



INTERIM REPORT JANUARY-MARCH 2020

Vitrolife AB (publ)

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

Vitrolife has approximately 400 employees and the company's products are sold in approximately 110 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in Australia, Belgium, China, Denmark, France, Germany, Italy, Japan, United Kingdom and USA. The Vitrolife share is listed on NASDAQ Stockholm.

Vitrolife 

Good growth but uncertain second quarter

First quarter

- Sales amounted to SEK 334 (312) million, corresponding to an increase of 7 percent in SEK. Sales increased by 5 percent in local currency and consisted of organic growth.
- Operating income before depreciation and amortisation (EBITDA) amounted to SEK 116 (126) million, corresponding to a margin of 35 (40) percent. Fluctuations in exchange rates positively impacted EBITDA by SEK 10 million.
- Net income amounted to SEK 80 (86) million, which gave earnings per share of SEK 0.74 (0.79).

After the end of the period

- Large reduction in inflow of orders due to covid-19 during the beginning of the second quarter. Sales during the first weeks of April amounted to approximately a third of those in the corresponding period the previous year. In the company's assessment, the second quarter will be very weak.
- Due to the great uncertainty prevailing from the extensive spread of covid-19, Vitrolife's Board decided to postpone the Annual General Meeting to a later date. The Annual General Meeting will be held in accordance with current legislation.

The Group's Key Figures

SEK millions	January – March 2020	2019	Whole year 2019
Net sales	334	312	1 480
Net sales growth, local currency, %	5	12	22
Gross margin, %	62	63	63
Adjusted gross margin*, %	64	67	66
Operating income before depreciation and amortisation (EBITDA)	116	126	587
EBITDA margin, %	35	40	40
Net income	80	86	384
Net debt / Rolling 12 month EBITDA	-1.2	-1.0	-1.2
Earnings per share, SEK	0.74	0.79	3.53
Share price on closing day, SEK	143.30	211.65	197.50
Market cap at closing day	15 555	22 975	21 439
<i>Changes in net sales</i>			
Organic growth in local currency, %	5	4	12
Acquired growth, %	-	8	10
Currency effects, %	2	6	6
Total growth, %	7	18	29

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

Sales during the quarter amounted to SEK 334 million, corresponding to an increase of 7 percent in SEK. Sales increased by 5 percent in local currency and consisted of organic growth. In the report sales



are recognised in accordance with the new organisation that was introduced during 2019. This consists as previously of four market regions and now also of three divisions: Consumables, Technology and Genomics. Sales were negatively impacted by covid-19 during the first quarter due to reduced demand. During the quarter the Asian region was impacted most due to the fact that the outbreak of the virus started there and towards the end of the quarter the other regions were also impacted negatively. Despite this, all regions except Asia reported growth during the quarter. During the quarter the company obtained market approval for the company's microlaser product Octax NaviLase in the US, and this is expected to make a positive contribution to growth there in the future. The operating margin before depreciation and amortisation (EBITDA) amounted to 35 percent and was negatively impacted by a less favourable product mix and obsolescence provisions, amongst other things. All in all, I am very pleased with sales and results in the first quarter under the circumstances.

After closing day, the negative sales trend from the end of the first quarter due to covid-19 has accelerated. Sales during the first weeks of April amounted to approximately a third of those in the corresponding period the previous year. The decrease is due to a number of factors, such as the fact that countries have introduced restrictions, for example quarantine rules that make it difficult or impossible to carry out IVF treatment. In some countries, such as the UK, authorities have ordered clinics to stop IVF treatment, with some exceptions. Influential organisations in the field, such as ESHRE (European Society of Human Reproduction and Embryology), have also recommended avoiding getting pregnant through IVF now, which many clinics have responded to by not starting new treatment, and we also see cautiousness on the part of patients with regard to carrying out IVF treatment

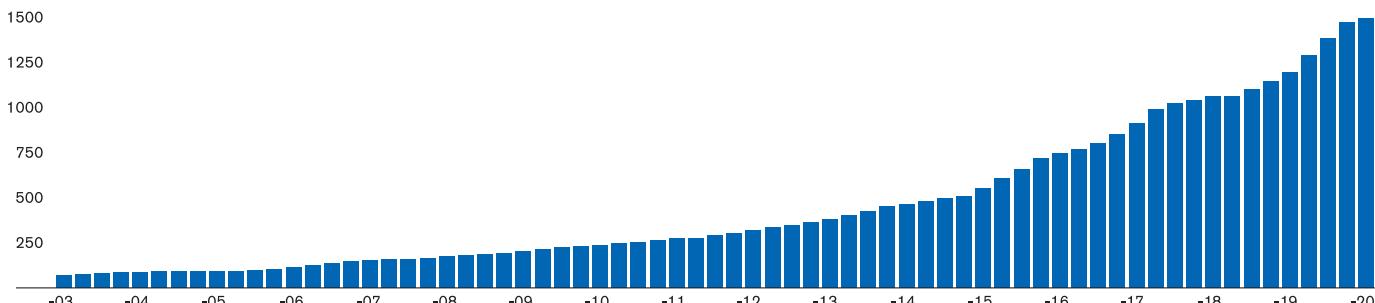
now given the uncertainty that exists. From a regional perspective the current situation can be summarised as follows: demand in recent weeks has considerably decreased in the EMEA and North- and South American regions while the situation is differentiated in the Asian region, where the number of treatments is slowly increasing again in China while demand continues to be weak outside China. In the Japan and Pacific region demand continues to be good in Japan, while in the Pacific region it is considerably reduced.

There are indications that demand will increase during the second part of the second quarter, as clinics in many countries that have temporarily stopped IVF treatment now plan to resume treatment in the near future. As this is a highly fluid situation it is difficult to make a reliable forecast for the second quarter but, on the basis of current sales levels and the fact that we do not expect a rapid recovery, the company's assessment is that the second quarter will be very weak for Vitrolife. Given this, the company has taken a number of measures to reduce costs. This includes making use of different forms of State support in order to temporarily reduce personnel costs as well as reducing other expenses such as travel and trade fairs. The company estimates that the great majority of patients who are now postponing treatment will have this treatment done on a later occasion, which may mean that there is a pent-up need for IVF treatment after the crisis. Vitrolife continues to invest in its product range amongst others through product development and the company is carrying out market activities online in order to build relationships with customers and create opportunities for new business when the crisis is over. Vitrolife's financial position, with considerable net cash, means that we assess the outlook to be good that the company will exit the crisis strong and can take advantage of the opportunities that may emerge, for example regarding acquisitions.

The company estimates that the long-term market outlook is largely unchanged and Vitrolife therefore anticipates a constantly expanding market, which in monetary terms is expected to grow by 5-10 percent per year in the foreseeable future.

Thomas Axelsson, CEO

Net sales (rolling 12 months), SEK millions



First quarter 2020 (January - March)

Net sales

Sales amounted to SEK 334 (312) million, corresponding to an increase of 7 percent in SEK. Sales increased by 5 percent in local currency and consisted of organic growth.

In the report sales are recognised in accordance with the new organisation that was introduced during 2019. This consists as previously of four market regions and now also of three divisions: Consumables, Technology and Genomics, where the Media and Disposable Devices business units have been combined in the Consumables division and the Time-lapse and ART Equipment business units have been combined in the Technology division.

Sales in the EMEA region (Europe, the Middle East and Africa) amounted to SEK 156 (131) million. Sales increased by 17 percent in local currency and all divisions contributed to growth. In the North- and South American region, sales amounted to SEK 65 (59) million. Sales increased by 7 percent in local currency and all divisions reported growth. Sales in the Japan and Pacific region amounted to SEK 54 (46) million. Sales increased by 14 percent in local currency and were positively impacted by increased sales of Consumables and Technology. Sales in the Asian region decreased by 22 percent in local currency and amounted to SEK 60 (76) million. Sales in the Asian region were negatively impacted by reduced demand due to covid-19.

Sales for the Consumables division decreased by 5 percent in local currency during the quarter and amounted to SEK 193 (200) million. Sales decreased due to reduced demand in the Asian region due to covid-19. Sales for the Technology division increased by 19 percent in local currency during the quarter and amounted to SEK 103 (85) million. All regions contributed to growth. Sales for the Genomics division during the quarter amounted to SEK 32 (20) million. Growth was impacted positively primarily by the fact that the comparative quarter was impacted by the transfer of distribution to Illumina. Freight revenues amounted to SEK 6 (6) million.

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

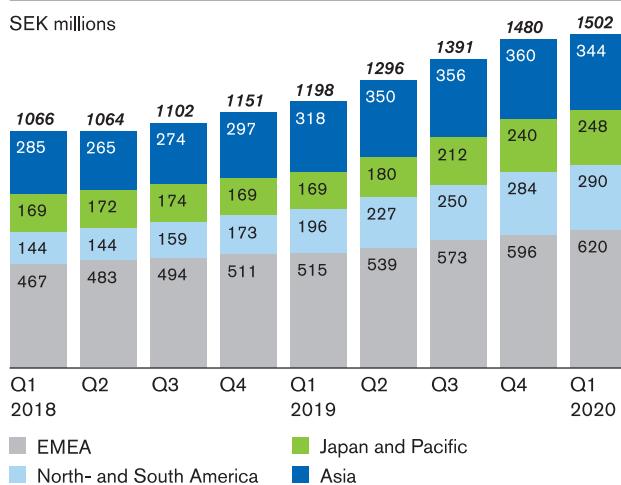


Fig 2. Sales development (per quarter)

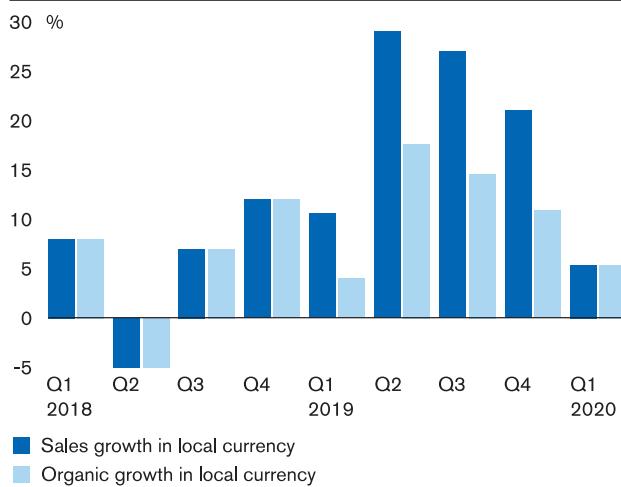


Fig 3. Net sales per division (rolling 12 months)

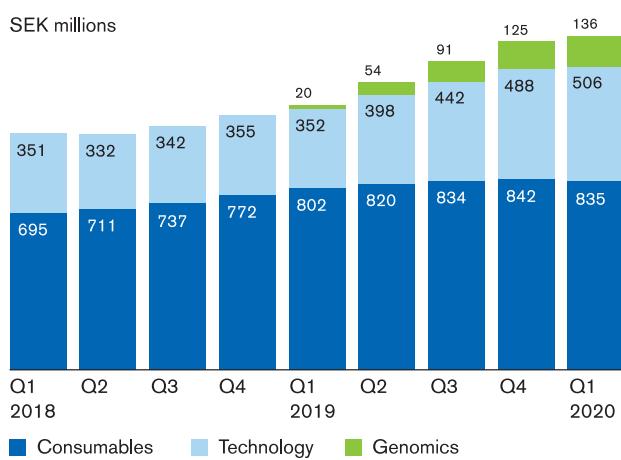
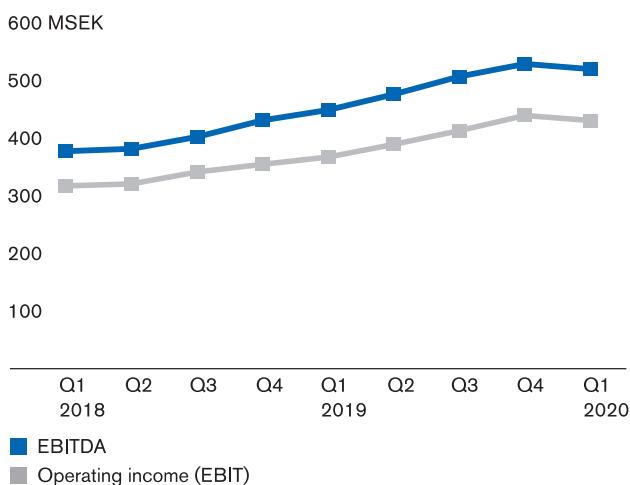


Fig 4. Income (rolling 12 months)



Income

Operating income before depreciation and amortisation (EBITDA) amounted to SEK 116 (126) million, corresponding to a margin of 35 percent (40). Fluctuations in currency had a positive impact of SEK 10 million on EBITDA.

Gross income amounted to SEK 206 (198) million. The gross margin amounted to 62 (63) percent and was negatively impacted by the product mix and obsolescence costs due to reduced sales and positively by currency effects. The company has also included a reservation for estimated obsolescence costs during the second quarter as a result of reduced sales. The gross margin adjusted for amortisation of acquisition-related intangible assets amounted to 64 (67) percent during the quarter.

Selling expenses amounted to 18 (15) percent of sales and the increase was due to strengthening of the market and sales organisation and provisions for anticipated bad debt losses of SEK 3 million. Administrative expenses amounted to 9 (9) percent of sales. R&D costs amounted to 8 (7) percent of sales and increased amongst others due to increased research collaborations. Depreciation, amortisation and write-downs of SEK 22 (23) million were charged against income. Net financial items amounted to SEK 10 (7) million and consisted primarily of currency effects. Income before tax amounted to SEK 104 (110) million. Net income amounted to SEK 80 (86) million. Other comprehensive income amounted to SEK 49 million and consisted of translation effects related to net assets in foreign subsidiaries and acquisition-related intangible assets in foreign currency.

Income per segment

The organisation consists of three divisions, whose products are sold by four geographic market organisations. Vitrolife recognises the market contribution from each

geographic segment. This is defined as gross income minus selling expenses per market. For more information, see note 5. During the quarter the market contribution for the EMEA region amounted to SEK 69 (64) million. This was impacted positively by increased sales and currency effects and negatively by a less favourable product mix, obsolescence costs and increased marketing and sales expenses. The contribution from the North and South American region amounted to SEK 20 (24) million and was positively impacted by increased sales and currency effects and negatively by a less favourable product mix, obsolescence costs and increased marketing and sales expenses. The contribution from the Japan and Pacific region amounted to SEK 26 (25) million and was positively impacted by increased sales and currency effects and negatively by obsolescence costs and increased marketing and sales expenses. The market contribution from the Asian region amounted to SEK 30 (39) million and was negatively impacted by decreased sales and obsolescence costs. All regions were negatively impacted by a decrease in demand due to covid-19. The Asian region was impacted the most during the quarter.

Cash flow

The cash flow from operating activities amounted to SEK 20 (34) million. Change in working capital amounted to SEK -58 (-50) million and consisted, amongst other things, of increased inventories due to lower sales towards the end of the quarter and increased accounts receivable due to longer average payment times. Gross capital expenditure for tangible non-current assets amounted to SEK -3 (-5) million and mainly consisted of equipment. Gross capital expenditure for intangible non-current assets amounted to SEK -3 (-1) million and consisted amongst others of capitalized development costs. The cash flow from financing activities was SEK -4 (-3) million and consisted of amortisations of lease contracts in accordance with IFRS 16. Cash and cash equivalents at the end of the period amounted to SEK 715 (522) million. The company intends to invest its cash in value-creating acquisitions and to cover any financing needs as a result of reduced demand due to covid-19.

Financing

Vitrolife's total credit facilities amounted to SEK - (-) million. The equity/assets ratio was 86 (85). Net debt in relation to income for a rolling 12 months before depreciation and amortisation (EBITDA) amounted to -1.2 (-1.0) times.

Parent Company

Business activities focus on Group-wide management. Income included invoicing of management fee and other costs of SEK 5 (4) million. Income after financial items for the quarter amounted to SEK 1 (0) million. Cash and cash equivalents amounted to SEK 268 (272) million.

Prospects

Sales in the second quarter are expected to be significantly adversely affected by reduced demand as a result of covid-19. As this is a highly fluid situation it is difficult to make a reliable forecast for the second quarter but, on the basis of current sales levels and the fact that a rapid recovery is not expected, the company's assessment is that the second quarter will be very weak for Vitrolife. The company estimates that the great majority of patients who are now postponing treatment will have this treatment done on a later occasion, which may mean that there is a pent-up need for IVF treatment after the crisis.

The company estimates that the long-term market outlook is largely 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. Looking ahead, the company will continue to focus on expanding sales and broadening the product offering.

The company in brief

Business concept

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

Goal

Vitrolife's goal is to be the leading provider of solutions that reduce the time to achieve a healthy baby and improve workflow efficiency and control for IVF clinics.

Strategies

- Sustainable, skilled and scalable global organisation focusing on sustainable processes and common culture.
- Strong sales and support channels that can offer customised solutions.
- Competitive and complete product portfolio with leading support and service offering.
- Innovative research and development and efficient manufacturing and processes.
- Take advantage of external growth opportunities such as strategic collaborations and acquisitions.

Other information

Organisation and personnel

During the period the average number of employees was 406 (383), of whom 203 (192) were women and 203 (191) were men. Of these, 153 (151) people were employed in

Sweden, 86 (83) in the US, 85 (78) in Denmark and 82 (71) in the rest of the world. The number of people employed in the Group at the end of the period was 418 (396).

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 2019, note 31.

Dividend

The Board has proposed a dividend of SEK 114 (92) million, corresponding to SEK 1.05 (0.85) per share.

Risk management

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

The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Management report, in the Annual Report for 2019. These are primarily constituted by macro-economic risks, operational risks and financial risks. The company's management of risks is also described in the Corporate Governance Report in the same Annual Report. The same applies to the Group's management of financial risks, which are described in the Annual Report for 2019, note 3. The reported risks, as they are described in the 2019 Annual Report, are assessed to be essentially unchanged.

Seasonal effects

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

Election committee

The following people have been appointed as members of Vitrolife's election committee for the 2020 Annual General Meeting:

Niels Jacobsen, appointed by William Demant Invest A/S
Patrik Tigerschiöld, appointed by Bure Equity AB

Wendy Wang, appointed by Morgan Stanley Investment Management Inc.

Jón Sigurdsson, 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 May 2, 2019.

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: Chairman of the Board, 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

Due to the great uncertainty prevailing from the extensive spread of covid-19, Vitrolife's Board decided to postpone the Annual General Meeting to a later date. The AGM was originally planned to be held at April 28, 2020 in Göteborg. Vitrolife will return with a notice to the AGM no later than four weeks before the new date. The Annual General Meeting will be held in accordance with current legislation.

Vitrolife's Annual Report for 2019 is available to be downloaded from Vitrolife's website and in a printed version at the company's head office in Gothenburg. The Annual Report has been sent out to those shareholders who have notified the company that they wish to have the printed version.

Financial reports

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

Financial calendar

Date TBD: Annual General Meeting 2020

2020-07-13: Interim report January - June 2020

2020-11-06: Interim report January - September 2020

2021-02-10: Report on operations 2020

Events after the end of the period

Due to the great uncertainty prevailing from the extensive spread of covid-19, Vitrolife's Board decided to postpone the Annual General Meeting to a later date. The Annual General Meeting will be held in accordance with current legislation.

The inflow of orders was substantially reduced due to covid-19 during the beginning of the second quarter. Sales during the first weeks of April amounted to approximately a third of those in the corresponding period the previous year. In the company's assessment, the second quarter will be very weak.

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

April 23, 2020
Gothenburg, Sweden

Thomas Axelsson
CEO

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

Queries should be addressed to

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

This information is information that Vitrolife AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above, at 8.00 am CET on April 23, 2020.

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

Consolidated income statements

SEK thousands	Note	January – March 2020	January – March 2019	Whole year 2019
Net sales	4,5	333 870	311 924	1 480 132
Cost of goods sold		-128 249	-114 017	-541 480
Gross income		205 621	197 907	938 652
<i>Comprising</i>				
Adjusted gross income		212 208	208 308	980 936
Amortisation of acquisition-related intangible assets		-6 587	-10 401	-42 284
Gross income		205 621	197 907	938 652
Selling expenses		-59 265	-47 249	-231 582
Administrative expenses		-31 470	-29 174	-119 382
Research and development costs		-25 652	-20 571	-99 515
Other operating revenues		4 761	7 742	307
Other operating expenses		-191	-5 123	-534
Operating income		93 803	103 533	487 946
<i>Comprising</i>				
Adjusted operating income		100 390	113 934	530 230
Amortisation of acquisition-related intangible assets		-6 587	-10 401	-42 284
Operating income		93 803	103 533	487 946
Financial income and expenses		10 271	6 953	4 748
Income after financial items		104 074	110 485	492 694
Income taxes		-23 966	-24 850	-108 855
Net Income		80 108	85 635	383 839
Attributable to				
Parent Company's shareholders		79 836	85 318	382 785
Non-controlling interests		272	317	1 054
Earnings per share*, SEK		0,74	0,79	3,53
Average number of outstanding shares		108 550 575	108 550 575	108 550 575
Number of shares at closing day		108 550 575	108 550 575	108 550 575

* Before and after dilution.

Depreciation, amortisation and write-downs were charged against income for the period by SEK 22,257 thousand (22,586), and SEK 99,388 thousand for the whole year 2019.

Statements of comprehensive income

SEK thousands		January – March 2020	January – March 2019	Whole year 2019
Net income		80 108	85 635	383 839
Other comprehensive income				
<i>Items that may be reclassified to the income statement</i>				
Exchange rate differences		48 876	15 384	10 643
Total other comprehensive income		48 876	15 384	10 643
Total comprehensive income		128 984	101 019	394 482
Attributable to				
Parent Company's shareholders		128 477	100 654	393 377
Non-controlling interests		507	365	1 105

Key ratios, total Group

	January – March 2020	2019	Whole year 2019
Gross margin, %	61.6	63.4	63.4
Adjusted gross margin, %	63.6	66.8	66.3
Operating margin before depreciation and amortisation (EBITDA), %	34.8	40.4	39.7
Operating margin (EBIT), %	28.1	33.2	33.0
Net margin, %	24.0	27.5	25.9
Equity/assets ratio, %	85.7	85.0	84.1
Shareholders' equity per share, SEK	17.71	14.68	16.53
Return on equity, %	21.4	22.2	22.8
Cash flow from operating activities per share, SEK	0.19	0.32	3.81
Net debt*, SEK millions	-715.5	-522.1	-689.5

* Negative amount implies net claim.

Consolidated income statements per quarter

SEK thousands	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018
Net sales	333 870	409 486	377 991	380 731	311 924	320 113	284 010	283 231
Cost of goods sold	-128 249	-156 998	-134 642	-135 823	-114 017	-105 690	-96 153	-95 895
Gross income	205 621	252 488	243 349	244 908	197 907	214 423	187 857	187 336
Selling expenses	-59 265	-62 106	-56 097	-66 130	-47 249	-51 460	-44 289	-46 628
Administrative expenses	-31 470	-25 611	-33 865	-30 732	-29 174	-27 069	-21 654	-25 118
Research and development costs	-25 652	-30 826	-23 543	-24 576	-20 571	-35 812	-15 341	-18 842
Other operating revenues and expenses	4 569	-2 945	634	-534	2 620	1 651	-2 534	1 732
Operating income	93 803	131 000	130 478	122 936	103 533	101 733	104 039	98 480
Financial income and expenses	10 271	-7 878	6 412	-739	6 953	5 763	-7 808	1 859
Income after financial items	104 074	123 122	136 890	122 197	110 485	107 496	96 231	100 339
Income taxes	-23 966	-26 673	-30 091	-27 241	-24 850	-23 347	-21 083	-20 768
Net income	80 108	96 449	106 799	94 955	85 635	84 149	75 148	79 571
Attributable to								
Parent Company's shareholders	79 836	96 127	106 705	94 635	85 318	83 997	75 067	79 272
Non-controlling interests	272	322	94	320	317	152	81	299
Depreciation, amortisation and write-downs	-22 257	-28 543	-24 762	-23 496	-22 586	-33 434	-16 947	-17 703

Key ratios per quarter, total Group

	Jan-Mar 2020	Oct-Dec 2019	Jul-Sep 2019	Apr-Jun 2019	Jan-Mar 2019	Oct-Dec 2018	Jul-Sep 2018	Apr-Jun 2018
Shareholders' equity, attributable to the								
Parent Company's shareholders, SEK millions	1 922.5	1 794.0	1 724.3	1 600.1	1 593.6	1 492.9	1 407.8	1 342.0
Shareholders' equity per share*, SEK	17.71	16.53	15.88	14.74	14.68	13.75	12.97	12.36
Return on equity, %	21.4	22.8	23.1	22.3	22.2	22.2	22.2	22.5
Cash flow from operating activities								
per share*, SEK	0.19	1.08	1.43	0.98	0.32	1.07	0.79	0.97

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

Consolidated statements of financial position

SEK thousands	Note	Mar 31. 2020	Mar 31. 2019	Dec 31. 2019
ASSETS	2			
Goodwill	5	442 311	427 790	425 842
Other intangible fixed assets	5	352 931	293 777	352 415
Tangible fixed assets	5	175 747	174 598	173 359
Shares and participations		5 746	5 746	5 746
Other financial fixed assets		29 278	20 372	26 928
Deferred tax assets		4 092	1 409	4 173
Inventories		234 527	177 380	208 820
Accounts receivable		258 201	231 637	233 321
Current tax assets		11 595	3 391	1 180
Other current receivables		4 734	4 872	5 678
Prepaid expenses and accrued income		12 929	17 122	11 687
Cash and cash equivalents		715 478	522 078	689 538
Total assets	2 247 569	1 880 172	2 138 687	
SHAREHOLDERS' EQUITY AND LIABILITIES	2			
Shareholders' equity, attributable to the Parent Company's shareholders		1 922 499	1 593 568	1 794 023
Non-controlling interests		4 112	3 663	3 605
Provisions		18 212	13 071	16 619
Deferred tax liabilities		26 613	31 272	27 273
Long-term interest-bearing liabilities		59 287	66 192	61 213
Long-term non-interest-bearing liabilities		36 323	8 545	33 602
Short-term interest-bearing liabilities		15 409	10 683	14 632
Current tax liabilities		17 134	7 779	29 772
Accounts payable		30 934	40 039	29 314
Other short-term non-interest-bearing liabilities		13 699	18 350	18 489
Accrued expenses and deferred income		103 347	87 011	110 145
Total shareholders' equity and liabilities	2 247 569	1 880 172	2 138 687	

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, 2019	22 144	494 610	50 254	925 906	3 298	1 496 212
Total comprehensive income	–	–	10 592	382 785	1 105	394 482
Dividend (SEK 0.85 per share)	–	–	–	-92 268	–	-92 268
Dividend to non-controlling interests	–	–	–	–	-798	-798
Closing balance December 31, 2019	22 144	494 610	60 846	1 216 423	3 605	1 797 628
Opening balance January 1, 2020	22 144	494 610	60 846	1 216 423	3 605	1 797 628
Total comprehensive income	–	–	48 641	79 836	507	128 984
Closing balance March 31, 2020	22 144	494 610	109 487	1 296 259	4 112	1 926 612

Condensed consolidated cash flow statements

SEK thousands	January – March 2020	2019	Whole year 2019
Income after financial items	104 074	110 485	492 694
Adjustment for non-cash items	14 805	14 773	96 425
Tax paid	-40 695	-41 248	-114 161
Change in inventories	-16 431	-13 150	-44 308
Change in trade receivables	-25 695	-55 272	-48 533
Change in trade payables	-15 855	18 627	31 216
Cash flow from operating activities	20 203	34 215	413 333
Business combinations	–	–	-23 828
Net investments in tangible and intangible assets	-5 818	-8 853	-88 744
Cash flow from investing activities	-5 818	-8 853	-112 572
Loan repayments	-4 260	-3 225	-14 622
Dividends paid	–	–	-92 268
Cash flow from financing activities	-4 260	-3 225	-106 890
Cash flow for the period	10 125	22 138	193 872
Opening cash and cash equivalents	689 538	490 810	490 810
Exchange-rate difference in cash and cash equivalents	15 815	9 131	4 856
Closing cash and cash equivalents	715 478	522 078	689 538

Income statements for the Parent Company

SEK thousands	January – March 2020	2019	Whole year 2019
Net sales	5 152	3 768	22 052
Administrative expenses	-6 784	-5 689	-22 533
Other operating revenues	138	27	74
Other operating expenses	–	–	-92
Operating income	-1 494	-1 894	-499
Dividends from Group companies	–	–	1 856
Financial income and expenses	2 929	2 078	5 026
Income after financial items	1 435	184	6 383
Income taxes	-70	-43	-2 118
Net income	1 365	141	4 264

Depreciation and amortisation were charged against income for the period by SEK - thousand (-), and SEK - thousand for the whole year 2019.

Balance sheets for the Parent Company

SEK thousands	Mar 31. 2020	Mar 31. 2019	Dec 31. 2019
ASSETS			
Tangible fixed assets	12	12	12
Participations in Group companies	771 346	771 346	771 346
Shares and participations	5 746	5 746	5 746
Other financial fixed assets	5 828	4 259	5 304
Deferred tax assets	1 493	1 108	1 353
Receivables from Group companies	14 046	30 949	15 686
Other current receivables	510	160	–
Prepaid expenses and accrued income	833	149	40
Cash and cash equivalents	268 054	272 156	217 991
Total assets	1 067 868	1 085 885	1 017 478
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	959 900	1 046 679	958 535
Provisions	7 248	5 379	6 570
Current tax liabilities	804	374	1 223
Accounts payable	951	955	48
Liabilities to Group companies	94 512	29 038	42 454
Other short-term non-interest-bearing liabilities	261	247	660
Accrued expenses and deferred income	4 191	3 213	7 988
Total shareholders' equity and liabilities	1 067 868	1 085 885	1 017 478

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.

No standards, amendments or interpretations that have come into force in 2020 are expected to have any material impact on the Group.

Note 2. Financial instruments - Fair value

Fair value has been measured for all financial assets and liabilities pursuant to IFRS 13. Other financial fixed assets, accounts receivable, other current receivables, cash and cash equivalents, accounts payable, other liabilities and interest bearing liabilities are recorded at amortised cost. Financial assets and liabilities measured at amortised cost amount to SEK 1,003,464 thousand (774,258) and SEK 70,325 thousand (52,996). For the Group's other financial assets and financial liabilities, the reported values are considered to be a good approximation of the fair values. A calculation of fair value based on discounted future cash flows, where a discount rate reflecting the counterparty's credit risk constitutes the most significant input, is not deemed to give any significant difference compared to the reported value.

Classified in level 3 are financial assets, which relate to unlisted shares, and have been valued based on latest material transactions. Hence, fair value is estimated to be equal to book value. Classified in level 3 are also liabilities which relate to additional purchase prices, for which fair value have been estimated in cases where the time for effectiveness can be determined with certainty and the effect on Group level is material. Calculation is performed by future expected payments being discounted by current market rates for the duration of the liability. The measurement of fair value for financial liabilities in level 3 has during the period generated an effect on the income statement of SEK -319 thousand (-128). This effect is reported among financial items.

Fair value hierarchy

SEK thousands	Fair value levels	Mar 31.2020	Mar 31.2019	Dec 31.2019
Financial assets				
Financial assets to fair value through income statement	3	5 746	5 746	5 746
Total Financial assets		5 746	5 746	5 746
Financial liabilities				
Financial liabilities to fair value through income statement	3	9 975	8 545	8 860
Total Financial liabilities		9 975	8 545	8 860

Level 1: valued at fair value based on quoted prices on an active market for identical assets. Level 2: valued at fair value based on other observable inputs for assets and liabilities than quoted price included in level 1. Level 3: valued at fair value based on inputs for assets and liabilities unobservable to the market.

Note 3. Pledged assets and contingent liabilities

SEK thousands	Mar 31.2020	Mar 31.2019	Dec 31.2019
Group			
Pledged assets	32 772	28 157	31 529
Contingent liabilities	673	1 294	1 488
Parent company			
Pledged assets	8 928	7 359	8 404
Contingent liabilities	6 220	361	6 107

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

Note 4. Revenue

The great majority of Vitrolife's sales are of products that clearly represent separate performance obligations. Sales of products are recorded as revenue when they have been delivered to the customer. Vitrolife also sells services in the form of the servicing of products, primarily in the Technology division, and also in the form of the recharging of freight. Servicing is largely invoiced in advance and is recorded as revenue during the course of the servicing contract. Servicing revenues not recognised as revenue are reported as deferred income (contractual liabilities) in the balance sheet. In

Vitrolife's assessment these services are also clearly separate performance obligations. The table below presents the division of products and services in net sales.

Vitrolife applies the following geographic segments: EMEA, North- and South America, Japan and Pacific and Asia. Previously, the organization was divided into five business units, but in 2019 a new structure was introduced, which now consists of three divisions; Consumables, Technology and Genomics. Business units Media and Disposable Devices have been merged into Consumables, and business units Time-Lapse and ART Equipment into Technology. Those sales that are not categorised into any of these divisions are essentially freight. Revenue per division and segment is presented in the tables below. For more information on the company's segments, see note 5.

Net sales per geographic segment

SEK thousands	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
EMEA	155	131	596
of which Sweden	7	5	19
North- and South America	65	59	284
Japan and Pacific	54	46	240
Asia	60	76	360
Total	334	312	1 480

Net sales per division

SEK thousands	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Consumables	193	200	841
Technology	103	85	489
Genomics	32	20	125
Other	6	6	24
Total	334	312	1 480

Net sales per products and services

SEK thousands	Jan-Mar 2020	Jan-Mar 2019	Jan-Dec 2019
Products	313	293	1 396
Services	21	19	84
Total	334	312	1 480

Note 5. Segments

Vitrolife consists of three divisions whose products are sold by four geographic market organisations. Vitrolife reports net sales and market contribution per geographic segment. Market contribution is defined as gross income reduced with the selling expenses per market. The balance sheet is not followed up per segment.

SEK thousands	EMEA		North- and South America		Japan and Pacific		Asia		Total	
	Jan-Mar 2020	Jan-Mar 2019	Jan-Mar 2020	Jan-Mar 2019	Jan-Mar 2020	Jan-Mar 2019	Jan-Mar 2020	Jan-Mar 2019	Jan-Mar 2020	Jan-Mar 2019
Net sales	155 358	131 263	64 693	58 834	53 957	46 231	59 862	75 596	333 870	311 924
Gross income	94 910	85 672	34 012	33 343	37 641	31 902	39 058	47 152	205 621	197 907
Selling expenses	-25 851	-21 663	-13 606	-9 752	-11 215	-7 138	-8 593	-8 554	-59 265	-47 249
Market contribution	69 059	64 009	20 406	23 591	26 426	24 764	30 465	38 598	146 356	150 658
Fixed assets*	844 841	777 071	120 561	116 490	4 720	1 588	867	1 016	970 989	896 165

SEK thousands	EMEA	North- and South America	Japan and Pacific	Asia	Total
	Whole year 2019	Whole year 2019	Whole year 2019	Whole year 2019	Whole year 2019
Net sales	595 930	283 933	240 064	360 205	1 480 132
Gross income	368 284	164 169	168 980	237 219	938 652
Selling expenses	-95 932	-46 465	-43 767	-45 419	-231 582
Market contribution	272 352	117 704	125 213	191 800	707 070
Fixed assets*	831 892	114 039	4 849	836	951 616

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

Reconciliation of alternative key figures

This report includes certain key ratios not defined in IFRS, but they are included in the report as company management considers that this information makes it easier for investors to analyze the Group's financial performance and position. Investors should regard these alternative key ratios as complementing rather than replacing financial information in accordance with IFRS. Please note that Vitrolife's definitions of these key ratios may differ from other companies' definitions of the same terms. Basis for calculation of financial information for rolling 12 month is found in sections consolidated income statements per quarter and key ratios per quarter, total Group.

Adjusted gross and operating income

As Vitrolife's gross and operating income is significantly impacted by the amortisation of surplus values related to the acquisitions that the company has carried out, it is management's assessment that it is appropriate to illustrate the Group's profitability and earning capacity by presenting gross and operating income adjusted for amortisation of these surplus values. Reconciliation of these figures are presented directly in the financial reports. Vitrolife also reports adjusted gross and operating margin, which are defined as the above mentioned income measures in relation to net sales.

Operating income before depreciation and amortisation (EBITDA)

As amortisation of surplus values related to the acquisitions that Vitrolife has carried out is charged against operating income, it is management's assessment that operating income before depreciation and amortisation (EBITDA) is a fairer measure of the Group's earning capacity compared to operating income (EBIT). Vitrolife's Board aims to achieve growth while maintaining profitability, where profitability is followed up through operating income before depreciation and amortisation (EBITDA). The comparative figures in the table have not been recalculated after the transition to IFRS 16.

SEK thousands	January-March 2020	2019	Whole year 2019
Operating income	93.8	103.5	487.9
Depreciation and amortisation	22.3	22.6	99.4
Operating income before depreciation and amortisation (EBITDA)	116.1	126.1	587.3

Return on equity

It is Vitrolife's assessment that return on equity is an appropriate measure to illustrate to stakeholders how well the Group invests its equity.

SEK thousands	Mar 31. 2020	Mar 31. 2019	Dec 31. 2019
Average shareholders' equity, rolling 12 month	1760.2	1 459.1	1 678.0
Net income, rolling 12 month	377.3	323.7	382.8
Return on equity, %	21.4	22.2	22.8

Net sales growth in local currency

As a large part of Vitrolife's sales are in other currencies than the reporting currency of SEK, sales are not only impacted by actual growth, but also by currency effects. To analyse sales adjusted for currency effects, the key ratio of sales growth in local currency is used. The percentage effects in the following tables are calculated by each amount in SEK millions in relation to net sales in the same period previous year (which is presented in note 4).

Net sales per geographic segment

	EMEA	North and South America	Japan and Pacific	Asia
	Jan-Mar 2020	Jan-Mar 2020	Jan-Mar 2020	Jan-Mar 2020
Growth in local currency, SEK M	23	4	6	-16
Growth in local currency, %	17	7	14	-22
Currency effects, SEK M	2	2	1	0
Currency effects, %	1	3	2	1
Total growth, SEK M	25	6	7	-16
Total growth, %	18	10	16	-21

Net sales per division

	Consumables			Technology			Genomics		
	Jan-Mar 2020	Jan-Mar 2019	Whole year 2019	Jan-Mar 2020	Jan-Mar 2019	Whole year 2019	Jan-Mar 2020	Jan-Mar 2019	Whole year 2019
Growth in local currency, SEK M	-10	17	31	16	-5	104	11	20	116
Growth in local currency, %	-5	10	4	19	-7	30	52	n/a	n/a
Currency effects, SEK M	3	12	37	1	3	31	1	0	9
Currency effects, %	1	7	5	2	4	8	4	n/a	n/a
Total growth, SEK M	-7	29	68	17	-2	135	12	20	125
Total growth, %	-4	17	9	21	-3	38	56	n/a	n/a

Group total

	Jan-Mar 2020	Jan-Mar 2019	Whole year 2019
Organic growth in local currency, SEK M	17	11	135
Organic growth in local currency, %	5	4	12
Acquired growth, SEK M	-	20	116
Acquired growth, %	-	8	10
Currency effects, SEK M	5	17	78
Currency effects, %	2	6	6
Total growth, SEK M	22	48	329
Total growth, %	7	18	29

Net debt / Rolling 12 month EBITDA

One of Vitrolife's financial objectives is to have a strong financial capital base to enable continued high growth, both organic and through acquisitions. In relation to this, Group management follows up the ratio of net debt in relation to rolling 12-month operating income before depreciation and amortisation (EBITDA). According to Vitrolife's financial objectives, this ratio should normally not exceed three times. Management assesses that this ratio gives creditors and investors important information concerning the Group's attitude to debt.

SEK thousands	Mar 31. 2020	Mar 31. 2019	Dec 31. 2019
Long-term interest-bearing liabilities	59.3	66.2	61.2
Short-term interest-bearing liabilities	15.4	10.7	14.6
Adjustment of interest-bearing liabilities related to leasing agreements	-74.7	-76.9	-75.8
Cash and cash equivalents	-715.5	-522.1	-689.5
Net debt	-715.5	-522.1	-689.5

SEK thousands	Mar 31. 2020	Mar 31. 2019	Dec 31. 2019
Net debt	-715.5	-522.1	-689.5

Operating profit, rolling 12 month	478.2	407.8	487.9
Depreciation and amortisation, rolling 12 month	99.1	90.6	99.4
Rolling 12 month EBITDA	577.3	498.4	587.3

Net debt / Rolling 12 month EBITDA	-1.2	-1.0	-1.2
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Definitions

Adjusted gross income

Gross income before amortisation of acquisition-related intangible assets.

Adjusted operating income

Operating income before amortisation of acquisition-related intangible assets.

Cash flow from operating activities per share

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

Earnings per share

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

Equity/assets ratio

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

Gross margin

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

Market contribution

Gross income reduced with the selling expenses per market.

Net debt

Interest-bearing liabilities (excluding financial liabilities related to leasing agreements) minus interest-bearing receivables minus cash and cash equivalents.

Net debt / Rolling 12 month EBITDA

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

Operating margin before depreciation and amortisation (EBITDA)

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

Operating margin

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

Profit margin

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

Return on equity

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

Shareholders' equity per share

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

Glossary

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

Biological quality tests

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

Biopsy

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

Biotechnology

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

Blastocyst

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

Cell therapy

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

Clinical study/trial

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

Embryo

A fertilized and cell divided egg.

In vitro (Latin "in glass")

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

In vivo

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

Incubator

Equipment for culture of embryos in a controlled environment.

IUI

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

IVF, In Vitro Fertilization

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

Medical devices

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

PGT-A

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

PGT-M

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

Preclinical study

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

Time-lapse

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

Vitrification

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

TOGETHER. ALL THE WAY™

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