



INTERIM REPORT JANUARY-JUNE 2017

Vitrolife AB (publ)

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

Vitrolife today has approximately 350 employees and the company's products are sold in approximately 110 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in Australia, China, Denmark, France, Germany, Italy, Japan, United Kingdom and USA. The Vitrolife share is listed on NASDAQ Stockholm.

Vitrolife 

Successes in Asia and in Time-lapse

Second quarter

- Sales amounted to SEK 285 (208) million, corresponding to an increase of 37 percent in SEK. Sales growth was 33 percent in local currency. The acquisitions of Octax and MTG had a positive impact of SEK 26 million on sales. The acquisitions were made on May 31, 2016 and thus organic growth for the quarter amounted to 25 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 112 (74)

million, corresponding to a margin of 39 (35) percent. Last year's operating income included one-time expenses of SEK 3 million related to consolidation of the time-lapse business and SEK 2 million related to transaction expenses regarding the acquisition of Octax and MTG. Fluctuations in exchange rates positively impacted EBITDA by SEK 2 million.

- Net income amounted to SEK 71 (48) million, which gave earnings per share of SEK 3.28 (2.21).

First half year

- Sales amounted to SEK 529 (395) million, corresponding to an increase of 34 percent in SEK. Sales growth was 30 percent in local currency. The acquisitions of Octax and MTG had a positive impact of SEK 42 million on sales. The acquisitions were made on May 31, 2016 and thus organic growth for the year amounted to 22 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 207 (136) million,

corresponding to a margin of 39 (34) percent. Last year's operating income included one-time expenses of SEK 8 million related to consolidation of the time-lapse business and SEK 2 million related to transaction expenses regarding the acquisition of Octax and MTG. Fluctuations in exchange rates positively impacted EBITDA by SEK 5 million.

- Launch of RapidVit™ Omni, a media system for vitrification (rapid freezing) of eggs and embryos.
- Net income amounted to SEK 131 (87) million, which gave earnings per share of SEK 6.01 (3.98).

The Group's Key Figures

SEK millions	April – June		January – June		Whole year 2016
	2017	2016	2017	2016	
Net sales	285	208	529	395	856
Net sales growth, local currency, %	33	15	30	15	18
Gross margin, %	65	66	65	66	66
Adjusted gross margin*, %	69	69	69	69	69
Operating income before depreciation and amortisation (EBITDA)	112	74	207	136	303
EBITDA margin, %	39	35	39	34	35
Net income	71	48	131	87	191
Net debt / Rolling 12 month EBITDA	-0.5	-0.1	-0.5	-0.1	-0.5
Earnings per share, SEK	3.28	2.21	6.01	3.98	8.77
Share price on closing day, SEK	529.00	465.00	529.00	465.00	387.00
Market cap at closing day	11 485	10 095	11 485	10 095	8 402
<i>Changes in net sales</i>					
Organic growth in local currency, %	25	13	22	14	12
Acquired growth, %	8	2	8	1	6
Currency effects, %	4	-2	4	-1	1
Total growth, %	37	13	34	14	19

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

Vitrolife's financial objectives

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

CEO's comments

Just like the first quarter, the second quarter of the year was a success. Growth in local currency amounted to 33 percent, of which 25 percent was organic growth. We continued to note that all business units and market regions displayed good growth. Profitability in terms of the operating margin before depreciation and amortisation (EBITDA margin) amounted to 39 percent. Increased sales, economies of scale and a positive product mix contributed to the good profitability during the quarter.



The Asia and Pacific region increased during the quarter by 62 percent in local currency and represented the largest region in terms of sales and market contribution. There were several positive factors contributing to the good growth. Demand in Japan was high for the newly launched EmbryoScope+ time-lapse incubator. Several deals were also won with clinic chains in the region. This is positive from several points of view as it seems likely that clinic chains will play a greater and greater role in the market. China displayed good growth, and sales of Octax laser, for example, were high there. Although the sale of capital goods varies between quarters, this is in line with the company's strategy of focusing business activities in the ART Equipment business unit on the more profitable in-house products. The aim is that this will over time strengthen the product offering and the gross margin within ART Equipment.

Growth in local currency for the Time-lapse business unit amounted to 83 percent during the quarter. A meta-analysis published during the summer in the scientific journal RBM Online analysed the results from a number of scientific studies regarding the clinical benefits of applying time-lapse technology in the field of IVF. The conclusion was that use of time-lapse in combination with algorithms for embryo selection significantly improves the clinical treatment results as regards increased pregnancy rates, increased live birth rates and reduced

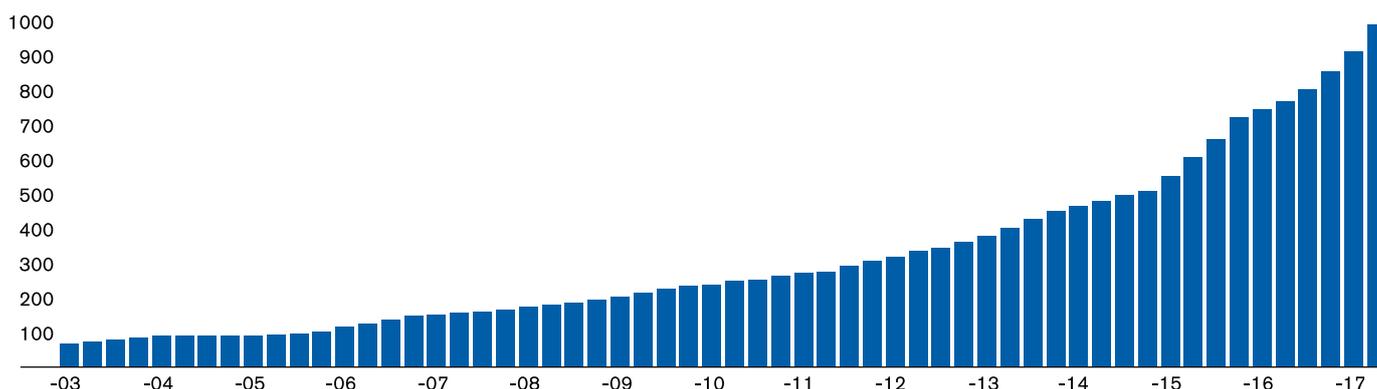
early pregnancy loss rates compared with conventional treatment. All studies included in the meta-analysis used products from Vitrolife. The documented clinical advantages in combination with a number of other advantages that time-lapse entails in the form of improved work flows and standardisation at the clinics constitute a stable basis for marketing and continued expansion in the area.

Vitrolife today has more than 1,000 time-lapse products installed in the market. The company estimates that just over 10 percent of the IVF cycles in the world are now carried out using time-lapse products from Vitrolife. Other time-lapse competitors so far only have a marginal market share. Vitrolife's time-lapse offering today consists of three products: EVO+, EmbryoScope and EmbryoScope+. The methodology and capacity, in the form of the number of treatments possible per year, and hence the price differ between the products, where EVO+ has the lowest capacity and EmbryoScope+ the highest capacity. This means that the company can offer different products depending on clinics' different needs and preferences. Demand for EmbryoScope+, which was launched during the fourth quarter last year, has been high. As the product has not yet been approved for sales in large markets such as China and the US, sales have so far come primarily from Europe and Japan. As more time-lapse systems are installed, the recurring revenues related to the systems become increasingly important. Vitrolife anticipates that revenues from recurring sales such as single-use culture dishes and service agreements amount to more than half of the initial sales value of the equipment over a five-year period. Market penetration of time-lapse varies geographically but the global trend is towards increased acceptance of time-lapse. Vitrolife thus sees continuing good growth opportunities in the area.

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



Second quarter 2017 (April - June)

Net sales

Sales amounted to SEK 285 (208) million, corresponding to an increase of 37 percent in SEK. Sales growth was 33 percent in local currency. The acquisitions of Octax and MTG had a positive impact of SEK 26 million on sales. The acquisitions were made on May 31, 2016 and thus organic growth for the quarter amounted to 25 percent in local currency.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 18 percent in local currency and amounted to SEK 111 (91) million. Sales in the North and South American region amounted to SEK 38 (34) million. Sales increased by 5 percent in local currency. Sales in the Asia and Pacific region increased by 62 percent in local currency and amounted to SEK 137 (83) million. All regions were positively impacted by the acquisitions of Octax and MTG.

Sales in the Media business unit increased by 9 percent in local currency during the quarter and amounted to SEK 143 (126) million. Sales in the Disposable Devices business unit increased by 14 percent in local currency and amounted to SEK 42 (36) million. Sales in the Time-lapse business unit increased by 83 percent in local currency during the quarter and amounted to SEK 68 (37) million. Sales were positively impacted by high demand for the newly launched EmbryoScope+ time-lapse incubator. Sales in the business unit ART Equipment, which comprises of the operations conducted by the acquired companies Octax and MTG, amounted to SEK 26 million. Freight revenues amounted to SEK 5 (5) million.

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

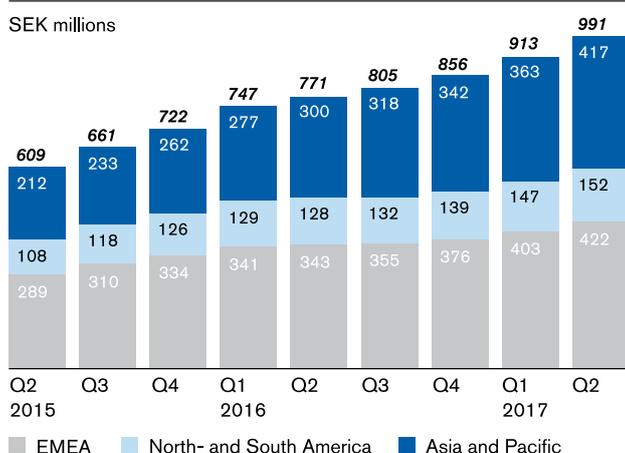


Fig 2. Sales development (per quarter)

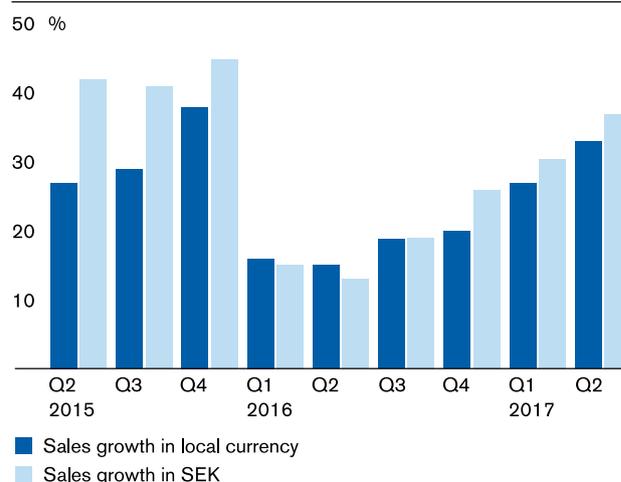
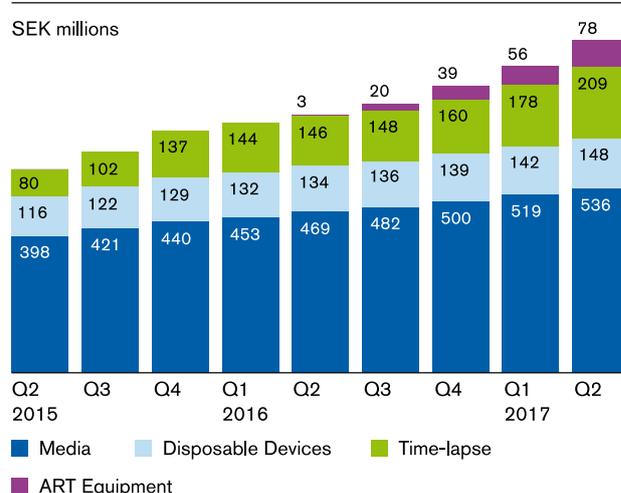


Fig 3. Net sales per business unit (rolling 12 months)



Income

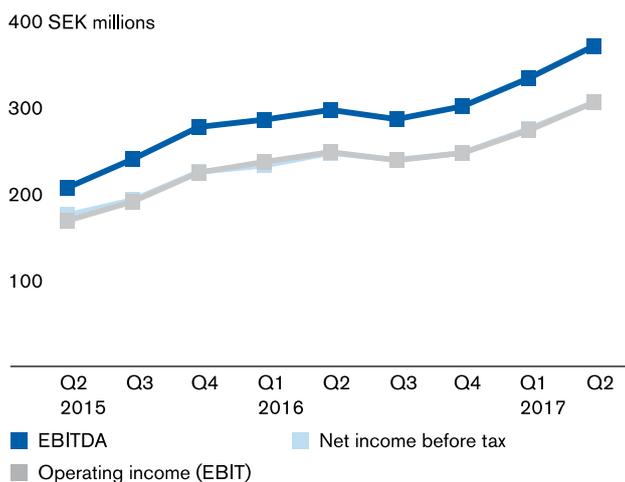
Operating income before depreciation and amortisation (EBITDA) amounted to SEK 112 (74) million, corresponding to a margin of 39 (35) percent. Last year's operating income included one-time expenses of SEK 3 million related to consolidation of the time-lapse business and SEK 2 million related to transaction expenses regarding the acquisition of Octax and MTG. Fluctuations in exchange rates positively impacted EBITDA by SEK 2 million.

Gross income amounted to SEK 187 (137) million. The gross margin was 65 (66) percent and was positively impacted by economies of scale and product mix. 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 5 million has been charged against gross income. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 69 (69) percent for the quarter.

Selling expenses amounted to 16 (19) percent of sales. Administrative expenses amounted to 9 (12) 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 17 (12) million were charged against income.

Net financial items amounted to SEK 1 (1) million. Income before tax amounted to SEK 94 (63) million. Net income amounted to SEK 71 (48) 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 52 (42) million. The contribution from the North and South American region amounted to SEK 18 (18) million and the contribution from the Asia and Pacific region amounted to SEK 71 (38) million. 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 84 (46) million. The change in working capital amounted to SEK -14 (-12) million and primarily consisted of increased accounts receivables as a result of increased sales. Gross investments in tangible assets amounted to SEK -4 (-2) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK 0 (-2) million. The cash flow from financing activities was SEK -60 (-55) million and consisted primarily of dividend of SEK -57 million and the repayment of borrowings of SEK -3 million. Cash and cash equivalents at the end of the period amounted to SEK 236 (76) million.

Financing

Vitrolife's total credit facilities amounted to SEK 82 (93) million, of which SEK 32 (43) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 84 (79) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -0.5 (-0.1) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income included invoicing of management fee of SEK 1 (1) million. Income before tax for the quarter amounted to SEK 60 (153) million and included dividend of SEK 61 (155) million received from subsidiaries. Cash and cash equivalents amounted to SEK 8 (5) million.

The period 2017 (January - June)

Net sales

Sales amounted to SEK 529 (395) million, corresponding to an increase of 34 percent in SEK. Sales growth was 30 percent in local currency. The acquisitions of Octax and MTG had a positive impact of SEK 42 million on sales. The acquisitions were made on May 31, 2016 and thus organic growth for the year amounted to 22 percent in local currency. Sales in the EMEA region increased by 25 percent in local currency and amounted to SEK 221 (174) million. Sales in the North and South American region amounted to SEK 77 (65) million. The increase in local currency amounted to 11 percent. Sales in the Asia and Pacific region increased by 45 percent in local currency and amounted to SEK 231 (155) million.

Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 207 (136) million, corresponding to a margin of 39 (34) percent. Last year's operating income included one-time expenses of SEK 8 million related to consolidation of the time-lapse business and SEK 2 million related to transaction expenses regarding the acquisition of Octax and MTG. Fluctuations in exchange rates positively impacted EBITDA by SEK 5 million.

Gross income amounted to SEK 344 (262) million. The gross margin was 65 (66) percent and was positively impacted by economies of scale and product mix. 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 10 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 (12) 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 34 (22) million were charged against net income. Net financial items amounted to SEK -1 (-1) million. Income before tax amounted to SEK 172 (113) million. Net income amounted to SEK 131 (87) million.

Income per segment

During the period, the market contribution for the EMEA region amounted to SEK 102 (81) million. The contribution from the North and South American region amounted to SEK 38 (33) million and the contribution from the Asia and Pacific region amounted to SEK 119 (75) 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 118 (56) million. Gross investments amounted to SEK -6 (-124) million and was related to fixed assets. The cash flow from financing activities was SEK -62 (-57) million and consisted of dividend of SEK -57 million and the repayment of borrowings of SEK -6 million. Cash and cash equivalents at the end of the period amounted to SEK 236 (76) million.

Prospects for 2017

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

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

The company in brief

Business concept

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

Goal

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

Strategies

- Establish a scalable global organisation focused on common values.
- Expand sales through an improved customer offering and solution selling.
- Broaden the product portfolio and achieve synergies between business units and market regions.
- Achieve economies of scale through increased internal efficiency.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

Other information

Organisation and personnel

During the period the average number of employees was 350 (323), of whom 157 (149) were women and 193 (174) were men. Of these 141 (140) people were employed in Sweden, 71 (61) in Denmark, 70 (61) in the USA and 68 (61) in the rest of the world. The number of people employed in the Group at the end of the period was 352 (356).

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.

Dividend

It was decided at the Annual General Meeting on April 27 that the proposed dividend of SEK 2.60 per share would be paid out to the shareholders. Payment of the dividend took place on May 5.

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 for 2017.

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.

Events after the end of the period

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

Certification

The Board and the CEO certify that the half-year report gives a true and fair view of the company's and the Group's business activities, financial position and results, and describes the essential risks and uncertainty factors that the company and the companies which are part of the Group face.

July 14, 2017
Gothenburg, Sweden

Thomas Axelsson
CEO

Carsten Browall
Chairman of the Board

Barbro Fridén
Board member

Tord Lendau
Board member

Pia Marions
Board member

Fredrik Mattsson
Board member

Jón Sigurdsson
Board member

Financial reports

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

This report has not been reviewed by the company's auditors

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

Interim report January – September: Thursday November 2

Queries should be addressed to

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

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This information is information that Vitrolife AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 am CET on July 14, 2017.

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

Consolidated income statements

SEK thousands	Note	January – June		April – June		Whole year
		2017	2016	2017	2016	2016
Net sales	5	529 466	394 770	285 385	207 772	856 106
Cost of goods sold		-185 059	-132 868	-98 774	-71 047	-294 805
Gross income		344 407	261 902	186 611	136 725	561 301
<i>Comprising</i>						
Adjusted gross income		364 585	273 464	196 789	143 300	593 011
Amortisation of acquisition-related intangible assets		-20 178	-11 562	-10 178	-6 575	-31 710
Gross income		344 407	261 902	186 611	136 725	561 301
Selling expenses		-84 518	-72 980	-45 902	-38 929	-155 686
Administrative expenses		-48 009	-47 583	-25 515	-24 656	-94 146
Research and development costs		-36 065	-27 930	-17 573	-15 377	-61 590
Other operating revenues and expenses		-2 901	390	-3 017	4 017	-1 038
Operating income		172 914	113 799	94 604	61 780	248 841
<i>Comprising</i>						
Adjusted operating income		193 737	125 986	105 107	68 594	281 819
Amortisation of acquisition-related intangible assets		-20 823	-12 187	-10 503	-6 814	-32 978
Operating income		172 914	113 799	94 604	61 780	248 841
Financial income and expenses		-1 014	-927	-634	953	89
Income after financial items		171 900	112 872	93 970	62 733	248 930
Income taxes		-40 765	-25 993	-22 490	-14 553	-57 718
Net Income		131 135	86 879	71 480	48 180	191 212
Attributable to						
Parent Company's shareholders		130 501	86 383	71 297	47 956	190 368
Non-controlling interests		634	496	183	224	844
Earnings per share, SEK		6.01	3.98	3.28	2.21	8.77
Average number of outstanding shares		21 710 115	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	21 710 115

Depreciation, amortisation and write-downs were charged against income for the period by SEK 33,607 thousand (22,130), of which SEK 16,982 thousand (11,856) for the second quarter.

Statements of comprehensive income

SEK thousands	January – June		April – June		Whole year
	2017	2016	2017	2016	2016
Net income	131 135	86 879	71 480	48 180	191 212
Other comprehensive income					
<i>Items that may be reclassified to the income statement</i>					
Cash-flow hedges, net after tax	–	-840	–	-487	-657
Exchange rate differences	-5 065	17 228	-1 860	15 968	37 297
Total other comprehensive income	-5 065	16 388	-1 860	15 481	36 640
Total comprehensive income	126 070	103 267	69 620	63 661	227 852
Attributable to					
Parent Company's shareholders	125 436	102 771	69 437	63 437	227 008
Non-controlling interests	634	496	183	224	844

Key ratios, total Group

	January – June		April – June		Whole year 2016
	2017	2016	2017	2016	
Gross margin, %	65.0	66.3	65.4	65.8	65.6
Adjusted gross margin, %	68.9	69.3	69.0	69.0	69.3
Operating margin before depreciation and amortisation (EBITDA), %	39.0	34.4	39.1	35.4	35.4
Operating margin (EBIT), %	32.7	28.8	33.1	29.7	29.1
Net margin, %	24.8	22.0	25.0	23.2	22.3
Equity/assets ratio, %	83.6	79.4	83.6	79.4	81.6
Shareholders' equity per share, SEK	50.07	41.17	50.07	41.17	46.89
Return on equity, %	22.7	22.9	22.7	22.9	20.3
Cash flow from operating activities per share, SEK	5.42	2.59	3.87	2.11	8.35
Net debt*, SEK millions	-203.8	-32.6	-203.8	-32.6	-151.4

* Negative amount implies net claim.

Consolidated income statements per quarter

SEK thousands	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015
Net sales	285 385	244 081	250 909	210 427	207 772	186 998	199 023	176 806
Cost of goods sold	-98 774	-86 285	-82 427	-79 510	-71 047	-61 821	-62 112	-57 170
Gross income	186 611	157 796	168 482	130 917	136 725	125 177	136 911	119 636
Selling expenses	-45 902	-38 617	-43 703	-39 003	-38 929	-34 051	-36 186	-34 822
Administrative expenses	-25 515	-22 494	-25 373	-21 190	-24 656	-22 927	-18 147	-21 419
Research and development costs	-17 573	-18 492	-18 366	-15 294	-15 377	-12 553	-11 789	-15 072
Other operating revenues and expenses	-3 017	117	-2 691	1 263	4 017	-3 627	-803	17 868
Operating income	94 604	78 310	78 349	56 693	61 780	52 019	69 986	66 191
Financial income and expenses	-634	-381	-524	1 540	953	-1 880	-241	191
Income after financial items	93 970	77 929	77 825	58 233	62 733	50 139	69 745	66 382
Income taxes	-22 490	-18 274	-18 093	-13 632	-14 553	-11 440	-12 600	-13 975
Net income	71 480	59 655	59 732	44 601	48 180	38 699	57 145	52 407
Attributable to								
Parent Company's shareholders	71 297	59 204	59 514	44 471	47 956	38 427	57 180	52 324
Non-controlling interests	183	451	218	130	224	272	-35	83

Key ratios per quarter, total Group

	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015
Shareholders' equity per share, SEK	50.07	49.47	46.89	43.95	41.17	40.65	38.84	36.79
Return on equity, %	22.7	21.4	20.3	21.0	22.9	22.9	23.5	20.7
Cash flow from operating activities per share, SEK	3.87	1.55	3.62	2.14	2.11	0.48	4.35	2.74

Consolidated statements of financial position

SEK thousands	Note	Jun 30. 2017	Jun 30. 2016	Dec 31. 2016
ASSETS	2, 3			
Goodwill	5	404 806	394 052	403 216
Other intangible fixed assets	5	221 415	266 288	245 871
Tangible fixed assets	5	89 672	90 533	93 655
Financial fixed assets		9 162	8 106	8 948
Deferred tax assets		14 986	29 246	22 282
Inventories		148 962	123 955	145 654
Accounts receivable		160 952	121 444	126 187
Current tax assets		564	261	2 282
Other current receivables		16 670	18 974	13 151
Cash and cash equivalents		235 739	75 971	189 245
Total assets		1 302 928	1 128 830	1 250 491
SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3			
Shareholders' equity, attributable to the Parent Company's shareholders		1 087 045	893 818	1 018 055
Non-controlling interests		2 415	1 956	2 329
Provisions		10 302	9 140	9 043
Deferred tax liabilities		55 159	67 934	61 280
Long-term interest-bearing liabilities		432	31 101	466
Short-term interest-bearing liabilities		31 518	12 319	37 390
Current tax liabilities		10 823	17 959	22 044
Derivative instruments		–	234	–
Accounts payable		24 274	21 806	24 286
Other short-term non-interest-bearing liabilities		80 960	72 563	75 598
Total shareholders' equity and liabilities		1 302 928	1 128 830	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	844	227 852
Dividend (SEK 2.40 per share)	–	–	–	-52 104	–	-52 104
Dividend to non-controlling interests	–	–	–	–	-413	-413
Other transactions with non-controlling interests	–	–	–	–	77	77
Closing balance December 31, 2016	22 144	494 610	11 959	489 342	2 329	1 020 384
Opening balance January 1, 2017	22 144	494 610	11 959	489 342	2 329	1 020 384
Total comprehensive income	–	–	-5 065	130 501	634	126 070
Dividend (SEK 2.60 per share)	–	–	–	-56 446	–	-56 446
Dividend to non-controlling interests	–	–	–	–	-577	-577
Other transactions with non-controlling interests	–	–	–	–	29	29
Closing balance June 30, 2017	22 144	494 610	6 894	563 397	2 415	1 089 460

Condensed consolidated cash flow statements

SEK thousands	January – June		2017	April – June		Whole year 2016
	2017	2016		2016	2016	
Income after financial items	171 900	112 872	93 970	62 733	248 930	
Adjustment for non-cash items	35 268	23 016	19 695	7 610	55 126	
Tax paid	-51 819	-54 606	-15 759	-12 594	-83 400	
Change in inventories	-5 845	-8 139	2 638	-3 944	-26 323	
Change in trade receivables	-40 027	-19 429	-20 084	-3 392	-17 633	
Change in trade payables	8 167	2 437	3 558	-4 694	4 562	
Cash flow from operating activities	117 644	56 151	84 018	45 719	181 262	
Cash flow from investing activities	-6 448	-123 963	-4 664	-119 577	-131 002	
Cash flow from financing activities	-62 388	-57 252	-59 564	-54 616	-63 596	
Cash flow for the period	48 808	-125 064	19 790	-128 474	-13 336	
Opening cash and cash equivalents	189 245	199 572	218 078	202 333	199 572	
Exchange-rate difference in cash and cash equivalents	-2 314	1 463	-2 129	2 112	3 009	
Closing cash and cash equivalents	235 739	75 971	235 739	75 971	189 245	

Income statements for the Parent Company

SEK thousands	January – June		2017	April – June		Whole year 2016
	2017	2016		2016	2016	
Net sales	1 184	2 727	701	1 295	6 833	
Administrative expenses	-3 408	-6 572	-1 732	-3 132	-14 825	
Other operating revenues and expenses	50	59	24	33	-5	
Operating income	-2 174	-3 786	-1 007	-1 804	-7 997	
Write-down participations in Group companies	-7 280	-	-	-	-7 500	
Dividends from Group companies	68 467	155 066	61 330	155 066	158 432	
Financial income and expenses	-551	-223	-555	-146	2 415	
Income after financial items	58 462	151 057	59 768	153 116	145 350	
Year-end adjustments (received Group contribution)	-	-	-	-	3 384	
Income taxes	599	343	599	-111	-	
Net income	59 061	151 400	60 367	153 005	148 734	

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

Balance sheets for the Parent Company

SEK thousands	Jun 30. 2017	Jun 30. 2016	Dec 31. 2016
ASSETS			
Tangible fixed assets	12	12	12
Participations in Group companies	770 440	784 946	777 720
Other financial fixed assets	3 746	3 746	3 746
Deferred tax asset	599	447	-
Other current receivables	677	3 632	1 677
Receivables from Group companies	10 570	75 182	11 889
Cash and cash equivalents	7 613	5 256	2 974
Total assets	793 657	873 221	798 018
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	761 137	761 186	758 521
Long-term interest-bearing liabilities	-	30 603	-
Short-term interest-bearing liabilities	31 439	12 241	37 311
Current tax liabilities	-	106	4
Accounts payable	237	801	117
Liabilities to Group companies	-	66 879	-
Other short-term non-interest-bearing liabilities	844	1 405	2 065
Total shareholders' equity and liabilities	793 657	873 221	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. It is being investigated which effects the new standard will have on the Group financial statements, but the current assessment of the Group is that the standard will not have any significant effects on the Group financial statements.

IFRS 15

From 1 January 2018 IFRS 15 'Revenue from contracts with customers' will be applied. After review of the current Group processes for revenue recognition, Vitrolife's assessment is that a transition to IFRS 15 will not cause any material effects to the financial reports of the Group. 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.

IFRS 16

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

Note 2. Financial instruments - Fair value

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

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

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on the latest transaction (transfer of shares). Hence, fair value is estimated to be equal to book value.

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 402,611 thousand (205,505) and SEK 69,785 thousand (84,627).

Fair value hierarchy

SEK thousands	Fair value levels	Jun 30.2017	Jun 30.2016	Dec 31.2016
Financial assets				
Financial assets to fair value through income statement	3	3 746	3 746	3 746
Total Financial assets		3 746	3 746	3 746
Financial liabilities				
Derivatives for hedge accounting	2	–	234	–
Total Financial liabilities		–	234	–

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. During the second quarter a minor adjustment, related to payment of VAT, was made to the acquisition analysis. The adjustment lead to an increase of the purchase price of SEK 0.3 million, which increased goodwill by the same amount. The table below has been updated and summarizes the purchase price paid and acquired assets and liabilities reported at fair value at the date of acquisition. The acquisition analysis is now final since a year has passed from the acquisition date.

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 for own liabilities and contingent liabilities

SEK thousands	Jun 30.2017	Jun 30.2016	Dec 31.2016
Group			
Pledged assets for own liabilities	22 884	22 307	22 612
Contingent liabilities	491	278	409
Parent company			
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	–	–	–

Note 5. Segments

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

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016	Jan-Jun 2017	Jan-Jun 2016
Net sales	221 184	173 806	77 417	65 491	230 865	155 473	529 466	394 770
Gross income	137 992	113 297	54 108	46 059	152 307	102 546	344 407	261 902
Selling expenses	-35 582	-32 797	-16 121	-13 056	-32 815	-27 127	-84 518	-72 980
Market contribution	102 410	80 500	37 987	33 003	119 492	75 419	259 889	188 922
Fixed assets*	627 522	662 806	87 727	88 026	644	40	715 893	750 873

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Apr-Jun 2017	Apr-Jun 2016	Apr-Jun 2017	Apr-Jun 2016	Apr-Jun 2017	Apr-Jun 2016	Apr-Jun 2017	Apr-Jun 2016
Net sales	110 653	91 194	37 909	33 688	136 823	82 890	285 385	207 772
Gross income	70 561	59 450	26 309	23 746	89 741	53 529	186 611	136 725
Selling expenses	-18 409	-17 166	-8 564	-6 165	-18 929	-15 598	-45 902	-38 929
Market contribution	52 152	42 284	17 745	17 581	70 812	37 931	140 709	97 796
Fixed assets*	627 522	662 806	87 727	88 026	644	40	715 893	750 873

SEK thousands	EMEA	North and South America	Asia & Pacific	Total
	Whole year 2016	Whole year 2016	Whole year 2016	Whole year 2016
Net sales	375 611	138 506	341 989	856 106
Gross income	238 317	95 402	227 582	561 301
Selling expenses	-66 952	-29 108	-59 626	-155 686
Market contribution	171 365	66 294	167 956	405 615
Fixed assets*	647 330	94 803	609	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-June		April-June		Whole year
	2017	2016	2017	2016	2016
Operating income	172.9	113.8	94.6	61.8	248.8
Depreciation and amortisation	33.6	22.1	17.0	11.9	54.3
Operating income before depreciation and amortisation (EBITDA)	206.5	135.9	111.6	73.7	303.1

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	Jun 30. 2017	Jun 30. 2016	Dec 31. 2016
Average shareholders' equity, rolling 12 month	1 033.3	854.6	937.1
Net income, rolling 12 month	234.5	195.9	190.4
Return on equity, %	22.7	22.9	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	Jun 30. 2017	Jun 30. 2016	Dec 31. 2016
Interest-bearing liabilities	31.9	43.4	37.8
Cash and cash equivalents	-235.7	-76.0	-189.2
Net debt	-203.8	-32.6	-151.4
SEK M	Jun 30. 2017	Jun 30. 2016	Dec 31. 2016
Net debt	-203.8	-32.6	-151.4
Operating profit, rolling 12 month	308.0	250.0	248.8
Depreciation and amortisation, rolling 12 month	65.8	49.1	54.3
Rolling 12 month EBITDA	373.8	299.1	303.1
Net debt / Rolling 12 month EBITDA	-0.5	-0.1	-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-Jun 2017	Apr-Jun 2017	Jan-Jun 2017	Apr-Jun 2017	Jan-Jun 2017	Apr-Jun 2017
Growth in local currency, SEK M	43	17	8	2	71	53
<i>Growth in local currency, %</i>	25	18	11	5	45	62
Currency effects, SEK M	4	3	4	2	4	1
<i>Currency effects, %</i>	2	4	7	7	3	3
Total growth, SEK M	47	20	12	4	75	54
Total growth, %	27	22	18	12	48	65

Net sales per business unit

	Media		Disposable Devices		Time-lapse		ART Equipment*	
	Jan-Jun 2017	Apr-Jun 2017	Jan-Jun 2017	Apr-Jun 2017	Jan-Jun 2017	Apr-Jun 2017	Jan-Jun 2017	Apr-Jun 2017
Growth in local currency, SEK M	28	12	7	5	48	31	39	23
<i>Growth in local currency, %</i>	11	9	10	14	65	83	**	**
Currency effects, SEK M	8	5	3	1	1	0	0	0
<i>Currency effects, %</i>	4	4	4	5	2	-2	**	**
Total growth, SEK M	36	17	10	6	49	31	39	23
Total growth, %	15	13	14	19	67	81	**	**

* Comprises the operations conducted by the acquired companies MTG and Octax. The period Jan-Jun 2016 only include sales during June, 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-Jun 2017	Jan-Jun 2016	Apr-Jun 2017	Apr-Jun 2016	Whole year 2016
Organic growth in local currency, SEK M	90	48	56	24	90
<i>Organic growth in local currency, %</i>	22	14	25	13	12
Acquired growth, SEK M	33	3	16	3	39
<i>Acquired growth, %</i>	8	1	8	2	6
Currency effects, SEK M	12	-3	6	-3	5
<i>Currency effects, %</i>	4	-1	4	-2	1
Total growth, SEK M	135	48	78	24	134
Total growth, %	34	14	37	13	19

Definitions

Adjusted gross income

Gross income before amortisation of acquisition-related intangible assets.

Adjusted operating income

Operating income before amortisation of acquisition-related intangible assets.

Cash flow from operating activities per share

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

Earnings per share

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

Equity/assets ratio

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

Gross margin

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

Market contribution

Gross income reduced with the selling expenses per market.

Net debt

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

Net debt / Rolling 12 month EBITDA

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

Operating margin before depreciation and amortisation (EBITDA)

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

Operating margin

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

Profit margin

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

Return on equity

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

Shareholders' equity per share

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

Glossary

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

Biological quality tests

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

Biopsy

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

Biotechnology

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

Blastocyst

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

Cell therapy

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

Clinical study/trial

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

Embryo

A fertilized and cell divided egg.

In vivo

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

In vitro (Latin "in glass")

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

Incubator

Equipment for culture of embryos in a controlled environment.

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

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

PGD

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

PGS

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

Preclinical study

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

Stem cells

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

Time-lapse

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

Vitrification

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

TOGETHER. ALL THE WAY™

Vitrolife AB (publ)
Vitrolife Sweden AB
Box 9080
SE-400 92 Göteborg
Sweden
Tel +46 31 721 80 00
Fax +46 31 721 80 99

A.T.S. Srl
Via Pistrucchi, 26
20137 Milano
Italy
Tel +39 2 541 22100
+39 328 627 7012
Fax +39 2 541 22100

HertArt ApS
Korskildelund 6
2670 Greve
Denmark
Tel +46 31 721 80 15
Fax +46 31 721 80 99

Vitrolife A/S
Jens Juuls Vej 20
8260 Viby J
Denmark
Tel +45 7221 7900
Fax +45 7221 7901

Vitrolife, Inc.
3601 South Inca Street
Englewood, CO 80110
USA
Tel +1 303 762 1933
Fax +1 303 781 5615

6835 Flanders Drive
Suite 500
San Diego, CA 92121
USA
Tel +1 800 995 8081 (USA)
+1 858 824 0888 (Intl.)
Fax +1 858 824 0891

Vitrolife K.K.
Tamachi 16 Fujishima Building 9F
4-13-4 Shiba
Minato-ku
Tokyo 108-0014
Japan
Tel +81 3 6459 4437
Fax +81 3 6459 4539

Vitrolife Ltd.
1 Chapel Street
Warwick
CV34 4HL
UK
Tel +44 800 032 0013
Mobil +44 779 660 3857
Mobil +44 796 962 6083
Fax +44 800 032 0014

Vitrolife Pty Ltd.
Level 10, 68 Pitt Street
Sydney, NSW 2000
Australia
Tel +61 3 8844 4878
Fax +61 3 8844 4879

Vitrolife SAS
43 Rue de Liège
75 008 Paris
France
Tel +33 5 5959 2661
Fax +33 5 5959 2790

Vitrolife Sweden AB
Beijing Representative Office
B-809 Fangheng Times Square
10 Wangjing Street
Chaoyang District
Beijing, 100121
China
Tel +86 010 6403 6613
Fax +86 010 6403 6613

Octax Microscience GmbH
MTG Medical Technology
Vertriebs-GmbH
Dr.-Pauling-Str. 9
D-84079
Bruckberg
Germany
Tel +49 8765 939 900
Fax +49 8765 939 9070