-	-

## Note 15 Inventories

	Group		Parent Company	
	2015	2014	2015	2014
Raw materials and consumables	42 941	37 937	-	-
Products in progress	6 862	9 069	-	-
Finished goods and goods for resale	52 481	44 670	-	-
Total	102 284	91 676	-	-

Impairment of SEK 0.7 million (2.0) pertaining to obsolescent raw materials and SEK 0.4 million (5.4) for obsolescent finished products was included in the closing inventory. Total obsolescence costs for 2015 amounted to SEK 6.0 million (8.5).

The amount reported as costs for products in stock during the period totalled SEK 206.2 million (153.9).

## Note 16 Group receivables and liabilities

The Parent Company has receivables from the Danish subsidiary Vitrolife A/S of DKK 30.9 million (45.2), receivables from the Hungarian subsidiary Vitrolife Kft., which amount to HUF 70.4 million (132.9) and receivables from the US subsidiary Vitrolife Inc. of USD 0.1 million (0). The Parent Company also has liabilities to the Swedish subsidiary Vitrolife Sweden AB of SEK 64.6 million (165.0).

## Note 17 Accounts receivable

Accounts receivable are recognised after taking into account bad debt losses during the year. In 2015, Group bad debt losses totalled SEK 441 thousand (290).

	Group		Parent Company	
	2015	2014	2015	2014
Accounts receivable	104 839	90 240	–	–
Less provision for doubtful receivables	-5 056	-5 620	–	–
Total	99 783	84 620	–	–

### Age structure of accounts receivable

2015	Total accounts receivable:	Not due:	Due, number of days:				Total amount due:
			0–30	31–60	61–120	>120	
104 839	72 364	14 685	5 774	3 895	8 121	32 475	
of which provision							
-5 056	-43	-100	-15	-303	-4 595	-5 013	

2014	Total accounts receivable:	Not due:	Due, number of days:				Total amount due:
			0–30	31–60	61–120	>120	
90 240	64 734	12 173	6 256	2 349	4 728	25 506	
of which provision							
-5 620	–	-14	-873	-131	-4 602	-5 620	

Provision for doubtful receivables	Group		Parent Company	
	2015	2014	2015	2014
Opening provision	-5 620	-3 720	–	–
Reversal of provision for doubtful receivables	4 017	891	–	–
Confirmed credit losses	441	290	–	–
Provision for doubtful receivables	-4 475	-4 360	–	–
Translation differences	581	1 279	–	–
Closing provision	-5 056	-5 620	–	–

## Note 18 Prepaid expenses and accrued income

	Group		Parent Company	
	2015	2014	2015	2014
Rent and other property costs	2 076	2 133	–	–
Maintenance contracts	1 654	1 311	–	–
Insurance	2 696	2 433	1 134	792
Deposits	–	17	–	–
Other prepaid expenses	1 285	1 448	71	93
Accrued income	547	538	–	–
Total	8 258	7 880	1 205	885

## Note 19 Cash-flow statements and cash and cash equivalents

	Group		Parent Company	
	2015	2014	2015	2014
<b>Interest paid and received</b>				
Interest received	304	191	–	1
Interest paid	-1 256	-1 115	-894	-528
Total	-952	-924	-894	-527

### Adjustment for non-cash items

Depreciation, amortisation and impairment of assets	53 063	23 250	–	799
Unrealised exchange-rate differences	-1 436	-7 310	-3 985	3 983
Impairment of participations in Group companies, Vitrolife Kft.	–	–	46 588	–
Adjustment of additional purchase price, Vitrolife Kft. and HertArt Aps. (Vitrolife Kft.)	-17 580	-2 778	–	–
Interest income, unpaid	–	–	-2 151	–
Dividend, unpaid	–	–	-643	-4 918
Other	-190	-1 552	–	–
Total	33 857	11 610	39 809	-136

### Sub-components of cash and cash equivalents

Cash and bank balances	199 572	107 598	592	2 119
Total	199 572	107 598	592	2 119

The utilised overdraft facility was SEK - (-). The overdraft facility's limit is SEK 50 million (50).

Cash and cash equivalents not used in daily operations is invested in accordance with Vitrolife's financial policy; refer to Note 24. No active asset management was carried out in 2015.

## Note 20 Shareholders' equity

### Share capital

Only one class of shares exists and all shares carry the same rights.

### Other capital contributed

Pertains to shareholders' equity contributed by the owners. This includes shares in share premium reserves transferred to the statutory reserve as of 31 December 2005. Provisions made to the share premium reserve from 1 January 2006 and onward are recognised as contributed capital.

### Translation reserve

The translation reserve includes all exchange-rate differences arising in conjunction with the translation of financial statements from foreign operations that have prepared their financial statements in a currency other than the presentation currency in the consolidated financial statements. The Parent Company and Group present their financial statements in SEK.

### Accumulated exchange-rate differences in shareholders' equity

	Group	
	2015	2014
Opening balance	-18 725	-39 519
Exchange-rate differences in foreign subsidiaries, net after tax	-10 887	20 794
Closing balance	-29 612	-18 725

The disclosure requirement in Chapter 5, section 14 of the Annual Accounts Act regarding the specification of year-on-year changes in shareholders' equity in the balance sheet are detailed on page 34.

Under the dividend policy for Vitrolife AB (publ), each year, a dividend, or some other form of distribution equal to 30% of net profit for the year after taxes, should be proposed. Thus, in accordance with the above, the Board and CEO intend to propose that the AGM resolve in favour of a dividend of SEK 2.40 per share for 2015, corresponding to a total of SEK 52.1 million. The dividend will be presented to the Annual General Meeting on 28 April 2016 for adoption.

### Retained earnings including income for the year

Retained earnings including income for the year comprises profits earned by the Parent Company and its subsidiaries.

### Capital management

The capital managed by the Group comprises shareholders' equity. The Group's objective with its capital management is to enable continued high growth, both organic and through acquisitions. The Group's net debt should normally not exceed a multiple of three times EBITDA. Profitable growth is an objective of Vitrolife's Board. Vitrolife's growth target over a three-year period is sales growth of an average of 20% per year, with an operating margin before depreciation and amortisation (EBITDA) of 30%.

## Note 21 Earnings per share

In 2015, the average number of shares outstanding was 21,710,115 (19,987,534). Income for the year attributable to the Parent Company's shareholders was SEK 182,845 thousand (109,109) resulted in earnings per share of SEK 8.42 (5.46).

## Note 22 Interest-bearing liabilities

	Group		Parent Company	
	2015	2014	2015	2014
Long-term portion, bank loans	35 627	60 019	35 627	59 472
Current portion, bank loans	11 876	25 774	11 876	18 079
Total	47 503	85 793	47 503	77 551

### Maturity date

In 1–5 years	35 627	60 019	35 627	59 472
> 5 years	–	–	–	–
Total	35 627	60 019	35 627	59 472



The utilised portion of overdraft facilities is recognised under long-term bank loans SEK - (-).

Refer to Note 24 for loan terms and conditions, and other contractual conditions. Collateral is in place for portions of the bank loans; refer to Note 27.

## Note 23 Accrued expenses and deferred income

	Group		Parent Company	
	2015	2014	2015	2014
Accrued personnel costs	36 351	37 175	–	–
Audits and consultancy services	964	1 366	340	875
Annual report	310	274	310	260
Board fees	1 262	973	1 262	973
Other taxes abroad	5 037	3 442	–	–
Accrued interest expense	–	68	–	68
Restructuring costs	–	3 407	–	–
Other accrued expenses	6 548	7 210	–	8
Deferred income	7 737	10 675	–	–
<b>Total</b>	<b>58 209</b>	<b>64 590</b>	<b>1 912</b>	<b>2 184</b>

## Note 24 Financial instruments and financial risk management

Through its operations, the Vitrolife Group is exposed to various types of financial risk. Financial risk pertains to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates and interest rates, and refinancing and credit risks.

### Capital risk

The Group's aim regarding the capital structure is to secure the Group's ability to continue operations, so that it can continue to generate returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to keep the cost of capital down. The Group can change the dividend to shareholders, repay capital to shareholders, issue new shares, buy back its own shares or sell/buy assets with the aim of maintaining or adjusting the capital structure.

Vitrolife's Board considers that Vitrolife should have a strong capital base to enable continued high growth, both organic and through acquisitions. The company's net debt should not normally exceed a multiple of three times EBITDA. Net debt pertains to interest-bearing liabilities less interest-bearing assets and cash and cash equivalents. Profitable growth is an objective of Vitrolife's Board. Vitrolife's growth target over a three-year period is sales growth of an average of 20% per year, with an operating margin before depreciation and amortisation (EBITDA) of 30%.

Vitrolife is subject to capital requirements through its external financing. The Group has met all such requirements in 2015.

### Financial policy

Vitrolife has a Group policy for its financial operations, which defines financial risks and states how the company should manage these risks. Furthermore, the policy states which reports must be prepared. Under this policy, the company must always maintain liquidity corresponding to known future net cash outflows for not less than three months.

### Terms and conditions

Maturity structure of financial liabilities (incl. future interest payments):

	In 1 year					Total
	2 years	3 years	4 years	> 4 years		
<b>31 Dec 2015</b>						
Borrowings	12 426	12 288	12 151	12 013	–	48 878
Accounts payable	21 749	–	–	–	–	21 749
Other liabilities	22 306	–	–	–	2 503	24 809
Derivative instruments	–	–	–	–	–	–
<b>31 Dec 2014</b>						
Borrowings	27 613	18 926	17 218	12 687	12 529	88 973
Accounts payable	22 282	–	–	–	–	22 282
Other liabilities	35 810	18 579	–	–	3 113	57 502
Derivative instruments	2 803	–	–	–	–	2 803

Vitrolife's total credit facilities amounted to SEK 98 (136) million, of which SEK 48 (86) million was utilised. The credit facilities were used for acquisition loans.

The Group's effective interest rate was 1.6% (2.1) in 2015.

### Interest-rate risk

Since the end of 2014, Vitrolife has a EUR denominated loan pertaining to the acquisition of Unisense FertilTech A/S (today Vitrolife A/S) of SEK 47.5 million (61.9).

During the year, Vitrolife made the final payments on three USD denominated loans in the US subsidiary Vitrolife Inc.; one loan pertaining to the acquisition of the operations of Conception Technologies of SEK 2.3 million (7.4), one loan related to the purchase of a property in Denver of SEK 2.7 million (1.4) and one loan pertaining to the construction of the MEA laboratory in Denver of SEK 3.2 million (0.6). Finally, Vitrolife also made the final payment on a EUR denominated loan for the acquisition of the Cryo Group of SEK 15.7 million (4.4).

During 2015 no new loans have been raised. Floating interest rates apply for all loans.

### Credit and counterparty risks

Credit risk is defined as the risk that a counterparty is unable to meet its commitments to the Group, which could lead to credit losses. Historically, Vitrolife has had low credit losses and this was also true for 2015. Risk is limited through the use of credit ratings and advance payments from new customers, as well as through close customer monitoring by the finance and marketing functions conjunctively. Furthermore, individual testing is performed of accounts receivable in terms of solvency and credit rating on the closing date.

At the end of 2015, counterparty exposure for derivative trading was SEK 842,000 (-). For the same period, the exposure in terms of cash and cash equivalents amounted to SEK 199.6 million (107.6).

### Currency risks

The currency risk comprises the risk of fluctuations in the value of financial instruments due to exchange-rate changes. This risk is related to changes in expected and contracted payment flows (transaction exposure), the revaluation of foreign subsidiaries' assets and liabilities in foreign currencies (translation exposure) and financial exposure in the form of currency risks in payment flows for loans and investments. Vitrolife is a global company with sales in about 110 countries. This means that the company is impacted by variations in exchange rates. The aim is to minimise the impact of these changes wherever practically possible.

The EUR and CNY have the largest impact. External sales from the US subsidiary are entirely in USD. Inflows are matched with subsidiaries' outflows in the form of costs, which are also primarily in USD. The breakdown of sales at the Swedish subsidiary Vitrolife Sweden AB are as follows: EUR 58% (60), CNY 30% (26), SEK 8% (9) and USD 4% (5). Most of the costs for the Swedish units are in SEK, however some of the costs are in EUR. As far as possible, this outflow is matched with EUR inflows.

The company's transaction exposure (in thousands) is allocated over the following currencies:

	Local currencies		Amount in SEK		Share, %	
	2015	2014	2015	2014	2015	2014
EUR	16 966	16 056	158 740	146 062	59	60
CNY	74 729	66 701	100 316	74 271	37	30
USD	464	2 011	3 918	13 792	2	6
AUD	450	870	2 854	5 384	1	2
GBP	39	104	499	1 178	0	1
NOK	60	1 128	63	1 229	0	1
JPY	5 454	8 161	380	529	0	0
DKK	1 372	428	1 722	522	1	0
<b>Total</b>			<b>268 492</b>	<b>242 967</b>	<b>100</b>	<b>100</b>

For 2016, EUR 4.8 million has been hedged through forward contracts at an average exchange rate of SEK 9.33/EUR. In 2015, EUR 9.6 million was hedged, which corresponded to about 27% of EUR income.

Net assets abroad are attributable to Vitrolife Inc., Vitrolife KK, Vitrolife Ltd., Vitrolife Pty Ltd., Vitrolife A/S, A.T.S. Srl, Vitrolife Kft. and HertArt ApS. Transaction exposure for the year amounted to SEK 260.5 million (194.0) and was not hedged.

### Sensitivity analysis

The Group's aim behind its management of interest and exchange-rate risk is to reduce the impact of short-term fluctuations on the Group's earnings. However, in the long term, longer lasting changes in interest and exchange rates have an impact on consolidated earnings.

At 31 December 2015, a general increase in the borrowing rate of one percentage point would reduce the Group's income before tax by about SEK 475 thousand (858).

A general increase for the SEK of 4% against other currencies would reduce the Group's income before tax by about SEK 10.3 million (9.0) for the year ending 31 December 2015.

## Fair value

### Group

Financial assets and liabilities totalled SEK 310.9 million (203.1), and SEK 94.1 million (168.4) respectively. No forward covers were carried out for the currency components included in the above amounts. Refer to Note 26 for the fair value hierarchy.

The fair value of currency contracts valued at fair value is determined based on quoted prices at the closing date.

### Parent Company

Financial assets and liabilities totalled SEK 775.6 million (828.5), and SEK 113.0 million (273.5) respectively. During 2015, a write-down by SEK 47 million of the shares in the Hungarian subsidiary Vitrolife Kft has been made as a result of weak development of profitability for the company's time-lapse product Primo Vision. Based on future earning potential, no impairment has been deemed necessary for other shares in subsidiaries. No forward covers were carried out for the currency components included in the above amounts.

## Financial instruments by category

The accounting policy for financial instruments was applied for the following items:

Assets as per balance sheet	Assets measured at amortised cost		Derivatives for hedging purposes		Financial assets at fair value in profit or loss	
	2015	2014	2015	2014	2015	2014
Other shares and participations	-	-	-	-	3 746	3 746
Other financial fixed assets	5 851	6 240	-	-	-	-
Accounts receivable	99 783	84 620	-	-	-	-
Other receivables	1 104	862	-	-	-	-
Derivative instruments	-	-	842	-	-	-
Cash and cash equivalents	199 572	107 598	-	-	-	-
<b>Total</b>	<b>306 310</b>	<b>199 320</b>	<b>842</b>	<b>-</b>	<b>3 746</b>	<b>3 746</b>

Liabilities as per balance sheet	Liabilities measured at amortised cost		Derivatives for hedging purposes		Financial liabilities at fair value in profit or loss	
	2015	2014	2015	2014	2015	2014
Borrowings	47 503	85 793	-	-	-	-
Accounts payable	21 749	22 282	-	-	-	-
Other liabilities	2 952	16 423	-	-	-	27 013
Accrued expenses and deferred income	21 857	14 065	-	-	-	-
Derivative instruments	-	-	-	2 803	-	-
<b>Total</b>	<b>94 061</b>	<b>138 563</b>	<b>-</b>	<b>2 803</b>	<b>-</b>	<b>27 013</b>

## Note 25 Leasing fees pertaining to operating leases

Vitrolife leases premises in Gothenburg, Sweden. Sterile rooms have been built and paid for by Vitrolife. The current lease agreement expires on 31 October 2018. The agreement is classified as an operating lease.

Vitrolife leases a property in Denver in the US. However, the modules that have since been added to the building and which contain production facilities, etc., are owned by the company. In addition, an adjacent building acquired in 2011 is also owned by the company. The current lease agreement expires on 1 May 2020. The agreement is classified as an operating lease.

Vitrolife leases premises in San Diego in the US. The agreement is classified as an operating lease and expires on 30 June 2016.

Vitrolife leases premises in Denmark, two properties in Aarhus and one in Viby. The agreement for Viby is classified as an operating lease and expires on 30 April 2023. The other two agreements were terminated in 2014 and the costs for the remaining lease period were expensed in 2014.

Rental fees are linked to consumer price indices and vary in line with the market as a whole. Variable fees are invoiced on a one-for-one basis in arrears following annual reconciliation. No restrictions apply as a result of contracted leases. In those cases where leasehold improvements have been defrayed by Vitrolife, individual testing is applied regarding whether the costs should be capitalised or expensed.

Otherwise, Vitrolife has signed lease agreements for company cars and for some office equipment and tools.

In 2015, expensed leasing totalled SEK 14,801 thousand (15,276).

Contracted future minimum lease fees pertaining to irrevocable contracts are allocated as follows:

	Group		Parent Company	
	2015	2014	2015	2014
Within one year	12 384	9 530	-	-
In two to five years	22 207	19 441	-	-
More than five years	2 612	3 834	-	-
<b>Total</b>	<b>37 203</b>	<b>32 805</b>	<b>-</b>	<b>-</b>

## Note 26 Financial instruments - Fair value

### Fair value

Fair value has been calculated for all financial assets and liabilities in accordance with IFRS 13.

**Classified in level 1:** Financial fixed assets, accounts receivable and other receivables, other current receivables, cash and cash equivalents, accounts payable and other liabilities as well as interest-bearing borrowings. The fair value of these financial assets and liabilities is estimated to correspond with their carrying amounts (amortised cost). Carrying amounts less impairment charges comprise approximate fair values for accounts receivable and accounts payable. Fair value has been measured for long-term non-interest-bearing liabilities by discounting future cash flows with current market interest rates for the duration of the liability. All loans have floating rates and, therefore the fair value is assessed as essentially corresponding with the carrying amounts for these loans.

**Classified in level 2:** Derivatives for hedge accounting purposes. The measurement of fair value for currency forward contracts is based on published forward rates in an active market.

**Classified in level 3:** Other financial assets relate to holdings of unlisted shares, that have been valued based on the latest transaction (transfer of shares), hence fair value is estimated to correspond to book value. Long-term interest-bearing liabilities pertain to conditional purchase prices that, to a significant extent, have been valued based on unobservable data. Fair value has been measured by discounting future cash flows, based on expected sales, with current market interest rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has generated a negative effect on the income statement of SEK 328 thousand (599) during the period, which is reported under financial expenses.

The Group's financial assets and liabilities are measured in accordance with the following hierarchy:

Level 1: Prices quoted on active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Input data for the asset or liability that is not based entirely on observable market data.

The fair-value hierarchy below only shows financial assets and liabilities not measured at amortised cost. Financial assets and liabilities measured at amortised cost (level 1) amount to SEK 306,310 thousand (199,320) and SEK 94,061 thousand (138,563).

### Fair value hierarchy

SEK thousands	Fair value levels	31 Dec 2015	31 Dec 2014
<b>Financial assets</b>			
Financial assets at fair value through profit or loss	3	3 746	3 746
Derivatives for hedging purposes	2	842	-
<b>Total financial assets</b>		<b>4 588</b>	<b>3 746</b>
<b>Financial liabilities</b>			
Financial liabilities at fair value through profit or loss	3	-	27 013
Derivatives for hedging purposes	2	-	2 803
<b>Total financial liabilities</b>		<b>-</b>	<b>29 816</b>

## Note 27 Pledged assets and contingent liabilities

Pledged assets	Group		Parent Company	
	2015	2014	2015	2014
Floating charges	20 000	20 000	3 100	3 100
Endowment insurance	2 077	1 661	–	–
Total	22 077	21 661	3 100	3 100

Pledged assets pertain to floating charges for liabilities to credit institutions for their own commitments and collateral pledged for endowment insurance plans (cost).

Contingent liabilities	Group		Parent Company	
	2015	2014	2015	2014
Guarantee, Swedish Customs	200	200	–	–
Endowment insurance, difference between cost and market value	155	150	–	–
Total	355	350	–	–

## Note 28 Participations in Group companies

Participations in Group companies	Parent Company	
	2015	2014
Opening cost	760 824	424 993
Unconditional shareholders' contribution, Vitrolife Inc.	33 739	–
Recovered additional purchase price, Vitrolife Kft.	-17 139	–
Recovered additional purchase price, HertArt Aps	-440	–
Impairment, Vitrolife Kft.	-46 588	–
Adjustment of acquisition price (Vitrolife Kft.)	–	-2 778
Acquisition (Vitrolife A/S)	–	338 609
Closing carrying amount	730 396	760 824

Company	Corp. Reg. No.	Domicile	Number of shares	Share, %*	Carrying amount 2015	Carrying amount 2014
<b>Companies owned by Vitrolife AB:</b>						
Vitrolife, Inc.	84-1547804	Denver and San Diego, USA	500 000	100	173 220	139 481
Vitrolife Sweden AB	556546-6298	Gothenburg, Sweden	5 000 000	100	178 386	178 386
Vitrolife Pty Ltd.	102959964	New South Wales, Australia	1	100	0	0
Vitrolife KK	0104-01-081049	Tokyo, Japan	200	100	850	850
Vitrolife Ltd.	04628698	Warwick, UK	1 025	100	11 935	11 935
Vitrolife Kft.	06-09-017195	Budapest, Hungary	n/a	100	14 780	78 507
A.T.S. Srl**	12758490150	Milano, Italy	n/a	70	6 760	6 760
HertArt Aps	32840787	Greve, Denmark	166 667	100	5 856	6 296
Vitrolife A/S	27 40 67 93	Aarhus, Denmark	3 741 200	100	338 609	338 609
Total					730 396	760 824

\* Share of voting power is equal to share of ownership.

\*\* Subsidiary with non-controlling interests is not deemed material enough to require financial information to be presented according to IFRS 12.

Dividend to minority shareholders in the company A.T.S. Srl amounted to SEK 277 thousand during 2015.

## Note 29 Related parties

### Related parties

The Parent Company has a close relationship with its subsidiaries; refer to Note 28. Of the Parent Company's total purchases and sales, 0 percent (0) of purchases and 100 percent (0) of sales pertain to intra-Group transactions. Internal pricing within the Group is set based on the arm's length principle, that is between parties that are independent, well-informed and with a vested interest in the transactions.

### Transactions with other key individuals in senior positions

The Board members of Vitrolife have not received any other remuneration in addition to the Board fees during 2015.

Total remuneration is included under personnel costs; refer to Note 7.

	2015	2014
Board members	1 330	1 070
Executive Management	11 854	9 689
Total	13 184	10 759

## Note 30 Events after the closing date

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.

## Note 31 Critical estimates and assessments

### Operational leases

Vitrolife leases premises in Gothenburg, Sweden. Sterile rooms have been built and paid for by Vitrolife. The current lease agreement expires on 31 October 2018. The rent for the Gothenburg premises (see Note 25) is paid to the lessors with regular adjustment to market rental levels. Vitrolife leases premises in Denmark, two properties in Aarhus and one in Viby. The agreement for Viby is classified as an operating lease and expires on 30 April 2023.

In addition to the property acquired in Denver in 2011, Vitrolife Inc. leases premises in Denver and San Diego in the US. However, the modules that have since been added to the building and which contain production facilities, etc., are owned by the company. The agreement expires on 1 May 2020 and 30 June 2016, and comprises a combined lease for land and buildings. A reliable breakdown of the relative fair value allocated between land and buildings is not possible to obtain. Accordingly, the classification of the agreements is based on whether it is clearly apparent whether both components are financial or operating leases and, in this case, the assessment is that the agreements are operating leases. Ownership of the land will not be transferred when the lease expires. Based on the above qualitative factors, the aforementioned leases have been assessed as operational.

Otherwise, Vitrolife has signed lease agreements for company cars and for some office equipment and tools. All leases are assessed to comprise operating leases, meaning the leasing fees are expensed across the duration of the lease based on its useful life.

### Impairment testing of goodwill

When calculating the recoverable amounts for cash generating units as part of assessing whether any impairment of goodwill is needed, several assumptions regarding future conditions and estimates of parameters are made. An account of these can be found in Note 13.

### Recovery of the value of development expenditure

No indication of any further impairment need existed at 31 December 2015. Capitalised projects can, with reasonable certainty, be expected to generate revenue earning products within the near future.

### Deferred tax

Deferred tax assets attributable to tax loss carry-forwards have been capitalised to the extent it has been estimated these can be used against future taxable profits. Total deferred tax assets of SEK 37.7 million comprise tax loss carry-forwards of SEK 138.2 million in Vitrolife A/S Denmark, SEK 17.9 million in Vitrolife Inc, in the US, and SEK 5.4 million in Vitrolife Kft, Hungary making a total of SEK 162 million; refer to Note 12.

### Additional purchase price

Vitrolife has an outstanding commitment of a potential additional purchase price regarding the acquisition of Vitrolife A/S. The additional purchase price corresponds to a value of 981,492 shares. Vitrolife makes the assessment that the likelihood of an additional purchase price being payable is very low and therefore does not report any commitment in the financial statements for the additional purchase price; refer to Note 4.

### Legal disputes

Vitrolife has a number of patents and other intellectual property that are important to the company. In the market, there are a number of other patents that are held by other companies, whereby demarcation is sometimes difficult to define. Vitrolife is currently involved in disputes with Auxogyn Inc in the US and the EU regarding a patent in the time-lapse field. Based on the existing facts, the company's assessment is that the financial risk pertaining to these disputes is of minor significance. Otherwise, the company is not involved in any legal processes regarding its own or third party rights. However, there is no guarantee that such a claim will not be raised by or targeted at the company in the future.

In 2012, three suits were filed against Vitrolife's US subsidiary together with Southwest Transplant Alliance and the University of Texas with a claim for damages in connection with three lung transplants. Since the products were sold prior to the spin-off of Xvivo, Vitrolife is also dealing with these claims moving forward. Vitrolife has a liability insurance in place and is represented by lawyers engaged by the insurance company. Vitrolife's insurance policy is subject to an excess, which means that Vitrolife must defray the first USD 50 thousand of legal costs and damages for each suit. The legal process continued during the year with items including depositions. The insurance company's lawyers, who are representing Vitrolife, have made the assessment that it is uncertain when any significant progress will be made with the case.

## Attestation

The Board of Directors and the CEO hereby give their assurance that the annual accounts have been prepared in accordance with generally accepted accounting principles and provide a fair representation of the Parent Company's position and performance, and that the Management Report provides a true and fair overview of the development of the company's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the company is exposed. The Board of Directors and the CEO hereby give their assurance that the consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair representation of the Group's position and performance, and that the Management Report for the Group provides a true and fair overview of the development of the Group's operations, financial position and earnings, and describes the significant risks and uncertainty factors to which the Group is exposed.

Gothenburg, 9 March 2016

Carsten Browall  
*Chairman of the Board*

Jón Sigurdsson  
*Board member*

Tord Lendau  
*Board member*

Fredrik Mattsson  
*Board member*

Pia Marions  
*Board member*

Barbro Fridén  
*Board member*

Thomas Axelsson  
*CEO*

Our auditor's report was submitted on 9 March 2016

Deloitte AB

Jan Nilsson  
*Authorised Public Accountant*

Fredrik Jonsson  
*Authorised Public Accountant*



# AUDITOR'S REPORT

To the annual meeting of the shareholders of Vitrolife AB (publ) Corporate identity number 556354-3452

## Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Vitrolife AB (publ) for the financial year 2015 with the exception of the corporate governance statement on pages 27-29. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 24-48.

## Responsibilities of the Board of Directors and the Managing Director for the annual accounts and consolidated accounts

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

## Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2015 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

Our opinions do not cover the corporate governance statement on pages 27-29. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the parent company and the group.

## Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the proposed appropriations of the company's profit and the administration of the Board of Directors and the Managing Director of Vitrolife AB (publ) for the financial year 2015. We have also conducted a statutory examination of the corporate governance statement.

## Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company's profit, and the Board of Directors and the Managing Director are responsible for administration under the Companies Act and that the corporate governance statement on pages 27-29 has been prepared in accordance with the Annual Accounts Act.

## Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the Managing Director is liable to the company. We also examined whether any member of the Board of Directors or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Furthermore, we have read the corporate governance statement and based on that reading and our knowledge of the company and the group we believe that we have a sufficient basis for our opinions. This means that our statutory examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden.

## Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

A corporate governance statement has been prepared, and its statutory content is consistent with the other parts of the annual accounts and consolidated accounts.

Gothenburg, 9 March 2016

Deloitte AB

*Signature on Swedish original*

Jan Nilsson  
Authorised Public  
Accountant

Fredrik Jonsson  
Authorised Public  
Accountant

# GLOSSARY AND SHAREHOLDER INFORMATION

## GLOSSARY

The following explanations are intended to help the reader to understand certain specific terms and expressions in Vitrolife's annual report:

**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 fertilisation. Cell division has gone so far that the first cell differentiation has taken place and the embryo consists of two different types of cells.

**Clinical study/trial:** An investigation in healthy or sick people in order to study the effect of a pharmaceutical or treatment method.

**Embryo:** A fertilised egg.

**Ex vivo (Latin "outside the living body"):** Biological processes in living cells and tissue when they are in artificial environments outside the living body. Opposite of "in vivo."

**ICSI (intracytoplasmic sperm injection):** Injection of a single sperm directly into the egg.

**Incubator:** Equipment for the 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.

**In vitro (Latin "in glass"):** Biological processes in living cells and tissues when they are in an artificial environment, for example in a test tube.

**In vivo:** Biological processes in living cells and tissues when they are in their natural place in whole organisms.

**IVF, In Vitro Fertilisation:** Fertilisation of eggs by sperms and cultivation of embryos outside the body.

**Medical devices:** Comprise devices used to make a diagnosis of a disease, treat a disease and for rehabilitation.

**Preclinical study:** Research that is performed before a pharmaceutical or a treatment method is sufficiently documented to be studied on human, for example testing of substances on tissue samples and later testing on experimental animals.

**Stem cells:** Non-specialised cells that are found in all multi-cell organisms. The cell type has the ability to mature (differentiate) into several cell types and, accordingly, there are great hopes regarding their therapeutic role.

**Time-lapse technology:** The embryo is placed in a culture dish in a microscope that is located in an incubator. Thereafter, the microscope captures images of the embryo during the culture process. These images are then replayed as a film and analysed by an embryologist.

**Vitrification:** Process for converting a material to a glasslike solid state through extremely rapid cooling, in this case rapid cooling of eggs and embryos, in order to cryopreserve eggs and embryos for later use.

## ANNUAL GENERAL MEETING 2016

The AGM of Vitrolife AB (publ) will be held on Thursday, 28 April 2016 at 5:00 p.m. at Vitrolife's premises in Gothenburg. Address: Gustaf Werners gata 2. For more information, please refer to [www.vitrolife.com](http://www.vitrolife.com)

## DISTRIBUTION OF THE ANNUAL REPORT

Vitrolife's annual report is available in Swedish and English. The annual reports can be downloaded at [www.vitrolife.com](http://www.vitrolife.com), where printed versions can also be ordered.

The printed version of the annual report will be sent by post to those shareholders and stakeholders who request it.

## 2016 REPORTING CALENDAR

January-March Interim Report, Tuesday 26 April  
January-June Interim Report, Friday 15 July  
January-September Interim Report, Thursday 3 November

## INVESTOR RELATIONS

Mikael Engblom, CFO  
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## AUDITORS

The company's auditors are Deloitte AB with Authorised Public Accountant Jan Nilsson as Principal Auditor, and Authorised Public Accountant Fredrik Jonsson. Jan Nilsson and Fredrik Jonsson have been engaged as Vitrolife's auditors since 2014.

**Deloitte AB**  
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## BOARD OF DIRECTORS



Carsten Browall



Barbro Fridén



Tord Lendau



Pia Marions



Fredrik Mattsson



Jón Sigurdsson

### **Carsten Browall** **Chairman of the Board**

Born 1958. M.Sc. in Business and Economics. Board member since 2012. **Other assignments:** Board member in GHP AB, Unident AB, Bellman&Symfon AB and SciBase AB. Chairman of the Board in Metrum AB and Osstell AB. **Previous assignments:** Extensive experience of the medical device and healthcare sectors in senior positions in fast-growing companies such as Mölnlycke, Nobel Biocare, Capio and Unifors RaySafe. Shareholding in Vitrolife\*: 14,000 shares.

### **Barbro Fridén**

Born 1956. MD, PhD, Subspecialist in reproductive medicine/IVF. Board member since 2010. **Other assignments:** CEO for Sahlgrenska University Hospital, Gothenburg. **Previous assignments:** Division Manager for Karolinska University Hospital, Director of Fertility Center in Gothenburg/Stockholm and Medical Editor of Läkartidningen. Shareholding in Vitrolife\*: 0 shares.

### **Tord Lendau**

Born 1957. Board member since 2008. Chairman of the Audit Committee since 2014. **Other assignments:** Chairman of the Board in Scibase AB, Actea Consulting AB, Encare AB, Hubbster and Medtentia Oy. Board member of Boule Diagnostics AB. **Previous assignments:** Head of Sandvik MedTech, CEO of Artimplant AB, Noster Systems AB, Medtronic/Synectics, Dantec SA and Synectics Medical AB. Shareholding in Vitrolife\*: 14,000 shares.

### **Pia Marions**

Born 1963, M.Sc. in Business and Economics. Board member since 2013. **Other assignments:** CFO at Folksam. Board member in KPA AB. **Previous assignments:** CFO of Carnegie Group, senior positions at RBS (Royal Bank of Scotland), Skandia Liv, Länsförsäkringar Liv, Swedish Financial Supervisory Authority (Finansinspektionen) and has worked as a certified public auditor. Shareholding in Vitrolife\*: 1,000 shares.

### **Fredrik Mattsson**

Born 1972. M.Sc. Ind.Eng. Board member since 2007. **Other assignments:** Investment Director at Bure Equity AB. Chairman of the Board in XVIVO Perfusion AB, Biolamina and Celemi. **Previous assignments:** CEO of Vittra Utbildning AB and senior positions at Gambro. Shareholding in Vitrolife\*: 10,000 shares.

### **Jón Sigurdsson**

Born 1956. B.Sc. in Industrial Engineering, Master's degree in Business Administration (MBA). Board member since 2015. **Other assignments:** Össur President and Chief Executive Officer. Chairman of the Icelandic American Chamber of Commerce. **Previous assignments:** Commercial Counselor for the Icelandic Trade Council in New York, Chief Financial Officer at Álafoss, Head of the International Division of Eimskip and an Engineer for Bang and Olufsen Denmark. Shareholding in Vitrolife\*: 5,000 shares.

## EXECUTIVE MANAGEMENT



Thomas Axelsson



Anders Ardstål



Mikael Engblom



Rickard Ericsson



Maria Forss



Christer Silversand

### **Thomas Axelsson** **CEO**

Born 1959, employed in 2011. **Other assignments:** Board member in MedCap AB. **Previous assignments:** Experience as CEO of the listed companies Stille and Artema and several unlisted medical device companies, Chairman of the Board of SBL Vaccin AB, Neoventa Medical AB, Airsonett AB and other companies mainly within the life science sector. Business Unit Director at Baxter. Shareholding in Vitrolife\*: 19,650 shares.

### **Anders Ardstål** **Business Unit Director Media**

Born 1981, M.Sc. Industrial Engineering and Management. Employed in 2012. **Previous assignments:** VP of Sales at LumenRadio, Management Consultant at McKinsey & Co. and various operational management positions at Thule. Shareholding in Vitrolife\*: 1,000 shares.

### **Mikael Engblom** **Chief Financial Officer (CFO)**

Born 1977, MBA. Employed in 2007. **Other assignments:** Board member in AH Automation AB. **Previous assignments:** Various positions as controller at Vitrolife and in R&D at Volvo Cars. Shareholding in Vitrolife\*: 5,970 shares.

### **Rickard Ericsson** **Vice President Market Region EMEA & Americas**

Born 1971, M.Sc. Industrial Engineering and Management. Employed in 2015. **Previous assignments:** Business Development Director Europe at SCA Incontinence Care, Sales and Marketing Director UK & Ireland at SCA Incontinence Care, Management Consultant at Adera and Business Development Manager / Key Account Manager at Telia. Shareholding in Vitrolife\*: 500 shares.

### **Maria Forss** **Vice President Business Development & Global Marketing**

Born 1972, MScBA. Employed in 2012. **Other assignments:** Board member in LIDDS AB. **Previous assignments:** Head of business development at PULS, CEO of Duocort Pharma and various global marketing and product management positions at AstraZeneca. Shareholding in Vitrolife\*: 1,155 shares.

### **Christer Silversand** **Chief Scientific Officer (CSO)**

Born 1963, Ph.D. in Zoological Physiology. Employed in 1998. **Previous assignments:** More than 25 years experience in biomedical R&D. Ten years in academic positions at the University of Gothenburg and Sahlgrenska University Hospital and more than 15 years at Vitrolife. Shareholding in Vitrolife\*: 971 shares.

\* Shareholdings include those of spouses, children and closely related companies.

# TOGETHER. ALL THE WAY™

Vitrolife was started in 1994. The fertility field was still new. The first baby to be born through test-tube fertilisation, or In Vitro Fertilisation (IVF), was Louise Brown in the UK in 1978. The first IVF baby in Sweden was born in Gothenburg in 1982. Robert G Edwards was one of the people who in 1968 started the work of developing methods for fertilising eggs outside the body. He received the Nobel Prize for this work in 2010. As the techniques for IVF treatment developed, the different components' importance for results began to be understood. The media (nutrient solutions) that the embryo was fertilised and cultured in outside the body were usually mixed by the clinics themselves at first. Dr. Peter Svalander and Prof. Lars Hamberger were two of the people who realised the value of being able to manufacture these nutrient solutions industrially, so as to be able to achieve greater safety, quality and efficiency in the process. Vitrolife was born.

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