VITA 34 International AG
Leipzig

Consolidated Financial Statements in accordance with IFRS
December 31, 2006

To the readers,

With request of the consolidated financial statements of VITA 34 International AG, Leipzig, from 31 December 2006, with the auditor's report, on the internet page of VITA 34 International AG, Leipzig, you have correspondingly declared your agreement to these conditions:

1. In the auditor’s report the auditor summarizes the results of his work in particular for those organs of the company upon which the monitoring is incumbent. Irrespective of a possible right of third parties for the receipt or the inspection, he addresses exclusively the organs of the company for internal company use.
2. Our commission for the voluntary check of the consolidated financial statements of VITA 34 International AG, Leipzig, is based on our commission confirmation letter as well as the “General commission conditions for auditors and auditing companies” in the version published by the Institut der Wirtschaftsprüfer (Institute of Auditors) from 1 January 2002.
3. The auditor’s report therefore is only intended to be used as a basis for decisions of these organs and exclusively for their purposes, so that we do not assume responsibility, liability or other obligations with regard to third parties unless we have entered into written agreements which state otherwise with the third parties and our clients.
4. We explicitly point out that we do not undertake any updating of the auditor’s report in view of events or circumstances which have occurred after the issuing of the auditor’s report insofar as there is no legal obligation.
5. Whoever takes note of information of this auditor’s report is, irrespective of the responsibility of the auditor according to § 323 HGB (German Commercial Code) with legally required audits, to decide upon his own responsibility if and in what form he uses this information for his purposes and deems it to be suitable and expands upon, verifies or updates it through his own examination actions.
6. You will handle the information made accessible to you in an absolutely confidential manner.

Leipzig, 27 April 2007

Ernst & Young AG
Auditing company
Tax consultants

Stefania Mandler by procuration Thomas Schurk

AUDIT OPINION

To VITA 34 International AG, Leipzig:

We have audited the consolidated financial statements prepared by VITA 34 International AG, Leipzig, comprising the balance sheet, the income statement, the statement of changes in equity, the cash flow statement and the notes to the consolidated financial statements, for the fiscal year from January 1 to December 31, 2006. The preparation of the consolidated financial statements in accordance with IFRS is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB 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 consolidated financial statements in accordance with IFRS are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 consolidated financial statements comply with IFRSs and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements.

Leipzig, January 31, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

Mandler	Schurk
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

VITA 34 International AG

Consolidated Income Statement for the Fiscal Year ended December 31, 2006

	Note	EUR k	EUR k
Continuing operations			
Revenue	4	11,556	10,233
Cost of sales	4	-3,661	-3,403
Gross profit		**7,895**	**6,830**
Other operating income	4	358	444
Selling expenses	4	-5,396	-4,291
Administrative expenses	4	-2,118	-1,625
Other operating expenses	4	-243	-165
Net operating income		496	1,193
Finance revenue	4	192	136
Finance costs	4	-218	-298
Earnings before taxes		**470**	**1,033**
Income tax expense	5	-287	-545
Profit for the year from continuing operations		**183**	**486**
Discontinued operation			
Loss for the year from a discontinued operation	6	-3,049	-2,405
Profit/loss for the year		**-2,866**	**-1,919**

	Note	EUR	EUR
Earnings per share	7		
basic, for profit for the year attributable to ordinary equity holders of the parent		-1.40	-1.07
Earnings per share from continuing operations			
basic, for profit for the year from continuing operations attributable to ordinary equity holders of the parent		0.09	0.27

VITA 34 International AG

Consolidated Balance Sheet as of December 31, 2006

	Note	2006 EUR k	2005 EUR k
ASSETS			
Non-current assets			
Goodwill	8	11,911	14,942
Intangible assets	8	533	443
Property, plant and equipment	9	2,182	1,915
Other financial assets		35	35
Deferred tax assets	5	317	493
Non-current trade receivables	12	604	554
		15,582	**18,382**
Current assets			
Inventories	11	605	474
Trade receivables	12	951	759
Other receivables and assets	12	802	807
Deferred capital issue charges	13	148	0
Short-term investments	14	2,318	0
Restricted cash	15	1,000	1,000
Cash and cash equivalents	15	2,029	5,647
		7,853	**8,687**
Assets of a disposal group classified as held for sale	6	**2,375**	**0**
		25,810	**27,069**

VITA 34 International AG

Consolidated Balance Sheet as of December 31, 2006

	Note	2006 EUR k	2005 EUR k
EQUITY AND LIABILITIES			
Equity			
Issued capital	16	2,047	2,047
Capital reserves	16	15,629	15,629
Revenue reserves	16	-4,837	-1,971
Other reserves	16	96	-64
		12,935	**15,641**
Non-current liabilities and deferred income			
Interest-bearing loans	17	1,750	1,890
Silent partners' interests	18	1,442	1,437
Provisions	19	375	0
Deferred grants	20	446	505
Deferred income	21	4,746	4,973
		8,759	**8,805**
Current liabilities and deferred income			
Trade payables	22	784	1,282
Provisions	19	761	355
Income tax liabilities	5	111	0
Interest-bearing loans	17	214	125
Deferred grants	20	59	62
Other liabilities	22	1,270	482
Deferred income	21	300	317
		3,499	**2,623**
Liabilities associated with a disposal group classified as held for sale	6	**617**	**0**
		25,810	**27,069**

VITA 34 International AG
Statement of Changes in Group Equity as of December 31, 2006

	Note	Issued capital	Capital reserve	Revenue reserves	Other reserves	Total equity
		16	16	16	16	
January 1, 2005		**1,727**	**12,223**	**-52**	**0**	**13,898**
Foreign currency translation					-64	-64
Profit/loss for the year				-1,919		-1,919
Total income and expense for the year		0	0	-1,919	-64	-1,983
Issue of share capital		320	3,680			4,000
Transaction costs			-274			-274
		320	3,406	0	0	3,726
December 31, 2005		**2,047**	**15,629**	**-1,971**	**-64**	**15,641**
Foreign currency translation					160	160
Profit/loss for the year				-2,866		-2,866
Total income and expense for the year		0	0	-2,866	160	-2,706
December 31, 2006		**2,047**	**15,629**	**-4,837**	**96**	**12,935**

VITA 34 International AG
Consolidated Cash Flow Statement
for the Fiscal Year ended December 31, 2006

	Note	2006 EUR k		2005 EUR k	
Cash flow from operating activities					
Earnings before taxes		470		1,032	
Adjusted for:					
Amortization and depreciation		300		262	
Other non-cash income and expenses		-62		-65	
Finance revenue		-192		-136	
Interest expenses		218		298	
		851		1,391	
+/- Decrease/increase in trade receivables and other receivables and assets		-577		22	
+/- Decrease/increase in inventories		-131		-4	
+/- Increase/decrease in trade payables and other liabilities		726		-916	
+/- Increase/decrease in provisions		0		-97	
+/- Increase/decrease in deferred income		169		672	
Cash flows from ordinary operations		1,037		1,068	
Interest paid		-218		-298	
Income taxes paid		0		-1	
Net cash flows from operating activities			**702**		**769**
Cash flow from investing activities					
Purchase of intangible assets		-238		-202	
Purchase of property, plant and equipment		-553		-312	
Proceeds from sale of property, plant and equipment		35		40	
Purchase of short-term investments		-2,201		0	
Interest received		75		136	
Net cash flows used in investing activities			**-2,882**		**-339**
Cash flow from financing activities					
Proceeds from issuance of share capital		0		3,726	
Change in silent partnerships		5		24	
Payments of liabilities		-36		0	
Net cash flows used in financing activities/ net cash flows from financing activities			**-31**		**3,750**
Net change in cash and cash equivalents from continued operations			**-2,211**		**4,180**
Net change in cash and cash equivalents from discontinued operations					
- from operating activities		-1,236		-2,091	
- from investing activities		-136		-103	
- from financing activities		-15		-58	
Cash flows used in discontinued operations			**-1,387**		**-2,252**
Net change in cash and cash equivalents			**-3,598**		**1,928**
Cash and cash equivalents at the beginning of the reporting period	15		**6,647**		**4,704**
Net foreign exchange difference			**-20**		**15**
Cash and cash equivalents at the end of the reporting period	15		**3,029**		**6,647**
Short-term investments			**2,318**		**0**
Liquid funds			**5,347**		**6,647**

VITA 34 International AG
Notes to the Consolidated Financial Statements as of December 31, 2006

1 INFORMATION ON THE PARENT AND THE GROUP

The parent VITA 34 International AG (the "Company") domiciled in Leipzig (Germany), at Deutscher Platz 5a, and filed in the register court of the Leipzig district court under HRB 20339 is a pure holding company. Its subsidiaries (together with the Company referred to as the "Group") operate in the field of cord blood storage. Their business purpose is to collect, process and store stem cells from cord blood and to develop cell therapeutics.

The consolidated financial statements of VITA 34 International AG for the fiscal year ended December 31, 2006 were authorized for issue by the management board on January 31, 2007. VITA 34 International AG was incorporated in Germany as a limited liability stock corporation domiciled in Germany, whose shares are to be admitted for public trading.

2 ACCOUNTING POLICIES

2.1 Basis of Preparation

VITA 34 International AG prepared consolidated financial statements for the first time for the year ended December 31, 2006.

The consolidated financial statements of VITA 34 International AG were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) which were applicable as of the balance sheet date. All IFRSs applicable for the fiscal year 2006 and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) were adopted.

The consolidated financial statements of VITA 34 International AG are generally prepared in euro (EUR) on an amortized cost basis, except for financial assets held for trading that have been measured at fair value. All amounts are rounded to the nearest thousand (EUR k) except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of VITA 34 International AG and its subsidiaries as of December 31 each fiscal year, starting from 2005. The financial statements of the subsidiaries are prepared as of the same balance sheet date as the parent, using consistent accounting policies.

Intercompany balances, transactions, income and expenses and profits and losses resulting from intercompany transactions that are recognized in assets are eliminated in full.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The following wholly owned subsidiaries were included in the consolidated group:

- VITA 34 AG, Leipzig, Germany
- CorCell, Inc., Philadelphia, USA

2.2 Effects of the Conversion of Accounting to IFRS

Until the end of fiscal year 2005, the financial reporting of VITA 34 International AG was performed in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporations Act (AktG). In connection with the planned IPO and the resulting orientation towards the capital market, the Company decided with reference to the EU Directive of July 19, 2002 to convert all of its financial reporting to IFRS from January 1, 2005 onwards in compliance with IFRS 1 “First-time adoption”. The effects of the transition to IFRS were recognized in group equity as of January 1, 2005.

In the past, VITA 34 International AG had not prepared consolidated financial statements in accordance with HGB because it was exempted from that duty. On the one hand, therefore, use was made of the simplification provided for in IFRS 1 for business combinations, in particular of IFRS 1 Appendix B2 (j). On the other hand, there is no suitable basis for the general reconciliation statements provided for in IFRS 1. Instead, various qualitative and, in certain cases, also quantitative explanations are provided below.

Recognition of Goodwill from Purchase Accounting

The goodwill recognized in the course of first-time consolidation as of the date of transition to IFRS is the difference between the parent’s interest in the consolidated subsidiaries’ carrying amounts, which have been determined in accordance with IFRS, and the acquisition cost of the financial investments made in the subsidiaries, which were recognized in the parent’s separate financial statements (in agreement with IFRS). The cost corresponds to fair value plus transaction costs directly attributable to the acquisition of the investment. In this case, the investments were acquired by contribution in kind in return for new shares issued in the course of a capital increase and the carrying amounts of the acquired shares were recognized under HGB at nominal value. The shares in the subsidiaries were consequently written up to fair value for IFRS purposes in the Company’s separate financial statements. This adjustment led to an increase in equity of EUR 15,154 k. The fair value of the subsidiaries acquired in which the Company holds all shares was determined according to the DCF method on the basis of business valuations. Subsequent to this fair value adjustment, goodwill arising on purchase accounting as of January 1, 2005 amounts to EUR 14,942 k.

Adjustment of Useful Lives within Property, Plant and Equipment

In the course of the transition to IFRS, the useful life of the cryotanks needed for blood storage was re-estimated at 40 years.

Measurement of Inventories

The general administrative expenses included in the measurement of inventories under HGB have been eliminated.

Deferred Investment Grants

Investment grants were recognized in profit or loss immediately under HGB. Under IFRS, however, they are deferred. The Company exercised an option to recognize them on the liabilities side of the balance sheet as deferred grants. The deferred grants item is released to profit or loss over the useful life of the subsidized assets.

Deferred Taxes, in Particular Deferred Tax Assets on Unused Tax Losses

In contrast to the accounting treatment under German commercial law in the separate financial statements, deferred tax assets were recognized in the consolidated financial statements on VITA 34 AG's unused trade tax and corporate income tax losses determined by management. As of the date of transition to IFRS it was considered likely that these unused tax losses will be used, especially in view of the fact that the majority of the unused tax losses were already or are being used in fiscal years 2005 and 2006. The Company's unused tax losses, however, were not recognized since they can only be used under certain circumstances which cannot currently be considered likely.

2.3 Key Judgments and Estimates

Judgments

In the process of applying the accounting policies, management made the following judgments which had a significant effect on the amounts recognized in the financial statements. This section does not include uncertainties involving estimations (see section "Estimates and assumptions").

Discontinuation of the Geographical Segment "USA"

The geographical segment "USA" consists solely of the subsidiary CorCell Inc.'s business. The latter comprises the closely related value-added stages "collection and processing stem cells from cord blood" (for short: "processing") and their subsequent storage (for short: "storage") which do not, however, represent separate business segments.

As of October 1, 2006, CorCell sold the processing business units (including the department responsible for acquiring new customers). The buyer took over all employees in the course of the transaction. In addition, another agreement was concluded at the same time with the buyer on the sale of the business with existing contracts (storage). However, this agreement is still subject to the buyer securing financing. The decision on financing is scheduled to be made in February 2007 or at the latest by the end of March 2007 – based on corresponding contractual arrangements. The purchase price for the storage unit is to be paid in cash plus a number of shares that will be determined in relation to the share price at the date of transfer.

The management board currently cannot say with certainty at present whether the buyer will obtain the necessary financing. Should the buyer not obtain the financing, CorCell will sell the storage business to another investor at short notice. It has already prepared appropriate marketing strategies. Discontinuation of all operations of CorCell Inc. is therefore considered highly probable. For the purpose of presentation in the consolidated financial statements, it was therefore assumed that these operations will be sold in 2007.

The income and expenses attributable to the discontinued operation (processing and storage) are consequently disclosed separately in the consolidated income statement 2006 and 2005. The assets of CorCell Inc. that are to be sold are disclosed in the consolidated balance sheet as of December 31, 2006 as “assets of a disposal group classified as held for sale” and the related liabilities are recognized as “liabilities associated with a disposal group classified as held for sale”. They were measured in accordance with IFRS 5 “Non-current assets held for sale and discontinued operations”. Regarding the impairment losses recognized on goodwill in this respect, reference is made to Note 10.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty as of the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next fiscal year are discussed below.

Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as of December 31, 2006 was EUR 11,911 k (2005: EUR 14,942 k). More details are given in Note 10.

With respect to the goodwill of the “USA” segment, which is part of the disposal group classified as held for sale, there is uncertainty which affects its measurement (see “Judgments” above). This goodwill is therefore measured based on the cash flows which would be generated if the storage business were continued. The resulting value is below the contractually agreed purchase price.

Treatment of Unused Tax Losses

During the tax field audit performed at VITA 34 AG, covering assessment periods up to 2002, the tax authorities did not agree with the opinion of VITA 34 AG concerning the tax treatment of deferred income from prepaid storage fees. The assessment differed from the data stated by VITA 34 AG in its tax returns and led to a reduction of the unused tax loss as of December 31, 2002. VITA 34 AG has filed a protest against these assessments. There is uncertainty concerning the outcome of these appeal proceedings. When calculating whether and to what extent unused tax losses exist at the cut-off dates January 1, 2005 and December 31, 2005 and 2006, management assumes that amounts pursuant to the current assessments should be used to calculate deferred income for tax purposes for the fiscal years up until and including 2002. For the fiscal years from 2003 onwards, unused tax losses were rolled forward based on the deferred income declared to the tax authorities in subsequent years because various matters of relevance for the calculation changed in 2003 and for subsequent years. According to management, the existence of the unused tax losses calculated or rolled forward in this way is probable. The income tax payables recognized as of the balance sheet date were calculated on this basis and management does not believe further provisions to be necessary. Deferred tax assets were recognized as of the balance sheet date for the full amount of unused tax losses thus calculated, since it is probable that the unused tax losses will be fully utilized by 2010 according to the corresponding planning statement. However, no deferred tax assets were recognized on unused tax losses of the parent because, with its present function of pure holding company, the company is not expected to have sufficient taxable income in the future if no targeted tax law measures are taken.

Obligations from an Onerous Long-Term Rent Agreement of CorCell Inc.

As described in the section “Judgments”, in addition to the processing unit, which was sold in 2006, the storage unit is to be sold. Due to discontinuation of the operations of CorCell Inc. and the resulting restrictions on use of the rented offices, there is a net obligation of EUR 538 k (present value) for future rent payments to the lessor under a long-term rent agreement which is non-cancellable during the term of the agreement until mid-2012. The income from sub-letting that is likely to be generated was taken into account on the basis of a best estimate when calculating the net obligation.

Some of the office space rented by CorCell was already sub-let for the period until the end of the main rent agreement as soon as the agreements on the sale of the processing and storage units were concluded. The resulting contractual income from sub-letting falls short of the corresponding rent expenses pursuant to the main rent agreement and was included accordingly in the calculation of potential loss from the main rent agreement.

In addition, in connection with the sale of the processing unit, a sub-letting agreement was concluded for the remaining office space with the buyer. The agreement has a non-cancellable term until September 30, 2007. The sub-lessee was granted annual renewal options until the end of the term of the main rent agreement. With this sub-letting

agreement, CorCell Inc. again had to accept comparatively unfavorable rent terms. In comparison to the long-term sub-letting agreement explained above, this short-term subletting agreement is subject to significantly higher estimation uncertainty concerning the income from sub-letting. Management has anticipated this measurement risk and included a best estimate of the expected income from sub-letting in the calculation of the net obligation. The net expenses from accounting for the obligation are disclosed in the consolidated income statement 2006 as part of the profit or loss of discontinued operations. In the consolidated balance sheet the obligation is reflected in the provisions.

2.4 Summary of Significant Accounting Policies

Foreign Currency Translation

The consolidated financial statements are presented in euro, which is the Group's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as of the date of initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

The functional currency of CorCell Inc. is the US dollar. As of the reporting date, the assets and liabilities of this subsidiary are translated into the presentation currency of VITA 34 International AG (euro) at the exchange rate ruling at the balance sheet date. Income and expenses are translated at the weighted average exchange rate in the fiscal year. The exchange differences arising on translation to the presentation currency are taken directly to a separate component of equity.

Goodwill

The goodwill recognized in the course of first-time consolidation as of the date of transition to IFRS is the difference between the parent's interest in the consolidated subsidiaries' carrying amounts, which have been determined in accordance with IFRS, and the acquisition cost of the financial investments made in the subsidiaries, which were recognized in the parent's separate financial statements (in agreement with IFRS).

As of the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies in order to test for impairment. This is irrespective of whether other assets or liabilities of the Group have already been assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated

- represents the lowest level within the Group at which goodwill is monitored for internal management purposes; and
- is not larger than a segment based on either the Group's primary or the Group's secondary reporting format determined in accordance with IAS 14 "Segment Reporting".

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of units) is less than the carrying amount, an impairment loss is recognized.

Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets with a finite useful life are amortized over their useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life is reviewed at the end of each fiscal year at the latest. Changes in the expected useful life or the expected pattern of consumption of the future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with a finite life is recognized in the income statement in the expenses category consistent with the function of the intangible asset.

Research and Development Costs

Research costs are expensed as incurred. Development costs incurred as part of an individual project are capitalized if all of the prerequisites listed in IAS 38 in this respect are met. Since they were not met, however, no development costs have been recognized to date.

A summary of the policies applied to the Group's intangible assets (without goodwill) is presented below:

Accounting policies applied to the Group's intangible assets (without goodwill)

	Patents	Software
Useful lives	Patents are amortized over an average useful life of 15 years.	The operating software is amortized over an average useful life of five years.
Method used	Amortization is charged over the expected useful life using the straight-line method. The Company does not have any patents with an indefinite useful life.	Amortization is charged over the useful life using the straight-line method.
Internally generated or acquired	All patents were purchased for a consideration.	All software was purchased for a consideration.
Impairment testing/recoverable amount testing	An impairment test is carried out annually or more frequently where an indication of impairment exists.	An impairment test is carried out annually or more frequently where an indication of impairment exists.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the income statement when the asset is derecognized.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation. Depreciation is calculated on a straight-line basis over the estimated useful life of the assets.

The carrying amounts of property, plant and equipment are tested for impairment when there is any indication that the carrying amount of an asset exceeds its recoverable amount.

Useful lives of the assets

	2006	*2005*
Laboratory equipment	5 to 14 years	5 to 14 years
Cyrotanks and accessories	40 years	40 years
Other equipment, furniture and fixtures	3 to 13 years	3 to 13 years

An item of property, plant and equipment is derecognized upon disposal or when no further economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset – calculated as the difference between the net disposal proceeds and the carrying amount of the asset – is recognized in profit or loss in the period in which the asset is derecognized.

The residual values of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

Borrowing Costs

Borrowing costs are recognized as an expense when incurred.

Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is any indication that an asset may be impaired. If there is any indication of impairment or if an annual impairment test is required, the Group estimates the recoverable value of the asset. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

The Group assesses at each balance sheet date whether there is any indication that an impairment loss recognized for an asset in prior years may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset is increased to its

recoverable amount. This increased carrying amount cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Financial Investments and Other Financial Assets

Financial assets as defined by IAS 39 are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of financial investments which are not at fair value through profit or loss, any directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

Regular way purchases and sales of financial assets are recognized as of the trading date, i.e. the date on which an asset is delivered to or by the entity. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the asset within the period generally established by regulation or convention in the marketplace.

- Financial assets at fair value through profit or loss

  The category of financial assets at fair value through profit or loss includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss.

- Loans and receivables

  Loans and receivables are non-derivative financial assets with fixed or determinable payments and that are not quoted in an active market. These assets are measured at amortized cost using the effective interest method. Gains or losses are recognized in profit or loss when the loans and receivables are derecognized or impaired as well as through the amortization process.

Inventories

Inventories are measured at the lower of cost and net realizable value.

The costs of purchase of materials and supplies are determined using the weighted average cost method. Adequate write-downs were recorded for slow-moving inventories.

The costs of conversion of work in process include direct materials and labor as well as appropriate portions of production overheads and production-related depreciation. Administrative and selling costs and interest is not included.

Trade Receivables and Other Receivables

Trade receivables are recognized at the original invoice amount; long-term low-interest or interest-free receivables are discounted.

Discernible individual risks have been taken into account by bad debt allowances. The allowances are staggered in accordance with the group of similar receivables to which an individual receivable belongs.

Receivables are derecognized as soon as they become uncollectible.

Cash and Cash Equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of the cash and short-term deposits defined above.

Interest-Bearing Loans and Silent Partnerships

The loans and silent partnerships are generally recognized at repayment or settlement amount. They are initially recognized at cost, which is generally the fair value of the consideration received. They are subsequently measured using the effective interest method by increasing the carrying amount to reflect the passage of time until the repayment amount is arrived at at the end of the term.

Derecognition of Financial Assets and Financial Liabilities

- Financial assets

  A financial asset is derecognized where the contractual rights to receive cash flows from a financial asset have expired.

- Financial liabilities

  A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Impairment of Financial Assets

The Group tests financial assets or groups of financial assets for impairment at every balance sheet date.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is only recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an estimate of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

- The Group as a lessee

  Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term. Operating leases were entered into for the offices rented in Leipzig (Biocity), Philadelphia (ArchStreet), for vehicles and for photocopiers and a telecommunication system.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. In addition the following conditions must be satisfied in order for revenue to be recognized:

- Rendering of services

  Revenue from processing cord blood is recognized when the processing has been finished. If a total amount has been agreed with the customer as compensation for the processing and storage, the total revenue generated by the product is used as a basis to determine the revenue share attributable to the storage in proportion to the costs of processing and storage. Revenue from storing cord blood is recognized on a straight-line basis over the term of storage. Any prepaid storage fees received are disclosed as deferred income.

- Interest income

  Revenue is recognized as interest accrues.

- Rental income

  Income from sub-letting under operating leases is recognized on a straight-line basis over the term of the sub-letting agreement.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, they are recognized as income over the period necessary to match the grants on a systematic basis to the costs that they are intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Taxes

- Current tax assets and liabilities

  Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

- Deferred tax

Deferred tax is recognized using the liability method on temporary differences as of the balance sheet date between the carrying amounts of assets and liabilities in the balance sheet and their tax bases.

Deferred tax assets are recognized for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward of unused tax credits and unused tax losses can be utilized. However the following exceptions apply:

- No deferred tax assets may be recognized from deductible temporary differences arising on initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- Deferred tax assets may only be recognized for taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures to the extent that it is probable that the temporary differences will reverse in the foreseeable future and sufficient taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed every balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

- Value added tax

Revenue, expenses and assets are recognized net of VAT, except:

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.5 New Accounting Standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) has issued new standards and interpretations which are not yet effective for the fiscal year 2006 and which were not applied in the accompanying consolidated financial statements.

- IFRS 7 “Financial Instruments: Disclosures” and amendments of IAS 1 “Presentation of Financial Statements” – capital disclosures (effective as of January 1, 2007): IFRS 7 introduces extended disclosure requirements to improve the information provided on financial instruments. The main additional disclosure requirements for the Group resulting from this amendment relate to the sensitivity analysis of existing market risks and disclosures on capital according to the revised IAS 1.
- IFRIC 7 “Applying the Restatement Approach under IAS 29 ‘Financial Reporting in Hyperinflationary Economies’”: In November 2005, the IFRIC published the interpretation IFRIC 7, which is effective for fiscal years beginning on or after March 1, 2006. Since IAS 29 is not relevant for the Group, this interpretation will not affect its net assets, financial position and results of operations or cash flows.
- IFRIC 8 “Scope of IFRS 2 ‘Share-Based Payment’” (effective for fiscal years beginning on or after May 1, 2006): Since IFRS 2 is not relevant for the Group, this interpretation will not affect its net assets, financial position and results of operations or cash flows.
- IFRIC 9 “Reassessment of Embedded Derivatives”: IFRIC 9 was published in March 2006 and is effective for fiscal years beginning on or after June 1, 2006. This interpretation requires an entity, when it first becomes a party to a contract, to assess whether any embedded derivatives contained in the contract are required to be separated from the host contract and accounted for as derivatives. Subsequent re-assessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows. The Group currently does not expect adoption of this interpretation for fiscal year 2007 to have any effect on the consolidated financial statements.
- IFRIC 10 “Interim Financial Reporting and Impairment”: IFRIC 10 was published in November 2006 and is effective for fiscal years beginning on or after November 1, 2006. IFRIC 10 determines that the special provisions in IAS 36 and IAS 39 take precedence over the general rules of IAS 34. Consequently, impairment losses recognized in a previous interim period in respect of these assets cannot be reversed in subsequent interim periods. The profit or loss reported by the Group in future interim financial statements may diverge from the profit or loss which the Group would have disclosed if it were to prepare separate financial statements only.
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”: IFRIC 11 was published in November 2006 and is effective for fiscal years beginning on or after March 1, 2007. Since IFRS 2 is not relevant for the Group, this interpretation will not affect its net assets, financial position and results of operations.

- IFRIC 12 "Service Concession Arrangements": IFRIC 12 was published in November 2006 and is effective for fiscal years beginning on or after January 1, 2008. Since the Group does not have any licenses to provide public services to private customers, this interpretation does not affect the Group.

3 SEGMENT REPORTING

Segment reporting is presented solely by geographical segment. Segment reporting by business segment is not presented because the Group is involved only in the storage of cord blood.

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers.

Geographical Segments

The following tables present revenue, expenditure and segment profit or loss as well as certain asset and liability information regarding the Group's geographical segments for the years ended December 31, 2006 and 2005.

The information given under "USA" relates to the discontinued operation.

Geographical segment data
Fiscal year ended December 31, 2006

	Europe EUR k	USA EUR k	Total EUR k
Revenue			
Sales to external customers	11,556	2,079	13,635
Segment revenue	11,556	2,079	13,635
Other segment information			
Segment profit or loss	303	-3,049	-2,746
Unallocated profit or loss			-120
Total segment profit or loss			-2,866
Amortization and depreciation	300	26	326
Segment assets	22,575	2,871	25,446
Unallocated assets			364
Total assets			25,810

Segment liabilities	10,289	2,128	12,417
Unallocated liabilities			459
Total liabilities			12,876
Capital expenditure:			
- Property, plant and equipment	553	136	689
- Intangible assets	238		238

The geographical segment "USA" includes the discontinued operation "USA". Of the segment assets and segment liabilities reported under "USA", EUR 495 k and EUR 1,511 k is attributable to assets and liabilities respectively that are not included in the disposal group which is presented separately in the consolidated balance sheet because they are not planned to be transferred to the buyer.

Fiscal year ended December 31, 2005

	Europe EUR k	*USA EUR k*	*Total EUR k*
Revenue			
Sales to external customers	10,233	2,365	12,598
Segment revenue	10,233	2,365	12,598
Other segment information			
Segment profit or loss	807	-2,405	-1,598
Unallocated profit or loss			-320
Total segment profit or loss			-1,918
Amortization and depreciation	261	46	307
Segment assets	21,325	3,939	25,264
Unallocated assets			1,805
Total assets			27,069
Segment liabilities	9,667	1,592	11,259
Unallocated liabilities			168
Total liabilities			11,427
Capital expenditure:			
- Property, plant and equipment	330	101	431
- Intangible assets	202	0	202

4 REVENUE, OTHER INCOME AND EXPENSES

4.1 Revenue

The revenue disclosed in the income statement for the continuing operations breaks down as follows by value-added stage:

Revenue from continuing operations

	2006 *EUR k*	*2005* *EUR k*
Revenue		
from processing	11,239	9,837
from storage	317	396
	11,556	10,233

4.2 Other Income

Other income disclosed in the income statement breaks down as follows:

4.2 Other Income

Other income disclosed in the income statement breaks down as follows:

Other income

	2006 *EUR k*	*2005* *EUR k*
Government grants	103	193
Income from the reversal of accruals	203	198
Gain on disposal of property, plant and equipment	7	17
Sundry other income	45	36
	358	444

The government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attaching to these grants.

4.3 Selling Expenses

The selling expenses disclosed in the income statement break down as follows:

Selling expenses

	2006	*2005*
	EUR k	*EUR k*
Personnel expenses	1,488	1,391
Marketing expenses	3,355	2,396
Other expenses	553	504
	5,396	4,291

4.4 Administrative Expenses

The administrative expenses disclosed in the income statement comprise the following:

Administrative expenses

	2006	*2005*
	EUR k	*EUR k*
Personnel expenses	1,313	901
Operating lease expenses	347	252
Legal, consulting and audit fees	238	266
Other expenses	220	206
	2,118	1,625

4.5 Other Expenses

Other expenses disclosed in the income statement break down as follows:

Other expenses

	2006	*2005*
	EUR k	*EUR k*
VAT arrears	182	0
Research and development costs	31	95
Bad debts	22	8
Sundry other expenses	8	62
	243	165

The VAT arrears are due to the increase in the VAT rate from 16% to 19%.

4.6 Finance Costs

The finance costs disclosed in the income statement break down as follows:

Finance costs

	2006	*2005*
	EUR k	*EUR k*
Bank loans and overdrafts	110	188
Charges for silent partnerships	108	110
	218	298

4.7 Finance Revenue

The finance revenue disclosed in the income statement breaks down as follows:

Finance revenue

	2006 *EUR k*	*2005* *EUR k*
Value adjustment of short-term investments	117	0
Interest income	75	136
	192	136

4.8 Depreciation and Amortization and Costs of Inventories Included in the Consolidated Income Statement

	2006 *EUR k*	*2005* *EUR k*
Included in cost of sales:		
- Depreciation and amortization	180	157
Costs of inventories recognized as an expense	3,661	3,403
Included in selling expenses:		
- Depreciation and amortization	60	52
Included in administrative expenses:		
- Depreciation and amortization	60	52
- Minimum lease payments recognized as an operating lease expense	347	252

With respect to continuing operations, as in the prior year, there was again no need to recognize any impairment losses on intangible assets or property, plant and equipment.

4.9 Employee Benefits Expense

The expense for employee benefits breaks down as follows:

Employee benefits expense

	2006 *EUR k*	*2005* *EUR k*
Wages and salaries	3,063	2,633
Employer's contribution to statutory pension scheme	197	184
Other social security costs	248	221
	3,508	3,038

5 INCOME TAX

Major components of income tax expense for the years ended December 31, 2006 and 2005 are:

Major components of the income tax expense

Consolidated income statement	*2006* *EUR k*	*2005* *EUR k*
Current income tax		
- Current income tax charge	111	1
Deferred income tax		
- Origination and reversal of temporary differences	69	81
- On unused tax losses	107	463
Income tax expense reported in consolidated income statement	287	545

A reconciliation between tax expense and the product of accounting profit multiplied by the Group's applicable tax rate for the years ended December 31, 2006 and 2005 is as follows:

Reconciliation

	2006	*2005*
	EUR k	*EUR k*
Accounting profit before tax from continuing operations	470	1,033
Loss before tax from a discontinued operation	-3,049	-2,405
Accounting profit before income tax	-2,579	-1,372
Income tax income/expense at the parent's tax rate of 40% (2005: 40%)	1,032	549
Adjustment because loss in the USA and loss of the Company do not give rise to an income tax refund	-1,278	-1,083
Adjustment due to tax-free income	0	25
Adjustment due to non-deductible expenses	-40	-36
Income tax expense at effective income tax rate of 40% (2005: 40%)	-287	-545
Income tax expense reported in consolidated income statement	-287	-545
Income tax attributable to the discontinued operation	0	0
	-287	-545

Deferred income tax at the balance sheet date relates to the following:

Deferred income tax

	Consolidated balance sheet		Consolidated income statement	
	2006	2005	2006	2005
	EUR k	EUR k	EUR k	EUR k
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	-170	-122	-48	-34
Non-recognition of general valuation allowances	-5	-3	-2	-31
Diverging fair value of financial instruments	-47	0	-47	0
	-222	-125		
Deferred income tax assets				
Adjustment of inventories	95	64	31	-50
Difference of provisions	37	29	8	8
Deferred income	380	391	-12	27
Unused tax losses	27	134	-107	-464
	539	618		
	317	493		
Deferred tax income/(expense)			-177	-544

The Group has unused tax losses at the subsidiary VITA 34 AG in Germany of EUR 102 k for corporate income tax purposes (2005: EUR 507 k) and of EUR 0 k for trade tax purposes (2005: EUR 1 k) that are available indefinitely for offsetting against future taxable profits of that entity. Deferred tax assets have been recognized in respect of these losses as they may be used to offset taxable profits of VITA 34 AG.

Tax losses (corporate income tax and trade tax) of EUR 2,742 k were incurred at VITA 34 International AG which are available in the Group for offsetting against future taxable income of VITA 34 International AG. However, deferred tax assets have not been recognized in respect of these losses as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in a holding company that does not usually generate taxable profits. They can only be used under certain conditions which are currently not likely to occur.

6 DISCONTINUED OPERATION

For strategic reasons, the management board decided to discontinue its direct selling activities on the U.S. market as a separate geographical segment and not to enter into any new storage contracts (new business). Effective October 1, 2006, the processing unit including all employees was sold unconditionally and the storage unit was sold subject to the condition precedent that the buyer obtains financing for the purchase price. Reference is made to Section 2.3 in this respect.

Discontinuation and disposal of the operations of CorCell Inc. gave rise to the income and expenses stated below, which are disclosed as a loss from a discontinued operation in the consolidated income statement for 2006 and 2005. In the fiscal year 2006, the goodwill, unchanged since the date of transition to IFRS, which is attributable to the CorCell cash-generating unit was written down by EUR 814 k to a carrying amount of EUR 2,216 k. This expense is also included in the loss for 2006 from a discontinued operation.

The results of CorCell for the year are presented below:

	2006 *EUR k*	*2005* *EUR k*
Revenue	2,081	2,365
Expenses	-3,360	-4,770
Gross profit	-1,279	-2,405
Finance costs	-2	0
Addition to provision relating to the discontinued operation	-948	0
Impairment of goodwill	-814	0
Loss before tax from a discontinued operation	-3,043	-2,405
Tax income/expense:		
- related to pre-tax profit/(loss)	-6	0
Loss for the year from the discontinued operation	-3,049	-2,405

The major assets and liabilities of CorCell Inc. classified as a disposal group held for sale as of December 31, 2006 are as follows:

Major assets and liabilities

	2006 *EUR k*	*2005* *EUR k*
Assets		
Goodwill	2,216	0
Property, plant and equipment	83	0
Other receivables and assets	76	0
Assets of a disposal group classified as held for sale	2,375	0
Liabilities:		
Deferred revenue	617	0
Liabilities associated with a disposal group classified as held for sale	617	0
Other assets and liabilities that are directly associated with a disposal group classified as held for sale, but disclosed in the applicable balance sheet items	1,015	0
Net assets/liabilities associated with a disposal group classified as held for sale	743	0

The deferred revenue of CorCell Inc. as presented is to be transferred to the buyer when the storage unit is sold. In contrast, the other obligations disclosed which relate directly to CorCell Inc., but are not transferred to the buyer and hence remain in the Group are not disclosed as associated with the disposal group.

The net cash flows of CorCell Inc. are as follows:

Cash flows of CorCell Inc.	*2006* *EUR k*	*2005* *EUR k*
Operating activities	-1,236	-2,091
Investing activities	-136	-103
Financing activities	-15	-58
Net cash outflow	-1,387	-2,252

Earnings per share:

	2006 *EUR*	*2005* *EUR*
Basic, from the discontinued operation	-1.49	-1.35

7 EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Basic earnings per share is calculated as follows:

	2006 *EUR k*	*2005* *EUR k*
Net profit from continuing operations attributable to ordinary equity holders of the parent	183	487
Loss from discontinued operations attributable to equity holders of the parent	-3,049	-2,405
Net loss	-2,866	-1,918
Number of shares outstanding (weighted average)	2,046,500	1,784,363
Earnings per share in accordance with IFRS (EUR)	**-1.40**	**-1.07**

In the period between the balance sheet date and preparation of the consolidated financial statements, a resolution was adopted to increase capital by cash contribution by up to EUR 750,000 through issue of up to 750,000 registered no-par value shares. There were no other transactions with ordinary shares or potential ordinary shares during that period.

8 GOODWILL, INTANGIBLE ASSETS

Intangible assets developed as follows:

Intangible assets as of December 31, 2006

	Patents and licenses	*Goodwill*	*Total*
	EUR k	*EUR k*	*EUR k*
Cost as of January 1, 2006	833	14,942	15,775
Additions	280	0	280
Disposals	-137	0	-137
Assets of the discontinued operation	0	-3,031	-3,031
Cost as of December 31, 2006	976	11,911	12,887
Accumulated amortization and impairment as of January 1, 2006	390	0	390
Amortization charge for the year	131	0	131
Disposals	-78	0	-78
Assets of the discontinued operation	0	0	0
Accumulated amortization and impairment as of December 31, 2006	443	0	443
Carrying amount as of January 1, 2006	443	14,942	15,385
Carrying amount as of December 31, 2006	533	11,911	12,444

Intangible assets as of December 31, 2005

	Patents and licenses *EUR k*	*Goodwill* *EUR k*	*Total* *EUR k*
Cost as of January 1, 2005	619	14,942	15,561
Additions	245	0	245
Disposals	-31	0	-31
Cost as of December 31, 2005	833	14,942	15,775
Accumulated amortization and impairment as of January 1, 2005	293	0	293
Amortization charge for the year	106	0	106
Reversal of impairment losses	0	0	0
Disposals	-9	0	-9
Accumulated amortization and impairment as of December 31, 2005	390	0	390
Carrying amount as of January 1, 2005	326	14,942	15,268
Carrying amount as of December 31, 2005	443	14,942	15,385

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment developed as follows:

Property, plant and equipment as of December 31, 2006

	Plant and equipment	*Other equipment, furniture and fixtures*	*Total*
	EUR k	*EUR k*	*EUR k*
Cost as of January 1, 2006	1,766	1,001	2,767
Additions	525	121	646
Disposals	-45	-128	-173
Assets of the discontinued operation	-88	0	-88
Cost as of December 31, 2006	2,158	994	3,152
Accumulated depreciation and impairment as of January 1, 2006	377	475	852
Depreciation charge for the year	91	104	195
Disposals	-11	-60	-71
Assets of the discontinued operation	-6	0	-6
Accumulated depreciation and impairment as of December 31, 2006	451	519	970
Carrying amount as of January 1, 2006	1,389	526	1,915
Carrying amount as of December 31, 2006	1,707	475	2,182

Property, plant and equipment as of December 31, 2005

	Plant and equipment	*Other equipment, furniture and fixtures*	*Total*
		EUR k	*EUR k*
Cost as of January 1, 2005	1,607	1,019	2,626
Additions	219	153	372
Disposals	-60	-171	-231
Cost as of December 31, 2005	1,766	1,001	2,767
Accumulated depreciation and impairment as of January 1, 2005	342	523	865
Depreciation charge for the year	78	123	201
Reversal of impairment losses	-4	0	-4
Disposals	-39	-171	-210
Accumulated depreciation and impairment as of December 31, 2005	377	475	852
Carrying amount as of January 1, 2005	1,265	496	1,761
Carrying amount as of December 31, 2005	1,389	526	1,915

10 IMPAIRMENT TESTING OF GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill acquired through business combinations has been allocated to two individual cash-generating units, which are reportable segments, for impairment testing as follows:

- Cash-generating unit “Europe”
- Cash-generating unit “USA”

10.1 Cash-Generating Unit “Europe”

The recoverable amount of the “Europe” unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five-year period. The discount rate applied to the cash flow projections ranges between 15.0% and 15.3%, depending on the debt/equity ratio. Cash flows beyond the six-year period are extrapolated using a 0.5% growth rate that is the same as the long-term average growth rate for the Europe segment.

10.2 Cash-Generating Unit “USA”

The recoverable amount of the “USA” unit is also determined based on a value in use calculation using cash flow projections based on financial budgets approved by management covering a six-year period. The discount rate applied to the cash flow projections is 12%. Cash flows beyond the six-year period are extrapolated using a negative growth rate of 1%. As no new contracts were included in the calculation of cash flows, the negative growth rate was applied to reflect the expiry of existing contracts. The projections were limited to a period up to the end of 2015. The carrying amount of the USA segment is disclosed in the item “assets of a disposal group classified as held for sale”.

Carrying amounts of goodwill allocated to each of the cash-generating units:

Carrying amounts

	Europe		*USA*	
	2006	*2005*	*2006*	*2005*
	EUR k	*EUR k*	*EUR k*	*EUR k*
Carrying amount of goodwill	11,911	11,911	0	3,031

Key assumptions used in value in use calculation of the units as of December 31, 2006 and December 31, 2005

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budgeted year.

Discount rates – The discount rates reflect the estimates of management concerning the specific risks attributable to each cash-generating unit. This is the benchmark used by management to assess the operating performance and evaluate future investment projects. The yield on a five-year government bond at the beginning of the budget period, a market risk premium with a specific beta factor derived from a peer group taking into account the financing structure, and the amount of income tax incurred at the level of the cash-generating unit are used to determine appropriate discount rates for each cash-generating unit.

Sensitivity of the assumptions made – Management believes that none of the reasonably possible changes of the key assumptions made to determine value in use of the cash-generating unit “Europe” could increase the carrying amount of the cash-generating unit beyond its recoverable amount. With respect to the cash-generating unit “USA”, reference is made to the comments on “Estimates and assumptions” in Section 2.3.

11 INVENTORIES

Inventories break down as follows:

Inventories

	2006	*2005*
	EUR k	*EUR k*
Materials and supplies (measured at costs of purchase)	125	124
Work in progress (measured at costs of conversion)	480	350
	605	474

Inventories were not written down.

12 TRADE RECEIVABLES AND OTHER RECEIVABLES AND ASSETS

Trade receivables and other receivables and assets break down as follows:

Receivables

	2006	*2005*
	EUR k	*EUR k*
Non-current trade receivables	604	554
Current trade receivables	951	759
Other receivables and assets	802	807
	2,357	2,120

Non-current trade receivables of EUR 604 k (prior year: EUR 554 k) were discounted using a rate of 4% taking their term to maturity into consideration. They are disclosed under non-current assets.

13 DEFERRED CAPITAL ISSUE CHARGES

As of the balance sheet date December 31, 2006, incurred charges of EUR 148 k were deferred for a capital increase planned for 2007. They are intended to be offset against the capital reserves in 2007.

14 SHORT-TERM INVESTMENTS

Short-term investments

	2006 *EUR k*	*2005* *EUR k*
Fund units	2,318	0
	2,318	0

Short-term investments solely consist of fund units in a real estate investment trust acquired in the fiscal year 2006 and held for the short term. They are measured at market price as of the balance sheet date.

15 CASH AND CASH EQUIVALENTS, RESTRICTED CASH

Cash and short-term deposits

	2006 *EUR k*	*2005* *EUR k*
Restricted cash	1,000	1,000
Cash: Cash at banks and in hand	2,029	5,647
	3,029	6,647

Cash at banks earns interest at floating rates based on daily bank deposit rates.

EUR 1,000 k has been provided as collateral for the loans disclosed in the balance sheet and is not available to the Company.

16 ISSUED CAPITAL AND RESERVES

Issued capital and reserves

Issued capital	*2006*	*2005*
Ordinary shares of EUR 1 each (all fully paid in)	2,046,500	2,046,500

Composition of equity	*2006* *EUR k*	*2005* *EUR k*
Issued capital	2,047	2,047
Capital reserves	15,629	15,629
Revenue reserves	-4,837	-1,971
Other reserves	96	-64
	12,935	15,641

VITA 34 International AG's share capital in accordance with its articles of incorporation and bylaws is disclosed as **issued capital** pursuant to German stock corporation law.

Capital reserves show contributions beyond the share capital and other payments by shareholders in connection with capital increases. Capital procurement costs of EUR 274 k were offset against capital reserves in 2005.

Revenue reserves contain the retained profits including the profit for the year.

Other reserves comprise exchange differences recognized directly in equity.

A resolution was adopted at the annual general meeting on January 10, 2007 to increase capital by cash contribution by up to EUR 750,000 through the issue of up to 750,000 registered no-par value shares. Other key data, such as the issue price, have not been determined. The capital increase had not been performed before these consolidated financial statements were prepared.

17 INTEREST-BEARING LOANS

17.1 Current

Current portion of interest-bearing loans and current bank liabilities

	Interest rate (%)	*2006 EUR k*	*2005 EUR k*
IKB loan EUR 900 k	6.42	14	0
IKB loan EUR 100 k	6.42	2	0
KFW loan EUR 900 k	4.55	153	100
KFW loan EUR 100 k	4.55	45	25
		214	125

17.2 Non-Current

Non-current loans

	Effective interest rate (%)	*Maturity*	*2006 EUR k*	*2005 EUR k*
IKB loan EUR 900 k	6.42	2013	900	900
IKB loan EUR 100 k	6.42	2013	100	100
KFW loan EUR 900 k	4.55	2006-2013	700	800
KFW loan EUR 100 k	4.55	2006-2013	50	75
Bank loan CorCell			0	15
			1,750	1,890

EUR 1,000 k has been provided as collateral for the loans disclosed in the balance sheet and is not available to the Company. No collateral has been provided for the other loans disclosed in the balance sheet.

18 SILENT PARTNERS' INTERESTS

Silent partners' interests

	2006 *EUR k*	*2005* *EUR k*
Silent partnership MBG	949	949
Silent partnership tbg	493	488
	1,442	1,437

On the contribution it has made to VITA 34 AG of EUR 940 k, Mittelständische Beteiligungsgesellschaft Sachsen mbH, Dresden (MBG) receives a fixed fee of 6% p.a., which is payable quarterly for the preceding quarter as of March 15, June 15, September 15, and December 15 of each year. In addition, MBG receives a profit-based fee of 50% of the net profit for the year of VITA 34 AG, or 1% p.a. of the contribution made, whichever is lower. The basis for calculating the profit-based fee is the net profit or loss for the year under German commercial law, adjusted for certain income and expense items. MBG does not participate in losses of VITA 34 AG. The term of the silent partnership ends on June 30, 2018.

On the contribution it has made to VITA 34 AG of EUR 350 k, tbg Technologie-Beteiligungs-Gesellschaft mbH der Deutschen Ausgleichsbank, Bonn (tbg) receives a minimum fee of 5% p.a., which is not linked to the profit or loss for the year of VITA 34 AG and is payable every six months for the preceding six months as of April 30 and October 31 of each year. tbg also receives 8% p.a. of the net profit for the year generated from the date when the contributions are called, or 6% p.a. of the contribution actually made, whichever is lower. The basis for calculating the profit-based fee is adjusted net profit for the year of VITA 34 AG. Upon expiry of the partnership, tbg is entitled to demand one-time remuneration of 30% of the investment amount plus 6% of the investment amount for each year after the end of the fifth full year of investment (final remuneration). Any profit shares paid by then are deducted from the final remuneration. The profit shares are not refunded if they exceed the final remuneration. tbg does not participate in losses of the Company. The term of the silent partnership with tbg ends on December 31, 2009.

19 PROVISIONS

Provisions

	Damages EUR k	*Severance pay and cost reimburse-ments EUR k*	*Onerous contracts EUR k*	*Other EUR k*	*Total EUR k*
January 1, 2006	120	0	0	235	355
Addition	0	410	538	68	1,016
Utilization	0	0	0	-235	-235
December 31, 2006	120	410	538	68	1,136
Current 2006	120	410	163	68	761
Non-current 2006	0	0	375	0	375
	120	410	538	68	1,136
Current 2005	120	0	0	235	355
Non-current 2005	0	0	0	0	0
	120	0	0	235	355

With respect to the provision for onerous rent agreements arising from discontinuation of the operations of CorCell Inc., reference is made to Section 2.3.

The provision for severance pay and cost reimbursements is due, on the one hand, to contractual arrangements according to which the Group may be required under certain conditions to compensate for a proportion of personnel-related costs incurred by a third party. These conditions are considered likely to occur. In addition, provisions were recognized in connection with labor law disputes and the amount of the provisions is based on the estimated claims which may be made against the Group.

20 DEFERRED GRANTS

Investment grants recognized under grants developed as follows:

Grants

	2006	*2005*
	EUR k	*EUR k*
January 1	567	632
Received during the fiscal year	0	0
Released to the income statement	-62	-65
December 31	505	567
Current	59	62
Non-current	446	505
	505	567

The grants are released on a straight-line basis over the useful life of the subsidized assets.

21 DEFERRED INCOME

Deferred income

	2006	*2005*
	EUR k	*EUR k*
Current	300	317
Non-current	4,746	4,973
	5,046	5,290

Deferred income contains storage fees collected from customers in advance, which are recognized as income on a straight-line basis over the term of storage.

22 TRADE PAYABLES AND OTHER LIABILITIES (CURRENT)

Liabilities

	2006 *EUR k*	*2005* *EUR k*
Trade payables	784	1.282
Other liabilities	1,270	482
	2,054	1,764

Terms and conditions of the above financial liabilities:

Trade payables are non-interest bearing and are normally settled within 30 days.

Other liabilities are non-interest bearing and have an average term of 30 days. They mainly pertain to amounts accrued for short-term employee benefits.

Interest payable is normally settled monthly or quarterly throughout the fiscal year.

23 COMMITMENTS AND CONTINGENCIES

23.1 Operating Lease Commitments – Group as Lessee

The Group has entered into commercial leases on certain motor vehicles and items of small machinery. These leases have an average life of between two and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

The Group has entered into a rent agreement for use of the premises in Biocity. The lease started in 2003 and ends on August 31, 2011.

All leases have been classified and measured as operating leases in accordance with IAS 17.

Future minimum rentals payable under non-cancellable operating leases as of the balance sheet date are as follows:

Minimum rentals payable

	2006	*2005*
	EUR k	*EUR k*
Within one year	369	319
After one year but not more than five years	987	231
More than 5 years	0	0
	1,356	550

There is a long-term rent agreement for offices with a non-cancellable term until mid-2012 in connection with the discontinued operation “USA”. The minimum rentals payable for the latter are as follows:

	2006	*2005*
	EUR k	*EUR k*
Within one year	233	233
After one year but not more than five years	992	968
More than 5 years	153	410
	1,378	1,611

Due to non-cancellable subleases, future minimum rentals receivable of EUR 536 k (2005: EUR 0 k) are expected as of the balance sheet date. Due to the existing restrictions on use of the rented offices, a net obligation of EUR 538 k (present value) was recognized as a provision in the consolidated financial statements for future rentals payable to the lessor.

23.2 Capital Commitments

As of the balance sheet date December 31, 2006, the Group had a commitment of EUR 182 k to purchase property, plant and equipment based on the order of seven cryotanks from the company Chart Biomedical LTD.

23.3 Litigation

Lawsuit at the Leipzig Regional Court/Dresden Higher Regional Court

The claims here relate to a case where the cord blood collected in a hospital was lost through leakage during transport to VITA 34 and could therefore not be processed. A ruling issued by the Leipzig regional court with first instance jurisdiction of June 2, 2006 is non-appealable. The ruling determined that the child will not receive compensation for non-pecuniary damage if the blood could not be stored due to negligence. At the same time, the court issued the binding ruling for this individual case that VITA 34 will have to pay compensation for any future damage if the child were to fall sick and suffer detrimental consequences for its health as a result of the loss of cord blood.

The Group has been advised by its counsel that it is possible, but not probable, that expenses will be incurred in this respect in future and accordingly no provision has been made.

Patent Infringement Proceedings PharmaStem

PharmaStem Therapeutics Inc. has filed an action for patent infringement against CorCell and eight other companies in the United States. CorCell is alleged to have infringed the US patents no. 5,004,681 and no. 5,192,553 concerning the collection, processing and storage of stem cells derived from cord blood.

A jury decision was handed down in October 2003, in which CorCell was ordered to pay USD 357,678.00. This decision was repealed in 2004. The amount of USD 357,678.00 which had been provided as collateral at the time was repaid to CorCell. The action is currently being heard before the court of appeal.

Another action was filed against CorCell by PharmaStem for infringement of other patents. CorCell does not consider the action likely to be successful. According to CorCell, patent no. 5,192,553 has been declared invalid by the US Patent and Trademark Office. The protest against the patent no. 5,004,681 is still being processed.

The patent filed by PharmaStem in Europe was rejected by the European Patent Office in Munich in 2003 in the last instance.

No provision has been made for these proceedings because no future expenses are expected to be incurred in this respect.

23.4 Contingent Liabilities

VITA 34 International AG has the following contingent liabilities as of the balance sheet date:

In some contracts concerning storage of cord blood, the Company has undertaken the obligation to pay an amount of EUR 5 k for treatment of the patient in the event that cord blood stored is used. However, the Company has no past experience of the potential amounts of cord blood stored that could be used. It is therefore not possible to estimate the amount of payments that may be payable in subsequent years. For this reason, no contingent liabilities or provisions were recognized in the financial statements.

24 RELATED PARTY DISCLOSURES

Related parties are shareholders with significant influence and key management personnel of the Company.

The following table provides the total amount of transactions which have been entered into with related parties for the relevant fiscal year:

Related party	**Amounts paid to related parties**	
	2006	*2005*
	EUR k	*EUR k*
Shareholders with significant influence over the Group:		
- SHS (significant influence until 2005; repayment of a loan and of outstanding interest)	0	688
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:	132	79
- Liabilities to Dilworth Paxon as of the balance sheet date	216	305
There is an agreement with a member of the management board concerning rights of use and sale relating to a patent application and two patents. The management board member has surrendered the patents concerned and patent application permanently for use by VITA 34 AG.		
- No compensation was paid for the surrender for use in fiscal years 2005 and 2006.		

Compensation of key management personnel of the Group:		
- Remuneration of the supervisory board	55	54
- Management board salaries	719	667

The above remuneration of the supervisory board and management board salaries relate solely to short-term benefits. No other payments or share-based payments were made.

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing loans, silent partnerships and overdraft facilities, as well as cash and short-term investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group uses only financial assets with the highest rating and best safety standards where the funds are available at short notice.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarized below.

25.1 Credit Risk

Customers of the Group who wish to trade on credit terms are not subject to credit verification procedures. Credit verification procedures are only performed in cases where trade is financed via banks other than the Group's partner banks. However, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

25.2 Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, loans and medium-term forms of investment such as funds. The Group monitors its risk of being faced with a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial assets (e.g. accounts receivable, other financial assets) and projected cash flows from operations.

26 Financial Instruments

26.1 Fair Value

With the exception of the financial assets at fair value through profit or loss, the Company's financial instruments were measured at amortized cost.

Market values have been used to determine the fair value of listed short-term investments.

The fair value of the long-term interest-bearing loans measured at amortized cost in the balance sheet amounts to EUR 1,848 k (carrying amount of EUR 1,750 k). The fair value has been calculated by discounting the expected future cash flows at market interest rates.

The carrying amount of other financial instruments recognized in the consolidated financial statements corresponds to fair value.

26.2 Interest Rate Risk

There are no significant concentrations of interest rate risk within the Group.

26.3 Credit Risk

There are no significant concentrations of credit risk within the Group.

26.4 Foreign Currency Risk

As a result of the "USA" segment belonging to the Group, the Group's balance sheet can be affected by movements in the USD/EUR exchange rate. No other major transactions outside the "USA" segment are settled in USD or any other foreign currency. In light of the discontinuation of these operations, the risk is considered low.

27 SUBSEQUENT EVENTS

A resolution was adopted at the annual general meeting on January 10, 2007 to increase capital by cash contribution by up to EUR 750,000 in return for issue of up to 750,000 registered no-par value shares. Other key data, such as the issue price, have not been determined. Pursuant to the resolution of the annual general meeting, the capital increase will be performed by June 30, 2007; it had not been performed by the time these consolidated financial statements were prepared.

There were no other events after the balance sheet date which would require reporting.

Leipzig, January 31, 2007
The Management Board of VITA 34 International AG

Dr. Eberhard F. Lampeter   Peter Boehnert