



INTERIM REPORT JANUARY-MARCH 2016

Vitrolife AB (publ)

Vitrolife is an international medical device Group. Vitrolife develops, produces and markets products for assisted reproduction. Work is also carried out to enable the use and handling of stem cells for therapeutic purposes.

Vitrolife today has approximately 330 employees and the company's products are sold in approximately 110 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in USA, Australia, France, Italy, United Kingdom, China, Japan, Hungary and Denmark. The Vitrolife share is listed on NASDAQ OMX Stockholm, Mid Cap.

Vitrolife 

Good growth in all regions

First quarter

- Sales amounted to SEK 187 (162) million, corresponding to an increase of 15 percent in SEK. Net sales growth was 16 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 62 (54) million, corresponding to a margin of 33 (33) percent. Operating income included one-time expenses of SEK 5 million related to the planned consolidation of the time-lapse business. Adjusted for this, the margin amounted to 36 percent. Fluctuations in exchange rates had a negative effect of SEK 1 million on operating income before depreciation and amortisation (EBITDA).
- Launch of a new range of aspiration needles for oocyte retrieval.
- Net income amounted to SEK 39 (35) million, which gave earnings per share of SEK 1.77 (1.61).

The Group's Key Figures

SEK millions	January – March		Whole Year
	2016	2015	2015
Net sales	187	162	722
Net sales growth, local currency, %	16	19	28
Gross margin, %	67	66	67
Operating income before depreciation and amortisation (EBITDA)	62	54	279
EBITDA margin, %	33	33	39
Operating income (EBIT)	52	39	226
Net income	39	35	183
Net debt / Rolling 12 month EBITDA	-0.5	-0.1	-0.5
Earnings per share, SEK	1.77	1.61	8.42
Share price on closing day, SEK	341.50	161.00	288.50
Market cap at closing day	7 414	3 495	6 263

For definitions, see page 12

Vitrolife's financial objectives

Vitrolife's Board considers that Vitrolife should have a strong capital base in order to enable continued high growth, both organically and through acquisitions. The company's net debt in relation to EBITDA should normally not exceed 3 times. Vitrolife's Board targets a profitable growth. The objective for Vitrolife's growth over a three year period is an increase in sales by an average of 20 percent per year, with an operating margin before depreciation and amortisation (EBITDA) of 30 percent.

CEO's comments

Growth during the quarter amounted to 16 percent in local currency. During the quarter all geographic regions reported good growth. Profitability continues to develop positively. Operating income before depreciation and amortisation (EBITDA), excluding one-time expenses related to the consolidation of the time-lapse business, amounted to SEK 67 million during the quarter, corresponding to a margin of 36 percent.



On January 1, Vitrolife launched a changed organisational structure. The organisation consists of three business units whose products are sold by three geographic market organisations. During the first quarter, the new organisation began to take shape, and this has meant, amongst other things, new internal measures of profitability. As a result of the reorganisation, Vitrolife reports the market contribution from each geographic segment as from this interim report. During the first quarter, the EMEA region made the largest contribution to profitability in absolute terms, while the Asia and Pacific region contributed the highest profit in relation to sales.

At the beginning of the year, Vitrolife decided to consolidate the Group's time-lapse business to the subsidiary Vitrolife A/S in Denmark. 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. Preparations for the move were carried out during the first quarter. The planned consolidation resulted in one-time expenses of SEK 5 million during the first quarter.

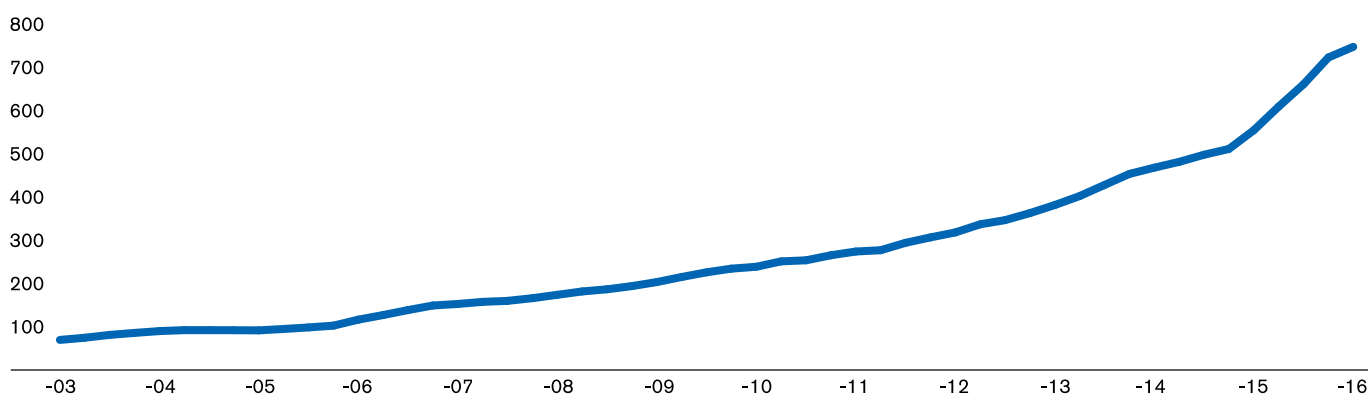
An increased level of activity is seen in the market among the company's competitors. The trend towards consolidation of suppliers to IVF clinics continues and during the last half year, several acquisitions have been completed in the industry. Other trends in the market include Chinese manufacturers expanding their marketing of IVF products on the Chinese market and new suppliers of media products emerging on the market. Vitrolife is continuing its successful strategy of marketing quality and service vis-à-vis its customers in order to thus continue to strengthen its position as the premium supplier to the clinics.

At the end of the quarter it was decided to launch a new range of aspiration needles for oocyte retrieval. This development project has been ongoing for several years and the new product range has been improved in a number of respects, such as user friendliness, quality and appearance. Aspiration needles are today the largest generator of sales in the Disposable devices business unit and the new range is expected to contribute to growth within Disposable devices.

Looking ahead, the market outlook is essentially unchanged and Vitrolife therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10 percent per year in the foreseeable future.

Thomas Axelsson, CEO

Net sales (rolling 12 months), SEK millions



First quarter 2016 (January - March)

Net sales

Sales amounted to SEK 187 (162) million, corresponding to an increase of 15 percent in SEK. Net sales growth was 16 percent in local currency. The sales growth consisted of organic growth. During last year, sales growth was positively affected by the acquisition of Unisense FertiliTech A/S, currently Vitrolife A/S.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 9 percent in local currency and amounted to SEK 83 (76) million. Sales in the North and South American region amounted to SEK 32 (29) million. The increase in local currency amounted to 9 percent. Sales in the Asia and Pacific region increased by 29 percent in local currency and amounted to SEK 73 (57) million.

Sales in the Media business unit increased by 15 percent in local currency during the quarter and amounted to SEK 115 (100) million, corresponding to an increase of 14 percent in SEK. Sales in the Disposable devices business unit increased by 12 percent in local currency during the quarter and amounted to SEK 34 (30) million, corresponding to an increase of 12 percent in SEK. Sales in the Time-lapse business unit increased by 24 percent in local currency during the quarter and amounted to SEK 34 (28) million, corresponding to an increase of 23 percent in SEK. In conjunction with the reorganisation, a change has been carried out in the products contained in the Media and Disposable devices business units. To facilitate comparability, the historical sales figures for the Media and Disposable devices business units have been adjusted in the report. Freight revenues amounted to SEK 4 (4) million.

Fig 1. Net sales per market region (rolling 12 months)

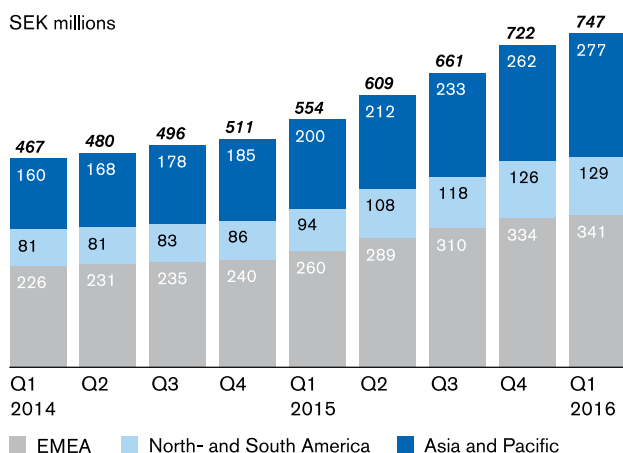


Fig 2. Sales development (per quarter)

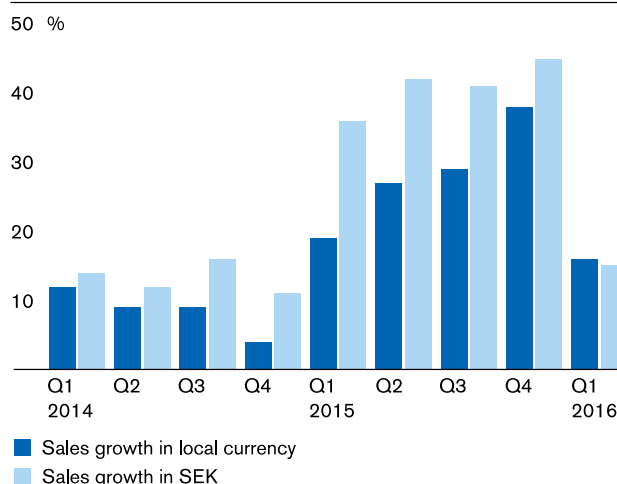
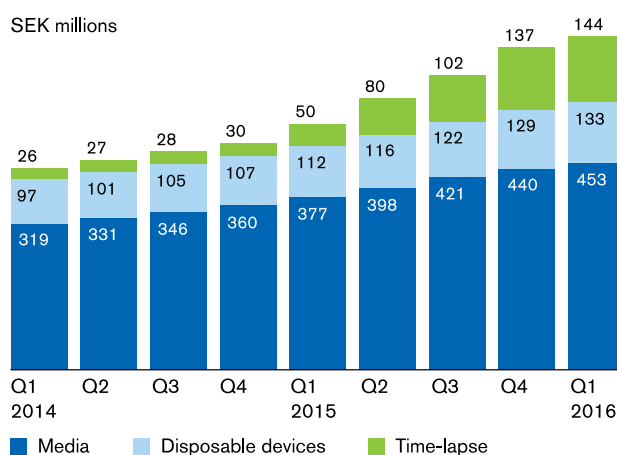


Fig 3. Net sales per business unit (rolling 12 months)



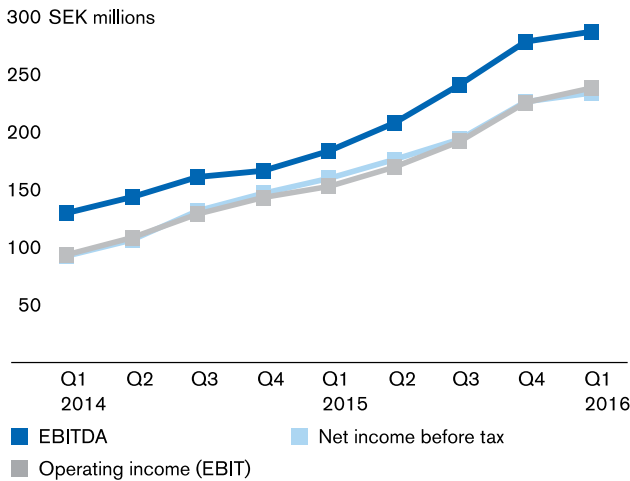
Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 62 (54) million, corresponding to a margin of 33 (33) percent. Operating income included one-time expenses of SEK 5 million related to the planned consolidation of the time-lapse business. Fluctuations in exchange rates had a negative effect of SEK 1 million on operating income before depreciation and amortisation (EBITDA).

Gross income amounted to SEK 125 (106) million. The gross margin amounted to 67 (66) percent and was positively impacted by economies of scale. Selling expenses amounted to 18 (21) percent of sales and were positively impacted by economies of scale. Administrative expenses amounted to 12 (13) percent of sales and were positively impacted by economies of scale and negatively impacted of SEK 1 million related to the planned consolidation of the time-lapse business. R&D costs amounted to 7 (9) percent of sales and were positively impacted by economies of scale and by lower external expenses during the quarter. Other operating costs amounted to SEK 5 (2) millions, where of SEK 4 millions were related to one-time expenses due to the planned consolidation of the time-lapse business. Depreciation, amortisation and write-downs of SEK

10 (14) million were charged against income. Net financial income amounted to SEK -2 (3) million and consisted primarily of fluctuations in exchange rates. Income before tax amounted to SEK 50 (43) million. Net income amounted to SEK 39 (35) million.

Fig 4. Income (rolling 12 months)



Income per segment

On January 1, Vitrolife launched a changed organisational structure. The organisation consists of three business units whose products are sold by three geographic market organisations. As a result of the reorganisation, Vitrolife reports the market contribution from each geographic segment as from this interim report. The market contribution is defined as gross income minus selling expenses per market. For more information, see note 3. During the first quarter, the market contribution for the EMEA region amounted to SEK 38 (35) million. The contribution from the North and South American region amounted to SEK 16 (13) million and the contribution from the Asia and Pacific region amounted to SEK 37 (25) million. For all regions, the increased income has been generated by a combination of increased sales and economies of scale.

Cash flow

The cash flow from operating activities amounted to SEK 10 (8) million. Tax paid during the quarter amounted to SEK -42 (-30) million and was primarily payment of Swedish corporate tax related to the previous year. The change in working capital amounted to SEK -13 (-14) million and consisted mainly of increased accounts receivables as a result of increased sales. Gross investments in tangible assets amounted to SEK -2 (-2) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -2 (-4) million and consisted mainly of capitalized development costs. The cash flow from financing activities was SEK -3 (-12) million and consisted of repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 202 (90) million.

Financing

Vitrolife's total credit facilities amounted to SEK 95 (124) million, of which SEK 45 (74) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 80 (75) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -0.5 (-0.1) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income included invoicing of management fee of SEK 1 (-) million. Income before tax for the quarter amounted to SEK -2 (-1) million. Cash and cash equivalents amounted to SEK 34 (8) million.

Prospects for 2016

As the standard of living rises in several developing countries, more and more people choose to wait before they have children. This trend, which has existed in the West for decades, leads to reduced fertility, which in turn drives the fertility treatment market. The same trend is now developing in emerging countries, where the demand for this treatment is increasing rapidly. Vitrolife therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5–10 percent per year in the foreseeable future.

The focus during 2016 will continue to be on marketing and sales, primarily in the emerging markets, and to achieve a more profitable and competitive time-lapse offer. The company continues to work on further refining and communicating the concept of best partner and total supplier to the customers. Work is also being done to secure that the internal processes are run in a cost-effective way.

The company in brief

Business concept

Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for assisted reproduction.

Goal

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

Strategies

- Establish a scalable 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.

Other information

Organisation and personnel

During the period the average number of employees was 321 (313), of whom 145 (140) were women and 176 (173) were men. Of these 134 (124) people were employed in Sweden, 61 (69) in Denmark, 62 (59) in the USA and 64 (60) in the rest of the world. The number of people employed in the Group at the end of the period was 329 (325).

Information on transactions with related parties

No transactions that have substantially affected the company's results and financial position have been carried out with related parties during the period. For information on related parties, see the Annual Report for 2015, note 29.

Proposed appropriation of earnings

In accordance with the dividend policy of Vitrolife AB (publ), a dividend, or another equivalent form of distribution, shall be proposed annually which on average over time corresponds to 30 percent of net profits for the year after tax has been paid. The Board has accordingly proposed that the Annual General Meeting adopt a dividend of SEK 2.40 (1.50) per share.

Risk management

Vitrolife works constantly and systematically to identify, evaluate and manage overall risks and different systems and processes. Risk analyses are performed continually with regard to the company's normal business activities and also in connection with activities that are outside Vitrolife's regular quality system. In this way the company can have a high rate of development and at the same time be aware of both the opportunities and risks. The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Management report, in the Annual Report for 2015. These are primarily constituted by the company's market investments, product development investments, currency risks and legal risks. The company's

management of risks is also described in the Corporate Governance Report in the same Annual Report. The same applies to the Group's management of financial risks, which are described in the Annual Report for 2015, note 24. The reported risks, as they are described in the 2015 Annual Report, are assessed to be essentially unchanged for 2016.

Seasonal effects

Vitrolife's sales are affected relatively marginally by seasonal effects. There is often a downturn in orders before and during holiday periods. The reason that orders tail off before holiday periods is that fertility clinics minimize their stock, primarily of fertility media, as these have a relatively short shelf life, so as not to risk scrapping. The third quarter has the greatest negative effect from holiday periods, as July and August are affected by holiday periods, primarily in Europe. During the first quarter sales in China are affected negatively by the Chinese New Year in January or February. During the fourth quarter sales in December are negatively affected by the Christmas and New Year holidays. All in all, total sales are usually relatively even between the first and second half of the year.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on April 28, 2016, at 5 pm at Vitrolife's premises in Gothenburg, visitors' address Gustaf Werners gata 2. For more information, see Vitrolife's website. Vitrolife's Annual Report for 2015 is available to be downloaded from Vitrolife's website and in a printed version at the company's head office in Gothenburg. The Annual Report has been sent out to those shareholders who have notified the company that they wish to have the printed version.

Events after the end of the period

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

April 26, 2016
Gothenburg, Sweden

Thomas Axelsson
CEO

Financial reports

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

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

Interim report January – June: Friday July 15
Interim report January – September: Thursday November 3

Queries should be addressed to

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

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

Vitrolife is required to publish the information in this report in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The report was submitted for publication on Tuesday April 26, 2016 at 8.30 am.

This is a translation of the Swedish version of the interim report. When in doubt, the Swedish wording prevails.

Consolidated income statements

SEK thousands	Note	January – March		Whole year
		2016	2015	2015
Net sales	3	186 998	162 396	722 370
Cost of goods sold		-61 821	-55 960	-237 550
Gross income		125 177	106 436	484 820
Selling expenses		-34 051	-34 139	-139 860
Administrative expenses		-22 927	-20 411	-80 467
Research and development costs		-12 553	-14 963	-55 737
Other operating revenues and expenses		-3 627	2 530	17 379
Operating income		52 019	39 453	226 135
Financial income and expenses		-1 880	3 081	705
Income after financial items		50 139	42 534	226 840
Income taxes		-11 440	-7 304	-43 479
Net Income		38 699	35 230	183 361
Attributable to				
Parent Company's shareholders		38 427	34 987	182 845
Non-controlling interests		272	243	516
Earnings per share, SEK		1.77	1.61	8.42
Average number of outstanding shares		21 710 115	21 710 115	21 710 115
Number of shares at closing day		21 710 115	21 710 115	21 710 115

Depreciation, amortisation and write-downs were charged against income for the period by SEK 10,274 thousand (14,194).

Statements of comprehensive income

SEK thousands	January – March		Whole year
	2016	2015	2015
Net income	38 699	35 230	183 361
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Cash-flow hedges, net after tax	-353	1 625	2 844
Exchange rate differences, net after tax	1 261	2 444	-10 887
Total other comprehensive income, net after tax	908	4 069	-8 043
Total comprehensive income	39 607	39 299	175 318
Attributable to			
Parent Company's shareholders	39 335	39 056	174 802
Non-controlling interests	272	243	516

Key ratios, total Group

	January – March		Whole year
	2016	2015	2015
Gross margin, %	66.9	65.5	67.1
Operating margin before depreciation and amortisation, %	33.3	33.0	38.7
Operating margin, %	27.8	24.3	31.3
Net margin, %	20.5	21.7	25.3
Equity/assets ratio, %	79.9	74.9*	79.8
Shareholders' equity per share, SEK	40.6	34.1	38.8
Return on equity, %	22.9	22.5	23.5
Cash flow from operating activities per share, SEK	0.48	0.39	8.91
Net cash (+) / Net debt (-), SEK millions	157.3	16.8	152.1

* Recalculation has been made for the comparison period first quarter 2015, where deferred tax has been reclassified to be presented gross in the balance sheet.

Consolidated income statements per quarter

SEK thousands	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014
Net sales	186 998	199 023	176 806	184 145	162 396	136 859	125 145	129 436
Cost of goods sold	-61 821	-62 112	-57 170	-62 308	-55 960	-46 592	-36 267	-40 387
Gross income	125 177	136 911	119 636	121 837	106 436	90 267	88 878	89 049
Selling expenses	-34 051	-36 186	-34 822	-34 713	-34 139	-31 095	-23 675	-30 545
Administrative expenses	-22 927	-18 147	-21 419	-20 490	-20 411	-15 918	-14 677	-15 173
Research and development costs	-12 553	-11 789	-15 072	-13 913	-14 963	-11 824	-7 072	-11 524
Other operating revenues and expenses	-3 627	-803	17 868	-2 216	2 530	4 675	264	1 797
Operating income	52 019	69 986	66 191	50 505	39 453	36 105	43 718	33 604
Financial income and expenses	-1 880	-241	191	-2 326	3 081	1 029	4 879	-1 990
Income after financial items	50 139	69 745	66 382	48 179	42 534	37 134	48 597	31 614
Income taxes	-11 440	-12 600	-13 975	-9 600	-7 304	-8 724	-13 045	-8 487
Net income	38 699	57 145	52 407	38 579	35 230	28 410	35 552	23 127
Attributable to								
Parent Company's shareholders	38 427	57 180	52 324	38 354	34 987	28 427	35 493	23 011
Non-controlling interests	272	-35	83	225	243	-17	59	116

Key ratios per quarter, total Group

	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014
Shareholders' equity per share, SEK	40.6	38.8	36.8	33.9	34.1	32.3	19.3	17.2
Return on equity, %	22.9	23.5	20.7	21.5	22.5	24.8	28.1	24.2
Cash flow from operating activities per share, SEK	0.48	4.35	2.74	1.44	0.39	1.87	2.75	1.43

Consolidated statements of financial position

SEK thousands	Note	Mar 31, 2016	Mar 31, 2015	Dec 31, 2015
ASSETS				
Goodwill	3	351 793	364 835	350 474
Other intangible fixed assets	3	161 926	187 339	165 044
Tangible fixed assets	3	87 681	95 776	89 641
Financial fixed assets		9 371	11 006	9 666
Deferred tax assets		29 557	30 492*	29 964
Inventories		106 320	98 313	102 284
Accounts receivable		112 201	92 259	99 783
Current tax assets		–	7 770	–
Other current receivables		45 579	12 690	11 973
Derivative instruments		390	–	842
Cash and cash equivalents		202 333	90 458	199 572
Total assets		1 107 151	990 938	1 059 243
SHAREHOLDERS' EQUITY AND LIABILITIES				
Shareholders' equity, attributable to the Parent Company's shareholders		882 486	739 970	843 151
Non-controlling interests		2 110	1 858	1 821
Provisions		10 188	5 060	5 191
Deferred tax liabilities		39 562	54 082*	42 057
Long-term interest-bearing liabilities		33 005	53 632	35 627
Long-term non-interest-bearing liabilities		–	1 243	–
Short-term interest-bearing liabilities		12 002	20 060	11 876
Current tax liabilities		36 559	9 172	35 148
Derivative instruments		–	720	–
Accounts payable		22 785	20 436	21 749
Other short-term non-interest-bearing liabilities		68 454	84 705	62 623
Total shareholders' equity and liabilities		1 107 151	990 938	1 059 243
Pledged assets for own liabilities		22 181	21 760	22 077
Contingent liabilities		284	465	355

* For the comparison period first quarter 2015, deferred tax has been reclassified to be presented gross.

Consolidated changes in shareholders' equity

SEK thousands	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
Opening balance January 1, 2015	22 144	494 610	-16 638	200 798	1 657	702 571
Total comprehensive income	–	–	-8 043	182 845	516	175 318
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Dividend to non-controlling interests	–	–	–	–	-277	-277
Other transactions with non-controlling interests	–	–	–	–	-75	-75
Closing balance December 31, 2015	22 144	494 610	-24 681	351 078	1 821	844 972
Opening balance January 1, 2016	22 144	494 610	-24 681	351 078	1 821	844 972
Total comprehensive income	–	–	908	38 427	272	39 607
Other transactions with non-controlling interests	–	–	–	–	17	17
Closing balance March 31, 2016	22 144	494 610	-23 773	389 505	2 110	884 596

Condensed consolidated cash flow statements

SEK thousands	January – March		Whole year 2015
	2016	2015	
Income after financial items	50 139	42 534	226 840
Adjustment for non-cash items	15 406	9 868	33 857
Tax paid	-42 012	-30 262	-46 334
Change in inventories	-4 195	-3 848	-9 766
Change in trade receivables	-16 037	-2 991	-4 120
Change in trade payables	7 131	-6 875	-6 951
Cash flow from operating activities	10 432	8 426	193 526
Cash flow from investing activities	-4 386	-15 030	-31 394
Cash flow from financing activities	-2 636	-11 677	-68 924
Cash flow for the period	3 410	-18 281	93 208
Opening cash and cash equivalents	199 572	107 598	107 598
Exchange-rate difference in cash and cash equivalents	-649	1 140	-1 234
Closing cash and cash equivalents	202 333	90 457	199 572

Income statements for the Parent Company

SEK thousands	January – March		Whole year 2015
	2016	2015	
Net sales	1 432	–	4 522
Administrative expenses	-3 440	-2 198	-7 808
Other operating revenues and expenses	26	-1	38
Operating income	-1 982	-2 199	-3 248
Write-down participations in Group companies	–	–	-46 588
Dividends from Group companies	–	–	185 644
Financial income and expenses	-76	1 056	3 874
Income after financial items	-2 058	-1 143	139 682
Year-end adjustments (contributed Group contribution)	–	–	-826
Income taxes	453	251	–
Net income	-1 605	-892	138 856

Depreciation and amortisation were charged against income for the period by SEK 0 thousand (0).

Balance sheets for the Parent Company

SEK thousands	Mar 31. 2016	Mar 31. 2015	Dec 31. 2015
ASSETS			
Tangible fixed assets	12	12	12
Participations in Group companies	730 396	760 824	730 396
Other financial fixed assets	3 746	3 746	3 746
Deferred tax assets	453	251	–
Other current receivables	3 484	2 059	1 205
Receivables from Group companies	8 061	58 848	40 824
Cash and cash equivalents	33 682	8 369	592
Total assets	779 834	834 109	776 775
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	660 285	554 709	661 890
Long-term interest-bearing liabilities	33 005	53 632	35 627
Long-term non-interest-bearing liabilities	–	1 243	–
Short-term interest-bearing liabilities	12 002	17 645	11 876
Accounts payable	3 347	1 887	293
Liabilities to Group companies	67 858	184 572	64 600
Other short-term non-interest-bearing liabilities	3 337	20 421	2 489
Total shareholders' equity and liabilities	779 834	834 109	776 775
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	–	–	–

Note 1. Accounting Principles

This interim report has been prepared for the Group in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting, and for the Parent Company in accordance with the Annual Accounts Act and recommendation RFR 2 of the Swedish Financial Reporting Board, Accounting for Legal Entities.

Unless otherwise stated below, the accounting principles applied to the Group and the Parent Company are consistent with the accounting principles used in the presentation of the most recent Annual Report. On January 1, Vitrolife launched a changed organisational structure. The organisation consists of three business units whose products are sold by three geographic market organisations. As a result of the reorganisation, the Group reports net sales and market contribution from each geographic segment as from this interim report. Net sales per market is dependent on where delivery has taken place and the market contribution is defined as gross income reduced with selling expenses per market. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the Group, this function has been identified as the CEO.

No other new or amended accounting principles effective 2016 have had any significant impact on the Group.

Note 2. Financial instruments - Fair value

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

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

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on the latest transaction (transfer of shares).

Note 3. Segments

Vitrolife consists of three business units whose products are sold by three geographic market organisations. As a result of the internal organisation, Vitrolife reports net sales and market contribution per geographic segment. Market contribution is defined as gross income reduced with the selling expenses per market.

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Jan-Mar 2016	Jan-Mar 2015	Jan-Mar 2016	Jan-Mar 2015	Jan-Mar 2016	Jan-Mar 2015	Jan-Mar 2016	Jan-Mar 2015
Net sales	82 611	76 392	31 792	28 734	72 595	57 270	186 998	162 396
Market contribution	37 777	34 532	16 129	13 034	37 220	24 731	91 126	72 297
Fixed assets*	516 319	553 066	85 042	94 807	39	77	601 400	647 950

* Fixed assets refer to intangible and tangible fixed assets, i.e. excluding financial instruments and deferred tax assets.

Hence, fair value is estimated to be equal to book value. Other liabilities relating to conditional purchase price have been measured by future cash flows, based on expected sales, being discounted by current market rates for the duration of the liability.

The measurement of fair value for financial liabilities in level 3 has generated an effect on the income statement of SEK - thousand (-143) during the period, which is reported among financial items.

Fair value for other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest bearing liabilities is estimated to be equal to their book value (accumulated amortized cost). All long-term interest bearing loans have floating rates and therefore estimated that the fair value substantially conform with the book value.

Financial assets and liabilities measured at amortized cost amount to SEK 321,283 thousand (191,075) and SEK 104,867 thousand (125,037).

Fair value hierarchy

SEK thousands	Fair value levels	Mar 31.2016	Mar 31.2015	Dec 31.2015
Financial assets				
Financial assets to fair value through income statement	3	3 746	3 746	3 746
Derivatives for hedge accounting	2	390	–	842
Total Financial assets		4 136	3 746	4 588
Financial liabilities				
Financial liabilities to fair value through income statement	3	–	18 238	–
Derivatives for hedge accounting	2	–	720	–
Total Financial liabilities		–	18 958	–

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

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

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

Definitions

Gross margin

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

Operating margin before depreciation and amortisation

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

Operating margin

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

Profit margin

Income for the period as a percentage of net sales for the period.

Return on equity

Rolling 12 months net income as a percentage of the average shareholders' equity for the same period.

Equity/assets ratio

Shareholders' equity and non-controlling interests as a percentage of total assets.

Earnings per share

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

Cash flow from operating activities per share

The cash flow from operating activities for the period in relation to the average number of outstanding shares for the period.

Shareholders' equity per share

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

Net cash (+) / Net debt (-)

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

Glossary

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

Biological quality tests

Using biological systems (living cells, organs or animals) to test how well a product or input material functions in relation to a requirement specification.

Biotechnology

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

Blastocyst

An embryo at days 5-7 after fertilization. Cell division has gone so far that the first cell differentiation has taken place and the embryo thereby now has two different types of cells.

Cell therapy

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

Clinical study/trial

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

Embryo

A fertilized and cell divided egg.

In vitro (Latin "in glass")

A process that has been taken out from a cell to take place in an artificial environment instead, for example in a test tube.

In vivo

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

Incubator

Equipment for culture of embryos in a controlled environment.

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

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

Preclinical study

Research that is done before a pharmaceutical or a treatment method is sufficiently documented to be studied in people, for example testing of substances on tissue samples and later testing on experimental animals.

Stem cells

Non-specialized cells to be found in all multi-cell organisms. Have the ability to mature (differentiate) into several cell types. Are usually divided up into three groups: adult stem cells (in the fully grown individual), embryonic stem cells and stem cells from the umbilical cord. In the developing embryo stem cells give rise to all tissue in the fetus-to-be. In adult individuals stem cells constitute a repair system to replace damaged cells. As stem

cells have the potential to mature into specialized cell types, there are great hopes regarding their medical role.

Time-lapse

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

Vitrification

Process for converting a material to a glasslike solid state, for example through rapid freezing, in this case rapid freezing of eggs and embryos, in order to be able to carry out IVF on a later occasion.

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