

# INTERIM REPORT

January to June 2008



# CONSOLIDATED KEY FIGURES

		04/01 – 06/30/2008	04/01 – 06/30/2007	01/01 – 06/30/2008	01/01 – 06/30/2007
<b>STEM CELL PREPARATIONS</b>					
Umbilical cord blood storages	Number	2,853	2,550	5,306	4,996
<b>PROFIT / LOSS</b>					
Revenues	EUR k	3,605	3,909	7,187	7,433
Gross profit	EUR k	2,349	2,717	4,734	5,116
EBIT	EUR k	-784	355	-1,129	619
Period result	EUR k	-753	-1,036	-665	318
				<b>06/30/2008</b>	<b>06/30/2007</b>
<b>BALANCE SHEET / CASH FLOW</b>					
Total assets	EUR k			30,377	32,666
Equity	EUR k			19,079	21,274
Equity ratio	%			62.8	65.1
Liquid funds	EUR k			8,032	12,066
Capital expenditures*	EUR k	163	209	399	418
Depreciation*	EUR k	108	93	209	169
Cash flow from operating activities	EUR k	-501	76	-2,249	-952
<b>EMPLOYEES</b>					
Employees (as of June 30)	Number			120	84,3
Personnel expenditures	EUR k			2,810	2,229

\*Information for tangible and intangible assets

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# LETTER TO THE SHAREHOLDERS

Dear Shareholders,

VITA 34 is looking back at a half year in 2008, in which there was both light and shadows. On a positive note the storage figures increased significantly in the second quarter as compared with both the first quarter of the year, as well as the same period the previous year. We were, thus, able to realize the second highest number of storages in the company's history. We were successful in entering into additional cooperative arrangements with public health insurance funds, thereby further increasing the reach of VITA 34. We were also able to improve the period result from continued operations in the second quarter as compared to the prior year's period.

In the first months of 2008 we detected a significant level of insecurity amongst the general public. The controversial discussion regarding a revision of the German Stem Cell Act and numerous reports concerning new research approaches in stem cell medicine led to temporary perplexity with many people concerning the status of developments and the sense of storing and using stem cells. Moreover, the effects of media reports triggered by the stock market listing of VITA 34 were evident. Here, the purely "commercial" component of our provisional service is a topic that is often a subliminal. This is, of course, only one aspect and, for example, the fact that public blood banks compensate donors of transplants with considerable sums of money is often ignored.

Our answer to the temporary irritation is clear: Even more education! To this end we are utilizing all available chan-

nels. Addressing gynecologists is just as much a part of our new marketing and sales strategy, as is broad public relations work, in which we naturally include the Internet as the medium expecting parents are increasingly using for their initial information. Here, we initiated a bundle of measures especially in Q2, in order to inform our target group about the storage of umbilical cord blood in a factual manner. Fortunately, we were successful in increasing the number of inquiries in the German-speaking countries accordingly in a relatively short period of time. It is, after all, our job to convert these inquiries into continuously increasing storages and rising revenues.

It is becoming evident, that we will be successful in doing so. We anticipate that Q3 2008 will have one of the highest, if not the highest, number of storages in the more than 10-year history of our company, and thus produce a peak revenue of EUR 4 million, which could also be a record. In all, we expect a record in the entire half year in storages and presumably also in revenues. The positive effects of our new marketing and sales strategy will support this.

Despite a record outlook in the second half of 2008, it is probable that we will not be able to compensate for the reserved first half year to a degree that will allow us to reach our previous targets for the entire year with regard to storages and revenues. We will fulfill our profit target with even greater planning security. Up to now our prognoses had foreseen an increase in storages and revenues



Dr. Eberhard Lampeter (CEO), Peter Boehnert (CFO) and Oliver Papavlassopoulos (CMO VITA 34 AG).

in a clear double-digit percent range. From today's perspective, storages will be at least in a single-digit percent range above the prior year. We expect revenues for the full year to be in a range of EUR 15 million to EUR 16 million as compared with the EUR 15.4 million in the record year 2007.

Storages in the first half year of 2008 at VITA 34 totaled 5,306, which is 6.2 percent more than in the prior year's period. In Q2 they were 2,853, thus 11.9 percent higher than in the prior year's period. Whereas the storages in the German-speaking countries showed a reserved development, which was mainly attributable to the temporary effects discussed, the storages for our Spanish partner Secuvita continued to rise dynamically. They were more than 100 percent above the prior year's figures.

Revenues were characterized on the one hand by the regional mix, and on the other by the trailing effect as related to storages. Secuvita storages are associated with clearly reduced revenues, since VITA 34 is a service provider only in a part of the value chain. As is known, the income trails storages by a period of approximately one to two months.

Revenues in the first half year of 2008 of EUR 7.2 million were approx. 3 percent lower than the prior year's value. In Q2 revenues were EUR 3.6 million and were, therefore, some 8 percent below the prior year's period.

The result from continued operations in the first half year of EUR –0.9 million was roughly at the prior year's level of more than EUR –0.8 million, despite the massive expansion of the marketing and sales expenditures, which were increased by nearly 50 percent. In Q2 the net profit was even improved slightly to EUR –0.8 million, irrespective of the significantly increased marketing and sales expenditures, whereas it had been more than EUR –0.9 million in the prior year's period.

Through the massive marketing and sales efforts in the second quarter, VITA 34 has reached a level of expansion that allows the planned expansion of the field force to be adjusted to the modified total year planning in the second half of the year.

We consider ourselves to be in a correspondingly good position to further push the growth dynamic in storages and revenues expected in the second half of 2008 in 2009 as well. With regard to profits, we are seeking to break even in 2009.

Leipzig, July 14, 2008

Dr. Eberhard Lampeter

Peter Boehnert

# GROUP INTERIM REPORT

01/01/ to 06/30/2008

## 1 SUMMARY

With the storage of umbilical cord blood transplants VITA 34 offers a provisional service, whose market success is decisively influenced by the company's success in communicating the associated potential to expecting parents. This potential is opened up by possible uses of the stem cells contained in umbilical cord blood within the scope of therapies for illnesses and in regenerative medicine. Correspondingly, the short-term commercial success of VITA 34 is significantly coupled with the public perception of stem cell medicine.

The body's own (autologous) stem cells from umbilical cord blood stored by VITA 34 are the youngest adult stem cells there are, which can be preserved for a later use. Stem cells from umbilical cord blood have a very small degree of differentiation and a very low biological age, which provide especially good therapy options in the case of many diseases. In addition, the body's own stem cells demonstrate clear therapeutic advantages in numerous indications as compared to cells from other donors (allogenic stem cells). Adult stem cells need to be differentiated from the stem cells that are collected from embryos, the use of which is ethically disputed. In Germany, the latter may only be used, if at all, for research purposes under very restrictive conditions in accordance with the German Stem Cell Act. In such cases, the embryo is destroyed when the cells are collected.

In April 2008, the German Stem Cell Act, which regulates the use of embryonic stem cells in research, was changed after an intensive public and media debate to

allow stem cells collected before May 1, 2007 to be used in research under specific conditions. Within the context of the media discussions, there was significant uncertainty among many Germans concerning the difference between embryonic and adult stem cells are unclear to many. Scientific reports regarding the successful reprogramming of certain cells to stem cells that resemble embryonic stem cells in the laboratory had an amplifying effect.

The declared goal of VITA 34 is to improve the depth of information concerning the potential for the storage of stem cells, especially those from umbilical cord blood. Studies and the prior experience of VITA 34 show that this goes hand in hand with clearly increasing storage figures. The storage rates in other countries are, in part, significantly higher than in Germany, where umbilical cord blood is stored in only some 2 percent of all births. In Asian countries the rate is 15 percent in some cases. The information offensive is part of the new marketing and sales strategy launched in 2007. Apart from the expansion of the field force to approach gynecologists, midwives and multipliers, VITA 34 has been intensifying public relations work since Q2 2008, and is placing a great deal of emphasis on the Internet here. Accordingly, VITA 34 increased expenditures for marketing and sales in the past quarters and in the reported period massively.

VITA 34, as the market leader in the German-speaking countries with a share of more than 66 percent of all storages, should profit the most from an improved infor-



mational situation regarding stem cells from umbilical cord blood. In addition, VITA 34 has a very good reputation as the oldest umbilical cord blood bank for autologous stem cells in the German speaking countries with outstanding quality standards. The successes in marketing and sales should clearly overpower the effects of the general economic situation in normal economic scenarios.

## 2 REVENUE AND PROFIT SITUATION

The number of **stored stem cell preparations** in the first half year of 2008 was 5,306 and, therefore, 6.2 percent higher than the prior year's period with 4,996 storages. The storages for the Spanish partner, Secuvita, rose particularly dynamically, from 615 to 1,594. In Q2 2008 VITA 34 stored 2,853 preparations, 303 or 11.9 percent more than in the prior year's period. Thus, in Q2 VITA 34 had the second best quarter in the company's history with regard to storages.

**Revenues**, which trail storages by one to two months, were EUR 7.2 million in the first half year of 2008, as compared to EUR 7.4 million in the prior year's period. In Q2 they were EUR 3.6 million following EUR 3.9 million a year before.

The **gross profit** of EUR 4.7 million in the first half year of 2008 is juxtaposed with a value of EUR 5.1 million a year before. Here, it should be noted that the share of storages for Secuvita increased further in the reported period. They have a lower gross margin, however, VITA 34

does not incur any expenditures for marketing and sales. In Q2 the gross profit was EUR 2.3 million as compared with EUR 2.7 million in the prior year's quarter.

Within the scope of the new **marketing and sales** strategy the expenditures for these purposes rose by EUR 1.6 million in the half year according to plan to EUR 5.0 million from EUR 3.4 million in the same period the prior year. In the quarter the increase was nearly EUR 1 million, from some EUR 1.8 million in Q2 2007 to EUR 2.7 million in Q2 2008. The **administrative expenses** in the first half year of 2008 were EUR 1.3 million as compared to EUR 1.2 million in the prior year's period. In the quarter they increased to some EUR 0.7 million from some EUR 0.6 million before.

The **EBIT** of EUR -1.1 million was according to plan. A year before it was EUR 0.6 million. In Q2 2008 it was EUR -0.8 million as compared to EUR 0.4 million in the same quarter the prior year. The **financial result** in the first half year was EUR -0.1 million as compared with EUR -1.2 million in the prior year's period. In Q2 2008 there was a financial result of EUR -0.2 million following EUR -1.2 million in the comparison period.

According to IFRS there was a **positive tax effect** in the first half of 2008 arising from deferred taxes of EUR 0.3 million following EUR -0.2 million in the prior year's period. In Q2 of the current year the tax income was EUR 0.2 million as compared with EUR -0.1 million in the prior year's quarter.

The **result from continued operations** in the first half of 2008 was EUR –0.9 million according to IFRS, following EUR –0.8 a year before. In Q2 2008 it improved to less than EUR –0.8 million as compared with EUR –0.9 million in the prior year's period.

There was a slight profit of EUR 0.2 million in the first half year of 2008 resulting from the **discontinued US business** thanks to the dissolution of a provision for leases that have since been terminated. This is in the wake of a profit of EUR 1.1 million in the prior year's period that resulted from the sale of the US American activities. In Q2 2008 the profit contribution – after the complete settlement – was EUR 0, as compared with a slight negative of EUR 0.1 million in Q2 2007.

The **period result** including the discontinued operations was EUR –0.7 million in the first half year, whereas the prior year's value of EUR 0.3 million was mainly influenced by the aforementioned profit from divestiture. In Q2 2008 the period result amounted to EUR –0.8 million and was, therefore, significantly better than the EUR –1.0 million in the prior year's quarter.

### 3 FINANCIAL AND ASSET SITUATION

#### Financial Situation

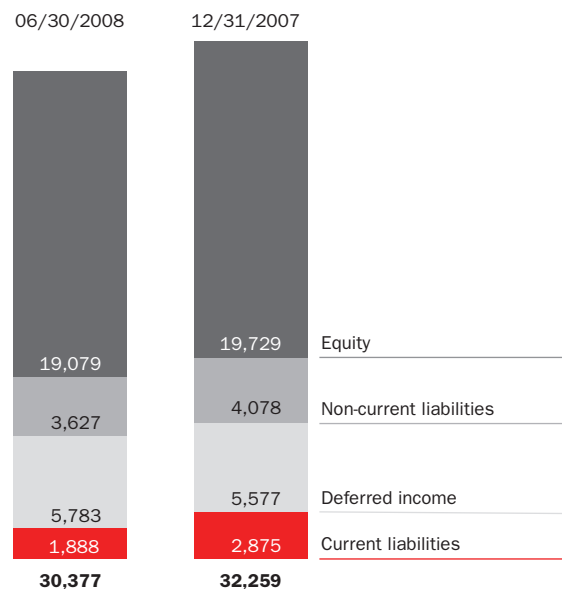
The **cash flow** development in the first half year of 2008 was negative, as planned. Altogether cash and cash equivalents decreased by EUR 2.8 million, whereby EUR 2.1 million were in Q1 2008. Here, the greatest share resulted from operating activities. Thus, the **operative cash flow** in the first half of 2008 was EUR –2.2 million, following EUR –1.7 million as of March 31, 2008. The increase in receivables had a negative effect in the amount of EUR 0.6 million in the first half of 2008. Financial obligations were slightly reduced in Q2 2008. After nearly EUR 0.8 million at the end of the three month mark in 2008, the reduction of the financial obligations was EUR 0.9 million as of the half year.

The **cash flow from investing activities** was EUR –0.4 million in the first half year of 2008. Here, approximately EUR 0.2 million were invested in each of the first and second quarters of 2008. The **cash flow from financing activities** was slightly negative in the first half of 2008 at EUR –0.1 million, and did not change significantly from the first three months of 2008, which also posted

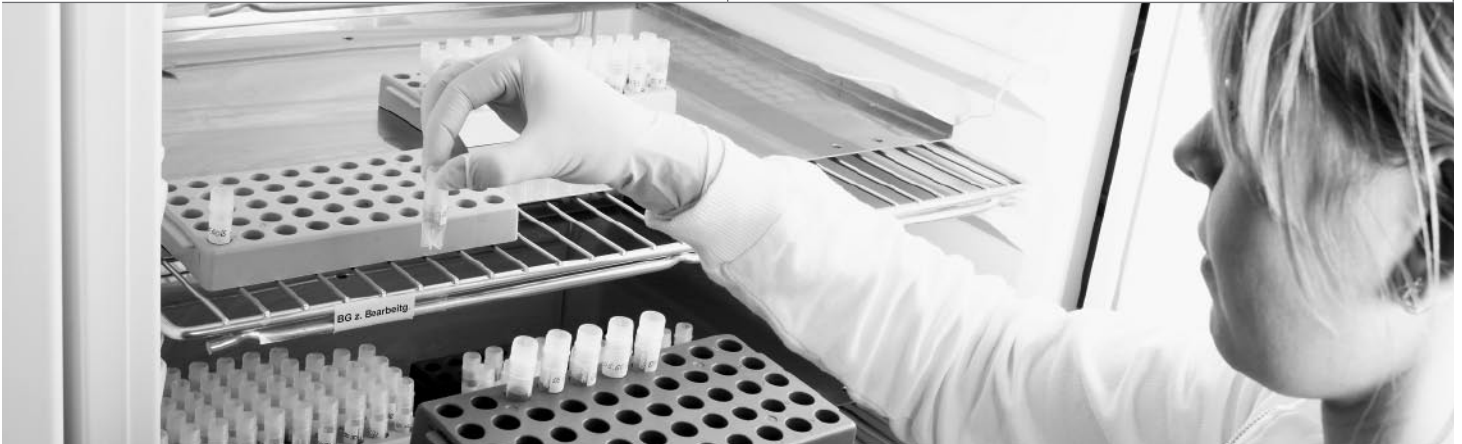
#### Assets



#### Equity and liabilities







EUR –0.1 million. As of June 30, 2008 VITA 34 had cash holdings of EUR 8 million. EUR 11 million were posted at the end of 2007.

#### Assets

The VITA 34 balance sheet shorted again slightly in Q2 2008. The **balance sheet total** was EUR 30.4 million, following EUR 31.2 million as of March 31 and EUR 32.3 million as of year's end 2007. This decrease was the result, among other things, of a reduction of obligations, as well as a reduction in the current assets. Equity, which had been 61 percent at the end of 2007, increased to some 63 percent at the end of the half year 2008.

**Non-current assets** of EUR 18 million represented the majority of the assets. They increased again as compared with EUR 17.2 million as of December 31, 2007 and EUR 17.6 million as of March 31, 2008. The goodwill of EUR 11.9 million accrued had comprised the largest share of the VITA 34 AG **company value**. It remained unchanged as compared with the 2007 year's end and the Q1 2008 figure. VITA 34 AG conducts the operative business and is 100 percent owned by the publicly traded VITA 34 International AG. **Plant and equipment** is the second largest item in the non-current assets. It remained practically unchanged in Q2 at EUR 2.8 million. As compared with the year end value of EUR 2.6 million at the end of 2007, there was a slight increase of EUR 0.2 million. The **non-current trade receivables** increased again in the reporting period. They were EUR 1.8 million following EUR 1.5 million at the end of 2007.

The **current assets** were EUR 12.4 million. As of December 31, 2007 they had been EUR 15.1 million. This contains trade receivables in the amount of EUR 1.6 million. EUR 1.3 million were posted at the end of 2007. The **cash** was reduced to EUR 8 million, after it had been nearly EUR 11 million six months before. In addition, VITA 34 has posted **restricted cash** in the amount of EUR 1.1 million, which is not part of the other cash.

**Equity** of EUR 19.1 million is again the largest item on the liabilities side. As compared to the 2007 year end value of EUR 19.7 million, there was a conditional reduction due to the period result. The capital reserves increased slightly from EUR 23.1 million as of year's end 2007 to EUR 23.2 million.

The **non-current liabilities** were reduced by EUR 0.3 million in the last six months. Following EUR 9.2 million as of December 31, 2007, EUR 8.9 million were posted. The reduction resulted, above all, from the dissolution of provision in the corresponding amount. At EUR 5.8 million **deferred income** was the largest item. This is where the storage fees for the stem cell preparations paid by customers in advance are contained. This deferred income is dissolved linearly over the prepaid term.

The **current assets** were EUR 1.9 million, after they had been EUR 2.9 million six months before. In particular, it was possible to decrease the other liabilities item to EUR 0.8 million, down from EUR 1.4 million at the end of 2007.



#### 4 INVESTMENTS

VITA 34 made investments in plant and material and intangible assets in the amount of EUR 0.2 million in Q2 2008. At EUR 0.4 million in the first half of 2008 the investments were, thus, at the level of the prior year, in which EUR 0.4 million were also posted. Primarily, investments were made in expanding the cryogenic and storage capacities at the company's headquarters in Leipzig. Moreover, in the IT area, VITA 34 acquired and installed additional process software. It is expected that there will be no significant change in investment activity in the coming quarters.

#### 5 EMPLOYEES

As of June 30, 2008 VITA 34 had 120 employees in the group. As compared with March 31, 2008, the number of employees has increased by eight, and in all ten employees have been added since the end of 2007. As of June 30, 2008, some 54 percent of the VITA 34 employees were active in marketing and sales. This is equivalent to a 3 percent increase as compared with 51 percent at the end of 2007.

VITA 34 had 33 employees active in production, control and quality assurance as of June 30, 2008, and there were 22 employees in administration.

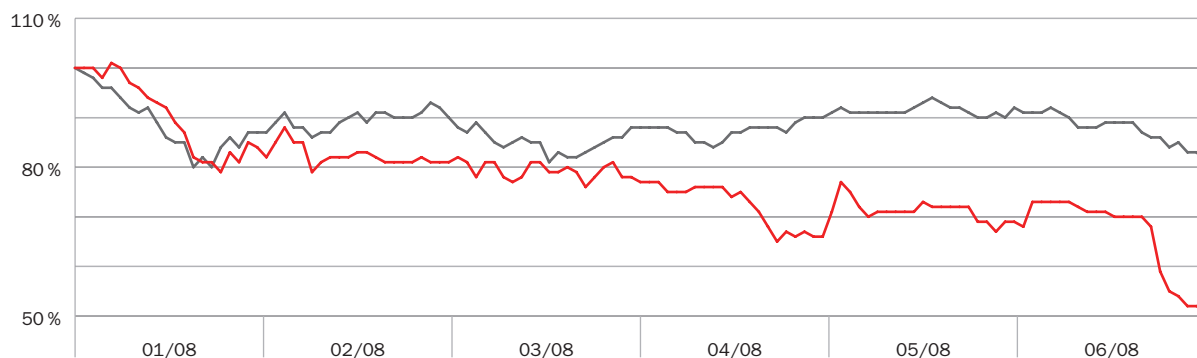
#### 6 VITA 34 ON THE CAPITAL MARKET

In the first half of 2008 the VITA 34 stock was not able to escape the trends of the international financial markets,

and especially the general weakness of second-tier stocks. After the stock price had ended the year 2007 at EUR 12.50 on the Xetra electronic trading system, it reached its high in the first half of 2008 of also EUR 12.50 on January 8, 2008. Following this, the stock lost value, but then swung back up to a level of approximately EUR 10 in the following weeks with a more laterally trending price development. There was an additional downwards trend at the beginning of Q2 2008, which led to a low of EUR 6.49 on June 26, 2008 at the end of the half year. The closing price at the end of the half year was EUR 6.49. Thus, the stock lost 48 percent of its value in the reporting period. The Management Board considers this development to be absolutely unsatisfactory.

The drop in price is, in all probability, attributable to the generally pessimistic mood in the capital markets. Thus, comparative indices such as the CDAX, the Prime All Share or the Technology All Share closed the first half of 2008 with significantly negative performance of minus 20 percent and more.

The average daily trading volume was 2,755 shares/day and was, thus, clearly below the daily volume of fiscal year 2007, which was some 7,600 shares. Apart from Concord Investmentbank AG, ICF Kursmakler AG as a new designated sponsor ensured a high level of liquidity of the stock as well as low bid-ask spreads. The goal of VITA 34 in the future will be to significantly increase the liquidity of its shares again, to increase their attractiveness as an investment.



Xetra historical stock price

— VITA 34 International AG — SDAX

There were no changes in the shareholder structure of VITA 34. The transfer of the share package of CFH, which belongs to Sachsen LB, in the amount of 15.8 percent to Landesbank Baden-Württemberg caused some irritation. This was a technical procedure within the scope of the takeover of Sachsen LB by Landesbank Baden-Württemberg.

In the second year of its stock exchange listing VITA 34 has dedicated itself again to transparent and open communication with the capital market. Thus, a targeted and intensive dialog with the financial community was sought in the first half of 2008. Apart from conducting several

road shows in the German-speaking countries and in London, VITA 34 presented to investors, financial journalists and analysts at capital market conferences in Frankfurt am Main and in Munich with a very positive response. These activities will be intensively continued in the further course of the year.

## 7 RISKS AND MARKET OPPORTUNITIES

The risks and market opportunities for VITA 34 have not changed significantly as compared with those risks and opportunities listed in the 2007 annual report.

### INFORMATION AND KEY FIGURES ON THE SHARES

Ticker symbol / Reuters symbol	V3V / V3VGn.DE
Securities number / ISIN	A0BL84 / DE000A0BL849
Initial quotation	03/27/2007
Market Segment	Prime Standard
Index	CDAX, Prime All Share, Technology All Share, Prime IG Biotechnology
Opening / High / Low / Closing price 2nd quarter 2008 (XETRA)	12.40 EUR / 12.50 EUR / 6.49 EUR / 6.49 EUR
Number of shares issued	2,646,500
Freefloat as of 06/30/2008	47%
Market capitalization as of 06/30/2008	EUR 17.2 million
Designated Sponsors	ICF Kursmakler AG / Concord Investmentbank AG



## 8 OUTLOOK

VITA 34 expects that storages and revenues will continue to develop dynamically in the further course of the year, following the reserved first half of 2008. Nonetheless, VITA 34 expects that this growth will not be sufficient in order to fulfill the published plans regarding storages and revenues for the entire year. In the case of the results, the plans should be attained. VITA 34 continues to forecast a negative planned result before interest and taxes [EBIT] of EUR –2.5 million in 2008.

According to the current status, the storages in 2008 will at least reach the single digit percent range. Up to now a clear double-digit growth figure was expected. The revenues will be in a range of EUR 15.0 million and EUR 16.0 million. Here, after the record revenue in the amount of EUR 15.4 million, a clear double-digit increase was forecast. In 2009 revenues and storages should then increase again at strongly increased rates. In the case of results, plans are to break the profit threshold in the second half of 2009.

The second half year of 2008 will be characterized by in-depth breaking in and productivity increases of the already recruited core field force. Even at the half year mark in 2008, VITA 34 had reached a number of personnel in the field force that will allow the 2008 annual targets and the additional growth in 2009 to be implemented. The additional expansion of the field force will be adjusted to the new time structure of further growth with this in mind. Instead of additional field force hires, VITA 34 will first push the efforts for direct information of the target groups and the public in general.

Additional cooperative agreements should be entered into with health insurance companies in this context in the second half of 2008. In addition, VITA 34 endeavors to market its more than 10 years of accumulated expertise internationally, as has already taken place in the partnership with Secuvita. Corresponding contracts, with an effect on revenues, are possible in the coming quarters. The required negotiations have, in part, already begun and are advanced.

## 9 DECLARATION OF THE LEGAL REPRESENTATIVES

We hereby affirm that to the best of our knowledge the condensed consolidated interim financial statements provide a picture of the asset, financial and profit situation of the group, which reflects the actual circumstances in accordance with the applicable accounting policies, and that the group interim report presents the course of business, including the financial results, and the situation of the company in a manner that corresponds with the actual circumstances, and that the most important opportunities and risks of the foreseeable development of the group have been described.

Leipzig, July 14, 2008

Management Board of VITA 34 International AG

Dr. Eberhard Lampeter

Peter Boehmert

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 06/30/2008

### 1 CONDENSED CONSOLIDATED INCOME STATEMENT

EUR K	NOTE	04/01 – 06/30/2008	04/01 – 06/30/2007	01/01 – 06/30/2008	01/01 – 06/30/2007
<b>Continuing operations</b>					
Revenues		3,605	3,909	7,187	7,433
Cost of sales		-1,256	-1,192	-2,453	-2,317
<b>Gross profit</b>		<b>2,349</b>	<b>2,717</b>	<b>4,734</b>	<b>5,116</b>
Other operating income		271	32	497	135
Selling expenses		-2,704	-1,760	-4,992	-3,384
Administrative expenses		-652	-625	-1,301	-1,210
Other operating expenses		-48	-9	-67	-38
<b>Net operating income</b>		<b>-784</b>	<b>355</b>	<b>-1,129</b>	<b>619</b>
Finance revenues		96	106	236	150
Finance costs		-267	-1,309	-312	-1,360
<b>Earnings before taxes</b>		<b>-955</b>	<b>-848</b>	<b>-1,205</b>	<b>-591</b>
Income tax expense	7	202	-84	292	-240
<b>Profit from continuing operations</b>		<b>-753</b>	<b>-932</b>	<b>-913</b>	<b>-831</b>
<b>Discontinued operation</b>					
Profit/Loss from discontinued operations		0	-104	248	1,149
<b>Period result</b>		<b>-753</b>	<b>-1,036</b>	<b>-665</b>	<b>318</b>
Earnings per share, basic / diluted (EUR)		-0.28	-0.39	-0.25	0.13
Earnings per share from continuing operations, basic / diluted (EUR)		-0.28	-0.35	-0.34	-0.35

**2 CONDENSED CONSOLIDATED BALANCE SHEET (ASSETS)**

EUR K	NOTE	06/30/2008	12/31/2007
<b>Non-current assets</b>			
Goodwill		11,911	11,911
Intangible assets		725	740
Property, plant and equipment		2,827	2,622
Investments	3	141	214
Other financial assets	4	35	35
Deferred tax assets		518	222
Non-current trade receivables		1,836	1,459
		<b>17,993</b>	<b>17,203</b>
<b>Current assets</b>			
Inventories		596	572
Trade receivables		1,626	1,254
Other receivables and assets		1,064	1,211
Short-term investments		1,827	1,951
Restricted cash		1,066	1,066
Cash and cash equivalents	6	6,205	9,002
		<b>12,384</b>	<b>15,056</b>
		<b>30,377</b>	<b>32,259</b>

**2 CONDENSED CONSOLIDATED BALANCE SHEET (LIABILITIES)**

EURK	NOTE	06/30/2008	12/31/2007
<b>Equity</b>			
Issued capital		2,647	2,647
Capital reserves		23,154	23,116
Revenue reserves		-6,687	-6,022
Other reserves		-35	-12
		<b>19,079</b>	<b>19,729</b>
<b>Non-current liabilities and deferred income</b>			
Interest-bearing loans		1,563	1,625
Silent partners' interests		1,426	1,417
Provisions	5	0	299
Deferred grants		638	676
Trade payables		0	61
Deferred income		5,309	5,154
		<b>8,936</b>	<b>9,232</b>
<b>Current liabilities and deferred income</b>			
Trade payables		603	884
Provisions		132	215
Income tax liabilities		112	112
Interest bearing loans		125	213
Deferred grants		81	81
Other liabilities		835	1,370
Deferred income		474	423
		<b>2,362</b>	<b>3,298</b>
		<b>30,377</b>	<b>32,259</b>

**3 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

EUR K	NOTE	01/01 – 06/30/2008	01/01 – 06/30/2007
<b>Cash flow from operating activities</b>			
Earnings before taxes		-1,205	-591
Adjusted for:			
Amortization and depreciation		209	169
Other non-cash expenses and income		0	-41
Exchange differences		-15	0
Finance expenses and revenues		197	1,245
Expenses of stock-based compensation		38	0
Changes in deferred grants		-38	-21
Cash flow from ordinary operations			
+/- Trade receivables and other receivables and assets		-602	-677
+/- Inventories		-24	-20
+/- Trade payables and other liabilities		-877	-681
+/- Provisions		-134	-520
+/- Deferred income		206	203
Income taxes paid	7	-4	-18
<b>Cash flow from operating activities</b>		<b>-2,249</b>	<b>-952</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets		-75	-107
Purchase of property, plant and equipment		-324	-311
Purchase of short-term investments		0	-6,994
Proceeds from sale of equipment		0	33
<b>Cash flow from investing activities</b>		<b>-399</b>	<b>-7,379</b>
<b>Cash flow from financing activities</b>			
Proceeds from issuance of share capital		0	8,074
Changes in silent partnerships		9	3
Loan redemption		-150	-64
<b>Cash flow from financing activities</b>		<b>-141</b>	<b>8,013</b>
<b>Net change in cash and cash equivalents from continued operations</b>		<b>-2,789</b>	<b>-318</b>
<b>Change in cash and cash equivalents from discontinued operations</b>			
from operating activities		0	-120
from investing activities		0	1,342
from financing activities		0	0
<b>Cash flow used in discontinued operations</b>		<b>0</b>	<b>1,222</b>
Net change in cash and cash equivalents		-2,789	904
Cash and cash equivalents at the beginning of the reporting period		10,068	3,029
Net foreign exchange difference		-8	-7
<b>Cash and cash equivalents at the end of the reporting period</b>	6	<b>7,271</b>	<b>3,926</b>
Short-term investments		1,827	9,202
Restricted cash		-1,066	-1,062
<b>Liquid funds</b>		<b>8,032</b>	<b>12,066</b>



**4 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

EUR K	ISSUED CAPITAL	CAPITAL RESERVE	REVENUE RESERVES	OTHER RESERVES	TOTAL EQUITY
<b>January 1, 2007</b>	<b>2,047</b>	<b>15,629</b>	<b>-4,837</b>	<b>96</b>	<b>12,935</b>
Difference arising from foreign currency translation				-54	-54
Period result			318		318
<b>Total period result</b>	<b>0</b>	<b>0</b>	<b>318</b>	<b>-54</b>	<b>264</b>
Issue of capital stock	600	8,400			9,000
Transaction costs		-925			-925
	<b>600</b>	<b>7,475</b>	<b>0</b>	<b>0</b>	<b>8,075</b>
<b>June 30, 2007</b>	<b>2,647</b>	<b>23,104</b>	<b>-4,519</b>	<b>42</b>	<b>21,274</b>
<b>January 1, 2008</b>	<b>2,647</b>	<b>23,116</b>	<b>-6,022</b>	<b>-12</b>	<b>19,729</b>
Difference arising from foreign currency translation				-23	-23
Stock-based compensation		38			38
Period result			-665		-665
<b>Total period result</b>	<b>0</b>	<b>38</b>	<b>-665</b>	<b>-23</b>	<b>-650</b>
<b>June 30, 2008</b>	<b>2,647</b>	<b>23,154</b>	<b>-6,687</b>	<b>-35</b>	<b>19,079</b>

# NOTES ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 COMPANY INFORMATION

The parent company VITA 34 International AG (the “Company”) headquartered in Leipzig (Germany), Deutscher Platz 5, registered under HRB 20339 in the Commercial Register of the Leipzig District Court, is purely a holding company. Its subsidiary companies (referred to along with the Company as “Group”) are active in the field of umbilical cord blood storage. The purpose of the company is the collection, preparation and storage of stem cells from umbilical cord blood, as well as the development of cell therapy processes.

The group interim financial statements for the period from January 1 until June 30, 2008 were approved for publication by the Management Board on July 10, 2008.

## 2 ACCOUNTING AND VALUATION PRINCIPLES

### 2.1 Basis for the Preparation of the Financial Statements

The preparation of the group interim financial statements for the period from January 1 until June 30, 2008 has been conducted in accordance with IAS 34 “Interim Financial Reporting”.

The group interim financial statements do not contain all of the explanations and information prescribed for the annual financial statements and should be read in conjunction with the group financial statements as of December 31, 2007.

### 2.2 Significant Accounting and Valuation Methods

The accounting and valuation methods used to prepare the group interim financial statements correspond with the methods used in the preparation of the group financial statements for the fiscal year as of December 31, 2007.

The standards and interpretations required to be used for the first time starting January 1, 2008 resulted in no significant effects on the interim financial statements.

The company has applied IFRS 8 “Business Segments” in advance as of January 1, 2008. The application of this standard did not have an effect on the asset, financial and profit situation of the group. It did, however, lead to additional information in the appendix to the condensed consolidated interim financial statements.

## 3 INVESTMENTS

In the second quarter of 2008 an adjustment affecting profits in the amount of EUR 59 k was made as a consequence of a significant and apparently permanent drop in the stock price of the shares in Cord Blood America INC., Los Angeles/USA. The adjustment was made in the consolidated statement of profit and loss and in the financial expenditures.

#### 4 OTHER FINANCIAL ASSETS

One loan with conversion options into shares in Cord Blood America INC. under Other Financial Assets was completely adjusted to the applicable time value of the shares to be received in the course of conversion (market price on June 30, 2008). The adjustment in the amount of EUR 7 k was made in the consolidated statement of profit and loss also under financial expenditures.

#### 5 PROVISIONS

In the first quarter of 2008 the group was successful in completely transferring the obligations arising from an onerous, long-term lease of CorCell, Inc. to a previous tenant of the business space by paying a lump sum settlement in the amount of US\$ 262,314. Within the course of transferring the lease, additional expenses were incurred for broker's fees in the amount of US\$ 50,000.

The transfer of the lease resulted in a profit of EUR 248 k as a consequence of dissolving the provision for this onerous, long-term lease, which is listed separately as "Profit from discontinued operations".

#### 6 CASH AND CASH EQUIVALENTS

For the purposes of the group statement of cash flows, the cash and cash equivalents consist of the following:

OVERVIEW CASH AND SHORT-TERM-DEPOSITS	06/30/2008	06/30/2007
	EUR K	EUR K
Cash at banks and in hand	6,205	2,864
Restricted cash	1,066	1,062
	<b>7,271</b>	<b>3,926</b>

#### 7 INCOME TAXES

The significant components of the income tax expenditures listed in the condensed consolidated income statement consist of the following:

MAJOR COMPONENTS OF THE INCOME TAX EXPENSE	01/01 – 06/30/2008	01/01 – 06/30/2007
	EUR K	EUR K
<b>Current income tax</b>		
Current income tax expense	4	231
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	29	9
on unused tax losses	-325	0
<b>Income tax expense reported in the consolidated income statement</b>	<b>-292</b>	<b>240</b>

## 8 SEGMENT REPORTING

Segment reporting has been done in accordance with the following geographical areas of activity:

- :: Germany, Austria, Switzerland (DACH)
- :: Spain
- :: USA (discontinued operations)

Segment reporting according to products and services is not done, since the group deals exclusively with the storage of umbilical cord blood.

The geographic segments of the group are determined in accordance with the revenues earned in the geographical areas. Sales to external customers, which are indicated in the geographic segments, are assigned to the individual segments according to the geographic location of the customer.

The operating profit/loss of the business units is monitored by management separately, in order to make decisions concerning the distribution of resources and to determine the profitability of the units. The development of the segments is evaluated using the operating profit. Here, the determination of the operating profit/loss can deviate from the consolidated financial statements in certain regards (see following table). The group financing (including finance expenses and revenues) as well as taxes on income and profits, are taxed uniformly across the groups and are not attributed to the individual segments.

The offset prices between the operative segments are determined in accordance with typical market conditions amongst unrelated third-parties.

The following table contains information on sales revenues and segment results of the geographic segments of the group for the period from January 1 to June 30, 2008, or 2007.

The information presented under "USA" refer to the abandoned business segment. The divestiture of this business segment was completed on February 28, 2007. Only the sales revenues and the segment results for the period from January 1 to February 28, 2007 are listed under "USA" in 2007.

The segment operating profit/loss does not contain any finance revenues (EUR 236 k), finance expenses (EUR 312 k) and income tax expenses (EUR 292 k), since they are not directly attributable to the individual segments.

The segment assets do not contain any deferred taxes (EUR 518 k) since these assets are taxed at the group level.

The segment liabilities do not contain any actual taxes (EUR 112 k), since these liabilities are taxed at the group level.

Income with a single external customer is listed under the "Spain" segment income, which exceeds 10 percent of the income of the group. Income in the period from January 1 to June 30, 2008 was EUR 1,104 k (January 1 to June 30, 2007: EUR 433 k).

PERIOD FROM 01/01 – 06/30/2008	DACH	SPAIN	USA	TOTAL
	EUR K	EUR K	EUR K	EUR K
<b>Revenue</b>				
Segment revenue	6,083	1,104	0	7,187
<b>Other segment information</b>				
Segment result before Interest and tax	-974	142	0	-832
Unallocated profit/loss				-297
<b>Segment result</b>				<b>-1,129</b>
<b>Profit/loss from discontinued operation</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Segment assets	22,459	421	0	22,880
Unallocated assets				8,297
<b>Total assets</b>				<b>31,177</b>
Segment liabilities	10,916	0	0	10,916
Unallocated liabilities				382
<b>Total liabilities</b>				<b>11,298</b>
<b>PERIOD FROM 01/01 – 06/30/2007</b>				
	DACH	SPAIN	USA	TOTAL
	EUR K	EUR K	EUR K	EUR K
<b>Revenue</b>				
Segment revenue	7,000	433	104	7,537
<b>Other segment information</b>				
Segment result before Interest and tax	1,138	-56	0	1,082
Unallocated profit/loss				-463
<b>Segment result</b>				<b>619</b>
<b>Profit/loss from discontinued operation</b>	<b>0</b>	<b>0</b>	<b>1,253</b>	<b>1,253</b>
Segment assets	23,064	207	0	23,271
Unallocated assets				9,395
<b>Total assets</b>				<b>32,666</b>
Segment liabilities	10,328	0	0	10,328
Unallocated liabilities				1,064
<b>Total liabilities</b>				<b>11,392</b>

## 9 INFORMATION ON RELATIONSHIPS TO FRIENDS AND FAMILY

The following table contains the total amounts arising from transaction between friends and family in the period from January 1 to June 30, 2008 and 2007:

EXPENSES TO RELATED PARTIES	TOTAL AMOUNT OF TRANSACTIONS	
PERIOD FROM 01/01 – 06/30	2008	2007
	EUR K	EURK
A member of the Supervisory Board is Chairman of the U.S. law offices Dillworth Paxon. Law services were purchased from Dillworth Paxon for the following amounts:	4	97
<b>Compensation of key management personnel of the Group:</b>		
Short-term benefits:		
–Remuneration of the Supervisory Board	30	28
–Management Board salaries	299	432
Other long-term benefits:		
–The Management Board of VITA 34 International AG	48	0
Share-based compensation		
–The Management Board of VITA 34 International AG	38	0

**FINANCIAL CALENDAR**

February 15, 2008	Publication of Annual Report 2007
April 14, 2008	Publication of 3-month report
June 6, 2008	Annual Shareholders Meeting in Leipzig
July 14, 2008	Publication of Semi-Annual Report
October 13, 2008	Publication of 9-month report
November 12, 2008	Analysts' Conference

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