



Half-year report January–June 2008

Doubled sales growth and strong cash flow during the first six months.

“We have now had more than 20 quarters in a row with increased sales compared with the previous year,” says Magnus Nilsson, CEO.

- Sales increased by 19 percent to SEK 115.2 (96.8) million. Calculated in local sales currencies growth was 21 percent. During the second quarter sales amounted to SEK 56.6 (47.5) million, corresponding to an increase of 19 percent. Calculated in local sales currencies growth was 22 percent. This was Vitrolife’s 22nd quarter in a row with increased sales compared with the previous year.
 - Gross income increased by 19 percent to SEK 79.9 (67.0) million, the gross margin was 69 percent (69). Gross income for the second quarter increased by 18 percent to SEK 39.3 (33.3) million and the gross margin was 70 (70) percent.
 - Operating income increased by 20 percent and amounted to SEK 16.6 (13.8) million, which gives an operating margin of 14 (14) percent. For the second quarter operating income amounted to SEK 6.0 (5.9) million.
 - Operating income before research and development costs increased by 18 percent to SEK 31.9 (27.0) million. This corresponds to a margin of 28 (28) percent. For the second quarter the increase was 10 percent to SEK 13.6 (12.4) million, a margin of 24 percent (26).
 - Consolidated net income was SEK 14.0 (20.5) million, which gives earnings per share of SEK 0.71 (1.04).
- Net income increased by 14 percent adjusted for last year’s capitalization of the deferred tax asset in loss carry-forward for tax purposes to the tune of SEK 8.2 million. For the second quarter net income was SEK 6.0 (9.5) million and earnings per share were SEK 0.30 (0.48). Last year’s figure includes capitalization of a deferred tax asset in loss carry-forward for tax purposes to the tune of SEK 4.1 million.
- The cash flow from operating activities increased by 72 percent and amounted to SEK 21.3 (12.3) million. The cash flow for the second quarter was SEK 14.5 (7.3) million. Vitrolife has net cash and bank balances of SEK 5.5 million (net debt 7.2).
 - The equity/assets ratio amounted to 83 percent (83).
 - Very good sales development for fertility products in China, plus 91 percent.
 - Start of direct marketing of all fertility products in France.
 - Products for the cold storage of embryos approved in Europe.
 - IVF products approved in Russia.
 - STEEN Solution™ approved in Australia.
 - Acquisition of a further 9 percent of the Italian subsidiary A.T.S. after the end of the period, according to plan.

Sales and income

Vitrolife's net sales for the first six months of 2008 amounted to SEK 115.2 (96.8) million, which corresponds to an increase of 19 percent compared to the previous year. Sales growth in local currencies was 21 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. Net sales during the second quarter increased by 19 percent and amounted to SEK 56.6 (47.5) million. Sales growth in local currencies was 22 percent.

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

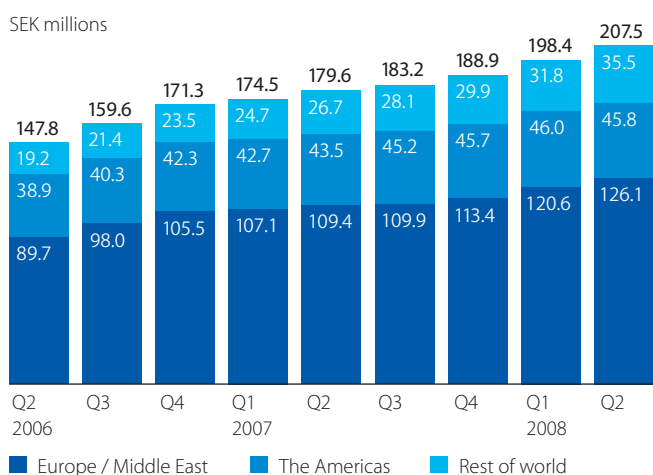
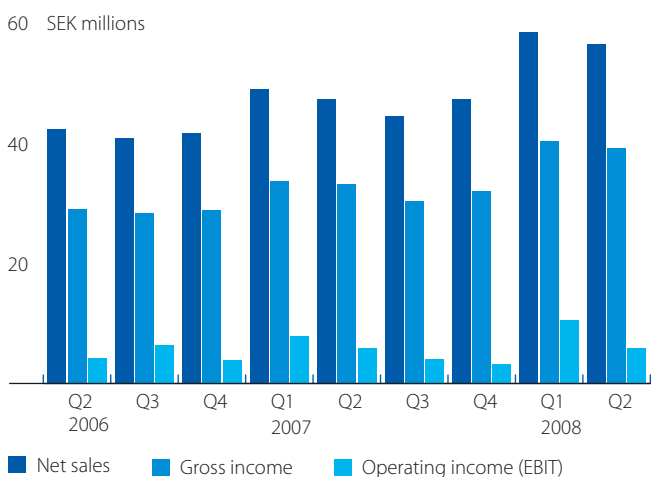


Fig 2. Sales and income per quarter



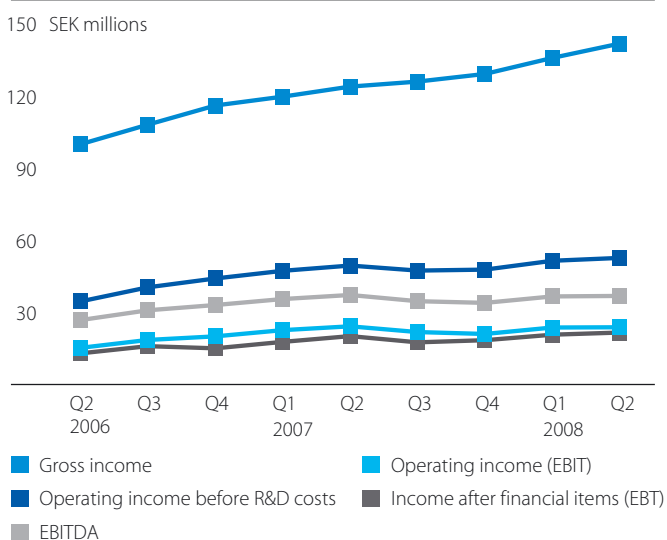
Gross income was SEK 79.9 (67.0) million. The gross margin for the period was 69 (69) percent. During the first quarter of 2008 the gross margin was affected by the changeover in the production of fertility media from GIII to the new G5 Series™. The changeover meant, amongst other things, double production and thereby higher costs. Company earnings were affected by the double production during the last two quarters of 2007 and the first quarter of 2008. Gross income for the second quarter amounted to SEK 39.3 (33.3) million and the gross margin to 70 (70) percent.

Operating income was SEK 16.6 (13.8) million, which corresponds to a margin of 14.4 percent (14.3). Selling expenses as a percentage of sales amounted to 27.0 percent (26.9), administrative expenses to 14.0 percent (15.1) and R&D costs to 13.3 percent (13.6). Depreciation and amortization of SEK 6.5 (6.4) 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 31.9 (27.0) million, or 27.7 percent (27.9) of net sales.

For the second quarter operating income amounted to SEK 6.0 (5.9) million. Selling expenses as a percentage of sales amounted to 29.6 percent (27.7), administrative expenses to 14.9 percent (15.9) and R&D costs to 13.6 percent (13.8). Depreciation and amortization amounted to SEK 3.2 (3.2) million.

Fig 3. Income (rolling 12 months)



Net income amounted to SEK 14.0 (20.5) million, of which SEK 6.0 (9.5) million was for the second quarter. Net financial income amounted to SEK -1.3 (-1.7) million, of which SEK 0.1 (-0.7) million was for the second quarter. Net financial income includes non-realized exchange rate fluctuations regarding internal receivables and liabilities of SEK -0.8 (0.0) 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 (0.0) million net. Minorities for the period amounted to SEK -0.3 (-) million, of which SEK -0.1 (-) million was for the second quarter and concern the minority interest in the Italian company A.T.S. Tax expenses for the period amounted to SEK -0.9 (tax revenue 8.4) million and these are current tax of SEK -0.4 (-) million, deferred tax on the Group's internal profits from inventories of SEK -0.5 (0.2) million and capitalization of loss carry-forward of SEK - (8.2)

million. Vitrolife has loss carry-forward of approximately SEK 136 (164) 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 56 (84) 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.

Product area Fertility

- Sales amounted to SEK 101.2 (85.6) million, an increase of 18 percent. Sales growth in local currencies was also 20 percent. For the second quarter sales amounted to SEK 49.1 (41.3) million, an increase of 19 percent. Sales growth in local currencies was 22 percent.
- Very good development of sales in China, plus 91 percent for the six-month period.
- Start of direct sales of the complete product range in France.
- Products for the cold storage of embryos approved in Europe.
- IVF products approved in Russia.
- Acquisition of a further 9 percent of the Italian subsidiary A.T.S. after the end of the period.
- ESHRE held July 6–9, new unique needle launched. Patent applied for.

Sales in the Rest of the World region increased by 37 percent (45 percent during the second quarter). The largest increase was seen in China, which increased by all of 91 percent for the six-month period and is now one of the largest markets for Vitrolife within fertility.

Sales in the Europe/Middle East region increased by 19 percent during the period. UK, Turkey and Hungary 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. The acquisition positively affects the consolidated sales figure for the first six months of 2008 by SEK 3.8 million (SEK 1.4 million for the second quarter).

As from May 2008, Vitrolife sells both media and instruments under its own management in the French market, after having terminated the agreement with the previous distributor in France with regard to sales of media in January 2008.

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 11 percent in local currency (14 percent during the second quarter). The weakening of the USD meant that sales translated into SEK decreased by 2 percent compared with the previous year (decrease of 2 percent during the second quarter). 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 April Vitrolife obtained approval in Europe (CE marking) for four new vitrification products, for rapid freezing and thawing of cleavage embryos (embryos day 2–3 after fertilization) and blastocysts (embryos day 5–6 after fertilization).

In April Vitrolife also obtained approval for its IVF nutrient solutions (media) 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.

The annual European reproduction congress ESHRE, the largest and most important one during the year, was held from July 6–9 in Barcelona. A new needle, Swemed Sense™, was launched at the congress. The needle combines the good properties of Vitrolife's previous needles with a new way of designing the front part and tip, which is thinner so as to minimize tissue damage, bleeding and pain. As the body of the needle has a larger diameter, the ability to collect the oocytes from the woman is not reduced, however. The procedure is just as fast as when a thicker needle is used. A patent application has been submitted for Swemed Sense™. It is estimated that the market for needles used in follicle aspiration to collect oocytes for IVF amounts to approximately 50 million Euros.

Product area Transplantation

- Sales amounted to SEK 13.1 (10.7) million, an increase of 22 percent. Sales in local currencies increased by 27 percent. For the second quarter sales amounted to SEK 7.1 (5.9) million, an increase of 20 percent. Sales in local currencies increased by 28 percent.
- STEEN Solution™ approved in Australia.
- 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 27 percent in local currencies, 28 percent for the second quarter. The sales figure 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 designed in consultation with the FDA are planned for STEEN Solution™ in North America, where there is great interest in this new technology, during quarters three to four of 2008.

In June Vitrolife's STEEN Solution™ was approved for sales in Australia. This was a great success, as the requirements for getting corresponding products approved in Australia are recognized as being high. It was also important as the Australian transplantation clinics are technical leaders and to a great extent also opinion leaders for the clinics in Asia. In Australia approximately 100 lung transplantations are today carried out per year.

Product area Stem Cell Cultivation

Sales amounted to SEK 0.9 (0.4) million for the period, of which SEK 0.3 (0.3) million was for the second quarter. 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 21.3 (12.3) million for the period January–June 2008. The change in trade receivables, mainly accounts receivable, amounted to SEK –9.2 (–1.7) million. The increase is primarily due to increased sales and direct sales in France and Italy. Investments in increased inventories amounted to SEK –1.5 (–7.3) million. The cash flow from investing activities was SEK –14.3 (–6.3) million. Gross investments in the Group's fixed assets amounted to SEK –7.3 (–3.6) million during the period and in intangible fixed assets to SEK –2.3 (–2.6) million. Investments in intangible fixed assets for the period mainly consist of STEEN Solution™. Investments in tangible fixed assets largely consist of investments in the new premises in Gothenburg, where Vitrolife will move at the end of the year. The premises are rented but cleanrooms etc. are being built by Vitrolife. The cash flow also contains a partial initial payment for the property in Kungsbacka. This property is owned by Vitrolife but has been sold with access for the new owner of the property at the end of 2008/beginning of 2009 and a partial deposit was paid during the second quarter. 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 –4.8 (–3.3) million. This item consists of repayment of loans SEK –5.1 (–3.3) million and net payment of SEK 0.3 (–) million for share warrants. In all, the cash flow for the period amounted to SEK 2.2 (2.8) million. The Group's liquid funds at June 30, 2008 amounted to SEK 20.6 (17.2) million. As debts amounted in all to SEK 15.1 million this means that Vitrolife has now net cash and bank balances of SEK 5.5 million (net debt 7.2), despite a higher level of investment due to the move to new premises at the end of the year. The equity/assets ratio for the Group amounted to 83 (83) 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 –2.2 (–0.7) million. Liquid funds amounted to SEK 0.2 (1.8) 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 June 30, 2008 was SEK 24.80 (37.30).

Organization and personnel

During the first six months of 2008 Vitrolife has assumed management of further sales in the European market. This has involved recruitment of both scientific and commercial competence. Otherwise there have been only small changes in the number of personnel during the first six months of the year. A great deal of work has been put into implementing the new process organization that has been introduced. The new organization makes it easier for the company to grow while at the same time retaining focus on customer service, quality and cost-effectiveness, and extra resources are allocated to increase the rate at which the product development projects are carried out.

During the first six months of 2008 the average number of employees was 135 (124), of whom 84 (80) were women and 51 (44) were men. 106 (97) people were employed in Sweden, 28 (27) in the USA and 1 (0) in Australia. The number of employees at the end of the period was 137 (133).

Warrants program

The issue of 400,000 warrants for subscription for new shares was approved at Vitrolife's Annual General Meeting on April 29, 2008. The warrants are to be offered to employees in the Vitrolife Group. Subscription for new shares by means of the warrants can be done during a number of subscription periods during the time from May 1, 2010 up until May 31, 2011. The issue price amounts to SEK 36.40.

Payment received for the warrants subscribed for so far amounts to SEK 518 thousand and the cost of the program amounted to SEK 198 thousand. Both items have been carried against shareholders' equity. There are no other costs linked to the program.

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

The first half of 2008 has involved a considerable lift in the rate of growth and this has been achieved at the same time as corresponding growth in earnings and a strong increase in the cash flow from operating activities. We have now begun to reap the positive effects of Vitrolife having focused long-term on three fundamental strategies:

- the increase in the size of the “domestic market”, that is to say that in more countries, most recently Italy and France, sales and marketing are now run under the company’s own management and with the company’s own personnel, which gives a better sales impetus in the market
- a broadening and development of the product portfolio, so that synergy benefits can be achieved in sales work, where the purchase of Swemed and continual investments in R&D have given Vitrolife probably the strongest product range on offer in the fertility market
- making Production and other infrastructure stronger and more efficient has given and maintained a strong gross margin and operating profit before R&D despite the addition of products with an initially lower margin.

Vitrolife has continued great growth potential and now has a product range to offer that not only, as traditionally, attracts the largest and most developed clinics in established markets, but also newly started and expanding clinics in markets without a long tradition. This has been noticeable in Asia and Eastern Europe, for example. When the building of the domestic markets in North America and Europe is now by and large complete, more of the continued market development will have its focus in Asian countries. There is a strongly expanding market there and great sales successes have already been noted, for example in China, which with an increase of 91 percent has rapidly become one of our largest markets within fertility. Vitrolife will continue to broaden and develop the product range by investing in R&D and, if the opportunity arises, through acquisitions. With the combining of the two business operations in the Gothenburg area in a new modern facility opportunities to continue the work on making Production more efficient will increase at the same time as there will also be added capacity for further growth.

The interest in our stem cell products has clearly increased, which is a sign that the technology is beginning to mature and approach clinical use. This gives Vitrolife great potential for the future as the products for stem cells are in many ways similar to those in the fertility area. Vitrolife is therefore continuing to increase investments in the development of these products.

The work on developing the Transplantation product area is continuing according to plan, with the restrictions that authority interactions and approvals always give in the development of this kind of innovative technology. The company continues to have an optimistic view of the opportunities for the STEEN Solution™ technology, above all in North America.

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

On July 4, 2008 Vitrolife acquired a further 9 percent of the shares in A.T.S. Srl, the distributor of Vitrolife’s products in Italy. Vitrolife thereby owns 60 percent of the company, with an option to acquire a further 10 percent within six months, that is a total of 70 percent. The seller of the shares is Paolo Trabucchi, one of the founders and previously the sole owner of A.T.S.

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.

Certification

The Board and the CEO certify that the half-year report gives a true and fair view of the company’s and the Group’s business activities, financial position and results, and describes the essential risks and uncertainty factors that the company and the companies which are part of the Group face.

July 15, 2008
Kungsbacka, Sweden

Magnus Nilsson
CEO

Patrik Tigerschiöld
Chairman of the Board

Maris Hartmanis
Board member

Tord Lendau
Board member

Fredrik Mattsson
Board member

Madeleine Olsson-Eriksson
Board member

Semmy Rulf
Board member

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–June		April–June		Whole year 2007
	2008	2007	2008	2007	
Net sales	115 231	96 755	56 562	47 545	188 939
Cost of goods sold	-35 376	-29 713	-17 223	-14 260	-59 274
Gross income	79 855	67 042	39 339	33 285	129 665
Selling expenses	-31 142	-25 997	-16 758	-13 175	-53 105
Administrative expenses	-16 089	-14 620	-8 428	-7 560	-28 775
Research and development costs	-15 381	-13 188	-7 679	-6 574	-26 889
Other operating revenues and expenses	-682	586	-501	-121	138
Operating income	16 561	13 823	5 973	5 855	21 034
Financial income and expenses	-1 261	-1 694	82	-655	-2 628
Income after financial items	15 300	12 129	6 055	5 200	18 406
Minority interest	-343	—	-106	—	—
Taxes	-913	8 363	2	4 322	17 651
Net income	14 044	20 492	5 951	9 522	36 057
Earnings per share, SEK	0.71	1.04	0.30	0.49	1.82
Earnings per share, SEK*	0.71	1.03	0.30	0.48	1.82
Average number of outstanding shares	19 800 157	19 790 157	19 800 157	19 790 157	19 790 990
Average number of outstanding shares*	19 822 743	19 821 014	19 800 157	19 901 196	19 865 309
Number of shares at closing day	19 800 157	19 790 157	19 800 157	19 790 157	19 800 157
Number of shares at closing day*	19 800 157	19 890 604	19 800 157	19 890 604	19 800 157

Depreciation and amortization has reduced income for the period by SEK 6 614 thousand (6 401), of which SEK 3 276 thousand (3 201) is for the second quarter.

* After dilution. Vitrolife has three outstanding share warrant programs, comprising 44 490 (1999), 550 000 (2005) and 400 000 (2008) warrants. The net present values of the issue prices were higher than the share price at closing day in all programs. With regard to the average share price for the last 12 months, this was higher than the net strike price in the programs from 1999 and 2008, but lower than the net strike price with regard to the program from 2005.

Other key ratios

	January–June		April–June		Whole year 2007
	2008	2007	2008	2007	
Gross margin, %	69.3	69.3	69.6	70.0	68.6
Operating margin, %	14.4	14.3	10.6	12.3	11.1
Operating margin before R&D costs, %	27.7	27.9	24.1	26.1	25.4
Net margin, %	12.2	21.2	10.5	20.0	19.1
Equity/assets ratio, %	82.8	82.9	82.8	82.9	84.6
Shareholders' equity per share, SEK	13.29	12.18	13.29	12.18	12.80
Shareholders' equity per share, SEK*	13.29	12.12	13.29	12.12	12.80
Return on equity, %	11.6	12.5	11.6	12.5	14.8
Return on capital employed, %	9.3	9.8	9.3	9.8	8.7

* After dilution, see above.

Consolidated income statements per quarter

SEK thousands	Apr–Jun	Jan–Mar	Oct–Dec	Jul–Sep	Apr–Jun	Jan–Mar
	2008	2008	2007	2007	2007	2007
Net sales	56 562	58 670	47 537	44 647	47 545	49 210
Cost of goods sold	-17 223	-18 154	-15 416	-14 144	-14 260	-15 453
Gross income	39 339	40 516	32 121	30 503	33 285	33 757
Selling expenses	-16 758	-14 384	-13 807	-13 302	-13 175	-12 822
Administrative expenses	-8 428	-7 660	-7 543	-6 612	-7 560	-7 060
Research and development costs	-7 679	-7 702	-7 264	-6 437	-6 574	-6 614
Other operating revenues and expenses	-501	-181	-349	-99	-121	706
Operating income	5 973	10 589	3 158	4 053	5 855	7 967
Financial income and expenses	82	-1 343	-155	-778	-655	-1 038
Income after financial items	6 055	9 246	3 003	3 275	5 200	6 929
Minority interest	-106	-237	—	—	—	—
Taxes	2	-916	4 861	4 427	4 322	4 040
Net income	5 951	8 093	7 864	7 702	9 522	10 969

Consolidated balance sheets

SEK thousands	June 30, 2008	June 30, 2007	Dec 31, 2007
ASSETS			
Goodwill	87 542	83 265	83 265
Other intangible fixed assets	23 565	25 001	24 030
Tangible fixed assets	76 114	81 333	76 639
Financial fixed assets	23 131	14 562	23 651
Inventories	43 122	35 607	42 562
Accounts receivable	38 994	26 336	26 378
Other current receivables	4 770	7 662	4 430
Liquid funds	20 579	17 246	18 505
Total assets	317 817	291 012	299 460
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity, attributable to the Parent Company's shareholders	263 122	241 109	253 384
Minority interest	522	—	—
Deferred tax liability	572	683	432
Long-term interest-bearing liabilities	3 267	17 869	14 304
Short-term interest-bearing liabilities	11 859	6 553	6 439
Accounts payable	16 817	9 521	9 505
Other short-term interest-free liabilities	21 658	15 277	15 396
Total shareholders' equity and liabilities	317 817	291 012	299 460
Pledged assets for own liabilities	30 000	30 000	30 000
Contingent liabilities	None	None	None

Change in shareholders' equity

SEK thousands	2008	January–June 2007	Whole year 2007
Amount at beginning of year	253 384	220 639	220 639
Translation difference	-4 627	-22	-3 621
New share issue	—	—	309
Warrants program	321	—	—
Net income for the period	14 044	20 492	36 057
Amount at end of period	263 122	241 109	253 384

Consolidated cash flow statements

SEK thousands	January–June		April–June		Whole year
	2008	2007	2008	2007	2007
Income after financial items	15 300	12 129	6 054	5 199	18 406
Adjustment for items not affecting cash flow	7 082	6 401	2 902	3 456	13 668
Change in inventories	-1 494	-7 324	-363	-5 001	-14 945
Change in trade receivables	-9 177	-1 696	-2 325	4 019	1 099
Change in trade payables	9 625	2 819	8 346	-382	3 057
Cash flow from operating activities	21 336	12 329	14 614	7 291	21 285
Cash flow from investing activities	-14 285	-6 277	-7 266	-3 216	-10 590
Cash flow from financing activities	-4 823	-3 283	-3 678	-2 138	-6 528
Cash flow for the period	2 228	2 769	3 670	1 937	4 167
Liquid funds at beginning of year	18 505	14 470	16 802	15 336	14 470
Exchange rate difference in liquid funds	-154	7	107	-27	-132
Liquid funds at end of period	20 579	17 246	20 579	17 246	18 505

Income statements for the Parent Company

SEK thousands	January–June		April–June		Whole year
	2008	2007	2008	2007	2007
Administrative expenses	-1 542	-908	-774	-648	-2 219
Research and development costs	-9	-9	-4	-4	-17
Other operating revenues and expenses	—	—	—	—	-4
Operating income	-1 551	-917	-778	-652	-2 240
Financial income and expenses	-596	218	219	78	-189
Income after financial items	-2 147	-699	-559	-574	-2 429
Taxes	1 500	—	1 500	—	13 668
Net income	-647	-699	941	-574	11 239

Depreciation and amortization has reduced income for the period by SEK 36 thousand (36) of which SEK18 thousand (18) is for the second quarter.

Balance sheets for the Parent Company

SEK thousands	June 30, 2008	June 30, 2007	Dec 31, 2007
ASSETS			
Patents	50	67	59
Tangible fixed assets	122	175	149
Participation in affiliated companies	322 806	317 986	317 986
Deferred tax assets	14 310	—	12 810
Receivables from affiliated companies	55 414	65 185	65 052
Other current receivables	207	160	502
Liquid funds	246	1 766	315
Total assets	393 155	385 339	396 873
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	383 846	369 717	384 172
Long-term interest-bearing liabilities	3 267	8 884	5 609
Short-term interest-bearing liabilities	4 859	5 973	5 859
Accounts payable	453	226	189
Other short-term interest-free liabilities	730	539	1 044
Total shareholders' equity and liabilities	393 155	385 339	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–June 2008	January–June 2007	Whole year 2007
Europe / Middle East			
Net sales	72 511	60 118	113 359
Operating income	10 421	8 590	12 620
The Americas			
Net sales	22 757	22 634	45 653
Operating income	3 271	3 233	5 082
Rest of world			
Net sales	19 964	14 003	29 927
Operating income	2 869	2 000	3 332



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 – September 2008 will be published on Wednesday October 22.

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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. The report was submitted for publication on July 15, 2008 at 11.30 am.

www.vitrolife.com

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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.