



REPORT ON OPERATIONS 2017

Vitrolife AB (publ)

Vitrolife is an international medical device Group. Vitrolife develops, produces and markets products for assisted reproduction.

Vitrolife today has approximately 370 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, Belgium, China, Denmark, France, Germany, Italy, Japan, United Kingdom and USA. The Vitrolife share is listed on NASDAQ Stockholm.

Vitrolife 

Continued profitable growth

Fourth quarter

- Sales amounted to SEK 271 (251) million, corresponding to an increase of 8 percent in SEK. Sales growth was 11 percent in local currency and consisted in its entirety of organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 103 (96)

million, corresponding to a margin of 38 (38) percent. Fluctuations in exchange rates negatively impacted EBITDA by SEK 5 million.

- Net income amounted to SEK 69 (60) million, which gave earnings per share of SEK 3.15 (2.74).

Whole year 2017

- Sales amounted to SEK 1 046 (856) million, corresponding to an increase of 22 percent in SEK. Sales growth was 22 percent in local currency of which 19 percent represented organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 408 (303) million, corresponding to a margin of 39 (35) percent. Fluctuations in exchange rates negatively impacted EBITDA by SEK 7 million.
- Continued successful launch of EmbryoScope+.

- Launch of RapidVit™ Omni, a media system for vitrification (rapid freezing) of eggs and embryos.
- Net income amounted to SEK 265 (191) million, which gave earnings per share of SEK 12.14 (8.77).

After the end of the period

- Acquisition of licensing rights to technology for embryo transfer.
- Market approval for EmbryoScope in China.
- The Board proposes a dividend of SEK 3.70 (2.60) per share.

The Group's Key Figures

SEK millions	October – December		January – December	
	2017	2016	2017	2016
Net sales	271	251	1 046	856
Net sales growth, local currency, %	11	21	22	18
Gross margin, %	64	67	65	66
Adjusted gross margin*, %	68	71	69	69
Operating income before depreciation and amortisation (EBITDA)	103	96	408	303
EBITDA margin, %	38	38	39	35
Net income	69	60	265	191
Net debt / Rolling 12 month EBITDA	-1.0	-0.5	-1.0	-0.5
Earnings per share**, SEK	3.15	2.74	12.14	8.77
Share price on closing day, SEK	623.00	387.00	623.00	387.00
Market cap at closing day	13 525	8 402	13 525	8 402
<i>Changes in net sales</i>				
Organic growth in local currency, %	11	11	19	12
Acquired growth, %	-	10	3	6
Currency effects, %	-3	5	0	1
Total growth, %	8	26	22	19

* Gross margin excluding amortisation of acquisition-related intangible assets

** Before and after dilution

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 fourth quarter concludes a strong 2017 for Vitrolife. Growth during the fourth quarter amounted to 11 percent in local currency and consisted in its entirety of organic growth. The operating margin before depreciation and amortization (EBITDA) amounted to 38 percent during the quarter. As previously, the good profitability was generated by a combination of increased sales, optimization of the product portfolio and good cost control.



Growth during the quarter varied between the business units and the market regions. The Time-Lapse business unit reported yet another strong quarter, with growth of 43 percent driven by continued high demand for EmbryoScope+. The Media business unit reported growth of 6 percent, which is in line with how the market has grown historically. The Disposable Devices business unit decreased by 1 percent. Sales were negatively impacted by capacity limitations in the production of aspiration needles and pipettes. The company is working on increasing capacity through investments in production equipment, amongst other things, and anticipates that these limitations will be resolved during spring. The ART Equipment business unit reported negative growth of 15 percent. As previously, sales of capital goods in the business unit varies from quarter to quarter and sales were also impacted negatively by the fact that the company has terminated sales of some low margin products that were previously distributed on behalf of other manufacturers.

All market regions reported growth during the quarter. The EMEA region increased sales by 12 percent, where several of the major mature markets in the region reported a strong quarter. The Americas region increased sales by 6 percent, which is in line with the estimated market growth. The Asia and Pacific region increased sales by 13 percent. In the region Japan continued to grow but China

reported a decrease in sales for this quarter. Growth in China was negatively impacted by lower sales of Time-lapse. After closing day, EmbryoScope was approved for sales in China and Vitrolife estimates that EmbryoScope+ will be approved for sales at the beginning of 2019.

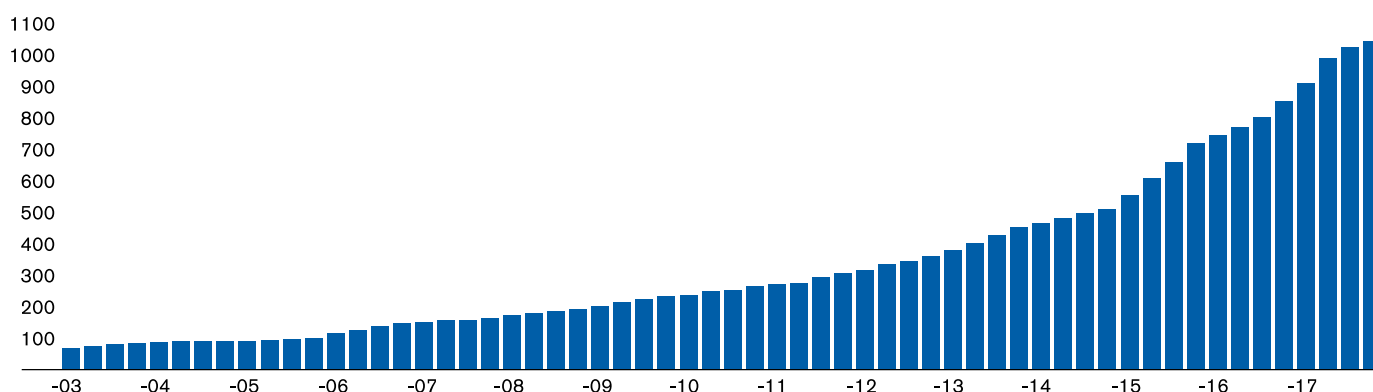
After closing day Vitrolife acquired global licensing rights in the IVF field regarding technology that can be used for the transfer of embryos in connection with IVF treatment. Vitrolife intends to market a unique embryo transfer catheter to enable easier and more standardized transfers, creating potential for improved clinical results. The work on commercializing the product will proceed for several years and include the establishment of production for high volumes and regulatory market approval in various markets. The product has already been approved by the FDA and has a CE certificate. The acquisition broadens the product offering and supports Vitrolife's ambition to offer IVF clinics the most effective products in their efforts to assist patients' desire to have children.

When the whole year is to be summarized, I can note that it has been a very good year for Vitrolife. Growth in local currency amounted to 22 percent and all market regions and business units reported good growth. In addition to growing well in emerging markets such as China, we have also achieved great success in several important mature markets such as Germany, Japan and Spain. Time-lapse had a fantastic year, driven by high demand for EmbryoScope+ and increased scientific support for the benefits of time-lapse. Finally, we are delighted that growth was achieved in combination with good profitability.

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 2017 (October - December)

Net sales

Sales amounted to SEK 271 (251) million, corresponding to an increase of 8 percent in SEK. Sales growth was 11 percent in local currency.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 12 percent in local currency and amounted to SEK 128 (114) million. Sales in the North and South American region amounted to SEK 37 (38) million. Sales increased by 6 percent in local currency. Sales in the Asia and Pacific region increased by 13 percent in local currency and amounted to SEK 106 (99) million.

Sales in the Media business unit increased by 6 percent in local currency during the quarter and amounted to SEK 135 (132) million. Sales in the Disposable Devices business unit decreased by 1 percent in local currency and amounted to SEK 35 (37) million. Sales were negatively impacted by capacity limitations in the production of aspiration needles and pipettes. Sales for the Time-lapse business unit increased by 43 percent during the quarter in local currency and amounted to SEK 79 (57) million. Sales were impacted positively by continuing high demand for EmbryoScope+. Sales for the ART Equipment business unit decreased by 15 percent during the quarter in local currency and amounted to SEK 17 (19) million. Growth in the business unit was negatively impacted by the fact that the company has terminated sales of some low margin products that were previously distributed on behalf of other manufacturers. Freight revenues amounted to SEK 5 (5) million.

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

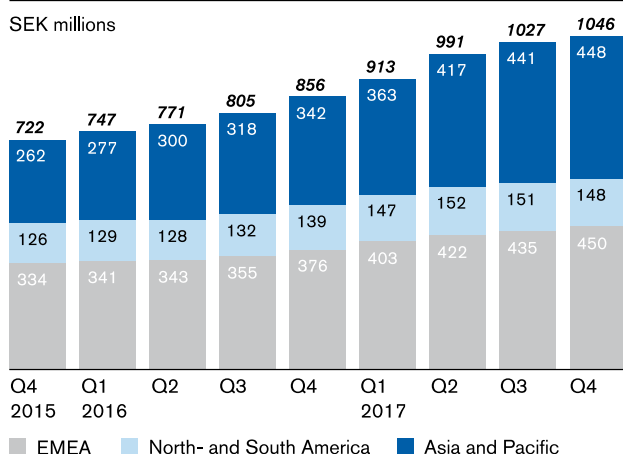


Fig 2. Sales development (per quarter)

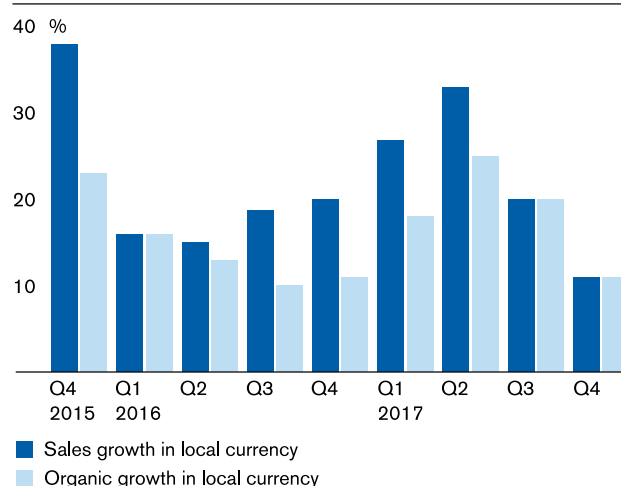
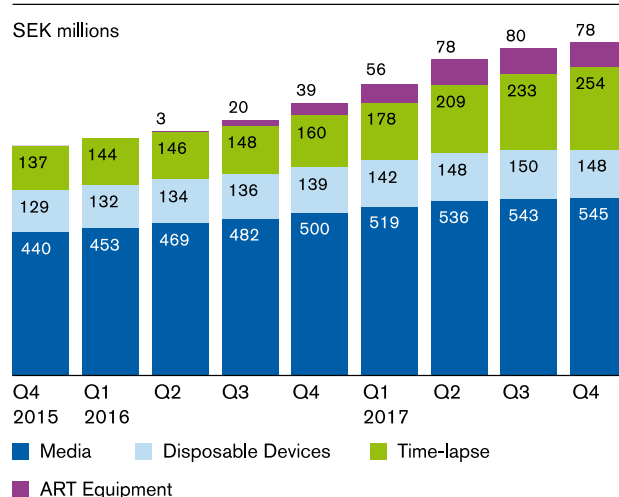


Fig 3. Net sales per business unit (rolling 12 months)

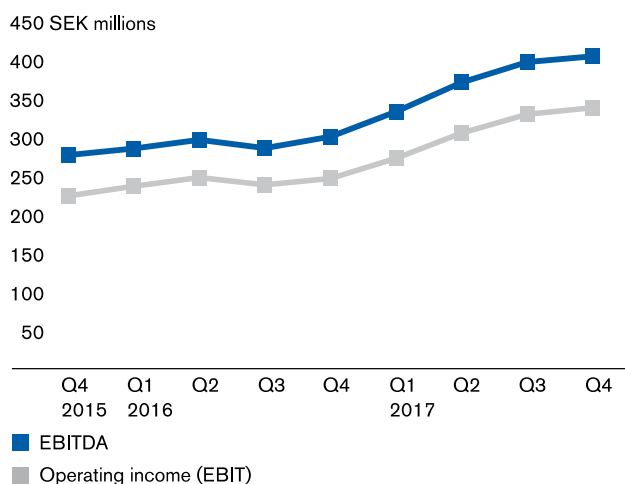


Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 103 (96) million, corresponding to a margin of 38 (38) percent. Fluctuations in exchange rates negatively impacted EBITDA by SEK 5 million.

Gross income amounted to SEK 174 (168) million. The gross margin amounted to 64 (67) percent and was negatively impacted by currencies and the product mix as a result of the lower proportion of media sales. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 68 (71) percent for the quarter. Selling expenses amounted to 16 (17) percent of sales. Administrative expenses amounted to 10 (10) percent of sales. R&D costs amounted to 6 (7) percent of sales. The operating expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 16 (17) million were charged against income. Net financial items amounted to SEK 3 (-1) million. Income before tax amounted to SEK 90 (78) million. Net income amounted to SEK 69 (60) million.

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 60 (55) million. The contribution from the North and South American region amounted to SEK 16 (18) million and the contribution from the Asia and Pacific region amounted to SEK 54 (52) million. The increased income has primarily been generated by increased sales.

Cash flow

The cash flow from operating activities amounted to SEK 110 (79) million. The change in working capital amounted to SEK 21 (-2) million and consisted amongst others of reduced accounts receivables. Gross investments in tangible assets amounted to SEK -2 (-4) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -1 (0) million. The cash flow from financing activities was SEK 0 (-4) million. Cash and cash equivalents at the end of the period amounted to SEK 396 (189) million. The company aims to invest its cash balances in acquisitions that give added value.

Financing

Vitrolife's total credit facilities amounted to SEK 50 (88) million, of which SEK 0 (38) million was utilized. The equity/assets ratio was 86 (82) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -1.0 (-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 1 (3) million. Income before tax for the quarter amounted to SEK 1 (-3) million. Cash and cash equivalents amounted to SEK 5 (3) million.

Whole year 2017

Net sales

Sales amounted to SEK 1 046 (856) million, corresponding to an increase of 22 percent in SEK. Sales growth was 22 percent in local currency of which 19 percent represented organic growth. Sales in the EMEA region increased by 18 percent in local currency and amounted to SEK 450 (376) million. Sales in the North and South American region amounted to SEK 148 (139) million. The increase in local currency amounted to 7 percent. Sales in the Asia and Pacific region increased by 33 percent in local currency and amounted to SEK 448 (342) million. Growth in the Asia and Pacific region was positively impacted by good market growth, market share gained and high demand for EmbryoScope+.

Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 408 (303) million, corresponding to a margin of 39 (35) percent. Last year's operating income included one-time expenses of SEK 8 million related to consolidation of the time-lapse business. Fluctuations in exchange rates negatively impacted EBITDA by SEK 7 million.

Gross income amounted to SEK 682 (561) million. The gross margin was 65 (66) percent and was positively impacted by economies of scale and increased profitability within the Time-Lapse business unit and negatively impacted by product mix as a result of the lower proportion of media sales. The gross margin was negatively impacted by the acquisitions of Octax and MTG, both because the business has a lower gross margin than the average for the Group and because amortisation of acquisition-related intangible assets to the tune of SEK 20 million has been charged against gross income. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 69 (69) percent. Selling expenses amounted to 16 (18) percent of sales. Administrative expenses amounted to 9 (11) percent of sales. R&D costs amounted to 7 (7) percent of sales. The operating expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 67 (54) million were charged against net income. Net financial items amounted to SEK 0 (0) million. Income before tax amounted to SEK 341 (249) million. Net income amounted to SEK 265 (191) million.

Income per segment

During the period, the market contribution for the EMEA region amounted to SEK 210 (171) million. The contribution from the North and South American region amounted to SEK 69 (66) million and the contribution from the Asia and Pacific region amounted to SEK 233 (168) million. For all regions, the increased income has primarily been generated by a combination of increased sales and economies of scale.

Cash flow

The cash flow from operating activities amounted to SEK 312 (181) million. Gross investments amounted to SEK -10 (-131) million and was related to fixed assets. Last year included the acquisitions of Octax and MTG of SEK -116 million. The cash flow from financing activities was SEK -93 (-64) million and consisted of dividend of SEK -57 million and the repayment of borrowings of SEK -37 million. Cash and cash equivalents at the end of the period amounted to SEK 396 (189) million.

Prospects

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. Looking ahead, the company will continue to focus on expanding sales and broadening the product offering.

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 355 (328), of whom 162 (149) were women and 193 (179)

were men. Of these 140 (142) people were employed in Sweden, 73 (63) in Denmark, 73 (61) in the USA and 69 (62) in the rest of the world. The number of people employed in the Group at the end of the period was 372 (349).

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 2016, note 31.

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 3.70 (2.60) 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 2016. 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 2016, note 3. The reported risks, as they are described in the 2016 Annual Report, are assessed to be essentially unchanged.

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 2018 Annual General Meeting:

Patrik Tigerschiöld, representing Bure Equity AB
Niels Jacobsen, representing William Demant Invest A/S
Hans Ek, representing SEB investment management
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 27, 2017. 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 26, 2018, 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 3.70 (2.60) per share.

On January 11, Vitrolife acquired exclusive global licensing rights in the IVF field regarding a technology that can be used for embryo transfer in connection with IVF treatments from CrossBay Medical Inc. Vitrolife intends to commercialise the technology by marketing a unique embryo transfer catheter. Vitrolife estimates that worldwide approximately 2.5 million transfers of embryos to women are carried out each year in connection with IVF treatments and that for this purpose approximately 3 million embryo transfer catheters are used. The global market for embryo transfer catheters is estimated to be approximately SEK 500 million. Vitrolife intends to launch low volumes of the product during the second half of the year in selected markets, amongst other things with a view to collecting customer data on the product's advantages at the same time as preparations take place, for example for high volume production. The acquisition broadens the product range and supports Vitrolife's ambition to offer IVF clinics the most effective products in its efforts to assist patients' desire to have children. The initial purchase price amounted to USD 5 million. The purchase price was paid in cash and was financed by available cash balances. In addition to this initial purchase price, additional purchase prices and royalties may be paid in relation to sales. The acquisition is expected to impact EBITDA per share marginally negatively during 2018-2020 and positively as from 2021.

Vitrolife has received market approval for the time-lapse incubator EmbryoScope in China and thereby becomes the first company to market an approved time-lapse incubator in the world's largest IVF market.

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

February 8, 2018
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.

Financial calendar

2018-04-24: Interim report January - March 2018
2018-04-26: Annual General Meeting 2018
2018-07-13: Interim report January - June 2018
2018-11-06: Interim report January - September 2018
2019-02-07: Report on operations 2018

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

Queries should be addressed to

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

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 8, 2018.

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	
		2017	2016	2017	2016
Net sales	5	1 046 217	856 106	270 847	250 909
Cost of goods sold		-364 508	-294 805	-96 885	-82 427
Gross income		681 709	561 301	173 962	168 482
<i>Comprising</i>					
Adjusted gross income		722 125	593 011	184 151	178 879
Amortisation of acquisition-related intangible assets		-40 416	-31 710	-10 189	-10 397
Gross income		681 709	561 301	173 962	168 482
Selling expenses		-170 279	-155 686	-44 650	-43 703
Administrative expenses		-99 334	-94 146	-28 062	-25 373
Research and development costs		-69 116	-61 590	-16 950	-18 366
Other operating revenues and expenses		-2 124	-1 038	2 535	-2 691
Operating income		340 856	248 841	86 835	78 349
<i>Comprising</i>					
Adjusted operating income		382 258	281 819	97 039	89 077
Amortisation of acquisition-related intangible assets		-41 402	-32 978	-10 204	-10 728
Operating income		340 856	248 841	86 835	78 349
Financial income and expenses		59	89	2 988	-524
Income after financial items		340 915	248 930	89 823	77 825
Income taxes		-76 313	-57 718	-21 308	-18 093
Net income		264 602	191 212	68 515	59 732
Attributable to					
Parent Company's shareholders		263 640	190 368	68 379	59 514
Non-controlling interests		962	844	136	218
Earnings per share*, SEK		12.14	8.77	3.15	2.74
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

* Before and after dilution.

Depreciation, amortisation and write-downs were charged against income for the period by SEK 66,949 thousand (54,326), of which SEK 16,426 thousand (17,440) for the fourth quarter.

Statements of comprehensive income

SEK thousands	January – December		October – December	
	2017	2016	2017	2016
Net income	264 602	191 212	68 515	59 732
Other comprehensive income				
<i>Items that may be reclassified to the income statement</i>				
Cash-flow hedges, net after tax	–	-657	–	278
Exchange rate differences	686	37 374	19 424	4 126
Total other comprehensive income	686	36 717	19 424	4 404
Total comprehensive income	265 288	227 929	87 939	64 136
Attributable to				
Parent Company's shareholders	264 248	227 008	87 728	63 937
Non-controlling interests	1 040	921	211	199

Key ratios, total Group

	January – December		October – December	
	2017	2016	2017	2016
Gross margin, %	65.2	65.6	64.2	67.1
Adjusted gross margin, %	69.0	69.3	68.0	71.3
Operating margin before depreciation and amortisation (EBITDA), %	39.0	35.4	38.1	38.2
Operating margin (EBIT), %	32.6	29.1	32.1	31.2
Net margin, %	25.3	22.3	25.3	23.8
Equity/assets ratio, %	86.4	81.6	86.4	81.6
Shareholders' equity per share, SEK	56.46	46.89	56.46	46.89
Return on equity, %	23.3	20.3	23.3	20.3
Cash flow from operating activities per share, SEK	14.38	8.35	5.07	3.62
Net debt*, SEK millions	-395.5	-151.4	-395.5	-151.4

* Negative amount implies net claim.

Consolidated income statements per quarter

SEK thousands	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Net sales	270 847	245 904	285 385	244 081	250 909	210 427	207 772	186 998
Cost of goods sold	-96 885	-82 564	-98 774	-86 285	-82 427	-79 510	-71 047	-61 821
Gross income	173 962	163 340	186 611	157 796	168 482	130 917	136 725	125 177
Selling expenses	-44 650	-41 110	-45 902	-38 617	-43 703	-39 003	-38 929	-34 051
Administrative expenses	-28 062	-23 263	-25 515	-22 494	-25 373	-21 190	-24 656	-22 927
Research and development costs	-16 950	-16 101	-17 573	-18 492	-18 366	-15 294	-15 377	-12 553
Other operating revenues and expenses	2 535	-1 759	-3 017	117	-2 691	1 263	4 017	-3 627
Operating income	86 835	81 107	94 604	78 310	78 349	56 693	61 780	52 019
Financial income and expenses	2 988	-1 914	-634	-381	-524	1 540	953	-1 880
Income after financial items	89 823	79 193	93 970	77 929	77 825	58 233	62 733	50 139
Income taxes	-21 308	-14 241	-22 490	-18 274	-18 093	-13 632	-14 553	-11 440
Net income	68 515	64 952	71 480	59 655	59 732	44 601	48 180	38 699
Attributable to								
Parent Company's shareholders	68 379	64 760	71 297	59 204	59 514	44 471	47 956	38 427
Non-controlling interests	136	192	183	451	218	130	224	272

Key ratios per quarter, total Group

	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016
Shareholders' equity per share, SEK	56.46	52.42	50.07	49.47	46.89	43.95	41.17	40.65
Return on equity, %	23.3	23.6	22.7	21.4	20.3	21.0	22.9	22.9
Cash flow from operating activities per share, SEK	5.07	3.89	3.87	1.55	3.62	2.14	2.11	0.48

Consolidated statements of financial position

SEK thousands	Note	Dec 31. 2017	Dec 31. 2016
ASSETS	2, 3		
Goodwill	5	408 937	403 216
Other intangible fixed assets	5	198 801	245 871
Tangible fixed assets	5	84 432	93 655
Shares and participations		3 746	3 746
Other financial fixed assets		5 422	5 202
Deferred tax assets		11 181	22 282
Inventories		150 556	145 654
Accounts receivable		148 236	126 187
Current tax assets		362	2 282
Other current receivables		5 016	5 045
Prepaid expenses and accrued income		9 772	8 106
Cash and cash equivalents		395 963	189 245
Total assets		1 422 424	1 250 491
SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3		
Shareholders' equity, attributable to the Parent Company's shareholders		1 225 857	1 018 055
Non-controlling interests		2 792	2 329
Provisions		7 311	9 043
Deferred tax liabilities		51 170	61 280
Long-term interest-bearing liabilities		399	466
Short-term interest-bearing liabilities		81	37 390
Current tax liabilities		17 899	22 044
Accounts payable		30 598	24 286
Other short-term non-interest-bearing liabilities		12 761	12 698
Accrued expenses and deferred income		73 556	62 900
Total shareholders' equity and liabilities		1 422 424	1 250 491

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, 2016	22 144	494 610	-24 681	351 078	1 821	844 972
Total comprehensive income	-	-	36 640	190 368	921	227 929
Dividend (SEK 2.40 per share)	-	-	-	-52 104	-	-52 104
Dividend to non-controlling interests	-	-	-	-	-413	-413
Closing balance December 31, 2016	22 144	494 610	11 959	489 342	2 329	1 020 384
Opening balance January 1, 2017	22 144	494 610	11 959	489 342	2 329	1 020 384
Total comprehensive income	-	-	608	263 640	1 040	265 288
Dividend (SEK 2.60 per share)	-	-	-	-56 446	-	-56 446
Dividend to non-controlling interests	-	-	-	-	-577	-577
Closing balance December 31, 2017	22 144	494 610	12 567	696 536	2 792	1 228 649

Condensed consolidated cash flow statements

SEK thousands	January – December		October – December	
	2017	2016	2017	2016
Income after financial items	340 915	248 930	89 823	77 825
Adjustment for non-cash items	65 107	55 126	14 265	19 312
Tax paid	-83 744	-83 400	-14 673	-16 356
Change in inventories	-8 515	-26 323	-2 759	-9 215
Change in trade receivables	-24 433	-17 633	11 569	4 539
Change in trade payables	22 859	4 562	11 794	2 528
Cash flow from operating activities	312 189	181 262	110 019	78 633
Cash flow from investing activities	-9 980	-131 002	-2 644	-4 453
Cash flow from financing activities	-93 496	-63 596	-28	-3 628
Cash flow for the period	208 713	-13 336	107 347	70 552
Opening cash and cash equivalents	189 245	199 572	285 055	118 651
Exchange-rate difference in cash and cash equivalents	-1 995	3 009	3 561	42
Closing cash and cash equivalents	395 963	189 245	395 963	189 245

Income statements for the Parent Company

SEK thousands	January – December		October – December	
	2017	2016	2017	2016
Net sales	2 695	6 833	855	2 811
Administrative expenses	-11 105	-14 825	-1 226	-5 673
Other operating revenues and expenses	48	-5	-6	-31
Operating income	-8 362	-7 997	-377	-2 893
Write-down participations in Group companies	-7 280	-7 500	-	-
Dividends from Group companies	70 256	158 432	1 789	-
Financial income and expenses	-175	2 415	31	195
Income after financial items	54 439	145 350	1 443	-2 698
Year-end adjustments (received Group contribution)	8 351	3 384	8 351	3 384
Income taxes	-10	-	-1 800	-50
Net income	62 780	148 734	7 994	636

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. 2017	Dec 31. 2016
ASSETS		
Tangible fixed assets	12	12
Participations in Group companies	770 629	777 720
Shares and participations	3 746	3 746
Receivables from Group companies	262	11 889
Other current receivables	146	500
Prepaid expenses and accrued income	-	1 177
Cash and cash equivalents	5 377	2 974
Total assets	780 172	798 018
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	764 855	758 521
Short-term interest-bearing liabilities	-	37 311
Current tax liabilities	10	4
Accounts payable	619	117
Liabilities to Group companies	12 112	-
Accrued expenses and deferred income	2 576	2 065
Total shareholders' equity and liabilities	780 172	798 018

Note 1. Accounting Principles

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

Unless otherwise stated below, the accounting principles applied to the Group and the Parent Company are consistent with the accounting principles used in the presentation of the most recent Annual Report.

No standards, amendments or interpretations that entered force in 2017 are deemed to have had material impact on the Group financial statements.

IFRS 9

IFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and liabilities, and enters force on 1 January 2018. Changes compared to previous standard concern e.g. new approaches for classifications as well as a different model for impairment according to which provision for bad debt should be based not only on occurred events but also on expected events. Historically, Vitrolife has had low bad debt losses and the company has concluded that a transition to the new accounting standard will not cause any effects to the Group financial statements.

IFRS 15

From 1 January 2018 IFRS 15 'Revenue from contracts with customers' will be applied. The great majority of Vitrolife's sales consists of products, which distinctly represent separate performance obligations. Based on that, no significant differences are assessed to exist between the current accounting and accounting in accordance with IFRS 15. Vitrolife has made a final assessment that a transition to IFRS 15 will not cause any effects to the Group financial statements.

IFRS 16

IFRS 16 'Leasing' will result in changes on how to account for leasing agreements. Enters force on 1 January 2019. Accounting according to IFRS 16 will mean that almost all leasing agreements will be recognised in the balance sheet as assets and liabilities. This accounting is based on the approach that the lessee has a right to use an asset during a specific period and at the same time an obligation to pay for this right. It is being investigated which effects the new standard will have on the Group financial statements, and Vitrolife estimates that an analysis of the transitional effects can be presented in the company's interim reports during the first half-year of 2018.

Note 2. Financial instruments - Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13.

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 amortised cost amount to SEK 549,749 thousand (322,067) and SEK 43,598 thousand (76,561).

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. Revaluation is made only in the event of transactions to larger volumes.

Fair value hierarchy

SEK thousands	Fair value levels	
	Dec 31.2017	Dec 31.2016
Financial assets		
Financial assets to fair value through income statement	3	3 746
Total Financial assets	3 746	3 746

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. Business combinations

No acquisitions have been carried out during 2017. 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 table below summarizes the purchase price paid and acquired assets and liabilities reported at fair value at the date of acquisition. The acquisition analysis was finalized during the second quarter of 2017.

SEK millions	2016
Liquid funds	127.4
Total purchase price	127.4

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	37.4
Total	127.4

SEK millions	
Liquid funds paid	-127.4
Liquid funds in acquired business	11.0
Effect on group liquid funds	-116.4

Note 4. Pledged assets and contingent liabilities

SEK thousands	Dec 31.2017	Dec 31.2016
Group		
Pledged assets	23 157	22 612
Contingent liabilities	575	409
Parent company		
Pledged assets	3 100	3 100
Contingent liabilities	-	-

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

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	
	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2016
Net sales	449 934	375 611	147 940	138 506	448 343	341 989	1 046 217	856 106
Gross income	282 887	238 317	100 568	95 402	298 254	227 582	681 709	561 301
Selling expenses	-73 262	-66 952	-31 585	-29 108	-65 432	-59 626	-170 279	-155 686
Market contribution	209 625	171 365	68 983	66 294	232 822	167 956	511 430	405 615
Fixed assets*	607 375	647 330	84 156	94 803	639	609	692 170	742 742

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Oct-Dec 2017	Oct-Dec 2016	Oct-Dec 2017	Oct-Dec 2016	Oct-Dec 2017	Oct-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Net sales	128 096	114 208	36 941	37 613	105 810	99 088	270 847	250 909
Gross income	80 070	73 364	23 497	26 781	70 395	68 337	173 962	168 482
Selling expenses	-20 457	-18 581	-7 680	-8 515	-16 513	-16 607	-44 650	-43 703
Market contribution	59 613	54 783	15 817	18 266	53 882	51 730	129 312	124 779
Fixed assets*	607 375	647 330	84 156	94 803	639	609	692 170	742 742

* 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	
	2017	2016	2017	2016
Operating income	340.9	248.8	86.8	78.3
Depreciation and amortisation	66.9	54.3	16.4	17.4
Operating income before depreciation and amortisation (EBITDA)	407.8	303.1	103.3	95.7

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. 2017	Dec 31. 2016
Average shareholders' equity, rolling 12 month	1 131.3	937.1
Net income, rolling 12 month	263.6	190.4
Return on equity, %	23.3	20.3

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. 2017	Dec 31. 2016
Interest-bearing liabilities	0.5	37.8
Cash and cash equivalents	-396.0	-189.2
Net debt	-395.5	-151.4

SEK M	Dec 31. 2017	Dec 31. 2016
Net debt	-395.5	-151.4
Operating profit, rolling 12 month	340.9	248.8
Depreciation and amortisation, rolling 12 month	66.9	54.3
Rolling 12 month EBITDA	407.8	303.1
Net debt / Rolling 12 month EBITDA	-1.0	-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	
	Jan-Dec 2017	Oct-Dec 2017	Jan-Dec 2017	Oct-Dec 2017	Jan-Dec 2017	Oct-Dec 2017
Growth in local currency, SEK M	70	14	10	2	112	12
<i>Growth in local currency, %</i>	18	12	7	6	33	13
Currency effects, SEK M	4	0	-1	-3	-5	-5
<i>Currency effects, %</i>	1	0	0	-8	-2	-6
Total growth, SEK M	74	14	9	-1	106	7
Total growth, %	20	12	7	-2	31	7

Net sales per business unit

	Media		Disposable Devices		Time-lapse		ART Equipment*	
	Jan-Dec 2017	Oct-Dec 2017	Jan-Dec 2017	Oct-Dec 2017	Jan-Dec 2017	Oct-Dec 2017	Jan-Dec 2017	Oct-Dec 2017
Growth in local currency, SEK M	46	7	10	-1	95	24	39	-3
<i>Growth in local currency, %</i>	9	6	7	-1	60	43	**	-15
Currency effects, SEK M	-1	-4	0	-1	-2	-2	1	1
<i>Currency effects, %</i>	0	-4	0	-3	-2	-6	**	3
Total growth, SEK M	46	3	10	-2	93	22	40	-2
Total growth, %	9	2	7	-5	58	37	**	-12

* Comprises the operations conducted by the acquired companies MTG and Octax. The period Jan-Dec 2016 only include sales during the period of June to December, since the companies were acquired on May 31, 2016.

** Not stated since the companies were not part of the Group during the entire comparison period.

Group total

	Jan-Dec 2017	Jan-Dec 2016	Oct-Dec 2017	Oct-Dec 2016
Organic growth in local currency, SEK M	158	90	28	24
<i>Organic growth in local currency, %</i>	19	12	11	11
Acquired growth, SEK M	33	39	-	19
<i>Acquired growth, %</i>	3	6	-	10
Currency effects, SEK M	-1	5	-8	9
<i>Currency effects, %</i>	0	1	-3	5
Total growth, SEK M	190	134	20	52
Total growth, %	22	19	8	26

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.

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