Report on operations 2005

Vitrolife AB (publ)

Q4: Sales increased by 23 percent

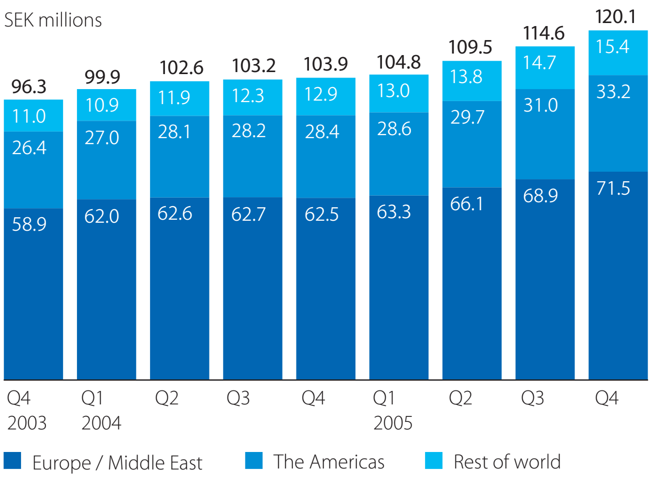
- Turnover increased during the fourth quarter by 23 percent to SEK 30.1 (24.6) million. For the full year 2005 turnover amounted to SEK 120.1 (103.9) million, an increase of 16 percent.
- Gross income for the fourth quarter increased by 20 percent to SEK 21.0 (17.4) million and the gross margin was 70 (71) percent. Gross income for the full year 2005 increased by 11 percent to SEK 82.9 (74.4) million and the gross margin amounted to 69 (72) percent.
- Operating income amounted to SEK 2.4 (1.8) million for the fourth quarter and to SEK 12.1 (13.8) million for the full year 2005.
- Income after financial items was SEK 2.9 (0.3) million for the fourth quarter and SEK 15.3 (12.5) million for the full year 2005.
- Net income for the Group was SEK 2.9 million (0.2) for the fourth quarter and SEK 14.9 (12.7) million for the full year 2005, which corresponds to a 17 percent increase.
- Earnings per share for the full year increased to SEK 0.81 (0.69).
- The equity/assets ratio increased to 83 percent (81).
- Cash flow during the fourth quarter amounted to SEK 2.5 (0.0) million, which means that the cash flow for the whole year was also positive, SEK 3.1 (–6.5) million.
- The Board proposes that no dividend be paid for the financial year 2005.
- Swemed was acquired after the end of the period. Swemed manufactures and markets medical device products for in vitro fertilization, with a turnover of SEK 31.5 million during 2005.
- A new product within the transplantation area, Steen Solution™, was approved for sales in Europe in January 2006.

Vitrolife
Innovative Cell and Tissue Technology

Sales and income

Vitrolife's net sales for the whole of 2005 amounted to SEK 120.1 (103.9) million, which is an increase of 16 percent compared to the previous year. Adjusted for exchange-rate effects the increase was 14 percent. Net sales during the fourth quarter increased by 23 percent and amounted to SEK 30.1 (24.6) million. Adjusted for exchange-rate effects the increase was 18 percent. This means that sales during the second half of the year increased by 22 percent, while the increase during the first half of the year was 10 percent. In the Europe/Middle East region sales increased by 18 percent during the fourth quarter (in local currency plus 13 percent), in the American region the increase was 33 percent (in local currency plus 31 percent) and for the remaining markets an increase of 23 percent was noted (in local currency plus 19 percent). In SEK this means during the fourth quarter SEK 17.3 (14.7) million for Europe/Middle East, SEK 9.0 (6.7) million for the American region and a total of SEK 3.8 (3.1) million for other markets.

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



As can be seen in Figure 2, Vitrolife's sales have historically been higher in the first quarter than in other quarters. This is due to the fact that shipments have been made to the fertility clinics every fourth week and there have been four shipments during the first quarter and three during the others. As from January 2005 there has been a gradual transition to shipments being made directly upon order, which explains the levelling out between the quarters that took place during 2005.

The gross margin for 2005 amounted to 69 (72) percent. Gross income was SEK 82.9 (74.4) million. Gross income for the fourth quarter amounted to SEK 21.0 (17.4) million and the gross margin to 70 (71) percent. As has been communicated previously, the starting up of the factory in Denver means that the gross margin will deteriorate a couple of percentage points during a transition phase. The factory in Denver has a higher degree of automation and a substantially higher capacity, and thus economies of scale are expected to have a positive effect in time. As from the third quarter of 2005 full depreciation for the facility is being charged against net income.

Operating income was SEK 12.1 (13.8) million, which corresponds to a margin of 10.0 (13.3) percent. For the fourth quarter operating income amounted to SEK 2.4 (1.8) million. Operating expenses for the year, excluding depreciation and amortization, increased from SEK 57.6 million to 70.8 million. For the fourth quarter they increased from SEK 15.1 million to 17.5 million. Selling expenses increased for the whole of 2005 by 38 percent compared with the previous year, which is a reflection of the building up of the sales organization. Administrative expenses have decreased while the strong focus on product development and registration activities increased R&D costs for the year by 38 percent. Depreciation and amortization of SEK 8.8 (4.6) million has been charged against the year and SEK 2.7 (1.2) million against the fourth quarter. Depreciation attributable to the production facility in Denver was SEK 1.0 (–) million during the fourth quarter. Other operating revenues include a capital gain of SEK 2.4 million for the first quarter, from the sale of the shares in Cellartis AB, a repaid insurance premium of SEK 0.2 million and an item of SEK 1.2 million regarding a settlement in the USA. The settlement concerned costs for the delayed start of production at the Denver factory, which was due to a production module being destroyed in a traffic accident in 2002.

Net income amounted to SEK 14.9 (12.7) million, of which SEK 2.9 (0.2) million was for the fourth quarter. Net financial

Fig 2. Sales and income per quarter

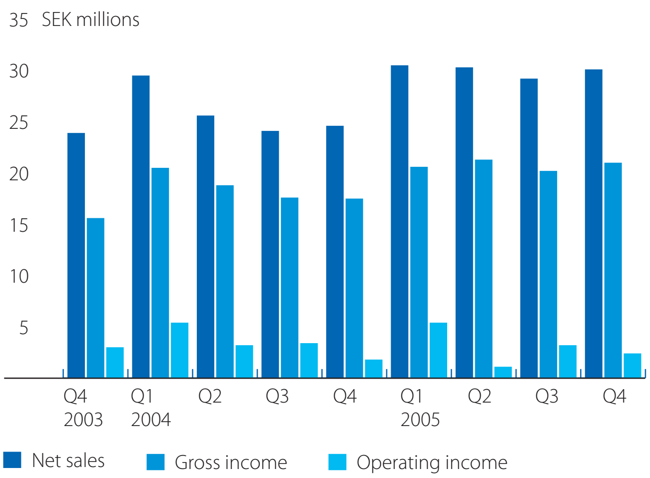
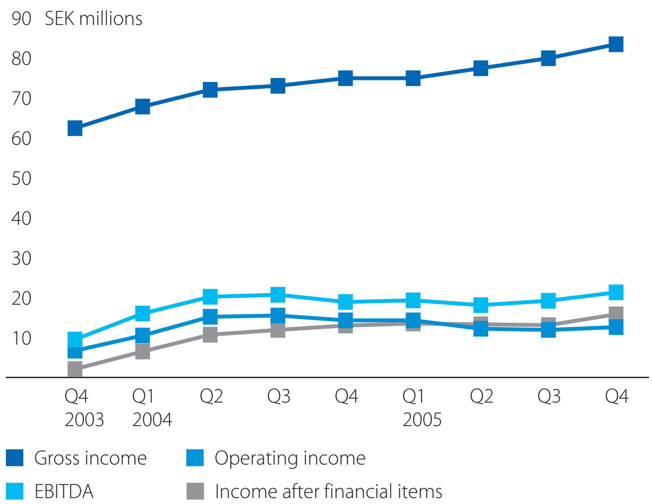


Fig 3. Income (rolling 12 months)



income amounted to SEK 3.2 (–1.3) million, of which SEK 0.5 (–1.5) million was for the fourth quarter. Net financial income includes non-realized exchange rate fluctuations regarding internal receivables and liabilities of SEK 3.6 (–1.9) million for the whole of 2005. The restatement of the Parent Company's loan and receivable regarding the American subsidiary Vitrolife, Inc. is booked directly against non-restricted equity. The restatement effect in the financial statements amounted to SEK 1.0 (–0.3) million net. Tax for the year amounted to SEK –0.4 (0.2) million and is tax on the Group's internal profits on inventories. Loss carry-forward from previous years means that no tax expense has been charged against net income for the year.

Fertility products

- Sales amounted to SEK 101.2 (90.8) million, an increase of 11 percent. Adjusted for exchange-rate effects sales increased by 10 percent. For the fourth quarter sales increased by 20 percent to SEK 24.7 (20.6) million. Adjusted for exchange-rate effects sales increased by 16 percent.

The development of sales was good in Europe and a rise of 13 percent for 2005 was noted. During the fourth quarter the increase was 17 percent. It is primarily Scandinavia, Germany, England, Spain, Belgium and Greece that have had positive development. Germany, where development was negative 2004 due to considerably reduced reimbursement levels, is now displaying an above-average increase and as far as Vitrolife is concerned is now back at the same level as before the change in the system. This means that there has been an appreciable increase in the company's market share. In Italy sales have begun to increase again after a previous decline that was due to the more restrictive legislation that was introduced during the beginning of 2004.

In the American region sales increased by 1 percent compared with the previous year in local currency, and by 2 percent in SEK. There has been a positive restructuring of the customer base, where the percentage of customers using Vitrolife's GIII series of culture media has increased. New recruitment of marketing personnel is ongoing as there has been a considerable turnover of personnel during the latter part of the year.

In the Rest of the World region sales increased by 21 percent for the year and by 33 percent during the fourth quarter. Australia/New Zealand, where Vitrolife has operated under its own management since the beginning of 2005, displayed the greatest increase. Sales in China increased during the fourth quarter and seen over the whole year sales there were higher than during the previous year. At the end of 2004 the authorities began a regulation of the market by requiring certification of the IVF clinics, which meant that a large number of clinics discontinued their business activities until they obtained certification.

Development continued to be positive during the fourth quarter in those markets in Europe where the recently strengthened sales organization is operating with its own sales people. Further recruitment of sales people in Europe and the USA is ongoing. All in all it can be noted that a trend towards a gradual increase during the year can be discerned, which is in accordance with the expected delay in the effect of the strengthening of the marketing resources that was carried out as from the second half of 2004. This delay is due to the 6–9 month long selling-in time to new customers and to the training of the new sales force.

Transplantation products

- Sales increased by 44 percent to SEK 18.3 (12.7) million. Adjusted for exchange-rate effects, sales increased by 41 percent. For the fourth quarter sales amounted to SEK 5.3 (4.0) million, an increase of 35 percent. Adjusted for exchange-rate effects sales increased by 32 percent.
- Great interest in the starting up of new clinical verification of functional testing of lungs using Steen Solution™ in the USA and elsewhere has led to increased use of Perfadex®.
- CE approval of Steen Solution™, a solution for the functional testing of lungs outside the body before transplantation, was obtained in January 2006.

The interest in Vitrolife's coming product Steen Solution™ has led to an increase in the use of Perfadex® during the year. This is due to the fact that Perfadex® together with Steen Solution™ is part of the new method for functional testing and preservation of lungs outside the body. The technology enables heart-dead donors' lungs, or lungs from brain-dead patients which are initially assessed as doubtful, to be tested outside the body for possible use. The number of potential organs that can be transplanted thus increases considerably. During 2005, Professor Stig Steen's transplantation team at the University Hospital in Lund has successfully carried out the second lung transplantation in man using this new technology. The application for marketing approval in Europe for Steen Solution™, so-called CE marking, was submitted in October 2004. The product has been scrutinized by Europe's Medical Products Agency, EMEA. CE approval was obtained in January 2006. Preparations for the start of clinical studies in the USA are ongoing.

The Cell Therapy product area is not reported separately as it is still at the research stage and sales are still very small. During the whole of 2005 they were SEK 0.6 (0.3) million.

Investments and cash flow

Gross investments in the Group's fixed assets amounted to SEK 12.7 (17.6) million during the year, of which SEK 2.3 (4.6) million was for the fourth quarter. As from the third quarter 2005 the Denver facility is being fully utilized from an accounting point of view, which has meant a reclassification from construction in progress to the respective facility group. In connection with this a reclassification of SEK 8.3 million has taken place, from a tangible to an intangible fixed asset. Of the investments for the year, SEK 2.0 (6.8) million is attributable to the facility in Denver and SEK 3.1 (5.6) million to the expansion of further warehousing and office space at the facility in Kungsbacka, which was completed during the third quarter. Consequently this expansion was also reclassified during the third quarter of 2005 from construction in progress to the appropriate asset class.

Vitrolife's cash flow from operating activities amounted to

SEK 14.1 (14.0) million for 2005. Accounts receivable increased by SEK 3.4 million to SEK 14.1 (10.7) million. On average accounts receivable during the year were 13.6 percent of the turnover (14.2). The cash flow from investing activities was SEK –9.0 (–17.9) million and from financing activities SEK –2.0 (–2.6) million. During the year USD 286 thousand (corresponding to SEK 2.2 million) of the Parent Company's loan in USD was paid off, of which USD 143 thousand was during the fourth quarter. In all the cash flow for the year amounted to SEK 3.1 (–6.5) million, of which SEK 2.5 (0.0) million was for the fourth quarter. The Group's liquid funds at December 31, 2005 amounted to SEK 48.3 (44.9) million. The equity/assets ratio for the Group amounted to 83 (81) percent.

Parent Company

Business activities focus on company-wide management and the company has no employees. Other operating revenues in the Parent Company amounted to SEK 2.4 (0.7) million and comprise the sale of the shares in Cellartis AB. The costs that arise are mostly attributable to the Board and to the Stockholm Stock Exchange and the listing of the company's shares. Income before tax amounted to SEK 3.6 (–0.7) million. Liquid funds amounted to SEK 37.3 (34.9) million. As in the previous year no investments were made.

The Vitrolife share is listed on the O-list of the Stockholm Stock Exchange under the symbol VITR. The closing price on December 31, 2005 was SEK 27.00 (20.00).

Organization and personnel

Vitrolife's organization has been changed and reinforced during the year as the Denver factory has been started up and the sales and marketing organization expanded. In this adaptation the company has encouraged and strived for mobility and flexibility between jobs and place of work. Besides personal development, added value is created within the company through increased cooperation between the departments and strengthened competence among the co-workers.

During 2005 the average number of employees was 81 (76), of whom 54 (51) were women and 27 (25) were men. 66 people (64) were employed in Sweden and 15 (12) in the USA. The number of employees at year-end was 80 (79).

Warrants programs

At Vitrolife's Extraordinary General Meeting on August 24, 2005 a resolution was passed concerning warrants programs for Vitrolife employees and for the members of the Board of Vitrolife AB (publ). The warrants program for the employees comprised a total of 490,000 separable warrants to subscribe for new shares, where each warrant gives the right to subscribe for one new share in the company. Subscription for shares in accordance with the conditions for the warrants may take place during the period as from September 3, 2007 up until September 3, 2008. The subscription price amounts to SEK 30.90. The warrants program for the members of the Board of Vitrolife AB (publ), excluding the Chairman of the Board and the proposer Skanditek's CEO Patrik Tigerschiöld, comprised a total of 60,000 warrants. The conditions were otherwise the same as for the warrants program for the employees.

The program directed at the employees was over-subscribed by approximately 30 percent. The warrants were thus allocated in proportion to the number subscribed for. The warrants program for the members of the Board of Vitrolife AB (publ) was fully subscribed.

The liquid funds received for the warrants amounted to SEK 820 thousand and the cost of the program amounted to SEK 285 thousand. Both items have been entered against shareholders' equity. There are no other costs linked to the program.

Acquisition of Swemed

On January 26, 2006 Swemed was acquired. Swemed develops, manufactures and markets high-quality medical device instruments such as needles, pipettes and catheters for ovum and embryo treatment in connection with in vitro fertilization. The business, with 28 employees, complements Vitrolife's business within the area of fertility, which focuses on nutrient solutions (media) for the treatment of human infertility. Swemed, with sales in almost 70 countries, had a turnover of just over SEK 31 million in 2005 and operating income of SEK 5 million. The cash flow before the repayment of loans was just under SEK 3 million.

In the acquisition 100% of Swemed Holding AB, including the subsidiary, the operating company Swemed Lab International AB, was purchased. This company has, in turn, a dormant subsidiary in the USA, Swemed Lab, Inc. and a registered branch office in France. The purchase sum amounted to SEK 65.2 million and is constituted by 1 400 000 newly issued shares in Vitrolife and a cash sum of SEK 28.1 million. The newly issued shares correspond to a dilution of 7.6 percent. The Board had a mandate from the Annual General Meeting of May 10, 2005 to issue a maximum of 1 800 000 shares. The value of the Vitrolife share amounts to SEK 26.50/share, which corresponds to the volume weighted average price on January 26, 2006. In addition, a net debt of SEK 28.8 million has been taken over by Vitrolife. The closing date was the same as the date of the agreement and Vitrolife will consolidate Swemed's net income as from January 1, 2006.

The acquisition has the following effects on the Group's assets and debts:

(SEK millions)	Recorded value in Swemed Dec 31, 2005	Actual value adjustment	Actual value recorded in the Group
Goodwill	33.8		33.8
Other intangible fixed assets	1.8	6.2	8.0
Tangible fixed assets	2.2		2.2
Inventories	3.1	1.1	4.2
Current receivables	7.0		7.0
Liquid funds	0.7		0.7
Interest-bearing liabilities	29.5		29.5
Interest-free liabilities	5.1		5.1
Net identifiable assets and liabilities	14.0		21.3
Group goodwill			45.5
Purchase sum paid*			66.8
Acquired net debt			28.8
Net cash outflow			95.6

* Including fees for legal services and advice amounting to a preliminary SEK 1.6 million.

The revaluation surplus attributable to the acquisition amounts to preliminarily SEK 52.8 million. There is already goodwill of SEK 33.8 million in Swemed. The share of the revaluation surplus that will be classed as other assets amounts to SEK 6.2 million, with an amortization period of 10 years. In addition, the valuation of the inventory at sales value with a deduction for selling expenses means that the inventory is revaluated by SEK 1.1 million. This will then be entered against the cost of sold goods as the inventory is sold. It is estimated that all of this item will affect the consolidated income for the first quarter of 2006.

The remainder of the revaluation surplus is attributable to goodwill, which primarily consists of synergy effects in the form of increased potential sales value per customer. In addition, the goodwill consists of synergy effects in the form of more effective logistics management, quality control and administration.

Quality assurance

In January 2006 Vitrolife was audited by its notified body, Det Norske Veritas, for the first time in accordance with the process-based ISO 13485:2003. The audits went very well in both Denver and Kungsbacka and the certificates are expected to be received shortly.

Proposed treatment of unappropriated earnings

The Board and the CEO propose that the earnings at the disposal of the Annual General Meeting, SEK 145.1 million, be carried forward. Thus no dividend will be proposed.

Prospects for 2006

The largest challenge and opportunity during 2006 is to successfully integrate Swemed with Vitrolife and thereby take advantage of the good opportunities for synergy that exist both within marketing and in cost savings.

In line with the strategy adopted during 2004, Vitrolife has during the past year continued to put a great deal of effort into three main areas:

- Expanded marketing organization and taking over sales so that they are under company management in key markets in order to enable increased direct contact with the customers. Experience shows that the sales process for IVF media often takes six to nine months to carry out. The increase in sales was stronger during the latter part of the year and new customers have been acquired in both main product areas, which suggests that the work is beginning to pay off.
- An ambitious drive within product development, with the aim of being able to register and launch new products within all product areas during the coming year in order to further enable expansion.
- Completion of the transfer of volume production to the new facility in Denver. The factory in Denver has a higher degree of automation and a substantially higher capacity, and thus the economies of scale are expected to have a positive effect on the gross margin in time.

These three measures have been carried out with the aim of enabling long-term growth together with profitability. The measures aimed at the market organization and product development are continuing during 2006, while the investment need in production is decreasing as the transfer of volume production to Denver has been completed.

Election committee

The following people have been appointed as members of Vitrolife's election committee for the Annual General Meeting in 2006:
Henrik Blomquist, representing Skanditek Industriförvaltning
Carl Rosén, representing Andra AP-fonden (Second National Pension Insurance Fund)
Gunnar Lindberg, representing Länsförsäkringars Småbolagsfond
Patrik Tigerschiöld, Chairman of the Board

The appointments have been made in accordance with the instructions regarding principles for the appointment of the company election committee which were determined at the Annual General Meeting of Vitrolife on May 10, 2005.

Proposals and views from shareholders regarding the composition of the Board may be submitted either in writing to the following address: Patrik Tigerschiöld, Skanditek Industriförvaltning AB, Nybrogatan 6, 114 34 Stockholm, Sweden, or by phone: +46 8 614 00 38.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on Thursday May 4, 2006, at 5 pm on SE Banken's premises in Gothenburg at Södra Hamngatan 11, 411 14 Gothenburg, Sweden (the Chalmers suite). Shareholders will be invited to attend through an announcement in the Swedish Official Gazette and in a national daily newspaper no earlier than six weeks and no later than four weeks before the meeting.

It is estimated that Vitrolife's Annual Report for 2005 will be available at the company's head office in Kungsbacka at the beginning of April. The Annual Report is sent out to all those who have become new shareholders during the year and to those who are still shareholders from the previous year who have requested to have the Annual Report sent to them. It is also published on the company's homepage as a pdf file.

February 22, 2006
Kungsbacka, Sweden

The Board

Consolidated income statements

(SEK thousands)	January–December 2005	2004	October–December 2005	2004
Net sales	120 120	103 855	30 115	24 572
Cost of goods sold	–37 193	–29 481	–9 162	–7 129
Gross income	**82 927**	**74 374**	**20 953**	**17 443**
Selling expenses	–38 855	–28 216	–9 750	–8 587
Administrative expenses	–20 525	–20 590	–5 215	–4 089
Research and development costs	–15 819	–11 499	–3 885	–3 124
Other operating revenues and expenses	4 326	–298	300	114
Operating income	**12 054**	**13 771**	**2 403**	**1 757**
Financial income and expenses	3 204	–1 318	529	–1 469
Income after financial items	**15 258**	**12 453**	**2 932**	**288**
Tax on income for the period	–399	212	–26	–52
Net income	**14 859**	**12 665**	**2 906**	**236**
Earnings per share, SEK	0.81	0.69	0.16	0.01
Average number of outstanding shares	18 390 157	18 390 157	18 390 157	18 390 157
Number of shares at closing day	18 390 157	18 390 157	18 390 157	18 390 157

Depreciation and amortization has reduced income for the year by SEK 8 779 thousand (4 632), of which SEK 2 695 thousand (1 181) is for the fourth quarter. Income for the whole of 2004 has been adjusted by SEK 729 thousand. This is due to the reversed amortization of goodwill in accordance with the restatement of the comparative figures in accordance with IFRS.
Outstanding option programs do not entail any dilution effects since the net present values of the strike prices are greater than the share price.
The number of shares after the new issue in January 2006 amounts to 19 790 157.

Other key ratios

	January–December 2005	2004	October–December 2005	2004
Gross margin, %	69.0	71.6	69.6	71.0
Operating margin, %	10.0	13.3	8.0	7.1
Net margin, %	12.4	12.2	9.6	1.0
Equity/assets ratio, %	83.5	81.2	83.5	81.2
Shareholders' equity per share, SEK	9.59	8.23	9.59	8.23
Return on equity, %	8.8	8.3	8.8	8.3
Return on capital employed, %	8.8	9.2	8.8	9.2

Consolidated income statements per quarter

(SEK thousands)	Oct–Dec 2005	Jul–Sep 2005	Apr–Jun 2005	Jan–Mar 2005	Oct–Dec 2004	Jul–Sep 2004
Net sales	30 115	29 203	30 284	30 518	24 572	24 136
Cost of goods sold	–9 162	–9 048	–9 018	–9 965	–7 129	–6 492
Gross income	**20 953**	**20 155**	**21 266**	**20 553**	**17 443**	**17 644**
Selling expenses	–9 750	–10 193	–10 301	–8 611	–8 587	–6 313
Administrative expenses	–5 215	–4 506	–5 594	–5 210	–4 089	–4 902
Research and development costs	–3 885	–3 513	–4 540	–3 881	–3 124	–2 846
Other operating revenues and expenses	300	1 234	249	2 544	114	–135
Operating income	**2 403**	**3 177**	**1 080**	**5 394**	**1 757**	**3 448**
Financial income and expenses	529	–166	1 808	1 033	–1 469	–230
Income after financial items	**2 932**	**3 011**	**2 888**	**6 427**	**288**	**3 218**
Tax on income for the period	–26	–99	–65	–209	–52	40
Net income	**2 906**	**2 912**	**2 823**	**6 218**	**236**	**3 258**

Consolidated balance sheets

(SEK thousands)	Dec 31, 2005	Dec 31, 2004
ASSETS		
Goodwill	4 011	4 011
Other intangible fixed assets	20 543	8 374
Tangible fixed assets	88 802	83 656
Financial fixed assets	6 128	7 143
Inventories	24 802	21 858
Accounts receivable	14 107	10 696
Other current receivables	4 682	5 594
Cash and bank balances	48 295	44 935
Total assets	**211 370**	**186 267**
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	176 450	151 303
Long-term interest-bearing liabilities	15 552	16 091
Short-term interest-bearing liabilities	2 644	2 245
Accounts payable	7 263	8 680
Other short-term interest-free liabilities	9 461	7 948
Total shareholders' equity and liabilities	**211 370**	**186 267**

Change in shareholders' equity

(SEK thousands)	January–December 2005	2004
Amount at beginning of year	151 303	143 435
Translation difference	9 753	–4 797
Warrants programs	535	—
Net income for the year	14 859	12 665
Amount at end of year	**176 450**	**151 303**

Consolidated cash flow statements

(SEK thousands)	January–December 2005	2004
Income after financial items	15 257	12 453
Adjustment for items not affecting cash flow	–650	3 905
Change in inventories	–2 103	–508
Change in trade receivables	–1 828	–2 464
Change in trade payables	3 445	619
Cash flow from operating activities	14 121	14 005
Cash flow from investing activities	–9 023	–17 854
Cash flow from financing activities	–2 047	–2 626
Cash flow for the year	**3 051**	**–6 475**
Liquid funds at beginning of year	44 935	51 549
Exchange rate difference in liquid funds	309	–139
Liquid funds at end of year	**48 295**	**44 935**

Financial data per geographic area

(SEK thousands)	January–December 2005	2004
Europe / Middle East		
Net sales	71 530	62 541
Operating income	7 178	8 293
The Americas		
Net sales	33 194	28 389
Operating income	3 331	3 764
Rest of world		
Net sales	15 396	12 925
Operating income	1 545	1 714

Accounting principles

This interim report for the Group has been drawn up in accordance with IAS 34, Interim Financial Reporting. Vitrolife reports in accordance with IAS 14, Segment Reporting, geographic areas as primary segment.

As from January 1, 2005, Vitrolife is applying International Financial Reporting Standards (IFRS) in its consolidated accounts. This applies to all listed companies within the EU. When reporting in 2005 comparative figures for 2004 must also be restated in accordance with IFRS.

In the company's Annual Report for the financial year 2004 a description was presented of what effects the changeover has on the Group's income statements, balance sheets and additional information:

- IAS 39 Financial Instruments, Recognition and Measurement: During 2004 there were no financial instruments of such a nature that an effect on position and performance arises. IAS 39 is to be applied as of January 1, 2005 and is exempt from the requirement of restatement of the comparative year.
- IAS 19 Employee Benefits: corresponds to RR 29, which has been applied from 2004. This has not involved any effect on the reported position and performance. The pension plans that exist within the Group involve the payment of insurance premiums and after this the company does not have any pension commitments. The premiums are carried in the period they concern. The company's pensions are thus classified as a defined contribution plan. Furthermore there are no outstanding options programs where the premium has not been at the market rate.
- IAS 16: Property, Plant and Equipment: It is the company's assessment that the changeover to the application of depreciation on a component basis in accordance with IFRS does not have any tangible effects on the opening balance at January 1, 2004 and the closing balance at December 31, 2004.
- IAS 38 Intangible Assets: The company reports intangible assets as previously in accordance with RR 15, which for the most part is in agreement with IAS 38. It is the company's assessment that no tangible effects have affected the company's position and performance.
- IFRS 3: In the financial statements for 2004 goodwill has been amortized by SEK 729 thousand. The goodwill item has been valued for cash flow purposes and there is no write-down requirement. Vitrolife will not restate company acquisitions and mergers retroactively. No company has been acquired during 2004.

Summary of the effect on position and performance for 2004 (SEK thousands):

Income statement	Jan–Dec Operating income	Jan–Dec Net income
2004	13 042	11 936
Change in accordance with IFRS 3	729	729
Adjusted income	13 771	12 665

Balance sheet	Goodwill	Shareholders' equity
Closing balance Dec 31, 2003	4 011	143 435
Change in accordance with IFRS 3	—	—
Opening balance Jan 1, 2004	4 011	143 435
Closing balance Dec 31, 2004	3 282	150 574
Change in accordance with IFRS 3	729	729
Opening balance Jan 1, 2005	4 011	151 303

As of January 1, 2005, the Parent Company applies RR 32, Accounting for Legal Entities. The main significance of RR 32 is that IFRS shall be applied, but with certain exceptions. The application of RR 32 has no effects on the Parent Company's position and performance.

The accounting principles are otherwise unchanged compared with the last Annual Report and a description is to be found in the Annual Report for 2004.

Vitrolife is an international biotechnology/medical device group that develops, produces and markets advanced products and systems for the preparation, cultivation and storage of human cells, tissues and organs. The company has operations within three product areas: Fertility, Transplantation and Cell Therapy. The Fertility product area works with solutions (media) and advanced one-time instruments such as needles and pipettes, for treatment of human infertility. The Transplantation product area works with solutions and systems designed to keep organs in optimal shape during the required time outside the body, when waiting for a transplant. The Cell Therapy product area works with media in order to be able to use stem cells for therapeutic purposes.

Vitrolife today has approximately 110 employees and the company's products are sold in over 80 markets. The main office is in Kungsbacka, Sweden, with subsidiaries outside Gothenburg, Sweden and in Denver, USA. The Vitrolife share is listed on the O list of the Stockholm Stock Exchange.

Financial reports

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

During 2006 it is planned that the following reports will be submitted:

Interim report January – March: Thursday May 4
Interim report January – June: Friday July 14
Interim report January – September: Thursday October 26

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Vitrolife

Innovative Cell and Tissue Technology

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