



REPORT ON OPERATIONS 2021

Vitrolife AB (publ)

Vitrolife is a global provider of medical devices and genetic services. Based on science and advanced research capabilities, we develop services and products for personalized genetic information and medical device products. Vitrolife are supporting our customers by improving their clinical practice for the patient's outcome of a fertility treatment. We are currently approximately 1 200 persons worldwide, with headquarter in Gothenburg, Sweden.

Vitrolife's products and services are available in more than 110 countries through our own presence in 30 countries and a network of distributors. Vitrolife is a sustainable market leader and aim to be the preferred partner to the IVF-clinics by providing superior products and services with the vision to fulfill the dream of having a baby. The Vitrolife share is listed at Nasdaq Stockholm.

Vitrolife 

Continuous growth and a new Vitrolife

Fourth quarter

- Sales of SEK 514 (382) million, corresponding to an increase of 35 percent in SEK. Consumables increased by 9 percent, Genomics 33 percent, Technology decreased by 12 percent. Organic growth amounted to 4 percent.
- The acquisition of Igenomix was completed the last of November, and is included as division Genetic Services in December 2021. Sales was 116 MSEK, corresponding to acquired growth of 30 percent.

- Operating income before depreciation and amortisation (EBITDA) was SEK 164 million, adjusted for non-recurring acquisition-related costs of SEK 79 million, corresponding to a margin of 32 percent. EBITDA including non-recurring acquisition-related costs of SEK 85 million (164), corresponding to a margin of 16 (43) percent. Currency effects positively impacted EBITDA by SEK 4 million.
- Net income was SEK 34 (108) million, resulting in earnings per share of SEK 0.26 (0.99)**.

Full year 2021

- Sales of SEK 1 681 (1 246) million, corresponding to an increase of 35 percent in SEK. In local currencies Consumables increased by 25 percent, Genomics 49 percent and Technology 34 percent. Organic growth amounted to 30 percent. Sales from Genetic Services corresponded to an acquired growth of 9 percent.
- Operating income before depreciation and amortisation (EBITDA) was SEK 645 million, adjusted for non-recurring acquisition-related costs of SEK 101 million, corresponding to a margin of 38 percent. EBITDA including non-recurring acquisition-related costs of SEK 544 million (454), corresponding to a

margin of 32 (36) percent. Currency effects negatively impacted EBITDA by SEK 20 million.

- Net income was SEK 344 (288) million, which gave earnings per share of SEK 2.97 (2.64)**.
- In connection with the acquisition of Igenomix, a new management team has been established with skills from both Vitrolife and Igenomix. Initially, our focus is on developing our customer offering.

After the end of the period

- The Board proposes a dividend of SEK 108 (87) million, corresponding to SEK 0.80 (0.80) per share.

The Group's Key Figures

SEK millions	October - December		January - December	
	2021	2020	2021	2020
Net sales	514	382	1 681	1 246
Net sales growth, local currency, %	34	0	39	-13
Gross margin, %	58	66	62	62
Adjusted gross margin*, %	60	67	63	64
Operating income before depreciation and amortisation (EBITDA)	85	164	544	454
EBITDA margin, %	16	43	32	36
Net income	34	108	344	288
Net debt / Rolling 12 month EBITDA	3.2	-2.1	3.2	-2.1
Earnings per share**, SEK	0.26	0.99	2.97	2.64
Share price on closing day, SEK	560.00	215.80	560.00	215.80
Market cap at closing day	75 850	23 425	75 850	23 425
<i>Changes in net sales</i>				
Organic growth in local currency, %	4	0	30	-13
Acquired growth, %	30	-	9	-
Currency effects, %	1	-7	-4	-3
Total growth, %	35	-7	35	-16

* Gross margin excluding amortisation of acquisition-related intangible assets.

** Before and after dilution.

For definitions, motivations and reconciliations, see pages 17-18.

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

It is with confidence that we bring an eventful fourth quarter to a close – a quarter characterised by continued growth, acquisition and profitability. We continue to grow strongly in Consumables and Genomics, with our strongest growth seen in the US. In Technology, however, we saw a decrease in the quarter compared with a very strong previous year and due to the impact of Covid. We continue to develop Vitrolife and are now – thanks to the acquisition of Igenomix – a company that offers both products and services. Extensive structural changes are taking place at the IVF clinics, which creates an opportunity for us to continue strengthening our market position. As of the end of the year, we have a new management team and structure in place with the business areas Consumables (including Genomics), Technologies and Genetic Services, with global marketing and sales organisations as well as Group functions. Initially, the focus will be on developing our customer offering.



Sales in the fourth quarter amounted to SEK 514 million, increasing by a total of 35 percent with a minor currency effect, 1 percent. Sales within Consumables increased by 9 percent and Genomics by 33 percent, while Technology decreased by 12 percent, driven in part by Covid restrictions and high comparative figures for the previous year. Organic growth amounted to 4 percent. Sales in Genetic Services (Igenomix), which are only reported for December due to the deal being completed last November, were SEK 116 million in the quarter, which corresponds to acquired growth of 30 percent.

Our strongest growth is in the North and South America region, where we are growing by 95 percent, of which 15 percent is organic, followed by growth in EMEA of 30 percent, 5 percent of which is organic, and growth in the Asia region of 14 percent, 4 percent of which is organic. In the Japan and Pacific region, we saw a decrease in organic sales during the quarter, while acquired growth increased by 12 percent.

During the quarter, operating profit before amortization, depreciation and impairment (EBITDA) was SEK 164 million, adjusted for acquisition-related non-recurring costs of SEK 79 million, corresponding to a margin of 32 percent. EBITDA, including acquisition-related non-recurring costs,

was SEK 85 million, corresponding to a margin of 16 percent. Operating profit was negatively affected by higher shipping costs, increased customer-related activities, scrapping of Consumables products and non-recurring costs for product certifications.

The consolidation and new ownership structure of IVF clinics is driven by Private Equity companies. The number of IVF clinics that have been purchased in Europe is greater compared with other regions. I expect this trend to continue over the coming years. The management teams of the purchased clinics will focus on improving the patient experience and enhancing efficiency in their own operational activities. The IVF clinics which are not a part of a chain of clinics will be competitive thanks to their ability to attract customers locally and/or by serving as a professional fertility clinic. Vitrolife's product and service offering for genetic testing will help those customers to improve the patient experience with clinical results, by offering the clinics an opportunity to do the genetic testing themselves or by offering external analysis with genetic advice from us.

We increased sales for the full year 2021 by 35 percent, of which 30 percent was organic growth, with an EBITDA margin of 38 percent, excluding acquisition-related non-recurring costs. The acquisition is expected to contribute positively to EBITDA per share from 2022.

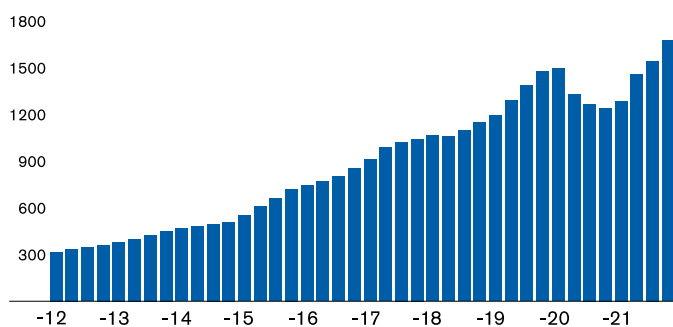
We are continuing to see a strong recovery in the market following the pandemic although, as in previous quarters, this varies between regions. More treatments are done in the US market compared with previous years, while we have seen a minor slowdown in the Chinese market. IVF tourism continued to be impacted by travel restrictions – something which is affecting the majority of markets. Overall, roughly the same number of IVF treatments are currently being carried out globally as before the pandemic.

The long-term market outlook is mainly unchanged and Vitrolife expects a continuously growing market, which in financial terms is expected to grow by 5-10 percent per year for the foreseeable future.

I look forward to continuing to develop Vitrolife together with our new colleagues from Igenomix!

Thomas Axelsson, CEO

Net sales (rolling 12 months), SEK millions



Summary of results

	Oct-Dec		Jan-Dec	
	2021	2020	2021	2020
Adjusted EBITDA, SEK millions	164	164	645	454
Adjusted EBITDA, %	32	43	38	36
Net debt / Adjusted EBITDA for non-recurring acquisition-related costs	2.7	-2.1	2.7	-2.1

From the fourth quarter 2021 and during 2022 EBITDA adjusted for non-recurring acquisition-related costs is shown.

Fourth quarter 2021 (October - December)

New Genetic Services division

The acquisition of Igenomix was completed last November and Igenomix is included in the Genetic Services division as of the last month of the fourth quarter. The operations are conducted at 27 laboratories worldwide and there are collaborations with more than 4,000 clinics, of which some 3,000 are IVF clinics in 80 countries. Of the global revenue, sales of the modern ERA and PGT-A tests contribute around 70%. Igenomix has strong, globally recognised research expertise. The operations will continue to be run under the Igenomix brand moving forward.

Net sales

Sales of SEK 514 (382) million, corresponding to an increase of 35 percent in SEK, 4 percent organic growth in local currency and 30 percent in acquired growth. Currency effect had a positive effect of 1 percent.

Sales in the EMEA region (Europe, the Middle East and Africa) amounted to SEK 218 (168) million. Sales increased by 30 percent in local currency, whereof organic growth amounted to 5 percent. In the North- and South American region, sales amounted to SEK 139 (69) million. Sales increased by 95 percent in local currency, whereof organic growth amounted to 15 percent. Sales in the Japan and Pacific region amounted to SEK 62 (64) million. Organic growth in local currency decreased by 13 percent, while acquired growth contributed by 12 percent. Sales in the Asian region increased by 14 percent in local currency, whereof 4 percent organic growth, and amounted to SEK 95 (82) million.

Sales in the Consumables division increased by 9 percent in local currency during the quarter and amounted to SEK 235 (215) million. Sales in the Genomics division increased by 33 percent in local currency and amounted to SEK 43 (32) million. Sales in the Technology division decreased by 12 percent in local currency during the quarter and amounted to SEK 114 (129) million. Freight revenues amounted to SEK 8 (6) million. Sales in the new division Genetic Services amounted to SEK 116 million whereof SEK 2 million was included in freight revenues.

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

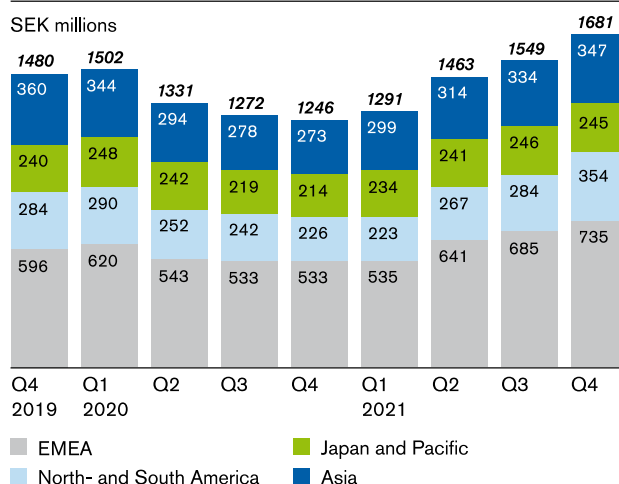
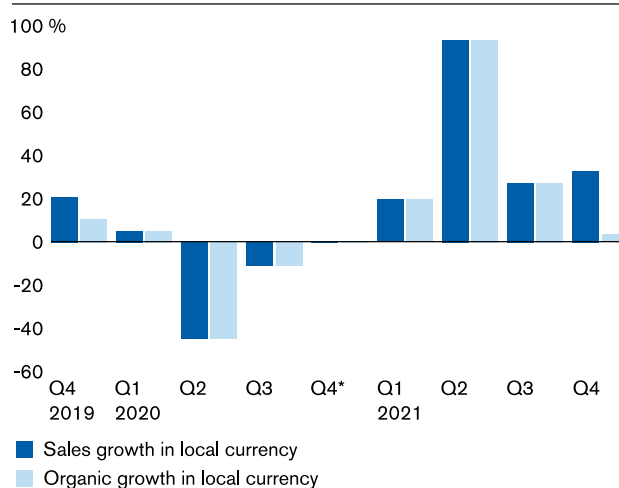


Fig 2. Sales development (per quarter)



* For Q4 sales growth and organic growth in local currencies amount to 0 %.

Fig 3. Net sales per division (rolling 12 months)

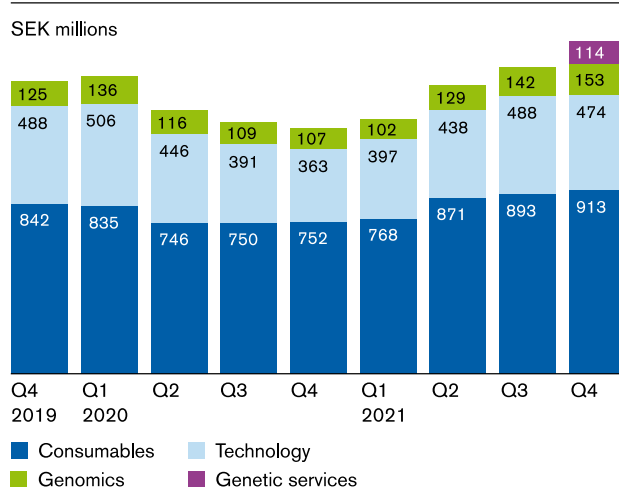
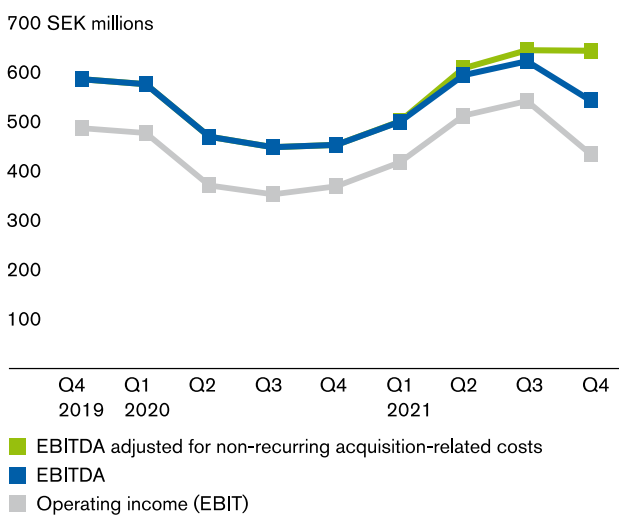


Fig 4. Income (rolling 12 months)



Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 164 million, adjusted for non-recurring acquisition-related costs of SEK 79 million, corresponding to a margin of 32 percent. EBITDA including non-recurring acquisition-related costs amounted to SEK 85 million (164), corresponding to a margin of 16 (43) percent. Currency effects positively impacted EBITDA by SEK 4 million.

Gross income amounted to SEK 299 (252) million. The gross margin amounted to 58 (66) percent and was negatively impacted by freight costs, scrapping costs within Consumables and amortisation of acquisition-related intangible assets. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 60 (67) percent during the quarter.

Selling expenses amounted to SEK 90 (48) million, corresponding to 17 (13) percent of sales. Selling expenses increased as a percentage of sales due to increased customer-related activities and exhibitions, and amortisation of acquisition-related customer relations. Administrative expenses amounted to SEK 136 (27) million, corresponding to 26 (7) percent of sales. Administrative expenses included non-recurring acquisition-related costs of SEK 79 million. Adjusted for this item, administrative expenses amounted to 11 percent of sales. R&D costs amounted to SEK 37 (26) million, corresponding to 7 (7) percent of sales. Net financial items amounted to SEK 22 (-10) million and primarily consisted of currency effects. Income before tax amounted to SEK 61 (138) million. Net income amounted to SEK 34 (108) million. Other comprehensive income amounted to SEK -5 million and consisted of translation effects related to net assets in foreign subsidiaries and acquisition-related intangible assets in foreign currency.

Income per segment

The organisation consists of four divisions, whose products are sold by four geographic market organisations. Vitrolife recognises the market contribution from each geographic segment. This 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 86 (88) million. The contribution from the North and South American region amounted to SEK 51 (36) million. The contribution from the Japan and Pacific region amounted to SEK 28 (34) million. The market contribution from the Asian region amounted to SEK 44 (45) million.

Cash flow

Cash flow from operating activities amounted to SEK 0 (171) million. The change in working capital amounted to SEK 2 (25) million. Cash flow from investing activities amounted to SEK -6,510 million, the acquisition impacted cash flow negatively by SEK -6,447 million. Net investments in assets amounted to SEK -38 (-6) million and consisted of investment in expanded licensing agreement with Illuminca Inc. Acquisition of non-controlling interests impacted cash flow by SEK -19 million. Cash flow from financing activities amounted to SEK 2,354 (-4) million and mainly consisted of new borrowings of SEK 2,354 million, and repayment of lease liabilities to the tune of SEK 6 million in accordance with IFRS16. Cash and cash equivalents at the end of the period amounted to SEK 630 (974) million.

Financing

The acquisition of Igenomix was partly financed through two new committed debt facilities. The new committed debt facilities consist of a 5-year term loan facility of EUR 200 million and a 5-year revolving credit facility of EUR 100 million. By year-end utilized revolving credit facility amounted to EUR 30 million.

The group's net debt, cash and cash equivalents less long- and short-term borrowings amounted to SEK 1,743 million at year-end. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to 3.2 (-2.1) times. The equity/assets ratio was 79 (88) percent.

Parent Company

Business activities focus on Group-wide management. Income included invoicing of management fee and other costs of SEK 8 (6) million. Net financial items amounted to SEK -1 (-2) million, including impairment of participations in group companies corresponding to SEK -22 million and positive currency effects corresponding to SEK 25 million. Income after financial items for the quarter amounted to SEK 0 (-3) million. Cash and cash equivalents amounted to SEK 296 (294) million.

Acquisition of Igenomix completed*

During the quarter, Vitrolife AB acquired 100% of the shares in Igenomix S.L. ("Igenomix") from EQT and other shareholders.

Igenomix was founded in 2011 and is a global leader in women's health and reproductive genetic testing services for IVF clinics. Igenomix today operates 27 labs globally and offers a wide portfolio of clinically validated genetic tests and services covering a wide range of genetic diagnostics in reproductive and personalized medicine, where the pre-implantation tests constitute the major revenue driver. Igenomix has demonstrated a proven track record of driving profitable growth through innovation and international expansion. The head office is in Valencia, Spain and the company has 744 employees as of December 2021.

Igenomix reported sales of EUR 123 million during 2021, corresponding to a growth of 27 percent. Sales from the core business (excluding Covid-19 testing revenue) amounted to EUR 110 million corresponding to a growth of 37 percent.

The initial estimated purchase price for 100% of the shares in Igenomix amounts to EUR 1,134 million on a cash and debt free basis, equivalent to approximately SEK 11.6 billion. The transaction was financed through a mix of share issue in kind directed to the sellers, a directed share issue to institutional investors, new committed debt facilities and Vitrolife's current cash balance. The non-cash issue was valued at the share price on the transaction date, in accordance with IFRS, whereby the value of the non-cash issue increased by EUR 304 million to EUR 930 million compared to EUR 626 million, and the effect is reported as goodwill. The total purchase price for the shares was thus SEK 14.7 billion, and the financing is summarised as below.

- EUR 930 million, equivalent to approximately SEK 9.5 billion, was financed through an issue in kind of 17,251,312 ordinary shares in Vitrolife directed to the sellers. Following the transaction, the sellers have retained a 6.6% interest in the outstanding capital and votes of Vitrolife.
- EUR 350 million, equivalent to approximately SEK 3.6 billion, was financed through a directed share issue of 9,645,303 ordinary shares to institutional investors.
- EUR 158 million, equivalent to approximately SEK 1.6 billion, was financed through current cash balance and new committed debt facilities. Igenomix external loans were also settled in connection with the transaction.

In total, the number of shares in Vitrolife following the transaction has increased from 108,550,575 per June 30, 2021 to 135,447,190, corresponding to a dilution of approximately 19.9%.

* For more information of the acquisition see note 6.

Vitrolife's ten largest shareholders

Shareholders	No. of shares	Shares and votes, %
William Demant Invest A/S	36 203 822	26,7
Bure Equity AB (publ)	21 510 257	15,9
State Street Bank and Trust Co, W9	15 359 502	11,3
BNY Mellon SA/NV (Former BNY), W8IMY	7 284 247	5,4
Fjärde AP-fonden	4 133 702	3,0
JP Morgan Bank Luxembourg S.A.	3 857 691	2,9
JP Morgan Chase Bank N.A.	3 223 219	2,4
Goldman Sachs & Co. LL C, W9	2 320 020	1,7
AMF - Försäkring och Fonder	2 240 000	1,6
BNY Mellon NA (Former Mellon), W9	2 020 043	1,5
Other shareholders	37 294 687	27,6
Total	135 447 190	100

Source: Euroclear Sweden's shareholder register at 31 December 2021

Full year 2021

Net sales

Sales of SEK 1,681 (1,246) million, corresponding to an increase of 35 percent in SEK, 30 percent organic growth in local currency and 9 percent acquired growth. Currency effect had a negative effect of 4 percent.

Sales in the EMEA region (Europe, the Middle East and Africa) amounted to SEK 735 (533) million. Sales increased by 41 percent in local currency, whereof organic growth amounted to 33 percent. In the North- and South American region, sales amounted to SEK 354 (226) million. Sales increased by 64 percent in local currency, whereof organic growth amounted to 38. Sales in the Japan and Pacific region amounted to SEK 245 (214) million. Sales increased by 20 percent in local currency, whereof organic growth amounted to 16 percent. Sales in the Asian region increased by 28 percent in local currency, whereof organic growth of 25 percent and amounted to SEK 347 (273) million. Growth in all regions was positively impacted by the fact that the previous year was negatively impacted by the pandemic.

Sales for the Consumables division increased by 25 percent in local currency and amounted to SEK 913 (752) million. Sales for the Technology division increased by 34 percent in local currency and amounted to SEK 474 (363) million. Sales for the Genomics division increased by 49 percent in local currency and amounted to SEK 153 (107) million. Freight revenues amounted to SEK 27 (24) million. Sales in the new division Genetic Services amounted to SEK 116 million whereof SEK 2 million was included in freight revenues. Growth in all regions was positively impacted by the fact that the previous year was negatively impacted by the pandemic.

Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 645 million, adjusted for non-recurring acquisition-related costs of SEK 101 million, corresponding to a margin of 38 percent. EBITDA including non-recurring acquisition-related costs amounted to SEK 544 million (454), corresponding to a margin of 32 (36) percent. Currency effects negatively impacted EBITDA by SEK 20 million.

The gross margin amounted to 62 (62) percent. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 63 (64) percent. The gross margin was positively impacted by economies of scale due to increased sales but negatively impacted by freight costs and raw material prices.

Selling expenses amounted to SEK 244 (197) million, corresponding to 15 (16) percent of sales. Selling expenses include amortisation of acquisition-related customer relations and some increased customer-related activities. Administrative expenses amounted to SEK 259 (114) million, corresponding to 15 (9) percent of sales. Administrative expenses included non-recurring acquisition-related costs of SEK 101 million. Adjusted for this item, administrative expenses amounted to 9 percent of sales. R&D costs amounted to SEK 114 (92) million, corresponding to 7 (7) percent of sales. Net financial items amounted to SEK 25 (-4) million and primarily consisted of currency effects. Income before tax amounted to SEK 460 (366) million. Net income amounted to SEK 344 (288) million. Other comprehensive income amounted to SEK 19 million and consisted of translation effects related to net assets in foreign subsidiaries and acquisition-related intangible assets in foreign currency.

Income per segment

During the period the market contribution for the EMEA region amounted to SEK 336 (238) million. The contribution from the North and South American region amounted to SEK 155 (91) million. The contribution from the Japan and Pacific region amounted to SEK 131 (103) million. The market contribution from the Asian region amounted to SEK 180 (140) million. The market contribution for all regions was positively impacted by the fact that the previous year was negatively impacted by the pandemic.

Cash flow

The cash flow from operating activities amounted to SEK 384 (356) million. Change in working capital amounted to SEK -10 (10) million and was impacted by increased inventory. Cash flow from investing activities amounted to SEK -6,518 million, the acquisition impacted cash flow negatively by SEK -6,447 million. Net investments in assets amounted to SEK -63 (-20) million and consisted, amongst other things, of investments in development projects and

equipment and investment in expanded licensing agreement with Illuminca Inc. Sales of financial assets amounted to SEK 16 (-) million and consisted of all shares in Biolamina and Life Genomics. Acquisition of non-controlling interests impacted cash flow by SEK -19 million. Cash flow from financing activities amounted to SEK 5,749 (-27) million and consisted of new borrowings of SEK 2,354 million, new share issue of SEK 3,558 million, issue expenses of SEK 33 million, repurchase of company shares related to LTI2021 of SEK 23 million, dividend paid of SEK 88 million and repayment of lease liabilities of SEK 18 million according to IFRS16. Cash and cash equivalents at the end of the period amounted to SEK 630 (974) million.

Lawsuit regarding claimed patent infringement

During the first quarter Vitrolife received information that a civil lawsuit had been filed against Vitrolife in Germany by Ares Trading S.A. regarding claimed infringement of three patents in the Time-Lapse area. Vitrolife has during the second quarter disputed the lawsuit and will safeguard the company's interests in the ongoing legal process. The court has stated that oral proceedings will take place during the second quarter of 2022. Vitrolife is already involved in an appeal process regarding two of the three patents in question in the EU. One of these patents was recalled by the European Patent Office during the second quarter and thereafter during fourth quarter the lawsuits was withdrawn by Ares Trading S.A.. In quarter four Ares Trading S.A. filed a new complaint against Vitrolife based on another patent. Vitrolife has filed an opposition against at this patent at the EPO. The oral court hearing in the newest patent dispute will most likely take place mid 2023. Vitrolife has not included any provision for the lawsuit in the accounts as in the continued assessment of the company there has been no infringement of any patent. Costs for legal representation are charged against income on an ongoing basis.

Prospects

Increased vaccination supports the recovery of the IVF market and enables a return to more normal business operations, for example with regard to meetings with customers and after sales service. Covid-19 can still create uncertainty about the recovery for IVF-treatments in some markets, thus it continues to be difficult to assess the size of the pent-up demand in the market.

There are also signs that some suppliers have difficulties in supplying the volumes of input goods requested, something which many industries are now experiencing. However, the company is actively working to ensure good inventory levels and alternative suppliers when necessary. On the cost side, a gradual increase is expected as new recruitments are appointed and business normalises, for example with regard to trade fairs and visits to customers.

The company estimates that the long-term market outlook is largely 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. 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 be the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics.

Strategies

- Sustainable, skilled and scalable global organisation focusing on sustainable processes and common values.
- Strong sales and support channels that can offer customised solutions.
- Competitive and complete product portfolio with leading support and service offering.
- Innovative research and development and efficient manufacturing and processes.
- Take advantage of external growth opportunities such as strategic collaborations and acquisitions.

Other information

Organisation and personnel

During the period the average number of employees was 478 (405), of whom 244 (203) were women and 233 (202) were men. Of these, 161 (154) people were employed in Sweden, 97 (86) in the US, 87 (84) in Denmark, 21 (0) in Spain and 111 (81) in the rest of the world. The number of people employed in the Group at the end of the period was 1 171 (413).

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 2020 note 29.

Dividend

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 corre-

sponds 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 108 (87) million, corresponding to SEK 0.80 (0.80) 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 2020. These are primarily constituted by macro-economic risks, operational risks and financial 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 2020, note 2. The reported risks, as described in the 2020 annual report, are deemed to be essentially unchanged, but there are new risks as a result of the acquisition of Igenomix, such as currency risks and operational risks related to that business. Furthermore, the interest rate risk has increased as a consequence of the financing of the acquisition.

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 2022 Annual General Meeting:

Niels Jacobsen, utsedd av William Demant Invest A/S
Patrik Tigerschiöld, utsedd av Bure Equity AB
Wendy Wang, utsedd av Morgan Stanley Investment Management Inc.
Jón Sigurdsson, styrelsens ordförande

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, 2021. 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, 2022 in Gothenburg. 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 2021 will be available to be downloaded from Vitrolife's website during week 13 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 proposes a dividend of SEK 108 (87) million, corresponding to SEK 0.80 (0.80) per share.

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

February 16, 2022
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

2022-03-30: Annual Report 2021
2022-04-22: Interim report January - March 2022
2022-04-27: Annual General Meeting 2022
2022-07-15: Interim report January - June 2022
2022-10-27: Interim report January - September 2022
2023-02-02: Report on operations 2022

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

Queries should be addressed to

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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 8.00 am CET on February 16, 2022.

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	
		2021	2020	2021	2020
Net sales	4,5	1 680 804	1 245 572	514 232	382 387
Cost of goods sold		-634 714	-477 905	-214 806	-130 562
Gross income		1 046 090	767 667	299 426	251 825
<i>Comprising</i>					
Adjusted gross income		1 064 840	792 251	306 305	255 530
Amortisation of acquisition-related intangible assets		-18 750	-24 585	-6 879	-3 705
Gross income		1 046 090	767 667	299 426	251 825
Selling expenses		-244 285	-196 927	-89 824	-48 171
Administrative expenses		-259 456	-114 424	-135 501	-26 717
Research and development costs		-114 450	-91 759	-37 061	-26 052
Other operating revenues		9 889	11 492	2 531	3 293
Other operating expenses		-2 408	-6 034	-	-6 849
Operating income		435 379	370 015	39 572	147 330
<i>Comprising</i>					
Adjusted operating income		467 486	394 600	59 808	151 035
Amortisation of acquisition-related intangible assets		-32 107	-24 585	-20 236	-3 705
Operating income		435 379	370 015	39 572	147 330
Financial income and expenses		24 590	-3 824	21 742	-9 643
Income after financial items		459 969	366 191	61 314	137 688
Income taxes		-116 405	-78 325	-27 727	-30 150
Net Income		343 563	287 865	33 587	107 538
Attributable to					
Parent Company's shareholders		340 973	286 845	32 622	107 222
Non-controlling interests		2 591	1 020	966	316
Earnings per share*, SEK		2.97	2.64	0.26	0.99
Average number of outstanding shares		114 651 341	108 550 575	124 137 997	108 550 575
Number of shares at closing day		135 447 190	108 550 575	135 447 190	108 550 575

* Before and after dilution.

Depreciation, amortisation and write-downs were charged against income for the period by SEK 108,914 thousand (84,070), of which SEK 45,021 thousand (16,868) for the fourth quarter.

Statements of comprehensive income

SEK thousands	January – December		October – December	
	2021	2020	2021	2020
Net income	343 563	287 865	33 587	107 538
Other comprehensive income				
<i>Items that may be reclassified to the income statement</i>				
Exchange rate differences	18 791	-59 103	-4 872	-51 959
Total other comprehensive income	18 791	-59 103	-4 872	-51 959
Total comprehensive income	362 354	228 762	28 715	55 578
Attributable to				
Parent Company's shareholders	359 634	227 923	27 687	55 488
Non-controlling interests	2 720	839	1 029	90

Consolidated statements of financial position

SEK thousands	Note	Dec 31. 2021	Dec 31. 2020
ASSETS	2		
Fixed assets			
Goodwill	5	12 994 620	403 239
Other intangible assets	5	4 552 904	299 481
Property, plant and equipment	5	332 974	142 113
Other shares and participation		–	14 662
Other financial assets		49 224	24 798
Deferred tax assets		92 472	6 355
Total fixed assets		18 022 195	890 647
Current assets			
Inventories		312 894	204 027
Trade receivables		391 400	216 494
Current tax assets		17 333	6 249
Other receivables		22 423	3 043
Prepaid expenses and accrued income		32 457	11 063
Cash and cash equivalents		630 094	973 566
Total current assets		1 406 601	1 414 442
TOTAL ASSETS		19 428 796	2 305 089
SHAREHOLDERS' EQUITY			
Shareholders' equity, attributable to the Parent Company's shareholders		15 322 175	2 012 570
Non-controlling interests		18 695	4 444
TOTAL SHAREHOLDERS' EQUITY		15 340 870	2 017 014
LIABILITIES	2		
Long-term liabilities			
Provisions		27 542	21 503
Deferred tax liabilities		1 068 696	16 211
Borrowings		1 944 466	–
Lease liabilities		82 355	48 810
Other liabilities		10 541	24 538
Total long-term liabilities		3 133 600	111 063
Current liabilities			
Borrowings		428 610	–
Lease liabilities		27 063	13 593
Trade payables		173 081	25 922
Current tax liabilities		25 141	8 792
Other liabilities		58 841	24 695
Accrued expenses and deferred income		241 590	104 012
Total current liabilities		954 326	177 012
TOTAL LIABILITIES		4 087 926	288 075
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		19 428 796	2 305 089

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, 2020	22 144	494 610	60 846	1 216 423	3 605	1 797 628
Total comprehensive income	-	-	-58 922	286 845	839	228 762
Equity swap agreement	-	-	-	-10 847	-	-10 847
Share-based remuneration	-	-	-	1 471	-	1 471
Closing balance December 31, 2020	22 144	494 610	1 924	1 493 892	4 444	2 017 014
Opening balance January 1, 2021	22 144	494 610	1 924	1 493 892	4 444	2 017 014
Total comprehensive income	-	-	18 661	340 973	2 720	362 354
Share-based remuneration	-	-	-	4 760	-	4 760
Dividend (SEK 0.80 per share)	-	-	-	-86 798	-	-86 798
Dividend to non-controlling interests	-	-	-	-	-1 516	-1 516
New share issue*	1 968	3 556 378	-	-	-	3 558 345
Non-cash consideration issue*	3 519	9 519 204	-	-	-	9 522 723
Expenses for new share issue, net after taxes**	-	-26 219	-	-	-	-26 219
Purchase of own shares***	-	-	-	-22 839	-	-22 839
Non-controlling interests from acquisition of subsidiary	-	-	-	-	13 046	13 046
Closing balance December 31, 2021	27 631	13 543 973	20 584	1 729 987	18 695	15 340 870

* During the period Vitrolife has issued a total of 26,896,615 new shares. New share issue corresponded to 9,645,303 new shares and the non-cash consideration issue 17,251,312 new shares. Following the new issue of shares, the number of shares and votes in Vitrolife AB amounts to 135,447,190.

** During the period, issue expenses of TSEK 33,022 booked in equity share, has been deducted in the tax computation. The tax effect of TSEK 6,803 has been recognized directly in the equity.

*** Repurchase of own shares to secure the obligations of Vitrolife (including social security contributions) relating to the long-term incentive program LTIP2021.

Condensed consolidated cash flow statements

SEK thousands	January – December		October – December	
	2021	2020	2021	2020
Income after financial items	459 969	366 191	61 314	137 688
Adjustment for non-cash items	78 100	91 784	17 953	25 706
Tax paid	-143 552	-111 375	-80 613	-17 119
Change in inventories	-46 898	-4 434	-19 033	11 666
Change in operating receivables	-5 542	14 861	10 173	644
Change in operating payables	42 229	-579	10 676	12 765
Cash flow from operating activities	384 307	356 448	471	171 350
Acquisition of business, after deduction for cash and cash equivalents	-6 447 202	-	-6 447 202	-
Net investments in fixed assets	-62 522	-20 218	-38 072	-6 037
Acquisition of non-controlling interests	-18 985	-	-18 985	-
Sale of financial assets	16 235	-	-	-
Additional purchase price	-6 021	-	-6 021	-
Cash flow from investing activities	-6 518 495	-20 218	-6 510 280	-6 037
Borrowings	2 354 418	-	2 354 418	-
Set-up fee borrowings	-373	-	-373	-
Repayment of borrowings	-1 511	-	-1 511	-
Repayment of lease liabilities	-18 000	-15 764	-5 648	-4 093
Dividends paid	-88 315	-	-	-
New share issue	3 558 345	-	-	-
Expenses for new share issue	-33 022	-	-1 408	-
Equity swap agreement	-	-10 847	-	-
Repurchase of own shares	-22 838	-	-	-
Cash flow from financing activities	5 748 703	-26 611	2 345 478	-4 093
Cash flow for the period	-385 485	309 619	-4 164 331	161 220
Opening cash and cash equivalents	973 566	689 538	4 763 324	834 256
Exchange-rate difference in cash and cash equivalents	42 013	-25 591	31 101	-21 910
Closing cash and cash equivalents	630 094	973 566	630 094	973 566

Key ratios, total Group

	January – December		October – December	
	2021	2020	2021	2020
Gross margin, %	62.2	61.6	58.2	65.9
Adjusted gross margin, %	63.4	63.6	59.6	66.8
Operating margin before depreciation and amortisation (EBITDA), %	32.4	36.5	16.5	42.9
Operating margin (EBIT), %	25.9	29.7	7.7	38.5
Net margin, %	20.4	23.1	6.5	28.1
Equity/assets ratio, %	79.0	87.5	79.0	87.5
Shareholders' equity per share, SEK	113.12	18.54	113.12	18.54
Return on equity, %	5.4	14.8	5.4	14.8
Cash flow from operating activities per share, SEK	3.35	3.28	0.00	1.58
Net debt*, SEK millions	1743.0	-973.6	1743.0	-973.6

* Negative amount implies net claim.

For definitions, motivations and reconciliations, see pages 17-18.

Income statements for the Parent Company

SEK thousands	January – December		October – December	
	2021	2020	2021	2020
Net sales	24 537	19 130	7 569	6 151
Administrative expenses	-32 769	-21 473	-6 849	-7 043
Other operating revenues	–	77	–	–
Other operating expenses	-201	–	-282	-39
Operating income	-8 434	-2 267	438	-930
Dividends from Group companies	731 454	–	–	–
Write-down of shares in Group companies	-22 000	–	-22 000	–
Financial income and expenses	21 942	5 191	21 392	-2 027
Income after financial items	722 962	2 925	-170	-2 957
Received Group contribution	50 000	–	50 000	–
Income taxes	-12 812	2 292	-14 525	1 414
Net income	760 150	5 216	35 304	-1 543

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. 2021	Dec 31. 2020
ASSETS		
Property, plant and equipment	12	12
Participations in Group companies	15 593 401	772 375
Shares and participations	–	14 662
Other financial fixed assets	8 494	7 019
Deferred tax assets	2 250	2 846
Receivables from Group companies	1 419 969	5 928
Current tax receivables	–	517
Other current receivables	2 273	–
Prepaid expenses and accrued income	350	48
Cash and cash equivalents	296 264	293 703
Total assets	17 323 013	1 097 110
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	14 664 499	954 375
Provisions	10 921	8 845
Borrowings	1 923 966	–
Current tax liabilities	4 281	–
Trade payables	1 887	379
Borrowings short-term	409 076	–
Liabilities to Group companies	275 013	127 162
Other liabilities	275	749
Accrued expenses and deferred income	33 096	5 600
Total shareholders' equity and liabilities	17 323 013	1 097 110

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 have come into force in 2021 are expected to have any material 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. Other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest bearing liabilities are recorded at amortised cost. Financial assets and liabilities measured at amortised cost amount to SEK 1,065,755 thousand (1,215,100) and SEK 2,607,207 thousand (61,502). For the Group's other financial assets and financial liabilities, the reported values are considered to be a good approximation of the fair values. A calculation of fair value based on discounted future cash flows, where a discount rate reflecting the counterparty's credit risk constitutes the most significant input, is not deemed to give any significant difference compared to the reported value.

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on latest material transactions. Hence, fair value is estimated to be equal to book value. During the year all unlisted shares were sold (last year these amounted to SEK 14,662 thousand). Classified in level 3 are also liabilities which relate to additional purchase prices, for which fair value have been estimated in cases where the time for effectiveness can be determined with certainty and the effect on Group level is material. Calculation is performed by future expected payments being discounted by current market rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has during the period generated an effect on the income statement of SEK -28 thousand (-374). This effect is reported in financial items. At the closing date, the Group has no additional purchase prices based on fair value (last year these amounted to SEK 8,161 thousand).

Net sales per geographical segment and division

SEK millions	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Consumables	382	308	172	138	130	110	228	196	913	752
Technology	227	161	36	26	103	102	108	74	474	363
Genomics	73	55	79	52	1	-	-	-	153	107
Genetic Services	41	-	57	-	8	-	8	-	114	-
Other	12	9	10	9	3	3	3	3	27	24
Total	735	533	354	226	245	214	347	273	1 681	1 246
<i>Whereof Sweden</i>	25	20								

SEK millions	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Consumables	102	89	44	40	31	29	58	56	235	215
Technology	53	60	12	11	21	34	28	24	114	129
Genomics	18	16	24	15	1	-	-	-	43	32
Genetic Services	41	-	57	-	8	-	8	-	114	-
Other	4	2	3	3	1	1	1	1	8	6
Total	218	168	139	69	62	64	95	82	514	382
<i>Whereof Sweden</i>	6	5								

Note 3. Pledged assets and contingent liabilities

SEK thousands	Dec 31.2021	Dec 31.2020
Group		
Pledged assets	37 037	36 072
Contingent liabilities	11 934	8 574
Parent company		
Pledged assets	8 494	10 119
Contingent liabilities	1 510	6 050

Pledged assets pertain to floating charges for own commitments and collateral pledged for endowment insurance plans (cost). Contingent liabilities refer to guarantees to external parties, and the difference between market value and book value for endowment insurance plans.

Note 4. Revenue

Vitrolife's sales consist of products and services, which clearly represent separate performance obligations. Sales of products are recorded as revenue when they have been delivered to the customer. Vitrolife also sells services in the form of the servicing of products, primarily in the Technology division, and also in the form of the recharging of freight. Servicing is largely invoiced in advance and is recorded as revenue during the course of the servicing contract. Servicing revenues not recognised as revenue are reported as deferred income (contractual liabilities) in the balance sheet. As of December, the Genetic Services division was established where the sale mainly refers to services for genetic testing, these services are recognized as revenue in connection with the delivery of test results to the customer. The table below presents the division of products and services in net sales.

Vitrolife applies the following geographic segments: EMEA, North- and South America, Japan and Pacific and Asia. Vitrolife categorizes its products and services into the following divisions: Consumables, Technology, Genomics and Genetic Services, where Genetic Services was included from December 2021. Those sales that are not categorized into any of these divisions are essentially freight. Revenue per division and segment is presented in the tables below. For more information on the company's segments, see note 5.

Net sales per products and services

SEK thousands	Jan-Dec 2021	Jan-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Products	1 472	1 163	374	361
Services	209	83	140	21
Total	1 681	1 246	514	382

Note 5. Segments

Vitrolife consists of four divisions whose products are sold by four geographic market organisations. The division Genetic Services was included from December 2021. Vitrolife reports net sales and market contribution per geographic segment. Market contribution is defined as gross income reduced with the selling expenses per market. Administrative expenses, Research and development expenses, Other operating income and expenses and net financial items are not distributed per segment. The balance sheet is not followed up per segment. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM is the function that is responsible for allocating resources and assessing the performance of the operating segments. For the Group, this function has been identified as the CEO.

SEK thousands	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Net sales	734 692	533 130	354 087	226 064	244 593	213 826	347 432	272 552	1 680 804	1 245 572
Gross income	446 377	321 892	202 923	126 150	169 330	143 961	227 460	175 664	1 046 090	767 667
Selling expenses	-110 118	-83 948	-48 059	-35 559	-38 569	-41 437	-47 539	-35 982	-244 285	-196 927
Market contribution	336 259	237 944	154 864	90 591	130 761	102 524	179 921	139 681	801 805	570 740
Administrative expenses									-259 456	-114 424
Research and development expenses									-114 450	-91 759
Other operating revenue and expenses									7 481	5 458
Operating income									435 379	370 015
Net financial items									24 590	-3 824
Income after financial items									459 969	366 191
Fixed assets*	15 934 769	749 595	1 546 562	92 410	190 495	2 345	208 673	482	17 880 498	844 833

SEK thousands	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Net sales	217 692	167 940	139 238	69 141	61 823	63 563	95 479	81 743	514 232	382 387
Gross income	126 419	108 399	73 689	42 680	39 959	45 800	59 359	54 947	299 426	251 825
Selling expenses	-40 159	-20 269	-22 319	-6 520	-11 597	-11 645	-15 749	-9 736	-89 824	-48 171
Market contribution	86 260	88 130	51 371	36 160	28 362	34 155	43 609	45 210	209 602	203 655
Administrative expenses									-135 501	-26 717
Research and development expenses									-37 061	-26 052
Other operating revenue and expenses									2 531	-3 556
Operating income									39 572	147 330
Net financial items									21 742	-9 643
Income after financial items									61 314	137 688
Fixed assets*	15 934 769	749 595	1 546 562	92 410	190 495	2 345	208 673	482	17 880 498	844 833

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

Not 6. Acquisition of business

Vitrolife acquired all shares in Igenomix S.L. ("Igenomix") on 30 November 2021. Igenomix was founded in 2011 and is a global leader in women's health and reproductive genetic testing services for IVF clinics. Igenomix currently operates 27 laboratories globally and offers a wide portfolio of clinically validated genetic tests and services covering a wide range of genetic diagnostics in reproductive and personalized medicine, where the pre-implantation tests constitute the major revenue driver. The head office is located in Valencia, Spain, and the company had 744 employees as of December 2021.

The merger will create a global leader in reproductive health by combining the expertise, product offering and market position of two leading companies in fertility treatment products and reproductive genetic testing.

Fair value of acquired net assets (SEK millions)	2021
Trademark	1 114
Customer relations	1 617
Product rights	1 497
Other intangible assets	61
Property, plant and equipment	175
Other financial assets	6
Deferred tax assets	72
Current assets	374
Operating liabilities	-265
Deferred tax liabilities	-1 057
Borrowings	-1 388
Long-term lease liabilities	-32
Other long-term liabilities	-1
Borrowings short-term part	-21
Lease liabilities short-term part	-11
Total net assets acquired	2 140
Purchase consideration (SEK millions)	2021
Cash and equivalents	5 199
Non-cash issue*	9 523
Total purchase price	14 722
Fair value of acquired net assets	-2 140
Non-controlling interest	13
Goodwill	12 595

* The fair value of the 17,251,312 shares issued as part of the consideration paid (9,523 MSEK) was based on the published share price on 30 November 2021 of SEK 552 per share.

Purchase consideration - cash outflow (SEK millions)

Cash paid	-5 199
Cash acquired	120
Debt settlement related to acquisition	-1 368
Outflow of cash to acquire subsidiary	-6 447

Goodwill is mainly attributable to the acquired business' overall competencies, as well as the synergies that arise in the form of more efficient sales processes combined with an expanded product offering. Goodwill is attributable to segment EMEA. None of the reported goodwill is expected to be tax deductible. The useful life of customer relationships is estimated to be ten years while the product rights are assessed to have a useful life of twenty years.

Transaction-related expenses for the acquisition amount to SEK 149 million, of which SEK 33 million are issue expenses relating to the private placement. These expenses have been reported directly against equity. Arrangements for bank loans amounted to SEK 19 million, and these are expensed in the income statement on a straight-line basis over the term of the loans, which amounts to 5 years. The remaining transaction-related expenses of SEK 96 million are reported as administrative expenses in the income statement; these are not considered to be tax deductible. The acquired business contributed revenues of SEK 116 million and a net profit of SEK 17 million to the Group for the period 1 December to 31 December 2021. Amortisation of acquired surplus values of SEK 15 million were charged against profit.

The table below shows sales and profit as if the acquisition had taken place on January 1, 2021. These amounts have been calculated using the companies' earnings adjusted for:

* the additional amortisation that would have arisen provided that the adjustment to the fair value of intangible fixed assets had been applied from 1 January 2021, together with attributable tax effects.

* interest and set-up costs relating to loans terminated in connection with the acquisition attributable to Igenomix of SEK 67 million have been reported in the pro forma profit.

* the additional interest and set-up costs attributable to newly raised loans in connection with the acquisition of SEK 30 million attributable to the parent company have been charged to pro forma profit.

* non-recurring costs related to the transaction have been reported in the pro forma profit, SEK 231 million attributable to Igenomix and SEK 96 million attributable to the parent company.

The table below shows sales and profit as if the acquisition had taken place on January 1, 2021.

SEK millions	Igenomix	Other companies	Depreciations acquired assets	Total
Net sales	1 252	1 565	-	2 817
EBITDA	291	615	-	906
Net income	193	405	-176	421

Consolidated income statements per quarter

SEK thousands	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020
Net sales	514 232	405 565	382 049	378 958	382 387	320 148	209 166	333 870
Cost of goods sold	-214 806	-142 999	-144 909	-132 001	-130 562	-121 122	-97 973	-128 249
Gross income	299 426	262 566	237 140	246 957	251 825	199 027	111 194	205 621
Selling expenses	-89 824	-49 997	-53 849	-50 615	-48 171	-40 741	-48 751	-59 265
Administrative expenses	-135 501	-42 272	-45 720	-35 964	-26 717	-31 503	-24 735	-31 470
Research and development costs	-37 061	-27 735	-25 084	-24 571	-26 052	-17 795	-22 261	-25 652
Other operating revenues and expenses	2 531	-378	-1 341	6 670	-3 556	3 483	963	4 569
Operating income	39 572	142 184	111 146	142 477	147 330	112 471	16 410	93 803
Financial income and expenses	21 742	-1 382	-1 224	5 453	-9 643	508	-4 961	10 271
Income after financial items	61 314	140 802	109 922	147 930	137 688	112 980	11 449	104 074
Income taxes	-27 727	-36 167	-23 493	-29 019	-30 150	-24 390	180	-23 966
Net income	33 587	104 635	86 430	118 911	107 538	88 590	11 629	80 108
Attributable to								
Parent Company's shareholders	32 622	104 341	85 799	118 211	107 222	88 163	11 625	79 836
Non-controlling interests	966	294	631	700	316	427	5	272
Depreciation, amortisation and write-downs	-45 021	-20 064	-23 240	-20 589	-16 868	-21 475	-23 470	-22 257

Key ratios per quarter, total Group

	Oct-Dec 2021	Jul-Sep 2021	Apr-Jun 2021	Jan-Mar 2021	Oct-Dec 2020	Jul-Sep 2020	Apr-Jun 2020	Jan-Mar 2020
Shareholders' equity, attributable to the Parent Company's shareholders, SEK millions	15 322.2	5 771.5	2 146.6	2 158.7	2 012.6	1 956.3	1 883.7	1 922.5
Shareholders' equity per share, SEK	113.12	48.83	19.78	19.89	18.54	18.02	17.35	17.71
Return on equity, %	5.4	13.7	19.3	16.2	14.8	14.6	16.1	21.4
Cash flow from operating activities per share, SEK	0.00	0.91	1.23	1.32	1.58	0.89	0.63	0.19

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 analyse 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.

A list of definitions is found below of the key ratios that are used, referred to and presented in the financial reports. Measures that can be found directly in the financial reports and can be calculated on the basis of the definitions below have not been included in the coming tables.

Profit and yield measurements

Gross income

Definition: Net sales minus the cost of goods sold.

Purpose: This measure shows the group's result before affecting of costs such as selling and administrative expenses.

Gross margin, %

Definition: Gross income in relation to net sales for the period.

Operating income (EBIT)

Definition: Net sales minus all costs attributable to operations including depreciation, amortisation and impairment of tangible and intangible fixed assets but excluding net financial items and tax.

Purpose: This is used to measure operational profitability and the Group's target achievement.

Operating margin (EBIT), %

Definition: Operating income (EBIT), in relation to net sales for the period.

Operating income before depreciation, amortisation and impairment (EBITDA)

Definition: Operating income before depreciation, amortisation and impairment of tangible and intangible fixed assets.

Purpose: This is used to measure result from operating activities independent of depreciation and amortisation. The company aims to achieve growth while maintaining profitability, where profitability is followed up through operating income before depreciation, amortisation and impairment (EBITDA).

Operating margin before depreciation, amortisation and impairment (EBITDA), %

Definition: Operating income before depreciation, amortisation and impairment of tangible and intangible fixed assets in relation to net sales for the period.

Adjusted gross and operating income

Definition: Gross and operating income before amortisation of surplus values related to acquisitions.

Purpose: 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.

Adjusted gross and operating margin, %

Definition: Adjusted gross and operating income in relation to net sales for the period.

Return on equity

Definition: Net income for a rolling 12 months in relation to average shareholders' equity for the period. (Average is calculated on last four reported quarters).

Purpose: 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. 2021	Dec 31. 2020
Average shareholders' equity	6 349.8	1 943.8
Net income, rolling 12 month	341.0	286.8
Return on equity, %	5.4	14.8

Capital measurements

Net debt

Definition: Short- and long-term interest-bearing liabilities, adjusted for IFRS 16 effect, minus interest-bearing receivables minus cash and cash equivalents.

Purpose: 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 conjunction to the entry into force of IFRS 16 on January 1, 2019, the key ratio definition has been reformulated as financial liabilities related to leasing agreements are not included in the calculation of the net debt.

Net debt / EBITDA rolling 12 months

Definition: Net debt in relation to EBITDA rolling 12 months.

Purpose: 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, amortisation and impairment (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. 2021	Dec 31. 2020
Long-term borrowings	1 944.5	–
Long-term interest-bearing leasing liabilities	82.4	48.8
Short-term borrowings	428.6	–
Short-term interest-bearing leasing liabilities	27.1	13.6
Adjustment of interest-bearing liabilities related to leasing agreements	-109.5	-62.4
Cash and cash equivalents	-630.1	-973.6
Net debt	1 743.0	-973.6
Operating profit, rolling 12 month	435.4	370.0
Depreciation, amortisation and impairment, rolling 12 month	108.9	84.1
Rolling 12 month EBITDA	544.3	454.1
Net debt / EBITDA rolling 12 month	3.2	-2.1

Equity/assets ratio, %

Definition: Shareholders' equity and minority interest in relation to total assets.

Purpose: The ratio shows the proportion of the Company's total assets financed by shareholders' equity. A high equity/assets ratio is a measure of financial strength and is used to measure target achievement.

Working capital

Definition: Current assets excluding cash and cash equivalents minus current non-interest-bearing liabilities.

Purpose: This measure is used to show how much capital is needed to finance current business operations.

Share-related measurements

Cash flow from operating activities per share

Definition: Cash flow for the period from current business operations divided by the average number of shares outstanding for the period.

Purpose: This measure is used to show the cash flow generated by the company's current business operations per share.

Shareholders' equity per share

Definition: Equity divided by the number of shares outstanding on closing day.

Purpose: This measure shows the company's net value per share and determines whether a company increases shareholders' net worth over time.

Earnings per share (Defined by IFRS)

Definition: Income for the period attributable to Vitrolife's shareholders in relation to the average number of outstanding shares for the period.

Other measures

Rolling 12 months

Definition: Key ratios calculated from rolling 12-month values have been calculated from the past four rolling interim reports and accounts.

Purpose: Rolling 12 months gives a clearer picture of sales or profitability and a fairer picture of a key ratio's development.

Organic growth

Definition: Organic growth is sales growth from existing business operations adjusted for acquisitions and divestments. An acquisition or a sale is only included in the calculation of organic growth when it is included for an equal number of months in the present period and the corresponding period the previous year. Otherwise it is included in the calculation of acquired growth.

Purpose: Organic growth excludes the effects of changes in the Group's structure, thus enabling a comparison of net sales over time.

Net sales growth in local currency

Definition: Growth in local currencies is sales growth adjusted for currency effects, which is calculated as sales for the period in local currencies recalculated at a predetermined exchange rate in relation to the corresponding period the previous year in local currencies recalculated at the same exchange rate.

Purpose: 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.

The percentage effects in the following tables are calculated by each amount in SEK millions in relation to net sales in the same period previous year (which is stated in Note 4).

Net sales growth in local currency

Net sales per geographic segment

	EMEA		North and South America		Japan and Pacific		Asia	
	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Organic growth in local currency, SEK M	177	-51	86	-46	34	-19	70	-78
Organic growth in local currency, %	33	-9	38	-17	16	-8	25	-22
Acquired growth, SEK M	42	-	58	-	8	-	8	-
Acquired growth, %	8	-	26	-	4	-	3	-
Currency effects, SEK M	-17	-12	-16	-12	-11	-7	-3	-10
Currency effects, %	-3	-2	-8	-3	-5	-3	-1	-2
Total growth, SEK M	202	-63	128	-58	31	-26	75	-88
Total growth, %	38	-11	57	-20	14	-11	27	-24

	EMEA		North and South America		Japan and Pacific		Asia	
	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Organic growth in local currency, SEK M	9	10	11	-8	-8	-2	3	0
Organic growth in local currency, %	5	6	15	-10	-13	-3	4	0
Acquired growth, SEK M	42	-	58	-	8	-	8	-
Acquired growth, %	25	-	80	-	12	-	10	-
Currency effects, SEK M	-1	-9	1	-9	-1	-5	2	-4
Currency effects, %	0	-5	6	-10	-2	-7	3	-5
Total growth, SEK M	50	1	70	-17	-2	-7	14	-4
Total growth, %	30	1	101	-20	-3	-10	17	-5

Net sales per division

	Consumables		Technology		Genomics		Genetic Services		Other	
	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020	Jan-Dec 2021	Jan-Dec 2020
Organic growth in local currency, SEK M	186	-67	124	-111	52	-12	-	-	4	-3
Organic growth in local currency, %	25	-8	34	-23	49	-10	-	-	18	-12
Acquired growth, SEK M	-	-	-	-	-	-	114	-	2	-
Acquired growth, %	-	-	-	-	-	-	-	-	10	-
Currency effects, SEK M	-26	-22	-12	-16	-6	-5	-	-	-2	2
Currency effects, %	-4	-2	-3	-2	-6	-4	-	-	-10	7
Total growth, SEK M	161	-89	111	-127	46	-17	114	-	4	-1
Total growth, %	21	-10	31	-25	42	-14	-	-	18	-5

	Consumables		Technology		Genomics		Genetic Services		Other	
	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Organic growth in local currency, SEK M	19	14	-15	-15	11	1	-	-	0	1
Organic growth in local currency, %	9	7	-12	-10	33	2	-	-	2	9
Acquired growth, SEK M	-	-	-	-	-	-	114	-	2	-
Acquired growth, %	-	-	-	-	-	-	-	-	30	-
Currency effects, SEK M	1	-12	1	-12	0	-3	-	-	0	0
Currency effects, %	0	-6	0	-7	3	-10	-	-	-1	3
Total growth, SEK M	19	2	-15	-27	11	-2	114	-	2	1
Total growth, %	9	1	-11	-17	35	-8	-	-	31	12

Group total

	Jan-Dec 2021	Jan-Dec 2020	Oct-Dec 2021	Oct-Dec 2020
Organic growth in local currency, SEK M	366	-193	14	0
Organic growth in local currency, %	30	-13	4	0
Acquired growth, SEK M	116	-	116	-
Acquired growth, %	9	-	30	-
Currency effects, SEK M	-46	-42	2	-27
Currency effects, %	-4	-3	1	-7
Total growth, SEK M	435	-235	132	-27
Total growth, %	35	-16	35	-7

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 vitro (Latin "in glass")

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

In vivo

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

Incubator

Equipment for culture of embryos in a controlled environment.

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

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

PGT-A

Preimplantation genetic testing for aneuploidy (PGT-A), also called preimplantation genetic screening (PGS), is a test for chromosome copy number that can be used during IVF to help determine the chromosomal status of an embryo from a biopsy of one or more cells. The results of PGT-A aid in the selection of an embryo likely to have a normal number of chromosomes (euploid) for transfer to the woman and help avoid those with abnormal copy number (aneuploid) that may result in IVF failure or miscarriage.

PGT-M

Preimplantation genetic testing for monogenic and single gene defects (PGT-M), also called preimplantation genetic diagnosis (PGD), 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.

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.

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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