



INTERIM REPORT JANUARY-MARCH 2015

Vitrolife AB (publ)

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

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

Vitrolife 

Good growth and strengthened income

First quarter

- Sales amounted to SEK 162 (119) million, corresponding to an increase of 36 percent in SEK. Sales growth was 19 percent in local currency. The acquisition of Unisense Fertilitech A/S contributed SEK 22 million to sales. Adjusted for this, sales growth amounted to 4 percent in local currency.

- Operating income before depreciation and amortization (EBITDA) amounted to SEK 54 (36) million, corresponding to a margin of 33 (31) percent. Fluctuations in exchange rates had a positive effect of SEK 12 million on operating income before depreciation and amortization (EBITDA).
- Net income amounted to SEK 35 (22) million, which gave earnings per share of SEK 1.61 (1.12).

CEO's comments

The organic growth during the quarter was 4 percent. The acquired growth was 15 percent as a result of the company's acquisition of Unisense Fertilitech A/S towards the end of last year. The integration of Vitrolife A/S, which is the new name of the acquired company, has proceeded well. The integration work has examined processes and functions to find the most effective structure so as to achieve profitable growth within the time-lapse area in the time ahead. An example of a change that has been carried out is that sales of Embryo-Scope have been integrated into Vitrolife's sales structure with a view to increasing sales and reducing expenses. Furthermore, the product development teams in Denmark and Hungary have begun to exchange knowledge and experience so as to optimize future product generations. There is still a split picture of time-lapse in the market at present. In certain markets, such as UK and China, there is very great interest in time-lapse, while in other markets there is a more cautious attitude and a desire to have more facts about the benefits of time-lapse.



Looking at the rest of Vitrolife's product range, media increased by 3 percent in local currency and other IVF products by 15 percent. Sales in the Asia and Pacific region were negatively affected by the timing of the Chinese New Year and by a changed distribution structure in India. Increased competition can be seen in China in the

media area due to the fact that more competitors have approved media. However, the situation in Asia remains bright regarding market growth and Vitrolife's chances of successfully meeting the competition.

Sales during the first quarter increased by 19 percent in local currency, but translated to Swedish kronor growth was 36 percent. The current currency situation is favorable to Vitrolife and due to currency effects the company reported operating income that was SEK 12 million higher than the same quarter last year. The company aims to reduce its currency exposure by using currency hedging contracts and by working towards a better balance between revenues and expenses in different currencies.

Profitability has continued to develop well. During the first quarter the operating margin before depreciation and amortization (EBITDA) amounted to 33 percent, which is above the company's objective of 30 percent. Exchange rates have had a positive effect on profitability. We are pleased to note that Vitrolife demonstrated good margins despite the fact that the company recently acquired Vitrolife A/S, which reported large losses last year.

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

The Group's Key Figures

SEK millions	January – March 2015	2014	Whole year 2014
Net sales	162	119	511
Net sales growth, local currency, %	19	12	8
Gross margin, %	66	68	68
Operating income before depreciation and amortization (EBITDA)	54	36	167
Operating income (EBIT)	39	30	143
Operating margin, %	24	25	28
Net income	35	22	109
Net debt / Rolling 12 month EBITDA	-0.1	-0.2	-0.1
Earnings per share, SEK,	1.61	1.12	5.46
Share price on closing day, SEK	161.00	94.50	166.00
Market cap at closing day	3 495	1 874	3 604

* For definition, see page 12

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 amortization (EBITDA) of 30 percent.

First quarter 2015 (January - March)

Net sales

Sales amounted to SEK 162 (119) million, corresponding to an increase of 36 percent in SEK. Sales growth was 19 percent in local currency. The acquisition of Unisense Fertilitech A/S contributed SEK 22 million to sales. Adjusted for this, sales growth amounted to 4 percent in local currency, corresponding to an increase of 18 percent in SEK.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 25 percent in local currency and amounted to SEK 77 (57) million. The increase amounted to 35 percent in SEK. Growth has been positively affected by the acquisition of Unisense Fertilitech A/S.

Sales in the North and South American region amounted to SEK 28 (20) million. The increase in local currency amounted to 6 percent, corresponding to an increase of 36 percent in SEK. Growth has been positively affected by the acquisition of Unisense Fertilitech A/S.

Sales in the Asia and Pacific region increased by 19 percent in local currency and amounted to SEK 57 (42) million. The increase was 38 percent in SEK. Growth was affected positively by the acquisition of Unisense Fertilitech A/S and negatively by the changed distribution structure in India and the timing of the Chinese New Year compared with last year.

The media product group increased by 3 percent in local currency during the quarter and amounted to SEK 97 (82) million, corresponding to an increase of 18 percent in SEK. The time-lapse product group amounted to SEK 27 (7)

million. The other IVF products increased by 15 percent in local currency and amounted to SEK 34 (27) million, corresponding to an increase of 30 percent in SEK. Freight revenues amounted to SEK 4 (3) million.

Fig 1. Net sales per geographic area (rolling 12 months)

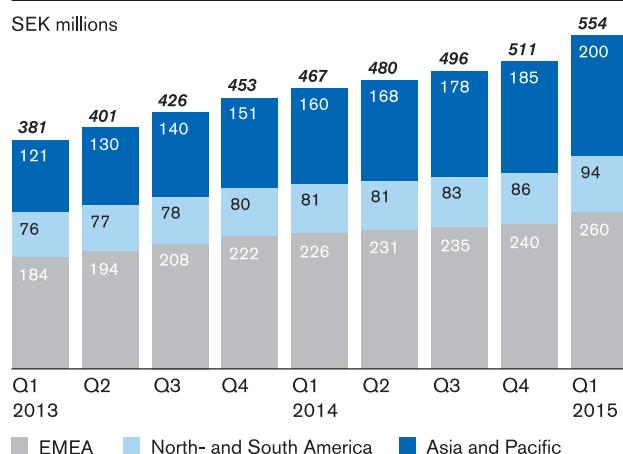


Fig 2. Sales development (per quarter)

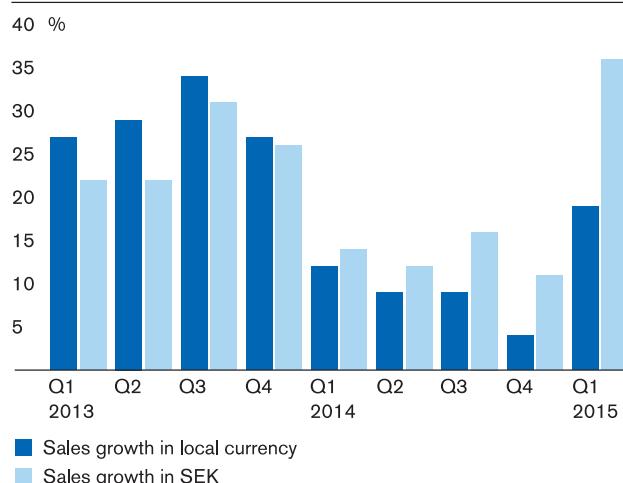
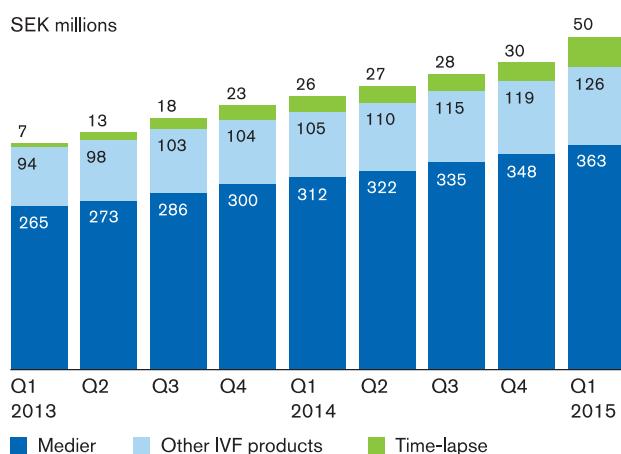


Fig 3. Net sales per product group (rolling 12 months)



Income

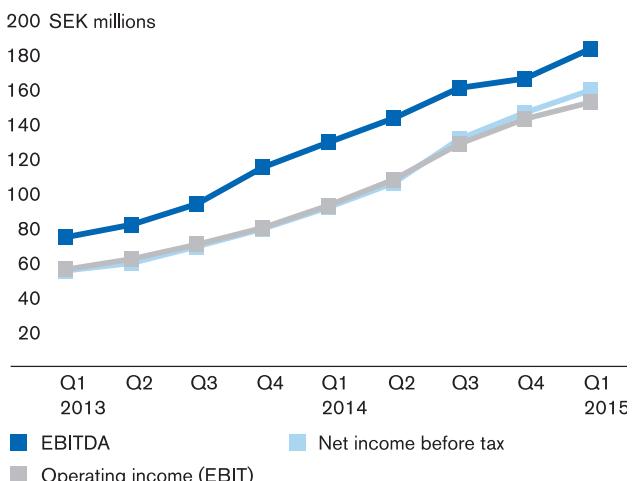
Operating income before depreciation and amortization (EBITDA) amounted to SEK 54 (36) million, corresponding to a margin of 33 (31) percent. Fluctuations in exchange rates had a positive effect of SEK 12 million on operating income before depreciation and amortization (EBITDA).

Gross income amounted to SEK 106 (81) million. The gross margin amounted to 66 (68) percent and was negatively affected by the fact that EmbryoScope has a lower gross margin than the rest of Vitrolife's product range. The gross margin was also negatively affected by amortization of surplus values as a consequence of the acquisition, in accordance with IFRS. This amortization amounted to SEK 5 (0) million in the first quarter. The gross margin was positively affected by exchange rates and economies of scale.

Selling expenses amounted to 21 (22) percent of sales and the decrease consisted primarily of economies of scale. Administrative expenses amounted to 13 (12) percent of sales and the increase was caused by the acquisition of Vitrolife A/S. R&D costs amounted to 9 (10) percent of sales and the decrease consisted mainly of economies of scale. Depreciation, amortization and write-downs of SEK 14 (7) million were charged against income. The increase consisted mainly of increased amortization due to the acquisition of Vitrolife A/S.

Net financial items amounted to SEK 3 (0) million and primarily consisted of fluctuations in exchange rates. Income before tax amounted to SEK 43 (30) million. Net income amounted to SEK 35 (22) million and contained a positive tax effect related to the previous year's deferred tax of SEK 2 million.

Fig 4. Income (rolling 12 months)



Cash flow

The cash flow from operating activities amounted to SEK 8 (24) million. Tax paid during the quarter amounted to SEK -30 (-12) million and was primarily payment of Swedish corporate tax related to the previous year. The change in working capital amounted to SEK -14 (1) million and consisted of increased inventories, increased accounts receivable and reduced operating liabilities. Gross investments in tangible assets amounted to SEK -2 (-1) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -4 (0) million and consisted mainly of capitalized development costs. Investments in subsidiaries amounted to SEK -8 (-7) million and comprised a supplementary purchase sum related to the acquisition of Cryo Management. The cash flow from financing activities was SEK -12 (-4) million and consisted primarily of repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 90 (66) million.

Financing

Vitrolife's total credit facilities amounted to SEK 124 (94) million, of which SEK 74 (34) million was utilized. The credit facilities were primarily used for the financing of corporate acquisitions. The equity/assets ratio was 77 (69) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to -0.1 (-0.2) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income before tax for the quarter amounted to SEK -1 (0) million. Cash and cash equivalents amounted to SEK 8 (1) million.

Prospects for 2015

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 new emerging countries such as China and India, where the demand for this treatment is increasing rapidly. Still only a few percent of all the couples in the world who have fertility problems are treated using IVF. Vitrolife therefore anticipates a constantly expanding market which in monetary terms is expected to grow by 5–10 percent per year in the foreseeable future.

The focus during 2015 will be on the external processes within marketing and sales, primarily in the emerging markets, and to achieve profitability in FertiliTech. The company continues to work on further refining and communicating the concept of best partner and total supplier to the customers. Work is also being done to secure that the internal processes are run in a rational and cost-effective way.

The company in brief

Business concept

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

Goal

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

Strategies

- Have a fully comprehensive product range of effective and quality-assured fertility products.
- Have world-leading production with the highest quality-control and efficiency.
- Have a global support organization covering all IVF-treatments world-wide.
- Have an organizational structure and processes to deliver growth.

Other information

Organization and personnel

During January to March the average number of employees was 313 (233), of whom 140 (117) were women and 173 (116) were men. Of these 124 (130) people were employed in Sweden, 69 (0) in Denmark, 59 (50) in the USA and 60 (53) in the rest of the world. The number of

people employed in the Group at the end of the period was 325 (246). The increase is mainly related to Vitrolife A/S.

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 2014, note 29.

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 1.50 (1.00) per share.

Risk management

Vitrolife is constantly working to identify, evaluate and manage overall risks and different systems and processes. During 2010 Enterprise Risk Management (ERM) was introduced, a system which aims to ensure that identified risks are handled in a systematic way. 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 2014. These are primarily constituted by the company's market investments, product development investments, currency risks and legal risks.

The company's management of risks is also described in the Corporate Governance Report in the same Annual Report. The same applies to the Group's management of financial risks, which are described in the Annual Report for 2014, note 24. The risks as they are described in the Annual Report for 2014 are assessed to be essentially unchanged for 2015.

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 rejects. 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.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on May 5, 2015, 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 2014 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.

April 28, 2015
Gothenburg
Vitrolife AB (publ)

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.

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

During 2015 it is planned that the following reports will be submitted:

Interim report January – June: Tuesday July 14

Interim report January – September: Thursday November 5

Queries should be addressed to

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

Vitrolife is required to publish the information in this report in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The report was submitted for publication on Tuesday April 28, 2015 at 8.00 am.

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

Consolidated income statements

SEK thousands	January – March 2015	January – March 2014	Whole year 2014
Net sales	162 396	119 072	510 512
Cost of goods sold	-55 960	-38 149	-161 394
Gross income	106 436	80 923	349 118
Selling expenses	-34 139	-26 782	-112 098
Administrative expenses	-20 411	-14 192	-59 960
Research and development costs	-14 963	-11 504	-41 925
Other operating revenues and expenses	2 530	1 475	8 211
Operating income	39 453	29 920	143 346
Financial income and expenses	3 081	-340	3 578
Income after financial items	42 534	29 580	146 924
Taxes	-7 304	-7 201	-37 456
Net Income	35 230	22 379	109 468
Attributable to			
Parent Company's shareholders	34 987	22 178	109 109
Non-controlling interests	243	201	359
Earnings per share, SEK	1.61	1.12	5.46
Average number of outstanding shares	21 710 115	19 830 936	19 987 534
Number of shares at closing day	21 710 115	19 830 936	21 710 115

Depreciation, amortization and write-downs were charged against income for the period by SEK 14,194 thousand (6,528).

Statement of comprehensive income

SEK thousands	January – March 2015	January – March 2014	Whole year 2014
Net income	35 230	22 379	109 468
Other comprehensive income			
<i>Items that may be reclassified to the income statement</i>			
Cash-flow hedges, net after tax	1 625	-169	717
Exchange rate differences, net after tax	2 444	-2 666	20 794
Total other comprehensive income, net after tax	4 069	-2 835	21 511
Total comprehensive income	39 299	19 544	130 979
Attributable to			
Parent Company's shareholders	39 056	19 343	130 620
Non-controlling interests	243	201	359

Key ratios, total group

	2015	January – March 2014	Whole year 2014
Gross margin, %	65.5	68.0	68.4
Operating margin before depreciation and amortization, %	33.0	30.6	32.6
Operating margin, %	24.3	25.1	28.1
Profit margin, %	21.7	18.8	21.4
Equity/assets ratio, %	77.2	68.8	72.2
Shareholders' equity per share, SEK	34.1	17.2	32.3
Return on equity, %	22.5	21.3	24.8
Cash flow from operating activities per share, SEK	0.39	1.23	7.29
Net cash (+) / Net debt (-), SEK millions	16.8	31.1	21.8

Consolidated income statements per quarter

SEK thousands	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013
Net sales	162 396	136 859	125 145	129 436	119 072	123 502	108 642	115 991
Cost of goods sold	-55 960	-46 592	-36 267	-40 387	-38 149	-40 144	-36 196	-39 853
Gross income	106 436	90 267	88 878	89 049	80 923	83 358	72 446	76 138
Selling expenses	-34 139	-31 095	-23 675	-30 545	-26 782	-27 820	-24 779	-28 964
Administrative expenses	-20 411	-15 918	-14 677	-15 173	-14 192	-15 135	-11 693	-15 601
Research and development costs	-14 963	-11 824	-7 072	-11 524	-11 504	-22 384	-12 425	-12 194
Other operating revenues and expenses	2 530	4 675	264	1 797	1 475	3 705	-464	-743
Operating income	39 453	36 105	43 718	33 604	29 920	21 724	23 086	18 636
Financial income and expenses	3 080	1 029	4 879	-1 990	-340	212	65	-1 101
Income after financial items	42 534	37 134	48 597	31 614	29 580	21 936	23 151	17 535
Taxes	-7 304	-8 724	-13 045	-8 487	-7 201	-6 552	-6 124	-5 253
Net income	35 230	28 410	35 552	23 127	22 379	15 384	17 027	12 282
Attributable to								
Parent Company's shareholders	34 987	28 427	35 493	23 011	22 178	15 357	16 935	12 108
Non-controlling interests	243	-17	59	116	201	27	92	174

Key ratios per quarter, total group

	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014	Apr-Jun 2014	Jan-Mar 2014	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013
Shareholders' equity per share, SEK	34.1	32.3	19.3	17.2	16.8	15.8*	15.0*	14.4*
Return on equity, %	22.5	24.8	28.1	24.2	21.8	19.4*	14.4*	11.0*
Cash flow from operating activities per share, SEK	0.39	1.87	2.75	1.43	1.23	1.91	1.59	0.90

* Prior years' deferred tax in the U.S. have been adjusted and recorded in equity in accordance with IAS 8.

Consolidated balance sheets

SEK thousands	Mar 31. 2015	Mar 31. 2014	Dec 31. 2014
ASSETS			
Goodwill	364 835	180 969	364 545
Other intangible fixed assets	187 339	19 176	196 846
Tangible fixed assets	95 776	83 878	92 322
Financial fixed assets	11 006	5 548	9 986
Deferred tax assets	—	4 616	—
Inventories	98 313	61 548	91 677
Accounts receivable	92 259	63 222	84 620
Tax assets	7 770	—	7 988
Other current receivables	12 690	12 971	16 900
Liquid funds	90 458	65 514	107 598
Total assets	960 446	497 442	972 482
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to the Parent Company's shareholders	739 970	340 299	700 914
Non-controlling interests	1 858	1 811	1 657
Appropriations	5 060	4 762	3 961
Deferred tax liabilities	23 590	14 263	26 270
Long-term interest bearing liabilities	53 632	17 587	60 019
Long-term non-interest bearing liabilities	1 243	18 155	19 830
Short-term interest bearing liabilities	20 060	16 820	25 774
Tax liabilities	9 172	7 848	28 578
Derivative instruments	720	1 667	2 803
Accounts payable	20 436	17 567	22 282
Other short-term non-interest bearing liabilities	84 705	56 663	80 394
Total shareholders' equity and liabilities	960 446	497 442	972 482
Pledged assets for own liabilities	21 760	21 345	21 661
Contingent liabilities	465	236	350

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, 2014	20 228	220 287	-38 149	111 520	1 644	315 530
Total comprehensive income	—	—	21 511	109 109	359	130 979
Dividend (1.00 SEK per share)	—	—	—	-19 831	—	-19 831
Dividend to non-controlling interests	—	—	—	—	-408	-408
New issue of shares*	1 916	274 323	—	—	—	276 239
Other transactions with non-controlling interests	—	—	—	—	62	62
Closing balance December 31, 2014	22 144	494 610	-16 638	200 798	1 657	702 571
Opening balance January 1, 2015	22 144	494 610	-16 638	200 798	1 657	702 571
Total comprehensive income	—	—	4 069	34 987	243	39 299
Other transactions with non-controlling interests	—	—	—	—	-42	-42
Closing balance March 31, 2015	22 144	494 610	-12 569	235 785	1 858	741 828

* The number of issued shares is 1,879,179 shares.

Consolidated cash flow statements

SEK thousands	January – March 2015	January – March 2014	Whole year 2014
Income after financial items	42 534	29 580	146 924
Adjustment for items not affecting cash flow	9 868	5 788	11 610
Tax paid	-30 262	-12 470	-18 154
Change in inventories	-3 848	-1 632	5 469
Change in trade receivables	-2 991	-2 553	3 201
Change in trade payables	-6 875	5 682	-3 384
Cash flow from operating activities	8 426	24 395	145 666
 Cash flow from investing activities	 -15 030	 -7 919	 -77 517
Cash flow from financing activities	-11 677	-4 258	-19 704
Cash flow for the period	-18 281	12 218	48 445
 Liquid funds at beginning of period	 107 598	 53 769	 53 769
Exchange rate difference in liquid funds	1 140	-473	5 384
Liquid funds at end of period	90 457	65 514	107 598

Income statements for the Parent Company

SEK thousands	January – March 2015	January – March 2014	Whole year 2014
Administrative expenses	-2 198	-1 537	-9 847
Other operating revenues and expenses	-1	1 724	-7
Operating income	-2 199	187	-9 854
Write-down financial fixed assets	–	–	-799
Dividends from affiliated companies	–	–	4 918
Financial income and expenses	1 056	-314	-3 723
Income after financial items	-1 143	-127	-9 458
Year-end adjustments (received group contribution)	–	–	10 984
Taxes	251	28	-4
Net income	-892	-99	1 522

Depreciation and amortization were charged against income for the period by SEK 0 thousand (0).

Balance sheets for the Parent Company

SEK thousands	Mar 31. 2015	Mar 31. 2014	Dec 31. 2014
ASSETS			
Tangible fixed assets	12	12	12
Participation in affiliated and associated companies	760 824	424 993	760 824
Other financial tangible assets	3 746	4 000	3 746
Deferred tax assets	251	–	–
Other current receivables	2 059	3 261	1 545
Receivables from affiliated companies	58 848	8 626	61 762
Liquid funds	8 369	562	2 119
Total assets	834 109	441 454	830 008
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	554 709	297 572	555 601
Long-term interest-bearing liabilities	53 632	13 422	59 472
Long-term non-interest-bearing liabilities	1 243	18 155	19 830
Short-term interest-bearing liabilities	17 645	6 019	18 079
Accounts payable	1 887	3 371	1 408
Liabilities to group companies	184 572	91 892	164 968
Other short-term non-interest liabilities	20 421	11 023	10 650
Total shareholders' equity and liabilities	834 109	441 454	830 008
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	–	–	–

Note 1. Accounting Principles

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 2.2 of the Swedish Financial Reporting Board, Accounting for Legal Entities.

Unless otherwise stated below, the accounting principles applied to the Group and the Parent Company are consistent with the accounting principles used in the presentation of the most recent Annual Report. No new or amended accounting principles effective 2015 have had any significant impact on the Group.

Note 2. Financial instruments - Fair value

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

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

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

The measurement of fair value for financial liabilities in level 3 has generated an effect on the income statement of SEK -143 thousand (-138) during the period, which is reported among financial items.

Fair value for other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest-bearing liabilities is estimated to be equal to their book value (accumulated amortized cost). All long-term interest-bearing loans have floating rates and therefore estimated that the fair value substantially conform with the book value. Financial assets and liabilities measured at amortized cost amount to SEK 191,075 thousand (134,824) and SEK 131,292 thousand (78,060).

Fair value hierarchy

SEK thousands	levels	Fair value		
		Mar 31.2015	Mar 31.2014	Dec 31.2014
Financial assets				
Financial assets to fair value through income statement	3	3 746	4 000	3 746
Total Financial assets		3 746	4 000	3 746
Financial liabilities				
Financial liabilities to fair value through income statement	3	18 238	25 810	27 013
Derivatives for hedge accounting	2	720	1 667	2 803
Total Financial liabilities		18 958	27 477	29 816

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

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

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

Note 3. Acquisition of subsidiary

No acquisition has occurred during first quarter 2015.

During the fourth quarter of 2014 Vitrolife acquired all shares in Unisense FertiliTech A/S. After the acquisition, the name was changed to Vitrolife A/S.

The acquisition was carried out through payment via 1,879,179 Vitrolife shares and payment of existing shareholder loans in FertiliTech corresponding to DKK 50.0 million. The value of the non-cash consideration amounted to SEK 276,239,313.

A supplementary purchase sum corresponding to a value of 1,308,656 shares may be paid in addition to the fixed purchase sum. The supplementary purchase sum will only be paid if certain defined sales objectives are met for the periods 2015 and 2016 to 2017, respectively.

The table below summarizes the purchase sum paid and acquired assets and liabilities reported at fair value at the date of acquisition.

SEK millions	2014
Identified assets and liabilities	
Trademark	31.0
Products and development projects	145.1
Fixed assets	4.5
Financial assets	31.9
Current assets	66.6
Current liabilities	-32.8
Long-term liabilities	-45.3
Deferred tax liability due to surplus value	-33.1
Total acquired assets and liabilities	167.9
Goodwill	170.7
Total	338.6
Purchase price	
Liquid funds	62.4
New issue of shares	276.2
Total purchase price	338.6
SEK millions	
Liquid funds paid	-62.4
Liquid funds in acquired business	1.7
Effect on group liquid funds	-60.7

Definitions

Gross margin

Net sales minus the cost of goods sold as a percentage of net sales for the period.

Operating margin before depreciation and amortization

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

Operating margin

Operating income after depreciation and amortization 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.

Equity/assets ratio

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

Earnings per share

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

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.

Shareholders' equity per share

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

Net cash (+) / Net debt (-)

Cash and cash equivalents plus interest-bearing receivables minus interest-bearing liabilities.

Glossary

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

IVF, In Vitro Fertilization

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

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.

Embryo

A fertilized egg.

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.

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.

IUI

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

Stem cells

Non-specialized cells to be found in all multi-cell organisms. Have the ability to mature 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.

Cell therapy

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

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.

Clinical study/trial

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

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.

Medical devices

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

Biotechnology

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

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.

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 analysed.

TOGETHER. ALL THE WAY™

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