

PRESS RELEASE

February 19, 2003

VITROLIFE'S PRESS RELEASE OF ANNUAL ACCOUNTS 2002

- Net total sales amounted to SEK 103.3 million (100.1).
- Revenues for core activities increased by 17.1% to a total of SEK 75.2 million (64.2).
- Gross profits increased by 22.2% to a total of SEK 49.4 million (40.4)
- Cost-cutting and restructuring programs burdened the results by SEK 89 million.
- The group's net loss totalled SEK -116.5 million (-37.4). This result was affected by SEK -69.4 million in items affecting comparability.
- Vitrolife divested its sales rights to OphthalinTM and FermathronTM, as well as its manufacturing plant in Edinburgh, Scotland.
- The Food and Drug Administration approved Vitrolife's request to market new cell culture media for in-vitro fertilization (GIII series – Closer to Nature) based on recombinant albumin and hyaluronan.

See the enclosed press release of annual accounts for 2002.

Gothenburg, February 19, 2003.

Vitrolife AB (Publ)

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Vitrolife

Vitrolife is a global biomedical corporation that works with products for cell and tissue technology. The Vitrolife group consists of the parent company, Vitrolife AB (Publ) and four wholly owned subsidiaries: Vitrolife Sweden AB (Gothenburg, Sweden), Vitrolife Inc. (Denver, Colorado), A-Life Ltd. (Edinburgh, Scotland), and A-Life Inc. (Newport Beach, California). During the last year, the group's operations focused on four business areas, which are accounted for comprehensively, without regard for geographic limitations.

- Fertility Systems
- Cell Therapy and Tissue Engineering Systems
- Transplantation Systems
- Biosupportive Systems

Vitrolife's business concept is to develop, produce and sell advanced products and systems for the preparation, cultivation, preservation and support of cells, tissues and organs.

The Year in Brief

- On January 28, Vitrolife obtained CE labeling and marketing approval for the Vitrolife Vascular Preservation Kit™ developed for the safe and consistent handling of vascular grafts during coronary bypass surgery.
- At the annual general meeting on April 3, Claes Glassell and Mark Dumenil were elected as new members of the board. Mathias Uhlén, who had declined re-election, left the board. Patrik Tigerschiöld was elected as the new chairman of the board.
- In May, a new subsidiary, A-Life Inc., was launched in Newport Beach, California. Its focus will be on the final clinical development and marketing of Hyalite™, a product for cosmetic surgery based on double-bound hyaluronic acid.
- On July 17, Vitrolife divested its sales rights to Ophthalin™ and Fermathron™ as well as its manufacturing plant in Edinburgh, Scotland.
- In September, Vitrolife received 510 (k) approval from the FDA to market new cell culture media for in-vitro fertilization (GIII series: Closer to Nature), based on recombinant albumin and hyaluronan.
- Dr. Magnus Nilsson, currently deputy CEO of Vitrolife AB (publ), was appointed acting CEO on January 3, 2003.
- At the end of the year, a cost-cutting and restructuring program that charges the 2002 results with SEK 89 million was launched.

2002 Operations

Sales of media within the core activity showed good growth, with an increase in sales of media of 17.1% despite the considerable decline in the value of the US Dollar (approximately 40% of the net sales is recorded in USD). On the other hand, the company experienced higher costs and lower revenues than estimated because of the delayed launch of the new GIII product series within the fertility area. Technical problems at the Kungsbacka plant delayed the start by 9 months to the second half of 2002. In addition, a delivery delay of the prefabricated modular manufacturing plant resulted in a production start delay in Denver, Colorado. Production is expected to begin in 2004 at the earliest. However, the plant in Denver was put into use in October as the base for marketing and distributing fertility and transplantation media in the United States. In September, Vitrolife received 510 (k) approval from the FDA to market new cell culture media for in-vitro fertilization (GIII series: Closer to Nature), based on recombinant albumin and hyaluronan.

In 2002, Vitrolife began to focus on its core activity, media products. A comprehensive change took place on July 17, when Vitrolife signed an agreement with Ioltech SA, a French company that deals with ophthalmic surgery, quoted on the Paris Stock Exchange. Vitrolife sold Ioltech the sales rights to its hyaluronan-based products, Ophthalin™ and Fermathron™, as well as its manufacturing plant in Edinburgh, Scotland. The transaction included an outsourcing agreement with Ioltech that insures Vitrolife's access to syringe filling capacity. The economic significance of this transaction is that Vitrolife received GBP 2.2 million in cash, the equivalent of approx. SEK 31.2 million for the sales rights and manufacturing plant. The result of the transaction means a net profit of SEK 17.8 million. Of this net profit, SEK 6.7 million has been recorded as an increase in net sales. The remaining entry of SEK 11.1 million was recorded with other operating incomes and expenses. The total price included inventory and material assets converted to the accounting date price, as well as deductions for transaction costs for a total of SEK 20.1 million. A-Life Ltd. still retains and is awaiting a patent for the technique for chemical cross linking of hyaluronic acid, which has been developed for use in a product for managing facial wrinkles. A successful clinical study was carried out during the year and work is currently under way to achieve CE marking for the product. Contacts are being developed to ensure that another party will take over the further development of this product in 2003.

As a result of a strong increase in its use last year, Perfadex, Vitrolife's medium for lung preservation during transplantation, is now used in about 70% of all lung transplant operations. Clinical development of the next generation of lung preservation techniques is underway in three countries. The new technique and new media mean that the number of donated lungs that can be used for transplantation will increase considerably. On January 28, Vitrolife was granted CE marking and marketing approval for its Vascular Preservation Kit™, developed for the safe and consistent handling of vascular grafts during coronary bypass surgery. Delays in production start, along with discussions with distributors, have meant that sales to date have not met expectations. The costs for R&D within the transplantation area will diminish and resources will be focused on obtaining approval for CE marking of new products.

Research collaboration with Cell Therapeutics Scandinavia AB continued last year. The primary goal is to produce two media for cultivating human embryonic stem cells.

Because of delays in the construction of production apparatus, the company believes that investments in production preparations in Kungsbacka and the USA, as well as research and intangibles do not correspond to the book value, which is why they have been written down and that restructuring costs have been charged with a total of SEK 89 million. In order to ensure a positive cash flow in the fourth quarter 2003, at the latest, a cost-cutting and restructuring program has been initiated. As a result of the cost-cutting program, about 18 positions within the group will be

eliminated, research outside of the core activity will decrease or be terminated, production in Gothenburg will be liquidated and thereby concentrated in Kungälv, and the research unit at Sahlgrenska Science Park, Gothenburg, will close. All in all, these measures are expected to result in considerably lower costs and better product margins in 2003.

At the annual general meeting on April 3, Claes Glassell and Mark Dumenil were elected as new members to the board. Mathias Uhlén, who had declined re-election, left the board. Patrik Tigerschiöld was elected as the new chairman of the board.

On October 10, the board voted to change the group's organization, management, and follow-up of accounting regarding primary segments beginning January 1, 2003. Therefore, in accordance with RR 2 Reporting of Segments, the company will render accounts on the basis of geographical areas as primary segments instead of on the basis of business areas.

The Group's Net Sales and Results

The net sales are made up of IVF media, hyaluronic acid-based products, transplant media and sales of quality-control tests. The group's total net sales were SEK 103.3 million (100.1). Sales exclusive of the products sold off during the year totalled SEK 75.2 million (64.2), corresponding to an increase of 17.1% (43.6%). The business area Biosupportive Systems sold the sales rights to its hyaluronic acid-based products on July 17, which is why the company did not post any sales in that business area from August forward. During the period, revenues of SEK 0.4 million were accrued for some outsourcing in connection with the previous year's acquisition of the Kungälv production facility. Outsourcing was terminated in the spring of 2002.

The group's gross profit totalled SEK 49.4 million (40.4), corresponding to an increase of 22.2% (20.7). This increase is attributable to the increased net sales and the fact that during the last year the business area Biosupportive Systems was affected negatively by irregular incoming orders at the same time that during the first half of 2002, it experienced abnormally high incoming orders because its distributors built up inventories.

The group's operating loss totalled SEK -122.4 million (-43.4). Items affecting comparability affected the operating results by a total of SEK -69.4 million. These items consist of the expenses related to the cost-cutting and restructuring program of SEK 89.0 million; income from the sale to Ioltech in the sum of SEK 17.8 million, and the sale of real estate in the sum of SEK 1.8 million. The operating loss for the core business totalled SEK -43.0 million (46.3). Net interest income and expense totalled SEK 5.6 million (6.1). The group's net loss totalled SEK -116.5 million (-37.4).

Operating Expenses

The group's sales costs totalled SEK 28.3 million (23.1), representing an increase of 22.7% (63.2). A large part of this increase is attributable to marketing within the business area Fertility Systems for the launch of the new GIII series.

The group's administrative costs totalled SEK 33.7 million (28.1), representing an increase of 20.0% (19.5).

The group's R&D costs totalled SEK 30.6 million (28.7), representing an increase of 6.8% (27.3).

Net operating income and expenses totalled SEK -79.2 million (-4.0). Cost-cutting and restructuring expenses totalled SEK 89 million. Revenues pertaining to the sale of sales rights and production facilities to Ioltech totalled SEK 11.1 million.

Financial Position

At the end of the year, the group's liquid assets, including short-term investments, totalled SEK 36.4 million (135.9).

For the investment in the plant in Denver, Colorado, the group raised a loan of USD 3 million. The group also negotiated an SEK 20 million credit framework. At the end of the year, the group's equity/assets ratio was 59.1% (73.7%).

Investments

In 2002, gross investments in the group's fixed assets totalled SEK 63.0 million (77.6). Of these, SEK 54.3 million (67.5) constituted investments in machines, equipment, and technical facilities for production. Essentially, these investments are ascribed to those made in production facilities in Denver and Kungsbacka.

Personnel

Vitrolife is a knowledge-based company that had an average of 96 (98) employees during the period, of which 70 (58) were in Sweden. The majority of employees are between the ages of 25 and 40 and approximately 10% hold PhD degrees. In the fourth quarter, Vitrolife reorganized and reduced the staff by 11 positions with the aim of rationalizing and focusing on the core activity. During 2003, 18 additional positions will be eliminated. When the cost-cutting and restructuring program is complete, the number of employees will total approximately 65.

Parent Company

Since 2001, the parent company's operations have been concentrated on coordination and control of the group. During the year, the net sales for the parent company, Vitrolife AB, totalled SEK 0 (0). The loss after financial items totalled SEK -5.8 million (-2.3).

The Vitrolife Share

Vitrolife shares are quoted on the Stockholm Stock Exchange O-list under the ticker VITR. Trading in Vitrolife's shares started on June 26, 2001 in conjunction with the company's introduction on the Stockholm Stock Exchange. The introductory price was set at SEK 40.0 per share. The closing price on December 30, 2002 was SEK 10.9 per share (31.0), a decline of 64.8%.

Accounting Principles

Accounting principles remain unchanged compared with last year's annual report. Accounting principles are described in the 2001 annual report.

Dividend

The board does not propose a dividend for the financial year 2002.

The Future

The cost-cutting and restructuring program that was adopted at the end of 2002 focuses the operations even more clearly on the core activity, namely the development and marketing of clinical cell and tissue culture media. Management estimates that, as a result of the measures taken, the core activity will bring a positive cash flow and a positive result by the fourth quarter at the latest.

Annual General Meeting

The annual general meeting will take place on Wednesday, May 14, 2003 at 2 P.M. at the following address:

SEB Göteborg
Östra Hamngatan 24
405 04 Göteborg
Main entrance, 4th floor

Financial Reports

The annual report is being published as a PDF file on the company's website: www.vitrolife.com.

For shareholders who have requested the annual report & accounts by mail, it is estimated that the printed version will be distributed on March 11.

It is planned that interim reports will be issued on the following dates:

Three-month report	Friday, April 25
Six-month report	Friday, August 15
Nine-month report	Friday, October 24

Gothenburg, February 19, 2003
Vitrolife AB (publ)

The Board

Financial data per Business Area

MSEK Business Area	Jan-Dec 2002	Jan-Dec 2001	Oct-Dec 2000
Fertility Systems			
Net sales	64.3	54.8	42.0
Gross result	29.6	27.5	20.3
R&D expenses	-11.9	-13.6	-12.5
Cell Therapy and Tissue Engineering Systems			
R&D expenses	-1.8	-1.3	0.0
Transplantation Systems			
Net sales	10.4	5.4	2.7
Gross result	5.9	4.3	2.4
R&D expenses	-6.5	-8.9	-4.7
Biosupportive Systems			
Net sales	28.1	35.9	37.5
Gross result	13.8	8.6	10.7
R&D expenses	-10.4	-4.9	-5.3

Consolidated income statement

KSEK	Jan-Dec 2002	Jan-Dec 2001	Oct-Dec 2002	Oct-Dec 2001
Net Sales	103,283	100,142	17,800	31,052
Cost of goods sold	-53,921	-59,755	-13,143	-13,489
Gross Profit	49,362	40,387	4,657	17,563
Selling and marketing expenses	-28,306	-23,070	-7,323	-6,618
Administrative expenses	-33,658	-28,055	-11,026	-6,587
Research and development expenses	-30,642	-28,695	-8,244	-6,941
Other operating income and expenses	-79,170	-3,986	-88,292	-4,649
Operating result	-122,415	-43,419	-110,229	-7,232
Interest income and similar items	7,868	7,407	2,539	1,429
Interest expense and similar items	-2,279	-1,344	-452	889
Result after financial items	-116,826	-37,356	-108,142	-4,914
Tax on profit for the year	636	-	636	-
Minority interests	-313	-	-313	-
Net result	-116,503	-37,356	-107,819	-4,914

1) This years depreciation amounts to -10,293 KSEK (-9,956 KSEK) of which -2,200 KSEK (-2,584 KSEK) refers to group goodwill.

Key ratios

	Jan-Dec 2002	Jan-Dec 2001	Oct-Dec 2002	Oct-Dec 2001
Gross profit, % of turnover	47.8%	40.3%	26.2%	56.6%
Operating result, % of turnover	neg	neg	neg	neg
Net result, % of turnover	neg	neg	neg	neg
Equity/assets ratio, %	59.1%	73.7%	59.1%	73.7%
Average number of outstanding shares	18,390,157	16,450,431	18,390,157	16,450,431
Average number of outstanding shares*	18,394,945	16,706,786	18,396,512	16,706,786
Number of shares at year-end	18,390,157	18,390,157	18,390,157	18,390,157
Number of shares at year-end*	18,390,157	18,646,512	18,396,512	18,646,512
Shareholders' equity per share, SEK	6.06	13.15	6.06	13.15
Shareholders' equity per share, SEK*	6.06	12.96	6.06	12.96
Result per share, SEK	-6.34	-2.27	-5.86	-0.30
Result per share, SEK*	-6.33	-2.22	-5.86	-0.29
Return on equity, %	-104.6	-19.9	-96.8	-2.0

* After full dilution

Consolidated income statement - per quarter

KSEK	Jan-Mar 2002	Apr-Jun 2002	Jul-Sep 2002	Oct-Dec 2002	Jan-Mar 2001	Apr-Jun 2001	Jul-Sep 2001	Oct-Dec 2001
Net Sales	32,792	29,654	23,037	17,800	19,439	23,904	25,747	31,052
Cost of goods sold	-16,307	-14,821	-9,650	-13,143	-13,050	-15,560	-17,656	-13,489
Gross Profit	16,485	14,833	13,387	4,657	6,389	8,344	8,091	17,563
Selling and marketing expenses	-7,081	-7,382	-6,520	-7,323	-3,859	-5,537	-7,056	-6,618
Administrative expenses	-6,865	-7,567	-8,200	-11,026	-8,738	-6,798	-5,932	-6,587
Research and development expenses	-6,138	-7,847	-8,413	-8,244	-7,238	-6,781	-7,735	-6,941
Other operating income and expenses	-410	-1,595	11,127	-88,292	165	522	-24	-4,649
Operating result	-4,009	-9,558	1,381	-110,229	-13,281	-10,250	-12,656	-7,232
Interest income and similar items	1,111	3,228	990	2,539	2,024	1,400	2,554	1,429
Interest expense and similar items	-762	121	-1,186	-452	-390	-289	-1,554	889
Result after financial items	-3,660	-6,209	1,185	-108,142	-11,647	-9,139	-11,656	-4,914
Tax on profit for the year	—	—	—	636	—	—	—	—
Minority interests	—	—	—	-313	—	—	—	—
Net result	-3,660	-6,209	1,185	-107,819	-11,647	-9,139	-11,656	-4,914

Consolidated balance sheet

KSEK	2002-12-31	2001-12-31
Assets		
Intangible fixed assets	12,884	29,147
Tangible fixed assets	94,155	106,370
Financial fixed assets	1,943	1,075
Materials and inventories	18,636	28,582
Current receivables	24,521	27,000
Short-term assets	-	73,771
Cash and bank balances	36,376	62,097
Total assets	188,515	328,042
Shareholder's equity and liabilities		
Shareholders' equity	111,401	241,741
Minority interest	1,045	-
Long-term liabilities	26,894	42,002
Current liabilities	49,176	44,299
Total shareholders' equity and liabilities	188,515	328,042

Change in shareholders' equity during the period

Opening shareholders' equity	241,741	133,063
New share issue	-	160,000
Costs in connection with new issue	-	-14,585
Change in minority interest	-732	-
Exchange rate difference in shareholders' equity	-13,105	619
Net result	-116,503	-37,356
Closing shareholders' equity	111,401	241,741

Cash Flow Analysis

	Jan-Dec 2002	Jan-Dec 2001
KSEK		
Earnings after financial net	-116,826	-37,356
Adjustment for items not affecting cash flow	88,214	10,169
Tax paid	-232	-271
Cash flow from normal operations before change in working capital	-28,845	-27,458
Change in inventories	2,711	-6,716
Change in current receivables	-308	-5,221
Change in current liabilities	-8,333	14,145
Cash flow from normal operations	-34,774	-25,250
Investments in intangible assets	-8,639	-6,725
Investments in tangible assets	-54,335	-69,894
Sales of tangible assets	14,160	-
Investments in financial assets	0	-1,000
Cash flow from investment operations	-48,814	-77,619
New share issue	-	145,415
Raised loans	-	35,558
Amortization of loans	-13,266	-3,556
Cash flow from financial operations	-13,266	177,417
Change in cash position	-96,855	74,548
Opening cash position	135,868	60,925
Exchange rate difference in cash position	-2,637	395
Closing cash position	36,376	135,868

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