



REPORT ON OPERATIONS 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 Australia, China, Denmark, France, Germany, Hungary, Italy, Japan, United Kingdom and USA. The Vitrolife share is listed on NASDAQ Stockholm.

Vitrolife 

Strong growth and strengthened income

Fourth quarter

- Sales amounted to SEK 251 (199) million, corresponding to an increase of 26 percent in SEK. Net sales growth was 21 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 19 million on sales. Adjusted for this, growth amounted to 11 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 96 (81) million, corresponding to a margin of 38 (41) percent. Fluctuations in exchange rates positively impacted EBITDA by SEK 3 million.
- Sales started of the newly launched EmbryoScope+ time-lapse incubator.
- Net income amounted to SEK 60 (57) million, which gave earnings per share of SEK 2.74 (2.63).

Whole year 2016

- Sales amounted to SEK 856 (722) million, corresponding to an increase of 19 percent in SEK. Net sales growth was 18 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 39 million on sales. Adjusted for this, growth amounted to 12 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 303 (279) million, corresponding to a margin of 35 (39) percent. Operating income included one-time expenses of SEK 8 million related to the consolidation of the time-lapse business. Fluctuations in exchange rates positively impacted EBITDA by SEK 3 million. Last year's results were positively impacted by a recovered additional purchase price of SEK 17 million regarding the acquisition of Cryo Innovation.
- Launch of a new range of aspiration needles for oocyte retrieval.
- Acquisition of all the shares in OCTAX and MTG, world-leaders in the field of laser technology for IVF.
- Vitrolife introduced EmbryoScope+ and broadened the time-lapse product portfolio.
- Transplantation lawsuits in the US concluded.
- Net income amounted to SEK 191 (183) million, which gave earnings per share of SEK 8.77 (8.42).

After the end of the period

- The Board proposes a dividend of SEK 2.60 (2.40) per share.

The Group's Key Figures

SEK millions	October – December		January – December	
	2016	2015	2016	2015
Net sales	251	199	856	722
Net sales growth, local currency, %	21	38	18	28
Gross margin, %	67	69	66	67
Adjusted gross margin*, %	71	71	69	70
Operating income before depreciation and amortisation (EBITDA)	96	81	303	279
EBITDA margin, %	38	41	35	39
Net income	60	57	191	183
Net debt / Rolling 12 month EBITDA	-0.5	-0.5	-0.5	-0.5
Earnings per share, SEK	2.74	2.63	8.77	8.42
Share price on closing day, SEK	387.00	288.50	387.00	288.50
Market cap at closing day	8 402	6 263	8 402	6 263

* Gross margin excluding amortisation of acquisition-related intangible assets
For definitions, see page 15

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

The final quarter of the year was the best quarter in the history of the company both in terms of sales and EBITDA. Growth during the quarter amounted to 21 percent in local currency and operating income before depreciation and amortisation (EBITDA) amounted to SEK 96 million. During the fourth quarter all market regions reported good growth. The Time-lapse business unit reported growth of 21 percent in local currency during the quarter. Growth has been positively impacted by the fact that sales regarding the newly launched EmbryoScope+ time-lapse incubator started during the quarter. It was pleasing to note the market's great interest in the product and the order from a Japanese clinic for eight EmbryoScope+ incubators was proof that the product is attractive to the intended target group of large IVF clinics.



Market growth continued during 2016. Growth is driven by the expanding middle class, the trend of waiting to have a baby and the greater social acceptance of IVF. On the basis of available data, Vitrolife assesses that the global market measured in terms of the number of treatment cycles now amounts to approximately 1.9 million egg retrieval cycles and approximately 2.5 million transfer cycles spread over approximately 5,000 IVF clinics worldwide. With an estimated average sales value of approximately SEK 2,000 per treatment cycle, the world market for the single-use medical devices amounts to approximately SEK 4 billion. Vitrolife therefore estimates that the company's global market share measured in terms of value amounts to approximately 15-20 percent. In addition to the market for single-use medical devices, Vitrolife also addresses parts of the equipment market, for example through time-lapse, microlaser systems and quality control systems.

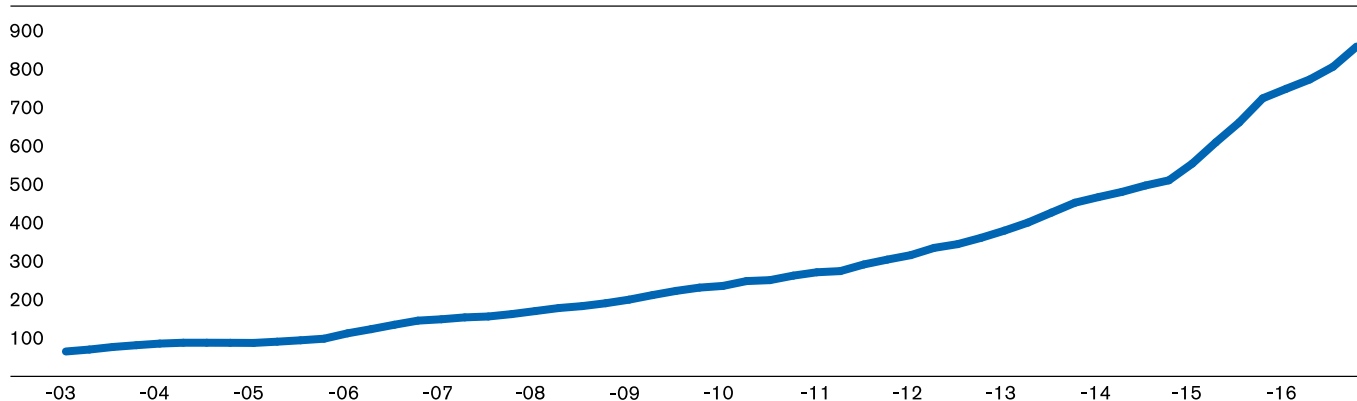
The gross margin amounted to 67 percent during the quarter. The margin was positively impacted by economies of scale and a favorable product mix, amongst other things as EmbryoScope+ has a better margin than EmbryoScope. The acquired business of OCTAX and MTG has a lower gross margin than the average for the Group which has impacted the total gross margin. Furthermore, the gross margin was impacted by amortisation of acquisition-related intangible assets, which however does not impact the Group's cash flow. Due to that the amortisations have increased as a result of several acquisitions, the company would like to increase the transparency of the Group's underlying gross margin. The company will therefore as from this interim report record adjusted gross income in addition to the recorded gross income. Amortisation of acquisition-related intangible assets has been excluded from the adjusted gross margin. When this amortisation is excluded, the gross margin for the quarter amounted to 71 percent, which is in line with the same period last year.

Summarizing the whole year, it is pleasing to note that the profitable growth has continued and that all market regions and business units have recorded good growth. In addition to this, important investments have been completed such as the acquisitions of OCTAX and MTG, the consolidation of the time-lapse business, the launch of EmbryoScope+, the launch of a new range of needles and the introduction of a new organization.

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



Fourth quarter 2016 (October - December)

Net sales

Sales amounted to SEK 251 (199) million, corresponding to an increase of 26 percent in SEK. Net sales growth was 21 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 19 million on sales. Adjusted for this, growth amounted to 11 percent in local currency. 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 18 percent in local currency and amounted to SEK 114 (94) million. Sales in the North and South American region amounted to SEK 38 (31) million. Sales increased by 16 percent in local currency. Sales in the Asia and Pacific region increased by 26 percent in local currency and amounted to SEK 99 (74) million. All regions were positively impacted by the acquisitions of OCTAX and MTG.

Sales in the Media business unit increased by 11 percent in local currency during the quarter and amounted to SEK 132 (115) million. Sales in the Disposable Devices business unit was unchanged in local currency and amounted to SEK 37 (35) million. Sales were negatively impacted by disturbances in the production of aspiration needles during the third quarter. Sales in the Time-lapse business unit increased by 21 percent in local currency during the quarter and amounted to SEK 57 (45) million. Sales in the business unit ART Equipment, which comprise of the operations conducted by the acquired companies OCTAX and MTG, amounted to SEK 19 million. Freight revenues amounted to SEK 5 (4) million.

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

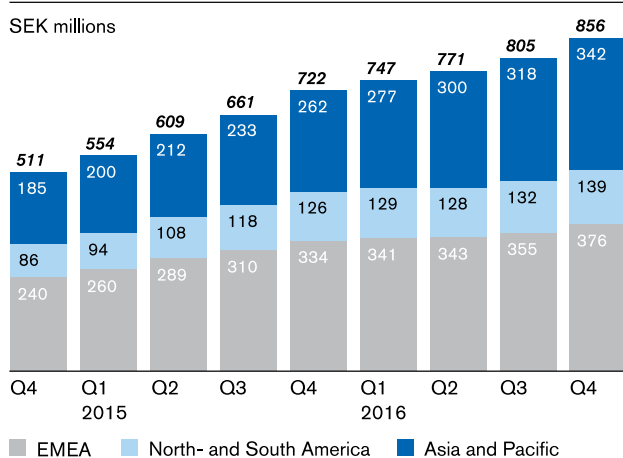


Fig 2. Sales development (per quarter)

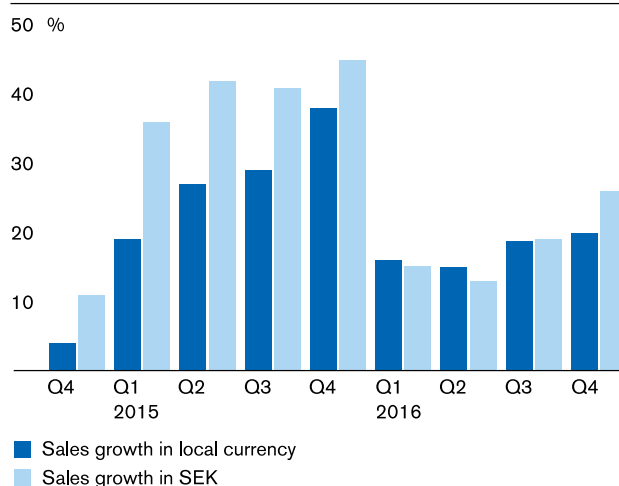
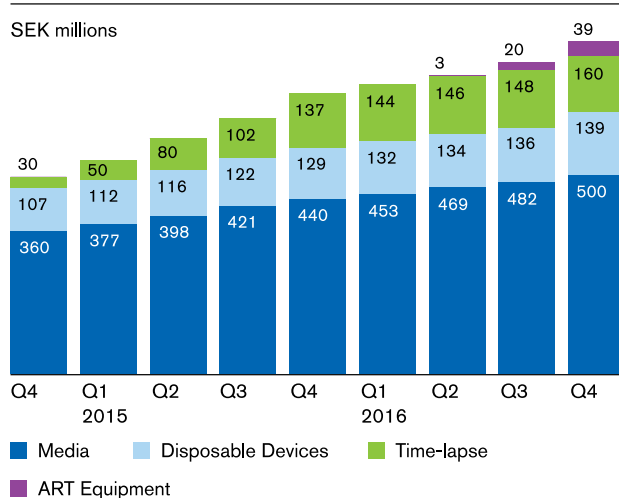


Fig 3. Net sales per business unit (rolling 12 months)



Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 96 (81) million, corresponding to a margin of 38 (41) percent. Fluctuations in exchange rates positively impacted operating income before depreciation and amortisation (EBITDA) by SEK 3 million.

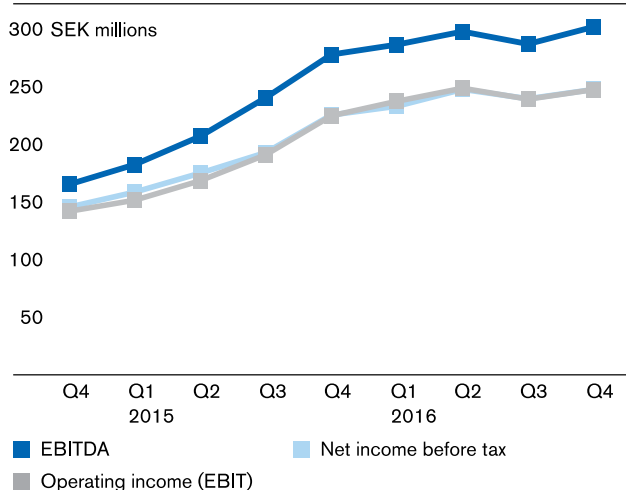
Gross income amounted to SEK 168 (137) million. The gross margin amounted to 67 (69) percent and was positively impacted by economies of scale and a favorable product mix, amongst other things as EmbryoScope+ has a better margin than EmbryoScope. The gross margin was negatively impacted by the acquisition of MTG and OCTAX, both because the business has a lower gross margin than the average for the Group and because amortisation of acquisition-related intangible assets has been charged to gross income to the tune of SEK 5 million. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 71 (71) percent for the quarter.

Selling expenses amounted to 17 (18) percent of sales. Administrative expenses amounted to 10 (9) percent of sales. R&D costs amounted to 7 (6) percent of sales and were negatively impacted by the fact that capitalization

of the EmbryoScope+ project has been completed due to that the product has been launched. The operating expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 17 (11) million were charged against income.

Net financial items amounted to SEK -1 (0) million and primarily consisted of fluctuations in exchange rates. Income before tax amounted to SEK 78 (70) million. Net income amounted to SEK 60 (57) million. The previous year's tax expense in relation to sales was positively impacted by one-time effects of SEK 2 million in total.

Fig 4. Income (rolling 12 months)



Income per segment

The organisation consists of four business units whose products are sold by three geographic market organisations. Vitrolife reports the market contribution from each geographic segment. The market contribution is defined as gross income minus selling expenses per market. For more information, see note 5. During the quarter, the market contribution for the EMEA region amounted to SEK 55 (47) million. The contribution from the North and South American region amounted to SEK 18 (15) million and the contribution from the Asia and Pacific region amounted to SEK 52 (39) million. The increased income in all regions has primarily been generated by a combination of increased sales and economies of scale. In Asia and the Pacific sales growth has been driven by a combination of market growth and the company having taken market share.

Cash flow

The cash flow from operating activities amounted to SEK 79 (94) million. The change in working capital amounted to SEK -2 (19) million and primarily consisted of increased inventories due to deliveries before the year-end. Gross investments in tangible assets amounted to SEK -4 (-3) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK 0 (-3) million. The cash flow from financing activities was SEK -4 (-3) million and consisted primarily of the repayment of

borrowings. Cash and cash equivalents at the end of the period amounted to SEK 189 (200) million.

Financing

Vitrolife's total credit facilities amounted to SEK 88 (98) million, of which SEK 38 (48) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 82 (80) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -0.5 (-0.5) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income included invoicing of management fee of SEK 3 (5) million. Income before tax for the quarter amounted to SEK -3 (-43) million. Cash and cash equivalents amounted to SEK 3 (1) million.

Whole year 2016

Net sales

Sales amounted to SEK 856 (722) million, corresponding to an increase of 19 percent in SEK. Net sales growth was 18 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 39 million on sales. Adjusted for this, growth amounted to 12 percent in local currency.

Sales in the EMEA region increased by 12 percent in local currency and amounted to SEK 376 (335) million. Sales in the North and South American region amounted to SEK 139 (125) 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 342 (262) million.

Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 303 (279) million, corresponding to a margin of 35 (39) percent. Operating income included one-time expenses of SEK 8 million related to the consolidation of the time-lapse business. Fluctuations in exchange rates positively impacted operating income before depreciation and amortisation (EBITDA) by SEK 3 million. Last year's results were positively impacted by a recovered additional purchase price of SEK 17 million regarding the acquisition of Cryo Innovation.

Gross income amounted to SEK 561 (485) million. The gross margin amounted to 66 (67) percent and was positively impacted by economies of scale and negatively by one-time expenses of SEK 3 million related to the consolidation of the time-lapse business. The gross margin was negatively impacted by the acquisition of MTG and OCTAX,

both because the business has a lower gross margin than the average for the Group and because amortisation of acquisition-related intangible assets has been charged to gross income to the tune of SEK 11 million. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 69 (70) percent for the period.

Selling expenses amounted to 18 (19) percent of sales. Administrative expenses amounted to 11 (11) percent of sales. R&D costs amounted to 7 (8) percent of sales. The operating expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 54 (53) million were charged against net income. Net financial items amounted to SEK 0 (1) million. Income before tax amounted to SEK 249 (227) million. Net income amounted to SEK 191 (183) million. The previous year's tax expense in relation to sales was positively impacted by one-time effects of SEK 9 million in total.

Income per segment

During the period, the market contribution for the EMEA region amounted to SEK 171 (157) million. The contribution from the North and South American region amounted to SEK 66 (61) million and the contribution from the Asia and Pacific region amounted to SEK 168 (127) million. The increased income in all regions has primarily been generated by a combination of increased sales and economies of scale. In Asia and the Pacific sales growth has been driven by a combination of market growth and the company having taken market share.

Cash flow

The cash flow from operating activities amounted to SEK 181 (194) million. Gross investments amounted to SEK -131 (-31) million, where of SEK -116 million was related to the acquisitions of OCTAX and MTG and SEK -15 million was related to fixed assets. The cash flow from financing activities was SEK -64 (-69) million and consisted of dividend of SEK -52 million and the repayment of borrowings of SEK -12 million. Cash and cash equivalents at the end of the period amounted to SEK 189 (200) million.

Prospects for 2017

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. During 2017 the company will focus on expanding sales, broadening the product offering and achieving further synergies and economies of scale in the business.

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 solution selling.
- Broaden the product portfolio and achieve synergies between business units and market regions.
- 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 328 (320), of whom 149 (144) were women and 179 (176) were men. Of these 142 (128) people were employed in Sweden, 63 (66) in Denmark, 61 (62) in the USA and 62 (64) in the rest of the world. The number of people employed in the Group at the end of the period was 349 (330).

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. It is therefore the intention of the Board to propose to the Annual General Meeting a dividend of SEK 2.60 (2.40) 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.

Election committee

The following people have been appointed as members of Vitrolife's election committee for the 2017 Annual General Meeting:

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

The appointments have been made in accordance with the instructions regarding principles for the appointment of the

company's election committee, which were adopted at the Annual General Meeting of Vitrolife on April 28, 2016.

Shareholders who wish to have a matter considered at the meeting can make a written request to this effect to the Board. Such a request for consideration of a matter is to be sent to Vitrolife AB (publ), Att: Chairman of the Board, Box 9080, 400 92 Göteborg, Sweden, and must have been received by the Board at least seven weeks before the Annual General Meeting, or in any case in such good time that the matter, if so necessary, can be included in the invitation to the meeting.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on April 27, 2017, at 5 pm at Vitrolife's premises in Gothenburg, visitors' address Gustaf Werners gata 2. Shareholders will be invited to attend through an announcement in the Swedish Official Gazette and through information in Dagens Industri that shareholders have been invited to attend, no earlier than six weeks and no later than four weeks before the meeting. It is estimated that Vitrolife's Annual Report for 2016 will be available to be downloaded from Vitrolife's website during week 14 and in a printed version at the company's head office in Gothenburg during week 15. The Annual Report is sent out to those shareholders who have notified the company that they wish to have the printed version.

Events after the end of the period

The Board's proposal for dividend amounts to SEK 2.60 (2.40) per share.

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

February 9, 2017
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.

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

During 2017 it is planned that the following reports will be submitted:

Interim report January – March: Tuesday April 25
Interim report January – June: Friday July 14
Interim report January – September: Thursday November 2

Queries should be addressed to

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

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This information is information that Vitrolife AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 am CET on February 9, 2017.

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 - December		October - December	
		2016	2015	2016	2015
Net sales	3, 5	856 106	722 370	250 909	199 023
Cost of goods sold		-294 805	-237 550	-82 427	-62 112
Gross income		561 301	484 820	168 482	136 911
<i>Comprising</i>					
Adjusted gross income		593 011	504 769	178 879	141 898
Amortisation of acquisition-related intangible assets		-31 710	-19 949	-10 397	-4 987
Gross income		561 301	484 820	168 482	136 911
Selling expenses		-155 686	-139 860	-43 703	-36 186
Administrative expenses		-94 146	-80 467	-25 373	-18 147
Research and development costs		-61 590	-55 737	-18 366	-11 789
Other operating revenues and expenses		-1 038	17 379	-2 691	-803
Operating income		248 841	226 135	78 349	69 986
<i>Comprising</i>					
Adjusted operating income		281 819	247 629	89 077	75 359
Amortisation of acquisition-related intangible assets		-32 978	-21 494	-10 728	-5 373
Operating income		248 841	226 135	78 349	69 986
Financial income and expenses	2	89	705	-524	-241
Income after financial items		248 930	226 840	77 825	69 745
Income taxes		-57 718	-43 479	-18 093	-12 600
Net income		191 212	183 361	59 732	57 145
Attributable to					
Parent Company's shareholders		190 368	182 845	59 514	57 180
Non-controlling interests		844	516	218	-35
Earnings per share, SEK		8.77	8.42	2.74	2.63
Average number of outstanding shares		21 710 115	21 710 115	21 710 115	21 710 115
Number of shares at closing day		21 710 115	21 710 115	21 710 115	21 710 115

Depreciation, amortisation and write-downs were charged against income for the period by SEK 54,326 thousand (53,063), of which SEK 17,440 thousand (10,971) for the fourth quarter.

Statements of comprehensive income

SEK thousands	January - December		October - December	
	2016	2015	2016	2015
Net income	191 212	183 361	59 732	57 145
Other comprehensive income				
<i>Items that may be reclassified to the income statement</i>				
Cash-flow hedges, net after tax	-657	2 844	278	1 327
Exchange rate differences	37 297	-10 887	4 145	-14 120
Total other comprehensive income	36 640	-8 043	4 423	-12 793
Total comprehensive income	227 852	175 318	64 155	44 352
Attributable to				
Parent Company's shareholders	227 008	174 802	63 937	44 387
Non-controlling interests	844	516	218	-35

Key ratios, total Group

	January - December		October - December	
	2016	2015	2016	2015
Gross margin, %	65.6	67.1	67.1	68.8
Adjusted gross margin, %	69.3	69.9	71.3	71.3
Operating margin before depreciation and amortisation (EBITDA), %	35.4	38.7	38.2	40.7
Operating margin (EBIT), %	29.1	31.3	31.2	35.2
Net margin, %	22.3	25.3	23.8	28.7
Equity/assets ratio, %	81.6	79.8	81.6	79.8
Shareholders' equity per share, SEK	46.89	38.84	46.89	38.84
Return on equity, %	20.3	23.5	20.3	23.5
Cash flow from operating activities per share, SEK	8.35	8.91	3.62	4.35
Net debt*, SEK millions	-151.4	-152.1	-151.4	-152.1

* Negative amount implies net claim.

Consolidated income statements per quarter

SEK thousands	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Net sales	250 909	210 427	207 772	186 998	199 023	176 806	184 145	162 396
Cost of goods sold	-82 427	-79 510	-71 047	-61 821	-62 112	-57 170	-62 308	-55 960
Gross income	168 482	130 917	136 725	125 177	136 911	119 636	121 837	106 436
Selling expenses	-43 703	-39 003	-38 929	-34 051	-36 186	-34 822	-34 713	-34 139
Administrative expenses	-25 373	-21 190	-24 656	-22 927	-18 147	-21 419	-20 490	-20 411
Research and development costs	-18 366	-15 294	-15 377	-12 553	-11 789	-15 072	-13 913	-14 963
Other operating revenues and expenses	-2 691	1 263	4 017	-3 627	-803	17 868	-2 216	2 530
Operating income	78 349	56 693	61 780	52 019	69 986	66 191	50 505	39 453
Financial income and expenses	-524	1 540	953	-1 880	-241	191	-2 326	3 081
Income after financial items	77 825	58 233	62 733	50 139	69 745	66 382	48 179	42 534
Income taxes	-18 093	-13 632	-14 553	-11 440	-12 600	-13 975	-9 600	-7 304
Net income	59 732	44 601	48 180	38 699	57 145	52 407	38 579	35 230
Attributable to								
Parent Company's shareholders	59 514	44 471	47 956	38 427	57 180	52 324	38 354	34 987
Non-controlling interests	218	130	224	272	-35	83	225	243

Key ratios per quarter, total Group

	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015
Shareholders' equity per share, SEK	46.89	43.95	41.17	40.65	38.84	36.79	33.86	34.08
Return on equity, %	20.3	21.0	22.9	22.9	23.5	20.7	21.5	22.5
Cash flow from operating activities per share, SEK	3.62	2.14	2.11	0.48	4.35	2.74	1.44	0.39

Consolidated statements of financial position

SEK thousands	Note	Dec 31, 2016	Dec 31, 2015
ASSETS	2, 3		
Goodwill	5	403 216	350 474
Other intangible fixed assets	5	245 871	165 044
Tangible fixed assets	5	93 655	89 641
Financial fixed assets		8 948	9 666
Deferred tax assets		22 282	29 964
Inventories		145 654	102 284
Accounts receivable		126 187	99 783
Current tax assets		2 282	–
Other current receivables		13 151	11 973
Derivative instruments		–	842
Cash and cash equivalents		189 245	199 572
Total assets		1 250 491	1 059 243
SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3		
Shareholders' equity, attributable to the Parent Company's shareholders		1 018 055	843 151
Non-controlling interests		2 329	1 821
Provisions		9 043	5 191
Deferred tax liabilities		61 280	42 057
Long-term interest-bearing liabilities		466	35 627
Short-term interest-bearing liabilities		37 390	11 876
Current tax liabilities		22 044	35 148
Accounts payable		24 286	21 749
Other short-term non-interest-bearing liabilities		75 598	62 623
Total shareholders' equity and liabilities		1 250 491	1 059 243

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	–	–	36 640	190 368	844	227 852
Dividend (SEK 2.40 per share)	–	–	–	-52 104	–	-52 104
Dividend to non-controlling interests	–	–	–	–	-413	-413
Other transactions with non-controlling interests	–	–	–	–	77	77
Closing balance December 31, 2016	22 144	494 610	11 959	489 342	2 329	1 020 384

Condensed consolidated cash flow statements

SEK thousands	January - December		October - December	
	2016	2015	2016	2015
Income after financial items	248 930	226 840	77 825	69 745
Adjustment for non-cash items	55 126	33 857	19 312	10 699
Tax paid	-83 400	-46 334	-16 356	-5 260
Change in inventories	-26 323	-9 766	-9 215	8 437
Change in trade receivables	-17 633	-4 120	4 539	12 446
Change in trade payables	4 562	-6 951	2 528	-1 733
Cash flow from operating activities	181 262	193 526	78 633	94 334
Cash flow from investing activities	-131 002	-31 394	-4 453	-5 926
Cash flow from financing activities	-63 596	-68 924	-3 628	-2 880
Cash flow for the period	-13 336	93 208	70 552	85 528
Opening cash and cash equivalents	199 572	107 598	118 651	115 902
Exchange-rate difference in cash and cash equivalents	3 009	-1 234	42	-1 858
Closing cash and cash equivalents	189 245	199 572	189 245	199 572

Income statements for the Parent Company

SEK thousands	January - December		October - December	
	2016	2015	2016	2015
Net sales	6 833	4 522	2 811	4 522
Administrative expenses	-14 825	-7 808	-5 673	-1 937
Other operating revenues and expenses	-5	38	-31	-30
Operating income	-7 997	-3 248	-2 893	2 555
Write-down participations in Group companies	-7 500	-46 588	-	-46 588
Dividends from Group companies	158 432	185 644	-	644
Financial income and expenses	2 415	3 874	195	503
Income after financial items	145 350	139 682	-2 698	-42 886
Year-end adjustments (received/contributed Group contribution)	3 384	-826	3 384	-826
Income taxes	-	-	-50	-491
Net income	148 734	138 856	636	-44 203

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

Balance sheets for the Parent Company

SEK thousands	Dec 31. 2016	Dec 31. 2015
ASSETS		
Tangible fixed assets	12	12
Participations in Group companies	777 720	730 396
Other financial fixed assets	3 746	3 746
Other current receivables	1 677	1 205
Receivables from Group companies	11 889	40 824
Cash and cash equivalents	2 974	592
Total assets	798 018	776 775
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	758 521	661 890
Long-term interest-bearing liabilities	-	35 627
Short-term interest-bearing liabilities	37 311	11 876
Current tax liabilities	4	-
Accounts payable	117	293
Liabilities to Group companies	-	64 600
Other short-term non-interest-bearing liabilities	2 065	2 489
Total shareholders' equity and liabilities	798 018	776 775

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 four 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 2016. 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). 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 (-328) 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 amortised 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 322,067 thousand (306,310) and SEK 94,468 thousand (94,061).

Fair value hierarchy

SEK thousands	Fair value levels	Dec 31.2016	Dec 31.2015
Financial assets			
Financial assets to fair value through income statement	3	3 746	3 746
Derivatives for hedge accounting	2	-	842
Total Financial assets		3 746	4 588

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

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

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

Note 3. Acquisition of subsidiary

On May 31, 2016 Vitrolife acquired all the shares in OCTAX Microscience GmbH och MTG Medical Technology Vertriebs-GmbH. The head office of the companies is located in Bruckberg, Germany. The purchase price for both companies amounted to EUR 13.7 million (corresponding to SEK 127.2 million on acquisition date), of which everything were paid in cash and were financed by available liquid funds. No additional purchase prices exist. The acquisition of the two companies is regarded as a business combination in accordance with IFRS 3.

The consolidated net sales for the companies for the period January-December amounted to SEK 78.8 million, and the consolidated operating income before depreciation and amortisation (EBITDA) in the same period amounted to SEK 16.5 million. The acquisitions have effected Vitrolife's reported sales positively by SEK 38.9 million and income measured in terms of EBITDA positively by SEK 8.8 million. Acquisition costs amount to approximately SEK 2.2 million and have been expensed.

During the fourth quarter some minor adjustments, related to payments of VAT and taxes, were made the to acquisition analysis. The adjustments lead to a decrease of the purchase price of SEK 0.1 million and higher current liabilities of SEK 1.4 million, which altogether increase goodwill by SEK 1.3 million. The table below has been updated and summarizes the purchase price paid and acquired assets and liabilities reported at fair value at the date of acquisition.

SEK millions	2016
Liquid funds	127.1
Total purchase price	127.1

Identified assets and liabilities

Trademark	10.0
Production technology	75.0
Customer relations	20.3
Other intangible assets	0.4
Tangible fixed assets	2.3
Financial assets	0.2
Inventories	10.5
Other current assets	6.2
Cash and cash equivalents	11.0
Current liabilities	-13.7
Long-term liabilities	-0.6
Deferred tax liability due to surplus value	-31.6
Total acquired assets and liabilities	90.0

Goodwill	37.1
Total	127.1

SEK millions	
Liquid funds paid	-127.1
Liquid funds in acquired business	11.0
Effect on group liquid funds	-116.1

Note 4. Pledged assets for own liabilities and contingent liabilities

SEK thousands	Dec 31.2016	Dec 31.2015
Group		
Pledged assets for own liabilities	22 612	22 077
Contingent liabilities	409	355
Parent company		
Pledged assets for own liabilities	3 100	3 100
Contingent liabilities	-	-

Note 5. Segments

Vitrolife consists of four 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	
	Oct-Dec 2016	Oct-Dec 2015	Oct-Dec 2016	Oct-Dec 2015	Oct-Dec 2016	Oct-Dec 2015	Oct-Dec 2016	Oct-Dec 2015
Net sales	114 208	94 088	37 613	30 580	99 088	74 355	250 909	199 023
Gross income	73 364	63 441	26 781	21 982	68 337	51 488	168 482	136 911
Selling expenses	-18 581	-16 679	-8 515	-6 893	-16 607	-12 614	-43 703	-36 186
Market contribution	54 783	46 762	18 266	15 089	51 730	38 874	124 779	100 725
Fixed assets*	647 330	516 986	94 803	88 132	609	41	742 742	605 159

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Net sales	375 611	334 606	138 506	125 391	341 989	262 373	856 106	722 370
Gross income	238 317	218 249	95 402	89 072	227 582	177 499	561 301	484 820
Selling expenses	-66 952	-61 313	-29 108	-27 976	-59 626	-50 571	-155 686	-139 860
Market contribution	171 365	156 936	66 294	61 096	167 956	126 928	405 615	344 960
Fixed assets*	647 330	516 986	94 803	88 132	609	41	742 742	605 159

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

Reconciliation of alternative key figures

This report includes certain key ratios not defined in IFRS, but they are included in the report as company management considers that this information makes it easier for investors to analyze the Group's financial performance and position. Investors should regard these alternative key ratios as complementing rather than replacing financial information in accordance with IFRS. Please note that Vitrolife's definitions of these key ratios may differ from other companies' definitions of the same terms.

Adjusted gross and operating income

As Vitrolife's gross and operating income is significantly impacted by the amortisation of surplus values related to the acquisitions that the company has carried out, it is management's assessment that it is appropriate to illustrate the Group's profitability and earning capacity by presenting gross and operating income adjusted for amortisation of these surplus values. Reconciliation of these figures are presented directly in the financial reports.

Operating income before depreciation and amortisation (EBITDA)

As amortisation of surplus values related to the acquisitions that Vitrolife has carried out is charged against operating income, it is management's assessment that operating income before depreciation and amortisation (EBITDA) is a fairer measure of the Group's earning capacity compared to operating income (EBIT). Vitrolife's Board aims to achieve growth while maintaining profitability, where profitability is followed up through operating income before depreciation and amortisation (EBITDA).

SEK M	January-December		October-December	
	2016	2015	2016	2015
Operating income	248.8	226.1	78.3	70.0
Depreciation and amortisation	54.3	53.1	17.4	11.0
Operating income before depreciation and amortisation (EBITDA)	303.1	279.2	95.7	81.0

Return on equity

It is Vitrolife's assessment that return on equity is an appropriate measure to illustrate to stakeholders how well the Group invests its equity.

SEK M	Dec 31. 2016	Dec 31. 2015
Average shareholders' equity, rolling 12 month	937.1	779.3
Net income, rolling 12 month	190.4	182.8
Return on equity, %	20.3	23.5

Net debt / Rolling 12 month EBITDA

One of Vitrolife's financial objectives is to have a strong financial capital base to enable continued high growth, both organic and through acquisitions. In relation to this, Group management follows up the ratio of net debt in relation to rolling 12-month operating income before depreciation and amortisation (EBITDA). According to Vitrolife's financial objectives, this ratio should normally not exceed three times. Management assesses that this ratio gives creditors and investors important information concerning the Group's attitude to debt.

SEK M	Dec 31. 2016	Dec 31. 2015
Interest-bearing liabilities	37.8	47.5
Cash and cash equivalents	-189.2	-199.6
Net debt	-151.4	-152.1

SEK M	Dec 31. 2016	Dec 31. 2015
Net debt	-151.4	-152.1
Operating profit, rolling 12 month	248.8	226.1
Depreciation and amortisation, rolling 12 month	54.3	53.1
Rolling 12 month EBITDA	303.1	279.2
Net debt / Rolling 12 month EBITDA	-0.5	-0.5

Net sales growth in local currency

As a large part of Vitrolife's sales are in other currencies than the reporting currency of SEK, sales are not only impacted by actual growth, but also by currency effects. To analyse sales adjusted for currency effects, the key ratio of sales growth in local currency is used.

Net sales per geographic segment

	EMEA		North and South America		Asia & Pacific	
	Oct-Dec 2016	Jan-Dec 2016	Oct-Dec 2016	Jan-Dec 2016	Oct-Dec 2016	Jan-Dec 2016
Growth in local currency, SEK M	17	41	5	11	21	78
<i>Growth in local currency, %</i>	18	12	16	9	26	29
Currency effects, SEK M	3	0	2	3	4	2
<i>Currency effects, %</i>	3	0	7	2	7	1
Total growth, SEK M	20	41	7	14	25	80
Total growth, %	21	12	23	11	33	30

Net sales per business unit

	Media		Disposable Devices		Time-lapse		ART Equipment	
	Oct-Dec 2016	Jan-Dec 2016	Oct-Dec 2016	Jan-Dec 2016	Oct-Dec 2016	Jan-Dec 2016	Oct-Dec 2016	Jan-Dec 2016
Growth in local currency, SEK M	13	60	0	10	9	19	n/a	n/a
<i>Growth in local currency, %</i>	11	14	0	8	21	14	n/a	n/a
Currency effects, SEK M	4	0	2	1	3	3	n/a	n/a
<i>Currency effects, %</i>	4	0	5	1	7	2	n/a	n/a
Total growth, SEK M	17	60	2	11	12	22	n/a	n/a
Total growth, %	15	14	5	9	28	16	n/a	n/a

Group total

	Oct-Dec 2016	Oct-Dec 2015	Jan-Dec 2016	Jan-Dec 2015
Organic growth in local currency, SEK M	24	31	90	57
<i>Organic growth in local currency, %</i>	11	23	12	11
Acquired growth, SEK M	19	21	39	87
<i>Acquired growth, %</i>	10	15	6	17
Currency effects, SEK M	9	10	5	67
<i>Currency effects, %</i>	5	7	1	13
Total growth, SEK M	52	62	134	211
Total growth, %	26	45	19	41

Definitions

Adjusted gross income

Gross income before amortisation of acquisition-related intangible assets.

Adjusted operating income

Operating income before amortisation of acquisition-related intangible assets.

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.

Earnings per share

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

Equity/assets ratio

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

Gross margin

Gross income as a percentage of net sales for the period.

Market contribution

Gross income reduced with the selling expenses per market.

Net debt

Interest-bearing liabilities minus interest-bearing receivables minus cash and cash equivalents.

Net debt / Rolling 12 month EBITDA

Net debt in relation to rolling 12 months operating income before amortisation and depreciation (EBITDA).

Operating margin before depreciation and amortisation (EBITDA)

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

Operating margin

Operating income 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.

Shareholders' equity per share

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

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.

Biopsy

Removal of one or several cells from living tissue for diagnostic evaluation.

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 vivo

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

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.

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.

PGD

PGD (preimplantation genetic diagnosis) is a test to find specific hereditary genetic diseases that are caused by a single defective gene. This test is used for couples who have a genetic mutation that can cause a genetic disease where the couple want to be sure that their child will not carry this disease.

PGS

PGS (preimplantation genetic screening) is a test which detects chromosomally abnormal embryos, which is a common cause of infertility. The percentage of chromosomally abnormal embryos increases with age and these deviations can often not be seen using conventional methods. By investigating chromosomal abnormalities before the embryo is transferred to the woman, the chances of getting pregnant are improved and the risk of a miscarriage can be reduced.

Preclinical study

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

Stem cells

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

Time-lapse

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

Vitrification

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

TOGETHER. ALL THE WAY™

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