



INTERIM REPORT JANUARY-MARCH 2018

Vitrolife AB (publ)

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

Vitrolife today has approximately 370 employees and the company's products are sold in approximately 110 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in Australia, Belgium, China, Denmark, France, Germany, Italy, Japan, United Kingdom and USA. The Vitrolife share is listed on NASDAQ Stockholm.

Vitrolife 

High profitability and Time-lapse growth

First quarter

- Sales amounted to SEK 264 (244) million, corresponding to an increase of 8 percent in SEK. Sales growth was 8 percent in local currency and consisted in its entirety of organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 106 (95) million, corresponding to a margin of 40 (39) percent.

Fluctuations in exchange rates positively impacted EBITDA by SEK 3 million.

- Net income amounted to SEK 72 (60) million, which gave earnings per share of SEK 3.29 (2.73).
- Acquisition of licensing rights to technology for embryo transfer.
- Market approval for EmbryoScope in China.

The Group's Key Figures

SEK millions	January – March		Whole year
	2018	2017	2017
Net sales	264	244	1 046
Net sales growth, local currency, %	8	27	22
Gross margin, %	65	65	65
Adjusted gross margin*, %	69	69	69
Operating income before depreciation and amortisation (EBITDA)	106	95	408
EBITDA margin, %	40	39	39
Net income	72	60	265
Net debt / Rolling 12 month EBITDA	-1.0	-0.5	-1.0
Earnings per share**, SEK	3.29	2.73	12.14
Share price on closing day, SEK	591.00	429.00	623.00
Market cap at closing day	12 831	9 314	13 525
<i>Changes in net sales</i>			
Organic growth in local currency, %	8	18	19
Acquired growth, %	-	9	3
Currency effects, %	0	4	0
Total growth, %	8	31	22

* Gross margin excluding amortisation of acquisition-related intangible assets

** Before and after dilution

For definitions, see page 15

Vitrolife's financial objectives

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

CEO's comments

Growth in the first quarter amounted to 8 percent in local currency and consisted in its entirety of organic growth. The operating margin before depreciation and amortisation (EBITDA) amounted to 40 percent in the quarter. As previously, the good profitability was generated by a combination of increased sales, optimisation of the product portfolio and good cost control.



In this report Vitrolife is making a change to its segment reporting as a result of an internal change in the organisation and will in future report sales and market contribution divided up into four regions: EMEA (Europa, the Middle East and Africa), North and South America, Japan and Pacific and Asia, instead of as previously three regions.

Growth during the quarter varied between the market regions and business units. The EMEA region increased sales by 11 percent in the quarter and all business units contributed to the growth. The Asian region reported growth of 3 percent in the quarter. Time-lapse contributed to the growth in the region and benefited from EmbryoScope being approved for sales in China during the quarter. The Media business unit reported lower sales in the region as a result of reduced sales in China. When discussing with actors in the market, the picture emerges that demand, after a long period of growth, was lower during the first quarter compared to the same quarter the previous year. However, the actors in the market continue to be optimistic regarding future growth. As regards Vitrolife's position in China, there are no signs of changes in market share or status.

The Japan and Pacific region increased sales by 15 percent in the quarter and growth benefited from continuing strong demand for EmbryoScope+. The North and South American region decreased during the quarter by 2 percent, and this was primarily related to reduced Time-lapse sales.

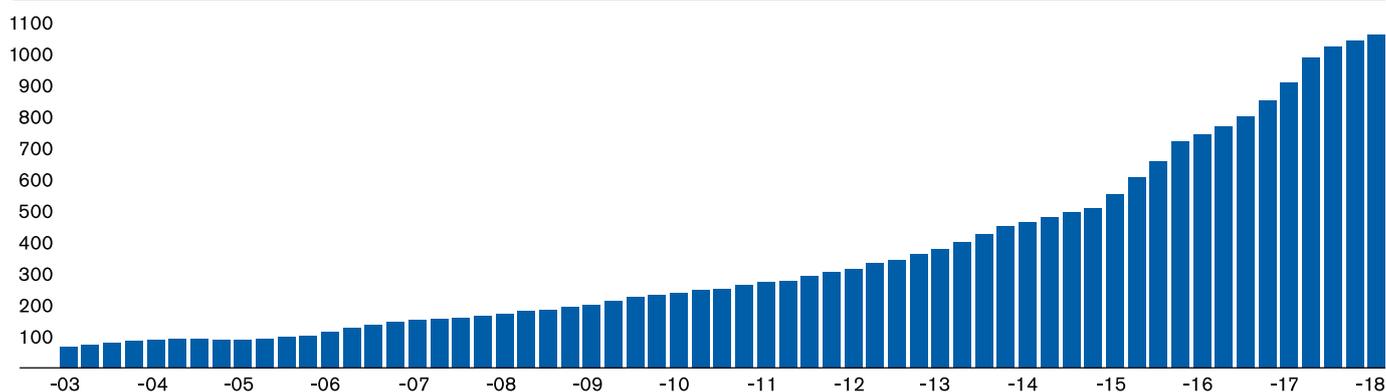
In terms of the business units, Time-lapse sales increased by 31 percent during the quarter and sales were impacted positively by continuing high demand for EmbryoScope+. The Disposable Devices business unit increased by 8 percent during the quarter and benefited from increased production capacity regarding aspiration needles and pipettes. The company estimates that the remaining capacity limitations in the Disposable Devices business unit will be rectified towards the end of the second quarter. The ART Equipment business unit increased by 6 percent during the quarter and the focus continues to be on expansion of in-house products such as microlaser systems.

The Media business unit decreased by 1 percent during the quarter. The business unit was negatively impacted by reduced sales in China and increased price competition in certain markets. Vitrolife primarily competes through quality and service, which resulted in the company losing market share in Media in certain markets where customers prioritise a low price. Vitrolife is meeting the price competition through product development, amongst other things, so as to continue to be able to justify a premium price for a product range that offers benefits for the customer.

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



First quarter 2018 (January - March)

Net sales

Sales amounted to SEK 264 (244) million, corresponding to an increase of 8 percent in SEK. Sales growth was 8 percent in local currency.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 11 percent in local currency and amounted to SEK 128 (110) million. Sales in the North and South American region amounted to SEK 35 (40) million. Sales decreased by 2 percent in local currency. Sales in the Japan and Pacific region increased by 15 percent in local currency and amounted to SEK 46 (42) million. Sales in the Asia region increased by 3 percent in local currency and amounted to SEK 55 (52) million.

Sales in the Media business unit decreased by 1 percent in local currency during the quarter and amounted to SEK 131 (133) million. The business unit was negatively impacted by reduced sales in China. Sales in the Disposable Devices business unit increased by 8 percent in local currency and amounted to SEK 40 (36) million. Sales for the Time-lapse business unit increased by 31 percent during the quarter in local currency and amounted to SEK 69 (53) million. Sales were impacted positively by continuing high demand for EmbryoScope+. Sales for the ART Equipment business unit increased by 6 percent during the quarter in local currency and amounted to SEK 18 (17) million. Freight revenues amounted to SEK 5 (5) million.

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

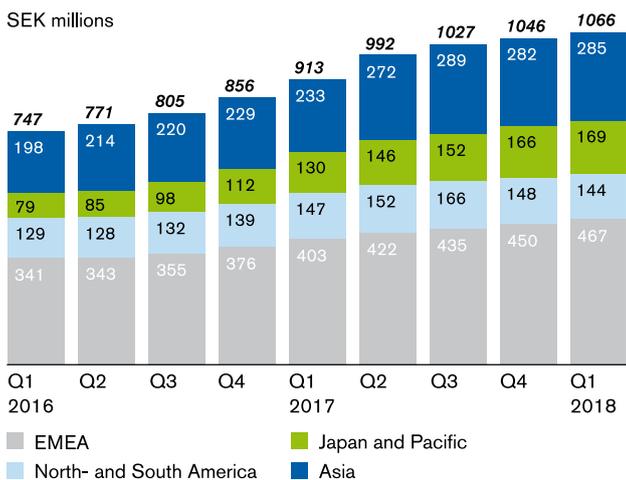


Fig 2. Sales development (per quarter)

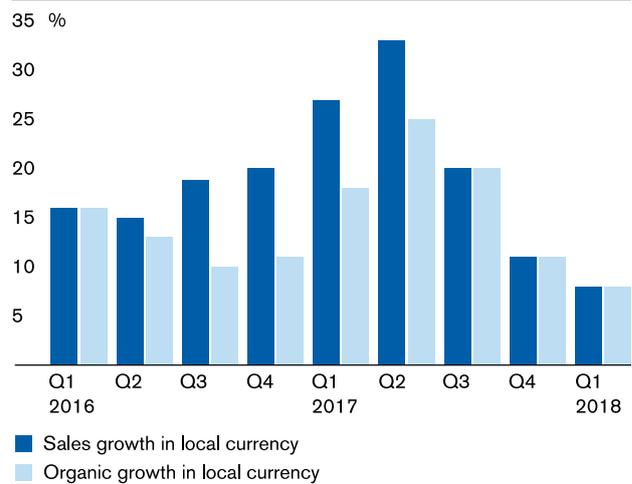
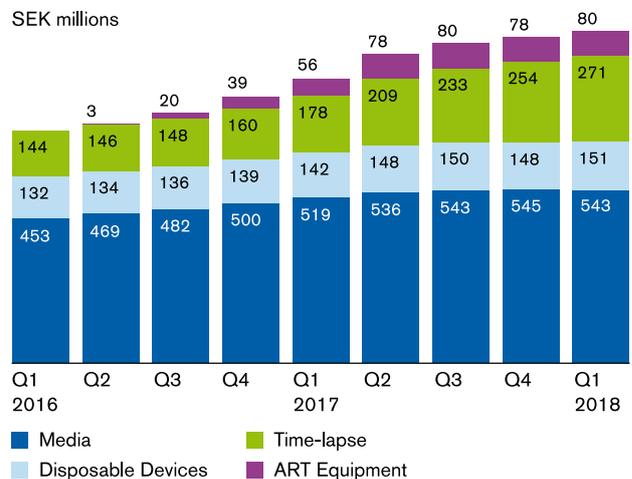


Fig 3. Net sales per business unit (rolling 12 months)



Acquisition of technology for embryo transfer

On January 11, Vitrolife acquired exclusive global licensing rights in the IVF field regarding a technology that can be used for embryo transfer in connection with IVF treatments from CrossBay Medical Inc. Vitrolife intends to commercialise the technology by marketing a unique embryo transfer catheter. Vitrolife estimates that worldwide approximately 2.5 million transfers of embryos to women are carried out each year in connection with IVF treatments and that for this purpose approximately 3 million embryo transfer catheters are used. The global market for embryo transfer catheters is estimated to be approximately SEK 500 million.

Vitrolife intends to launch low volumes of the product during the second half of the year in selected markets, amongst other things with a view to collecting customer data on the product's advantages at the same time as preparations take place, for example for high volume production. The acquisition broadens the product range and supports Vitrolife's ambition to offer IVF clinics the most effective products in its efforts to assist patients' desire to have children.

The initial purchase price amounted to USD 5 million. The purchase price was paid in cash and financed by available cash balances. In addition to the initial purchase price, additional purchase prices totaling no more than USD 11 million and royalties may be paid in relation to sales. Vitrolife has estimated that USD 4 million of the maximum additional purchase price will be paid. The net present value of USD 4 million has been recorded as a liability. The initial purchase price and the net present value of the expected additional purchase price of USD 4 million have been capitalised as an intangible asset. The acquisition is expected to impact EBITDA per share marginally negatively during 2018-2020 and positively as from 2021.

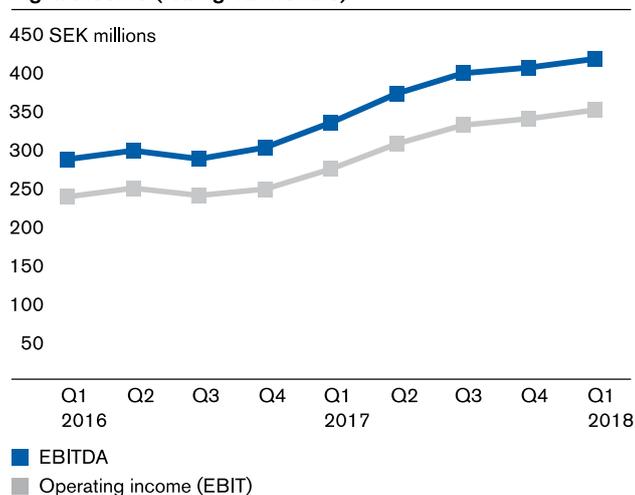
Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 106 (95) million, corresponding to a margin of 40 (39) percent. Fluctuations in exchange rates positively impacted EBITDA by SEK 3 million.

Gross income amounted to SEK 172 (158) million. The gross margin amounted to 65 (65) percent and was negatively impacted by product mix as a result of the lower proportion of media sales and positively impacted by economies of scale. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 69 (69) percent for the quarter.

Selling expenses amounted to 16 (16) percent of sales. Administrative expenses amounted to 10 (9) percent of sales. R&D costs amounted to 7 (8) percent of sales. Depreciation, amortisation and write-downs of SEK 17 (17) million were charged against income. Net financial items amounted to SEK 5 (0) million and consisted primarily of currency effects. Income before tax amounted to SEK 95 (78) million. Net income amounted to SEK 72 (60) million.

Fig 4. Income (rolling 12 months)



Income per segment

In this report Vitrolife is making a change to its segment reporting as a result of an internal change in the organisation and will in future report sales and market contribution divided up into four regions: EMEA (Europe, the Middle East and Africa), North and South America, Japan and Pacific and Asia. The organisation consists of four business units whose products are sold by four 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. The market contribution during the quarter for the EMEA region amounted to SEK 60 (50) million and was positively impacted by increased sales and currency effects. The contribution from the North and South American region amounted to SEK 16 (20) million and was negatively impacted by reduced sales and currency effects. The contribution from the Japan and Pacific region amounted to SEK 25 (25) million and was impacted positively by increased sales and negatively by currency effects. The market contribution from the Asian region amounted to SEK 28 (24) million and was positively impacted by increased sales.

Cash flow

The cash flow from operating activities amounted to SEK 42 (34) million. The change in working capital amounted to SEK -32 (-24) million and consisted amongst others of increased accounts receivables. 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 -42 (0) million, where of SEK -41 million related to acquisition of licensing rights to technology for embryo transfer from CrossBay Medical Inc. Gross investments in financial assets amounted to SEK -2 (0) million. The cash flow from financing activities was SEK -1 (-3) million. Cash and cash equivalents at the end of the period amounted to SEK 399 (218) million. The company aims to invest its cash balances in acquisitions that give added value.

Financing

Vitrolife's total credit facilities amounted to SEK 50 (85) million, of which SEK 0 (35) million was utilized. The equity/assets ratio was 86 (84) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -1.0 (-0.5) times.

Parent Company

Business activities focus on company-wide management. Income included invoicing of management fee of SEK 3 (0) million. Income before tax for the quarter amounted to SEK -2 (-1) million. Cash and cash equivalents amounted to SEK 5 (8) million.

Prospects

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

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

The company in brief

Business concept

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

Goal

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

Strategies

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

Other information

Organisation and personnel

During the period the average number of employees was 353 (351), of whom 169 (159) were women and 184 (192) were men. Of these 134 (143) people were employed in Sweden, 76 (69) in Denmark, 76 (69) in the USA and 67 (70) in the rest of the world. The number of people employed in the Group at the end of the period was 373 (355).

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 2017, note 31.

Proposed appropriation of earnings

In accordance with the dividend policy of Vitrolife AB (publ), a dividend, or another equivalent form of distribution, shall be proposed annually which on average over time corresponds to 30 percent of net profits for the year after tax has been paid. The Board has accordingly proposed that the Annual General Meeting adopt a dividend of SEK 3.70 (2.60) per share.

Risk management

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

The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Management report, in the Annual Report for 2017. These are primarily constituted by macro-economic risks, operational risks and financial risks. The company's management of risks is also described in the Corporate Governance Report in the same Annual Report. The same applies to the Group's management of financial risks, which are described in the Annual Report for 2017, note 3. The reported risks, as they are described in the 2017 Annual Report, are assessed to be essentially unchanged.

Seasonal effects

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

Annual General Meeting and Annual Report

The Annual General Meeting will be held on April 26, 2018, at 5 pm at Vitrolife's premises in Gothenburg, visitors' address Gustaf Werners gata 2. For more information, see Vitrolife's website.

Vitrolife's Annual Report for 2017 is available to be downloaded from Vitrolife's website and in a printed version at the company's head office in Gothenburg. The Annual Report has been sent out to those shareholders who have notified the company that they wish to have the printed version.

Events after the end of the period

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

April 24, 2018
Gothenburg, Sweden

Thomas Axelsson
CEO

Financial reports

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

Financial calender

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

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

Queries should be addressed to

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Mikael Engblom, CFO, phone +46 31 721 80 14

This information is information that Vitrolife AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 am CET on April 24, 2018.

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

Consolidated income statements

SEK thousands	Note	January – March		Whole year
		2018	2017	2017
Net sales	4,5	263 994	244 081	1 046 217
Cost of goods sold		-92 486	-86 285	-364 508
Gross income		171 508	157 796	681 709
<i>Comprising</i>				
Adjusted gross income		181 873	167 796	722 125
Amortisation of acquisition-related intangible assets		-10 365	-10 000	-40 416
Gross income		171 508	157 796	681 709
Selling expenses		-42 160	-38 617	-170 279
Administrative expenses		-25 429	-22 494	-99 334
Research and development costs		-18 462	-18 492	-69 116
Other operating revenues and expenses		4 206	117	-2 124
Operating income		89 663	78 310	340 856
<i>Comprising</i>				
Adjusted operating income		100 041	88 630	382 258
Amortisation of acquisition-related intangible assets		-10 378	-10 320	-41 402
Operating income		89 663	78 310	340 856
Financial income and expenses		4 854	-381	59
Income after financial items		94 517	77 929	340 915
Income taxes		-22 688	-18 274	-76 313
Net Income		71 829	59 655	264 602
Attributable to				
Parent Company's shareholders		71 361	59 204	263 640
Non-controlling interests		468	451	962
Earnings per share*, SEK		3.29	2.73	12.14
Average number of outstanding shares		21 710 115	21 710 115	21 710 115
Number of shares at closing day		21 710 115	21 710 115	21 710 115

* Before and after dilution.

Depreciation, amortisation and write-downs were charged against income for the period by SEK 16,607 thousand (16,625), and SEK 66,949 thousand for the whole year 2017.

Statements of comprehensive income

SEK thousands	January – March		Whole year
	2018	2017	2017
Net income	71 829	59 655	264 602
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Exchange rate differences	30 918	-3 208	686
Total other comprehensive income	30 918	-3 208	686
Total comprehensive income	102 747	56 447	265 288
Attributable to			
Parent Company's shareholders	102 138	55 999	264 248
Non-controlling interests	609	448	1 040

Key ratios, total Group

	January – March		Whole year
	2018	2017	2017
Gross margin, %	65.0	64.6	65.2
Adjusted gross margin, %	68.9	68.7	69.0
Operating margin before depreciation and amortisation (EBITDA), %	40.3	38.9	39.0
Operating margin (EBIT), %	34.0	32.1	32.6
Net margin, %	27.2	24.4	25.3
Equity/assets ratio, %	85.9	83.7	86.4
Shareholders' equity per share, SEK	61.17	49.47	56.46
Return on equity, %	23.1	21.4	23.3
Cash flow from operating activities per share, SEK	1.94	1.55	14.38
Net debt*, SEK millions	-398.8	-183.4	-395.5

* Negative amount implies net claim.

Consolidated income statements per quarter

SEK thousands	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016
Net sales	263 994	270 847	245 904	285 385	244 081	250 909	210 427	207 772
Cost of goods sold	-92 486	-96 885	-82 564	-98 774	-86 285	-82 427	-79 510	-71 047
Gross income	171 508	173 962	163 340	186 611	157 796	168 482	130 917	136 725
Selling expenses	-42 160	-44 650	-41 110	-45 902	-38 617	-43 703	-39 003	-38 929
Administrative expenses	-25 429	-28 062	-23 263	-25 515	-22 494	-25 373	-21 190	-24 656
Research and development costs	-18 462	-16 950	-16 101	-17 573	-18 492	-18 366	-15 294	-15 377
Other operating revenues and expenses	4 206	2 535	-1 759	-3 017	117	-2 691	1 263	4 017
Operating income	89 663	86 835	81 107	94 604	78 310	78 349	56 693	61 780
Financial income and expenses	4 854	2 988	-1 914	-634	-381	-524	1 540	953
Income after financial items	94 517	89 823	79 193	93 970	77 929	77 825	58 233	62 733
Income taxes	-22 688	-21 308	-14 241	-22 490	-18 274	-18 093	-13 632	-14 553
Net income	71 829	68 515	64 952	71 480	59 655	59 732	44 601	48 180
Attributable to								
Parent Company's shareholders	71 361	68 379	64 760	71 297	59 204	59 514	44 471	47 956
Non-controlling interests	468	136	192	183	451	218	130	224

Key ratios per quarter, total Group

	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017	Apr-Jun 2017	Jan-Mar 2017	Oct-Dec 2016	Jul-Sep 2016	Apr-Jun 2016
Shareholders' equity per share, SEK	61.17	56.46	52.42	50.07	49.47	46.89	43.95	41.17
Return on equity, %	23.1	23.3	23.6	22.7	21.4	20.3	21.0	22.9
Cash flow from operating activities per share, SEK	1.94	5.07	3.89	3.87	1.55	3.62	2.14	2.11

Consolidated statements of financial position

SEK thousands	Note	Mar 31. 2018	Mar 31. 2017	Dec 31. 2017
ASSETS	2			
Goodwill	5	422 562	402 393	408 937
Other intangible fixed assets	5	264 339	231 768	198 801
Tangible fixed assets	5	86 427	91 517	84 432
Shares and participations		5 746	3 746	3 746
Other financial fixed assets		6 960	5 171	5 422
Deferred tax assets		6 283	18 854	11 181
Inventories		154 386	153 728	150 556
Accounts receivable		180 808	145 664	148 236
Current tax assets		6 208	1 586	362
Other current receivables		7 954	5 507	5 016
Prepaid expenses and accrued income		9 172	8 084	9 772
Cash and cash equivalents		399 289	218 078	395 963
Total assets		1 550 134	1 286 096	1 422 424
SHAREHOLDERS' EQUITY AND LIABILITIES	2			
Shareholders' equity, attributable to the Parent Company's shareholders		1 327 995	1 074 054	1 225 857
Non-controlling interests		3 401	2 777	2 792
Provisions		8 830	9 012	7 311
Deferred tax liabilities		50 821	58 512	51 170
Long-term interest-bearing liabilities		396	446	399
Long-term non-interest-bearing liabilities		28 290	–	–
Short-term interest-bearing liabilities		85	34 207	81
Current tax liabilities		9 398	5 137	17 899
Accounts payable		24 876	24 609	30 598
Other short-term non-interest-bearing liabilities		12 038	12 600	12 761
Accrued expenses and deferred income		84 004	64 742	73 556
Total shareholders' equity and liabilities		1 550 134	1 286 096	1 422 424

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, 2017	22 144	494 610	11 959	489 342	2 329	1 020 384
Total comprehensive income	–	–	608	263 640	1 040	265 288
Dividend (SEK 2.60 per share)	–	–	–	-56 446	–	-56 446
Dividend to non-controlling interests	–	–	–	–	-577	-577
Closing balance December 31, 2017	22 144	494 610	12 567	696 536	2 792	1 228 649
Opening balance January 1, 2018	22 144	494 610	12 567	696 536	2 792	1 228 649
Total comprehensive income	–	–	30 777	71 361	609	102 747
Closing balance March 31, 2018	22 144	494 610	43 344	767 897	3 401	1 331 396

Condensed consolidated cash flow statements

SEK thousands	January – March		Whole year 2017
	2018	2017	
Income after financial items	94 517	77 929	340 915
Adjustment for non-cash items	10 411	15 574	65 107
Tax paid	-30 684	-36 060	-83 744
Change in inventories	-114	-8 483	-8 515
Change in trade receivables	-33 340	-19 942	-24 433
Change in trade payables	1 371	4 609	22 859
Cash flow from operating activities	42 161	33 627	312 189
Cash flow from investing activities	-47 716	-1 783	-9 980
Cash flow from financing activities	-637	-2 825	-93 496
Cash flow for the period	-6 192	29 019	208 713
Opening cash and cash equivalents	395 963	189 245	189 245
Exchange-rate difference in cash and cash equivalents	9 518	-186	-1 995
Closing cash and cash equivalents	399 289	218 078	395 963

Income statements for the Parent Company

SEK thousands	January – March		Whole year 2017
	2018	2017	
Net sales	2 884	483	2 695
Administrative expenses	-5 224	-1 677	-11 105
Other operating revenues and expenses	31	26	48
Operating income	-2 309	-1 168	-8 362
Write-down participations in Group companies	–	-7 280	-7 280
Dividends from Group companies	–	7 137	70 256
Financial income and expenses	139	6	-175
Income after financial items	-2 170	-1 305	54 439
Year-end adjustments (received Group contribution)	–	–	8 351
Income taxes	432	–	-10
Net income	-1 738	-1 305	62 780

Depreciation and amortisation were charged against income for the period by SEK - thousand (-), and SEK - thousand for the whole year 2017.

Balance sheets for the Parent Company

SEK thousands	Mar 31, 2018	Mar 31, 2017	Dec 31, 2017
ASSETS			
Tangible fixed assets	12	12	12
Participations in Group companies	770 629	770 440	770 629
Shares and participations	5 746	3 746	3 746
Other financial fixed assets	3 077	–	–
Deferred tax assets	1 133	–	–
Receivables from Group companies	1 593	11 473	262
Current tax assets	324	–	–
Other current receivables	3 052	2 126	146
Prepaid expenses and accrued income	456	404	–
Cash and cash equivalents	4 708	7 544	5 377
Total assets	790 730	795 745	780 172
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	763 118	757 216	764 855
Provisions	3 878	–	–
Short-term interest-bearing liabilities	–	34 128	–
Current tax liabilities	–	–	10
Accounts payable	3 061	2 004	619
Liabilities to Group companies	15 122	–	12 112
Other short-term non-interest-bearing liabilities	201	–	–
Accrued expenses and deferred income	5 350	2 397	2 576
Total shareholders' equity and liabilities	790 730	795 745	780 172

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.

The new accounting standards IFRS 9 and 15 came into force as of January 1, 2018. In line with what the company has previously stated, these standards do not have any significant impact on the Group's financial statements. For information on IFRS 15, see note 4. No other standards, amendments or interpretations that have come into force in 2018 are assessed to have had a significant impact on the Group's financial statements.

IFRS 16

IFRS 16 "Leasing" entails changes in how leasing agreements are to be reported. It applies as from January 1, 2019. Reporting pursuant to IFRS 16 will mean that in principle all leasing agreements will be reported in the balance sheet as assets and liabilities. This reporting is based on the view that the lessee has the right to use an asset for a specific period of time and at the same time a liability to pay for this right. An investigation is being carried out regarding the new standard's impact on the Group's financial statements. Vitrolife's assessment is that the introduction of IFRS 16 will have a positive impact on the Group's EBITDA of approximately 1.5-2.5 percentage points, which is attributable to that leasing fees will be recorded as depreciation and interest expenses instead. The company's investigation is ongoing and more detailed information on the expected transitional effects will be presented in the company's coming interim reports during 2018.

Note 2. Financial instruments - Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13. Fair value for other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest bearing liabilities is estimated to be equal to their book value (accumulated amortised cost). All long-term interest bearing loans have floating rates and therefore estimated that the fair value substantially conform with the book value. Financial assets and liabilities measured at amortised cost amount to SEK 587,114 thousand (370,128) and SEK 39,743 thousand (74,166).

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on the latest transaction (transfer of shares). Hence, fair value is estimated to be equal to book value. Revaluation is made only in the event of transactions to larger volumes. Classified in level 3 are also liabilities which relate to additional purchase prices, for which fair value have been estimated by future expected payments being discounted by current market rates for the duration of the liability. Increase of financial assets in level 3 during first quarter 2018 refers to acquisition of shares and participations.

Fair value hierarchy

SEK thousands	Fair value levels	Mar 31. 2018	Mar 31. 2017	Dec 31. 2017
Financial assets				
Financial assets to fair value through income statement	3	5 746	3 746	3 746
Total Financial assets		5 746	3 746	3 746
Financial liabilities				
Financial liabilities to fair value through income statement	3	28 290	–	–
Total Financial liabilities		28 290	–	–

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. Pledged assets and contingent liabilities

SEK thousands	Mar 31. 2018	Mar 31. 2017	Dec 31. 2017
Group			
Pledged assets	24 206	22 748	23 157
Contingent liabilities	859	480	575
Parent company			
Pledged assets	3 100	3 100	3 100
Contingent liabilities	–	–	–

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

Note 4. Revenue

This interim report is the first in which IFRS 15 "Revenue from Contracts with Customers" is applied. The company's assessment that reporting under the new rules does not have any significant effect on the Group's financial statements remains unchanged and there are therefore no transitional effects that impact the Group's equity.

The great majority of Vitrolife's sales are of products that clearly represent separate performance obligations. Sales of products are recorded as revenue when they have been delivered to the customer. Vitrolife also sells services in the form of the servicing of products, primarily in the Time-lapse business unit, and also in the form of the recharging of freight. Servicing is largely invoiced in advance and is recorded as revenue during the course of the servicing contract. Servicing revenues not recognised as revenue are reported as deferred income in the balance sheet. In Vitrolife's assessment these services are also clearly separate performance obligations. The table below presents the division of products and services in net sales.

Vitrolife categorises its products and services into the following business units: Media, Time-lapse, Disposable Devices and ART Equipment. Those sales that are not categorised into any of these business units are essentially freight. As regards segment reporting, Vitrolife applies the following geographic segments: EMEA, North- and South America, Japan and Pacific and Asia. The division of revenue per business unit and segment is presented in the tables below. For more information on the company's segments, see note 5.

Net sales per geographic segment

SEK millions	Jan-Mar 2018	Jan-Mar 2017	Whole year 2017
EMEA	128	110	450
North- and South America	35	40	148
Japan and Pacific	46	42	165
Asia	55	52	283
Total	264	244	1 046

Net sales per business unit

SEK millions	Jan-Mar 2018	Jan-Mar 2017	Whole year 2017
Media	131	133	545
Time-lapse	69	53	252
Disposable Devices	40	36	149
ART Equipment	18	17	79
Other	5	5	21
Total	264	244	1 046

Net sales per products and services

SEK millions	Jan-Mar 2018	Jan-Mar 2017	Whole year 2017
Products	249	231	990
Services	15	13	56
Total	264	244	1 046

Note 5. Segments

Vitrolife consists of four business units whose products are sold by four 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		Japan and Pacific		Total	
	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017	Jan-Mar 2018	Jan-Mar 2017
SEK thousands										
Net sales	127 574	110 377	35 458	39 510	54 855	51 903	46 107	42 291	263 994	244 081
Gross income	81 618	66 864	22 722	27 885	35 266	31 562	31 902	31 485	171 508	157 796
Selling expenses	-21 757	-17 218	-6 375	-7 585	-6 890	-7 099	-7 138	-6 715	-42 160	-38 617
Market contribution	59 861	49 646	16 347	20 300	28 376	24 463	24 764	24 770	129 348	119 179
Fixed assets*	686 743	632 550	85 933	92 450	–	–	652	678	773 328	725 678

	EMEA	North- and South America	Asia	Japan and Pacific	Total
	Whole year 2017	Whole year 2017	Whole year 2017	Whole year 2017	Whole year 2017
SEK thousands					
Net sales	449 934	147 940	282 820	165 523	1 046 217
Gross income	282 887	100 568	179 190	119 064	681 709
Selling expenses	-73 262	-31 585	-30 176	-35 256	-170 279
Market contribution	209 625	68 983	149 014	83 808	511 430
Fixed assets*	607 375	84 156	–	639	692 170

* 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-March		Whole year 2017
	2018	2017	
Operating income	89.7	78.3	340.9
Depreciation and amortisation	16.6	16.6	66.9
Operating income before depreciation and amortisation (EBITDA)	106.3	94.9	407.8

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	Mar 31. 2018	Mar 31. 2017	Dec 31. 2017
Average shareholders' equity, rolling 12 month	1 194.8	985.0	1 131.3
Net income, rolling 12 month	275.8	211.1	263.6
Return on equity, %	23.1	21.4	23.3

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	Mar 31. 2018	Mar 31. 2017	Dec 31. 2017
Interest-bearing liabilities	0.5	34.7	0.5
Cash and cash equivalents	-399.3	-218.1	-396.0
Net debt	-398.8	-183.4	-395.5
SEK M	Mar 31. 2018	Mar 31. 2017	Dec 31. 2017
Net debt	-398.8	-183.4	-395.5
Operating profit, rolling 12 month	352.2	275.1	340.9
Depreciation and amortisation, rolling 12 month	66.9	60.7	66.9
Rolling 12 month EBITDA	419.1	335.8	407.8
Net debt / Rolling 12 month EBITDA	-1.0	-0.5	-1.0

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	Japan and Pacific
	Jan-Mar 2018	Jan-Mar 2018	Jan-Mar 2018	Jan-Mar 2018
Growth in local currency, SEK M	13	-1	2	6
<i>Growth in local currency, %</i>	11	-2	3	15
Currency effects, SEK M	4	-3	1	-2
<i>Currency effects, %</i>	4	-8	2	-5
Total growth, SEK M	17	-4	3	4
Total growth, %	15	-10	5	10

Net sales per business unit

	Media	Disposable Devices	Time-lapse	ART Equipment
	Jan-Mar 2018	Jan-Mar 2018	Jan-Mar 2018	Jan-Mar 2018
Growth in local currency, SEK M	-1	3	16	1
<i>Growth in local currency, %</i>	-1	8	31	6
Currency effects, SEK M	-1	0	1	1
<i>Currency effects, %</i>	0	-1	2	4
Total growth, SEK M	-2	3	17	2
Total growth, %	-1	7	33	10

Group total

	Jan-Mar 2018	Jan-Mar 2017	Whole year 2017
Organic growth in local currency, SEK M	20	35	158
<i>Organic growth in local currency, %</i>	8	18	19
Acquired growth, SEK M	–	17	33
<i>Acquired growth, %</i>	–	9	3
Currency effects, SEK M	0	5	-1
<i>Currency effects, %</i>	0	4	0
Total growth, SEK M	20	57	190
Total growth, %	8	31	22

Definitions

Adjusted gross income

Gross income before amortisation of acquisition-related intangible assets.

Adjusted operating income

Operating income before amortisation of acquisition-related intangible assets.

Cash flow from operating activities per share

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

Earnings per share

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

Equity/assets ratio

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

Gross margin

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

Market contribution

Gross income reduced with the selling expenses per market.

Net debt

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

Net debt / Rolling 12 month EBITDA

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

Operating margin before depreciation and amortisation (EBITDA)

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

Operating margin

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

Profit margin

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

Return on equity

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

Shareholders' equity per share

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

Glossary

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

Biological quality tests

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

Biopsy

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

Biotechnology

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

Blastocyst

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

Cell therapy

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

Clinical study/trial

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

Embryo

A fertilized and cell divided egg.

In vivo

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

In vitro (Latin "in glass")

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

Incubator

Equipment for culture of embryos in a controlled environment.

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

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

PGD

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

PGS

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

Preclinical study

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

Stem cells

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

Time-lapse

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

Vitrification

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

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