



Report on operations 2009

Vitrolife AB (publ)

Q4: A strong conclusion to a record year for Vitrolife

- Sales increased by 14 percent during the fourth quarter and amounted to SEK 67 (59) million. Calculated in local currency growth was 15 percent. Sales for the year amounted to SEK 275 (225) million, corresponding to an increase of 22 percent. Calculated in local currencies growth was 10 percent.
- Gross **margin** for the fourth quarter was 70 percent (70). Gross income increased by 15 percent and amounted to SEK 47 (41) million. Gross **margin** for the year was 70 percent (69) and gross income amounted to 193 SEK (156) million, corresponding to an increase of 23 percent.
- In the fourth quarter operating income (EBIT) increased by 21 percent and amounted to SEK 7 (5) million. Operating margin was 10 (9) percent. Operating income for the year was SEK 30 (27) million, corresponding to an operating margin of 11 (12) percent. The increase was 12 percent. Adjusted for one-time expenses relating to the move and to the bid for MediCult during the first half year the increase was 18 percent.
- Operating income before research and development costs increased during the fourth quarter by 23 percent and amounted to SEK 16 (13) million, corresponding to a margin of 24 percent (22). For the whole of 2009 the corresponding increase was 19 percent and amounted to SEK 69 (58) million, and the margin was 25 percent (26).
- The Group's net income increased by 14 percent during the fourth quarter, adjusted for capitalization of the deferred tax asset in loss carry-forward for tax purposes to the tune of SEK 4 (4) million. Net income was SEK 12 (10) million, which gives earnings per share of SEK 0.56 (0.51). Net income for the whole year was SEK 34 (30) million, which gives earnings per share of SEK 1.75 (1.52).
- The cash flow from operating activities was SEK 17 (16) million for the fourth quarter. Cash flow for the year amounted to SEK 42 (43) million.
- Net equity amounted to SEK 6 (7) million.
- The equity/assets ratio amounted to 87 percent (85).
- Vitrolife acquired its distributor in Great Britain and Ireland, IVF Limited.
- VINNOVA announced that they will provide Vitrolife's stem-cell research project with support of SEK 3.6 million.
- The patient recruitment of the clinical study in Canada on STEEN Solution™ completed after the period.
- The Board's proposed dividend is 0.50 SEK per share.

Sales and income

Vitrolife's net sales for the fourth quarter increased by 14 percent and amounted to SEK 67.4 (59.0) million. Sales growth in local currencies was 15 percent. Net sales for 2009 amounted to SEK 274.6 (225.1) million, corresponding to an increase of 22 percent. Sales growth in local currency was 10 percent.

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

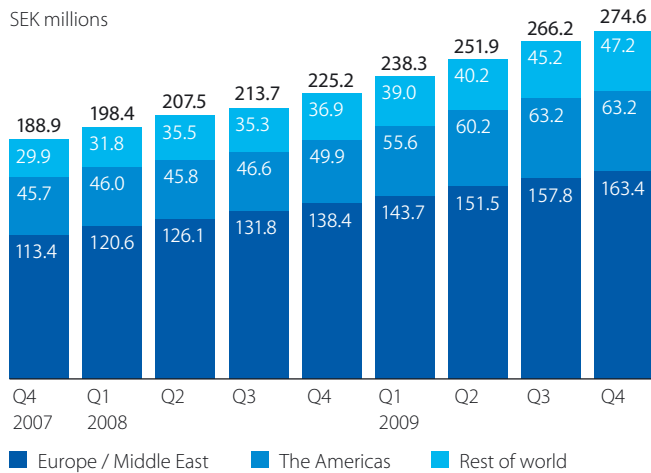
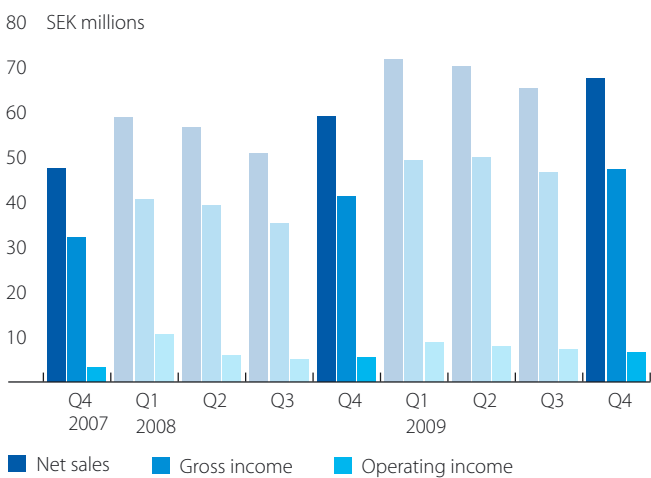


Fig 2. Sales and income per quarter



Gross income for the fourth quarter amounted to SEK 47.2 (41.2) million and the gross margin to 70 (70) percent. Gross income for the year amounted to SEK 192.9 (156.3) million. The gross margin was 70 percent (69).

For the fourth quarter operating income amounted to SEK 6.6 (5.5) million. Selling expenses as a percentage of sales amounted to 32.2 percent (31.8), administrative expenses to 13.9 percent (19.5) and R&D costs to 14.5 percent (13.6). Depreciation and amortization amounted to SEK 4.0 (3.2) million.

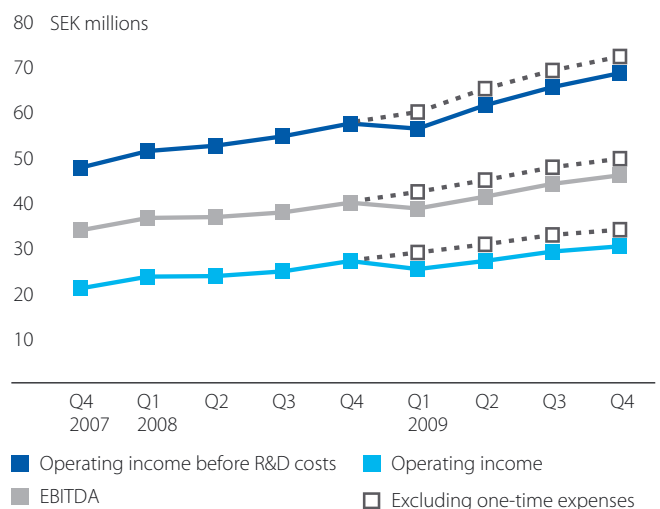
Operating income for the year was SEK 30.4 (27.1) million, which corresponds to a margin of 11.1 percent (12.0). Selling expenses as a percentage of sales amounted to 29.2 percent (28.8), administrative expenses to 14.1 percent (15.7) and R&D costs to 14.0 percent (13.6). During the period operating income was

affected by one-time expenses amounting to SEK 3.1 million in connection with the bid for MediCult a/s and moving and restoration expenses totalling SEK 0.8 (2.0) million. Operating income excluding these one-time expenses increased by 18 percent and amounted to SEK 34.3 (29.1) million, corresponding to an operating margin of 12.5 percent (12.9). Depreciation and amortization of SEK 15.8 (13.0) million have been charged against the period.

As the company not only invests in the existing business operations but also in new technology and business areas, as for example a completely new transplantation method using STEEN Solution™ and products for stem cell cultivation, it is also relevant to assess operating profit before R&D costs. For the fourth quarter the operating profit before R&D costs amounted to SEK 16.4 (13.3) million, corresponding to a margin of 22.5 percent (25.9).

Operating profit before R&D costs for the year amounted to SEK 69.0 (57.8) million, or 25.1 percent (25.7) of sales. The operating profit before R&D costs, excluding one-time expenses for MediCult a/s and moving and restoration expenses, increased by 22 percent and amounted to SEK 72.9 (59.8) million, corresponding to an operating margin of 26.5 percent (26.5).

Fig 3. Income (rolling 12 months)



Net income amounted to SEK 34.9 (30.2) million, of which SEK 11.6 (9.8) million was for the fourth quarter. Net financial income amounted to SEK 0.2 (0.1) million, of which SEK 0.5 (0.2) million was for the fourth quarter. Net financial income includes non-realized exchange rate fluctuations regarding internal receivables and liabilities of SEK 1.2 (0.4) million. Minorities for the period amounted to SEK -0.3 (-0.2) million, of which SEK 0.0 (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 3.8 (3.0) million and comprises current tax of SEK -0.6 (-0.2) million, deferred tax on the Group's internal profits from inventories of SEK 0.3 (-0.9) million, and capitalization of loss carry-forward of SEK 4.1 (4.1) million. Vitrolife had assessed loss carry-forward of approximately SEK 127 (151) million at the

end of 2009. Of this amount, loss carry-forward utilized for tax purposes during the year amounts to approximately SEK 28 (58) million. Vitrolife continually updates its assessment of its future earning capacity and capitalizes remaining losses to the extent necessary. These are offset against taxable earnings in the years to come.

Product area Fertility

- Sales for the fourth quarter amounted to SEK 57.1 (48.9) million, an increase of 17 percent. Sales growth in local currencies was 16 percent. Sales for the year amounted to SEK 223.2 (193.0) million, an increase of 21 percent. Sales growth in local currencies was 9 percent.
- In November Vitrolife acquired its previous distributor, IVF Ltd, in Great Britain.

Sales in the Europe/Middle East region developed strongly during the year and increased by 18 percent during the year (19 percent during the fourth quarter). A particularly strong fourth quarter was displayed by markets such as Russia, Poland and others. It is predicted that the East European markets will develop well in the future.

IVF Limited, the distributor of Vitrolife's fertility media in Great Britain and Ireland since 2002, was acquired in November 2009. At the same time as the acquisition the name of the company was changed to Vitrolife Ltd. The acquisition means that sales of Vitrolife's fertility media and instruments are made directly from Vitrolife Ltd. In Great Britain approximately 50,000 fertility cycles are performed per year and the market potential amounts to SEK 85–100 million.

Sales in the Rest of the World region increased by 30 percent (29 percent during the fourth quarter). We are seeing continuing very strong development in China as well as Hong Kong. In the month of April Vitrolife set up its own sales organization in China so as to mark its presence in the market, which is the third largest in the world and the most rapidly growing. Vitrolife also started a company in Japan during the month of April. The establishment of both of these companies in the Asian market is a part of Vitrolife's strategic objective of building a marketing organization that will cover the key markets defined by Vitrolife.

In the American region sales increased by 3 percent in local currency for the year. It is above all the effects of the weak beginning of the year that are reflected in the lower growth. The market in the USA fell by approximately 15 percent during the year. Due to the prevailing economic situation in the world, the market has slowed down. Despite this Vitrolife increased its sales by 7 percent during the fourth quarter in local currency.

Product area Transplantation

- For the fourth quarter sales amounted to SEK 10.0 (9.8) million, an increase of 2 percent. Sales growth in local currencies increased by 9 percent. Sales for the year amounted to SEK 39.9 (30.4) million, an increase of 31 percent. Sales in local currencies increased by 16 percent.

- More than 35 transplantations have now been performed in the world using the new STEEN Solution™ technology, which has been met by ever-increasing interest internationally, not least of all in the USA.
- The recruiting of patients for the clinical study on STEEN Solution™ has now been completed and a summary of the study is being compiled at present. It will form the foundation of the application for approval in North America.

Sales of transplantation products, primarily Perfadex®, which has a very large global market share with regard to clinical lung transplantations, increased by 16 percent in local currencies and 9 percent during the fourth quarter. The sales figure also includes sales of STEEN Solution™. When STEEN Solution™ becomes more clearly established in the clinics there will be additional good potential for further sales growth for all products within the transplantation area, above all in the important USA market. The timing of this depends amongst other things on sales approval. So far more than 35 lung transplantations in total have been performed in the world using the STEEN Solution™ method and interest is continuously growing among internationally leading researchers and clinics.

The clinical study in Canada on STEEN Solution™ has now been completed as far as the recruitment of patients goes. Increased efforts are being made to establish the revolutionary technology in opinion-leading clinics through training and demonstrations and the like. More than forty of the world's leading lung transplant surgeons have now undergone the training. Development is also ongoing of the peripheral products necessary for lung evaluation using STEEN Solution in connection with the clinical trials. The plan is that these products will be launched at the same time as STEEN Solution™ in the USA.

Product area Stem Cell Cultivation

- Sales for the period amounted to SEK 1.6 (1.7) million, of which SEK 0.3 (0.3) million was for the fourth quarter.
- Vitrolife received a research grant of SEK 3.6 million from VINNOVA.

Research resources for the development of new products for stem cells have been increased since the summer of 2007. A new 3-year collaboration agreement with Cellartis AB was signed during the third quarter and extends the previous collaboration between the companies. 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.

In November VINNOVA announced that they are going to provide support of SEK 3.6 million for Vitrolife's research project for optimized culture media in order to enable the clinical use of stem cells, and will be distributed over a three year period. The grant will allow a more vigorous commitment to research in the field.

Investments and cash flow

Cash flow from operating activities amounted to SEK 41.5 (42.8) million for the year. The change in trade receivables, mainly accounts receivable, amounted to SEK -1.6 (-7.6) million. The capital tied up in inventories decreased during the period and amounted to SEK 3.1 (increase 0.9) million. Trade payables decreased by SEK 4.7 million (increase of 13.2). The decrease is primarily due to the payment of outstanding liabilities in connection with the move to new premises. The cash flow from investing activities was SEK -33.0 (-26.6) million. Gross investments in the Group's property, plant and equipment amounted to SEK -12.9 (-36.1) million during the period and in intangible fixed assets to SEK -12.0 (-4.3) million. Investments in property, plant and equipment are primarily attributable to the new premises and equipment as a result of the move the previous year. Investments in intangible fixed assets for the period mainly consist of development of STEEN Solution™. Investments in subsidiaries of SEK -8.1 (-5.4) million in all are included, after a deduction for acquired liquid funds, and are constituted by the acquisition of IVF Ltd, the company's distributor of fertility media in Great Britain and Ireland, and a further 10 percent of A.T.S. Srl in Italy (Vitrolife now owns 70 percent in total). The cash flow from financing activities was SEK -6.4 (-21.4) million. This item consists of repayment of loans, SEK -3.1 (-15.3) million, dividend of SEK -7.8 (0.0) million, net payment of SEK 0.0 (0.3) million for share warrants, loans of SEK 4.5 (0.0) million taken in connection with the acquisition of IVF Ltd, and buying back of the company's own shares for SEK 0.0 (-6.4) million. In all, the cash flow for the year amounted to SEK 2.1 (-5.2) million. The Group's liquid funds at December 31, 2009 amounted to SEK 16.0 (14.0) million. The equity/assets ratio for the Group amounted to 87 (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, to NASDAQ OMX Stockholm and the listing of the company's shares. During the period costs of approximately SEK 3.1 million incurred in connection with the bid for MediCult a/s have been charged against income. Income before tax amounted to SEK -7.6 (0.3) million. Liquid funds amounted to SEK 0.0 (0.8) million. No investments were made during the period (-).

The Vitrolife share is listed on the NASDAQ OMX Stockholm Small Cap list under the symbol VITR. The closing price on December 30, 2009 was SEK 34.80 (22.90).

Organization and personnel

The move to new premises at the end of last year, final completion of the premises during 2009 and the reorganization that was carried out to be able to support Vitrolife's value chain better have meant great changes in the organization. The first part of the year was characterized by a running in of the organization. The implementation of the new organization is complete and Vitrolife has now taken the next step of training the organization in the LEAN production concept. The LEAN concept aims to make all parts of the organization even more efficient. Training will continue during parts of 2010.

During 2009 the average number of employees was 159 (134), of whom 94 (80) were women and 65 (54) were men. Of these 119 (104) people were employed in Sweden. The number of people employed in the Group at the end of the period was 168 (149).

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 2008, page 58.

Proposed appropriation of earnings

In accordance with the dividend policy of Vitrolife AB (publ), a dividend, or another equivalent form of distribution, shall be proposed annually which on average over time corresponds to 30 percent of net profits for the year after tax has been paid. It is therefore the intention of the Board and CEO to propose to the Annual General Meeting a dividend of SEK 0.50 per share.

Summary of 2009 and prospects for 2010

During 2009 great progress was made in the expansion of Vitrolife's marketing organization. This has brought with it closeness to the customers globally in four parts of the world. Particularly important is the setting up of businesses in China, the world's most rapidly growing market, and Japan, one of the three largest individual markets. Vitrolife's investments in Asia have been long-term and have gradually been increased as the markets' growth, especially China's, has accelerated. This has resulted in Vitrolife now being the market leader in China.

A lot of work has been put into developing and registering products for all important markets during the year, and this has resulted in important market approvals. For example, Vitrolife has carried out more clinical studies than before and was the first company to have fertilization media approved in China.

Vitrolife had double-digit sales growth during 2009, despite the fact that certain important markets, above all the USA, clearly sagged, particularly during the first half of the year. Given the development of the market the year can be considered to be strong saleswise. Despite a tough market climate, the gross margin also improved, largely due to constantly ongoing structured effectiveness work.

The work on clinically establishing Vitrolife's unique organ evaluation technology, Steen Solution, is progressing successfully. The technology has already led to more than 30 pairs of lungs which otherwise would not have been used having been transplanted, which has meant that 35 more patients have received potentially life-saving treatment. The recruitment of patients for the study in Canada has been completed, which means that it will be reported shortly. The study is a key element in the important work of building up documentation for market approval in the USA. Interest in the technology continues to increase both in the USA and in Europe. A large number of all the leading clinics have or are introducing this revolutionary new technology.

Stem-cell therapy is approaching clinical reality, which is indicated by the great number of ongoing clinical studies. Vitrolife is increasing its efforts to develop new media that meet the special requirements with regard to clinical media, something which the company has great experience of. Acknowledgement of the fact that this an ambitious project came in the shape of the research support from VINNOVA amounting to SEK 3.6 million.

The past year's strong expansion of the marketing organization together with the previous year's investments in more efficient production facilities and a competitive product portfolio mean that the company's position at the start of this coming year has never been better. Vitrolife will continue to ambitiously work on developing ground-breaking products within its product areas and further develop a worldwide marketing organization with particular focus on the fast growing markets in Asia.

Miscellaneous

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. 9 MediCult shares would give 5 Vitrolife shares and a cash alternative was to be offered to shareholders owning 1,000 shares or less. The offer corresponded 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 was held on February 19, 2009 with the aim of approving the issue of the shares which were to be used in payment. The acceptance period ran as from February 4 until February 25, 2009. On February 23, 2009 MerckKGaA disclosed its intention to make a voluntary offer of SEK 13.50 per share for each share in MediCult. This disclosure led to Vitrolife extending the acceptance period until March 27, 2009. As the degree of acceptance did not reach 90 percent of the shares in Medicult, Vitrolife withdrew its offer.

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 January 2009 Mentor Corp. was acquired by Johnson & Johnson. No royalties have been paid to Vitrolife during 2009, as sales have not yet reached the royalty-based level.

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 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 Turkish 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 is progressing according to plan and is now in the later phases. More than 30 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 successful progress of the study, 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 approximately 70 percent of the estimated revenues in EUR during 2010. 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. Neither are there any guarantees that other types of legal disputes will not come to 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.

Events after year-end

The clinical study on STEEN Solution™ has now been completed with regard to the recruitment of patients and the results from the study are now being compiled.

February 10, 2010
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

Election committee

The following people have been appointed to Vitrolife's election committee for the Annual General Meeting in 2010:

Henrik Blomquist, representing Bure Equity AB
Johan Ståhl, representing Lannebo Fonder
Martin Lewin, representing Ecconovo AB
Patrik Tigerschiöld, Chairman of the Board

The appointments have been made in accordance with the instructions regarding principles for the appointment of the company's election committee, which were adopted at the Annual General Meeting of Vitrolife on May 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 26, 2010, 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 2009 will be available at the company's head office in Gothenburg during the week commencing April 12. 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	
	2009	2008	2009	2008
Net sales	274 626	225 141	67 360	59 042
Cost of goods sold	-81 741	-68 891	-20 206	-17 860
Gross income	192 885	156 250	47 154	41 182
Selling expenses	-80 275	-64 869	-21 688	-18 768
Administrative expenses	-38 831	-35 449	-9 355	-11 542
Research and development costs	-38 574	-30 669	-9 761	-7 813
Other operating revenues and expenses	-4 797	1 862	276	2 403
Operating income	30 408	27 125	6 626	5 462
Financial income and expenses	179	89	540	223
Income after financial items	30 587	27 214	7 166	5 685
Taxes	3 782	2 986	3 925	4 137
Net income	34 369	30 200	11 091	9 822
Attributable to				
Parent Company's shareholders	34 114	29 995	11 067	10 035
Minority interest	255	205	24	-213
Earnings per share, SEK	1.75	1.52	0.56	0.51
Earnings per share, SEK*	1.76	1.52	0.56	0.51
Average number of outstanding shares	19 655 899	19 729 677	19 800 157	19 592 189
Average number of outstanding shares*	19 516 385	19 729 677	19 660 644	19 592 189
Number of shares at closing day	19 552 857	19 800 157	19 552 857	19 800 157
of which own shares	—	247 300	—	247 300
Number of shares at closing day*	19 552 857	19 800 157	19 552 857	19 800 157
of which own shares	—	247 300	—	247 300

Depreciation and amortization has reduced income for the period by SEK 15 816 thousand (12 996), of which SEK 3 967 thousand (3 223) is for the fourth quarter.

* After dilution. Vitrolife has one outstanding share warrant program, comprising 400 000 warrants. The net present values of the issue price in the program higher than both the share price at closing day and the average share price for the last 12 months.

Statement of comprehensive income

SEK thousands	January – December		October – December	
	2009	2008	2009	2008
Net income	34 369	30 200	11 091	9 822
Other comprehensive income				
Change in hedging reserve, net after tax	638	—	246	—
Change in translation reserve, net after tax	-7 404	14 686	2 170	15 882
Total other comprehensive income	-6 766	14 686	2 416	15 882
Total income	27 603	44 886	13 507	25 704
Attributable to				
Parent Company's shareholders	27 348	44 681	13 483	25 917
Minority interest	255	205	24	-213

Other key ratios

	January – December		October – December	
	2009	2008	2009	2008
Gross margin, %	70.2	69.4	70.0	69.8
Operating margin, %	11.1	12.0	9.8	9.3
Operating margin other operating revenues and expenses, %	12.8	11.2	9.4	5.2
Operating margin before R&D costs, %	25.1	25.7	24.3	22.5
Net margin, %	12.5	13.4	16.5	16.6
Equity/assets ratio, %	86.7	85.3	86.7	85.3
Shareholders' equity per share, SEK	15.94	14.94	15.94	14.94
Shareholders' equity per share, SEK*	15.94	14.94	15.94	14.94
Return on equity, %	11.3	11.1	11.3	11.1
Return on capital employed, %	11.9	10.4	11.9	10.4
EBITDA, %	16.8	17.8	15.7	14.7
EBITDA Adj, %	18.3	18.7	15.7	18.0
Net cash	5.8	7.4	5.8	7.4

* After dilution, see above.

Consolidated income statements per quarter

SEK thousands	Oct–Dec 2009	Jul–Sep 2009	Apr–Jun 2009	Jan–Mar 2009	Oct–Dec 2008	Jul–Sep 2008
Net sales	67 360	65 247	70 179	71 840	59 042	50 868
Cost of goods sold	–20 206	–18 752	–20 144	–22 639	–17 860	–15 654
Gross income	47 154	46 495	50 035	49 201	41 182	35 214
Selling expenses	–21 688	–19 149	–20 169	–19 269	–18 768	–14 958
Administrative expenses	–9 355	–9 211	–10 010	–10 254	–11 542	–7 819
Research and development costs	–9 761	–9 430	–11 024	–8 359	–7 813	–7 476
Other operating revenues and expenses	276	–1 510	–1 039	–2 525	2 403	141
Operating income	6 626	7 195	7 793	8 794	5 462	5 102
Financial income and expenses	540	9	–223	–146	223	1 128
Income after financial items	7 166	7 204	7 570	8 648	5 685	6 230
Taxes	3 925	101	–160	–84	4 137	–240
Net income	11 091	7 305	7 410	8 564	9 822	5 990
Attributable to						
Parent Company's shareholders	11 067	7 260	7 237	8 551	10 035	5 916
Minority interest	24	45	173	13	–213	74

Consolidated balance sheets

SEK thousands	Dec 31, 2009	Dec 31, 2008
ASSETS		
Goodwill	97 301	88 250
Other intangible fixed assets	34 506	26 762
Tangible fixed assets	93 038	94 802
Financial fixed assets	30 652	27 686
Inventories	41 847	46 220
Accounts receivable	37 993	37 054
Other current receivables	7 125	7 879
Derivative instruments	866	—
Liquid funds	15 987	14 009
Total assets	359 315	342 662
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity, attributable to the Parent Company's shareholders	311 588	292 061
Minority interest	481	327
Long-term interest-bearing liabilities	7 193	3 321
Short-term interest-bearing liabilities	2 981	3 217
Accounts payable	14 697	23 531
Other short-term interest-free liabilities	22 375	20 205
Total shareholders' equity and liabilities	359 315	342 662
Pledged assets for own liabilities	20 000	20 000
Contingent liabilities	none	none

Consolidated changes in shareholders' equity

SEK thousands	Attributable to the Parent Company's shareholders				Minority interest	Total shareholders' equity
	Share capital	Other capital contributed	Reserves	Retained earnings		
Opening balance January 1, 2008	19 800	208 566	-26 161	51 179		253 384
Total comprehensive income			14 686	29 995	205	44 886
Personnel warrants				420		420
Buying back of own shares				-6 424		-6 424
Other transactions with minority shareholders					122	122
Closing balance December 31, 2008	19 800	208 566	-11 475	75 170	327	292 388
Opening balance January 1, 2009	19 800	208 566	-11 475	75 170	327	292 388
Total comprehensive income			-6 766	34 114	255	27 603
Dividend				-7 821		-7 821
Increased in share capital via bonus issue	144		-144			—
Other transactions with minority shareholders					-101	-101
Closing balance December 31, 2009	19 944	208 566	-18 385	101 463	481	312 069

Consolidated cash flow statements

SEK thousands	January – December		October – December	
	2009	2008	2009	2008
Income after financial items	30 587	27 214	7 166	5 685
Adjustment for items not affecting cash flow	14 083	10 865	3 766	1 925
Change in inventories	3 098	-859	1 154	71
Change in trade receivables	-1 575	-7 630	3 474	253
Change in trade payables	-4 715	13 203	1 510	7 769
Cash flow from operating activities	41 478	42 793	17 070	15 703
Cash flow from investing activities	-32 965	-26 626	-11 902	-3 852
Cash flow from financing activities	-6 384	-21 389	919	-11 029
Cash flow for the period	2 129	-5 222	6 087	822
Liquid funds at beginning of period	14 009	18 505	8 498	12 552
Exchange rate difference in liquid funds	-151	726	1 402	635
Liquid funds at end of period	15 987	14 009	15 987	14 009

Income statements for the Parent Company

SEK thousands	January – December		October – December	
	2009	2008	2009	2008
Administrative expenses	-3 631	-3 105	-637	-750
Research and development costs	-16	-17	-3	-4
Other operating revenues and expenses	-3 013	-100	60	-21
Operating income	-6 660	-3 222	-580	-775
Financial income and expenses	-968	3 550	617	2 256
Income after financial items	-7 628	328	37	1 481
Taxes	985	1 422	985	-78
Net income	-6 643	1 750	1 022	1 403

Depreciation and amortization has reduced income for the period by SEK 69 thousand (70), of which SEK 18 thousand (18) is for the fourth quarter.

Balance sheets for the Parent Company

SEK thousands	Dec 31, 2009	Dec 31, 2008
ASSETS		
Patents	22	38
Tangible fixed assets	42	95
Participation in affiliated companies	334 214	323 610
Deferred tax assets	12 897	13 970
Receivables from affiliated companies	36 407	49 571
Other current receivables	770	686
Liquid funds	46	804
Total assets	384 398	388 774
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	371 954	380 651
Long-term interest-bearing liabilities	7 193	3 321
Short-term interest-bearing liabilities	2 981	3 217
Accounts payable	318	68
Other short-term interest-free liabilities	1 952	1 517
Total shareholders' equity and liabilities	384 398	388 774
Pledged assets for own liabilities	3 100	3 100
Contingent liabilities	20 000	20 000

Note 1. Accounting Principles

This interim report has been drawn up for the Group in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting, and for the Parent Company in accordance with the Annual Accounts Act and recommendation RFR 2.2 of the Swedish Financial Reporting Board, Accounting for Legal Entities. Unless otherwise stated below, the accounting principles applied to the Group and the Parent Company are consistent with the accounting principles used in the presentation of the most recent Annual Report.

New Accounting Principles

IAS 1 Presentation of Financial Statements

The reworked IAS 1, Presentation of Financial Statements, is applied as of January 1, 2009. The change means, amongst other things, that revenues and expenses that have been recorded directly in shareholders' equity are now also recorded in a separate statement directly after the income statement.

IFRS 8 Operating segments

As of January 1, 2009, the company has implemented IFRS 8, Operating Segments. IFRS 8 supersedes IAS 14, Segment Reporting, and adapts segment reporting to the requirements of the US standard, SFAS 131, Disclosures about segments of an enterprise and related information. The new standard requires that segment information be presented from a management perspective, which means that it is presented such as it is used in internal reporting and followed up by the most senior executive decision-maker in the Group, Vitrolife's CEO. Vitrolife presents segment information on the basis of the product areas as of January 1, 2009. The comparative year 2008 has thereby been restated in accordance with IFRS 8.

Additional Accounting Principles

The Group classifies its forward contracts used for hedging of forecast flows as cash flow hedges as of January 1, 2009. The effective portion of changes in fair value for a derivative instrument designated as a cash flow hedge and which meets the requirements for hedge reporting is reported in shareholders' equity. The gain or loss attributable to the ineffective portion is reported where appropriate directly in the income statement

Not 2. Financial data per segment, Group

SEK thousands	January – September 2009	September 2008
Fertility and Stem Cell Cultivation		
Net sales	234 725	194 710
Operating income	17 739	16 721
Total Assets	332 867	328 966
Transplantation		
Net sales	39 901	30 431
Operating income	12 669	10 404
Total Assets	26 448	13 696

Note 3. Acquisition of business

IVF Ltd

In November 2009 Vitrolife acquired 100 percent of the shares in IVF Ltd, the distributor for Vitrolife's fertility media in Great Britain and Ireland since 2002. The vendor was Research Instruments Ltd. The acquisition is in line with Vitrolife's strategy of acting under its own management in key markets and increases IVF's opportunities of being more aggressive and increasing its market share in the English and Irish market. In connection with the acquisition the name of the company was changed to Vitrolife Ltd. The total purchase sum amounts to GBP 743,562, of which acquisition costs amount to GBP 40,619. The company has sales of approximately SEK 10 million per year. The acquisition affects the consolidated sales figure for 2009 positively, by SEK 0.3 million.

The surplus value attributable to the acquisition amounted to approximately SEK 8.0 million at December 31, 2009 and is in its entirety attributable to goodwill, which mainly consists of synergy effects in the form of a larger sales force.

Financial reports

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

During 2010 it is planned that the following reports will be submitted:

Interim report January – March: Tuesday April 27, 8.30 am

Interim report January – June: Thursday July 15, 8.30 am

Interim report January – September: Tuesday November 2, 8.30am

Queries should be addressed to:

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

Eva Nilsagård, CFO, phone +46 31 721 80 13.

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

Vitrolife is required to publish the information in this press release in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The information was submitted for publication on Wednesday February 10, 2010 at 8.30 am.

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

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 160 employees and its products are sold in more than 85 markets. The company is headquartered in Gothenburg, Sweden, and there are subsidiaries in USA, Australia, France, Italy, United Kingdom and Japan. Production facilities are located in Sweden and the USA. The Vitrolife share is listed on NASDAQ OMX Stockholm, Small Cap.

Vitrolife

Innovative Cell and Tissue Technology

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