

# INTERIM REPORT JANUARY-JUNE 2019

Vitrolife AB (publ)

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

Vitrolife has approximately 390 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 growth and good profitability

## Second quarter

- Sales amounted to SEK 381 (283) million, corresponding to an increase of 34 percent in SEK. Sales increased by 29 percent in local currency whereof 18 percent comprised organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 146 (116) million, corresponding to a margin of 38 (41) percent. Fluctuations in exchange rates positively impacted EBITDA by SEK 7 million.
- Net income amounted to SEK 95 (80) million, which gave earnings per share of SEK 0.87 (0.73).
- Acquisition and collaboration agreement regarding technology for embryo assessment using artificial intelligence. The initial purchase price amounted to SEK 56 million.
- Acquisition of the business of Parallabs Ltd. The initial purchase price amounted to SEK 24 million.

## First half year

- Sales amounted to SEK 693 (547) million, corresponding to an increase of 27 percent in SEK. Sales increased by 20 percent in local currency whereof 11 percent comprised organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 273 (222) million, corresponding to a margin of 39 (41) percent. Fluctuations in exchange rates positively impacted EBITDA by SEK 21 million.
- Net income amounted to SEK 181 (151) million, which gave earnings per share of SEK 1.66 (1.39).
- Market approval for EmbryoScope+ in China.
- Acquisition and collaboration agreement regarding technology for embryo assessment using artificial intelligence. The initial purchase price amounted to SEK 56 million.
- Acquisition of the business of Parallabs Ltd. The initial purchase price amounted to SEK 24 million.

## The Group's Key Figures

SEK millions	April – June		January – June		Whole year 2018
	2019	2018	2019	2018	
Net sales	381	283	693	547	1 151
Net sales growth, local currency, %	29	-5	20	1	5
Gross margin, %	64	66	64	66	66
Adjusted gross margin*, %	67	70	67	69	70
Operating income before depreciation and amortisation (EBITDA)	146	116	273	222	479
EBITDA margin, %	38	41	39	41	42
Net income	95	80	181	151	311
Net debt / Rolling 12 month EBITDA	-0.8	-1.0	-0.8	-1.0	-1.0
Earnings per share**, SEK	0.87	0.73	1.66	1.39	2.85
Share price on closing day***, SEK	181.00	131.28	181.00	131.28	147.00
Market cap at closing day	19 648	14 251	19 648	14 251	15 957
<i>Changes in net sales</i>					
Organic growth in local currency, %	18	-5	11	1	5
Acquired growth, %	11	-	9	-	-
Currency effects, %	5	4	7	2	5
Total growth, %	34	-1	27	3	10

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

\*\* Before and after dilution, recalculated with regard to the 5:1 share split carried out in May 2018.

\*\*\* Recalculated with regard to the 5:1 share split carried out in May 2018.

For definitions, see page 17

### 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

Sales during the quarter amounted to SEK 381 million, corresponding to an increase of 34 percent in SEK, and constituted the highest sales so far for a single quarter.

Sales increased by 29 percent in local currency. Adjusted for the acquired business in the Genomics business unit, growth amounted to 18 percent in local currency.



It was a good quarter where all market regions displayed double-digit growth. Vitrolife's second-largest business unit, Time-Lapse, increased by 56 percent, amongst other things due to the fact that the company delivered the single largest order so far when a leading clinic in China ordered 20 EmbryoScope+ during the quarter. However, as previously, we must expect sales of capital goods to fluctuate from quarter to quarter as individual major orders have a significant impact on sales for the quarter. Even excluding the China order, Time-Lapse reported good growth during the quarter. Media increased sales by 4 percent in local currency during the quarter. The Asian region was negatively impacted by delivery problems for some unique media products for China. The company anticipates that the delivery problems will be rectified during the third quarter. Vitrolife's new business unit, Genomics, reported a strong quarter, with sales of SEK 33 million. We are delighted that the acquisition proceeds according to plan and that the transfer of customers from Illumina has gone smoothly. With the distribution structure and the new organization in place, the company has begun the work of developing new generations of products, which amongst other things opens up opportunities to begin to sell Genomics products in Asia.

Several investments were made during the quarter in order to generate future growth. In R&D the rights to

technology for assessing embryos based on time-lapse films using artificial intelligence were acquired. The company also entered into collaboration agreements for the further development of technology with Virtus Health and Harrison.AI and has started a project to further develop and commercialize the technology.

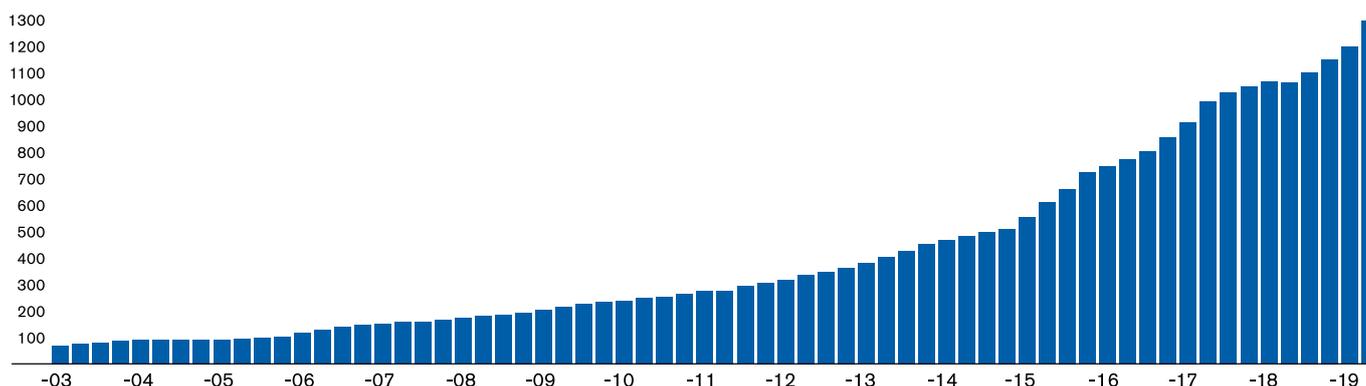
In marketing and sales, the company's distributor of EmbryoScope in the UK and Ireland, Parallabs Ltd, was acquired, which strengthens Vitrolife's presence in the market and enables the company to offer customers Vitrolife's entire range of products through one sales channel. The company has also expanded the support structure to assist customers to use the products in an optimal way. At ESHRE, the world's largest fertility congress which was held towards the end of June, a prelaunch of Vitrolife's new products was presented: EmbryoScope Flex (a Time-Lapse incubator with capacity for 24 patients), CulturePro (a premium incubator without Time-Lapse) and EmbryoGlue patient-pack (single-use bottles per patient of Vitrolife's patented transfer medium).

Profitability during the quarter continued to be good. The investments in future growth in combination with Genomics having a lower margin than the average for the Group meant that the operating margin decreased somewhat compared with the previous year. Investments in future growth will continue, amongst other things through an expanded product offering, strengthened customer support and increased production capacity.

Looking ahead, the market outlook is essentially unchanged and Vitrolife therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10 percent per year in the foreseeable future.

Thomas Axelsson  
CEO

Net sales (rolling 12 months), SEK millions



## Second quarter 2019 (April - June)

### Acquisition of embryo assessment using AI

During the quarter, Vitrolife acquired the rights to technology for the assessment of embryos based on time-lapse films using artificial intelligence ("AI") and entered into collaboration agreements for an initial period of three years for further development of the technology. The agreements were entered into with Virtus Health, a leading IVF clinic Group based in Australia and Harrison AI, a technology company specialising in development of AI software in health care systems based in Australia. Using time-lapse films for in vitro fertilisation (IVF) and before embryo transfer, the technology can predict the likelihood of an embryo leading to a successful pregnancy. The AI technology supports transfer of one embryo to the woman and is expected to shorten the time to pregnancy by helping embryologists rank order the strongest embryos for selection and transfer.

The initial purchase price related to the transfer amounted to SEK 56 million. The purchase price was paid in cash and was financed by available cash balances. In addition to the initial purchase price, additional purchase price of SEK 19 million may be paid in relation to product development targets. The purchase price has been recorded as an intangible asset. Vitrolife assess that the additional purchase price is likely to fall out and thus it has been recorded as an asset and a liability. The transaction is expected to impact EBITDA per share marginally negatively during 2019 and positively as from 2020, when the technology is expected to be commercially launched.

### Acquisition of distributor Parallabs

During the quarter, Vitrolife acquired the business of Parallabs Ltd, its distributor in UK and Ireland for EmbryoScope time-lapse systems, and thereby strengthened its presence in UK and Ireland. Parallabs Ltd has been the Vitrolife UK and Ireland distributor for EmbryoScope time-lapse systems since 2011 and has achieved a high penetration for time-lapse in the market. The initial purchase price amounted to SEK 24 million. The purchase price was paid in cash and was financed by available cash balances. In addition to the initial purchase price, additional purchase price of SEK 6 million may be paid in relation to sales targets. The transaction is expected to be accretive to group revenue of approximately SEK 12 million for a twelve-month period and marginally accretive to EBITDA per share. For more information, see note 4.

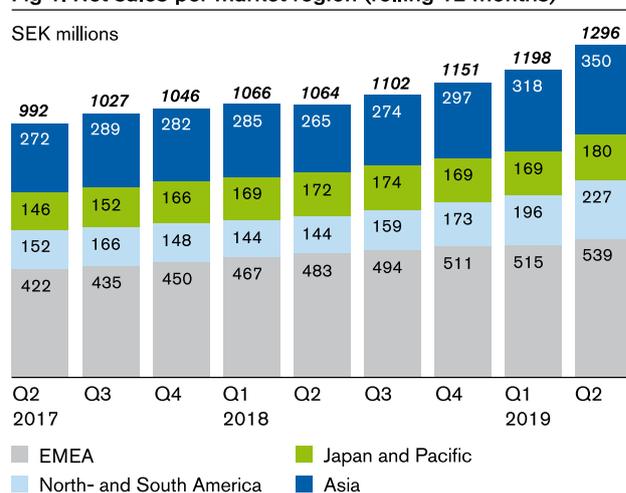
### Net sales

Sales amounted to SEK 381 (283) million, corresponding to an increase of 34 percent in SEK. Sales increased by 29 percent in local currency, of which 18 percent was organic

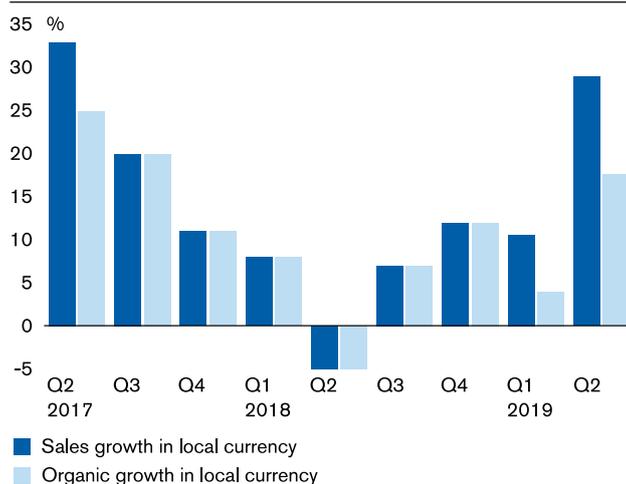
growth. The acquired growth stemmed from sales related to the Genomics business unit. Sales for the EMEA region (Europe, the Middle East and Africa) amounted to SEK 151 (126) million. Sales increased by 15 percent in local currency and were impacted by increased sales of amongst other things Disposable Devices and acquired growth from Genomics. In the North- and South American region sales amounted to SEK 69 (38) million. Sales increased by 65 percent in local currency and were positively impacted by increased sales in all product areas and by acquired growth from Genomics. Sales in the Japan and Pacific region amounted to SEK 52 (42) million. Sales increased by 19 percent in local currency and all product areas reported growth. Sales in the Asian region increased by 38 percent in local currency and amounted to SEK 109 (77) million. Sales were positively impacted by increased sales of Time-Lapse. During the quarter Vitrolife received an order for 20 EmbryoScope+, which were installed at a leading clinic in China. The order constituted the largest single order of EmbryoScope+ so far for Vitrolife. The Asian region was negatively impacted by delivery problems regarding some unique media products for China. The company anticipates that the delivery problems will be rectified during the third quarter.

Sales for the Media business unit increased by 4 percent in local currency during the quarter and amounted to SEK 172 (162) million. Sales for the Disposable Devices business unit increased by 11 percent in local currency and amounted to SEK 47 (40) million. All product groups, aspiration needles, pipettes and Labware, reported good growth. Sales for the Time-lapse business unit increased by 56 percent in local currency during the quarter and amounted to SEK 106 (65) million. Sales for the ART Equipment business unit increased during the quarter by 24 percent in local currency and amounted to SEK 15 (11) million. Sales for the Genomics business unit amounted to SEK 33 (-) million. Freight revenues amounted to SEK 7 (6) million.

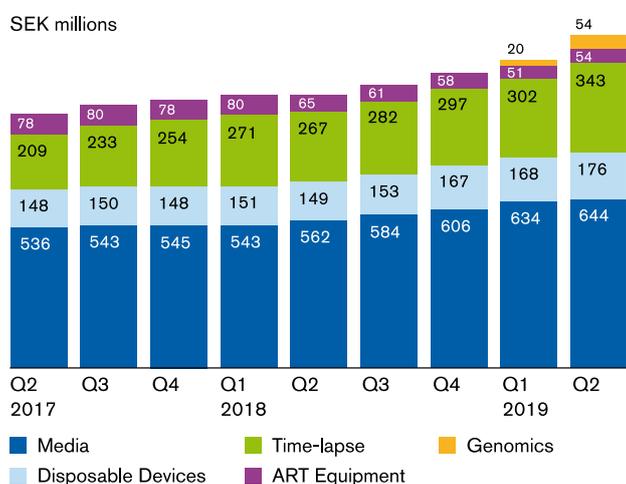
Fig 1. Net sales per market region (rolling 12 months)



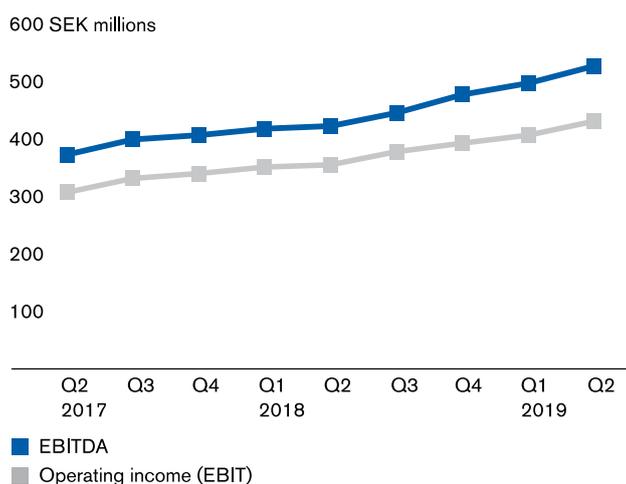
**Fig 2. Sales development (per quarter)**



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



**Fig 4. Income (rolling 12 months)**



## Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 146 (116) million, corresponding to a margin of 38 percent (41). Fluctuations in currency had a positive impact of SEK 7 million on EBITDA. The new reporting standard IFRS 16 came

into force as of January 1, 2019. This has meant that the EBITDA margin has improved by approximately 1 percentage point as a result of lease payments, such as rental agreements, now being reported as depreciation and interest expenses in the income statement and thus not being included in the EBITDA key ratio.

Gross income amounted to SEK 245 (187) million. The gross margin amounted to 64 (66) percent and was negatively impacted by the product mix amongst others as the acquired Genomics business unit has a lower gross margin than the average for the Group and positively by currency. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 67 (70) percent for the quarter.

Selling expenses amounted to 17 (16) percent of sales and the increase consisted amongst other things of the addition of the Genomics business unit and the acquisition of the business from Parallabs Ltd. Administrative expenses amounted to 8 (9) percent of sales and the decrease consisted of economies of scale. R&D costs amounted to 6 (7) percent and the decrease consisted of economies of scale. Depreciation, amortisation and write-downs of SEK 23 (18) million were charged against income. Net financial items amounted to SEK -1 (2) million and consisted primarily of currency effects. Income before tax amounted to SEK 122 (100) million. Net income amounted to SEK 95 (80) million. Other comprehensive income amounted to SEK 4 million and consisted of positive translation effects related to net assets in foreign subsidiaries and acquisition-related intangible assets in foreign currency.

## Income per segment

The organisation consist of five business units and their products are sold in 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 6. The market contribution during the quarter for the EMEA region amounted to SEK 66 (60) million and was positively impacted by increased sales, the addition of the Genomics business unit and currency effects. The contribution from the North and South American region amounted to SEK 27 (19) million and was positively impacted by increased sales, the addition of the Genomics business unit and currency effects. The contribution from the Japan and Pacific region amounted to SEK 26 (22) million and was positively impacted by increased sales and currency effects. The market contribution from the Asian region amounted to SEK 59 (40) million and was positively impacted by increased sales and currency effects.

## Cash flow

The cash flow from operating activities amounted to SEK 103 (105) million. The change in working capital amounted to SEK -24 (9) million. The increase consisted amongst other things of increased trade receivables as a result of increased sales. Gross capital expenditure for tangible non-current assets amounted to SEK -4 (-5) million and mainly consisted of equipment. Gross capital expenditure for intangible non-current assets amounted to SEK -59 (-1) million, of which SEK -56 million related to the acquisition of rights to technology for assessing embryos based on time-lapse films using artificial intelligence. Gross capital expenditure included the acquisition of the business from Parallax Labs Ltd to the tune of SEK -24 million. The cash flow from financing activities was SEK -92 (-81) million and consisted of dividend to shareholders. Cash and cash equivalents at the end of the period amounted to SEK 447 (421) million. The company aims to invest its cash in hand in value-creating acquisitions.

## Financing

Vitrolife's total credit facilities amounted to SEK - (50) million, of which SEK - (0) million was utilized. The equity/assets ratio was 82 (86) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -0.8 (-1.0) times.

## Parent Company

Business activities focus on Group-wide management. Income included invoicing of management fee of SEK 3 (5) million. Income after financial items for the quarter amounted to SEK 0 (213) million and included dividend of SEK 2 (212) million received from subsidiaries. Cash and cash equivalents amounted to SEK 133 (39) million.

## The period 2019 (January - June)

### Net sales

Sales amounted to SEK 693 (547) million, corresponding to an increase of 27 percent in SEK. Sales increased by 20 percent in local currency, of which 11 percent was organic growth. The acquired growth stemmed from sales related to the Genomics business unit.

Sales for the EMEA region (Europe, the Middle East and Africa) amounted to SEK 282 (253) million. Sales increased by 7 percent in local currency and were amongst others impacted by increased sales of Media and acquired growth from Genomics. In the North- and South American region sales amounted to SEK 127 (74) million. Sales increased by 56 percent in local currency and were amongst others positively impacted by increased Time-

lapse sales and by acquired growth from Genomics. Sales in the Japan and Pacific region amounted to SEK 99 (88) million. Sales increased by 6 percent in local currency and were amongst others positively impacted by increased Media sales. Sales in the Asian region increased by 35 percent in local currency and amounted to SEK 185 (132) million. Sales were amongst others positively impacted by increased sales of Time-Lapse.

Sales for the Media business unit increased by 8 percent in local currency and amounted to SEK 331 (294) million. Sales for the Disposable Devices business unit increased by 4 percent in local currency and amounted to SEK 88 (80) million. Sales for the Time-lapse business unit increased by 27 percent in local currency and amounted to SEK 180 (134) million. Sales for the ART Equipment business unit decreased by 13 percent in local currency and amounted to SEK 26 (28) million. Sales for the Genomics business unit amounted to SEK 54 (-) million. Freight revenues amounted to SEK 14 (11) million.

## Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 273 (222) million, corresponding to a margin of 39 percent (41). Fluctuations in currency had a positive impact of SEK 21 million on EBITDA. The new reporting standard IFRS 16 came into force as of January 1, 2019. This has meant that the EBITDA margin has improved by approximately 1 percentage point as a result of lease payments, such as rental agreements, now being reported as depreciation and interest expenses in the income statement and thus not being included in the EBITDA key ratio.

Gross income amounted to SEK 443 (359) million. The gross margin amounted to 64 (66) percent and was negatively impacted by the product mix as the acquired Genomics business unit has a lower margin than the average for the Group and positively by currency. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 67 (69) percent.

Selling expenses amounted to 16 (16) percent of sales. Administrative expenses amounted to 9 (9) percent of sales. R&D costs amounted to 7 (7) percent of sales. Depreciation, amortisation and write-downs of SEK 46 (34) million were charged against income. Net financial items amounted to SEK 6 (7) million and consisted primarily of currency effects. Income before tax amounted to SEK 233 (195) million. Net income amounted to SEK 181 (151) million. Other comprehensive income amounted to SEK 20 million and consisted of positive translation effects related to net assets in foreign subsidiaries and acquisition-related intangible assets in foreign currency.

## Income per segment

The market contribution during the period for the EMEA region amounted to SEK 130 (119) million and was positively impacted by increased sales, the addition of the Genomics business unit and currency effects. The contribution from the North and South American region amounted to SEK 51 (35) million and was positively impacted by increased sales, the addition of the Genomics business unit and currency effects. The contribution from the Japan and Pacific region amounted to SEK 51 (47) million and was positively impacted by increased sales and currency effects. The market contribution from the Asian region amounted to SEK 98 (69) million and was positively impacted by increased sales and currency effects.

## Cash flow

The cash flow from operating activities amounted to SEK 134 (147) million. The change in working capital amounted to SEK -74 (-23) million. The increase consisted amongst other things of increased trade receivables as a result of increased sales and the addition of the Genomics business unit. Gross capital expenditure for tangible non-current assets amounted to SEK -9 (-9) million and mainly consisted of equipment. Gross capital expenditure for intangible non-current assets amounted to SEK -60 (-43) million, of which SEK -56 million related to the acquisition of rights to technology for assessing embryos based on time-lapse films using artificial intelligence. Gross capital expenditure included the acquisition of the business from Parallabs Ltd to the tune of SEK -24 million. Gross capital expenditure for financial assets amounted to SEK -2 (-2) million. The cash flow from financing activities was SEK -92 (-82) million and consisted of dividend to shareholders. Cash and cash equivalents at the end of the period amounted to SEK 447 (421) million. The company aims to invest its cash in hand in value-creating acquisitions.

## 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 a reduced chance of pregnancy, 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 be the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics.

### Strategies

- Sustainable scalable global organisation focusing on common values.
- Strengthen sales and support channels that can offer customised solutions.
- Competitive and complete portfolio with integrated and modular solutions.
- Innovative research and development and efficient supply chain and manufacturing.
- 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 388 (358), of whom 196 (173) were women and 192 (185) were men. Of these, 151 (137) people were employed in Sweden, 85 (77) in the US, 79 (76) in Denmark and 73 (68) in the rest of the world. The number of people employed in the Group at the end of the period was 415 (383).

### 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. Fees were paid to one of the members of the Board for consultancy services over and above their work on the Board. For information on related parties, see the Annual Report for 2018, note 30.

### Dividend

It was decided at the Annual General Meeting on May 2 that the proposed dividend of SEK 0.85 per share would be paid out to the shareholders. Payment of the dividend took place on May 9.

## 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 2018. 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 2018, note 3. The reported risks, as they are described in the 2018 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.

## Events after the end of the period

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

## Certification

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

July 12, 2019  
Gothenburg, Sweden

Thomas Axelsson CEO	Henrik Blomquist Board member
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Barbro Fridén Board member	Lars Holmqvist Board member
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Pia Marions Board member	Jón Sigurdsson Board member
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## Financial reports

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

## Financial calendar

2019-11-06: Interim report January - September 2019  
2020-02-06: Report on operations 2019  
2020-04-23: Interim report January - March 2020  
2020-04-28: Annual General Meeting 2020  
2020-07-13: Interim report January - June 2020  
2020-11-06: Interim report January - September 2020  
2021-02-10: Report on operations 2020

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

### Queries should be addressed to

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

This information is information that Vitrolife AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 am CET on July 12, 2019.

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

## Consolidated income statements

SEK thousands	Note	January – June		April – June		Whole year 2018
		2019	2018	2019	2018	
Net sales	5,6	692 655	547 225	380 731	283 231	1 151 348
Cost of goods sold		-249 840	-188 381	-135 823	-95 895	-390 224
<b>Gross income</b>		<b>442 815</b>	<b>358 844</b>	<b>244 908</b>	<b>187 336</b>	<b>761 124</b>
<i>Comprising</i>						
Adjusted gross income		463 809	379 949	255 501	198 076	803 645
Amortisation of acquisition-related intangible assets		-20 994	-21 105	-10 593	-10 740	-42 521
<b>Gross income</b>		<b>442 815</b>	<b>358 844</b>	<b>244 908</b>	<b>187 336</b>	<b>761 124</b>
Selling expenses		-113 379	-88 788	-66 130	-46 628	-184 537
Administrative expenses		-59 906	-50 547	-30 732	-25 118	-99 270
Research and development costs		-45 147	-37 304	-24 576	-18 842	-88 457
Other operating revenues		11 610	9 547	3 868	4 334	25 136
Other operating expenses		-9 525	-3 609	-4 402	-2 602	-20 081
<b>Operating income</b>		<b>226 468</b>	<b>188 143</b>	<b>122 936</b>	<b>98 480</b>	<b>393 915</b>
<i>Comprising</i>						
Adjusted operating income		247 462	209 273	133 529	109 233	436 486
Amortisation of acquisition-related intangible assets		-20 994	-21 130	-10 593	-10 753	-42 571
<b>Operating income</b>		<b>226 468</b>	<b>188 143</b>	<b>122 936</b>	<b>98 480</b>	<b>393 915</b>
Financial income and expenses		6 214	6 713	-739	1 859	4 668
<b>Income after financial items</b>		<b>232 682</b>	<b>194 856</b>	<b>122 197</b>	<b>100 339</b>	<b>398 583</b>
Income taxes		-52 091	-43 456	-27 241	-20 768	-87 886
<b>Net income</b>		<b>180 591</b>	<b>151 400</b>	<b>94 955</b>	<b>79 571</b>	<b>310 697</b>
<b>Attributable to</b>						
Parent Company's shareholders		179 953	150 633	94 635	79 272	309 697
Non-controlling interests		638	767	320	299	1 000
Earnings per share <sup>***</sup> , SEK		1.66	1.39	0.87	0.73	2.85
Average number of outstanding shares <sup>**</sup>		108 550 575	108 550 575	108 550 575	108 550 575	108 550 575
Number of shares at closing day <sup>**</sup>		108 550 575	108 550 575	108 550 575	108 550 575	108 550 575

\* Before and after dilution.

\*\* Recalculated with regard to the 5:1 share split carried out in May 2018.

Depreciation, amortisation and write-downs were charged against income for the period by SEK 46,082 thousand (34,310), of which SEK 23,496 thousand (17,703) for the second quarter.

## Statements of comprehensive income

SEK thousands	January – June		April – June		Whole year 2018
	2019	2018	2019	2018	
<b>Net income</b>	<b>180 591</b>	<b>151 400</b>	<b>94 955</b>	<b>79 571</b>	<b>310 697</b>
<b>Other comprehensive income</b>					
<i>Items that may be reclassified to the income statement</i>					
Exchange rate differences	19 609	46 000	4 225	15 082	37 824
<b>Total other comprehensive income</b>	<b>19 609</b>	<b>46 000</b>	<b>4 225</b>	<b>15 082</b>	<b>37 824</b>
<b>Total comprehensive income</b>	<b>200 200</b>	<b>197 400</b>	<b>99 180</b>	<b>94 653</b>	<b>348 521</b>
<b>Attributable to</b>					
Parent Company's shareholders	199 463	196 444	98 808	94 306	347 384
Non-controlling interests	737	956	372	347	1 137

## Key ratios, total Group

	January – June		April – June		Whole year 2018
	2019	2018	2019	2018	
Gross margin, %	63.9	65.6	64.3	66.1	66.1
Adjusted gross margin, %	67.0	69.4	67.1	69.9	69.8
Operating margin before depreciation and amortisation (EBITDA), %	39.3	40.7	38.5	41.0	41.6
Operating margin (EBIT), %	32.7	34.4	32.3	34.8	34.2
Net margin, %	26.1	27.7	24.9	28.1	27.0
Equity/assets ratio, %	82.1	85.9	82.1	85.9	88.1
Shareholders' equity per share*, SEK	14.74	12.36	14.74	12.36	13.75
Return on equity, %	22.3	22.5	22.3	22.5	22.2
Cash flow from operating activities per share*, SEK	1.24	1.35	0.95	0.97	3.22
Net debt**, SEK millions	-446.5	-421.4	-446.5	-421.4	-490.8

\* Recalculated with regard to the 5:1 share split carried out in May 2018.

\*\* Negative amount implies net claim.

## Consolidated income statements per quarter

SEK thousands	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017
Net sales	380 731	311 924	320 113	284 010	283 231	263 994	270 847	245 904
Cost of goods sold	-135 823	-114 017	-105 690	-96 153	-95 895	-92 486	-96 885	-82 564
<b>Gross income</b>	<b>244 908</b>	<b>197 907</b>	<b>214 423</b>	<b>187 857</b>	<b>187 336</b>	<b>171 508</b>	<b>173 962</b>	<b>163 340</b>
Selling expenses	-66 130	-47 249	-51 460	-44 289	-46 628	-42 160	-44 650	-41 110
Administrative expenses	-30 732	-29 174	-27 069	-21 654	-25 118	-25 429	-28 062	-23 263
Research and development costs	-24 576	-20 571	-35 812	-15 341	-18 842	-18 462	-16 950	-16 101
Other operating revenues and expenses	-534	2 620	1 651	-2 534	1 732	4 206	2 535	-1 759
<b>Operating income</b>	<b>122 936</b>	<b>103 533</b>	<b>101 733</b>	<b>104 039</b>	<b>98 480</b>	<b>89 663</b>	<b>86 835</b>	<b>81 107</b>
Financial income and expenses	-739	6 953	5 763	-7 808	1 859	4 854	2 988	-1 914
<b>Income after financial items</b>	<b>122 197</b>	<b>110 485</b>	<b>107 496</b>	<b>96 231</b>	<b>100 339</b>	<b>94 517</b>	<b>89 823</b>	<b>79 193</b>
Income taxes	-27 241	-24 850	-23 347	-21 083	-20 768	-22 688	-21 308	-14 241
<b>Net income</b>	<b>94 955</b>	<b>85 635</b>	<b>84 149</b>	<b>75 148</b>	<b>79 571</b>	<b>71 829</b>	<b>68 515</b>	<b>64 952</b>
<b>Attributable to</b>								
Parent Company's shareholders	94 635	85 318	83 997	75 067	79 272	71 361	68 379	64 760
Non-controlling interests	320	317	152	81	299	468	136	192
Depreciation, amortisation and write-downs	-23 496	-22 586	-33 434	-16 947	-17 703	-16 607	-16 426	-16 916

## Key ratios per quarter, total Group

	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018	Jan-Mar 2018	Oct-Dec 2017	Jul-Sep 2017
Shareholders' equity, attributable to the Parent								
Company's shareholders, SEK millions	1 600.1	1 593.6	1 492.9	1 407.8	1 342.0	1 328.0	1 225.9	1 138.1
Shareholders' equity per share*, SEK	14.74	14.68	13.75	12.97	12.36	12.23	11.29	10.48
Return on equity, %	22.3	22.2	22.2	22.2	22.5	23.1	23.3	23.6
Cash flow from operating activities								
per share*, SEK	0.95	0.29	1.07	0.79	0.97	0.39	1.01	0.78

\* Recalculated with regard to the 5:1 share split carried out in May 2018.

# Consolidated statements of financial position

SEK thousands	Note	Jun 30. 2019	Jun 30. 2018	Dec 31. 2018
<b>ASSETS</b>	2			
Goodwill	6	430 915	424 994	421 611
Other intangible fixed assets	6	382 119	254 046	306 386
Tangible fixed assets	6	176 168	91 246	94 126
Shares and participations		5 746	5 746	5 746
Other financial fixed assets		25 028	7 865	17 856
Deferred tax assets		14 347	4 850	1 166
Inventories		189 218	157 372	161 186
Accounts receivable		253 668	175 452	181 002
Current tax assets		1 122	2 902	3 946
Other current receivables		5 176	6 464	4 283
Prepaid expenses and accrued income		22 618	14 026	9 349
Cash and cash equivalents		446 548	421 397	490 810
<b>Total assets</b>		<b>1 952 673</b>	<b>1 566 360</b>	<b>1 697 467</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	2			
Shareholders' equity, attributable to the Parent Company's shareholders		1 600 108	1 341 974	1 492 914
Non-controlling interests		3 237	3 117	3 298
Provisions		14 201	9 389	11 527
Deferred tax liabilities		44 033	48 749	29 329
Long-term interest-bearing liabilities		66 182	–	–
Long-term non-interest-bearing liabilities		33 142	30 514	8 124
Short-term interest-bearing liabilities		13 131	–	–
Current tax liabilities		22 284	8 221	27 187
Accounts payable		36 088	28 195	32 085
Other short-term non-interest-bearing liabilities		20 504	13 076	11 007
Accrued expenses and deferred income		99 763	83 125	81 996
<b>Total shareholders' equity and liabilities</b>		<b>1 952 673</b>	<b>1 566 360</b>	<b>1 697 467</b>

Amounts for Tangible fixed assets, Long-term interest-bearing liabilities and Short-term interest-bearing liabilities include, as of June 30, 2019, effect attributable to IFRS 16, which entered into force on January 1, 2019. Refer to note 1 for further information.

## 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		
<b>Opening balance January 1, 2018</b>	<b>22 144</b>	<b>494 610</b>	<b>12 567</b>	<b>696 536</b>	<b>2 792</b>	<b>1 228 649</b>
Total comprehensive income	–	–	37 687	309 697	1 137	348 521
Dividend (SEK 0.74 per share*)	–	–	–	-80 327	–	-80 327
Dividend to non-controlling interests	–	–	–	–	-631	-631
<b>Closing balance December 31, 2018</b>	<b>22 144</b>	<b>494 610</b>	<b>50 254</b>	<b>925 906</b>	<b>3 298</b>	<b>1 496 212</b>
<b>Opening balance January 1, 2019</b>	<b>22 144</b>	<b>494 610</b>	<b>50 254</b>	<b>925 906</b>	<b>3 298</b>	<b>1 496 212</b>
Total comprehensive income	–	–	19 510	179 953	737	200 200
Dividend (SEK 0.85 per share)	–	–	–	-92 268	–	-92 268
Dividend to non-controlling interests	–	–	–	–	-798	-798
<b>Closing balance June 30, 2019</b>	<b>22 144</b>	<b>494 610</b>	<b>69 764</b>	<b>1 013 591</b>	<b>3 237</b>	<b>1 603 345</b>

\* Recalculated with regard to the 5:1 share split carried out in May 2018.

## Condensed consolidated cash flow statements

SEK thousands	January – June		April – June		Whole year 2018
	2019	2018	2019	2018	
Income after financial items	232 682	194 856	122 197	100 339	398 583
Adjustment for non-cash items	34 216	26 389	22 668	15 978	80 578
Tax paid	-59 167	-51 531	-17 919	-20 847	-94 985
Change in inventories	-23 912	451	-10 762	565	-4 464
Change in trade receivables	-78 576	-26 218	-23 304	7 122	-33 996
Change in trade payables	28 903	2 996	10 275	1 625	3 719
<b>Cash flow from operating activities</b>	<b>134 147</b>	<b>146 943</b>	<b>103 155</b>	<b>104 782</b>	<b>349 435</b>
Cash flow from investing activities	-94 540	-52 682	-85 686	-4 966	-181 265
Cash flow from financing activities	-92 268	-81 938	-92 268	-81 301	-81 462
<b>Cash flow for the period</b>	<b>-52 661</b>	<b>12 323</b>	<b>-74 799</b>	<b>18 515</b>	<b>86 708</b>
Opening cash and cash equivalents	490 810	395 963	522 078	399 289	395 963
Exchange-rate difference in cash and cash equivalents	8 399	13 111	-731	3 593	8 139
<b>Closing cash and cash equivalents</b>	<b>446 548</b>	<b>421 397</b>	<b>446 548</b>	<b>421 397</b>	<b>490 810</b>

## Income statements for the Parent Company

SEK thousands	January – June		April – June		Whole year 2018
	2019	2018	2019	2018	
Net sales	7 237	7 814	3 469	4 930	16 104
Administrative expenses	-10 288	-10 258	-4 599	-5 034	-18 144
Other operating revenues	–	56	–	26	–
Other operating expenses	-35	-58	-62	-59	-46
<b>Operating income</b>	<b>-3 086</b>	<b>-2 446</b>	<b>-1 192</b>	<b>-137</b>	<b>-2 086</b>
Dividends from Group companies	1 856	211 579	1 856	211 579	362 692
Financial income and expenses	1 627	1 383	-451	1 244	1 336
<b>Income after financial items</b>	<b>397</b>	<b>210 516</b>	<b>213</b>	<b>212 686</b>	<b>361 942</b>
Income taxes	299	170	342	-262	69
<b>Net income</b>	<b>696</b>	<b>210 686</b>	<b>555</b>	<b>212 424</b>	<b>362 011</b>

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

## Balance sheets for the Parent Company

SEK thousands	Jun 30. 2019	Jun 30. 2018	Dec 31. 2018
<b>ASSETS</b>			
Tangible fixed assets	12	12	12
Participations in Group companies	771 346	770 629	771 346
Shares and participations	5 746	5 746	5 746
Other financial fixed assets	4 581	3 292	3 937
Deferred tax assets	1 312	871	1 014
Receivables from Group companies	61 136	85 948	48 990
Current tax receivables	9	10	–
Other current receivables	–	–	–
Prepaid expenses and accrued income	152	411	158
Cash and cash equivalents	132 600	39 064	261 749
<b>Total assets</b>	<b>976 894</b>	<b>905 983</b>	<b>1 092 952</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	954 966	895 214	1 046 539
Provisions	5 793	4 175	4 921
Current tax liabilities	244	–	234
Accounts payable	81	438	242
Liabilities to Group companies	11 403	–	35 426
Other short-term non-interest-bearing liabilities	563	1 183	506
Accrued expenses and deferred income	3 844	4 973	5 084
<b>Total shareholders' equity and liabilities</b>	<b>976 894</b>	<b>905 983</b>	<b>1 092 952</b>

## 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.

As from January 1, 2019, the company applies to IFRS 16 'Leasing agreements'. Reporting pursuant to IFRS 16 means that a great part of 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. The project regarding transition to IFRS 16 has included review of the company's all leasing agreement and interpretation of these agreements with respect to the IFRS 16 principles. Potential options to extend existing lease agreements have been considered and in each individual case it is evaluated however it is likely that an option will be exercised or not.

Vitrolife has chosen to apply the simplified transition approach, meaning that the leasing liability is recorded at the net present value of future leasing fees for the leasing agreements in place as of January 1, 2019. The right-of-use asset is recorded at the same value as the leasing liability as of January 1, 2019. The company has also chosen to apply practical expedients, where leasing agreements with a term shorter than 12 months and/or with an underlying asset meeting the standards definition of being low-value will not be included in right-of-use asset or leasing liability.

Reporting pursuant to IFRS 16 has meant that the company, as from January 1 2019, records a right-of-use asset and a leasing liability to the tune of SEK 79 million each, meaning that the company's equity/assets-ratio decreases by approx. 4 percentage points as of the same date. Since Vitrolife applies the simplified transition approach, where the initial right-of-use asset is of equal value as the leasing liability, no transition effect has affected equity as of January 1, 2019. Accounting according to IFRS 16 has had a positive impact on the Group's EBITDA-margin in the second quarter of approximately one percentage unit, which is attributable to that leasing fees are recorded as depreciation and interest expenses instead.

### Explanation to the transition from IAS 17 to IFRS 16, SEK million

Commitments on operational leasing agreements per 31 Dec 2018	47*
Additional, options to extend	41
Less short-term leases	-1
Less leasing of low-value assets	-1
Discounting according to marginal borrowing rate	-8
Leasing liability 1 January 2019	79

### Effect on assets and liabilities, 1 January 2019

SEK thousands	Balance 1 January 2019	Recalculation according to IFRS 16	Recalculated balance 1 January 2019
<b>Assets</b>			
Tangible assets	94 126	78 617	172 743
<b>Liabilities</b>			
Short-term interest bearing liabilities	-	10 400	10 400
Long-term interest bearing liabilities	-	68 217	68 217
<b>Total</b>	-	<b>78 617</b>	<b>78 617</b>

Above summary of effects on assets and liabilities includes only items that have had an impact from the standard's entry to force.

The Parent company applies to the exception rule in RFR 2, which means that a legal entity does not have to apply to IFRS 16. No other standards, amendments or interpretations that have come into force in 2019 are expected to have any material impact on the Group.

## Note 2. Financial instruments - Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13. Other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest bearing liabilities are recorded at amortised cost. Financial assets and liabilities measured at amortised cost amount to SEK 725,556 thousand (604,756) and SEK 74,451 thousand (38,688). For the Group's other financial assets and financial liabilities, the reported values are considered to be a good approximation of the fair values. A calculation of fair value based on discounted future cash flows, where a discount rate reflecting the counterparty's credit risk constitutes the most significant input, is not deemed to give any significant difference compared to the reported value.

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on latest material transactions. Hence, fair value is estimated to be equal to book value. Classified in level 3 are also liabilities which relate to additional purchase prices, for which fair value have been estimated in cases where the time for effectiveness can be determined with certainty and the effect on Group level is material. Calculation is performed by future expected payments being discounted by current market rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has during the period generated an effect on the income statement of SEK -297 thousand (-176). This effect is reported among financial items.

### Fair value hierarchy

SEK thousands	Fair value levels	Jun 30.2019	Jun 30.2018	Dec 31.2018
<b>Financial assets</b>				
Financial assets to fair value through income statement	3	5 746	5 746	5 746
<b>Total Financial assets</b>		<b>5 746</b>	<b>5 746</b>	<b>5 746</b>
<b>Financial liabilities</b>				
Financial liabilities to fair value through income statement	3	8 954	30 514	8 124
<b>Total Financial liabilities</b>		<b>8 954</b>	<b>30 514</b>	<b>8 124</b>

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	Jun 30.2019	Jun 30.2018	Dec 31.2018
<b>Group</b>			
Pledged assets	29 172	25 050	27 058
Contingent liabilities	1 455	1 008	769
<b>Parent company</b>			
Pledged assets	7 681	6 392	7 037
Contingent liabilities	6 295	349	123

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

## Note 4. Business combinations

On May 10, 2019, Vitrolife acquired the business of Parallabs Ltd (corporate identity number 05155001, based in Hertfordshire, UK), the company's distributor in UK and Ireland for Embryoscope time-lapse systems. The initial purchase price amounted to SEK 23.8 million (GBP 1.9 million). The purchase price was paid in cash and was financed by available cash balances. In addition to the initial purchase price, total additional purchase price of SEK 6.3 million (GBP 0.5 million) may be paid in relation to sales targets during the years 2019-2021. Vitrolife considers it likely that the additional purchase price will fall out and thus the purchase price analysis has been based on a total purchase price of SEK 30.1 million (GBP 2.4 million). The acquisition constitutes a business combination in accordance

with IFRS 3 and is expected to be accretive to group revenue of approximately GBP 1 million for a twelve-month period and marginally accretive on the company's EBITDA. Acquired assets and liabilities consist mainly of customer relationships of SEK 27.8 million (GBP 2.2 million), financial receivables of SEK 7.0 million (GBP 0.6 million) and deferred tax liability of SEK -5.3 million (GBP -0.4 million).

## Note 5. Revenue

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 (contractual liabilities) 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, Genomics and ART Equipment, where business unit Genomics is added from 2019. 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 6.

### Net sales per geographic segment

SEK millions	Jan-Jun 2019	Jan-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Whole year 2018
EMEA	282	253	151	126	511
<i>of which Sweden</i>	10	11	5	5	22
North- and South America	127	74	69	38	173
Japan and Pacific	99	88	52	42	169
Asia	185	132	109	77	297
<b>Total</b>	<b>693</b>	<b>547</b>	<b>381</b>	<b>283</b>	<b>1 151</b>

### Net sales per business unit

SEK millions	Jan-Jun 2019	Jan-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Whole year 2018
Media	331	294	172	162	606
Disposable Devices	88	80	47	40	167
Time-lapse	180	134	106	65	297
Genomics	54	-	33	-	-
ART Equipment	26	28	15	11	58
Other	14	11	7	6	24
<b>Total</b>	<b>693</b>	<b>547</b>	<b>381</b>	<b>283</b>	<b>1 151</b>

### Net sales per products and services

SEK millions	Jan-Jun 2019	Jan-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Whole year 2018
Products	652	515	359	266	1 081
Services	41	33	22	18	70
<b>Total</b>	<b>693</b>	<b>547</b>	<b>381</b>	<b>283</b>	<b>1 151</b>

## Note 6. Segments

Vitrolife consists of five business units whose products are sold by four geographic market organisations. From 2019 the business unit Genomics is added. 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. The balance sheet is not followed up per segment.

	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018	Jan-Jun 2019	Jan-Jun 2018
SEK thousands										
Net sales	282 041	253 300	127 338	73 740	98 679	88 191	184 597	131 994	692 655	547 225
Gross income	178 162	163 014	73 991	48 396	68 563	61 265	122 099	86 169	442 815	358 844
Selling expenses	-47 920	-43 553	-23 277	-13 671	-17 911	-14 733	-24 272	-16 831	-113 380	-88 788
<b>Market contribution</b>	<b>130 242</b>	<b>119 461</b>	<b>50 714</b>	<b>34 725</b>	<b>50 652</b>	<b>46 532</b>	<b>97 827</b>	<b>69 338</b>	<b>329 435</b>	<b>270 056</b>
Fixed assets*	866 770	676 321	115 352	93 320	6 057	645	1 023	-	989 202	770 286

	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Apr-Jun 2019	Apr-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Apr-Jun 2019	Apr-Jun 2018
SEK thousands										
Net sales	150 778	126 081	68 504	38 337	52 448	41 747	109 001	77 066	380 731	283 231
Gross income	92 490	81 916	40 648	25 831	36 823	29 310	74 947	50 279	244 908	187 336
Selling expenses	-26 257	-21 804	-13 525	-7 306	-10 631	-7 595	-15 718	-9 923	-66 131	-46 628
<b>Market contribution</b>	<b>66 233</b>	<b>60 112</b>	<b>27 123</b>	<b>18 525</b>	<b>26 192</b>	<b>21 715</b>	<b>59 229</b>	<b>40 356</b>	<b>178 777</b>	<b>140 708</b>
Fixed assets*	866 770	676 321	115 352	93 320	6 057	645	1 023	-	989 202	770 286

	EMEA	North- and South America	Japan and Pacific	Asia	Total
	Whole year 2018	Whole year 2018	Whole year 2018	Whole year 2018	Whole year 2018
SEK thousands					
Net sales	511 211	173 482	169 304	297 351	1 151 348
Gross income	334 754	114 686	119 838	191 846	761 124
Selling expenses	-82 785	-34 094	-33 421	-34 237	-184 537
<b>Market contribution</b>	<b>251 969</b>	<b>80 592</b>	<b>86 417</b>	<b>157 609</b>	<b>576 587</b>
Fixed assets*	725 054	95 750	1 314	5	822 123

\* 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. Basis for calculation of financial information for rolling 12 month is found in sections consolidated income statements per quarter and key ratios per quarter, total Group.

### 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. Vitrolife also reports adjusted gross and operating margin, which are defined as the above mentioned income measures in relation to net sales.

### 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). The comparative figures in the table have not been recalculated after the transition to IFRS 16.

SEK millions	January-June		April-June		Whole year	
	2019	2018	2019	2018	2018	2018
Operating income	226.5	188.1	122.9	98.5	393.9	
Depreciation and amortisation	46.1	34.3	23.5	17.7	84.7	
<b>Operating income before depreciation and amortisation (EBITDA)</b>	<b>272.6</b>	<b>222.5</b>	<b>146.4</b>	<b>116.2</b>	<b>478.6</b>	

### 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 millions	Jun 30. 2019	Jun 30. 2018	Dec 31. 2018
Average shareholders' equity, rolling 12 month	1 523.6	1 258.5	1 392.7
Net income, rolling 12 month	339.0	283.8	309.7
<b>Return on equity, %</b>	<b>22.3</b>	<b>22.5</b>	<b>22.2</b>

### 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.

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

SEK millions	Jun 30. 2019	Jun 30. 2018	Dec 31. 2018
Long-term interest-bearing liabilities	–	–	–
Short-term interest-bearing liabilities	–	–	–
Adjustment of interest-bearing liabilities related to leasing agreements	–	–	–
Cash and cash equivalents	-446.5	-421.4	-490.8
<b>Net debt</b>	<b>-446.5</b>	<b>-421.4</b>	<b>-490.8</b>

SEK millions	Jun 30. 2019	Jun 30. 2018	Dec 31. 2018
Net debt	-446.5	-421.4	-490.8
Operating profit, rolling 12 month	432.2	356.1	393.9
Depreciation and amortisation, rolling 12 month	96.5	67.7	84.7
Rolling 12 month EBITDA	528.7	423.7	478.6
<b>Net debt / Rolling 12 month EBITDA</b>	<b>-0.8</b>	<b>-1.0</b>	<b>-1.0</b>

### 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. The percentage effects in the following tables are calculated by each amount in SEK millions in relation to net sales in the same period previous year (which is presented in note 5).

#### Net sales per geographic segment

	EMEA		North and South America		Japan and Pacific		Asia	
	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019
Growth in local currency, SEK M	17	19	44	25	5	8	44	28
<i>Growth in local currency, %</i>	7	15	56	65	6	19	35	38
Currency effects, SEK M	12	5	10	5	5	3	9	4
<i>Currency effects, %</i>	4	4	17	14	6	6	5	3
<b>Total growth, SEK M</b>	<b>29</b>	<b>24</b>	<b>54</b>	<b>30</b>	<b>10</b>	<b>11</b>	<b>53</b>	<b>32</b>
<b>Total growth, %</b>	<b>11</b>	<b>19</b>	<b>73</b>	<b>79</b>	<b>12</b>	<b>25</b>	<b>40</b>	<b>41</b>

#### Net sales per business unit

	Media		Disposable Devices		Time-lapse		Genomics		ART Equipment	
	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019	Jan-Jun 2019	Apr-Jun 2019
Growth in local currency, SEK M	24	5	3	5	35	35	51	31	-4	3
<i>Growth in local currency, %</i>	8	4	4	11	27	56	n/a	n/a	-13	24
Currency effects, SEK M	14	5	5	2	11	7	3	2	2	1
<i>Currency effects, %</i>	5	3	6	6	7	8	n/a	n/a	7	14
<b>Total growth, SEK M</b>	<b>38</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>46</b>	<b>42</b>	<b>54</b>	<b>33</b>	<b>-2</b>	<b>4</b>
<b>Total growth, %</b>	<b>13</b>	<b>6</b>	<b>10</b>	<b>17</b>	<b>34</b>	<b>64</b>	<b>n/a</b>	<b>n/a</b>	<b>-6</b>	<b>38</b>

#### Group total

	Jan-Jun 2019	Jan-Jun 2018	Apr-Jun 2019	Apr-Jun 2018	Whole year 2018
Organic growth in local currency, SEK M	59	5	48	-15	58
<i>Organic growth in local currency, %</i>	11	1	18	-5	5
Acquired growth, SEK M	51	-	31	-	-
<i>Acquired growth, %</i>	9	-	11	-	-
Currency effects, SEK M	35	13	18	13	47
<i>Currency effects, %</i>	7	2	5	4	5
<b>Total growth, SEK M</b>	<b>145</b>	<b>18</b>	<b>97</b>	<b>-2</b>	<b>105</b>
<b>Total growth, %</b>	<b>27</b>	<b>3</b>	<b>34</b>	<b>-1</b>	<b>10</b>

# 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 (excluding financial liabilities related to leasing agreements) 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 vitro (Latin "in glass")

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

## In vivo

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

## Incubator

Equipment for culture of embryos in a controlled environment.

## IUI

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

## IVF, In Vitro Fertilization

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

## Medical devices

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

## PGT-A

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

## PGT-M

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

## Preclinical study

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

## Time-lapse

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

## Vitrification

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

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