



INTERIM REPORT JANUARY-JUNE 2016

Vitrolife AB (publ)

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

Vitrolife today has approximately 360 employees and the company's products are sold in approximately 110 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in Australia, China, Denmark, France, Germany, Hungary, Italy, Japan, United Kingdom and USA. The Vitrolife share is listed on NASDAQ Stockholm.

Vitrolife 

Good growth and broadened product portfolio

Second quarter

- Sales amounted to SEK 208 (184) million, corresponding to an increase of 13 percent in SEK. Net sales growth was 15 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 3 million on sales. Adjusted for this, growth amounted to 13 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 74 (62) million, corresponding to a margin of 35 (34) percent. Operating income included one-time expenses of SEK 3 million related to the consolidation of the time-lapse business and SEK 2 million related

to transaction-related expenses regarding the acquisitions of OCTAX and MTG. Adjusted for these expenses, the margin amounted to 38 percent. Fluctuations in exchange rates had no material effect on EBITDA.

- Acquisition completed on May 31 of all the shares in OCTAX and MTG, world-leaders in the field of laser technology for IVF.
- Vitrolife introduces EmbryoScope+ and broadens the time-lapse product portfolio.
- Net income amounted to SEK 48 (39) million, which gave earnings per share of SEK 2.21 (1.77).

First half year

- Sales amounted to SEK 395 (347) million, corresponding to an increase of 14 percent in SEK. Net sales growth was 15 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 3 million on sales. Adjusted for this, growth amounted to 14 percent in local currency.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 136 (116) million, corresponding to a margin of 34 (33) percent. Operating income included one-time expenses of SEK 8 million related to the consolidation of the time-lapse business and SEK 2 million related to transaction-

related expenses regarding the acquisitions of OCTAX and MTG. Adjusted for these expenses, the margin amounted to 37 percent. Fluctuations in exchange rates had a negative effect of SEK 1 million on EBITDA.

- Launch of a new range of aspiration needles for oocyte retrieval.
- Acquisition completed on May 31 of all the shares in OCTAX and MTG, world-leaders in the field of laser technology for IVF.
- Vitrolife introduces EmbryoScope+ and broadens the time-lapse product portfolio.
- Net income amounted to SEK 87 (74) million, which gave earnings per share of SEK 3.98 (3.38).

The Group's Key Figures

SEK millions	April – June		January – June		Whole Year 2015
	2016	2015	2016	2015	
Net sales	208	184	395	347	722
Net sales growth, local currency, %	15	27	15	23	28
Gross margin, %	66	66	66	66	67
Operating income before depreciation and amortisation (EBITDA)	74	62	136	116	279
EBITDA margin, %	35	34	34	33	39
Operating income (EBIT)	62	51	114	90	226
Net income	48	39	87	74	183
Net debt / Rolling 12 month EBITDA	-0.1	0.0	-0.1	0.0	-0.5
Earnings per share, SEK	2.21	1.77	3.98	3.38	8.42
Share price on closing day, SEK	465.00	164.50	465.00	164.50	288.50
Market cap at closing day	10 095	3 571	10 095	3 571	6 263

For definitions, see page 15

Vitrolife's financial objectives

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

CEO's comments

Vitrolife reported a strong second quarter. Growth during the quarter amounted to 15 percent in local currency and operating income before depreciation and amortisation (EBITDA) amounted to SEK 74 millions. During the quarter the Media and Disposable Devices business units reported high growth and it is pleasing to note that all regions reported growth in these business units. The Time-lapse business unit reported low growth during the quarter. However, sales of time-lapse equipment vary from quarter to quarter and during the second quarter sales of time-lapse systems were lower in the North- and South America and EMEA regions. The Asia and Pacific region reported a very strong quarter, with total growth of 40 percent in local currency.



On May 31, Vitrolife acquired all the shares in OCTAX Microscience GmbH "OCTAX" and MTG Medical Technology Vertriebs-GmbH "MTG", world-leaders in the field of laser technology for IVF. The acquisition strengthens Vitrolife's market position and broadens the product portfolio in a growth area in the field of IVF. OCTAX's laser system is used in various IVF procedures such as embryo biopsy for subsequent genetic testing, assisted hatching and intra-cytoplasmic sperm injection (ICSI). There is a trend towards increased use of technologies such as time-lapse and PGS (pre-implantation genetic screening) in IVF treatment. The key drivers for increased use of technology are improved treatment results, increased earnings potential and more efficient processes at the clinics. The number of embryo biopsies is continuously increasing worldwide as a consequence of the increased use of genetic tests. At present, the vast majority of the IVF clinics in the world use laser equipment for some procedures and as the demand for biopsies increases, Vitrolife expects that the clinics will invest in more laser equipment for capacity reasons. The acquisitions are expected to improve

Vitrolife's product offer towards customers, strengthen the company's knowledge and generate a stronger market position in order to drive future growth. The acquisitions are expected to make a positive contribution to EBITDA per share as from 2016.

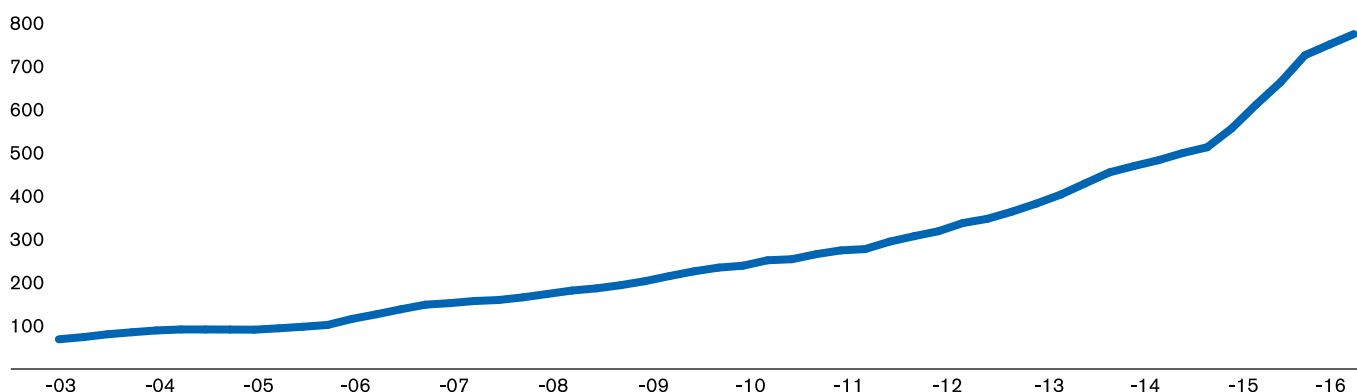
Consolidation of the time-lapse business to Denmark is proceeding according to plan. However, in conjunction with the move, Vitrolife has decided to upgrade Primo Vision through a number of improvements. Sales of the upgraded Primo Vision is expected to start at the beginning of next year after these improvements have been introduced. Sales from Primo Vision during the first half year amounted to SEK 11 million.

The largest scientific conference of the year in the IVF field, ESHRE, was held in the first week of July, this time in Helsinki. As usual, Vitrolife was well represented and amongst other things presented the new integrated time-lapse incubator EmbryoScope+. Vitrolife is the market leader in time-lapse systems for use in assisted reproduction. With the introduction of EmbryoScope+, the company can offer an additional high quality time-lapse system for undisturbed culture and improved selection of embryos. EmbryoScope+ has a large capacity in combination with a small footprint, providing an efficient workflow and optimised usage of clinic resources. The product was very well received at ESHRE and we can expect that a number of customers who were about to order EmbryoScope or one of our competitors' products will choose EmbryoScope+ instead. EmbryoScope+ will be available for delivery during the fourth quarter.

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 2016 (April - June)

Net sales

Sales amounted to SEK 208 (184) million, corresponding to an increase of 13 percent in SEK. Net sales growth was 15 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 3 million on sales. Adjusted for this, growth amounted to 13 percent in local currency. During last year, sales growth was positively affected by the acquisition of Unisense Fertilitec A/S, currently Vitrolife A/S.

Sales in the EMEA region (Europe, the Middle East and Africa) increased by 4 percent in local currency and amounted to SEK 91 (89) million. The region was impacted by weak time-lapse sales during the quarter. Sales in the North and South American region amounted to SEK 34 (35) million. Sales decreased by 1 percent in local currency. The region was impacted by weak time-lapse sales during the quarter. Sales in the Asia and Pacific region increased by 40 percent in local currency and amounted to SEK 83 (61) million. All regions were positively impacted by the acquisitions of OCTAX and MTG.

Sales in the Media business unit increased by 16 percent in local currency during the quarter and amounted to SEK 126 (111) million. Sales in the Disposable Devices business unit increased by 15 percent in local currency during the quarter and amounted to SEK 36 (32) million. Sales in the Time-lapse business unit increased by 1 percent in local currency during the quarter and amounted to SEK 37 (37) million. Sales in the business unit ART Equipment, which comprise of the operations conducted by the acquired companies OCTAX and MTG, amounted to SEK 3 million. Freight revenues amounted to SEK 5 (4) million.

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

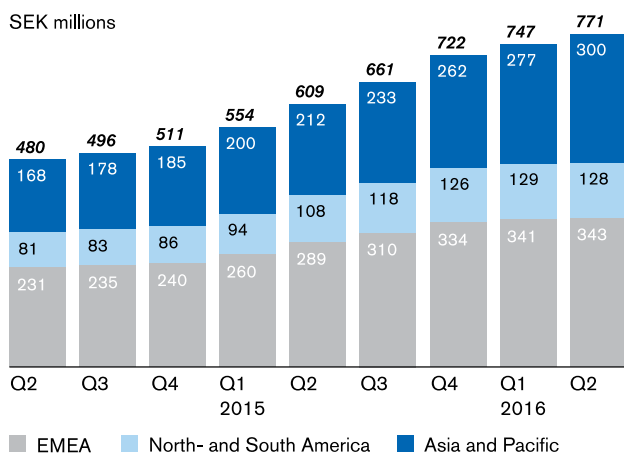


Fig 2. Sales development (per quarter)

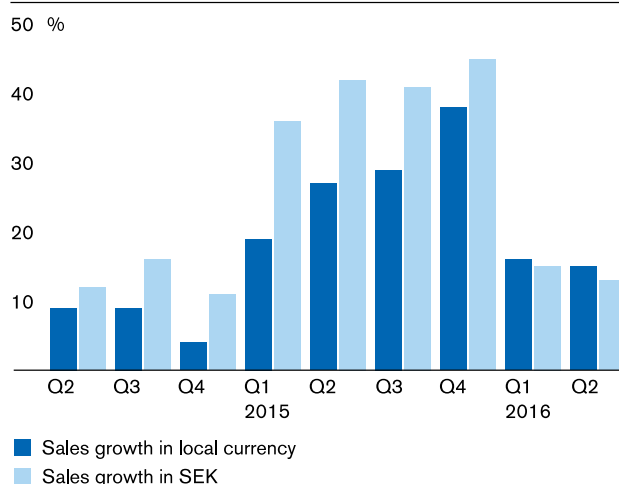
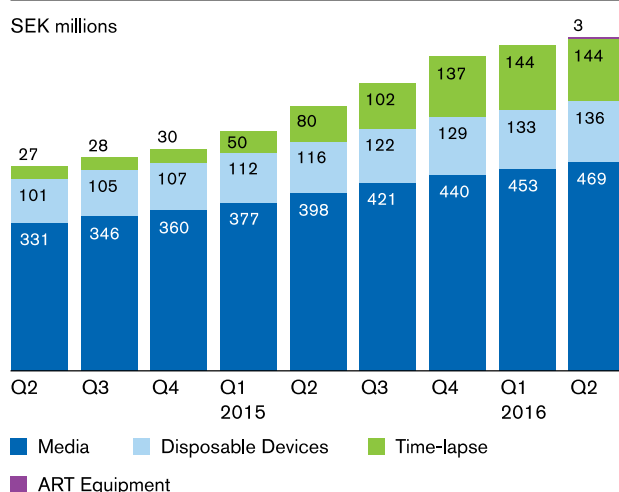


Fig 3. Net sales per business unit (rolling 12 months)



Acquisition of OCTAX and MTG

On May 31, Vitrolife acquired all the shares in OCTAX Microscience GmbH "OCTAX" and MTG Medical Technology Vertriebs-GmbH "MTG", world-leaders in the field of laser technology for IVF.

OCTAX is the developer and producer of the world-leading OCTAX Laser and Imaging Systems. MTG is the exclusive global distributor of OCTAX and acts as a distributor in Germany, Austria and Switzerland for IVF products from other manufacturers as well. Furthermore, MTG develops and markets a range of their own IVF products globally, primarily within the cryo-preservation, QC and andrology areas. With the support of OCTAX Laser Shot™ and OCTAX NaviLase™, IVF clinics can through laser technology remove a few cells from the embryo and use them for embryo selection procedures such as pre-implantation genetic screening (PGS) and pre-implantation genetic diagnosis (PGD). The head office of the companies is located in Bruckberg, Germany and the companies have in total approximately 30 employees. The consolidated net

sales for the companies in 2015 amounted to approximately SEK 80 million (63). The consolidated operating income before depreciation and amortisation (EBITDA) in 2015 amounted to approximately SEK 19 million (6). Vitrolife consolidates the companies from the date of acquisition. The acquired companies contributed SEK 3 million to the Group's sales during the second quarter. Sales of the companies' products were lower in June compared to average monthly sales last year. Sales in June were negatively impacted by communication of the acquisition. This is largely due to initial uncertainty on the part of the companies' distributors. However, Vitrolife assesses that this is only a temporary effect and expects that sales during the third quarter will be normalized. Transaction-related one-time expenses of SEK 2 million related to the acquisitions were charged to the quarter.

The acquisitions are expected to improve Vitrolife's product offer towards customers, strengthen the company's knowledge and generate a stronger market position in order to drive future growth. The business conducted in OCTAX and MTG has formed a new business unit within the Vitrolife group. The business unit will be based in Bruckberg, Germany. The purchase price for both companies amounted to SEK 127 million including liquid funds in the acquired companies of SEK 11 million. The considerations were paid in cash and were financed by available liquid funds. The acquisitions are expected to be accretive to EBITDA per share from 2016 and onwards. For more information, see note 3.

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 handle these lawsuits. Vitrolife has insurance covering damages and is represented by lawyers hired by the insurance company. Vitrolife's insurance policy contains excess, whereby Vitrolife is obliged to pay for legal costs and damages up to USD 50 thousand per lawsuit. Vitrolife has since earlier made provision for a total of USD 150 thousand. During the quarter one of the three lawsuits was formally concluded after an agreement had been reached by the parties. This agreement involved no further costs for Vitrolife over and above the USD 50 thousand that had already been set aside. Vitrolife expects that the other two lawsuits will be concluded in the same way during 2016.

Income

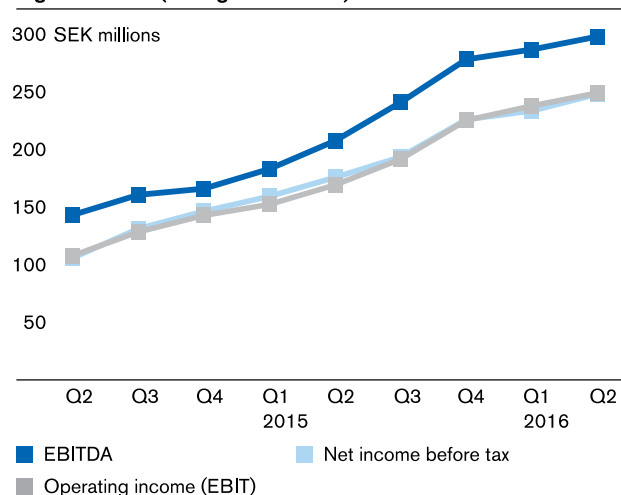
Operating income before depreciation and amortisation (EBITDA) amounted to SEK 74 (62) million, corresponding to a margin of 35 (34) percent. Operating income

included one-time expenses of SEK 3 million related to the consolidation of the time-lapse business and SEK 2 million related to transaction-related expenses regarding the acquisitions of OCTAX and MTG. Adjusted for these expenses, the margin amounted to 38 percent. Fluctuations in exchange rates had no material effect on EBITDA.

Gross income amounted to SEK 137 (122) million. The gross margin amounted to 66 (66) percent and was positively affected by economies of scale and negatively affected by one-time expenses of SEK 3 million related to the consolidation of the time-lapse business. No further one-time expenses related to the consolidation of the time-lapse business are expected. Selling expenses amounted to 19 (19) percent of sales. Administrative expenses amounted to 12 (12) percent of sales and were negatively affected by one-time expenses of SEK 2 million related to transaction-related expenses regarding the acquisitions of OCTAX and MTG. R&D costs amounted to 7 (8) percent of sales and were positively affected by economies of scale. Depreciation, amortisation and write-downs of SEK 12 (12) million were charged against income.

Net financial income amounted to SEK 1 (-2) million and consisted primarily of fluctuations in exchange rates. Income before tax amounted to SEK 63 (48) million. Net income amounted to SEK 48 (39) million.

Fig 4. Income (rolling 12 months)



Income per segment

The business conducted in the acquired companies OCTAX and MTG has formed a new business unit called ART Equipment. The organisation therefore consists of four business units whose products are sold by three geographic market organisations. Vitrolife reports the market contribution from each geographic segment. The market contribution is defined as gross income minus selling expenses per market. For more information, see note 4. During the second quarter, the market contribution for

the EMEA region amounted to SEK 42 (38) million. The contribution from the North and South American region amounted to SEK 18 (18) million and the contribution from the Asia and Pacific region amounted to SEK 38 (30) million. The increased income for the region Asia and Pacific has been primarily generated by increased sales.

Cash flow

The cash flow from operating activities amounted to SEK 46 (31) million. The change in working capital amounted to SEK -12 (-28) million and consisted amongst others of increased accounts receivables as a result of increased sales. Gross investments in tangible assets amounted to SEK -2 (-3) million and consisted primarily of purchase of equipment. Gross investments in intangible assets amounted to SEK -2 (-4) million and consisted mainly of capitalized development costs. Gross Investments in subsidiaries amounted to SEK -116 million, adjusted for the acquired liquid funds, and consisted of the acquisitions of OCTAX and MTG. The cash flow from financing activities was SEK -55 (-37) million and consisted primarily of dividend of SEK -52 million and the repayment of borrowings of SEK -3 million. Cash and cash equivalents at the end of the period amounted to SEK 76 (76) million.

Financing

Vitrolife's total credit facilities amounted to SEK 93 (118) million, of which SEK 43 (68) million was utilized. The credit facilities were used for the financing of corporate acquisitions. The equity/assets ratio was 79 (75) percent. Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -0.1 (0.0) times.

Parent Company

Business activities focus on company-wide management and the company has no employees. Income included invoicing of management fee of SEK 1 (-) million. Income before tax for the quarter amounted to SEK 153 (184) million and included dividend of SEK 155 (185) million received from subsidiaries. Cash and cash equivalents amounted to SEK 5 (1) million.

The period 2016 (January - June)

Net sales

Sales amounted to SEK 395 (347) million, corresponding to an increase of 14 percent in SEK. Net sales growth was 15 percent in local currency. The acquisitions of OCTAX and MTG had a positive impact of SEK 3 million on sales. Adjusted for this, growth amounted to 14 percent in local currency.

Sales in the EMEA region increased by 6 percent in local currency and amounted to SEK 174 (165) million. Sales in the North and South American region amounted to SEK 66 (63) million. The increase in local currency amounted to 4 percent. Sales in the Asia and Pacific region increased by 35 percent in local currency and amounted to SEK 155 (118) million.

Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 136 (116) million, corresponding to a margin of 34 (33) percent. Operating income included one-time expenses of SEK 8 million related to the consolidation of the time-lapse business and SEK 2 million related to transaction-related expenses regarding the acquisitions of OCTAX and MTG. Adjusted for these expenses, the margin amounted to 37 percent. Fluctuations in exchange rates had a negative effect of SEK 1 million on EBITDA.

Gross income amounted to SEK 262 (228) million. The gross margin amounted to 66 (66) percent and was positively affected by economies of scale and negatively affected by one-time expenses of SEK 3 million related to the consolidation of the time-lapse business. Selling expenses amounted to 18 (20) percent of sales. Administrative expenses amounted to 12 (12) percent of sales and was negatively affected by transaction-related expenses of SEK 2 million regarding the acquisitions of OCTAX and MTG. R&D costs amounted to 7 (8) percent of sales. The operating expenses were positively impacted by economies of scale. Depreciation, amortisation and write-downs of SEK 22 (26) million were charged against net income. Net financial items amounted to SEK -1 (1) million. Income before tax amounted to SEK 113 (91) million. Net income amounted to SEK 87 (74) million.

Income per segment

During the period, the market contribution for the EMEA region amounted to SEK 81 (73) million. The contribution from the North and South American region amounted to SEK 33 (31) million and the contribution from the Asia and Pacific region amounted to SEK 75 (55) million. For all regions, the increased income has primarily been generated by a combination of increased sales and economies of scale.

Cash flow

The cash flow from operating activities amounted to SEK 56 (40) million. Gross investments amounted to SEK -124 (-22) million, where of SEK -116 million was related to the acquisitions of OCTAX and MTG and SEK -8 million was related to fixed assets. The cash flow from financing activities was SEK -57 (-49) million and consisted of dividend of SEK -52 million and the repayment of

borrowings of SEK -6 million. Cash and cash equivalents at the end of the period amounted to SEK 76 (76) million.

Prospects for 2016

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

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

The company in brief

Business concept

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

Goal

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

Strategies

- Establish a scalable global organisation focused on common values.
- Expand sales through an improved customer offering and increased digital offer.
- Broaden the product portfolio and ensure a profitable time-lapse offer.
- Achieve economies of scale through increased internal efficiency.
- Take advantage of external growth opportunities such as collaborations and acquisitions.

Other information

Organisation and personnel

During the period the average number of employees was 323 (314), of whom 149 (141) were women and 174 (173) were men. Of these 140 (127) people were employed in Sweden, 61 (67) in Denmark, 61 (59) in the USA and 61 (61) in the rest of the world. The number of people employed in the Group at the end of the period was 356 (337).

Information on transactions with related parties

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

Dividend

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

Risk management

Vitrolife works constantly and systematically to identify, evaluate and manage overall risks and different systems and processes. Risk analyses are performed continually with regard to the company's normal business activities and also in connection with activities that are outside Vitrolife's regular quality system. In this way the company can have a high rate of development and at the same time be aware of both the opportunities and risks. The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Management report, in the Annual Report for 2015. These are primarily constituted by the company's market investments, product development investments, currency risks and legal risks. The company's management of risks is also described in the Corporate Governance Report in the same Annual Report. The same applies to the Group's management of financial risks, which are described in the Annual Report for 2015, note 24. The reported risks, as they are described in the 2015 Annual Report, are assessed to be essentially unchanged for 2016.

Seasonal effects

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

During the fourth quarter sales in December are negatively affected by the Christmas and New Year holidays. All in all, total sales are usually relatively even between the first and second half of the year.

Events after the end of the period

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

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 15, 2016
Gothenburg, Sweden

Thomas Axelsson
CEO

Carsten Browall
Chairman of the Board

Barbro Fridén
Board member

Tord Lendau
Board member

Pia Marions
Board member

Fredrik Mattsson
Board member

Jón Sigurdsson
Board member

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 2016 it is planned that the following reports will be submitted:

Interim report January – September: Thursday November 3

Queries should be addressed to

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

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

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This information is information that Vitrolife AB is obliged to make public pursuant to the EU Market Abuse Regulation and the Securities Markets Act. The information was submitted for publication, through the agency of the contact person set out above, at 8.30 am CET on July 15, 2016.

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

Consolidated income statements

SEK thousands	Note	January - June			April - June	Whole year
		2016	2015	2016	2015	2015
Net sales	3, 4	394 770	346 540	207 772	184 145	722 370
Cost of goods sold		-132 868	-118 268	-71 047	-62 308	-237 550
Gross income		261 902	228 272	136 725	121 837	484 820
Selling expenses		-72 980	-68 852	-38 929	-34 713	-139 860
Administrative expenses		-47 583	-40 901	-24 656	-20 490	-80 467
Research and development costs		-27 930	-28 875	-15 377	-13 913	-55 737
Other operating revenues and expenses		390	314	4 017	-2 216	17 379
Operating income		113 799	89 958	61 780	50 505	226 135
Financial income and expenses	2	-927	755	953	-2 326	705
Income after financial items		112 872	90 713	62 733	48 179	226 840
Income taxes		-25 993	-16 904	-14 553	-9 600	-43 479
Net income		86 879	73 809	48 180	38 579	183 361
Attributable to						
Parent Company's shareholders		86 383	73 341	47 956	38 354	182 845
Non-controlling interests		496	468	224	225	516
Earnings per share, SEK		3.98	3.38	2.21	1.77	8.42
Average number of outstanding shares		21 710 115	21 710 115	21 710 115	21 710 115	21 710 115
Number of shares at closing day		21 710 115	21 710 115	21 710 115	21 710 115	21 710 115

Depreciation, amortisation and write-downs were charged against income for the period by SEK 22,130 thousand (26,090), of which SEK 11,856 thousand (11,897) for the second quarter.

Statements of comprehensive income

SEK thousands	January - June			April - June	Whole year
	2016	2015	2016	2015	2015
Net income	86 879	73 809	48 180	38 579	183 361
Other comprehensive income					
<i>Items that may be reclassified to the income statement</i>					
Cash-flow hedges, net after tax	-840	2 435	-487	810	2 844
Exchange rate differences, net after tax	17 228	-8 992	15 968	-11 435	-10 887
Total other comprehensive income, net after tax	16 388	-6 557	15 481	-10 625	-8 043
Total comprehensive income	103 267	67 252	63 661	27 954	175 318
Attributable to					
Parent Company's shareholders	102 771	66 784	63 437	27 729	174 802
Non-controlling interests	496	468	224	225	516

Key ratios, total Group

	January - June		2016	April - June		Whole year 2015
	2016	2015		2015	2015	
Gross margin, %	66.3	65.9	65.8	66.2	67.1	
Operating margin before depreciation and amortisation (EBITDA), %	34.4	33.5	35.4	33.9	38.7	
Operating margin (EBIT), %	28.8	26.0	29.7	27.4	31.3	
Net margin, %	22.0	21.3	23.2	21.0	25.3	
Equity/assets ratio, %	79.4	74.8*	79.4	74.8*	79.8	
Shareholders' equity per share, SEK	41.2	33.9	41.2	33.9	38.8	
Return on equity, %	22.9	21.5	22.9	21.5	23.5	
Cash flow from operating activities per share, SEK	2.59	1.82	2.11	1.44	8.91	
Net debt, SEK millions	-32.6	-7.55	-32.6	-7.55	-152	

* Recalculation has been made for the comparison periods first half of 2015 and second quarter 2015, where deferred tax has been reclassified to be presented gross in the balance sheet.

Consolidated income statements per quarter

SEK thousands	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014
Net sales	207 772	186 998	199 023	176 806	184 145	162 396	136 859	125 145
Cost of goods sold	-71 047	-61 821	-62 112	-57 170	-62 308	-55 960	-46 592	-36 267
Gross income	136 725	125 177	136 911	119 636	121 837	106 436	90 267	88 878
Selling expenses	-38 929	-34 051	-36 186	-34 822	-34 713	-34 139	-31 095	-23 675
Administrative expenses	-24 656	-22 927	-18 147	-21 419	-20 490	-20 411	-15 918	-14 677
Research and development costs	-15 377	-12 553	-11 789	-15 072	-13 913	-14 963	-11 824	-7 072
Other operating revenues and expenses	4 017	-3 627	-803	17 868	-2 216	2 530	4 675	264
Operating income	61 780	52 019	69 986	66 191	50 505	39 453	36 105	43 718
Financial income and expenses	953	-1 880	-241	191	-2 326	3 081	1 029	4 879
Income after financial items	62 733	50 139	69 745	66 382	48 179	42 534	37 134	48 597
Income taxes	-14 553	-11 440	-12 600	-13 975	-9 600	-7 304	-8 724	-13 045
Net income	48 180	38 699	57 145	52 407	38 579	35 230	28 410	35 552
Attributable to								
Parent Company's shareholders	47 956	38 427	57 180	52 324	38 354	34 987	28 427	35 493
Non-controlling interests	224	272	-35	83	225	243	-17	59

Key ratios per quarter, total Group

	Apr-Jun 2016	Jan-Mar 2016	Oct-Dec 2015	Jul-Sep 2015	Apr-Jun 2015	Jan-Mar 2015	Oct-Dec 2014	Jul-Sep 2014
Shareholders' equity per share, SEK	41.2	40.6	38.8	36.8	33.9	34.1	32.3	19.3
Return on equity, %	22.9	22.9	23.5	20.7	21.5	22.5	24.8	28.1
Cash flow from operating activities per share, SEK	2.11	0.48	4.35	2.74	1.44	0.39	1.87	2.75

Consolidated statements of financial position

SEK thousands	Note	Jun 30. 2016	Jun 30. 2015	Dec 31. 2015
ASSETS	2, 3			
Goodwill	4	394 052	358 394	350 474
Other intangible fixed assets	4	266 288	181 957	165 044
Tangible fixed assets	4	90 533	91 697	89 641
Financial fixed assets		8 106	10 597	9 666
Deferred tax assets		29 246	28 433*	29 964
Inventories		123 955	105 668	102 284
Accounts receivable		121 444	109 846	99 783
Current tax assets		261	7 733	–
Other current receivables		18 974	15 420	11 973
Derivative instruments		–	319	842
Cash and cash equivalents		75 971	75 648	199 572
Total assets		1 128 830	985 712	1 059 243
SHAREHOLDERS' EQUITY AND LIABILITIES	2, 3			
Shareholders' equity, attributable to the Parent Company's shareholders		893 818	735 133	843 151
Non-controlling interests		1 956	2 067	1 821
Provisions		9 140	4 911	5 191
Deferred tax liabilities		67 934	50 408*	42 057
Long-term interest-bearing liabilities		31 101	48 852	35 627
Long-term non-interest-bearing liabilities		–	618	–
Short-term interest-bearing liabilities		12 319	19 243	11 876
Current tax liabilities		17 959	15 995	35 148
Derivative instruments		234	–	–
Accounts payable		21 806	20 415	21 749
Other short-term non-interest-bearing liabilities		72 563	88 070	62 623
Total shareholders' equity and liabilities		1 128 830	985 712	1 059 243
Pledged assets for own liabilities		22 307	21 870	22 077
Contingent liabilities		278	418	355

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

Consolidated changes in shareholders' equity

SEK thousands	Attributable to the Parent Company's shareholders				Non-controlling interests	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
Opening balance January 1, 2015	22 144	494 610	-16 638	200 798	1 657	702 571
Total comprehensive income	–	–	-8 043	182 845	516	175 318
Dividend (SEK 1.50 per share)	–	–	–	-32 565	–	-32 565
Dividend to non-controlling interests	–	–	–	–	-277	-277
Other transactions with non-controlling interests	–	–	–	–	-75	-75
Closing balance December 31, 2015	22 144	494 610	-24 681	351 078	1 821	844 972
Opening balance January 1, 2016	22 144	494 610	-24 681	351 078	1 821	844 972
Total comprehensive income	–	–	16 388	86 383	496	103 267
Dividend (SEK 2.40 per share)	–	–	–	-52 104	–	-52 104
Dividend to non-controlling interests	–	–	–	–	-413	-413
Other transactions with non-controlling interests	–	–	–	–	52	52
Closing balance June 30, 2016	22 144	494 610	-8 293	385 357	1 956	895 774

Condensed consolidated cash flow statements

SEK thousands	January - June			April - June		Whole year 2015
	2016	2015	2016	2015		
Income after financial items	112 872	90 713	62 733	48 179	226 840	
Adjustment for non-cash items	23 016	24 700	7 610	14 831	33 857	
Tax paid	-54 606	-34 576	-12 594	-4 314	-46 334	
Change in inventories	-8 139	-13 734	-3 944	-9 885	-9 766	
Change in trade receivables	-19 429	-24 783	-3 392	-21 792	-4 120	
Change in trade payables	2 437	-2 714	-4 694	4 161	-6 951	
Cash flow from operating activities	56 151	39 606	45 719	31 180	193 526	
Cash flow from investing activities	-123 963	-22 421	-119 577	-7 391	-31 394	
Cash flow from financing activities	-57 252	-48 886	-54 616	-37 209	-68 924	
Cash flow for the period	-125 064	-31 701	-128 474	-13 420	93 208	
Opening cash and cash equivalents	199 572	107 598	202 333	90 458	107 598	
Exchange-rate difference in cash and cash equivalents	1 463	-249	2 112	-1 390	-1 234	
Closing cash and cash equivalents	75 971	75 648	75 971	75 648	199 572	

Income statements for the Parent Company

SEK thousands	January - June			April - June		Whole year 2015
	2016	2015	2016	2015		
Net sales	2 727	–	1 295	–	4 522	
Administrative expenses	-6 572	-3 863	-3 132	-1 665	-7 808	
Other operating revenues and expenses	59	70	33	71	38	
Operating income	-3 786	-3 793	-1 804	-1 594	-3 248	
Write-down participations in Group companies	–	–	–	–	-46 588	
Dividends from Group companies	155 066	185 000	155 066	185 000	185 644	
Financial income and expenses	-223	1 456	-146	400	3 874	
Income after financial items	151 057	182 663	153 116	183 806	139 682	
Year-end adjustments (contributed Group contribution)	–	–	–	–	-826	
Income taxes	343	471	-111	220	–	
Net income	151 400	183 134	153 005	184 026	138 856	

Depreciation and amortisation were charged against income for the period by SEK 0 thousand (0), of which SEK 0 thousand (0) for the second quarter.

Balance sheets for the Parent Company

SEK thousands	Jun 30, 2016	Jun 30, 2015	Dec 31, 2015
ASSETS			
Tangible fixed assets	12	12	12
Participations in Group companies	784 946	760 690	730 396
Other financial fixed assets	3 746	3 746	3 746
Deferred tax assets	447	471	–
Other current receivables	3 632	3 644	1 205
Receivables from Group companies	75 182	71 347	40 824
Cash and cash equivalents	5 256	1 003	592
Total assets	873 221	840 913	776 775
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	761 186	706 170	661 890
Long-term interest-bearing liabilities	30 603	48 852	35 627
Long-term non-interest-bearing liabilities	–	618	–
Short-term interest-bearing liabilities	12 241	17 513	11 876
Current tax liabilities	106	–	–
Accounts payable	801	718	293
Liabilities to Group companies	66 879	47 875	64 600
Other short-term non-interest-bearing liabilities	1 405	19 167	2 489
Total shareholders' equity and liabilities	873 221	840 913	776 775
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	–	–	–

Note 1. Accounting Principles

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

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

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

Note 2. Financial instruments - Fair value

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

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

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

The measurement of fair value for financial liabilities in level 3 has generated an effect on the income statement of SEK - thousand (-239) during the period, which is reported among financial items.

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

Financial assets and liabilities measured at amortized cost amount to SEK 205,505 thousand (193,538) and SEK 95,291 thousand (116,241).

Fair value hierarchy

SEK thousands	Fair value levels	Fair value		
		Jun 30.2016	Jun 30.2015	Dec 31.2015
Financial assets				
Financial assets to fair value through income statement	3	3 746	3 746	3 746
Derivatives for hedge accounting	2	—	319	842
Total Financial assets		3 746	4 065	4 588

SEK thousands	Fair value levels	Fair value		
		Jun 30.2016	Jun 30.2015	Dec 31.2015
Financial liabilities				
Financial liabilities to fair value through income statement	3	—	18 194	—
Derivatives for hedge accounting	2	234	—	—
Total Financial liabilities		234	18 194	—

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

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

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

Note 3. Acquisition of subsidiary

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

The consolidated net sales for the companies in 2015 amounted to approximately SEK 79.5 million (62.8), and the consolidated operating income before depreciation and amortisation (EBITDA) in the same period amounted to SEK 18.7 million (5.5). The acquisitions have effected Vitrolife's reported sales positively by SEK 3.4 million and income measured in terms of EBITDA negatively by SEK 0.1 million. The companies are expected to be accretive to earnings per share from 2016 and onwards. Acquisition costs amount to approximately SEK 2.0 million and have been expensed.

The surplus value attributable to the acquisitions amounted to SEK 109.5 million at May 31, 2016, of which SEK 10.0 million related to trademarks, SEK 75.0 million related to technology, SEK 20.3 million related to customer relations and SEK -31.6 million related to deferred tax attributable to the surplus value. The remaining surplus value of SEK 35.8 million was goodwill associated with know-how and the ability to continuously develop new products.

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

SEK millions	2016
Liquid funds	127.2
Total purchase price	127.2

Identified assets and liabilities

Trademark	10.0
Production technology	75.0
Customer relations	20.3
Other intangible assets	0.4
Tangible fixed assets	2.3
Financial assets	0.2
Inventories	10.5
Other current assets	6.2
Cash and cash equivalents	11.0
Current liabilities	-12.3
Long-term liabilities	-0.6
Deferred tax liability due to surplus value	-31.6
Total acquired assets and liabilities	91.4

Goodwill	35.8
Total	127.2

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

Note 4. Segments

Vitrolife consists of four business units whose products are sold by three geographic market organisations. As a result of the internal organisation, Vitrolife reports net sales and market contribution per geographic segment. Market contribution is defined as gross income reduced with the selling expenses per market.

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Apr-Jun 2016	Apr-Jun 2015	Apr-Jun 2016	Apr-Jun 2015	Apr-Jun 2016	Apr-Jun 2015	Apr-Jun 2016	Apr-Jun 2015
Net sales	91 194	88 467	33 688	34 700	82 890	60 978	207 772	184 145
Gross income	59 450	54 676	23 746	24 999	53 529	42 162	136 725	121 837
Selling expenses	-17 166	-16 281	-6 165	-6 622	-15 598	-11 810	-38 929	-34 713
Market contribution	42 284	38 395	17 581	18 377	37 931	30 352	97 796	87 124
Fixed assets*	662 806	543 028	88 026	88 952	40	68	750 873	632 048

SEK thousands	EMEA		North and South America		Asia & Pacific		Total	
	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015	Jan-Jun 2016	Jan-Jun 2015
Net sales	173 806	164 847	65 491	63 429	155 473	118 264	394 770	346 540
Gross income	113 297	104 164	46 059	44 710	102 546	79 398	261 902	228 272
Selling expenses	-32 797	-30 822	-13 056	-13 369	-27 127	-24 661	-72 980	-68 852
Market contribution	80 500	73 342	33 003	31 341	75 419	54 737	188 922	159 420
Fixed assets*	662 806	543 028	88 026	88 952	40	68	750 873	632 048

* Fixed assets refer to intangible and tangible fixed assets, i.e. excluding financial instruments and deferred tax assets.

Reconciliation of alternative key figures

This report includes certain key ratios not defined in IFRS, but they are included in the report as company management considers that this information makes it easier for investors to analyze the Group's financial performance and position. Investors should regard these alternative key ratios as complementing rather than replacing financial information in accordance with IFRS. Please note that Vitrolife's definitions of these key ratios may differ from other companies' definitions of the same terms.

Operating income before depreciation and amortisation (EBITDA)

SEK M	January-June		April-June		Whole year 2015
	2016	2015	2016	2015	
Operating income	114	90	62	50	226
Depreciation and amortisation	22	26	12	12	53
Operating income before depreciation and amortisation (EBITDA)	136	116	74	62	279

Return on equity

SEK M	Jun 30. 2016	Jun 30. 2015	Dec 31. 2015
Average shareholders' equity, rolling 12 month	855	640	779
Net income, rolling 12 month	196	137	183
Return on equity, %	22.9	21.5	23.5

Net debt

SEK M	Jun 30. 2016	Jun 30. 2015	Dec 31. 2015
Interest-bearing liabilities	43.4	68.1	48
Interest-bearing receivables	-	-	-
Cash and cash equivalents	-76.0	-75.6	-200
Net debt	-32.6	-7.55	-152

Net debt / Rolling 12 month EBITDA

SEK M	Jun 30. 2016	Jun 30. 2015	Dec 31. 2015
Net debt	-32.6	-7.55	-152
Operating profit, rolling 12 month	250	170	226
Depreciation and amortisation, rolling 12 month	49	38	53
Rolling 12 month EBITDA	299	208	279
Net debt / Rolling 12 month EBITDA	-0.1	0.0	-0.5

Definitions

Cash flow from operating activities per share

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

Earnings per share

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

Equity/assets ratio

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

Gross margin

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

Market contribution

Gross income reduced with the selling expenses per market.

Net debt

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

Net debt / Rolling 12 month EBITDA

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

Operating margin before depreciation and amortisation (EBITDA)

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

Operating margin

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

Profit margin

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

Return on equity

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

Shareholders' equity per share

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

Glossary

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

Biological quality tests

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

Biotechnology

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

Blastocyst

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

Cell therapy

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

Clinical study/trial

An investigation in healthy or sick people in order to study the effect of a

pharmaceutical or treatment method.

Embryo

A fertilized and cell divided egg.

In vitro (Latin "in glass")

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

In vivo

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

Incubator

Equipment for culture of embryos in a controlled environment.

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

Comprise devices used to make a

diagnosis of a disease, treat a disease and as rehabilitation.

PGD

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

PGS

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

Preclinical study

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

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

Stem cells

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

Time-lapse

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

Vitrification

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

TOGETHER. ALL THE WAY™

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