



INTERIM REPORT JANUARY-SEPTEMBER 2016

Vitrolife AB (publ)

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

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

Vitrolife 

Good growth in all market regions

Third quarter

- Sales amounted to SEK 210 (177) million, corresponding to an increase of 19 percent in SEK. Net sales growth was 19 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 16 million on sales. Adjusted for this, growth amounted to 10 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 71 (82) million, corresponding to a margin of 34 (46) percent. Last year's results were positively impacted by a recovered supplementary purchase price consideration of SEK 17 million regarding

the acquisition of Cryo Innovation. Fluctuations in exchange rates positively impacted operating income before depreciation and amortisation (EBITDA) by SEK 1 million.

- During the quarter the last two lawsuits in the US concerning claims for damages in connection with three lung transplants were formally concluded after a settlement between the parties. The settlement has not entailed any effects on results other than those costs for which provision had previously been made.
- Net income amounted to SEK 45 (52) million, which gave earnings per share of SEK 2.05 (2.41).

January - September

- Sales amounted to SEK 605 (523) million, corresponding to an increase of 16 percent in SEK. Net sales growth was 17 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 20 million on sales. Adjusted for this, growth amounted to 13 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 207 (198) million, corresponding to a margin of 34 (38) percent. Operating income included one-time expenses of SEK 8 million related to the consolidation of the time-lapse business. Fluctuations in exchange rates did not have a tangible impact on EBITDA. Last year's results were

positively impacted by a recovered supplementary purchase price consideration of SEK 17 million regarding the acquisition of Cryo Innovation.

- Launch of a new range of aspiration needles for oocyte retrieval.
- Acquisition completed on May 31 of all the shares in OCTAX and MTG, world-leaders in the field of laser technology for IVF.
- Vitrolife introduced EmbryoScope+ and broadened the time-lapse product portfolio.
- Transplantation lawsuits in the US concluded.
- Net income amounted to SEK 131 (126) million, which gave earnings per share of SEK 6.03 (5.79).

The Group's Key Figures

SEK millions	July – September		January – September		Whole Year
	2016	2015	2016	2015	2015
Net sales	210	177	605	523	722
Net sales growth, local currency, %	19	29	17	25	28
Gross margin, %	62	68	65	66	67
Operating income before depreciation and amortisation (EBITDA)	71	82	207	198	279
EBITDA margin, %	34	46	34	38	39
Operating income (EBIT)	57	66	170	156	226
Net income	45	52	131	126	183
Net debt / Rolling 12 month EBITDA	-0.3	-0.3	-0.3	-0.3	-0.5
Earnings per share, SEK	2.05	2.41	6.03	5.79	8.42
Share price on closing day, SEK	544.00	169.50	544.00	169.50	288.50
Market cap at closing day	11 810	3 680	11 810	3 680	6 263

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

Vitrolife reported a strong third quarter. Growth during the quarter amounted to 19 percent in local currency and operating income before depreciation and amortisation amounted to SEK 71 million. We are pleased to note that all business areas and market regions reported growth during the quarter. During the third quarter the Asia and Pacific region increased by 24 percent. This is a good growth figure, not least bearing in mind that the comparative figures in China are more challenging during the second half of the year compared with the first half this year.



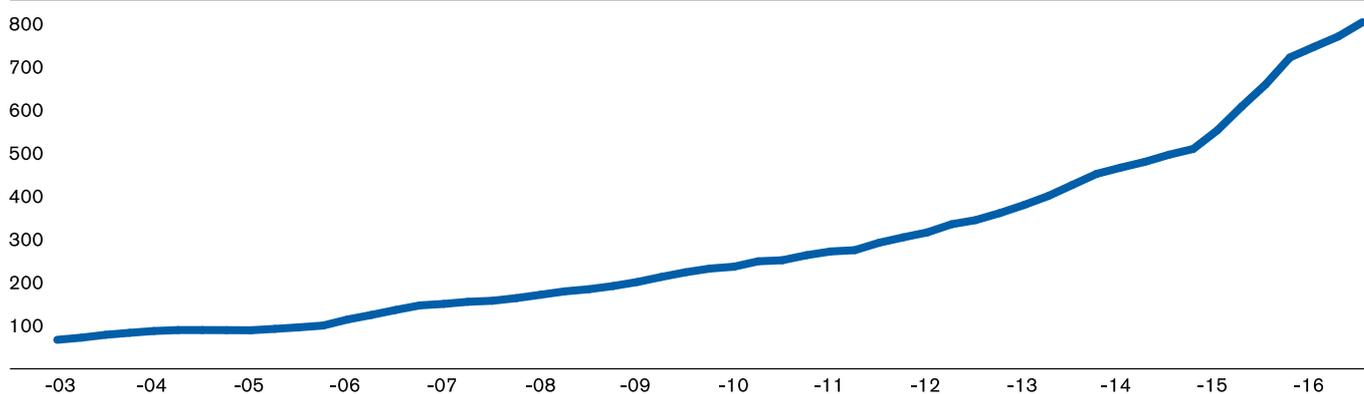
Time-lapse sales increased by 7 percent during the third quarter. During the fourth quarter the first newly launched EmbryoScope+ time-lapse incubators will be delivered to customers. EmbryoScope+ has a high capacity at the same time as it takes up little space, so it offers efficient work flows and optimized use of the clinic's resources. With Embryo-Scope+ in its portfolio Vitrolife can offer customers three different time-lapse systems, so customers are offered a flexible and attractive range of products for their needs and preferences. We do not expect any dramatic increase in time-lapse sales as a result of the launch but to judge by the interest and orders received, we assess that the product will make a positive contribution to growth during the coming quarters.

On May 31, Vitrolife acquired all the shares in OCTAX Microscience GmbH "OCTAX" and MTG Medical Technology Vertriebs-GmbH "MTG", world-leaders in the field of laser technology for IVF. The business contributed sales of SEK 16 million during the third quarter even though sales were negatively impacted by holiday periods in Europe. The acquisitions are proceeding according to plan and made a positive contribution to the Group's EBITDA during the quarter. However, the gross margin was negatively affected by the acquisition, both because the business has a lower gross margin than the average for the Group and because acquisition-related amortisation of surplus values of SEK 5 million was charged against gross income during the quarter. During the quarter, the integration has continued, and the focus has been on distribution channels, the organisation and quality systems.

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



Third quarter 2016 (July - September)

Net sales

Sales amounted to SEK 210 (177) million, corresponding to an increase of 19 percent in SEK. Net sales growth was 19 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 16 million on sales. Adjusted for this, growth amounted to 10 percent in local currency. During last year, sales growth was positively affected by the acquisition of Unisense Fertilitec A/S, currently Vitrolife A/S.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 18 percent in local currency and amounted to SEK 88 (76) million. Sales in the North and South American region amounted to SEK 35 (31) million. Sales increased by 11 percent in local currency. Sales in the Asia and Pacific region increased by 24 percent in local currency and amounted to SEK 87 (70) million. All regions were positively impacted by the acquisitions of OCTAX and MTG.

Sales in the Media business unit increased by 12 percent in local currency during the quarter and amounted to SEK 127 (113) million. Sales in the Disposable Devices business unit increased by 5 percent in local currency during the quarter and amounted to SEK 32 (31) million. Sales in the Time-lapse business unit increased by 7 percent in local currency during the quarter and amounted to SEK 30 (28) million. Sales in the business unit ART Equipment, which comprise of the operations conducted by the acquired companies OCTAX and MTG, amounted to SEK 16 million. Freight revenues amounted to SEK 5 (4) million.

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

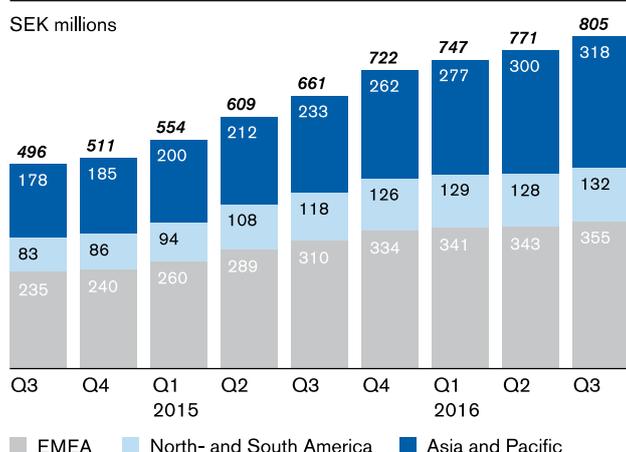


Fig 2. Sales development (per quarter)

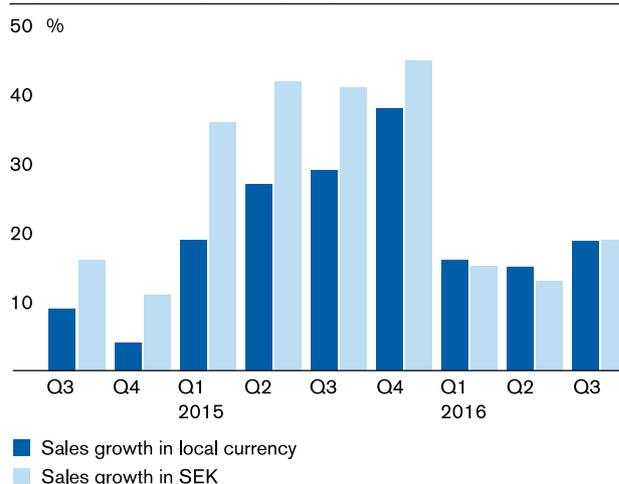
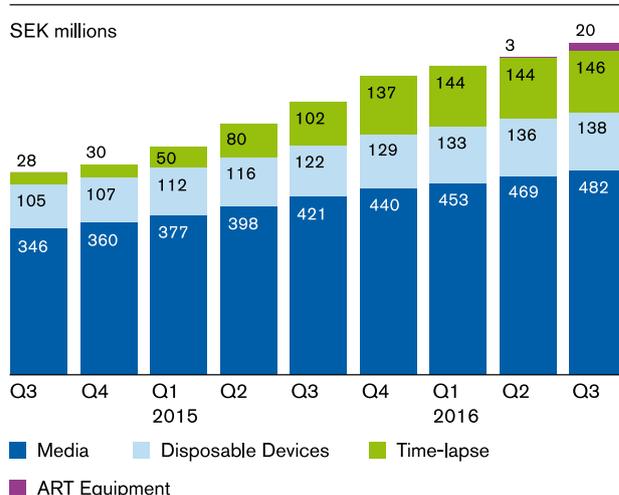


Fig 3. Net sales per business unit (rolling 12 months)



Transplantation lawsuits in US concluded

During 2012 three lawsuits were filed against Vitrolife's American subsidiary together with Southwest Transplant Alliance and the University of Texas, in which damages were being claimed in connection with three lung transplants. As the products were sold before the distribution of Xvivo, Vitrolife has handled these lawsuits. Vitrolife has insurance covering damages and is represented by lawyers hired by the insurance company. Vitrolife's insurance policy contains excess, whereby Vitrolife is obliged to pay for legal costs and damages up to USD 50 thousand per lawsuit. Vitrolife has previously made provisions of USD 150 thousand. During the second quarter one of the three lawsuits was formally concluded after a settlement between the parties. During the third quarter the last two lawsuits in the US were formally concluded in the same way. This settlement involved no further costs for Vitrolife over and above the provisions totaling USD 150 thousand dollars already made.

Income

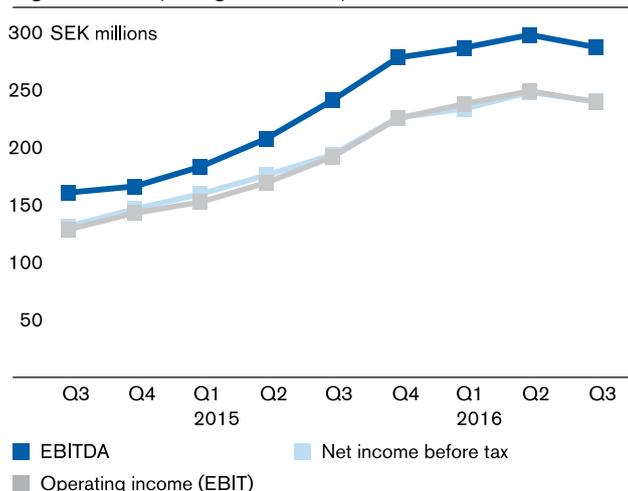
Operating income before depreciation and amortisation (EBITDA) amounted to SEK 71 (82) million, corresponding to a margin of 34 (46) percent. Last year's results were positively impacted by a recovered supplementary purchase price consideration of SEK 17 million regarding the acquisition of Cryo Innovation. Fluctuations in exchange rates positively impacted operating income before depreciation and amortisation (EBITDA) by SEK 1 million.

Gross income amounted to SEK 131 (120) million. The gross margin amounted to 62 (68) percent and was negatively impacted by one-time expenses of SEK 2 million related to disturbances in the production of needles. The gross margin was also negatively affected by the acquisition of MTG and OCTAX, both because the business has a lower gross margin than the average for the Group and because acquisition-related amortisation of surplus values of SEK 5 million was charged against gross income.

Selling expenses amounted to 19 (20) percent of sales. Administrative expenses amounted to 10 (12) percent of sales. R&D costs amounted to 7 (9) percent of sales. Last year's figure included write-downs of SEK 4 million related to development projects. Expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 15 (16) million were charged against income.

Net financial items amounted to SEK 2 (0) million and primarily consisted of fluctuations in exchange rates. Income before tax amounted to SEK 58 (66) million. Net income amounted to SEK 45 (52) 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 4. During the third quarter, the market contribution for the EMEA region amounted to SEK 38 (37) million. The contribution from the North and South American region amounted to SEK 16 (15) million and the contribution from the Asia and Pacific region amounted to SEK 39 (33) million. The increased income in all regions has primarily been generated by a combination of increased sales and economies of scale. In Asia and the Pacific sales growth has been driven by a combination of market growth and the company having taken market share.

Cash flow

The cash flow from operating activities amounted to SEK 46 (60) million. The change in working capital amounted to SEK -12 (1) million and primarily consisted of increased raw material inventories as a result of greater incoming deliveries during the quarter. Gross investments in tangible assets amounted to SEK -2 (-1) 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 -3 (-17) million and consisted primarily of the repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 119 (116) million.

Financing

Vitrolife's total credit facilities amounted to SEK 91 (102) million, of which SEK 41 (52) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 80 (78) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -0.3 (-0.3) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income included invoicing of management fee of SEK 1 (-) million. Income before tax for the quarter amounted to SEK -3 (0) million. Cash and cash equivalents amounted to SEK 7 (1) million.

The period 2016 (January - September)

Net sales

Sales amounted to SEK 605 (523) million, corresponding to an increase of 16 percent in SEK. Net sales growth was 17 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 20 million on sales. Adjusted for this, growth amounted to 13 percent in local currency.

Sales in the EMEA region increased by 10 percent in local currency and amounted to SEK 261 (241) million. Sales in the North and South American region amounted to SEK 101 (95) million. The increase in local currency amounted to 6 percent. Sales in the Asia and Pacific region increased by 31 percent in local currency and amounted to SEK 243 (188) million.

Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 207 (198) million, corresponding to a margin of 34 (38) percent. Operating income included one-time expenses of SEK 8 million related to the consolidation of the time-lapse business. Fluctuations in exchange rates did not have a tangible impact on EBITDA. Last year's results were positively impacted by a recovered supplementary purchase price consideration of SEK 17 million regarding the acquisition of Cryo Innovation.

Gross income amounted to SEK 393 (348) million. The gross margin amounted to 65 (66) percent and was positively affected by economies of scale and negatively affected by one-time expenses of SEK 3 million related to the consolidation of the time-lapse business. The gross margin was also negatively affected by the acquisition of MTG and OCTAX, both because the business has a lower gross margin than the average for the Group and because acquisition-related amortisation of surplus values of SEK 6 million was charged against gross income.

Selling expenses amounted to 19 (20) percent of sales. Administrative expenses amounted to 11 (12) percent of sales. R&D costs amounted to 7 (8) percent of sales. The operating expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 37 (42) million were charged against net income. Net financial items amounted to SEK 1 (1) million. Income before tax amounted to SEK 171 (157) million. Net income amounted to SEK 131 (126) million.

Income per segment

During the period, the market contribution for the EMEA region amounted to SEK 118 (110) million. The contribution from the North and South American region amounted to SEK 49 (46) million and the contribution from the Asia and Pacific region amounted to SEK 114 (88) million. The increased income in all regions has primarily been generated by a combination of increased sales and economies of scale. In Asia and the Pacific sales growth has been driven by a combination of market growth and the company having taken market share.

Cash flow

The cash flow from operating activities amounted to SEK 103 (99) million. Gross investments amounted to SEK -127 (-25) million, where of SEK -116 million was related to the acquisitions of OCTAX and MTG and SEK -10 million was related to fixed assets. The cash flow from financing activities was SEK -60 (-66) million and consisted of dividend of SEK -52 million and the repayment of borrowings of SEK -9 million. Cash and cash equivalents at the end of the period amounted to SEK 119 (116) million.

Prospects for 2016

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

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

The company in brief

Business concept

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

Goal

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

Strategies

- Establish a scalable global organisation focused on common values.
- Expand sales through an improved customer offering and 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 326 (318), of whom 149 (143) were women and 177 (175) were men. Of these 141 (128) people were employed in Sweden, 63 (67) in Denmark, 61 (61) in the USA and 61 (62) in the rest of the world. The number of people employed in the Group at the end of the period was 334 (327).

Information on transactions with related parties

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

Dividend

It was decided at the Annual General Meeting on April 28 that the proposed dividend of SEK 2.40 per share would be paid out to the shareholders. Payment of the dividend took place on May 6.

Risk management

Vitrolife works constantly and systematically to identify, evaluate and manage overall risks and different systems and processes. Risk analyses are performed continually with regard to the company's normal business activities and also in connection with activities that are outside Vitrolife's regular quality system. In this way the company can have a high rate of development and at the same time be aware of both the opportunities and risks.

The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Management report, in the Annual Report for 2015. These are primarily constituted by the company's market investments, product development investments, currency risks and legal risks.

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

Seasonal effects

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

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.

November 3, 2016
Gothenburg, Sweden

Thomas Axelsson
CEO

Financial reports

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

The Report on Operations for 2016 will be published on Thursday February 9, 2017.

Review report

Introduction

We have reviewed the interim report for Vitrolife AB (publ), corporate identity number 556354-3452, for the period January 1 - September 30, 2016. The Board of Directors and the President are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with ISA and other generally accepted auditing practices. The procedures performed

in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. Therefore, the conclusion expressed based on a review does not give the same level of assurance as a conclusion expressed based on an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not, in all material respects, prepared for the Group in accordance with IAS 34 and the Annual Accounts Act, and for the Parent Company in accordance with the Annual Accounts Act.

Gothenburg, November 3, 2016

DELOITTE AB

Jan Nilsson
Authorised Public Accountant

Fredrik Jonsson
Authorised Public Accountant

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 8.30 am CET on November 3, 2016.

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 - September		July - September		Whole year
		2016	2015	2016	2015	2015
Net sales	3, 4	605 197	523 346	210 427	176 806	722 370
Cost of goods sold		-212 378	-175 438	-79 510	-57 170	-237 550
Gross income		392 819	347 908	130 917	119 636	484 820
Selling expenses		-111 983	-103 674	-39 003	-34 822	-139 860
Administrative expenses		-68 773	-62 320	-21 190	-21 419	-80 467
Research and development costs		-43 224	-43 948	-15 294	-15 072	-55 737
Other operating revenues and expenses		1 653	18 183	1 263	17 868	17 379
Operating income		170 492	156 149	56 693	66 191	226 135
Financial income and expenses	2	613	945	1 540	191	705
Income after financial items		171 105	157 094	58 233	66 382	226 840
Income taxes		-39 625	-30 878	-13 632	-13 975	-43 479
Net income		131 480	126 216	44 601	52 407	183 361
Attributable to						
Parent Company's shareholders		130 854	125 665	44 471	52 324	182 845
Non-controlling interests		626	551	130	83	516
Earnings per share, SEK		6.03	5.79	2.05	2.41	8.42
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 36,886 thousand (42,093), of which SEK 14,756 thousand (16,002) for the third quarter.

Statements of comprehensive income

SEK thousands	January - September		July - September		Whole year
	2016	2015	2016	2015	2015
Net income	131 480	126 216	44 601	52 407	183 361
Other comprehensive income					
<i>Items that may be reclassified to the income statement</i>					
Cash-flow hedges, net after tax	-935	1 517	-96	-918	2 844
Exchange rate differences, net after tax	33 151	3 233	15 923	12 224	-10 887
Total other comprehensive income, net after tax	32 216	4 750	15 827	11 306	-8 043
Total comprehensive income	163 696	130 966	60 428	63 713	175 318
Attributable to					
Parent Company's shareholders	163 070	130 415	60 298	63 630	174 802
Non-controlling interests	626	551	130	83	516

Key ratios, total Group

	January - September		July - September		Whole year
	2016	2015	2016	2015	2015
Gross margin, %	64.9	66.5	62.2	67.7	67.1
Operating margin before depreciation and amortisation (EBITDA), %	34.3	37.9	34.0	46.5	38.7
Operating margin (EBIT), %	28.2	29.8	26.9	37.4	31.3
Net margin, %	21.7	24.1	21.2	29.6	25.3
Equity/assets ratio, %	80.4	78.4*	80.4	78.4*	79.8
Shareholders' equity per share, SEK	43.9	36.8	43.9	36.8	38.8
Return on equity, %	21.0	20.7	21.0	20.7	23.5
Cash flow from operating activities per share, SEK	4.73	4.57	2.14	2.74	8.91
Net debt**, SEK millions	-77.4	-63.9	-77.4	-63.9	-152

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

** Negative amount implies net claim.

Consolidated income statements per quarter

SEK thousands	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014
Net sales	210 427	207 772	186 998	199 023	176 806	184 145	162 396	136 859
Cost of goods sold	-79 510	-71 047	-61 821	-62 112	-57 170	-62 308	-55 960	-46 592
Gross income	130 917	136 725	125 177	136 911	119 636	121 837	106 436	90 267
Selling expenses	-39 003	-38 929	-34 051	-36 186	-34 822	-34 713	-34 139	-31 095
Administrative expenses	-21 190	-24 656	-22 927	-18 147	-21 419	-20 490	-20 411	-15 918
Research and development costs	-15 294	-15 377	-12 553	-11 789	-15 072	-13 913	-14 963	-11 824
Other operating revenues and expenses	1 263	4 017	-3 627	-803	17 868	-2 216	2 530	4 675
Operating income	56 693	61 780	52 019	69 986	66 191	50 505	39 453	36 105
Financial income and expenses	1 540	953	-1 880	-241	191	-2 326	3 081	1 029
Income after financial items	58 233	62 733	50 139	69 745	66 382	48 179	42 534	37 134
Income taxes	-13 632	-14 553	-11 440	-12 600	-13 975	-9 600	-7 304	-8 724
Net income	44 601	48 180	38 699	57 145	52 407	38 579	35 230	28 410
Attributable to								
Parent Company's shareholders	44 471	47 956	38 427	57 180	52 324	38 354	34 987	28 427
Non-controlling interests	130	224	272	-35	83	225	243	-17

Key ratios per quarter, total Group

	Jul-Sep 2016	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014
Shareholders' equity per share, SEK	43.9	41.2	40.6	38.8	36.8	33.9	34.1	32.3
Return on equity, %	21.0	22.9	22.9	23.5	20.7	21.5	22.5	24.8
Cash flow from operating activities per share, SEK	2.14	2.11	0.48	4.35	2.74	1.44	0.39	1.87

Consolidated statements of financial position

SEK thousands	Note	Sep 30. 2016	Sep 30. 2015	Dec 31. 2015
ASSETS	2, 3			
Goodwill	4	402 128	364 252	350 474
Other intangible fixed assets	4	261 432	175 556	165 044
Tangible fixed assets	4	90 536	90 271	89 641
Financial fixed assets		8 122	8 490	9 666
Deferred tax assets		29 676	28 897*	29 964
Inventories		134 834	111 571	102 284
Accounts receivable		126 906	104 542	99 783
Current tax assets		–	7 909	–
Other current receivables		17 086	14 642	11 973
Derivative instruments		–	–	842
Cash and cash equivalents		118 651	115 902	199 572
Total assets		1 189 371	1 022 032	1 059 243
SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3			
Shareholders' equity, attributable to the Parent Company's shareholders		954 117	798 764	843 151
Non-controlling interests		2 130	2 193	1 821
Provisions		8 395	5 205	5 191
Deferred tax liabilities		67 681	49 679*	42 057
Long-term interest-bearing liabilities		28 663	39 765	35 627
Short-term interest-bearing liabilities		12 601	12 235	11 876
Current tax liabilities		20 118	24 625	35 148
Derivative instruments		357	858	–
Accounts payable		23 272	17 668	21 749
Other short-term non-interest-bearing liabilities		72 037	71 040	62 623
Total shareholders' equity and liabilities		1 189 371	1 022 032	1 059 243
Pledged assets for own liabilities		22 488	21 973	22 077
Contingent liabilities		337	317	355

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

Consolidated changes in shareholders' equity

SEK thousands	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
Opening balance January 1, 2015	22 144	494 610	-16 638	200 798	1 657	702 571
Total comprehensive income	–	–	-8 043	182 845	516	175 318
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Dividend to non-controlling interests	–	–	–	–	-277	-277
Other transactions with non-controlling interests	–	–	–	–	-75	-75
Closing balance December 31, 2015	22 144	494 610	-24 681	351 078	1 821	844 972
Opening balance January 1, 2016	22 144	494 610	-24 681	351 078	1 821	844 972
Total comprehensive income	–	–	32 216	130 854	626	163 696
Dividend (SEK 2.40 per share)	–	–	–	-52 104	–	-52 104
Dividend to non-controlling interests	–	–	–	–	-413	-413
Other transactions with non-controlling interests	–	–	–	–	96	96
Closing balance September 30, 2016	22 144	494 610	7 535	429 828	2 130	956 247

Condensed consolidated cash flow statements

SEK thousands	January - September		July - September		Whole year 2015
	2016	2015	2016	2015	
Income after financial items	171 105	157 094	58 233	66 382	226 840
Adjustment for non-cash items	35 815	23 159	12 799	-1 541	33 857
Tax paid	-67 044	-41 074	-12 438	-6 498	-46 334
Change in inventories	-17 108	-18 204	-8 969	-4 470	-9 766
Change in trade receivables	-22 172	-16 566	-2 743	8 216	-4 120
Change in trade payables	2 033	-5 220	-404	-2 505	-6 951
Cash flow from operating activities	102 629	99 189	46 478	59 584	193 526
Cash flow from investing activities	-126 549	-25 467	-2 586	-3 046	-31 394
Cash flow from financing activities	-59 968	-66 044	-2 716	-17 158	-68 924
Cash flow for the period	-83 888	7 678	41 176	39 380	93 208
Opening cash and cash equivalents	199 572	107 598	75 971	75 648	107 598
Exchange-rate difference in cash and cash equivalents	2 967	626	1 504	874	-1 234
Closing cash and cash equivalents	118 651	115 902	118 651	115 902	199 572

Income statements for the Parent Company

SEK thousands	January - September		July - September		Whole year 2015
	2016	2015	2016	2015	
Net sales	4 022	-	1 295	-	4 522
Administrative expenses	-9 152	-5 870	-2 580	-2 007	-7 808
Other operating revenues and expenses	27	67	-32	-3	38
Operating income	-5 103	-5 803	-1 317	-2 010	-3 248
Write-down participations in Group companies	-7 500	-	-7 500	-	-46 588
Dividends from Group companies	158 432	185 000	3 366	-	185 644
Financial income and expenses	2 220	3 371	2 442	1 914	3 874
Income after financial items	148 049	182 568	-3 009	-96	139 682
Year-end adjustments (contributed Group contribution)	-	-	-	-	-826
Income taxes	50	491	-292	20	-
Net income	148 099	183 059	-3 301	-76	138 856

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

Balance sheets for the Parent Company

SEK thousands	Sep 30. 2016	Sep 30. 2015	Dec 31. 2015
ASSETS			
Tangible fixed assets	12	12	12
Participations in Group companies	777 446	776 984	730 396
Other financial fixed assets	3 746	3 746	3 746
Deferred tax assets	150	491	-
Other current receivables	2 223	2 214	1 205
Receivables from Group companies	77 575	40 137	40 824
Cash and cash equivalents	6 583	640	592
Total assets	867 735	824 224	776 775
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	757 885	706 094	661 890
Long-term interest-bearing liabilities	28 174	39 765	35 627
Short-term interest-bearing liabilities	12 522	12 235	11 876
Current tax liabilities	105	-	-
Accounts payable	203	206	293
Liabilities to Group companies	67 115	64 243	64 600
Other short-term non-interest-bearing liabilities	1 731	1 681	2 489
Total shareholders' equity and liabilities	867 735	824 224	776 775
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	-	-	-

Note 1. Accounting Principles

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

Unless otherwise stated below, the accounting principles applied to the Group and the Parent Company are consistent with the accounting principles used in the presentation of the most recent Annual Report. On January 1, Vitrolife launched a changed organisational structure. The organisation consists of four business units whose products are sold by three geographic market organisations. As a result of the reorganisation, the Group reports net sales and market contribution from each geographic segment as from 2016. Net sales per market is dependent on where delivery has taken place and the market contribution is defined as gross income reduced with selling expenses per market. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). For the Group, this function has been identified as the CEO.

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

Note 2. Financial instruments - Fair value

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

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

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on the latest transaction (transfer of shares). Hence, fair value is estimated to be equal to book value. Other liabilities relating to conditional purchase price have been measured by future cash flows, based on expected sales, being discounted by current market rates for the duration of the liability.

The measurement of fair value for financial liabilities in level 3 has generated an effect on the income statement of SEK - thousand (-328) during the period, which is reported among financial items.

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

Financial assets and liabilities measured at amortized cost amount to SEK 253,322 thousand (227,924) and SEK 98,454 thousand (100,088).

Fair value hierarchy

SEK thousands	Fair value levels		
	Sep 30.2016	Sep 30.2015	Dec 31.2015
Financial assets			
Financial assets to fair value through income statement	3	3 746	3 746
Derivatives for hedge accounting	2	–	842
Total Financial assets		3 746	4 588

SEK thousands	Fair value levels		
	Sep 30.2016	Sep 30.2015	Dec 31.2015
Financial liabilities			
Derivatives for hedge accounting	2	357	858
Total Financial liabilities		357	858

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

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

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

Note 3. Acquisition of subsidiary

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

The consolidated net sales for the companies for the period January-September amounted to SEK 55.2 million, and the consolidated operating income before depreciation and amortisation (EBITDA) in the same period amounted to SEK 12.6 million. The acquisitions have effected Vitrolife's reported sales positively by SEK 20.6 million and income measured in terms of EBITDA positively by SEK 5.1 million. The companies are expected to be accretive to earnings per share from 2016 and onwards. Acquisition costs amount to approximately SEK 2.2 million and have been expensed.

The table below summarizes the purchase price paid and acquired assets and liabilities reported at fair value at the date of acquisition. The acquisition analysis is preliminary and may be adjusted.

SEK millions	2016
Liquid funds	127.2
Total purchase price	127.2

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	-12.3
Long-term liabilities	-0.6
Deferred tax liability due to surplus value	-31.6
Total acquired assets and liabilities	91.4

Goodwill	35.8
Total	127.2

SEK millions	
Liquid funds paid	-127.2
Liquid funds in acquired business	11.0
Effect on group liquid funds	-116.2

Note 4. 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.

	EMEA		North and South America		Asia & Pacific		Total	
	Jul-Sep 2016	Jul-Sep 2015	Jul-Sep 2016	Jul-Sep 2015	Jul-Sep 2016	Jul-Sep 2015	Jul-Sep 2016	Jul-Sep 2015
SEK thousands								
Net sales	88 056	75 533	35 006	31 424	87 365	69 849	210 427	176 806
Gross income	53 112	50 592	23 243	22 425	54 562	46 620	130 917	119 636
Selling expenses	-15 574	-13 829	-7 569	-7 687	-15 861	-13 307	-39 003	-34 822
Market contribution	37 538	36 763	15 674	14 738	38 701	33 313	91 914	84 814
Fixed assets*	664 890	540 651	89 149	89 329	57	99	754 096	630 079

	EMEA		North and South America		Asia & Pacific		Total	
	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015	Jan-Sep 2016	Jan-Sep 2015
SEK thousands								
Net sales	261 368	240 573	100 758	94 929	243 071	187 844	605 197	523 346
Gross income	166 095	154 782	69 392	67 140	157 333	125 986	392 819	347 908
Selling expenses	-48 350	-44 647	-20 630	-21 056	-43 003	-37 971	-111 983	-103 674
Market contribution	117 745	110 136	48 761	46 084	114 330	88 015	280 836	244 234
Fixed assets*	664 890	540 651	89 149	89 329	57	99	754 096	630 079

* 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.

Operating income before depreciation and amortisation (EBITDA)

SEK M	January-September		July-September		Whole year
	2016	2015	2016	2015	2015
Operating income	170.5	156.1	56.7	66.2	226.1
Depreciation and amortisation	36.9	42.1	14.8	16.0	53.1
Operating income before depreciation and amortisation (EBITDA)	207.4	198.2	71.5	82.2	279.2

Return on equity

SEK M	Sep 30. 2016	Sep 30. 2015	Dec 31. 2015
Average shareholders' equity, rolling 12 month	893.4	743.7	779.3
Net income, rolling 12 month	188.0	154.1	182.8
Return on equity, %	21.0	20.7	23.5

Net debt

SEK M	Sep 30. 2016	Sep 30. 2015	Dec 31. 2015
Interest-bearing liabilities	41.3	52.0	47.5
Cash and cash equivalents	-118.7	-115.9	-199.6
Net debt	-77.4	-63.9	-152.1

Net debt / Rolling 12 month EBITDA

SEK M	Sep 30. 2016	Sep 30. 2015	Dec 31. 2015
Net debt	-77.4	-63.9	-152.1
Operating profit, rolling 12 month	240.5	192.3	226.1
Depreciation and amortisation, rolling 12 month	47.9	49.5	53.1
Rolling 12 month EBITDA	288.4	241.8	279.2
Net debt / Rolling 12 month EBITDA	-0.3	-0.3	-0.5

Definitions

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.

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.

PGD

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

PGS

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

Preclinical study

Research that is done before a pharmaceutical or a treatment method is sufficiently documented to be studied in people, for example testing

of substances on tissue samples and later testing on experimental animals.

Stem cells

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

Time-lapse

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

Vitrification

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

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