



# INTERIM REPORT JANUARY-MARCH 2012

Vitrolife AB (publ)

Vitrolife is a global biotechnology/medical device Group that works in the areas of Fertility and Transplantation. 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. Work is also carried out to enable the use and handling of stem cells for therapeutic purposes. The Transplantation product area works with solutions and systems for assessing and preserving organs outside the body, so as to be able to select usable organs and keep them in optimal condition pending transplantation.

Vitrolife today has approximately 220 employees and the company's products are sold in almost 90 markets. The company is headquartered in Gothenburg, Sweden, and there are also offices in USA, Australia, France, Italy, United Kingdom, China and Japan. The Vitrolife share is listed on NASDAQ OMX Stockholm, Small Cap.

**Vitrolife** 

# Strong sales growth in Asia and strengthened operating income

## First quarter in brief

- Sales growth was 11 percent in local currency. Sales were the highest ever for a single quarter and amounted to SEK 100 (88) million, corresponding to an increase of 13 percent in SEK. Fertility sales in Asia increased by 50 percent in local currency.
- Operating income (EBIT) amounted to SEK 15 (10) million, corresponding to an increase of 49 percent. The operating margin was 15 (12) percent.
- Income before tax amounted to SEK 14 (12) million. Net income amounted to SEK 9 (9) million, which gave earnings per share of SEK 0.47 (0.45).
- The cash flow from operating activities was SEK 14 (4) million.
- The Board decided to begin preparations for a spin-off of the transplantation business. It is planned that the spin-off will take place during the second half of 2012 through distribution of the shares in the subsidiary Xvivo Perfusion AB in accordance with "Lex Asea".
- At March 31 the required number of patients, 12, had received transplants in the STEEN Solution™ study in the USA, which aims to form the basis of the application for sales approval in the USA.

## CEO's comments

Vitrolife began 2012 strongly. The company reported record sales and operating income for a single quarter. In terms of sales the tendencies from the end of 2011 within the Fertility product area were strengthened, where certain mature markets in Europe display low or decreased growth due to the difficult economic situation. In America we see underlying growth and in Asia the strong growth continues. It amounted to 50 percent during the quarter in local sales currencies.



Within Fertility there is great focus on our external processes within marketing and sales. We continue to work on further refining and communicating our concept of best partner to our customers. Marketing concentrates on improved treatment results for our customers and is confirmed through a strong increase in sales for several of our products, such as EmbryoGlue®. Within all areas the focus is on ensuring that our internal processes are run in a rational and cost-effective way.

For the Transplantation product area Vitrolife's Board decided during the quarter to begin preparations for a spin-off of the business. It is estimated that a resolution concerning distribution of the shares in the subsidiary Xvivo Perfusion AB will be able to be adopted at an Extraordinary General Meeting of the shareholders during the second half of 2012. Separating Xvivo from Vitrolife and a stock exchange listing will of course result in somewhat higher costs, but it is assessed that it will give greater value to the shareholders in the long run.

With further regard to Transplantation, the STEEN Solution™ method has taken yet another step towards sales approval in the USA. At the end of the quarter, the required number of patients, 12, had received transplants in the American study that will form the basis of the application for sales approval. It is planned that during the second quarter the study will be compiled and submitted to the U.S. Food and Drug Administration, FDA. If the FDA gives its approval, it is estimated that sales will be able to begin during the second half of 2012 .

Thomas Axelsson  
CEO

## The Group's Key Figures

SEK millions	Jan – Mar 2012	2011	Whole year 2011
Net sales	100	88	356
Gross profit	68	59	238
Gross margin, %	68	67	67
Operating income before depreciation and amortization (EBITDA)	19	14	58
Operating income (EBIT)	15	10	41
Operating margin, %	15	12	11
Income after financial items	14	12	45
Net income	9	9	31
Equity/assets ratio, %	74	74	74
Income per share, SEK	0.47	0.45	1.55
Shareholders' equity per share, SEK	17.84	16.61	17.53
Share price on closing day, SEK	49.10	39.80	44.80
Market cap at closing day	961	778	876

\* For definitions, see page 13

### Vitrolife's financial objectives

Vitrolife's Board considers that Vitrolife should have a strong capital base in order to enable continued high growth, both organically and through acquisitions. The company's equity/assets ratio should not normally fall below 40 percent. The objective for Vitrolife's growth over a three-year period is an increase in sales of on average 20 percent per year and that the company reports positive net income.

## First quarter 2012 (January - March)

### Net sales

Vitrolife's net sales during the first quarter increased by 11 percent in local currency and amounted to SEK 100 (88) million. Sales growth was 13 percent in SEK.

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

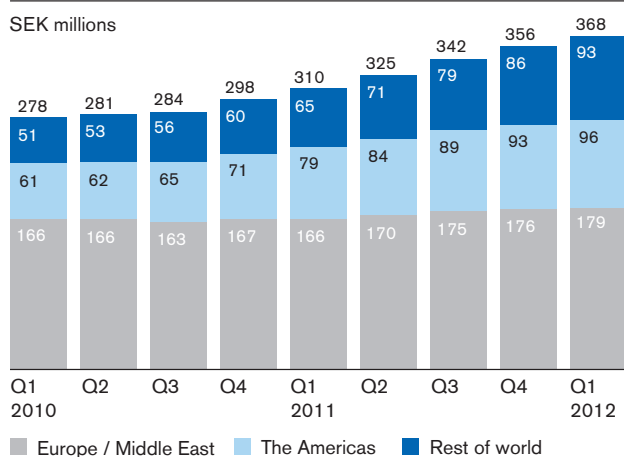


Fig 2. Net sales per product area (rolling 12 months)

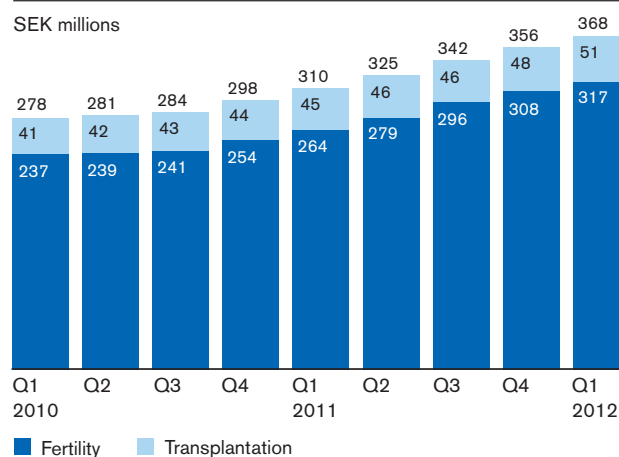
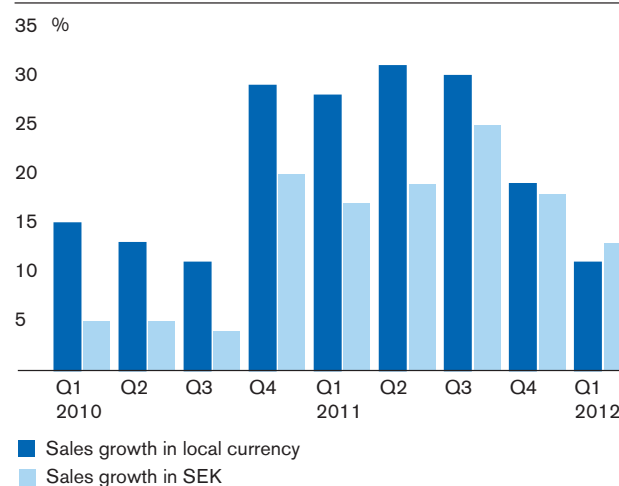


Fig 3. Sales development (per quarter)



## Income

Operating income (EBIT) increased by 49 percent and amounted to SEK 15 (10) million. The operating margin was 15 (12) percent.

The gross margin increased to 68 (67) percent, which has primarily been caused by a changed product mix in America as the result of the phasing out of certain low-margin products that accompanied the acquisition of Conception Technologies. Gross income increased by 15 percent to SEK 68 (59) million.

Selling expenses amounted to 25 (27) percent of sales. The decrease is primarily due to the activity control during the quarter. Administrative expenses amounted to 14 (12) percent of sales. The increase is largely due to increased management resources in Xvivo Perfusion AB and one-time expenses in connection with the merger of two of Vitrolife's Swedish subsidiaries. R&D costs amounted to 13 (14) percent of sales.

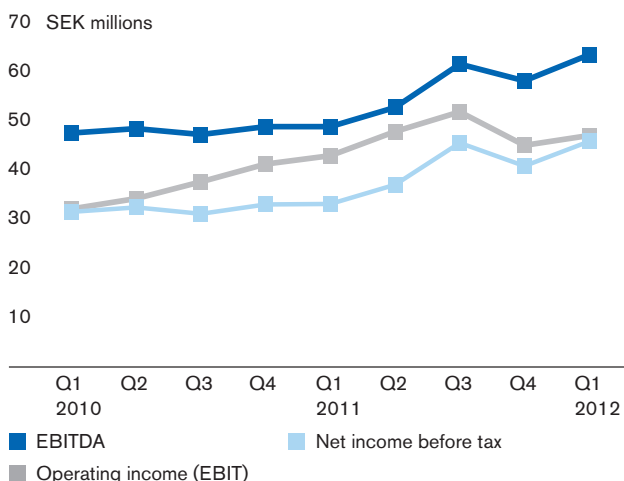
Other operating expenses amounted to SEK 0 (-2) million. Income of SEK 0 (0) million from the participating interest in the Danish company HertART Aps is included in this item.

Depreciation and amortization of SEK 4 (4) million were charged against net income.

Net financial items amounted to SEK -1 (2) million. Net financial items include non-realized exchange rate effects of SEK -2 (0) million on accounts receivable and payable. Income before tax amounted to SEK 14 (12) million, which corresponds to an increase of 17 percent.

Net income amounted to SEK 9 (9) million. The minority shareholders' share of income in the Italian subsidiary A.T.S Srl amounted to SEK 0 (0) million.

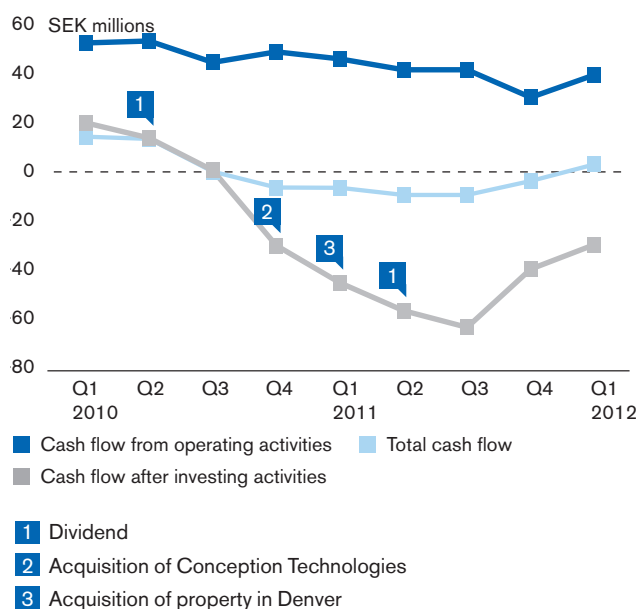
Fig 4. Income (rolling 12 months)



## Cash flow

The cash flow from operating activities amounted to SEK 14 (4) million. Changes in working capital amounted to SEK 0 (-12) million and consisted primarily of increased inventories due to the purchase of XPS machines that will be used together with the STEEN Solution™ method and an increase in accounts receivable and accounts payable as a result of increased sales and increased growth for the company as a whole. Gross investments in intangible fixed assets amounted to SEK 3 (5) million and consisted primarily of investments in STEEN Solution™. Investments in tangible assets amounted to SEK 2 (10) million. Last year's figure included the acquisition of a property in Denver for SEK 5 million. The cash flow from financing activities was SEK -2 (10) million and consisted mainly of the repayment of borrowings. Cash and cash equivalents at the end of the period amounted to SEK 27 (18) million.

Fig 5. Cash flow (rolling 12 months)



## Financing

Vitrolife's total credit facilities amounted to SEK 93 (75) million. The increase is due to a new credit agreement with SEB. Of the credit facility SEK 63 (62) million was utilized. This was mainly for the financing of business activities in the subsidiary Vitrolife Sweden AB, loans in the subsidiary Vitrolife Inc. for the financing of the acquisition of the business in Conception Technologies during the fourth quarter of 2010 and loans for financing of the property in Denver acquired during 2011. Of the company's total utilized credit facilities, SEK 52 (52) million consisted of the company's long-term financing and SEK 11 (10) million consisted of short-term financing.

The equity/assets ratio was 74 (74) percent. Net debt in relation to income for a rolling 12 months before

depreciation and amortization (EBITDA) amounted to 0.6 (0.9) times. Shareholders' equity per share amounted to SEK 17.84 (16.61).

## 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, to NASDAQ OMX Stockholm and the listing of the company's shares. Income before tax amounted to SEK -3 (-2) million. Cash and cash equivalents amounted to SEK 1 (0) million.

The Vitrolife share is listed on the NASDAQ OMX Stockholm Small Cap list under the symbol VITR. The closing price on March 30, 2012, was SEK 49.10 (39.80).

## Product areas

### Fertility



Nutrient solutions (media), cryopreservation products and advanced consumable instruments such as needles and pipettes, for the treatment of human infertility. Media and instruments to enable the use and handling of stem cells for therapeutic purposes.

- **Sales increased by 10 percent in local currency during the first quarter and amounted to SEK 86 (77) million. Sales growth in SEK was 12 percent.**
- **Continued strong development of sales in Asia, driven by growth primarily in China and Japan. The region increased during the first quarter by 50 percent in local currency and 52 percent in SEK.**

The increase in sales in the American market amounted to 4 percent in local currency. The increase corresponds to 8 percent in SEK. Sales were affected negatively by the phasing out of a number of low-margin products that accompanied the acquisition of Conception Technologies. The underlying development of sales adjusted for this continues to be good, however.

In Asia sales increased by 50 percent in local currency, corresponding to an increase of 52 percent in SEK. The increase in sales was driven primarily by continuing very strong development in China and Japan.

Sales in Europe/the Middle East/the Pacific increased in local currency by 2 percent, the same figure in SEK. In the region Germany and France continued to display strong

development as a result of focused efforts in these markets. Russia and the Czech Republic also developed well. However, several countries in Europe reported decreased sales due to cost savings in healthcare as a result of the difficult economic situation. The savings could be seen both in the form of increased price competition and a decreased number of treatments.

During the fourth quarter of 2011 Vitrolife entered into a collaboration agreement with ParentPlus LLC, with the aim of trying to develop new products for IUI (Intra-Uterine Insemination, artificial insemination). A prestudy has been performed and has resulted in Vitrolife deciding to discontinue the collaboration, as the company assesses that the chances of the project succeeding are not good enough to justify continued investments. The expenses incurred during the quarter, including inventory write-down, amounted to approximately SEK 1 million.

Vitrolife's product development is a considerable part of the company's future growth opportunities. During the quarter Vitrolife has started internal prioritization work that aims to get products under development to reach the market faster. The work also includes ensuring that the internal processes are run in a way that is as rational and cost-effective as possible. One example of a product that is affected by the changes in the ways of working is the new range of one-time plastic products "Vitrolife Labware", which is planned will be introduced on the market via a prelaunch during 2012. During the first quarter clinical market tests were carried out together with selected customers, with the focus on user friendliness and design for part of the Labware range.

Sales of stem cell products during the quarter amounted to SEK 0.2 (0.2) million. The product portfolio today consists of a freezing medium for human embryonic stem cells, a stem-cell knife and growth factors. Through research and collaboration agreements with leading institutions or companies, the strategy is to secure development competence for the development of products within commercially and strategically important therapy areas. During the quarter Vitrolife started discussions with external collaboration partners concerning new development projects within the stem cell area.

# Transplantation



Solutions and systems for assessing and preserving organs outside the body, so as to be able to select usable organs and keep them in optimal condition pending transplantation.

- **Sales for the first quarter increased by 19 percent in local currency and amounted to SEK 14 (11) million. Sales growth in SEK was 22 percent.**
- **At March 31 the required number of patients, 12, had received transplants in the STEEN Solution™ study in the USA, which aims to form the basis of the application for sales approval in the USA.**
- **The Board decided to begin preparations for a spin-off of the transplantation business. It is planned that the spin-off will take place during the second half of 2012 through distribution of the shares in the subsidiary Xvivo Perfusion AB in accordance with “Lex Asea”.**

The area's sales today are mainly of Perfadex®, but the number of clinics buying STEEN Solution™ is clearly increasing over time. When STEEN Solution™ becomes more established in the clinics, the potential for further sales growth will increase for all products within the transplantation area. The sales potential for this new series of products in the short to medium term is greatest in the North American market once sales approval has been given by the authorities. The time when this occurs is amongst other things dependent on the results from the small clinical study that the American FDA wants to see done in the USA as well as this authority's treatment of the application for market approval. At closing day the required number of patients, 12, had received transplants using organs treated with STEEN Solution™. During the second quarter it is planned that the study will be compiled and submitted to the FDA. If the FDA gives its approval, it is estimated that sales will be able to begin during the second half of 2012. A total of approximately 150 lung transplants have been performed in Europe and North America using the STEEN Solution™ method. Interest in and acceptance of the method continue to increase among internationally leading researchers and clinics. Research is also ongoing to use the technology in other organs and applications, such as the liver.

Vitrolife announced in November 2011 that the transplantation business will become a more independent unit within the Vitrolife Group. After further consideration the Board decided during the first quarter to begin preparations for a

complete spin-off of the business. In the assessment of the Board a resolution concerning distribution can be adopted at an Extraordinary General Meeting of the shareholders during the second half of 2012. The spin-off is intended to occur through distribution of the shares in the subsidiary Xvivo Perfusion AB in accordance with “Lex Asea”. This means that the distribution will not result in any tax effect for present shareholders of Vitrolife as long as they remain as owners of Xvivo.

## Prospects for 2012

As the standard of living rises in several developing countries, more and more people choose to wait before they have children. This trend, which has existed in the West for decades, leads to reduced fertility, which in turn drives the fertility treatment market. The same trend is developing in the new emerging countries China and India, where the demand for this treatment is increasing very rapidly. Still only a few percent of all the couples in the world who are infertile are treated using IVF. Vitrolife therefore anticipates a constantly expanding market which in monetary terms is expected to grow by 5–10 percent per year in the foreseeable future. In several of the more mature markets in Europe, however, increased price competition and low or decreased growth can be seen at present as a result of the difficult economic situation. This will probably characterize the development of these markets during the rest of the year.

The focus for the year within Vitrolife's product area Fertility will be on the external processes within marketing and sales, primarily in the growth markets. The company continues to work on further refining and communicating the concept of best partner and total supplier to the customers. Work is also being done to secure that the internal processes are run in a rational and cost-effective way.

Within Transplantation the work continues on getting the STEEN Solution™ method approved in the USA, which is an important precondition for the business area to be able to enjoy sales growth. Increased resources to the tune of approximately SEK 10 million in the form of marketing, development and leadership will be added to the transplantation area with a view to establishing the use of the method. This, together with the fact that when sales approval is obtained in the USA the company will begin to write off the capitalized expenditure for STEEN Solution™, will affect income for the business area in 2012 if approval is given during the year. The capitalized value of STEEN Solution™ amounted to SEK 59 million at closing day and straight line depreciation is estimated to occur over a period of 10 years.

# The company in brief

## Business concept

Vitrolife's business concept is to develop, produce and market advanced, effective and safe products and systems for the cultivation, handling and storage of human cells, with the intention of using these in clinical technology.

## Strategies

### *Fertility*

- Have a fully comprehensive product range of effective and quality-assured fertility products.
- Have world-leading production with the highest quality control and efficiency.
- Have a global sales and support organization that covers 80 percent of all fertility treatments performed in the world.

### *Transplantation*

- Get lung evaluation outside the body (the STEEN Solution™ method) accepted as a standard procedure.
- Show through published preclinical and clinical studies the benefits to patients of the warm perfusion of organs and the STEEN Solution™ method, in the form of more available organs, better treatment results, socioeconomic gains and lower morbidity and mortality.
- Increase consciousness of the method in important groups; work with opinion leaders in the area.
- Obtain regulatory approval for STEEN Solution™ in all important markets.
- Apply for patents for products in strategically important markets.

## Other information

### Organization and personnel

During the first quarter the average number of employees was 203 (208), of whom 114 (119) were women and 89 (89) were men. Of these 125 (126) people were employed in Sweden, 60 (65) in the USA and 18 (17) in the rest of the world. The number of people employed in the Group at the end of the period was 213 (219).

### Information on transactions with related parties

No transactions that have substantially affected the company's results and financial position have been carried out with related parties during the period. For information on related parties, see the Annual Report for 2011, note 27.

### 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. Accordingly the Board and CEO have proposed to the Annual General Meeting on April 19, 2012 that it resolve to adopt a dividend of SEK 0.60 (0.60) per share.

## Risk management

Vitrolife is constantly working to identify, evaluate and manage risks in different systems and processes. During 2010 Enterprise Risk Management (ERM) was introduced, a system which aims to ensure that identified risks are handled in a systematic way. Risk analyses are performed continually with regard to the company's normal business activities and also in connection with activities that are outside Vitrolife's regular quality system. In this way the company can have a high rate of development and at the same time be aware of both the opportunities and risks.

The most important strategic and operative risks regarding Vitrolife's business and field are described in detail in the Report of the Board of Directors in the Annual Report for 2011. These are primarily constituted by the company's market investments, product development investments, currency risks and legal risks.

The company's management of risks is also described in the Corporate Governance Report in the same Annual Report under the heading "Internal Control Report". The same applies to the Group's management of financial risks, which are described in the Annual Report for 2011, note 24. The risks reported as they are described in the Annual Report for 2011 are assessed to be essentially unchanged for 2012.

## Seasonal effects

Vitrolife's sales are affected relatively marginally by seasonal effects. The first half of the year is generally somewhat stronger than the second half and sales in the first quarter are generally the strongest of all, as these are not usually affected by holiday periods. There is usually a downturn in orders before holiday periods, primarily of fertility media. As these have a relatively short shelf life the fertility clinics minimize their stocks before they close for the holiday, so as not to risk having to scrap products.

## Events after the end of the period

No events have occurred after closing day that significantly affect the assessment of the financial information in this report.

April 19, 2012  
Gothenburg, Sweden

Thomas Axelsson  
CEO

## **Financial reports**

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

### **Reports coming in 2012:**

Interim report January – June: Friday July 13

Interim report January – September: Thursday November 1

## **Queries should be addressed to**

Thomas Axelsson, CEO, phone +46 31 721 80 01

Mikael Engblom, CFO, phone +46 31 721 80 14

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

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**Vitrolife is required to publish the information in this report in accordance with the Swedish Securities Market Act and/or the Financial Instruments Trading Act. The report was submitted for publication on Thursday April 19, 2012 at 3 pm.**

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



## Consolidated income statements

SEK thousands	January - March		Whole year 2011
	2012	2011	
Net sales	99 724	88 034	356 115
Cost of goods sold	-31 828	-29 231	-117 842
<b>Gross income</b>	<b>67 896</b>	<b>58 803</b>	<b>238 273</b>
Selling expenses	-25 344	-23 420	-98 360
Administrative expenses	-14 113	-10 952	-50 576
Research and development costs	-12 962	-11 987	-47 176
Other operating revenues and expenses	-368	-2 309	-1 244
<b>Operating income</b>	<b>15 110</b>	<b>10 135</b>	<b>40 917</b>
Financial income and expenses	-1 072	1 858	4 185
<b>Income after financial items</b>	<b>14 038</b>	<b>11 993</b>	<b>45 102</b>
Taxes	-4 643	-3 081	-14 458
<b>Net income</b>	<b>9 395</b>	<b>8 912</b>	<b>30 644</b>
<b>Attributable to</b>			
Parent Company's shareholders	9 281	8 781	30 360
Minority interest	114	131	284
Earnings per share, SEK	0.47	0.45	1.55
Earnings per share, SEK*	0.47	0.45	1.55
Average number of outstanding shares	19 562 769	19 553 262	19 559 909
Average number of outstanding shares*	19 562 769	19 597 704	19 559 909
Number of shares at closing day of which own shares	19 562 769	19 559 857	19 562 769
Number of shares at closing day*	19 562 769	19 604 657	19 562 769

Depreciations has reduced income for the period by SEK 4 236 (3 923) thousand.

\* No dilution. Vitrolife's latest share warrant program was terminated on May 31, 2011. See Note 3.

## Statement of comprehensive income

SEK thousands	January - March		Whole year 2011
	2012	2011	
<b>Net income</b>	<b>9 395</b>	<b>8 912</b>	<b>30 644</b>
<b>Other comprehensive income</b>			
Change in hedging reserve, net after tax	-208	-746	-1 768
Change in translation reserve, net after tax	-3 021	-7 725	1 567
<b>Total other comprehensive income</b>	<b>-3 229</b>	<b>-8 471</b>	<b>-201</b>
<b>Total income</b>	<b>6 166</b>	<b>441</b>	<b>30 443</b>
<b>Attributable to</b>			
Parent Company's shareholders	6 052	310	30 159
Minority interest	114	131	284

## Other key ratios

	January - March		Whole year 2011
	2012	2011	
Gross margin, %	68.1	66.8	66.9
Operating margin before depreciations, %	19.4	16.0	16.3
Operating margin, %	15.2	11.5	11.5
Net margin, %	9.4	10,1	8.5
Equity/assets ratio, %	73.9	74.4	73.5
Shareholders' equity per share, SEK	17.84	16.61	17.53
Shareholders' equity per share, SEK*	17.84	16.57	17.53
Return on equity, %	10.1	8.6	9.1
Cash flow from operating activities per share, SEK	0.69	0.23	2.02
Net cash (+) / Net debt (-)	-36.7	-44.0	-46.1

\* After dilution, see above.

## Consolidated income statements per quarter

SEK thousands	Jan-Mar 2012	Oct-Dec 2011	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010	Apr-Jun 2010
Net sales	99 724	95 374	85 053	87 654	88 034	81 032	67 847	73 408
Cost of goods sold	-31 828	-31 042	-27 345	-30 224	-29 231	-26 310	-20 192	-21 429
<b>Gross income</b>	<b>67 896</b>	<b>64 332</b>	<b>57 708</b>	<b>57 430</b>	<b>58 803</b>	<b>54 722</b>	<b>47 655</b>	<b>51 979</b>
Selling expenses	-25 344	-27 849	-23 756	-23 335	-23 420	-26 162	-20 175	-21 475
Administrative expenses	-14 113	-17 917	-10 624	-11 083	-10 952	-10 485	-9 109	-9 639
Research and development costs	-12 962	-14 334	-9 143	-11 712	-11 987	-9 399	-11 441	-11 499
Other operating revenues and expenses	-368	-407	178	1 293	-2 309	-168	-1 059	-688
<b>Operating income</b>	<b>15 110</b>	<b>3 825</b>	<b>14 363</b>	<b>12 593</b>	<b>10 135</b>	<b>8 508</b>	<b>5 871</b>	<b>8 678</b>
Financial income and expenses	-1 072	187	152	1 988	1 858	2 267	4 693	1 001
<b>Income after financial items</b>	<b>14 038</b>	<b>4 012</b>	<b>14 515</b>	<b>14 581</b>	<b>11 993</b>	<b>10 775</b>	<b>10 564</b>	<b>9 679</b>
Taxes	-4 643	-1 940	-4 870	-4 568	-3 081	-11 621	243	-233
<b>Net income</b>	<b>9 395</b>	<b>2 072</b>	<b>9 645</b>	<b>10 013</b>	<b>8 912</b>	<b>-846</b>	<b>10 807</b>	<b>9 446</b>
<b>Attributable to</b>								
Parent Company's shareholders	9 281	2 068	9 607	9 902	8 781	-809	10 776	9 342
Minority interest	114	4	38	111	131	-37	31	104

## Key ratios per quarter

	Jan-Mar 2012	Oct-Dec 2011	Jul-Sep 2011	Apr-Jun 2011	Jan-Mar 2011	Oct-Dec 2010	Jul-Sep 2010	Apr-Jun 2010
Shareholders' equity per share, SEK	17.84	17.53	17.35	16.46	16.60	16.66	16.76	16.66
Shareholders' equity per share, SEK*	17.84	17.53	17.35	16.46	16.57	16.65	16.76	16.65
Return on equity, %	10.1	9.1	8.6	8.9	8.6	8.8	9.2	8.8
Cash flow from operating activities per share, SEK	0.69	0.52	0.70	0.56	0.23	1.09	0.34	0.67

\* After dilution, see page 9.

## Consolidated balance sheets

SEK thousands	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
<b>ASSETS</b>			
Goodwill	119 584	118 221	120 771
Other intangible fixed assets	85 746	68 358	83 666
Tangible fixed assets	92 520	95 209	95 443
Financial fixed assets	11 335	17 416	13 464
Inventories	68 494	52 435	65 710
Accounts receivable	56 704	52 113	53 372
Other current receivables	11 966	12 471	12 430
Derivative instruments	768	2 437	1 051
Liquid funds	26 764	17 811	20 873
<b>Total assets</b>	<b>473 881</b>	<b>436 471</b>	<b>466 780</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity, attributable to the Parent Company's shareholders	349 022	324 755	342 970
Minority interest	1 036	784	933
Long-term interest bearing liabilities	52 763	51 614	55 868
Long-term non-interest bearing liabilities	0	2 205	0
Short-term interest bearing liabilities	10 653	10 274	11 101
Accounts payable	23 743	19 286	19 865
Other short-term interest-free liabilities	36 664	27 553	36 042
<b>Total shareholders' equity and liabilities</b>	<b>473 881</b>	<b>436 471</b>	<b>466 780</b>
Pledged assets for own liabilities	20 000	20 000	20 000
Contingent liabilities	593	600	600

## 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		
<b>Opening balance January 1, 2011</b>	<b>19 944</b>	<b>208 566</b>	<b>-23 450</b>	<b>120 616</b>	<b>657</b>	<b>326 333</b>
Total comprehensive income	–	–	-201	30 360	284	30 443
Increase in share capital	10	339	–	–	–	349
Warrants	–	–	–	-1 478	–	-1 478
Dividend	–	–	–	-11 736	–	-11 736
Other transactions with minority shareholders	–	–	–	–	-8	-8
<b>Closing balance December 31, 2011</b>	<b>19 954</b>	<b>208 905</b>	<b>-23 651</b>	<b>137 762</b>	<b>933</b>	<b>343 903</b>
<b>Opening balance January 1, 2012</b>	<b>19 954</b>	<b>208 905</b>	<b>-23 651</b>	<b>137 762</b>	<b>933</b>	<b>343 903</b>
Total comprehensive income	–	–	-3 229	9 281	114	6 166
Other transactions with minority shareholders	–	–	–	–	-11	-11
<b>Closing balance March 31, 2012</b>	<b>19 954</b>	<b>208 905</b>	<b>-26 880</b>	<b>147 043</b>	<b>1 036</b>	<b>350 058</b>

## Consolidated cash flow statements

SEK thousands	January - March		Whole year 2011
	2012	2011	
Income after financial items	14 038	11 993	45 102
Adjustment for items not affecting cash flow	5 724	4 638	15 710
Tax paid	-6 570	-362	-1 865
Change in inventories	-4 524	2 272	-7 858
Change in trade receivables	-3 788	-11 222	-10 094
Change in trade payables	8 669	-2 822	-1 535
<b>Cash flow from operating activities</b>	<b>13 549</b>	<b>4 497</b>	<b>39 460</b>
Cash flow from investing activities	-5 011	-14 851	-37 811
Cash flow from financing activities	-2 025	10 184	381
<b>Cash flow for the period</b>	<b>6 514</b>	<b>-170</b>	<b>2 030</b>
Liquid funds at beginning of period	20 873	18 617	18 617
Exchange rate difference in liquid funds	-623	-636	226
<b>Liquid funds at end of period</b>	<b>26 764</b>	<b>17 811</b>	<b>20 873</b>

## Income statements for the Parent Company

SEK thousands	January - March		Whole year 2011
	2012	2011	
Administrative expenses	-1 659	-965	-5 264
Research and development costs	-50	-4	-19
Other operating revenues and expenses	0	-159	287
<b>Operating income</b>	<b>-1 709</b>	<b>-1 128</b>	<b>-4 996</b>
Financial income and expenses	-870	-1 285	670
<b>Income after financial items</b>	<b>-2 579</b>	<b>-2 413</b>	<b>-4 326</b>
Taxes	678	635	744
<b>Net income</b>	<b>-1 901</b>	<b>-1 778</b>	<b>-3 582</b>

Depreciations has reduced income for the period by SEK 8 (12) thousand.

# Balance sheets for the Parent Company

SEK thousands	Mar 31, 2012	Mar 31, 2011	Dec 31, 2011
<b>ASSETS</b>			
Patents	–	2	–
Tangible fixed assets	52	84	60
Participation in affiliated companies	340 311	339 844	340 311
Deferred tax assets	678	5 069	–
Receivables from affiliated companies	49 995	48 226	51 708
Other current receivables	1 474	843	1 839
Liquid funds	538	436	604
<b>Total assets</b>	<b>393 048</b>	<b>394 505</b>	<b>394 522</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>			
Shareholders' equity	382 052	382 881	383 953
Long-term interest-bearing liabilities	1 484	2 413	1 708
Long-term non-interest-bearing liabilities	–	2 205	–
Short-term interest-bearing liabilities	854	1 744	854
Accounts payable	894	326	80
Other short-term interest-free liabilities	7 764	4 936	7 927
<b>Total shareholders' equity and liabilities</b>	<b>393 048</b>	<b>394 505</b>	<b>394 522</b>
Pledged assets for own liabilities	3100	3 100	3 100
Contingent liabilities	593	600	600

## Note 1. Accounting Principles

This interim report has been prepared 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.

## Note 2. Financial data per segment, Group

SEK thousands	January - March		Whole year 2011
	2012	2011	
<b>Fertility</b>			
Net sales	85 921	76 747	308 065
Operating income	10 265	3 873	20 660
Total Assets	378 681	373 502	389 289
<b>Transplantation</b>			
Net sales	13 803	11 287	48 050
Operating income	4 845	6 262	20 257
Total Assets	95 200	62 969	77 491

## Note 3. Warrants program 2008/2011

The Annual General Meeting in 2008 adopted a warrants program which is aimed at employees at Vitrolife and its subsidiaries, also including the company's senior management. Subscription for new shares using the warrants could take place as from May 1, 2010 up until May 31, 2011. During the first quarter of 2011 the company made an offer to the holders of warrants, in accordance with the terms of the warrants, to buy back the warrants at market value in exchange for cash. Payment of SEK 1,478 thousand has been made related to this offer, of which SEK 1,413 thousand was payment in cash to warrant holders and the remaining SEK 65 thousand costs in connection with the making of the offer. During the first quarter 2011 7,000 shares were subscribed for as a result of utilization of warrants for subscription for new shares. A further 2,912 shares were subscribed for during the second quarter 2011. A total of 9,912 shares have been subscribed for utilizing the warrants program 2008/2011. The program came to an end on May 31, 2011. No new warrants program was adopted at the Annual General Meeting in 2011.

# Definitions

## Gross margin

Net sales minus the cost of goods sold as a percentage of net sales for the period.

## Operating margin before depreciation and amortization

Operating income before depreciation and amortization as a percentage of net sales for the period.

## Operating margin

Operating income after depreciation and amortization as a percentage of net sales for the period.

## Profit margin

Income for the period as a percentage of net sales for the period.

## Return on shareholders' equity

Income for the period as a percentage of the average shareholders' equity for the period.

## Equity/assets ratio

Shareholders' equity and minority interest as a percentage of total assets.

## Earnings per share

Income for the period in relation to the average number of outstanding shares for the period.

## Earnings per share after full dilution

Income for the period in relation to the average number of outstanding shares for the period, taking into

account outstanding share warrants where the net present value of the strike price in the middle of the redemption period or the remaining redemption period is less than the average share price for the period.

## Cash flow from operating activities per share

The cash flow from operating activities for the period in relation to the average number of outstanding shares for the period.

## Shareholders' equity per share

Shareholders' equity in relation to the number of shares outstanding at closing day.

## Shareholders' equity per share after full dilution

Shareholders' equity in relation to the number of shares outstanding at closing day, taking into account outstanding share warrants where the net present value of the strike price in the middle of the redemption period or the remaining redemption period is less than the average share price at closing day.

## Net loans receivable/ Net borrowings

Cash and cash equivalents plus interest-bearing receivables minus interest-bearing liabilities and provisions.

# Glossary

The following explanations are intended to help the reader to understand certain specific terms and expressions in Vitrolife's reports:

## IVF, In Vitro Fertilization

Fertilization between the woman's and the man's sex cells and cultivation of embryos outside the body.

## In vitro (Latin "in glass")

A process that has been taken out from a cell to take place in an artificial environment instead, for example in a test tube.

## Embryo

A fertilized egg.

## Blastocyst

An embryo at days 5-7 after fertilization. Cell division has gone so far that the first cell differentiation has taken place and the embryo thereby now has two different types of cells.

## Vitrification

Process for converting a material to a glasslike solid state, for example through rapid freezing, in this case rapid freezing of eggs and embryos, in order to be able to carry out IVF on a later occasion.

## IUI

Intra-Uterine Insemination, "artificial insemination". A high concentration of active sperms is injected in order to increase the chance of pregnancy.

## Stem cells

Non-specialized cells to be found in all multi-cell organisms. Have the ability to mature (differentiate) into several cell types. Are usually divided up into three groups: adult stem cells (in the fully grown individual), embryonic stem cells and stem cells from the umbilical cord. In the developing embryo stem cells give rise to all tissue in the fetus-to-be. In adult individuals stem cells constitute a repair system to replace damaged cells. As stem cells have the potential to mature into specialized cell types, there are great hopes regarding their medical role.

## Cell therapy

Describes the process when new cells are added to tissue in order to treat a disorder.

## Preclinical study

Research that is done before a pharmaceutical or a treatment method is sufficiently documented to be studied in people, for example testing of substances on tissue samples and later testing on experimental animals.

## Clinical study/trial

An investigation in healthy or sick people in order to study the effect of a pharmaceutical or treatment method.

## Biological quality tests

Using biological systems (living cells, organs or animals) to test how well a product or input material functions in relation to a requirement specification.

## Medical devices

Comprise devices used to make a diagnosis of a disease, treat a disease and as rehabilitation.

## Biotechnology

Combination of biology and technology, which primarily means using cells or components from cells (such as enzymes or DNA) in technical applications.

## Obstructive lung disease

Disease where the flow of air in the airways is impeded.

## Perfusion

Flow of fluid.

## Lung evaluation

Evaluation of the functioning of a lung.

## Lung preservation

Storing and preserving a lung outside the body (before transplantation).

## Ex vivo (Latin "outside the living")

Biological processes in living cells and tissue when they are in an artificial environment outside the body. The "opposite" of in vivo.

## In vivo

Biological processes in living cells and tissue when they are in their natural place in whole organisms.

# TOGETHER. ALL THE WAY™

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