



REPORT ON OPERATIONS 2013

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 today has approximately 240 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, Small Cap.

Vitrolife 

High growth and improved profitability

Fourth quarter

Continuing operations

- Sales growth was 27 percent in local currency. Sales amounted to SEK 124 (98) million, corresponding to an increase of 26 percent in SEK.
- Operating income (EBIT) amounted to SEK 22 (12) million, corresponding to an operating margin of 18 (12) percent. The quarter was affected by the write-down of intangible assets with regard to Labware to the tune of SEK 9 (-) million.

- The comparative figures for 2012 relate to continuing operations, fertility, unless otherwise stated.
- Net income amounted to SEK 15 (0) million, which gave earnings per share of SEK 0.77 (-0.01).
- Contract manufacturing of STEEN Solution for Xvivo Perfusion AB terminated.
- Increased collaboration with Biolamina AB within the stem-cell area resulted in Vitrolife investing SEK 4 million in Biolamina in a directed share issue.

Whole year 2013

Continuing operations

- Sales growth was 29 percent in local currency. Sales amounted to SEK 453 (362) million, corresponding to an increase of 25 percent in SEK.
- Operating income (EBIT) amounted to SEK 80 (50) million, corresponding to an operating margin of 18 (14) percent.
- The comparative figures for 2012 relate to continuing operations, fertility, unless otherwise stated.
- Net income amounted to SEK 57 (27) million, which gave earnings per share of SEK 2.84 (1.36).
- Integration of Cryo Management Ltd, which was acquired at the end of 2012, focusing on sales of Primo Vision.

- Acquisition of all the shares in the Danish company HertArt ApS, which has developed the Labware range.
- Contract manufacturing of STEEN Solution for Xvivo Perfusion AB terminated.
- Write-down of Labware to the tune of SEK 9 million.

After the end of the year

- The Board proposes a dividend of SEK 1.00 (0.60).
- The Board has, in connection with the close, resolved to increase the operating margin target to 17 percent compared to earlier 15 percent at the same time as the ambition for growth remains at 20 percent.

The Group's Key Figures

SEK millions	Oct – Dec 2013	2012	Whole Year 2013	2012
Continuing operations				
Net sales	124	98	453	362
Net sales growth, local currency, %	27	24	29	18
Gross margin, %	67	65	66	66
Operating income before depreciation and amortization (EBITDA)	38	17	115	67
Operating income (EBIT)	22	12	80	50
Operating margin, %	18	12	18	14
Net income	15	0	57	27
Net debt / Rolling 12 month EBITDA	-0,1	0,9	-0,1	0,9
Earnings per share, SEK,	0,77	-0,01	2,84	1,36
Share price on closing day, SEK	94,25	40,3	94,25	40,3
Market cap at closing day	1 869	799	1 869	799

For definition, see page 14

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 of 17 percent.

CEO's comments

During the fourth quarter, Vitrolife reported high growth and improved profitability. Sales growth during the quarter amounted to 27 percent in local currency and continued to be strong in all regions.



The Asia and Pacific region reported growth of 45 percent. The increase in sales was driven by continuing good development in primarily China, Japan and India. Each year Vitrolife holds a meeting in January with all our Asian distributors. This is part of our strategy to support the distributors through the exchange of experiences and knowledge. This year's meeting was held in Malaysia and the general picture was that the distributors are optimistic about the outlook for 2014. However, risks were also discussed during the meeting such as increasing competition in China, for example as a result of the fact that since the beginning of 2014 there are competitors who have media approval in China. Low-price competitors in certain product segments were also discussed.

The EMEA region (Europe, the Middle East and Africa) continues to develop well, with growth during the quarter of 19 percent adjusted for sales to Xvivo. Within the region, Russia, Turkey and the UK, for example, developed well during the quarter. The launch of the PrimoVision embryo monitoring system has contributed to growth in the region.

The North and South American region reported growth of 9 percent in local currency, which is higher than market growth there.

During the quarter contract manufacturing of the transplantation product STEEN Solution for Xvivo Perfusion AB was terminated. During 2013 the product generated revenues of SEK 13 million. Vitrolife has also terminated distributor sales of laser equipment in the USA for Research Instruments, which generated revenues of SEK 5 million during 2013. All in all these changes mean that the Group's sales will be reduced by approximately 4 percent. The profitability of these sales has been limited, however, and thus Vitrolife assesses that the effect on earnings per share of these changes is marginal.

Vitrolife AB has collaborated with the Stockholm-based Biolamina AB within the stem-cell field since 2012. The companies decided to increase their collaboration during the fourth quarter and, as part of this greater collaboration, Vitrolife has acquired 4,6 percent of Biolamina. The aim of the collaboration is, amongst other things, to be able to take advantage of Biolamina's cutting-edge competence in the stem-cell area. The strategy of Vitrolife's stem-cell area continues to be, on the basis of Vitrolife's knowledge of production within the IVF area, to be able to manufacture stem-cell cultivation media which are of high quality and safe for clinical use.

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

Fourth quarter 2013 (October - December)

Continuing operations

Net sales

Vitrolife's net sales increased by 27 percent in local currency in the fourth quarter and amounted to SEK 124 (98) million. Sales growth in SEK amounted to 26 percent.

Sales for the EMEA region (Europe, the Middle East and Africa) increased by 24 percent in local currency in the quarter and amounted to SEK 63 (50) million. The increase in SEK amounted to 25 percent. The quarter included sales of contract manufactured STEEN Solution™ to Xvivo of SEK 5 million (2). Adjusted for this, growth amounted to 19 percent in local currency and 21 percent in SEK.

Sales in the North and South American region amounted to SEK 20 (19) million. In local currency the increase amounted to 9 percent, corresponding to an increase of 6 percent in SEK.

Sales in the Asia and Pacific region increased by 45 percent in local currency and amounted to SEK 41 (29) million. The increase amounted to 39 percent in SEK.

The media product group increased by 24 percent in local currency in the quarter and amounted to SEK 80 (65) million, corresponding to an increase of 22 percent in SEK. Other IVF products increased by 28 percent in local currency and amounted to SEK 36 (28) million, corresponding to an increase of 27 percent in SEK. The increase consisted, amongst other things, of the PrimoVision time-lapse system. Sales of contract manufactured STEEN Solution™ to Xvivo amounted to SEK 5 (2) million and freight revenues to SEK 3 (3) million.

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

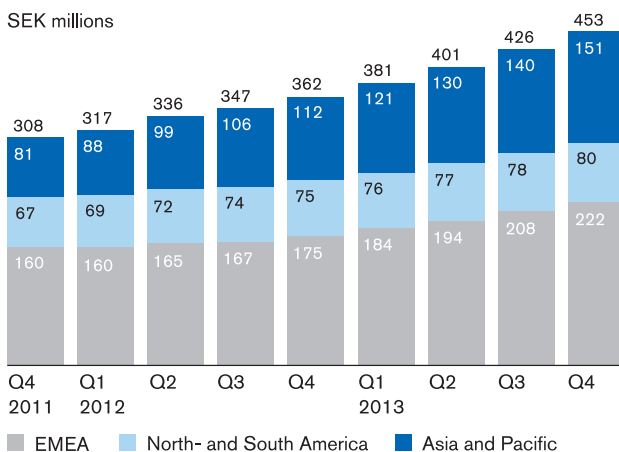


Fig 2. Sales development (per quarter)

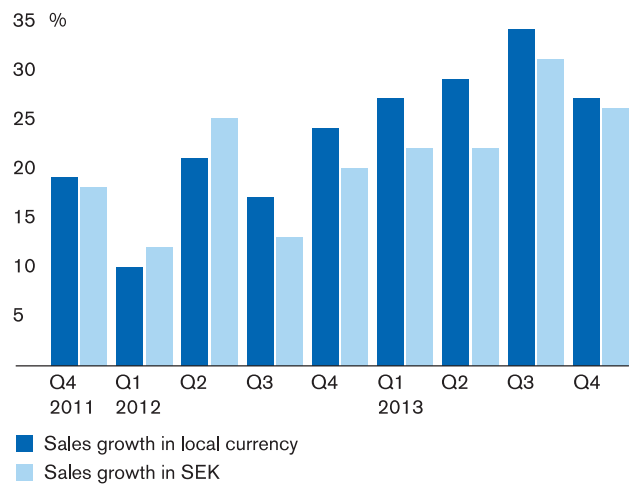
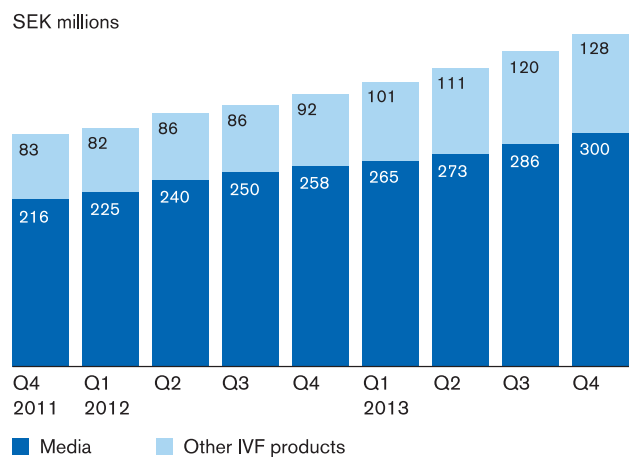


Fig 3. Net sales per product group (rolling 12 months)



Increased collaboration with Biolamina AB

Vitrolife AB has collaborated with the Stockholm-based Biolamina AB within the stem-cell field since 2012. The companies decided to increase their collaboration during the fourth quarter and, as part of this greater collaboration, Vitrolife has invested in Biolamina together with the company's present owner. Vitrolife invested SEK 4 million in Biolamina in a directed new share issue, which gave Vitrolife a 4.6% participation in the company. The investment was financed through Vitrolife's cash reserves.

Contract manufacturing for Xvivo terminated

Since the time when Xvivo Perfusion AB was distributed in October 2012, Vitrolife has carried out contract manufacturing of the transplantation product STEEN Solution™ for Xvivo. During the fourth quarter the companies terminated this contract manufacturing. During the period January to December 2013, sales to Xvivo generated revenues of SEK 13 million for Vitrolife. It is Vitrolife's assessment that the change will only have a marginal effect on earnings per share for 2014.

Write-down Labware

Since 2010 Vitrolife has developed a new range of disposable plastic products for IVF which go under the name of

Labware. Expenses for development have been partly capitalized as an intangible asset in the balance sheet. During the fourth quarter Vitrolife carried out a write-down of intangible assets with regard to Labware as it is estimated that parts of the product range will not generate any future revenues. The write-down of SEK 9 million is reported as an R&D cost during the fourth quarter. After the write-down a book value of SEK 2 million remains with regard to intangible assets for Labware. Vitrolife assesses that the remaining product range has the potential to generate revenues and is continuing with the launch of the product range in selected markets.

Update on the lawsuits in the USA

During 2012 three lawsuits were filed against Vitrolife's American subsidiary together with Southwest Transplant Alliance and the University of Texas, in which damages were being claimed in connection with three lung transplants. As the products were sold before the distribution of Xvivo, Vitrolife will also handle these lawsuits in the future. Xvivo has the legal responsibility for products sold from October 1, 2012. Vitrolife has insurance covering damages and is represented by lawyers hired by the insurance company. Vitrolife's insurance policy contains excess, whereby Vitrolife is obliged to pay for legal costs and damages up to USD 50 thousand per lawsuit. At the end of the reporting period, Vitrolife had made provision for a total of USD 150 thousand. The lawsuit continued during the quarter and the insurance company lawyers representing Vitrolife assess that it will probably take some time before there are any significant developments in the case.

Income

Operating income (EBIT) amounted to SEK 22 (12) million, corresponding to an operating margin of 18 (12) percent. The quarter was affected by the write-down of SEK 9 (-) million with regard to Labware. Adjusted for this write-down, operating income amounted to SEK 31 (12) million, corresponding to an operating margin of 25 (12) percent.

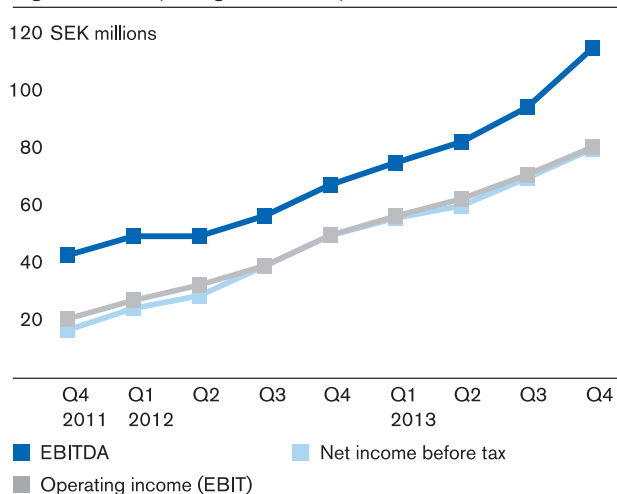
Gross income amounted to SEK 83 (63) million. The gross margin amounted to 67 (65) percent and was positively affected by economies of scale. Selling expenses amounted to 23 (30) percent of sales and the decrease mainly consisted of economies of scale. Administrative expenses amounted to 12 (12) percent of sales. R&D costs amounted to 18 (13) percent of sales and were affected by the write-down of SEK 9 (-) million with regard to Labware. Adjusted for this write-down, R&D costs amounted to 10 (13) percent of sales.

Other operating revenues and expenses amounted to SEK 4 (2) million and stemmed from a recovered milestone payment of SEK 1 million regarding the acquisition of Conception Technologies, a capital gain from the divestment of assets of SEK 2 million and exchange rate differences of SEK 1 million. Depreciation and amortization of SEK 16 (5) million were charged against net income, including the write-down

of SEK 9 (-) million for Labware.

Net financial items amounted to SEK 0 (0) million. Income before tax amounted to SEK 22 (12) million. Net income amounted to SEK 15 (0) million.

Fig 4. Income (rolling 12 months)



Cash flow

The cash flow from operating activities amounted to SEK 38 (20) million. The change in working capital amounted to SEK 3 (3) million. Investments amounted to SEK 7 (35) million. Gross investments in tangible assets amounted to SEK 3 (2) million. Investments in intangible assets amounted to SEK 0 (2) million. Financial investments amounted to SEK 4 million and were for the acquisition of 4.6% of the shares in Biolamina AB. The figure for the previous year included the acquisition of Cryo Management Ltd. The cash flow from financing activities was SEK -8 (-10) million and consisted foremost of the repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 54 (12) million.

Financing

Vitrolife's total credit facilities amounted to SEK 99 (114) million, of which SEK 39 (75) million was utilized. The credit facilities were used for corporate acquisition credit and loans for financing of the new MEA laboratory in Denver, which was completed towards the end of 2012. The equity/assets ratio was 66 (60). Net debt in relation to income for a rolling 12 months before depreciation and amortization (EBITDA) amounted to -0.1 (0.9) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. There were no revenues for the period (-). Income before tax for the fourth quarter amounted to SEK -4 (-2) million. Cash and cash equivalents amounted to SEK 1 (1) million.

Whole year 2013

Continuing operations

Net sales

Vitrolife's net sales during the period January to December increased by 29 percent in local currency and amounted to SEK 453 (362) million. Sales growth in SEK amounted to 25 percent.

Sales for the EMEA region increased by 27 percent in local currency during the period and amounted to SEK 222 (176) million. The increase in SEK amounted to 26 percent. The period included sales of STEEN Solution™ to Xvivo to the tune of SEK 13 (2) million. Adjusted for this, growth amounted to 22 percent in local currency and 20 percent in SEK. Sales in the North and South American region amounted to SEK 80 (74) million. In local currency the increase amounted to 12 percent, corresponding to an increase of 8 percent in SEK. The period included distributor sales of laser equipment to the tune of SEK 5 (2) million. Adjusted for this, growth amounted to 8 percent in local currency and 4 percent in SEK. Sales in the Asia and Pacific region increased by 44 percent in local currency and amounted to SEK 151 (112) million. The increase in SEK amounted to 35 percent.

Income

Operating income (EBIT) amounted to SEK 80 (50) million, corresponding to an operating margin of 18 (14) percent.

Gross income amounted to SEK 301 (238) million. The gross margin amounted to 66 (66) percent. Selling expenses amounted to 24 (28) percent of sales. Administrative expenses amounted to 12 (12) percent of sales. R&D costs amounted to 13 (11) percent of sales. Depreciation and amortization of SEK 35 (18) million were charged against net income. Net financial items amounted to SEK -1 (0) million. Income before tax amounted to SEK 80 (50) million. Net income amounted to SEK 57 (27) million.

Cash flow

The cash flow from operating activities amounted to SEK 106 (58) million. Gross investments amounted to SEK -14 (-49) million and the cash flow from financing activities was SEK -49 (-6) million. Cash and cash equivalents at the end of the period amounted to SEK 54 (12) million.

Prospects for 2014

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 mon-

etary terms is expected to grow by 5–10 percent per year in the foreseeable future. The focus during 2014 will continue to be on the external processes within marketing and sales, primarily in the emerging markets. 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 the period the average number of employees was 234 (215), of whom 121 (120) were women and 113 (95) were men. Of these 130 (128) people were employed in Sweden, 54 (60) in the USA and 50 (27) in the rest of the world. The number of people employed in the Group at the end of the period was 240 (233).

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 2012, note 28.

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. It is therefore the intention of the Board to propose to the Annual General Meeting a dividend of SEK 1.00 (0.60) per share.

Risk management

Vitrolife is constantly working to identify, evaluate and man-

age 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. During 2013, an audit committee was instituted.

The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Annual Report for 2012. 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 2012, note 24. During the year, a review and classification of company risks was conducted. The conclusion was that the risks as they are described in the Annual Report for 2012 are assessed to be essentially unchanged for 2013.

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

The Board has resolved to increase the company's financial objective regarding the operating margin to 17 percent (15).

Election committee

The following people have been appointed as members of Vitrolife's election committee for the 2014 Annual General Meeting:

Patrik Tigerschiöld, representing Bure Equity AB

Thomas Olausson

Martin Lewin, representing Eccenovo AB

Carsten Browall, Chairman of the Board

The appointments have been made in accordance with the instructions regarding principles for the appointment of the company's election committee, which were adopted at the Annual General Meeting of Vitrolife on April 29, 2013.

Shareholders who wish to have a matter considered at the meeting can make a written request to this effect to the Board. Such a request for consideration of a matter is to be sent to Vitrolife AB (publ), Att: Styrelsens ordförande, Box 9080, 400 92 Göteborg, Sweden, and must have been received by the Board at least seven weeks before the Annual General Meeting, or in any case in such good time that the matter, if so necessary, can be included in the invitation to the meeting.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on Monday May 5, 2014, at 5 pm at Vitrolife's premises in Gothenburg, visitors' address Gustaf Werners gata 2. Shareholders will be invited to attend through an announcement in the Swedish Official Gazette and through information in Dagens Industri that shareholders have been invited to attend, no earlier than six weeks and no later than four weeks before the meeting.

It is estimated that Vitrolife's Annual Report for 2013 will be available to be downloaded from Vitrolife's website during week 16 and in a printed version at the company's head office in Gothenburg during week 17. The Annual Report is sent out to all new shareholders and to those shareholders who have previously notified the company that they wish to have the printed version, and is published on the company's website as a pdf-file.

February 6, 2014

Gothenburg

The Board of Directors

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.

During 2014 it is planned that the following reports will be submitted:

Interim report January – March: Wednesday April 23

Interim report January – June: Friday July 11

Interim report January – September: Thursday November 6

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 Thursday February 6, 2014 at 8.30 am.

Consolidated income statements

SEK thousands	January – December		October – December	
	2013	2012	2013	2012
<i>Continuing operations</i>				
Net sales	452 738	362 020	123 502	97 949
Cost of goods sold	-152 183	-123 720	-40 144	-34 489
Gross income	300 555	238 300	83 358	63 460
Selling expenses	-108 110	-102 028	-27 820	-29 231
Administrative expenses	-55 891	-45 170	-15 135	-11 670
Research and development costs	-58 874	-41 204	-22 384	-12 761
Other operating revenues and expenses	2 718	-171	3 705	2 338
Operating income	80 398	49 725	21 724	12 137
Financial income and expenses	-610	13	212	-414
Income after financial items	79 788	49 738	21 936	11 723
Taxes	-23 088	-23 191	-6 552	-11 988
Net Income	56 700	26 547	15 384	-266
<i>Discontinued operations</i>				
Net sales	–	42 197	–	–
Operating Income	–	7 167	–	–
Income after financial items	–	309 115	–	303 207
Taxes	–	-1 599	–	–
Net Income	–	307 516	–	303 207
<i>Total group</i>				
Net Sales	452 738	404 217	123 502	97 949
Gross income	300 555	271 888	83 358	63 460
Operating income	80 398	56 894	21 724	12 137
Income after financial items	79 788	358 855*	21 936	314 930
Taxes	-23 088	-24 790	-6 552	-11 988
Net income	56 700	334 065*	15 384	302 942
Attributable to				
Parent Company's shareholders	56 274	333 772*	15 357	302 914
Non-controlling interests	426	293	27	28
Earnings per share, SEK	2,84	17,04*	0,77	15,41
Earnings per share, SEK	2,84	1,56**	0,77	-0,01**
Average number of outstanding shares	19 830 936	19 585 116	19 830 936	19 652 158
Number of shares at closing day	19 830 936	19 830 936	19 830 936	19 830 936

Depreciation and amortization has reduced income (continuing operations) for the period by SEK 34 911 thousand (18 228), of which SEK 16 430 thousand (5 062) for the fourth quarter.

* Includes a non-taxable capital gain related to distribution of Xvivo Perfusion AB of SEK 303 207 thousand.

** Excluding capital gain of SEK 303 207 thousand related to distribution of Xvivo Perfusion AB.

Statement of profit or loss and other comprehensive income, total Group

SEK thousands	January – December		October – December	
	2013	2012	2013	2012
Net income	56 700	334 065	15 384	302 942
Other comprehensive income				
<i>Amounts which later can be posted to profit and loss</i>				
Change in hedging reserve, net after tax	1 492	-752	1 335	-920
Change in translation reserve, net after tax	-2 702	-12 536	1 068	-5 802
Total	-1 210	-13 288	2 403	-6 722
Total other comprehensive income, net after tax	55 490	320 777	17 786	296 219
Attributable to				
Parent Company's shareholders	55 064	320 484	17 759	296 191
Non-controlling interests	426	293	27	28

Other key ratios, total Group

	January – December		October - December	
	2013	2012	2013	2012
<i>Continuing operations</i>				
Gross margin. %	66,4	65,8	67,5	64,8
Operating margin before depreciation and amortization. %	25,5	18,6	30,8	17,6
Operating margin. %	17,8	13,7	17,6	12,4
Net margin. %	12,5	7,3	12,5	-0,3
Equity/assets ratio. %	66,1	60,4	66,1	60,4*
Shareholders' equity per share. SEK.	16,18	14,01	16,18	14,01*
Return on equity. %	18,9	9,2	18,9	9,2*
Cash flow from operating activities per share. SEK	5,36	2,99	1,91	0,95*
Net cash (+) / Net debt (-). SEK millions	15,1	-63,4	15,1	-63,4*

* Includes Xvivo Perfusion AB which was distributed October 1. 2012. Distribution of shares in Xvivo Perfusion AB has been moved from short-term non-interest bearing liabilities to equity.

Consolidated income statements per quarter

SEK thousands	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012
<i>Continuing Operations</i>								
Net sales	123 502	108 642	115 991	104 605	97 949	82 926	95 224	85 921
Cost of goods sold	-40 144	-36 196	-39 853	-35 990	-34 489	-27 988	-32 237	-29 006
Gross income	83 358	72 446	76 138	68 615	63 460	54 939	62 987	56 915
Selling expenses	-27 820	-24 779	-28 964	-26 548	-29 231	-22 245	-26 881	-23 671
Administrative expenses	-15 135	-11 693	-15 601	-13 461	-11 670	-9 256	-12 488	-11 756
Research and development costs	-22 384	-12 425	-12 194	-11 872	-12 761	-6 991	-10 504	-10 947
Other operating revenues and expenses	3 705	-464	-743	221	2 338	-1 805	-428	-277
Operating income	21 724	23 086	18 636	16 955	12 137	14 640	12 686	10 265
Financial income and expenses	212	65	-1 101	214	-414	-1 095	530	992
Income after financial items	21 936	23 151	17 535	17 169	11 723	13 545	13 216	11 257
<i>Discontinued operations</i>								
Net sales	-	-	-	-	-	14 352	14 042	13 803
Operating Income	-	-	-	-	-	-1 652	3 974	4 845
Income after financial items	-	-	-	-	303 207	-1 922	5 048	2 781
<i>Total group</i>								
Taxes	-6 552	-6 124	-5 253	-5 159	-11 988	-3 155	-5 003	-4 643
Net income	15 384	17 027	12 282	12 010	302 942	8 468	13 261	9 395
Attributable to								
Parent Company's shareholders	15 357	16 935	12 108	11 878	302 914	8 410	13 168	9 281
Non-controlling interests	27	92	174	132	28	58	93	114

Key ratios per quarter, total Group

	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012
Shareholders' equity per share. SEK.	16,18	15,29	14,68	14,35	14,01	18,26*	18,15	17,84
Return on equity. %	18,9	13,9	10,4	10,3	9,2	9,4*	10,8	10,1
Cash flow from operating activities per share. SEK	1,91	1,59	0,90	0,99	0,95	0,32*	1,03	0,69

* Distribution of shares in Xvivo Perfusion AB has been moved from short-term non-interest bearing liabilities to equity.

Consolidated balance sheets

SEK thousands	Dec 31. 2013	Dec 31. 2012
ASSETS		
Goodwill	183 275	182 114
Other intangible fixed assets	22 982	33 894
Tangible fixed assets	85 958	94 445
Financial fixed assets	8 268	8 929
Inventories	59 916	62 409
Accounts receivable	61 456	52 436
Other current receivables	12 184	16 291
Liquid funds	53 769	11 680
Total assets	487 808	462 198
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity, attributable to the Parent Company's shareholders	320 956	277 791
Non-controlling interests	1 644	1 191
Appropriations	18 947	12 214
Long-term interest bearing liabilities	21 622	58 228
Long-term non-interest bearing liabilities	24 916	32 605
Short-term non-interest bearing liabilities	17 028	16 825
Derivative instruments	1 884	-
Accounts payable	15 596	17 444
Other short-term non-interest bearing liabilities	65 215	45 900
Total shareholders' equity and liabilities	487 808	462 198
Pledged assets for own liabilities	21 240	20 684
Contingent liabilities	238	805

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, 2012	19 954	208 905	-23 651	137 762	933	343 903
Total comprehensive income for period	-	-	-13 288	333 772	293	320 777
Increase shareholder's equity acquisition Cryo Management Ltd	274	11 382	-	-	-	11 656
Dividend	-	-	-	-11 738	-	-11 738
Dividend, shares Xvivo Perfusion AB	-	-	-	-387 343	-	-387 343
Effect on deferred tax due to change of swedish tax rate	-	-	-	1 762	-	1 762
Other transactions with non-controlling interests	-	-	-	-	-35	-35
Closing balance December 31, 2012	20 228	220 287	-36 939	74 215	1 191	278 982
Opening balance January 1, 2013	20 228	220 287	-36 939	74 215	1 191	278 982
Total comprehensive income	-	-	-1 210	56 274	426	55 490
Dividend	-	-	-	-11 899	-	-11 899
Other transactions with non-controlling interests	-	-	-	-	27	27
Closing balance December 31, 2013	20 228	220 287	-38 149	118 590	1 644	322 600

Consolidated cash flow statements

SEK thousands	January – December		October – December	
	2013	2012	2013	2012
Income after financial items	79 788	358 855	21 936	314 930
Adjustment for items not affecting cash flow	37 312	-280 769	14 374	-296 379
Tax paid	-11 993	-9 602	-2 155	-1 520
Change in inventories	2 492	-6 918	3 266	6 594
Change in trade receivables	-6 860	-9 991	-5 863	2 835
Change in trade payables	5 388	8 355	6 093	-6 503
Cash flow from operating activities	106 127	59 930	37 651	19 957
Cash flow from investing activities	-14 387	-62 539	-6 724	-34 974
Cash flow from financing activities	-49 205	-5 607	-8 359	9 774
Cash flow for the period	42 535	-8 216	22 568	-5 243
Liquid funds at beginning of period	11 680	20 873	30 997	17 108
Exchange rate difference in liquid funds	-446	-977	204	-185
Liquid funds at end of period	53 769	11 680	53 769	11 680

Includes cash flow from discontinued operations by SEK - (-12) million for the period January - December, of which SEK - (-) million for the fourth quarter. See note 3.

Income statements for the Parent Company

SEK thousands	January – December		October – December	
	2013	2012	2013	2012
Administrative expenses	-5 678	-7 563	-1 270	-1 770
Research and development costs	-	-50	-	-
Other operating revenues and expenses	-123	16	-131	-8
Operating income	-5 801	-7 597	-1 401	-1 778
Write-down part in affiliated companies	-5 196	-	-5 196	-
Dividends from affiliated companies	2 949	-	2 949	-
Financial income and expenses	-63	-1 465	-694	-224
Income after financial items	-8 111	-9 062	-4 342	-2 002
Year-end adjustments (received group contribution)	6 178	7 869	6 178	7 869
Taxes	-103	-1	-932	-1 857
Net income	-2 036	-1 194	904	-4 010

Depreciations has reduced income for the period by SEK 28 thousand (20), of which SEK 13 thousand (-5) for the fourth quarter. From year 2013 group contribution is accounted in income statement with year-end adjustments according to new accounting principles, comparative period has also been adjusted according to new principles. In previous years group contribution have been accounted in balance sheet (shareholders' equity).

Balance sheets for the Parent Company

SEK thousands	Dec 31. 2013	Dec 31. 2012
ASSETS		
Tangible fixed assets	12	40
Participation in affiliated companies and associated company	424 993	422 175
Other financial tangible assets	4 000	-
Other current receivables	712	3 781
Receivables from affiliated companies	8 628	6 315
Liquid funds	565	849
Total assets	438 910	433 160
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	297 671	312 304
Long-term interest-bearing liabilities	14 756	20 227
Long-term non-interest-bearing liabilities	26 949	34 466
Short-term interest-bearing liabilities	6 224	6 009
Accounts payable	571	500
Liabilities to affiliated companies	81 813	53 695
Other short-term non-interest-bearing liabilities	10 926	5 959
Total shareholders' equity and liabilities	438 910	433 160
Pledged assets for own liabilities	3 100	3 100
Contingent liabilities	-	577

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.

Note 2. Financial data per segment

After distribution of the transplantation business in October 2012, only one segment, Fertility, is reported by Vitrolife.

SEK thousands	Jan - Dec 2013	Jan - Dec 2012
Fertility		
<i>Continuing operations</i>		
Net sales	452 738	362 020
Gross income	300 555	238 300
Selling expenses	-108 110	-102 028
Administrative exp.	-55 891	-45 170
R&D expenses	-58 874	-41 204
Other expenses	2 718	-171
Operating income	80 398	49 725
Total Assets	490 699	462 198

SEK thousands	Jan - Dec 2013	Jan - Dec 2012*
Transplantation		
<i>Discontinued operations</i>		
Net sales	–	42 197
Gross income	–	33 588
Selling expenses	–	-7 189
Administrative exp.	–	-12 825
R&D expenses	–	-6 055
Other expenses	–	-353
Operating income	–	7 167
Total Assets	–	–

* Operating income is related to the period January - September since transplantation business was distributed to the shareholders in October 2012.

Note 3. Cash flow from discontinued operations

SEK thousands	Jan - Dec 2013	Jan - Dec 2012*
Transplantation		
Cash flow from operating activities	–	1 993
Cash flow from investing activities	–	-13 708
Cash flow from financing activities	–	–
Cash flow for the period	–	-11 715

* Cash flow is related to the period January - September since transplantation business was distributed to the shareholders in October 2012.

Note 4. Acquisition of subsidiary

During 2010 Vitrolife entered into a collaboration agreement with the Danish company HertArt ApS with a view to developing a new range of disposable plastic products for IVF under the name of Labware. Vitrolife acquired 25 percent of the shares in HertArt as part of the collaboration agreement. On April 1, 2013 Vitrolife exercised an option to acquire all the shares in the company. The purchase sum amounted to DKK 2 million and can be increased to DKK 3 million if certain defined sales objectives are met. The initial purchase sum of DKK 2 million was paid in cash and was financed from Vitrolife's cash funds. HertArt's turnover 2012 amounted to DKK 1 million, entirely to the Vitrolife Group. Vitrolife acquired the remaining 75 % of the shares as it assessed that HertArt could be run more efficiently as a fully owned subsidiary. It is estimated that the acquisition will only entail a marginal effect on Vitrolife's earning per share for 2013.

The acquisition was completed in DKK and the accounting is done per the currency rate of acquisition date.

SEK thousands	
Purchase sum per April 1, 2013	
Liquid funds, acquisition 75 %	2 394
Conditional purchase price, acquisition 75 %	1 122
Previously paid, acquisition 25 %	2 779
Total purchase price	6 295
Identified assets and liabilities per April 1, 2013	
Fixed assets	3 870
Production technology	4 597
Current assets	660
Operating liabilities	-4 439
Total acquired assets and liabilities	4 688
Capital loss, revaluation of shares	996
Part of result from the associated company (owned 25 %)	611
Total	6 295

During the fourth quarter of 2013, Vitrolife conducted write-down of Labware to the tune of SEK 9 million as a result of an assessment that parts of the previously capitalized development costs will not generate future revenues. The write-down of the intangible assets have been recorded as a R & D cost. The residual value of intangible assets for Labware is SEK 2 million at the end of the fourth quarter.

Note 5. Fair value and book value of financial assets and liabilities

Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13. Fair value is estimated to be equal to book value for accounts receivable and other receivables, other current receivables, cash and other cash equivalents, accounts payable and other liabilities and borrowings.

Book value minus write-down constitute an approximate fair value for accounts receivable and payable. For long-term non-interest-bearing liabilities fair value has been measured by future cash flows being discounted by current marked rates for the duration of the liability.

Measurement of the Group's financial assets and liabilities is divided up into the following hierarchy:

Level 1: Listed prices in an active market for identical assets or liabilities.

Level 2: Other observable data for the asset or liability than listed prices included in Level 1, either direct or indirect.

Level 3: Data for asset or liability which are not entirely based on observable market data.

The following are classified in level 1: accounts receivable and other receivables, other current receivables, cash and cash equivalents, accounts payable and other liabilities and borrowings incurring interest payments. Fair value for these financial assets and liabilities is estimated to be equal to their book value.

The following are classified in level 2: Derivatives for hedge accounting. Valuation of fair value for currency forward contracts is based on published forward rates in an active market.

The following are classified in level 3: Long-term non-interest-bearing liabilities that have essentially been valued on the basis of non-observable data. Fair value has been measured by future cash flows 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 revenue of SEK 1,078 thousand during the period, which is reported among financial revenues.

Fair value hierarchy

SEK thousands	Jan-Dec 2013				Jan-Dec 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Financial assets to fair value through income statement	61 661	-	-	61 661	54 797	-	-	54 797
Derivatives for hedge accounting	-	-	-	-	-	29	-	29
Liquid funds	53 769	-	-	53 769	11 680	-	-	11 680
Financial assets in total	115 430	-	-	115 430	66 477	29	-	66 506
Financial liabilities								
Financial liabilities to fair value through income statement	-	-	28 834	28 834	-	-	34 466	34 466
Derivatives for hedge accounting	-	1 884	-	1 884	-	-	-	-
Financial liabilities valued to accrued acquisitionsvalue	64 897	-	-	64 897	97 503	-	-	97 503
Financial liabilities in total	64 897	1 884	28 834	95 615	97 503	-	34 466	131 969

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 shareholders' equity

Income for the period as a percentage of the average shareholders' equity for the 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.

Earnings per share after full dilution

Income for the period in relation to the average number of outstanding shares for the period, taking into

account outstanding share warrants where the net present value of the strike price in the middle of the redemption period or the remaining redemption period is less than the average share price 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 loans receivable/ Net borrowings

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

Celltherapy

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

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