



Interim report January–March 2008

Strong sales and income growth

- Sales increased by 19 percent to SEK 58.7 (49.2) million. Calculated in local sales currencies growth was 20 percent.
- Gross income increased by 20 percent to SEK 40.5 (33.8) million, the gross margin was 69 percent (69).
- Operating income increased by 33 percent and amounted to SEK 10.6 (8.0) million, which gives an operating margin of 18 (16) percent.
- Operating income before research and development costs increased by 25 percent to SEK 18.3 (14.6) million. This corresponds to a margin of 31 (30) percent.
- Consolidated net income was SEK 8.1 (11.0) million, which gives earnings per share of SEK 0.41 (0.55). However, last year's figure includes capitalization of the deferred tax asset in loss carry-forward for tax purposes to the tune of SEK 4.1 million. Adjusted for this item net income increased by 18 percent.
- The cash flow from operating activities amounted to SEK 6.7 (5.0) million, an increase of 34 percent.
- The equity/assets ratio amounted to 84 percent (82).
- Acquisition of majority shareholding in Italian distributor.
- Start of direct marketing of all fertility products in France announced.
- Products for the cold storage of embryos approved in Canada and in Europe.
- IVF products approved in Russia.

Sales and income

Vitrolife's net sales for the first quarter of 2008 amounted to SEK 58.7 (49.2) million, which corresponds to an increase of 19 percent compared to the previous year. Sales growth in local currencies was 20 percent. Translation of the American subsidiary's sales is affected negatively due to a weaker USD rate. However, this is counteracted to a certain extent by the fact that Vitrolife has a large proportion of its sales in Euro, which has developed positively.

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

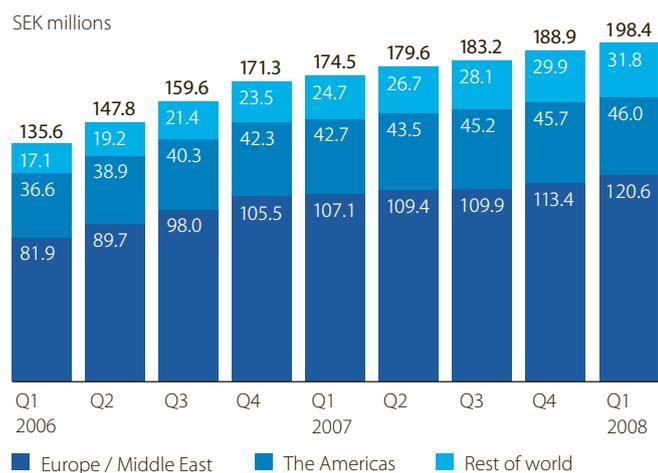
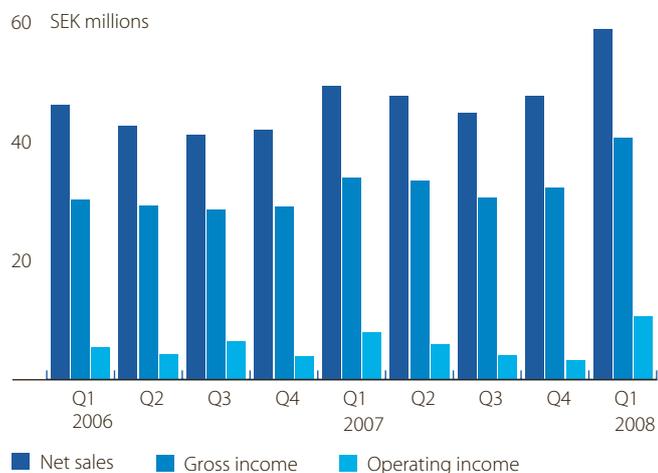


Fig 2. Sales and income per quarter

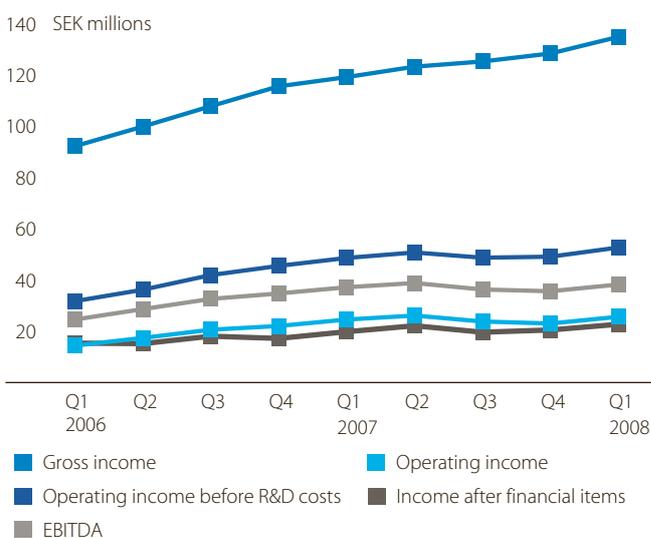


Gross income was SEK 40.5 (33.8) million. The gross margin for the period was 69 (69) percent. The gross margin has, as was previously announced, been affected by the changeover in the production of fertility media from GIII to the new G5 Series™. The changeover means, amongst other things, double production and thereby higher costs. Company earnings have been affected by the double production during the last two quarters of 2007 and during the present quarter. The changeover process is now complete and will not affect the coming quarters. Operating income was SEK 10.6 (8.0) million, which corresponds

to a margin of 18.0 percent (16.2). Selling expenses as a percentage of sales amounted to 24.5 percent (26.1), administrative expenses to 13.1 percent (14.3) and R&D costs to 13.1 percent (13.4). Depreciation and amortization of SEK 3.3 (3.2) million has been charged against the period.

As the company not only invests in the existing business operations but also in new technology, as for example a completely new transplantation method using STEEN Solution™, it is also relevant to assess operating profit before R&D costs. For the period operating profit before R&D costs amounted to SEK 18.3 (14.6) million, or 31.2 percent (29.6) of net sales.

Fig 3. Income (rolling 12 months)



Net income amounted to SEK 8.1 (11.0) million. Net financial income amounted to SEK -1.3 (-1.0) million. Net financial income includes non-realized exchange rate fluctuations regarding internal receivables and liabilities of SEK -1.0 (0.2) million. 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 amounts to SEK -1.0 (0.2) million net. Minorities for the period amounted to SEK -0.2 (-) million and concern the minority interest in the Italian company A.T.S. Tax expenses for the period amounted to SEK -0.9 (tax revenue 4.0) million and these are current tax of SEK -0.2 (-) million, deferred tax on the Group's internal profits from inventories of SEK -0.7 (-0.1) million and capitalization of loss carry-forward of SEK - (4.1) million. At the end of 2007 Vitrolife had taxed loss carry-forward of SEK 163.7 (178.7) million. Of this amount, loss carry-forward for tax purposes for which deferred tax assets have not been recorded in the income statement and balance sheet amounted to approximately SEK 84.2 (157.7) million. Vitrolife annually updates its assessment of its future earning capacity and activates remaining losses to the extent necessary. These are offset against taxable earnings in the years to come.

Fertility products

- Sales amounted to SEK 52.1 (44.3) million, an increase of 18 percent. Sales growth in local currencies was also 18 percent.
- Acquisition of majority shareholding in Italian distributor.
- Direct sales announced to be taken over from distributor in France.
- Products for the cold storage of embryos approved in Canada and in Europe.
- IVF products approved in Russia.

Sales in the Rest of the World region increased by 26 percent. The largest increase was seen in China and Japan.

Sales in the Europe/Middle East region increased by 22 percent during the period. UK and Belgium had the most positive development.

In January 2008 Vitrolife acquired 51 percent of the shares in A.T.S. Srl, the distributor of Vitrolife's products in Italy since 1999, for 448,000 Euro. The acquisition increases the opportunities for A.T.S. to be more aggressive and increase the market share in the Italian market. The seller of the shares was Paolo Trabucchi, one of the founders and previously the sole owner of A.T.S. Vitrolife has an option to acquire a further 9 percent of the shares within 6 months and subsequently a further 10 percent within 12 months, that is a total of 70 percent. Approximately 24,000 infertility treatments are performed in Italy per year and the number of fertility centers amounts to approximately 300. The potential market value for instruments and media amounts to SEK 40–50 million. The acquisition positively affects the consolidated sales figure for the first quarter of 2008 by SEK 2.4 million.

Furthermore, Vitrolife terminated the agreement for the distribution of media in France in January 2008, which will mean that from May 2008 both media and instruments will be marketed direct by Vitrolife in the French market. The two events in Italy and France are in line with Vitrolife's strategy to operate under its own management in key markets.

In the American region sales increased by 9 percent in local currency. The weakening of the USD meant that sales translated into SEK decreased by 2 percent compared with the previous year. Sales of fertility instruments were transferred from a distributor during the autumn of 2007, which has entailed training and a focus on these products.

In March Vitrolife obtained approval from Health Canada for two new products within the fertility area. The products, RapidVit™ Cleave and RapidWarm™ Cleave are used for so-called vitrification, rapid freezing and thawing of cleavage embryos (embryos day 2–3 after fertilization).

In April Vitrolife obtained approval in Europe (CE marking) for its new vitrification products. In addition to RapidVit™ Cleave and RapidWarm™ Cleave approval was also obtained for RapidVit™ Blast and RapidWarm™ Blast, for rapid freezing and thawing of blastocysts (embryos day 5–6 after fertilization). The latter two products obtained approval in Canada in December 2007.

Products for vitrification involve considerable technological progress and open up new opportunities within IVF treatment. Vitrification involves very rapid freezing, to prevent the formation of ice crystals that otherwise can cut the cells apart. In IVF fertilization more than 10 oocytes are often taken from the woman. A number of these are fertilized. The oocytes that are fertilized but not put back in the woman can then be kept in cold storage. It has been seen in the use of the vitrification method that survival increases considerably after cold storage compared with the method used previously. The chances thereby increase for the woman to become pregnant without her having to undergo new hormone treatment and the removal of more oocytes.

In April Vitrolife also obtained approval for its IVF nutrient solutions in Russia. The approval comprises 35 products. Russia is one of the markets that Vitrolife has decided to focus on. Penetration for IVF is relatively low today, but it is assessed that this market can grow faster than average during the coming years. 14,000 infertility treatments are today carried out each year and the number of fertility clinics amounts to approximately 50. The potential market value for nutrient solutions and instruments for IVF thereby amounts to approximately SEK 30 million today in Russia.

Transplantation products

- Sales amounted to SEK 6.0 (4.8) million, an increase of 25 percent. Sales in local currencies increased by 31 percent.
- Revenues from STEEN Solution™ have begun to come in, albeit to a limited extent.
- Development of the documentation for STEEN Solution™ in the USA continuing according to plan.

Sales of transplantation products, primarily Perfadex® which has a market share of over 90 percent globally, increased by 31 percent in local currencies. The sales figure for the first quarter also now includes some sales of STEEN Solution™. When STEEN Solution™ becomes more clearly established in the clinics there will be additional good potential for further sales growth, above all in the important USA market. The timing of this depends amongst other things on sales approval. Activities to obtain sales approval, amongst other things in the USA, are proceeding according to plan and during the period Vitrolife has carried out training of clinics and demonstrations of the technology for target groups. Clinical studies are planned for STEEN Solution™ in North America, where there is great interest in this new technology, during quarters two to four of 2008.

The Stem Cell Cultivation product area is not reported separately as it is still at the research stage and sales are small. During the period they were SEK 0.6 (0.1) million. Research resources for the development of new products for stem cells have been increased since the summer of 2007 through the collaboration with Cellartis AB.

Investments and cash flow

Cash flow from operating activities amounted to SEK 6.7 (5.0) million for the period January–March 2008. The change in trade receivables, mainly accounts receivable, amounted to SEK –6.9 (–5.7) million. Investments in increased inventories amounted to SEK –1.1 (–2.3) million. The cash flow from investing activities was SEK –7.0 (–3.1) million. Gross investments in the Group's fixed assets amounted to SEK –1.4 (–1.9) million during the period and in intangible fixed assets to SEK –1.0 (–1.1) million. Intangible fixed assets for the period mainly consist of STEEN Solution™. The figures include the investment of SEK –4.6 (–) million in the subsidiary, after a deduction for acquired liquid funds. The investment involves the acquisition of 51 percent of the company's previous distributor in Italy, A.T.S. The cash flow from financing activities was SEK –1.1 (–1.1) million and it consists of the paying off of loans. In all, the cash flow for the period amounted to SEK –1.4 (0.8) million. The Group's liquid funds at March 31, 2008 amounted to SEK 16.8 (15.3) million. The equity/assets ratio for the Group amounted to 84 (82) percent.

Parent Company

Business activities focus on company-wide management and the company has no employees. There were no revenues for the period (–). The costs that arise are mainly attributable to the Board and to the OMX Nordic Exchange and the listing of the company's shares. Income before tax amounted to SEK –1.6 (–0.1) million. Liquid funds amounted to SEK 0.7 (2.6) million. No investments were made during the period (–).

The Vitrolife share is listed on the OMX Nordic Exchange's Nordic Small Cap list under the symbol VITR. The closing price on March 31, 2008 was SEK 27.00 (35.40).

Organization and personnel

During the second half of 2007 an inventory of instrument products was built up, partly through temporarily employed personnel. This work is now complete and the number of positions, primarily temporary employees, therefore decreased during the first quarter. The sales organization has been strengthened during the period with product specialists, amongst other things for the French market.

During the first three months of 2008 the average number of employees was 135 (120), of whom 84 (77) were women and 51 (43) were men. 106 (94) people were employed in Sweden, 28 (26) in the USA and 1 (0) in Australia. The number of employees at the end of the period was 132 (124).

Information on transactions with related parties

No transactions that have substantially affected the company's financial position and results have been carried out with related parties during the period. For information on related parties, see the Annual Report for 2007, page 54.

Prospects for the whole year

During 2007 the largest product launch in five years was successfully carried out within the Fertility area. This meant a hectic period not only for the market organization but also for the whole product supply structure, with running-in periods and for a time double production runs. The launch meant both somewhat lower sales during the third and fourth quarters to existing customers during their testing phase and more expensive production costs. Sales growth during the first quarter of 2008 has been strong for the fertility products, plus 18 percent. The gross margin is at a good level, 69 percent, despite the fact that the margin includes certain lagging costs for the previous double production.

During the first part of 2008 Vitrolife has also continued to work in line with the strategy of strengthening R&D and the market organization. This is with a view to being able to successfully work up several key markets under company management with the aid of an increasingly strong product portfolio. Vitrolife is making greater and greater use of the potential market synergies that the strengthening of the product range with new products developed in-house and the acquisition of the instrument portfolio during 2006 create. 2008 began with Vitrolife acquiring direct marketing opportunities in the important markets of Italy and France, which means that large parts of Europe are now direct markets. The work on taking advantage of these opportunities is ongoing. The year will be characterized by a continued building up of the marketing resources, something which will favour the opportunities for continuing increased market shares within the Fertility area.

Within the Transplantation area the exciting development of STEEN Solution™ continues for the testing of organs outside the body. At present the focus is on the large North American market, where interest is very great and where the work on preparing the introduction of this new product is intensive. Amongst other things, clinical studies are planned for STEEN Solution™ during the coming quarters. The potential for significantly increased sales within the Transplantation area is very good looking a few years ahead. Vitrolife increased its research resources also within the stem-cell area during 2007 and strengthened the collaboration regarding the development of new media with Cellartis AB, a company strong in research within this area. Vitrolife anticipates that the stem-cell area can also come to be a commercially important part of the business as well a few years from now.

During the last quarter of 2008 the business in Sweden will move to new shared premises in Gothenburg. This is expected to simplify coordination above all within production, quality control and distribution, but also within product development.

Significant risks and uncertainty factors

During the period there have been no considerable changes in the Parent Company's and the Group's risks and uncertainty factors. For a review of risks and uncertainty factors, see the Annual Report for 2007, pages 34–35, 53 and 54.

Events after the end of the period

In April Vitrolife obtained European approval (CE marking) for its new vitrification products RapidVit™ Cleave, RapidWarm™ Cleave, RapidVit™ Blast and RapidWarm™ Blast. In addition, approval was obtained in Russia for a total of 35 of the company's nutrient solutions for IVF. For more information on these events, see above in the "Fertility products" section.

April 28, 2008
Kungsbacka, Sweden

Magnus Nilsson
CEO

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

Consolidated income statements

SEK thousands	January – March		Whole year 2007
	2008	2007	
Net sales	58 670	49 210	188 939
Cost of goods sold	-18 154	-15 453	-59 274
Gross income	40 516	33 757	129 665
Selling expenses	-14 384	-12 822	-53 105
Administrative expenses	-7 660	-7 060	-28 775
Research and development costs	-7 702	-6 614	-26 889
Other operating revenues and expenses	-181	706	138
Operating income	10 589	7 967	21 034
Financial income and expenses	-1 343	-1 038	-2 628
Income after financial items	9 246	6 929	18 406
Minority interest	-237	—	—
Taxes	-916	4 040	17 651
Net income	8 093	10 969	36 057
Earnings per share, SEK	0.41	0.55	1.82
Earnings per share, SEK*	0.41	0.55	1.82
Average number of outstanding shares	19 800 157	19 790 157	19 790 990
Average number of outstanding shares*	19 864 027	19 790 157	19 865 309
Number of shares at closing day	19 800 157	19 790 157	19 800 157
Number of shares at closing day*	19 800 157	19 868 808	19 800 157

Depreciation and amortization has reduced income for the period by SEK 3 338 thousand (3 201).

* After dilution. Vitrolife has two outstanding share warrant programs, comprising 44 490 (1999) and 550 000 (2005) warrants. The net present values of the issue prices were higher than the share price at closing day in both programs. With regard to the average share price for the last 12 months, this was higher than the net strike price in the program from 1999, but lower than the net strike price with regard to the program from 2005.

Other key ratios

	January – March		Whole year 2007
	2008	2007	
Gross margin, %	69.1	68.6	68.6
Operating margin, %	18.0	16.2	11.1
Operating margin before R&D costs, %	31.2	29.6	25.4
Net margin, %	13.8	22.3	19.1
Equity/assets ratio, %	83.7	81.5	84.6
Shareholders' equity per share, SEK	12.96	11.76	12.80
Shareholders' equity per share, SEK*	12.96	11.71	12.80
Return on equity, %	13.3	9.8	14.8
Return on capital employed, %	12.6	9.1	8.7

* After dilution, see above.

Consolidated income statements per quarter

SEK thousands	Jan–Mar	Oct–Dec	Jul–Sep	Apr–Jun	Jan–Mar	Oct–Dec
	2008	2007	2007	2007	2007	2006
Net sales	58 670	47 537	44 647	47 545	49 210	41 776
Cost of goods sold	-18 154	-15 416	-14 144	-14 260	-15 453	-12 826
Gross income	40 516	32 121	30 503	33 285	33 757	28 950
Selling expenses	-14 384	-13 807	-13 302	-13 175	-12 822	-12 747
Administrative expenses	-7 660	-7 543	-6 612	-7 560	-7 060	-5 946
Research and development costs	-7 702	-7 264	-6 437	-6 574	-6 614	-6 096
Other operating revenues and expenses	-181	-349	-99	-121	706	-277
Operating income	10 589	3 158	4 053	5 855	7 967	3 884
Financial income and expenses	-1 343	-155	-778	-655	-1 038	-1 817
Income after financial items	9 246	3 003	3 275	5 200	6 929	2 067
Minority interest	-237	—	—	—	—	—
Taxes	-916	4 861	4 427	4 322	4 040	73
Net income	8 093	7 864	7 702	9 522	10 969	2 140

Consolidated balance sheets

SEK thousands	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
ASSETS			
Goodwill	87 542	83 265	83 265
Other intangible fixed assets	23 255	24 945	24 030
Tangible fixed assets	72 137	82 612	76 639
Financial fixed assets	23 003	10 271	23 651
Inventories	42 685	30 781	42 562
Accounts receivable	30 854	30 971	26 378
Other current receivables	10 480	7 180	4 430
Liquid funds	16 802	15 336	18 505
Total assets	306 758	285 361	299 460
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to the Parent Company's shareholders	256 654	232 641	253 384
Minority interest	412	—	—
Deferred tax liability	568	683	432
Long-term interest-bearing liabilities	12 631	20 157	14 304
Short-term interest-bearing liabilities	6 439	6 553	6 439
Accounts payable	10 963	10 989	9 505
Other short-term interest-free liabilities	19 091	14 338	15 396
Total shareholders' equity and liabilities	306 758	285 361	299 460
Pledged assets for own liabilities	30 000	30 000	30 000
Contingent liabilities	None	None	None

Change in shareholders' equity

SEK thousands	January – March		Whole year
	2008	2007	2007
Amount at beginning of year	253 384	220 639	220 639
Translation difference	-4 823	1 033	-3 621
New share issue	—	—	309
Net income for the period	8 093	10 969	36 057
Amount at end of period	256 654	232 641	253 384

Consolidated cash flow statements

SEK thousands	January – March		Whole year
	2008	2007	2007
Income after financial items	9 246	6 930	18 406
Adjustment for items not affecting cash flow	4 180	2 945	13 668
Change in inventories	-1 131	-2 323	-14 945
Change in trade receivables	-6 852	-5 715	1 099
Change in trade payables	1 279	3 201	3 057
Cash flow from operating activities	6 722	5 038	21 285
Cash flow from investing activities	-7 019	-3 061	-10 590
Cash flow from financing activities	-1 145	-1 145	-6 528
Cash flow for the period	-1 442	832	4 167
Liquid funds at beginning of year	18 505	14 470	14 470
Exchange rate difference in liquid funds	-261	34	-132
Liquid funds at end of period	16 802	15 336	18 505

Income statements for the Parent Company

SEK thousands	January – March		Whole year
	2008	2007	2007
Administrative expenses	-769	-261	-2 219
Research and development costs	-4	-4	-17
Other operating revenues and expenses	—	—	-4
Operating income	-773	-265	-2 240
Financial income and expenses	-815	140	-189
Income after financial items	-1 588	-125	-2 429
Taxes	—	—	13 668
Net income	-1 588	-125	11 239

Depreciation and amortization has reduced income for the period by SEK 18 thousand (18).

Balance sheets for the Parent Company

SEK thousands	Mar 31, 2008	Mar 31, 2007	Dec 31, 2007
ASSETS			
Patents	54	71	59
Tangible fixed assets	135	189	149
Participation in affiliated companies	322 806	317 986	317 986
Deferred tax assets	12 810	—	12 810
Receivables from affiliated companies	57 469	67 602	65 052
Other current receivables	909	113	502
Liquid funds	665	2 630	315
Total assets	394 848	388 591	396 873
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	382 584	370 291	384 172
Long-term interest-bearing liabilities	4 081	11 027	5 609
Short-term interest-bearing liabilities	5 859	5 973	5 859
Accounts payable	1 233	217	189
Other short-term interest-free liabilities	1 091	1 083	1 044
Total shareholders' equity and liabilities	394 848	388 591	396 873
Pledged assets for own liabilities	3 100	3 100	3 100
Contingent liabilities	10 000	10 000	10 000

Note 1. Accounting principles

This interim report for the Group has been drawn up in accordance with the Annual Accounts Act and 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 applies International Financial Reporting Standards (IFRS) in its consolidated accounts, in the form they have been adopted by the EU. 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 accounting principles are unchanged compared with the last Annual Report and a description is to be found in the Annual Report for 2007.

Note 2. Financial data per geographic area, Group

SEK thousands	January – March		Whole year
	2008	2007	2007
Europe / Middle East			
Net sales	38 839	31 597	113 359
Operating income	7 010	5 116	12 620
The Americas			
Net sales	11 690	11 303	45 653
Operating income	2 110	1 830	5 082
Rest of world			
Net sales	8 141	6 310	29 927
Operating income	1 469	1 022	3 332



Innovative Cell and Tissue Technology

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.

The interim report for the period January – June 2008 will be published on Tuesday July 15.

Queries should be addressed to:

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This report has not been the subject of review by the company's auditors.

The information in this report is such as that which Vitrolife is required to publish in accordance with the Securities Exchange and Clearing Operations Act.

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Vitrolife is a global biotechnology/medical device Group that works with developing, manufacturing and selling advanced products and systems for the preparation, cultivation and storage of human cells, tissue and organs. The company has business activities within three product areas: Fertility, Transplantation and Stem Cell Cultivation. The Fertility product area works with nutrient solutions (media) and advanced consumable instruments such as needles and pipettes, for the treatment of human infertility. The Transplantation product area works with solutions and systems to maintain tissue in optimal condition outside the body for the required time while waiting for transplantation. The Stem Cell Cultivation product area works with media and instruments to enable the use and handling of stem cells for therapeutic purposes. Vitrolife today has approximately 140 employees and the company's products are sold in more than 80 markets. The head office is in Kungsbacka, Sweden, and there are subsidiaries in Sweden, USA, Australia and Italy. The Vitrolife share is listed on the OMX Nordic Exchange Stockholm's Nordic Small Cap list.