



Report on operations 2008

Vitrolife AB (publ)

Q4: Vitrolife ends record-strong 2008 with the best sales and cash flow ever

- **Sales increased by 19 percent to SEK 225.1 (188.9) million.** Calculated in local sales currencies growth was 17 percent. During the fourth quarter sales amounted to SEK 59.0 (47.5) million, corresponding to an increase of 24 percent. Calculated in local sales currencies growth was 12 percent.
- **The gross margin was 69 percent (69).** Gross income increased by 21 percent to SEK 156.3 (129.7) million. Gross income for the fourth quarter increased by 28 percent to SEK 41.2 (32.1) million and the gross margin was 70 (68) percent.
- **Operating income amounted to SEK 29.1 (21.0) million corresponding to an operating margin of 13 percent, excluding the one-time expense for moving to a new production facility.** This means a rate of increase of 38 percent. Operating income including the one-time expense amounted to SEK 27.1 (21.0) million. For the fourth quarter operating income increased by 135 percent to SEK 7.5 (3.2) million corresponding to an operating margin of 13 percent, excluding the one-time expense for the move. Operating income including the one-time expense amounted to SEK 5.5 (3.2) million.
- **Operating income before research and development costs of SEK 30.7 million increased by 21 percent to SEK 57.8 (47.9) million.** This corresponds to a margin of 26 (25) percent. For the fourth quarter the increase was 27 percent, to SEK 13.3 (10.4) million.
- **Consolidated net income increased by 32 percent adjusted for capitalization of the deferred tax asset in loss carry-forward for tax purposes to the tune of SEK 4.1 (16.4) million.** Net income was SEK 30.2 (36.1) million, which gives earnings per share of SEK 1.52 (1.82). For the fourth quarter net income was SEK 9.8 (7.9) million and earnings per share were SEK 0.51 (0.40).
- **The equity/assets ratio amounted to 85 percent (85).**
- **The cash flow from operating activities increased by 101 percent and amounted to SEK 42.8 (21.3) million.** The cash flow for the fourth quarter was SEK 15.7 (3.3) million.
- **The occupancy and taking into use of a more efficient production facility in Gothenburg was successfully carried out during the fourth quarter.**
- **Continued buying back of the company's own shares during the period.** A total of 247,300 shares were bought back during the year.
- **The first four transplantations using STEEN Solution™ were successfully performed in Canada and two transplantations using STEEN Solution™ were performed in Manchester, England.** One further transplantation has been performed in Canada after the end of the period.
- **Acquisition according to plan of a further 10 percent of the Italian subsidiary A.T.S. after the end of the period.**
- **Bid for MediCult a/s submitted after the end of the period.**

Sales and income

Vitrolife's net sales for 2008 amounted to SEK 225.1 (188.9) million, which corresponds to an increase of 19 percent compared to the previous year. Sales growth in local currencies was 17 percent. Net sales during the fourth quarter increased by 24 percent and amounted to SEK 59.0 (47.5) million. Sales growth in local currencies was 12 percent.

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

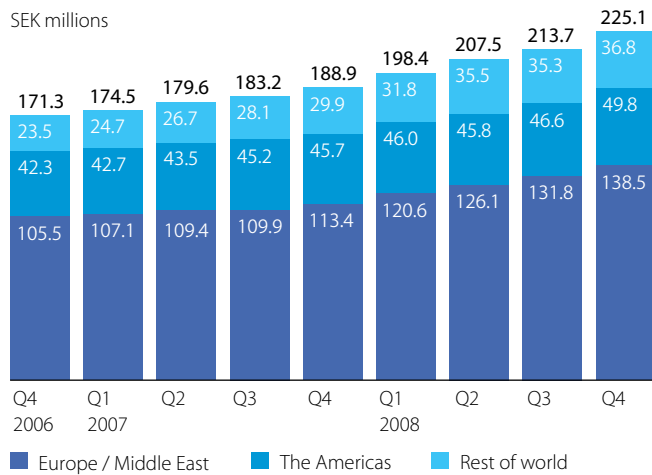
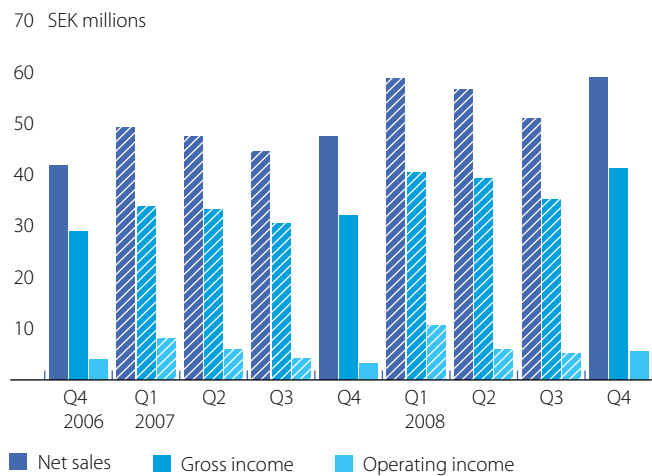


Fig 2. Sales and income per quarter



Gross income was SEK 156.3 (129.7) million. The gross margin for the year was 69 percent (69). 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. Gross income for the fourth quarter amounted to SEK 41.2 (32.1) million and the gross margin to 70 (68) percent. Due to seasonal variations in above all the product mix, there can be minor swings in the gross margin between quarters.

Operating income was SEK 27.1 (21.0) million, which corresponds to a margin of 12.0 percent (11.1). Selling expenses as a percentage of sales amounted to 28.8 percent (28.1), administrative

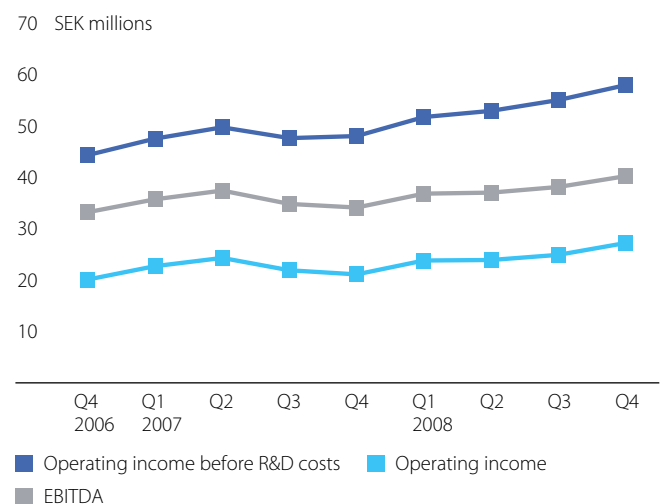
expenses to 15.7 percent (15.2) and R&D costs to 13.6 percent (14.2). Depreciation and amortization of SEK 13.0 (12.9) million has been charged against the year.

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 year operating profit before R&D costs amounted to SEK 57.8 (47.9) million, or 25.7 percent (25.4) of sales.

For the fourth quarter operating income amounted to SEK 5.5 (3.2) million. Selling expenses as a percentage of sales amounted to 31.8 percent (29.0), administrative expenses to 19.5 percent (15.9) and R&D costs to 13.2 percent (15.3). Depreciation and amortization amounted to SEK 3.2 (3.4) million.

During the fourth quarter a one-time expense of SEK 2.0 million in total, in the form of moving to new production premises in Gothenburg, was charged against operating income. The expense consists firstly of a capital gain of SEK 0.6 million from sale of the production facility in Kungsbacka, after a deduction has been made for disposal of fixed assets, and secondly of removal expenses, restoration expenses and double rents of SEK 2.6 million. The capital gain and the disposals are recorded as other operating revenues and operating expenses. The removal expenses, restoration expenses and double rents are recorded as administrative expenses, which explains the high administrative expenses as a percentage of sales in the fourth quarter. Adjusted for this one-time expense, operating income for the whole year is SEK 29.1 (21.0) million and for the quarter SEK 7.5 (3.2) million.

Fig 3. Income (rolling 12 months)



Net income amounted to SEK 30.2 (36.1) million, of which SEK 9.8 (7.9) million was for the fourth quarter. Net financial income amounted to SEK 0.1 (-2.6) million, of which SEK 0.2 (-0.2) million was for the fourth quarter. Net financial income includes non-realized exchange rate fluctuations regarding internal

receivables and liabilities of SEK 0.4 (-0.8) 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 amounted to SEK 2.8 (-0.7) million net. Minorities for the period amounted to SEK -0.2 (-) million, of which SEK 0.2 (-) million was for the fourth quarter, and concern the minority interest in the Italian company A.T.S. Tax revenue for the year amounted to SEK 3.0 (17.7) million and comprises current tax of SEK -0.2 (-) million, deferred tax on the Group's internal profits from inventories of SEK -0.9 (1.0) million, reversal of a tax allocation reserve of SEK - (0.3) million and capitalization of loss carry-forward of SEK 4.1 (16.4) million. Vitrolife had loss carry-forward of approximately SEK 153 (164) million at the end of 2008. 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 58 (84) million. Vitrolife continually 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 193.0 (165.0) million, an increase of 17 percent. Sales growth in local currencies was 15 percent. For the fourth quarter sales amounted to SEK 48.9 (41.5) million, an increase of 18 percent. Sales growth in local currencies was 8 percent.
- Acquisition according to plan of a further 10 percent of the Italian subsidiary A.T.S. after the end of the period.

Sales in the Europe/Middle East region developed very strongly and increased by 17 percent during the year (17 percent during the fourth quarter). UK 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. In July 2008 Vitrolife acquired a further 9 percent of the shares and in January 2009 a further 10 percent was acquired. Vitrolife now owns a total of 70 percent of A.T.S. Approximately 24,000 fertility treatments are performed in Italy per year and the number of fertility clinics amounts to approximately 300. The potential market value for instruments and media amounts to SEK 40-50 million.

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. Just over 70,000 fertility treatments are performed in France per year and the number of fertility clinics amounts to approximately 100. The potential market value for instruments and media amounts to approximately SEK 120 million.

The two events in Italy and France are in line with Vitrolife's strategy to operate under its own management in key markets.

Sales in the Rest of the World region increased by 30 percent (20 percent during the fourth quarter). It is particularly pleasing to note that sales in China increased by 51 percent (57 percent during the fourth quarter).

In the American region sales increased by 9 percent in local currency for the whole year. Sales during the fourth quarter were unchanged in local currency, but it must then be taken onto account that the fourth quarter of 2007 was very strong, with an increase in sales of 26 percent in local currency. The weakening of the average USD rate during the year meant that sales translated into SEK increased by 6 percent compared with the previous year. However, the USD rate was stonger during the fourth quarter of the year, which meant that sales translated into SEK increased by 22 percent during the fourth 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.

Product area Transplantation

- Sales amounted to SEK 30.4 (22.8) million, an increase of 33 percent. Sales in local currencies increased by 33 percent. For the fourth quarter sales amounted to SEK 9.8 (5.7) million, an increase of 70 percent. Sales in local currencies increased by 46 percent.
- The first four transplantations using STEEN Solution™ were successfully performed in Canada within the framework of the ongoing clinical study. One further transplantation has been performed after the end of the period.
- Two transplantations using STEEN Solution™ were performed in Manchester, England, the first two in Europe outside Sweden.

Sales of transplantation products, primarily Perfadex® which has a market share of over 90 percent globally with regard to clinical lung transplantations, increased by 33 percent in local currencies, and 46 percent for the fourth quarter. The sales figure now also 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 this in the USA and elsewhere are proceeding according to plan and during the period personnel with special competence have been recruited to give training in the STEEN Solution™ technology. Training of clinics and demonstrations of the technology for target groups have also been carried out. There has been development of and trials with peripheral products needed in a lung evaluation using STEEN Solution™, such as an organ evaluation box. These products are planned to be launched at the latest in connection with the launch of STEEN Solution™ in the USA.

In August 2008, Vitrolife received approval from the Canadian authorities to start a study with STEEN Solution™. The study, which has been designed in consultation with the American FDA, will be the key element in the application for sales approval in USA and Canada. So far five patients have been included in the study and successfully received transplants using the STEEN Solution™ technology. The study is now planned to be completed during the first half of 2009.

During autumn 2008 the University Hospital of Manchester, England, became the first clinic outside Sweden to use the STEEN Solution™ method clinically. Two double lung transplantations were carried out, with positive results. Earlier on in the development and in the first clinical usage, eight transplantations were carried out using STEEN Solution™ at the University Hospital of Lund, where the technology was developed under the leadership of Professor Stig Steen. In Europe there are a further number of clinics in the starting blocks, ready to use the technology.

Product area Stem Cell Cultivation

Sales amounted to SEK 1.7 (1.1) million for the period, of which SEK 0.3 (0.3) million was for the fourth 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. Vitrolife views the product area's prospects increasingly positively, as there are more and more reports of clinical trials having been started using stem cells, which indicates that the point in time when this will become an established clinical treatment is approaching. This will then increase the demand for media produced in accordance with authority requirements regarding medical devices, which Vitrolife has great experience of. Vitrolife will therefore continue to gradually increase investments in product development within the area together with leading industrial and scientific collaboration partners.

Investments and cash flow

Cash flow from operating activities amounted to SEK 42.8 (21.3) million for 2008. The change in trade receivables, mainly accounts receivable, amounted to SEK -7.6 (1.1) million. The increase is primarily due to increased sales and direct sales in France and Italy. Investments in increased inventories amounted to SEK -0.9 (-14.9) million. Trade payables increased by SEK 13.2 (3.1) million. The increase was primarily due to increased accounts payable in connection with investments in a new production facility. The cash flow from investing activities was SEK -26.6 (-10.6) million. Gross investments in the Group's fixed assets amounted to SEK -36.1 (-6.2) million during the year and in intangible fixed assets to SEK -4.3 (-4.7) million. Investments in intangible fixed assets for the year mainly consist of STEEN Solution™. Investments in tangible fixed assets largely consist of investments in the new premises in Gothenburg, to which Vitrolife moved at the end of the year. The premises are rented but the cleanroom facility where production and quality control are carried out have been built by Vitrolife. All facilities

in Sweden where production has been carried out previously have thereby been closed. The cash flow also contains an initial payment made in the second quarter and a final payment made in the fourth quarter for Vitrolife's property in Kungsbacka, which has been sold. An investment of SEK -5.4 (-) million in a subsidiary, which is constituted by acquisition of 60 percent of the company's former distributor in Italy, A.T.S. (51 percent in January and 9 percent in July), is included, after a deduction for acquired liquid funds. The cash flow from financing activities was SEK -21.4 (-6.5) million. This item consists of repayment of loans, SEK -15.3 (-6.8) million, net payment of SEK 0.3 (0.3) million for share warrants and buying back of the company's own shares for SEK -6.4 (-) million. In all, the cash flow for the year amounted to SEK -5.2 (4.2) million. The Group's liquid funds at December 31, 2008 amounted to SEK 14.0 (18.5) million. The equity/assets ratio for the Group amounted to 85 (85) percent.

Parent Company

Business activities focus on company-wide management and the company has no employees. There were no revenues for the year (-). The costs that arise are mainly attributable to the Board and to NASDAQ OMX Stockholm and the listing of the company's shares. Income before tax amounted to SEK 0.3 (-2.4) million. Liquid funds amounted to SEK 0.8 (0.3) million. No investments were made during the year (-).

The Vitrolife share is listed on the NASDAQ OMX Stockholm Small Cap list under the symbol VITR. The closing price on December 30, 2008 was SEK 22.90 (29.70).

Organization and personnel

During the year Vitrolife has taken over sales in Europe and recruited local marketing competence in France, Germany and Italy. During the latter part of 2008 Vitrolife has adapted to the value chain and process flow by identifying and organizing itself in accordance with the main processes. This has given the organization a structure that is more in harmony with the way of working. During the last quarter of 2008 Vitrolife moved its two production units in Sweden to common premises in Gothenburg. The premises are more suited to the company's purposes and more central, which increases opportunities for attracting the right competence.

During 2008 the average number of employees was 134 (126), of whom 80 (79) were women and 54 (47) were men. 104 (101) people were employed in Sweden, 28 (24) in the USA and 2 (1) in the rest of the world. The number of people employed in the Group at the end of the year was 149 (140).

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 year. For information on related parties, see the Annual Report for 2007, page 54.

Proposed appropriation of earnings

The dividend policy of Vitrolife AB (publ) states that a dividend or another form of distribution which on average over time corresponds to 30 percent of net profits for the year after tax shall be proposed each year. Accordingly, it is the intention of the Board and the CEO to propose to the Annual General Meeting a dividend of SEK 0.40 per share, unless the bid for MediCult is accepted, in which case the proposal must be reconsidered.

Summary of 2008 and prospects for 2009

The year 2008 involved a considerable boost with regard to the rate of growth, which has involved growth in the market share, at the same time as strong growth in earnings and cash flow from operating activities.

The positive effects of the implementation of Vitrolife's three main strategies, an increase in the number of markets where sales and marketing are carried out under company management, market synergy benefits from a broadened product portfolio and a continued strong gross margin through the product supply being made constantly more efficient, have convinced us that it is right to continue with these strategies.

The product supply structure has been made even more efficient and rational and at the same time capacity in this regard has been strengthened through the new facility in Gothenburg. Through a total investment of SEK 35 million Vitrolife has successfully multiplied its production capacity in order to be able to meet future needs. Furthermore, the company is able to further increase capacity very cost-effectively by adding further modules that use common resources. It is particularly pleasing that it has been possible to carry out this project within the framework of the current cash flow.

It is Vitrolife's aim to carry out at least one major product launch and several minor launches per year, and this is the intention in 2009 as well.

The opportunities for a breakthrough in the clinical usage of STEEN Solution™ have increased considerably during 2008. This is due both to the performing of the first transplantations using STEEN Solution™ in Europe outside Sweden, and to the successful start of the clinical study in North America. This involves a considerable investment to strengthen the product area in North America. In parallel with the study a training program is also being run for the leading transplantation surgeons before the launch. These investments optimize Vitrolife's opportunities to take advantage of the considerable sales potential within the product area.

Vitrolife is well equipped for the expected strong growth within the stem cell area due to the great synergies with the fertility product area and will gradually increase the focus and work within product and business development within the product area so as to further improve competitiveness. It is pleasing to note that several clinical studies are ongoing with both adult

and embryonic stem cells, as it is within these clinical applications that Vitrolife sees the greatest potential for its products.

Vitrolife is of course continually evaluating any effects of the weakening world economy on business operations. At present it is assessed that the Transplantation product area will not be affected, but that it cannot be ruled out that individual markets can be affected within the Fertility product area, in particular those markets where the element of state subsidies is low, as in the USA. Vitrolife has, however, a very good global spread in sales, with, amongst other things, very strong sales growth in China and a number of developing markets, and a strong position in Europe, where the higher subsidy levels have historically softened the effects of the economy.

After the successful investments within marketing, production and product development for a number of years, Vitrolife has further strengthened its competitiveness and opportunities to reach customers in a better way and with an increasingly strong product range. This means that the opportunities for strong growth while maintaining profitability will continue to be good in the future.

It is assessed that all continued investments will be able to be financed within the framework of Vitrolife's cash flow and while maintaining good profit levels.

Miscellaneous

Vitrolife has bought back the company's own shares during the third and fourth quarters. The Annual General Meeting on April 29, 2008 of Vitrolife AB (publ) decided to authorize the company Board to take a decision to acquire the company's own shares with a view to adjusting the company's capital structure and/or ability to use bought back shares in connection with the acquisition of companies or businesses. The company Board announced on August 1, 2008 that a decision had been taken to exercise this authorization. Acquisitions will be able to be made as from August 2, 2008 up until the next Annual General Meeting in 2009. No acquisitions will be made during the 30-day period up to and including the day when the quarterly report is published. Acquisitions will be made via NASDAQ OMX Stockholm at a price within the registered price interval at any given time when the Board assesses that is advantageous for the company's shareholders.

The company has bought back 247,300 shares. The number of shares in the company amounts to 19,800,157.

The warrants program of 550,000 share warrants issued by Vitrolife in the autumn of 2005 had its final subscription date on September 3, 2008. The issue price was SEK 30.90. A total of 10,000 shares were subscribed for.

The American company Mentor Corp. acquired Vitrolife's A-life business in 2003, which developed products based on hyaluronic acid, above all for the treatment of facial wrinkles. In

addition to a cash payment, the purchase agreement included certain royalties to Vitrolife when sales of USD 40 million in total had been achieved. Starting in May 2005, Mentor launched its first product within this area, Prevelle Shape (formerly Puragen), in Europe. An application for approval of the product in the large USA market was submitted in July 2007. In its communication with the stock market the company has announced that it anticipates approval during the first quarter of 2009. However, Vitrolife does not anticipate that any royalty will be paid during 2009. In January 2009 Mentor Corp. was acquired by Johnson & Johnson.

Significant risks and uncertainty factors

Vitrolife's overall aim for the coming years is increased growth combined with profitability through considerable investments in an expansive market presence and product development. A summary follows of a number of factors that can be of great importance for the future development of the company.

Fertility

Investments in a larger in-house sales organization are of course tied to increased resources for the development and registration department, in order to support the development of new and improved products. In order to maintain our market position and profitability we must continually ensure that the company has a competitive product portfolio. Product development projects and authority approvals may, however, also be delayed or fail to materialize.

The market for above all fertility products is, as within many medical areas, to a high degree dependent on laws, rules, permits and reimbursement of expenses. Experience of what happens after a change in reimbursement rules varies. In the German market, for example, a reduction of reimbursement levels meant that the market decreased. However, it is Vitrolife's assessment that certain changes and regulations can be positive for the company. One example of this is the increased control of clinics that was introduced in China. Another is the expected requirement to use only CE marked products within fertility in Europe. In both cases these changes counteract irresponsible competition.

Transplantation

In the long term the STEEN Solution™ method can enable five to ten times more lung transplantations to be carried out. The demand for donated organs considerably exceeds supply. There is thus considerable sales growth potential in this area for Vitrolife, but there are no guarantees for how quickly the new technology can be introduced. Access to intensive care resources is one example of factors that can have a limiting effect on individual markets.

The study in North America that is to be the key element in sales approval of STEEN Solution™ there has begun. A number of transplantations have already been successfully carried out within the framework of this study. However, Vitrolife has

limited capacity to influence how fast the clinics included in the study perform the total number of planned transplantations, and consequently delays can occur.

The products within the transplantation area have a longer development time than Vitrolife's other products and the studies that need to be performed to clinically verify the products take longer and are also more costly than corresponding studies within the fertility area. There is a risk that sales approval in the USA, the market that is assessed to be most important for the product in the future, will be delayed or completely fail to materialize. However, the fact that the study has been successfully started, the discussions that have been held with authorities in the USA and the data that today exist for STEEN Solution™ lead the company to assess the risk that sales approval will completely fail to materialize as small.

Financial

With regard to cash flow risks, Vitrolife's exposure is greatest to changes in EUR. The majority of the costs are in SEK, but there are a number of costs in EUR as well. This outflow is matched as far as possible by the inflow in EUR. At present Vitrolife has hedged 60 percent of the estimated revenues in EUR during 2009. Vitrolife has not hedged in USD as the company has both revenues and costs in USD.

Legal disputes

Vitrolife has a number of patents and other intellectual property rights that are important to the company. There are a number of patents etc. in the market held by other companies where the drawing of boundaries can sometimes be difficult to do. Vitrolife is at present not involved in any legal action with regard to its own or others' rights, but there are no guarantees that such claims will not be made by or against the company in the future. Similarly, there are no guarantees that other types of legal disputes will not affect the company in the future.

Changes in the economy

It cannot be ruled out that changes in the economy can affect Vitrolife's business negatively, primarily within the Fertility product area in markets with a small element of state subsidies.

Bid for MediCult

Vitrolife is convinced that a combination with MediCult has the potential to create a profitable and innovative company with a strong market position, where the opportunities for synergies within marketing, production and development are very great. However, there are no guarantees that all the potential synergies can be realized within the planned time framework.

Events after year-end

In January 2009 a further 10 percent of Vitrolife's subsidiary in Italy, A.T.S., was acquired. In total Vitrolife now owns 70 percent of A.T.S.

On January 14, 2009 Vitrolife announced its intention to make a voluntary exchange offer to the shareholders of MediCult a/s ("MediCult") to acquire all outstanding shares in MediCult. Nine MediCult shares will give five Vitrolife shares and a cash alternative will be offered to shareholders who own 1,000 shares or less. The offer corresponds to a premium of 56 percent over the closing price of the MediCult share on January 13, 2009 of NOK 8.20 and 82 percent over the volume weighted average closing price of the MediCult share for the preceding 30 trading days of NOK 7.01. An Extraordinary General Meeting of Vitrolife will be held on February 19, 2009 with the aim of approving the issue of the shares which will be used in payment. The acceptance period runs as from February 4 until February 25, 2009.

A combined Vitrolife and MediCult will be a strong competitor to the market leaders within products for assisted reproduction. Furthermore, the merger will increase the potential to become the world's leading player in media for cell therapy and transplantation as well as within the stem cell area, through advanced research and development programs.

Based on estimated annual cost savings of at least SEK 50 million, a transaction financed through shares is assessed to be beneficial to the shareholders of both Vitrolife and MediCult, as they will all be able to benefit from the future added value that the identified synergies entail.

Election committee

The following people have been appointed to Vitrolife's election committee before the Annual General Meeting in 2009: Henrik Blomquist, representing Skanditek Industriförvaltning Johan Ståhl, representing Lannebo Fonder Henrietta Theorell Malmäter, representing SEB Fonder Patrik Tigerschiöld, Chairman of the Board

February 12, 2009
Göteborg, 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

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

Shareholders who wish to have a matter considered at the meeting can make a written request to this effect to the Board. Such a request for consideration of a matter is to be sent to Vitrolife AB (publ), Att: Styrelsens ordförande, Box 9080, 400 92 Göteborg, Sweden, and must have been received by the Board at least seven weeks before the Annual General Meeting, or in any case in such good time that the matter, if so necessary, can be included in the invitation to the meeting.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on Monday April 27, 2009, at 5 pm on Vitrolife's premises in Gothenburg, visitors' address Gustaf Werners gata 2. Shareholders will be invited to attend through an announcement in the Swedish Official Gazette and in Dagens Industri no earlier than six weeks and no later than four weeks before the meeting.

It is estimated that Vitrolife's Annual Report for 2008 will be available at the company's head office in Gothenburg during the week commencing April 6. The Annual Report is sent out to all shareholders and is published on the company's website as a pdf file.

Certification

The Board of Directors and the CEO certify that this report on operations gives a true and fair view of the company's and the Group's business activities, financial position and results, and describes the significant risks and uncertainty factors faced by the company and the companies included in the Group.

Consolidated income statements

SEK thousands	January–December		October–December	
	2008	2007	2008	2007
Net sales	225 141	188 939	59 042	47 537
Cost of goods sold	-68 891	-59 274	-17 860	-15 416
Gross income	156 250	129 665	41 182	32 121
Selling expenses	-64 869	-53 105	-18 768	-13 807
Administrative expenses	-35 449	-28 775	-11 542	-7 543
Research and development costs	-30 669	-26 889	-7 813	-7 264
Other operating revenues and expenses	1 862	138	2 403	-349
Operating income	27 125	21 034	5 462	3 158
Financial income and expenses	89	-2 628	223	-155
Income after financial items	27 214	18 406	5 685	3 003
Taxes	2 986	17 651	4 137	4 861
Net income	30 200	36 057	9 822	7 864
Attributable to				
Parent Company's shareholders	29 995	36 057	10 035	7 864
Minority interest	205	—	-213	—
Earnings per share, SEK	1.52	1.82	0.51	0.40
Earnings per share, SEK*	1.52	1.82	0.51	0.40
Average number of outstanding shares	19 729 677	19 790 990	19 592 189	19 793 490
Average number of outstanding shares*	19 729 677	19 865 309	19 592 189	19 839 586
Number of shares at closing day	19 800 157	19 800 157	19 800 157	19 800 157
of which own shares	247 300	—	247 300	—
Number of shares at closing day*	19 800 157	19 800 157	19 800 157	19 800 157
of which own shares	247 300	—	247 300	—

Depreciation and amortization has reduced income for the period by SEK 12 996 thousand (12 937), of which SEK 3 223 thousand (3 364) is for the fourth quarter.

* After dilution. Vitrolife has two outstanding share warrant programs, comprising 44 490 (1999) and 400 000 (2008) warrants. The net present values of the issue prices were in both programs higher than both the share price at closing day and the average share price for the last 12 months.

Other key ratios

	January–December		October–December	
	2008	2007	2008	2007
Gross margin, %	69.4	68.6	69.8	67.6
Operating margin, %	12.0	11.1	9.3	6.6
Operating margin before R&D costs, %	25.7	25.4	22.5	21.9
Net margin, %	13.3	19.1	17.0	16.5
Equity/assets ratio, %	85.1	84.6	85.1	84.6
Shareholders' equity per share, SEK	14.94	12.80	14.94	12.80
Shareholders' equity per share, SEK*	14.94	12.80	14.94	12.80
Return on equity, %	11.1	14.8	11.1	14.8
Return on capital employed, %	10.4	8.7	10.4	8.7
EBITDA, %	17.8	18.0	14.7	13.7
EBITDA Adj, %	18.7	18.0	18.0	13.7

* After dilution, see above.

Consolidated income statements per quarter

SEK thousands	Oct-Dec 2008	Jul-Sep 2008	Apr-Jun 2008	Jan-Mar 2008	Oct-Dec 2007	Jul-Sep 2007
Net sales	59 042	50 868	56 562	58 670	47 537	44 647
Cost of goods sold	-17 860	-15 654	-17 223	-18 154	-15 416	-14 144
Gross income	41 182	35 214	39 339	40 516	32 121	30 503
Selling expenses	-18 768	-14 958	-16 758	-14 384	-13 807	-13 302
Administrative expenses	-11 542	-7 819	-8 428	-7 661	-7 543	-6 612
Research and development costs	-7 813	-7 476	-7 679	-7 702	-7 264	-6 437
Other operating revenues and expenses	2 403	141	-501	-180	-349	-99
Operating income	5 462	5 102	5 973	10 589	3 158	4 053
Financial income and expenses	223	1 128	82	-1 343	-155	-778
Income after financial items	5 685	6 230	6 055	9 246	3 003	3 275
Taxes	4 137	-240	2	-916	4 861	4 427
Net income	9 822	5 990	6 057	8 330	7 864	7 702
Attributable to						
Parent Company's shareholders	10 035	5 916	5 951	8 093	7 864	7 702
Minority interest	-213	74	106	238	—	—

Consolidated balance sheets

SEK thousands	Dec 31, 2008	Dec 31, 2007
ASSETS		
Goodwill	88 250	83 265
Other intangible fixed assets	26 762	24 030
Tangible fixed assets	94 802	76 639
Financial fixed assets	28 244	23 651
Inventories	46 219	42 562
Accounts receivable	37 054	26 378
Other current receivables	7 879	4 430
Liquid funds	14 009	18 505
Total assets	343 219	299 460
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity, attributable to the Parent Company's shareholders	292 061	253 384
Minority interest	327	—
Deferred tax liability	558	432
Long-term interest-bearing liabilities	3 321	14 304
Short-term interest-bearing liabilities	3 217	6 439
Accounts payable	23 531	9 505
Other short-term interest-free liabilities	20 204	15 396
Total shareholders' equity and liabilities	343 219	299 460
Pledged assets for own liabilities	20 000	30 000
Contingent liabilities	None	None

Change in shareholders' equity

SEK thousands	January-December	
	2008	2007
Amount at beginning of year	253 384	220 639
Translation difference	14 685	-3 621
New share issue	—	309
Warrants program	421	—
Purchase of own shares	-6 424	—
Minority interest	-205	—
Net income for the period	30 200	36 057
Amount at end of period	292 061	253 384

Consolidated cash flow statements

SEK thousands	January–December		October–December	
	2008	2007	2008	2007
Income after financial items	27 214	18 406	5 685	3 003
Adjustment for items not affecting cash flow	10 865	13 668	1 925	3 329
Change in inventories	-859	-14 945	71	-3 296
Change in trade receivables	-7 630	1 099	253	2 430
Change in trade payables	13 203	3 057	7 769	-2 139
Cash flow from operating activities	42 793	21 285	15 703	3 327
Cash flow from investing activities	-26 626	-10 590	-3 852	-1 822
Cash flow from financing activities	-21 389	-6 528	-11 029	-2 100
Cash flow for the period	-5 222	4 167	822	-595
Liquid funds at beginning of period	18 505	14 470	12 552	19 186
Exchange rate difference in liquid funds	726	-132	635	-86
Liquid funds at end of period	14 009	18 505	14 009	18 505

Income statements for the Parent Company

SEK thousands	January–December		October–December	
	2007	2006	2007	2006
Administrative expenses	-3 105	-2 219	-750	-910
Research and development costs	-17	-17	-4	-4
Other operating revenues and expenses	-100	-4	-21	-4
Operating income	-3 222	-2 240	-775	-918
Financial income and expenses	3 550	-189	2 256	116
Income after financial items	328	-2 429	1 481	-802
Taxes	1 422	13 668	-78	13 668
Net income	1 750	11 239	1 403	12 866

Depreciation and amortization has reduced income for the period by SEK 70 thousand (72), of which SEK 18 thousand (18) is for the fourth quarter.

Balance sheets for the Parent Company

SEK thousands	Dec 31, 2008	Dec 31, 2007
ASSETS		
Patents	38	59
Tangible fixed assets	95	149
Participation in affiliated companies	323 610	317 986
Deferred tax assets	13 970	12 810
Receivables from affiliated companies	49 571	65 052
Other current receivables	686	502
Liquid funds	804	315
Total assets	388 774	396 873
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	380 651	384 172
Long-term interest-bearing liabilities	3 321	5 609
Short-term interest-bearing liabilities	3 217	5 859
Accounts payable	68	189
Other short-term interest-free liabilities	1 517	1 044
Total shareholders' equity and liabilities	388 774	396 873
Pledged assets for own liabilities	3 100	3 100
Contingent liabilities	20 000	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 RFR 2:1, Accounting for Legal Entities. The main significance of RFR 2:1 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–December	
	2008	2007
Europe / Middle East		
Net sales	138 492	113 359
Operating income	16 685	12 620
The Americas		
Net sales	49 832	45 653
Operating income	6 004	5 082
Rest of world		
Net sales	36 817	29 927
Operating income	4 436	3 332

Financial reports

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

During 2009 it is planned that the following reports will be submitted:

Interim report January – March: Monday April 27

Interim report January – June: Wednesday July 15

Interim report January – September: Tuesday November 3

Queries should be addressed to:

Magnus Nilsson, CEO, phone +46 31 721 80 61.

This report has not been reviewed by the Company's auditors.

The information in this report is such as that which Vitrolife is required to publish in accordance with the Swedish Securities Market Act. The report was submitted for publication on February 12, 2009 at 8 am.

www.vitrolife.com

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Vitrolife 
Innovative Cell and Tissue Technology

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), cryopreservation products 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 evaluate and maintain organs outside the body in order to select usable organs and keeping them in optimal condition 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 150 employees and its products are sold in more than 80 markets. The company is headquartered in Gothenburg, Sweden, and there are subsidiaries in USA, Australia, France and Italy. Production facilities are located in Sweden and the USA. The Vitrolife share is listed on NASDAQ OMX Stockholm, Small Cap.