

FINANCIAL STATEMENTS 2007

VITA 34 INTERNATIONAL AG

# FINANCIAL STATEMENTS

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**INCOME STATEMENT FOR FISCAL YEAR 2007**

	EUR	EUR	2006 EUR K
<b>1. Other operating income</b>		<b>514,748.53</b>	<b>449</b>
2. Personnel expenses			
a) Wages and salaries	546,641.58		384
b) Social security contributions	12,417.13		12
3. Other operating expenses	1,602,794.73		440
		<b>2,161,853.44</b>	<b>836</b>
4. Other interest and similar income	212,109.45		8
5. Write-downs of financial assets and securities classified as current assets	775,500.00		2,385
6. Interest and similar expenses	7,988.33		0
		<b>-571,378.88</b>	<b>-2,377</b>
7. Result from ordinary activities		-2,218,483.79	-2,764
8. Income taxes		765.72	0
<b>9. Net loss for the year</b>		<b>-2,217,718.07</b>	<b>-2,764</b>
10. Loss carryforward		-3,415,476.97	-651
<b>11. Accumulated loss</b>		<b>-5,633,195.04</b>	<b>-3,415</b>

**BALANCE SHEET AS OF DECEMBER 31, 2007****Assets**

	EUR	EUR	DEC. 31, 2006 EUR K
<b>A. FIXED ASSETS</b>			
<b>Financial assets</b>			
1. Shares in affiliated companies	1,501,000.00		1,501
2. Loans to affiliated companies	0.00		743
		<b>1,501,000.00</b>	<b>2,244</b>
<b>B. CURRENT ASSETS</b>			
<b>I. Receivables and other assets</b>			
1. Receivables from affiliated companies	67,283.36		321
2. Other assets	162,027.32		3
		<b>229,310.68</b>	<b>324</b>
<b>II. Other securities</b>		<b>1,951,000.00</b>	<b>0</b>
<b>III. Bank balances</b>		<b>6,104,449.18</b>	<b>214</b>
		<b>8,284,759.86</b>	<b>538</b>
<b>C. Prepaid expenses</b>		<b>29,973.46</b>	<b>0</b>
		<b>9,815,733.32</b>	<b>2,782</b>

**BALANCE SHEET AS OF DECEMBER 31, 2007****Equity and Liabilities**

	EUR	EUR	DEC. 31, 2006 EUR K
<b>A. EQUITY</b>			
<b>I. Subscribed capital</b>		<b>2,646,500.00</b>	<b>2,046</b>
<b>II. Capital reserve</b>		<b>12,080,000.00</b>	<b>3,680</b>
<b>III. Accumulated loss</b>		<b>-5,633,195.04</b>	<b>-3,415</b>
		<b>9,093,304.96</b>	<b>2,311</b>
<b>B. ACCRUALS</b>			
<b>Other accruals</b>		<b>385,353.49</b>	<b>232</b>
<b>C. LIABILITIES</b>			
1. Trade payables	4,949.89		13
2. Liabilities to affiliated companies	331,681.88		12
3. Other liabilities thereof from taxes: EUR 443.10 (prior year: EUR 180 k) 443.10			214
		<b>337,074.87</b>	<b>239</b>
		<b>9,815,733.32</b>	<b>2,782</b>

# VITA 34 INTERNATIONAL AG, LEIPZIG

# NOTES TO THE FINANCIAL

# STATEMENTS

## FOR FISCAL YEAR 2007

### **1 GENERAL**

As it is publicly listed, the Company qualifies as a large corporation pursuant to Sec. 267 (3) Sentence 2 HGB. The Company is therefore subject to the requirements as defined by Secs. 242 et seq. HGB [“Handelsgesetzbuch”: German Commercial Code] when preparing its financial statements in accordance with the additional provisions for corporations in Secs. 264 et seq. HGB and the AktG [“Aktiengesetz”: German Stock Corporation Act], and is required to publish them in compliance with Secs. 325 et seq. HGB.

### **2 ACCOUNTING AND VALUATION PRINCIPLES**

Shares in affiliated companies and the loans are stated at acquisition cost less any impairment losses recognized.

Receivables and other assets are stated at their nominal value.

Foreign currency receivables are valued at the bid rate on the date of entry or at the rate on the balance sheet date, whichever is lower.

Securities classified as current assets are valued at the lower of cost or market.

Other accruals account for all recognizable risks and contingent liabilities at the amounts required according to prudent business judgment.

Liabilities are generally recorded at the amount repayable or the settlement value.

Foreign currency liabilities are recorded at the selling rate on the date of entry or the exchange rate on the balance sheet date, whichever is higher.

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### 3 NOTES TO THE BALANCE SHEET

#### 3.1 Fixed Assets

Fixed assets comprise shares in affiliated companies of EUR 1,501 k (prior year: EUR 1,501 k). In the prior year, loans to affiliated companies amounting to EUR 743 k were disclosed under fixed assets. These have been written off in full in the reporting year. A statement of changes in fixed assets is attached to these notes.

Due to permanent impairment as defined by Sec. 253 (2) HGB, an impairment loss was recognized on loans to CorCell, Inc (EUR 743 k).

#### 3.2 Receivables and Other Assets

There are no trade receivables.

There are receivables from affiliated companies amounting to EUR 67 k (prior year: EUR 321 k). These consist of management fees. The receivables are due within one year.

Other assets include in particular tax reimbursement claims and interest receivables.

#### 3.3 Cash and Cash Equivalents and Securities Classified as Current Assets

The company has bank balances of EUR 6,104 k (prior year: EUR 214 k), as well as securities classified as current assets of EUR 1,951 k.

Securities of EUR 32 k were written down to the lower market value as of the balance sheet date.

#### 3.4 Equity

The capital stock of the Company amounts to EUR 2,646,500 (prior year: EUR 2,046,500) and is divided into no-par value shares of EUR 1.

Capital reserves increased in 2007 by EUR 8,400 k to EUR 12,080 k (prior year: EUR 3,680 k). The increase resulted from the issue of 600,000 shares at a price per share of EUR 15 on the one hand, less the EUR 600 k increase in subscribed capital.

Pursuant to § 7 of VITA 34 International AG's articles of incorporation and bylaws, authorized capital is available. By resolution of the annual general meeting, the management board is authorized to increase the capital stock of the Company with the approval of the supervisory board by up to EUR 500,000.00, once or several times over a period of five years from the date of registration of the amendment of the articles of incorporation and bylaws, by issue of up to 500,000 new registered no-par value ordinary shares in return for contributions in cash or in kind.

Subject to the approval of the supervisory board, the management board decides on the exclusion of existing shareholders' subscription rights. The exclusion of existing shareholders' rights is permissible in particular in order to

- :: issue up to 204,650 new shares in return for contributions in cash at a price that is not significantly below the quoted price of the shares of the Company at the time that the management board determines the issue price;
- :: issue up to 500,000 new shares as part of a capital increase in return for contributions in kind to issue shares for the purpose of acquiring entities, business units or equity investments;
- :: round fractional amounts;
- :: issue up to 30,000 new employee stocks.

The management board will decide on the content of the respective share rights and the conditions of share issue with the approval of the supervisory board.

The management board is also authorized, with the approval of the supervisory board, to preclude the shareholders' subscription rights.

Pursuant to § 7 of the articles of incorporation and bylaws of VITA 34 International AG, the Company's capital stock can be conditionally increased by a nominal amount of up to EUR 40,000.00 by issue of up to 40,000 new registered shares. The conditional capital increase serves to cover the stock options, the issue of which was resolved by the annual general meeting on July 31, 2007. The contingent capital increase is only carried out to the extent that holders of options exercise them. The new shares resulting from the options exercised participate in profits from the beginning of the fiscal year in which they are created by exercising the subscription rights.

### **3.5 Accruals**

Other accruals primarily comprise accruals for personnel expenses (EUR 189 k), preparing the financial statements and audit fees (EUR 68 k), and consulting services (EUR 55 k).

### **3.6 Liabilities**

Liabilities in 2007 comprise liabilities to affiliated companies of EUR 332 k (prior year: EUR 12 k), of which EUR 300 k relates to liabilities to CorCell, Inc. from the cash pool and EUR 32 k to other affiliated companies and trade payables of EUR 5 k (prior year: EUR 13 k). All liabilities are due within one year.

### **3.7 Contingent Liabilities and Other Financial Obligations**

VITA 34 International AG has assumed a no-fault liability in the case of default for all obligations of VITA 34 AG arising from the silent participation agreement dated July 30/August 6, 1999

between VITA 34 AG and tbG Technologie-Beteiligungs-Gesellschaft mbH. If VITA 34 AG fails to meet its payment obligations towards tbG, tbG may claim payment directly from VITA 34 International AG. The contribution of tbG totals EUR 349,723.64 and its term runs until December 31, 2009.

Furthermore, VITA 34 International AG will assume responsibility for the fulfillment warranty relating to all CorCell, Inc.'s payment obligations from the transaction with Cord Blood America. The warranty obligation will end on March 31, 2010 at the latest, and is limited to a total of USD 3,770 k.

#### **4 NOTES TO THE INCOME STATEMENT**

The income statement has been prepared using the cost-summary method.

##### **4.1 Other Operating Income**

Operating income of EUR 515 k (prior year: EUR 449 k) was generated from cross-charging management fees.

##### **4.2 Other Operating Expenses**

Other operating expenses incurred in the reporting year mainly related to going public (EUR 941 k; prior year: EUR 43 k), consulting services (EUR 205 k; prior year: EUR 203 k), and costs of preparing the financial statements and audit fees (EUR 136 k; prior year: EUR 67 k). Sundry other costs of EUR 81 k (prior year: EUR 54 k) were incurred for supervisory board remuneration, including accruals of EUR 25 k for travel expenses. Other operating expenses include expenses of EUR 109 k relating to other periods from the write-off of receivables.

##### **4.3 Write-Downs on Financial Assets and Securities Classified as Current Assets**

Due to permanent impairment as defined by Sec. 253 (2) HGB, write-downs of EUR 743 k were recorded for loan receivables which matured on December 31, 2007.

#### **5 OTHER NOTES**

##### **5.1 Headcount**

Apart from the management board members, the Company itself had no employees.

##### **5.2 Management Board**

The management board members in fiscal year 2007 were:

Dr. Eberhard F. Lampeter (CEO)	CEO of VITA 34 AG
Peter Boehnert (CFO)	CFO of VITA 34 AG

**Remuneration of the Management Board of VITA 34 International AG (Remuneration Report)**

The supervisory board determines the remuneration amount and structure for the management board pursuant to Sec. 87 of the AktG. Remuneration of VITA International AG's management board includes fixed salary and variable components as well as other fees.

Fixed salary refers to the contractually-defined basic rate which is paid monthly in equal amounts. The amount of the variable component is limited and is based on whether certain quantitative and qualitative targets set each year are met. More weight is given to the quantitative targets, which relate to sales and earnings before tax (EBT). Furthermore, individual performance targets are taken into account. These targets are to be agreed between the supervisory board and the management board member at the start of each fiscal year. In the reporting fiscal year, a special bonus was also agreed in relation to the Company going public.

In addition, the members of the management board received supplementary benefits. These consist principally of insurance payments and the private use of company cars, and are taxed individually for each management board member.

Total remuneration for management board members amounted to EUR 557 k in fiscal year 2007. Details on management board remuneration are broken down in the table below. Variable remuneration is shown at the maximum amount that the management board members can earn. When determining whether qualitative goals have been reached, the smaller portion of variable remuneration is determined at the discretion of the supervisory board.

REMUNERATION OF VITA 34 INTERNATIONAL AG'S MANAGEMENT BOARD FOR THE FISCAL YEAR 2007, EUR K:				
	FIXED REMUNERATION	VARIABLE COMPONENT	OTHER FEES	TOTAL REMUNERATION
Dr. Eberhard F. Lampeter	168	112	17	297
Peter Boehnert	137	98	25	260

**Premature Termination of the Employment Agreement**

The employment agreements concluded with management board members do not contain change of control clauses or any other special privileges relating to premature termination of the agreement.

Restraints on competition for 24 months following termination of employment have been agreed with the management board members. The company is obliged to pay Dr. Lampeter compensation corresponding to his basic monthly salary each month for the duration of the restraint on competition following termination of employment. Mr. Boehnert receives 50 % of his basic monthly salary for each month of the restraint on competition. The company is entitled to waive the restraint on competition upon termination of the employment agreement. In this case, there is no obligation to pay compensation.

**Share-Based Compensation**

Board members of VITA 34 International AG do not receive any additional share-based compensation.

**5.3 Supervisory Board Disclosures**

The supervisory board members in fiscal year 2007 were:

- :: Richard J. Neeson (Chairman)                      Senior Vice President Independence Blue Cross; President and CEO of NewSeasons Assisted Living Comm.; Director on Board of various IBC subsidiaries; Director on Board of Solid State Equipment Corporation; Director on Board of Academy of Notre Dame de Namur
- :: Hubertus Leonhardt (Deputy Chairman)                      MD of SHS Gesellschaft für Beteiligungsmanagement mbH; MD of SHS Gesellschaft für Beteiligung mbH; MD of Dritte SHS Technologiefonds Verwaltungsgesellschaft mbH; MD of Dritte SHS Technologiefonds GmbH & Co. KG; MD of SHS III Beteiligungsgesellschaft bürgerlichen Rechts; MD of various limited partnerships of which SHS Gesellschaft für Beteiligung mbH is a general partner; Probiogen AG, chairman of the supervisory board; Micropelt GmbH, chairman of the supervisory board
- :: Dr. Uwe Marx    Physician/biologist/management board member of Probiogen AG;
- :: Steven I. Udvarhelyi, MD                                      Senior Vice President, Chief Medical Officer Indep. Blue Cross; Member of the Board of Directors of NCQA (National Committee for Quality Assurance)
- :: Joseph H. Jacovini    Lawyer/Partner Dilworth Paxson LLP; Chairman, Drexel University Board of Trustees; Director, LaFrance Corporation; Director, Solid State Equipment Corporation; Chairman, Director, Casa Farnese; Chairman, Philadelphia Heart Association
- :: Prof. Dr. Christoph Hohbach                                      Former head of R&D at Böhringer Ingelheim

**Supervisory Board Remuneration (Remuneration Report)**

Board remuneration of EUR 29 k was paid in 2007.

Remuneration of supervisory board members is determined pursuant to Sec. 18 of the articles of incorporation and bylaws.

The current version of the regulations is based on the resolution of the annual general meeting of July 31, 2007. Remuneration is agreed as a fixed salary and is paid quarterly to members of the supervisory board. The roles of supervisory board chairman and his deputy are taken into account separately.

SUPERVISORY BOARD REMUNERATION OF VITA 34 INTERNATIONAL AG	
	FIXED SALARY EUR
Richard Neeson (Chairman)	8,000
Hubertus Leonhardt (Deputy Chairman)	4,833
Dr. Uwe Marx	4,000
Joseph H. Jacovini	4,000
Prof. Dr. Christoph Hohbach	4,000
Steven Udvarhelyi	4,000

In fiscal year 2007, no other compensation was paid by the company to members of the supervisory board and no other advantages were extended for services provided individually.

#### 5.4 Information on Shareholdings, Consolidated Financial Statements

As of December 31, 2007, VITA 34 International AG is the parent company of the subsidiaries as defined by Sec. 290 HGB listed in the list of shareholdings, which in turn are affiliated companies in accordance with Sec. 271 (2) HGB.

NAME	LOCATION	SHARE IN CAPITAL (%)	EQUITY AS OF DEC. 31, 2007 (EUR K)	NET INCOME/LOSS FOR 2007 (EUR K)
VITA 34 AG	Leipzig, Germany	100.0	2,491	285
CorCell, Inc.	Philadelphia, USA	100.0	-2,122	1,583

USD exchange rate: 1.4718

As the parent company, VITA 34 International AG has prepared consolidated financial statements in accordance with IFRS for the year ending December 31, 2007.

#### 5.5 Disclosures Relating to Corporate Governance Declaration

VITA 34 International AG issued a declaration of corporate governance in 2007, published in accordance with the relevant stock exchange rules and regulations. The corporate governance directives as well as the declaration of compliance can be viewed on the internet at [www.vita34.de](http://www.vita34.de) (in the investor relations section).

#### 5.6 Appropriation of Profits/Proposal for the Appropriation of Profits

The Company's management board proposes to carry forward the accumulated loss of EUR 5,633,195 to new account.

**5.7 Audit Fees and Provisions Pursuant to Sec. 314 HGB**

Expenses for auditing of the consolidated financial statements in the fiscal year 2007 break down as follows:

	2007 EUR K	2006 EUR K
Audit fees	60	62
Fees for other attestation or valuation services	60	0
<b>Total</b>	<b>120</b>	<b>62</b>

Audit fees principally include fees for auditing the financial statements and consolidated financial statements required by law.

Fees for other attestation or valuation services relate mainly to payments for the review of the interim financial statements and services connected to VITA 34 International AG going public.

Leipzig, January 18, 2008  
VITA 34 International AG



Dr. Eberhard F. Lampeter  
CEO



Peter Boehnert  
CFO

**Attachment to the Notes**

STATEMENT OF CHANGES IN FIXED ASSETS FOR FISCAL YEAR 2007			
FINANCIAL ASSETS	ACQUISITION AND PRODUCTION COSTS		
	JAN. 1, 2007 EUR	ADDITIONS EUR	DISPOSALS EUR
1. Shares in affiliated companies	2,076,500.00	0.00	0.00
2. Loans to affiliated companies	2,552,471.28	0.00	0.00
	<b>4,628,971.28</b>	<b>0.00</b>	<b>0.00</b>

DEC. 31, 2007 EUR	ACCUMULATED AMORTIZATION, DEPRECIATION AND WRITE-DOWNS				NET BOOK VALUES	
	JAN. 1, 2007 EUR	ADDITIONS EUR	DISPOSALS EUR	DEC. 31, 2007 EUR	DEC. 31, 2007 EUR	2006 EUR K
2,076,500.00	575,500.00	0.00		575,500.00	1,501,000.00	1,501
2,552,471.28	1,809,471.28	743,000.00	0.00	2,552,471.28	0.00	743
<b>4,628,971.28</b>	<b>2,384,971.28</b>	<b>743,000.00</b>	<b>0.00</b>	<b>3,127,971.28</b>	<b>1,501,000.00</b>	<b>2,244</b>

# MANAGEMENT REPORT

## OF VITA 34 INTERNATIONAL AG

### FOR THE FISCAL YEAR FROM JANUARY 1

### TO DECEMBER 31, 2007

#### **1 BUSINESS DEVELOPMENT AND ECONOMIC ENVIRONMENT**

##### **1.1 Economic Environment**

VITA International should be treated as a holding company together with its subsidiaries, in particular VITA 34 (collectively "VITA 34").

In general, the business success of VITA 34 hinges on further increasing the number of storages. VITA 34 is largely impervious to moderate fluctuations in annual birth rates since this effect is cushioned in terms of absolute new storage figures if the overall share of parents choosing to store the umbilical cord blood of their children increases as a result of the marketing and sales strategy. The share in Germany is currently less than 2%, in the US it is more than 3% and in Asian countries it is as much as 15%. VITA 34 thus assumes that there is significant potential in Germany.

Overall, VITA 34 is also not especially affected by economic conditions at present. Current VITA 34 data shows that the consistent use of marketing and sales instruments can generate above-average storage of new specimens, even in weak economic regions with below-average purchasing power.

##### **1.2 Legal Environment**

Following its IPO on March 27, 2007 in the Prime Standard segment of the Frankfurt stock exchange, VITA 34 International AG is subject to all legal stock market regulations. The obligations subsequent to public listing and admission must be observed by VITA 34 International AG.

There were no further changes in the legal environment for VITA 34 International AG compared to 2006.

The subsidiary VITA 34 AG is affected by legal changes in the field of cord blood storage.

### **1.3 Development of Other Operating Income**

VITA 34 International AG's income consists almost exclusively of management cost transfers to VITA 34 AG.

### **1.4 Capital Expenditures**

VITA 34 International AG did not make any capital expenditure for fixed assets.

### **1.5 Personnel**

Apart from the management board members, VITA 34 International itself had no employees.

The management board members in fiscal year 2007 were:

- :: Dr. Eberhard F. Lampeter (CEO)
- :: Peter Boehnert (CFO)

### **1.6 Significant Events in the Fiscal Year**

The following significant events affected the success of VITA 34 International AG in 2007:

- :: Following the sale of new operations CorCell, Inc. in October 2006, existing operations could also be sold in February 2007. Most of the income generated from this is required to cover CorCell, Inc.'s obligations to third parties. Consequently, it is unlikely that CorCell, Inc. will be able to fulfill its obligations from loans to VITA 34 International.
- :: VITA 34 International AG went public on March 27, 2007. The Company has been listed on the Prime Standard segment of the Frankfurt stock exchange ever since. Funds of EUR 9 million gained from the IPO were used to finance the extended marketing and sales strategy.

## 2 RESULTS OF OPERATIONS, FINANCIAL POSITION, AND NET ASSETS

### 2.1 Results of Operations

	2007		2006	
<b>Operating performance (other operating income)</b>	515	100.0 %	449	100.0 %
<b>= Contribution margin</b>	<b>515</b>	<b>100.0 %</b>	<b>449</b>	<b>100.0 %</b>
- Personnel expenses	-559	-108.5 %	-396	-88.2 %
- Structural costs	-1,603	-311.3 %	-440	-98.0 %
<b>= EBITA (Earnings Before Interest, Taxes, Amortization)</b>	<b>-1,647</b>	<b>-319.8 %</b>	<b>-387</b>	<b>-86.2 %</b>
- Write-downs on financial assets	-776	-150.7 %	-2,385	-531.2 %
- Interest and similar expenses/income	204	39.6 %	7	1.6 %
- Tax expenses	1	0.2 %	0	0.0 %
<b>= Net loss for the year</b>	<b>-2,218</b>	<b>-430.7 %</b>	<b>-2,765</b>	<b>-615.8 %</b>

:: The item **other operating income** includes income of EUR 513 k for management services and income from cross-charging expenses to VITA 34 AG.

:: **Personnel costs** incorporate fixed and variable components of remuneration for VITA 34 International AG's management board.

:: The item **structural costs** includes, in particular, expenses of EUR 941 k relating to the Company's IPO; fees of EUR 341 k for legal, consulting and audit services, and supervisory board remuneration of EUR 29 k.

:: **Write-downs on financial assets** include impairment losses on loans to CorCell, Inc. and write-downs to securities classified as current assets recorded in the reporting year. As well as impairment losses on loans (EUR 1,809 k), equity investments held in CorCell, Inc. (EUR 576 k) had to be written down in the prior year.

:: **Interest income** results from interest on available cash and cash equivalents.

## 2.2 Net Assets

ASSETS (IN EUR K)	2007	2006
Financial assets	1,501	2,244
Receivables	67	321
Cash and cash equivalents (bank balances and securities portfolio)	8,056	214
Other assets (prepaid expenses, other assets)	192	3
<b>Balance sheet total</b>	<b>9,816</b>	<b>2,782</b>

### :: Financial assets

Financial assets amounting to EUR 1,501 k (prior year: EUR 2,244 k) include shares in VITA 34 AG. Shares in CorCell, Inc. were written down in full in 2006.

Due to permanent impairment as defined by Sec. 253 (2) HGB [“Handelsgesetzbuch”: German Commercial Code], an impairment loss was recognized on loans to CorCell, Inc (EUR 743 k) because it is not expected that CorCell, Inc. will fulfill these obligations. Therefore, loans to CorCell, Inc. were written off in full.

### :: Receivables from affiliated companies and shareholders

In 2007, receivables decreased by EUR 254 k. Only receivables from the subsidiary VITA 34 AG (EUR 67 k) are disclosed.

### :: Cash and cash equivalents

We refer to section 2.3 of the management report for details of the development of cash and cash equivalents.

### :: Other assets

Other assets of EUR 192 k (prior year: EUR 3 k) mainly include tax refund claims from the tax authorities, interest entitlements from capital investments, and prepaid expenses.

<b>EQUITY AND LIABILITIES (IN EUR K)</b>	<b>2007</b>	<b>2006</b>
Accruals	385	232
Liabilities	337	239
Equity	9,094	2,311
<b>Balance sheet total</b>	<b>9,816</b>	<b>2,782</b>

**:: Accruals**

Accruals were set up in 2007 for performance-related remuneration, travel expenses, supplier obligations, and fees for audit and consulting services.

**:: Liabilities**

Liabilities in 2007 comprise liabilities to affiliated companies of EUR 332 k (prior year: EUR 12 k) and trade payables of EUR 5 k (prior year: EUR 13 k).

**:: Equity**

The Company's equity in 2007 comprises capital stock of EUR 2,647 k (prior year: EUR 2,047 k), a capital reserve of EUR 12,080 k (prior year: EUR 3,680 k), and an accumulated loss of EUR 5,633 k (prior year: 3,416 k).

VITA 34 International AG placed 600,000 shares from the capital increase on the market in the course of going public. The issue price for the shares was set at EUR 15.00 in consultation with the syndicate manager Concord Effekten AG. The shares were first listed on the regulated market (Prime Standard segment) of the Frankfurt stock exchange on March 27, 2007. Subscribed capital increased by EUR 600 k. By going public the Group generated a total of EUR 9,000 k.

## 2.3 Financial Position

	2007 EUR K	2006 EUR K
<b>1. Cash flow from operating activities</b>		
Net income before extraordinary items and before profit transfer	-2,218	-2,765
Write-downs (+)/write-ups (-) on fixed assets	0	576
Increase (+)/decrease (-) in accruals	153	119
Non-cash income (-)/non-cash expenses (+)	743	1,809
Increase (-)/decrease (+) in inventories, trade receivables and other assets	66	-240
Increase (+)/decrease (-) in trade payables and other liabilities	98	150
Cash flow from operating activities	-1,158	-351
<b>2. Cash flow from investing activities</b>		
Cash paid (-) for investments in financial assets	0	-1,240
Cash flow from investing activities	0	-1,240
<b>3. Cash flow from financing activities</b>		
Cash received (+) from equity contributions (capital increases, sale of treasury shares, etc.)	9,000	0
Cash flow from financing activities	9,000	0
<b>4. Cash and cash equivalents at the end of the period</b>		
Change in cash and cash equivalents (subtotal of 1 to 3)	7,842	-1,591
Cash and cash equivalents at the beginning of the period	214	1,805
Cash and cash equivalents at the end of the period	8,056	214

### **3 SIGNIFICANT EVENTS AFTER THE CLOSE OF FISCAL YEAR 2007**

After the close of the fiscal year 2007, there were no events of any significance for the net assets, financial position, and results of operations of VITA 34 International AG.

### **4 REMUNERATION REPORT**

We refer to our comments in the notes to the financial statements under sections 5.2 and 5.3 for details of the essential features of the compensation system.

### **5 DISCLOSURES PURSUANT TO SEC. 289 (4) HGB**

#### **Subscribed Capital**

In the course of the IPO on March 27, 2007, VITA 34 placed 600,000 shares on the market from a capital increase. The subscribed capital of VITA 34 International AG amounts to EUR 2,646,500 and is split into 2,646,500 registered no-par value shares (ordinary shares). Each share entitles the holder to one vote.

#### **Limitations to the Transfer of Shares**

The trading of shares of VITA 34 International AG is restricted only with respect to the sales prohibition attached to shares held by certain shareholders. Under the agreed sales prohibition, these shares may not be traded on the stock exchange for a period of 12 to 18 months from the date of initial quoting.

#### **Main Shareholders**

VITA 34 International AG has been officially notified of the following direct or indirect participations in the capital of VITA 34 International AG exceeding 10 % of the voting rights:

- :: Independence Blue Cross, Philadelphia, USA: 20.7 %,
- :: Sachsen LB Group: 15.8 %.

#### **Legal Provisions Concerning the Appointment and Dismissal of Members of the Management Board or Amendments to the Articles of Incorporation and Bylaws**

Secs. 84 and 85 AktG [“Aktiengesetz”]: German Stock Corporation Act] prescribe provisions concerning the dismissal of members of the management board. The provisions contained in § 9 of the articles of incorporation and bylaws of VITA 34 International AG concur with these. Pursuant to Secs. 133 and 179 AktG, the articles of incorporation and bylaws can be amended by resolution of the annual general meeting.

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**Authorized Capital**

In accordance with § 7 of the articles of incorporation and bylaws of VITA 34 International AG, the Company has authorized capital. By resolution of the annual general meeting, the management board is authorized to increase the capital stock of the Company with the approval of the supervisory board by up to EUR 500,000.00, once or several times over a period of five years from the date of registration of the amendment of the articles of incorporation and bylaws, by issue of up to 500,000 new registered no-par value ordinary shares in return for contributions in cash or in kind.

Subject to the approval of the supervisory board, the management board decides on the exclusion of existing shareholders' subscription rights. The exclusion of existing shareholders' rights is permissible in particular in order to

- :: issue up to 204,650 new shares in return for contributions in cash at a price that is not significantly below the quoted price of the shares of the Company at the time that the management board determines the issue price;
- :: issue up to 500,000 new shares as part of a capital increase in return for contributions in kind to issue shares for the purpose of acquiring entities, business units, or equity investments;
- :: round fractional amounts;
- :: issue up to 30,000 new employee stocks.

The management board will decide on the content of the respective share rights and the conditions of share issue with the approval of the supervisory board.

**Conditional Capital**

Pursuant to § 7 of the articles of incorporation and bylaws of VITA 34 International AG, the Company's capital stock can be conditionally increased by a nominal amount of up to EUR 40,000.00 by issue of up to 40,000 new registered shares. The conditional capital increase serves to cover the stock options, the issue of which was resolved by the annual general meeting on July 31, 2007. The conditional capital increase is only carried out to the extent that holders of options exercise them. The new shares resulting from the options exercised participate in profits from the beginning of the fiscal year in which they are created by exercising the subscription rights.

**Authority of the Management Board to Issue Shares or Acquire Treasury Shares**

By resolution of the annual general meeting dated January 10, 2007, the Company is authorized to acquire treasury shares within 18 months of passing the resolution in order to

- :: reduce the Company's equity against voluntary reserves or
- :: offer the Company's shares to third parties in the course of mergers, the acquisition of entities or equity investments or industrial rights (patents, trademarks, etc.) or
- :: offer the Company's shares for subscription to members of the management board, management staff and employees, or to present to future affiliated entities or
- :: redeem them.

The authorization is restricted to the acquisition of shares representing EUR 204,000 of the capital stock. This is less than 10 % of the capital stock.

**Significant Agreements Subject to a Change in Control as a Result of a Takeover Bid**

The Company has not entered into any significant agreements subject to a change in control as a result of a takeover bid, nor has the Company entered into compensation agreements with the members of the management board or employees in the event of a takeover bid.

**6 RISK REPORT**

VITA 34 International AG and its subsidiary VITA 34 AG operate an internal risk management system within the group which identifies risks and subsequently evaluates and prioritizes them within risk areas. The analyzed risks comprise strategic, financial, personnel-related and legal risks, product, capital market and management risks, risks for marketing and sales, infra-structural risks, and general entrepreneurial risks. Management and the operative level are involved in the process of risk management. In addition to regular process-related risks, risks within projects are analyzed separately and recorded by the risk management system. VITA 34 prepares comprehensive documentation in the course of risk management.

Risks for VITA 34 International AG are primarily due to risks from subsidiaries' business operations. The principle risks are as follows:

**:: Risks from Future Alternatives for the Storage of Umbilical Cord Blood**

Future research may prove that stem cells from other sources (e.g. adult stem cells from bone marrow or peripheral blood or tissue) are a cost-effective alternative to stem cells from core blood and that these can be obtained at any time. Therapeutic clones, as are currently presented in the media, could also be used by customers as an alternative treatment strategy. The field of therapeutic cloning is, however, still at the earliest basic research phase. Its development into a therapy is exposed to very high risks and is unrealistic in our opinion. Even if this procedure were to develop into a successful treatment strategy in years to come, autologous stem cells would continue to be the ideal source of cells for therapeutic cloning. Consequently, these alternatives do not pose a risk to the continued existence of the Company as a going concern.

Nevertheless, reports in the media on these alternatives could have temporary adverse consequences for VITA 34, since they could have a negative influence on the purchase decisions of potential customers.

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**:: Market Risks**

Risks to the Company's market position and from competitors were also not recognizable in 2007. There is however a risk that the market expansion will be slower or less pronounced than expected. A potentially limiting factor in this context is the financial resources available to VITA 34. Nevertheless, it can be assumed that the market expansion and growth of VITA 34 AG will not follow a linear pattern from quarter to quarter, but will rather be subject to fluctuations.

**:: Legal Risks**

Legal risks can result from the wide range of regulations and laws that concern our business. Amendments to laws affecting the medical and pharmaceutical fields may negatively impact existing business structures. By actively conducting talks with decision-makers, we will endeavor to clarify the special circumstances affecting VITA 34 when the law is interpreted, and implement amendments in a practical manner.

**:: Liability Risks**

The unsuccessful collection of umbilical cord blood, improper transportation, processing errors at VITA 34 or the loss of stored specimens may lead to liability claims by customers affected. VITA 34 has concluded insurance policies to cover potential losses and liability risks in a bid to preclude or limit the economic consequences of any potential risks. The scope of the insurance policies concluded is regularly reviewed and adjusted, if necessary.

**:: Possible Risks from Warranty Obligations**

For VITA 34 International AG there were risks which arose from warranty obligations which were assumed to the purchaser of the operative business of CorCell, Inc. These warranty obligations are limited to a maximum of USD 3.8 million and end on April 31, 2010. From the point of view of the management, all obligations have been fulfilled and there is no indication that disadvantageous consequences arise for VITA 34 International AG from the warranty obligations.

## 7 FORECAST

The success of VITA 34 International AG hinges significantly on the subsidiaries.

In 2008, VITA 34 AG is planning significant development of its organization of marketing and sales. VITA 34 AG will post losses as a result of this development phase despite rising sales revenue in 2008, before scheduled return to profit-making in 2009. At the same time, it is assumed that the success of the subsidiary will not primarily be influenced by economic developments.

VITA 34 International AG will report losses again in the next two fiscal years, as dividend payments from subsidiaries are not expected in this period. Losses will, however, be significantly lower than in 2007 because in 2007 costs were incurred in relation to the IPO and impairment losses on loans to the subsidiary CorCell, Inc.

The funding available is sufficient to support the subsidiary VITA 34 AG financially as it aims to reach ambitious growth targets.

Leipzig, January 18, 2008  
Management Board of VITA 34 International AG



Dr. med. Eberhard F. Lampeter



Peter Boehnert

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**DECLARATION OF LEGAL REPRESENTATIVES**

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Leipzig, January 18, 2008  
Management Board of VITA 34 International AG



Dr. med. Eberhard F. Lampeter



Peter Boehnert

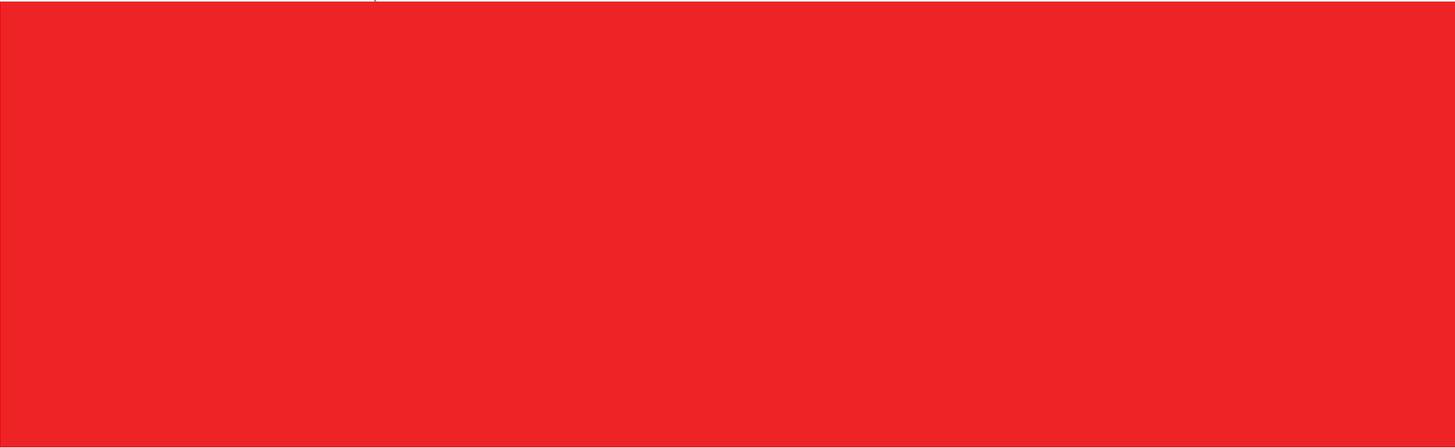
# AUDIT OPINION

We have issued the following opinion on the financial statements:

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of VITA 34 International AG, Leipzig, for the fiscal year from January 1 to December 31, 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company’s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB [“Handelsgesetzbuch”: German Commercial Code] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.



In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development."

Leipzig, January 18, 2008

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

Mandler  
Wirtschaftsprüfer  
[German Public Auditor]

Schurk  
Wirtschaftsprüfer  
[German Public Auditor]

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This report contains forward-looking statements, which are based on current assumptions and estimates of VITA 34 International AG management. These statements should not be construed to be a guarantee that these expectations will prove to be correct. The future development and the actual results achieved both by VITA 34 International AG are dependent on a number of risks and insecurities and can, therefore, deviate significantly from the forward-looking statements.

Many of these factors lie beyond the VITA 34 International AG sphere of influence and cannot be precisely predicted, for example the future economic and scientific environment, as well as the behavior of competitors and other market participants. An update of the forward-looking statements is not planned, nor does VITA 34 International AG assume a special obligation to do so.

This report is available in German and English. Please note that in the case of legal action only the German version is valid. The English translation is only for informational purposes.

**VITA 34 International AG**

Deutscher Platz 5  
04103 Leipzig

Telephone: +49 341 48792-40  
Fax: +49 341 48792-39

Internet: [www.vita34.com](http://www.vita34.com)  
E-mail: [ir@vita34.com](mailto:ir@vita34.com)

