



Report on operations 2007

Vitrolife AB (publ)

Q4: Sales growth for Fertility 20 percent in local currencies

- Sales increased by 14 percent to SEK 47.5 (41.8) million during the fourth quarter. However, the underlying sales growth was 17 percent, corrected for negative currency effects. Net sales amounted to SEK 188.9 (171.3) million for the whole of 2007, an increase of 10 percent. Calculated in local sales currencies growth was 13 percent.
- Sales growth of 20 percent in local currencies within the Fertility area during the fourth quarter.
- Gross income increased by 11 percent to SEK 32.1 (28.9) million for the fourth quarter, and the gross margin was 68 percent (69). Gross income for the quarter has been affected by extra expenses in connection with the launch of a new series of products. Gross income for the whole of 2007 increased by 11 percent to SEK 129.7 (116.5) million and the gross margin improved to 69 (68) percent.
- Operating income for the fourth quarter amounted to SEK 3.2 (3.9) million, corresponding to an operating margin of 7 (9) percent. A provision of SEK 1 million has been made for uncertainty regarding import tariff coding, for the whole of 2007.
- Operating income for the whole of 2007 increased by 5 percent and amounted to SEK 21.0 (20.0) million, which gives an operating margin of 11 (12) percent.
- Operating income for the fourth quarter before research and development costs amounted to SEK 10.4 (10.0) million, corresponding to a margin of 22 (24) percent. For the whole of 2007 operating income before research and development costs increased by 8 percent to SEK 47.9 (44.2) million. This corresponds to a margin of 25 (26) percent.
- Continued strong focus on research and development activities, 15.3 (14.6) percent of sales for the fourth quarter, 14.2 (14.1) percent for the whole of 2007.
- Consolidated net income increased to SEK 7.9 (2.1) million for the fourth quarter, SEK 36.1 (15.2) million in total for 2007. Capitalization of the deferred tax asset in loss carry-forward for tax purposes has been carried out to the tune of SEK 4.1 (-) million for the fourth quarter, SEK 16.4 (-) million in total for the year.
- The cash flow from operating activities amounted to SEK 3.3 (5.4) million for the fourth quarter, SEK 21.3 (23.8) million for the whole of 2007.
- Earnings per share increased to SEK 0.40 (0.11) for the fourth quarter. For the whole of 2007 earnings per share increased to SEK 1.82 (0.77).
- The equity/assets ratio amounted to 85 percent (81).
- Products for cold storage of embryos approved in Canada.
- Acquisition of majority shareholding in Italian distributor after the end of the period.
- Start of direct marketing of all fertility products in France announced after the end of the period.

Sales and income

Vitrolife's net sales for 2007 amounted to SEK 188.9 (171.3) million, which corresponds to an increase of 10 percent compared to the previous year. Sales growth in local currencies was 13 percent. Net sales during the fourth quarter increased by 14 percent and amounted to SEK 47.5 (41.8) million. The real sales development in local currencies was plus 17 percent.

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

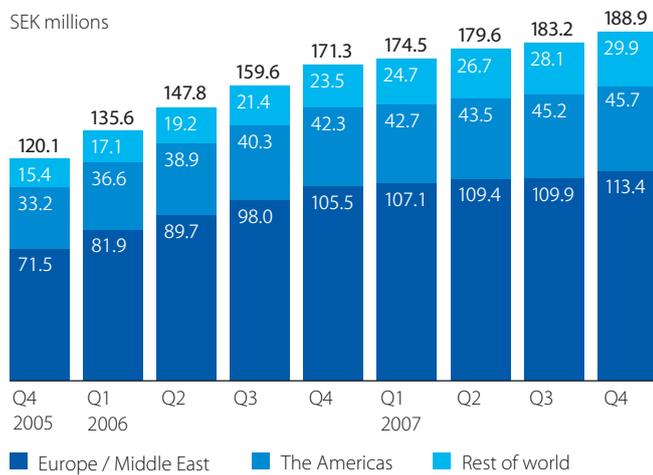
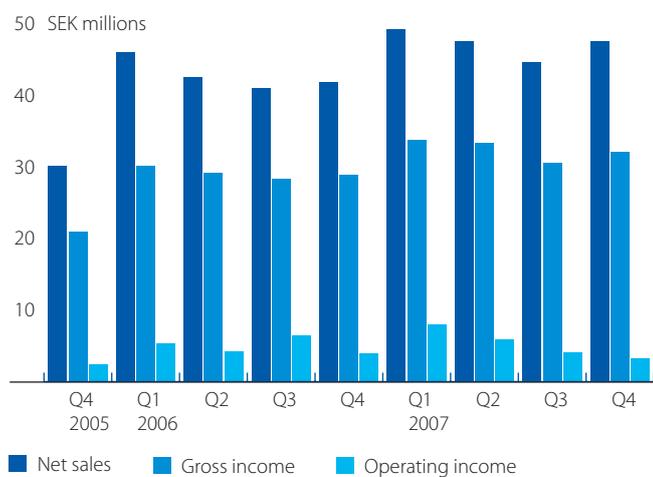


Fig 2. Sales and income per quarter



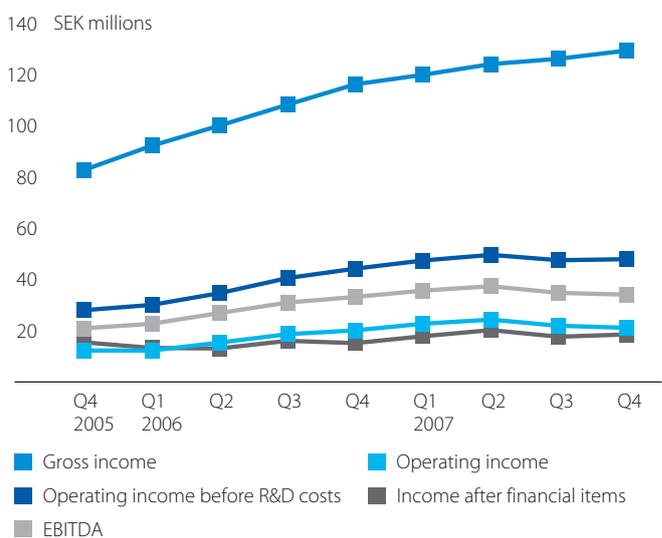
Gross income was SEK 129.7 (116.5) million. The cost of goods sold for the first quarter the previous year includes SEK 1.1 million attributable to the acquisition of Swemed. The gross margin for the year improved to 69 (68) percent. Gross income for the fourth quarter amounted to SEK 32.1 (28.9) million and the gross margin to 68 (69) percent despite the fact that the gross margin for the quarter, as was previously announced, has been affected by the changeover in the production of fertility media from Gill to the new G5 Series™. The changeover means, amongst other things, double production and thereby somewhat higher costs during the last two quarters of the year and the first quarter of the coming year.

Operating income was SEK 21.0 (20.0) million, which corresponds to a margin of 11.1 percent (11.7). Other operating expenses for 2007 include a provision of SEK 1.0 million for uncertainty regarding declaration of import tariffs. The provision was made in the fourth quarter and applies to all of 2007. Income for 2006 includes costs of SEK 1.0 million attributable to the integration of Swemed. Selling expenses as a percentage of sales amounted to 28.1 percent (27.6), administrative expenses to 15.2 percent (14.2) and R&D costs to 14.2 percent (14.1). Depreciation and amortization of SEK 12.9 (13.1) million has been charged against the year.

As the company not only invests in the existing business operations but also in new technology, as for example a completely new transplantation method using STEEN Solution™, it is also relevant to assess operating profit before R&D costs. For the year operating profit before R&D costs amounted to SEK 47.9 (44.2) million, or 25.4 percent (25.8) of net sales.

For the fourth quarter operating income amounted to SEK 3.2 (3.9) million. Selling expenses as a percentage of sales amounted to 29.0 percent (30.5), administrative expenses to 15.9 percent (14.2) and R&D costs to 15.3 percent (14.6). The increased administrative expenses include higher insurance premiums, as a natural consequence of the expansion of the company. SEK 1.0 million has been charged to Other operating expenses due to uncertainty regarding import tariffs. Divestment of machinery for SEK 0.5 million is included in Other operating revenues for the fourth quarter of 2006. Depreciation and amortization amounted to SEK 3.4 (3.4) million.

Fig 3. Income (rolling 12 months)



Net income amounted to SEK 36.1 (15.2) million, of which SEK 7.9 (2.1) million was for the fourth quarter. Net financial income amounted to SEK -2.6 (-5.0) million, of which SEK -0.2 (-1.8) million was for the fourth quarter. Net financial income includes

non-realized exchange rate fluctuations regarding internal receivables and liabilities of SEK –0.8 (–3.1) million. The restatement of the Parent Company's loan and receivable regarding the American subsidiary Vitrolife, Inc. is booked directly against non-restricted equity. The restatement effect in the financial statements amounts to SEK –0.7 (–1.3) million net. Tax revenue for the year amounted to SEK 17.7 (0.2) million and this is deferred tax on the Group's internal profits from inventories of SEK 1.0 (0.3) million, deferred tax on tangible assets of SEK 0.0 (–0.1) million, reversal of a tax allocation reserve of SEK 0.3 (–) million and capitalization of loss carry-forward of SEK 16.4 (–) million. Loss carry-forward from previous years means that no current tax expense has been charged against net income for the year. At the end of 2007 Vitrolife had taxed loss carry-forward of SEK 163.7 (178.7) million. Of this amount, loss carry-forward for tax purposes for which deferred tax assets have not been recorded in the income statement and balance sheet amounted to approximately SEK 84.2 (157.7) million. Vitrolife annually updates its assessment of its future earning capacity and activates remaining losses to the extent necessary. These are offset against taxable earnings in the years to come.

Fertility products

- For the fourth quarter sales amounted to SEK 41.5 (35.3) million, an increase of 18 percent. The underlying sales growth in local currencies was 20 percent. Sales for the full year 2007 amounted to SEK 165.0 (148.0) million, an increase of 11 percent. Calculated in local sales currencies the increase was 14 percent.
- Products for the cold storage of embryos approved in Canada.
- Acquisition of majority shareholding in Italian distributor after the end of the period.
- Direct sales announced to be taken over from distributor in France after the end of the period.

The region that increased the most during the year was the Rest of the World, which increased sales by 29 percent (28 percent during the fourth quarter). The largest increase was seen in Australia, where Vitrolife has operated under its own management since the beginning of 2005, and China, which is now the fifth largest market for Vitrolife within fertility.

The American region also had very positive development and sales increased by 22 percent in local currency during the year (26 percent during the fourth quarter). However, the weakening of the USD meant that the increase in SEK was just 13 percent compared with the previous year (15 percent during the fourth quarter).

Sales in the Europe/Middle East region increased by 7 percent during the year (16 percent during the fourth quarter). UK and Spain have had the most positive development for the whole year. There was a certain effect during the fourth quarter as well

due to the fact that existing customers during the launch phase of the G5 Series™ are testing this new media system at a greatly reduced price at the same time as they are using less of the old GIII system, which means that the total sales value during the changeover period is lower.

At the end of the year Vitrolife obtained approval from Health Canada for two new products within the fertility area. The products are used for so-called vitrification, rapid freezing and thawing of blastocysts (embryos day 5–7 after fertilization). Products for vitrification involve considerable technological progress and open up new opportunities within IVF treatment. Work is ongoing to get more products for vitrification out on to the market.

The two vitrification products that Vitrolife has obtained approval for are RapidVit™ Blast och RapidWarm™ Blast. Vitrification involves very rapid freezing, to prevent the formation of ice crystals that otherwise can cut the cells apart. In IVF fertilization more than 10 oocytes are often taken from the woman. A number of these are fertilized. The oocytes that are fertilized but not put back in the woman can then be kept in cold storage. It has been seen in the use of the vitrification method that survival increases considerably after cold storage. The chance of achieving a good cumulative pregnancy frequency thereby increases for the woman, without her having to undergo new hormone treatment and the removal of more oocytes.

In January 2008 Vitrolife acquired 51 percent of the shares in A.T.S. Srl, the distributor of Vitrolife's products in Italy since 1999, for 448,000 Euro. The acquisition increases the opportunities for A.T.S. to be more aggressive and increase the market share in the Italian market. The seller of the shares was Paolo Trabucchi, one of the founders and previously the sole owner of A.T.S. Vitrolife has an option to acquire a further 9 percent of the shares within 6 months and subsequently a further 10 percent within 12 months, that is a total of 70 percent. For the Vitrolife Group as a whole the acquisition will initially have a marginal effect on net income and sales, after the elimination of internal sales. Approximately 24,000 infertility treatments are performed in Italy per year and the number of fertility centers amounts to approximately 300. The potential market value for instruments and media amounts to SEK 40–50 million.

Furthermore, Vitrolife terminated the agreement for the distribution of media in France in January 2008, which will mean that from May 2008 both media and instruments will be marketed direct by Vitrolife in the French market.

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

Transplantation products

- Sales during 2007 amounted to SEK 22.8 (22.4) million, an increase of 2 percent. The underlying growth adjusted for negative currency effects was 8 percent. Sales in local sales currencies were unchanged during the fourth quarter. Converted to Swedish kronor sales amounted to SEK 5.7 (6.1) million, which corresponds to a decrease of 6 percent.
- Development of STEEN Solution™ continuing according to plan.

Sales of transplantation products, primarily Perfadex® which has a market share of over 90 percent globally, increased by 8 percent in local currencies. During the fourth quarter sales were unchanged in local currencies. As has been previously announced, sales of Perfadex® should begin to even out, due to the high market share. When STEEN Solution™ becomes established in the clinics there will be additional good potential for further sales growth, above all in the important USA market. The timing of this depends amongst other things on sales approval. Activities to obtain sales approval, amongst other things in the USA, are proceeding according to plan and during the period Vitrolife has carried out training of clinics and demonstrations of the technology for target groups.

The Stem Cell Cultivation product area is not reported separately as it is still at the research stage and sales are small. During 2007 they were SEK 1.1 (0.9) million. Research resources for the development of new products for stem cells have been increased through the collaboration with Cellartis AB.

Investments and cash flow

Cash flow from operating activities amounted to SEK 21.3 (23.8) million for 2007. The change in trade receivables, mainly accounts receivable, amounted to SEK 1.1 (–7.4) million. Investments in increased inventories amounted to SEK –14.9 (–0.4) million, due both to favourable purchases of a number of critical raw materials for long-term use and to the building up of the stock of instruments, where the inventory levels have previously been assessed to be too low. The cash flow from investing activities was SEK –10.6 (–79.1) million. Last year's figure includes the acquisition of Swemed for SEK –69.1 million. Gross investments in the Group's fixed assets amounted to SEK –6.2 (–7.7) million during the year and in intangible fixed assets to SEK –4.7 (–3.4) million. Intangible fixed assets for the year mainly consist of the new G5 Series™ and STEEN Solution™. The cash flow from financing activities was SEK –6.5 (21.7) million. Loans of SEK –6.8 (–15.4) million have been paid off. During the fourth quarter 10,000 new shares of Vitrolife's warrants program 2005/2008 were issued, which contributed SEK 0.3 million. The new share issue of SEK 37.1 million in connection with the acquisition of Swemed is included in the figures for 2006. In all, the cash flow for the year amounted to SEK 4.2 (–33.6) million. The cash flow for the fourth quarter amounted to SEK –0.6 (–10.1) million, SEK 1.8 (2.5) million before the repayment of loans. The Group's liquid funds at December 31, 2007 amounted to SEK 18.5 (14.5)

million. The equity/assets ratio for the Group amounted to 85 (81) percent.

Parent Company

Business activities focus on company-wide management and the company has no employees. There were no revenues for the year (–). The costs that arise are mainly attributable to the Board and to the Stockholm Stock Exchange and the listing of the company's shares. Income before tax amounted to SEK –2.4 (–2.8) million. Liquid funds amounted to SEK 0.3 (2.0) million. No investments were made during the year (2006: acquisition of Swemed, SEK 66.8 million).

The Vitrolife share is listed on the OMX Nordic Exchange's Nordic Small Cap list under the symbol VITR. The closing price on December 28, 2007 was SEK 29.70 (34.50).

Organization and personnel

The company's intensive focus on research and development continues to mean that new competence needs to be recruited. During the year the number of employees increased by 21 people.

An inventory of instrument products was built up during the second half of 2007 with the aid of temporarily employed personnel. When this has now been completed the number of employees within production will be reduced.

During 2007 the average number of employees was 126 (116), of whom 79 (74) were women and 47 (42) were men. 101 (94) people were employed in Sweden, 24 (22) in the USA and 1 (0) in Australia. The number of employees at the end of the year was 140 (119).

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 2006, page 54.

Proposed treatment of unappropriated earnings

The Board and the CEO propose that the earnings at the disposal of the Annual General Meeting, SEK 191.8 million, be carried forward. Thus no dividend will be proposed.

Summary of 2007 and outlook for 2008

During 2007 the largest product launch in five years was successfully carried out within the Fertility area. This meant a hectic period not only for the market organization but also for the whole product supply structure, with running-in periods and for a time double production runs. The launch meant both somewhat lower sales during the third and fourth quarters to existing customers during their testing phase and more expensive production costs. In spite of this sales growth was strong for fertility products during the fourth quarter, plus 20 percent

calculated in sales currencies. The gross margin was kept at a good level, 68 percent. The strengthening of the Swedish krona has held back the growth figures calculated in Swedish kronor, but as a good deal of Vitrolife's expenses are paid in USD the net effect is relatively small.

The organization was also strengthened during 2007 by the fact that inspections of Vitrolife's facilities by the FDA and other countries' regulatory authorities were carried out with a very successful outcome for the company.

During 2007 Vitrolife continued to work in line with the strategy of strengthening R&D and the market organization. This was with a view to being able to successfully work up several key markets under company management with the aid of an increasingly strong product portfolio. Vitrolife is making greater and greater use of the potential market synergies that the strengthening of the product range with new products developed in-house and the acquisition of the instrument portfolio during 2006 create. 2008 has already been begun with Vitrolife acquiring direct marketing opportunities in the important markets of Italy and France, which means that large parts of Europe are now direct markets. The work on taking advantage of these opportunities has already been begun. The year will be characterized by a continued building up of the marketing resources, something which will favour the opportunities for continuing increased market shares within the Fertility area.

Within the Transplantation area the exciting development of STEEN Solution™ continues for the testing of organs outside the body. At present the focus is on the North American market, where interest is very great and where the work on preparing the introduction of this new product is intensive. The potential for significantly increased sales within the Transplantation area is very good looking a few years ahead. Vitrolife also increased its research resources within the stem-cell area during 2007 and strengthened the collaboration regarding the development of new media with Cellartis AB, a company strong in research within this area. Vitrolife anticipates that the stem-cell area can also come to be a commercially important part of the business as well a few years from now.

At the end of 2008 the business in Sweden will move to new shared premises. This is expected to simplify coordination above all within production, quality control and distribution, but also within product development.

Miscellaneous

In 2003 the American company Mentor Corp. acquired Vitrolife's A-life business, 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 were reached (gross total sales in the world). Starting in May 2005 Mentor launched its first product within this area in Europe, Puragen (former Hyalite).

It is interesting to be able to note that in July 2007 Mentor submitted an application for approval of the product in the large USA market. The company anticipates that approval will be granted at the end of 2008. However, during 2008 Vitrolife does not anticipate that any royalties will be paid.

Significant risks and uncertainty factors

Vitrolife's overall objective in the coming years is increased growth combined with profitability, to be achieved by investing heavily in increased market presence and product development. Below follows a summary of a number of factors that can have great importance for the future development of the company.

Fertility

What remains after the acquisition of Swemed is the completion of the integration of the sales channels in certain markets, in order to be able to make full use of the synergies within sales of both media and instruments. Work is ongoing on finding ways of doing this in those key markets where there are still separate distribution channels today. The possibilities of finding good long-term solutions are considered to be good.

Investment in a larger in-house sales organization is planned to continue during 2008 as well. As the selling-in time for Vitrolife's products is relatively long, six to nine months, this means that it takes some time before the effects are seen in the costs that the company has taken on in the form of more personnel. However, this investment has so far been assessed to be successful and the right way of expanding and moving forward. The level of ambition regarding direct market presence in key markets has been raised, and a sign of this is the acquisition of the majority of the shares in Vitrolife's Italian distributor of fertility products and the taking over of the marketing and distribution of media products in France from the distributor. Both these events took place at the beginning of 2008.

Investment in a larger in-house sales organization is also linked to increased resources to the development and registration department, in order to give support through new and improved products. During 2007 the launch of a new generation of media products, the G5 Series™, took place and also of a number of new products within the freezing of oocytes and embryos. Product development projects and authority approval may, however, always be delayed or fail to materialize.

The market for primarily fertility products is, as within many medical areas, to a large extent dependent on laws, directives, approval and reimbursement of expenses. The company's experience of what happens after a change in reimbursement varies. In the German market, for example, a reduction of reimbursement meant that the market decreased. However, it is Vitrolife's assessment that certain changes and regulations can be positive for the company. One example is the increased control over the clinics that has been introduced in China. Another is the expected requirement that only CE marked products can

be used within fertility in Europe. In both cases these changes counteract irresponsible competition.

Transplantation

The STEEN Solution™ method can eventually enable the carrying out of five to ten times more lung transplantations. The need for donated organs considerably exceeds availability. There is thus a potential for great sales growth in this area for Vitrolife, but there are no guarantees for how quickly adoption of the new technology can occur. The outcome will also depend to a large extent, particularly in Europe, on the demands from those patient groups that need the treatment, as lung transplantations are a life-saving but expensive procedure.

Work is ongoing on the study in North America that will form the basis of sales approval of STEEN Solution™ there. 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 the most important for the product in the years to come, will take longer than expected or completely fail to materialize. 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 of approval failing to be granted as small.

Financial

With regard to cash flow risks, Vitrolife's exposure is greatest to changes in the Euro. The majority of the expenses are in SEK, but some expenses are also in Euro. This outflow is matched as far as possible against the inflow of Euro. During 2007 7.2 million Euro were hedged through forward contracts. No foreign exchange contracts have been entered into for 2008.

With regard to translation exposure, Vitrolife's exposure is greatest to changes in USD.

Legal disputes

Vitrolife has a number of patents and a number of other intellectual property rights that are important to the company. There are a number of other patents etc. in the market that are held by other companies and where the drawing up of boundaries can sometimes be difficult to do. Vitrolife is not at present involved in any legal dispute regarding 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.

There are no guarantees either that other types of legal disputes will not affect the company in the future.

Changes in the economy

Both of Vitrolife's main product areas are affected by changes in the economy as a whole and this can have an effect on the total demand, though in somewhat different ways. Within Fertility

the demand for privately paid treatments can go down if there is a decline in the economy as a whole. However, experience shows that this type of treatment usually has great priority among patients. With regard to those treatments paid by public funding, changes in the economy may affect subsidy levels, but changes in these have proved to be slow processes.

Lung transplantations are an expensive but life-saving procedure that there are no medical treatment alternatives to. The cost of transplantations is outweighed several times over, however, by the reduced treatment costs that are otherwise associated with the patient. Today there is a lack of organs and it is this that is usually the main problem in being able to carry out more transplantations, not the financial funds or medical resources.

Events after year-end

In January 2008 a majority shareholding was acquired in the company's Italian distributor. Furthermore, the transfer of marketing and sales of media products within the fertility area in France to the company's own management from the previous distributor was announced. For more information see above in the "Fertility products" section.

Election committee

The following people have been appointed as members of Vitrolife's election committee for the Annual General Meeting in 2008:

Henrik Blomquist, representing Skanditek Industriförvaltning
Johan Ståhl, representing Lannebo Fonder
Johan Ågren, representing Banco Fonder
Patrik Tigerschiöld, Chairman of the Board

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

Proposals and views from shareholders regarding the composition of the Board may be submitted either in writing to the following address: Patrik Tigerschiöld, Skanditek Industriförvaltning AB, Nybrogatan 6, 114 34 Stockholm, Sweden, or by phone: +46 8 614 00 22.

Annual General Meeting and Annual Report

The Annual General Meeting will be held on Tuesday April 29, 2008, at 5 pm on SE Banken's premises in Gothenburg at Östra Hamngatan 24, 405 04 Gothenburg, Sweden. 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 2007 will be available at the company's head office in Kungsbacka at the beginning of April. The Annual Report is sent out to all those who have become new shareholders during the year and to those who are still shareholders from the previous year who

have requested to have the Annual Report sent to them. It is also published on the company's homepage 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.

February 7, 2008
Kungsbacka, Sweden

Magnus Nilsson
CEO

Patrik Tigerschiöld
Chairman of the Board

Madeleine Olsson-Eriksson
Board member

Fredrik Mattsson
Board member

Semmy Rulf
Board member

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

Consolidated income statements

SEK thousands	January–December		October–December	
	2007	2006	2007	2006
Net sales	188 939	171 264	47 537	41 776
Cost of goods sold	-59 274	-54 744	-15 416	-12 826
Gross income	129 665	116 520	32 121	28 950
Selling expenses	-53 105	-47 241	-13 807	-12 747
Administrative expenses	-28 775	-24 339	-7 543	-5 946
Research and development costs	-26 889	-24 183	-7 264	-6 096
Other operating revenues and expenses	138	-730	-349	-277
Operating income	21 034	20 027	3 158	3 884
Financial income and expenses	-2 628	-4 988	-155	-1 817
Income after financial items	18 406	15 039	3 003	2 067
Taxes	17 651	160	4 861	73
Net income	36 057	15 199	7 864	2 140
Earnings per share, SEK	1.82	0.77	0.40	0.11
Earnings per share, SEK*	1.82	0.77	0.40	0.11
Average number of outstanding shares	19 790 990	19 790 157	19 793 490	19 790 157
Average number of outstanding shares*	19 865 309	19 790 157	19 839 586	19 790 157
Number of shares at closing day	19 800 157	19 790 157	19 800 157	19 790 157
Number of shares at closing day*	19 800 157	19 858 868	19 800 157	19 861 226

Depreciation and amortization has reduced income for the year by SEK 12 937 thousand (13 061), of which SEK 3 364 thousand (3 359) is for the fourth quarter.

* After dilution. Vitrolife has two outstanding share warrant programs, comprising 44 490 (1999) and 550 000 (2005) warrants. The net present values of the issue prices were higher than the share price at closing day in both programs. However, the net present value of the issue price was lower than the average share price for the year for the share warrants program from 2005.

Other key ratios

	January–December		October–December	
	2007	2006	2007	2006
Gross margin, %	68.6	68.0	67.6	69.3
Operating margin, %	11.1	11.7	6.6	9.3
Operating margin before R&D costs, %	25.4	25.8	21.9	23.9
Net margin, %	19.1	8.9	16.5	5.1
Equity/assets ratio, %	84.6	81.4	84.6	81.4
Shareholders' equity per share, SEK	12.80	11.15	12.80	11.15
Shareholders' equity per share, SEK*	12.80	11.11	12.80	11.11
Return on equity, %	14.8	6.9	14.8	6.9
Return on capital employed, %	8.7	8.0	8.7	8.0

* After dilution, see above.

Consolidated income statements per quarter

SEK thousands	Oct–Dec	Jul–Sep	Apr–Jun	Jan–Mar	Oct–Dec	Jul–Sep
	2007	2007	2007	2007	2006	2006
Net sales	47 537	44 647	47 545	49 210	41 776	41 045
Cost of goods sold	-15 416	-14 144	-14 260	-15 453	-12 826	-12 682
Gross income	32 121	30 503	33 285	33 757	28 950	28 363
Selling expenses	-13 807	-13 302	-13 175	-12 822	-12 747	-10 624
Administrative expenses	-7 543	-6 612	-7 560	-7 060	-5 946	-5 176
Research and development costs	-7 264	-6 437	-6 574	-6 614	-6 096	-6 096
Other operating revenues and expenses	-349	-99	-121	706	-277	75
Operating income	3 158	4 053	5 855	7 967	3 884	6 542
Financial income and expenses	-155	-778	-655	-1 038	-1 817	-607
Income after financial items	3 003	3 275	5 200	6 929	2 067	5 935
Taxes	4 861	4 427	4 322	4 040	73	65
Net income	7 864	7 702	9 522	10 969	2 140	6 000

Consolidated balance sheets

SEK thousands	Dec 31, 2007	Dec 31, 2006
ASSETS		
Goodwill	83 265	83 265
Other intangible fixed assets	24 030	24 682
Tangible fixed assets	76 639	81 736
Financial fixed assets	23 651	6 264
Inventories	42 562	28 328
Accounts receivable	26 378	24 868
Other current receivables	4 430	7 421
Liquid funds	18 505	14 470
Total assets	299 460	271 034
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	253 384	220 639
Deferred tax liability	432	683
Long-term interest-bearing liabilities	14 304	21 138
Short-term interest-bearing liabilities	6 439	6 553
Accounts payable	9 505	9 170
Other short-term interest-free liabilities	15 396	12 851
Total shareholders' equity and liabilities	299 460	271 034
Pledged assets for own liabilities	30 000	30 000
Contingent liabilities	None	None

Change in shareholders' equity

SEK thousands	January–December	
	2007	2006
Amount at beginning of year	220 639	176 450
Translation difference	-3 621	-8 110
New share issue	309	37 100
Net income for the year	36 057	15 199
Amount at end of year	253 384	220 639

Consolidated cash flow statements

SEK thousands	January–December		October–December	
	2007	2006	2007	2006
Income after financial items	18 406	15 039	3 003	2 067
Adjustment for items not affecting cash flow	13 668	15 619	3 329	3 978
Change in inventories	-14 945	-386	-3 296	-2 169
Change in trade receivables	1 099	-7 385	2 430	-1 806
Change in trade payables	3 057	897	-2 139	3 315
Cash flow from operating activities	21 285	23 784	3 327	5 385
Cash flow from investing activities	-10 590	-79 141	-1 822	-2 902
Cash flow from financing activities	-6 528	21 729	-2 100	-12 567
Cash flow for the period	4 167	-33 628	-595	-10 084
Liquid funds at beginning of period	14 470	48 295	19 186	24 646
Exchange rate difference in liquid funds	-132	-197	-86	-92
Liquid funds at end of period	18 505	14 470	18 505	14 470

Income statements for the Parent Company

SEK thousands	January–December		October–December	
	2007	2006	2007	2006
Net sales	—	—	—	—
Cost of goods sold	—	—	—	—
Gross income	—	—	—	—
Selling expenses	—	—	—	—
Administrative expenses	-2 219	-1 598	-910	-380
Research and development costs	-17	-17	-4	-4
Other operating revenues and expenses	-4	—	-4	—
Operating income	-2 240	-1 615	-918	-384
Financial income and expenses	-189	-1 180	116	-550
Income after financial items	-2 429	-2 795	-802	-934
Taxes	13 668	—	13 668	—
Net income	11 239	-2 795	12 866	-934

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

Balance sheets for the Parent Company

SEK thousands	Dec 31, 2007	Dec 31, 2006
ASSETS		
Patents	59	76
Tangible fixed assets	149	203
Participation in affiliated companies	317 986	317 986
Deferred tax assets	12 810	—
Receivables from affiliated companies	65 052	68 880
Other current receivables	502	172
Liquid funds	315	2 018
Total assets	396 873	389 335
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity	384 172	370 416
Long-term interest-bearing liabilities	5 609	11 863
Short-term interest-bearing liabilities	5 859	5 973
Accounts payable	189	397
Other short-term interest-free liabilities	1 044	686
Total shareholders' equity and liabilities	396 873	389 335
Pledged assets for own liabilities	3 100	3 100
Contingent liabilities	10 000	10 000

Note 1. Accounting principles

This interim report for the Group has been drawn up in accordance with the Annual Accounts Act and IAS 34, Interim Financial Reporting. Vitrolife reports in accordance with IAS 14, Segment Reporting, geographic areas as primary segment.

As from January 1, 2005, Vitrolife applies International Financial Reporting Standards (IFRS) in its consolidated accounts, in the form they have been adopted by the EU. As of January 1, 2005, the Parent Company applies RR 32, Accounting for Legal Entities. The main significance of RR 32 is that IFRS shall be applied, but with certain exceptions.

The accounting principles are unchanged compared with the last Annual Report and a description is to be found in the Annual Report for 2006.

Note 2. Financial data per geographic area, Group

SEK thousands	January–December	
	2007	2006
Europe / Middle East		
Net sales	113 359	105 460
Operating income	12 620	12 332
The Americas		
Net sales	45 653	42 265
Operating income	5 082	4 942
Rest of world		
Net sales	29 927	23 539
Operating income	3 332	2 753



Innovative Cell and Tissue Technology

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 2008 it is planned that the following reports will be submitted:

Interim report January – March: Monday April 28

Interim report January – June: Tuesday July 15

Interim report January – September: Wednesday October 22

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The information in this report is such as that which Vitrolife is required to publish in accordance with the Securities Exchange and Clearing Operations Act.

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Vitrolife is a global biotechnology/medical device Group that works with developing, manufacturing and selling advanced products and systems for the preparation, cultivation and storage of human cells, tissue and organs. The company has business activities within three product areas: Fertility, Transplantation and Stem Cell Cultivation. The Fertility product area works with nutrient solutions (media) and advanced consumable instruments such as needles and pipettes, for the treatment of human infertility. The Transplantation product area works with solutions and systems to maintain tissue in optimal condition outside the body for the required time while waiting for transplantation. The Stem Cell Cultivation product area works with media and instruments to enable the use and handling of stem cells for therapeutic purposes. Vitrolife today has approximately 140 employees and the company's products are sold in more than 80 markets. The head office is in Kungsbacka, Sweden, and there are subsidiaries outside Gothenburg, Sweden and in Denver, USA. The Vitrolife share is listed on the Stockholm Stock Exchange's Nordic Small Cap list.