ANNUAL REPORT 2007
VITA 34 INTERNATIONAL AG

VITA 34

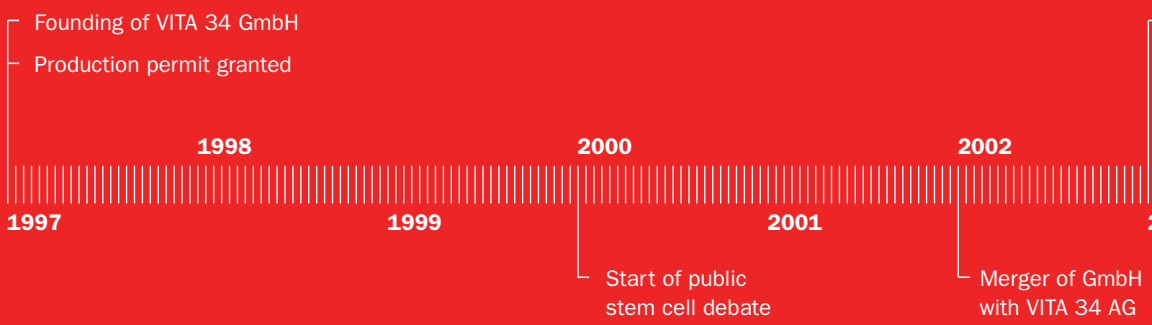
KEY GROUP FIGURES

		2007	2006	2005
STEM CELL PREPARATIONS				
Storages per year	Number	10,458	7,318	6,249
PROFIT/LOSS				
Revenue	EUR k	15,426	11,556	10,233
Gross profit/loss	EUR k	10,394	7,895	6,830
EBIT	EUR k	–832	496	1,193
Profit/Loss for the year	EUR k	–1,185	–2,866	–1,919
BALANCE SHEET/CASH FLOW				
Balance sheet total	EUR k	32,259	25,810	27,069
Equity	EUR k	19,729	12,935	15,641
Equity ratio	%	61.2	50.1	57.8
Liquid assets	EUR k	10,953	4,347	5,647
Capital expenditures*	EUR k	1,124	791	514
Depreciation*	EUR k	404	300	262
Cash flow from operations	EUR k	–1,664	702	769
EMPLOYEES				
Employees (as of Dec. 31)	Number	110	74	61
Personnel expenditures	EUR k	5,004	3,508	3,038

* Information for tangible and intangible assets

CONTENTS

10 YEARS OF VITA 34

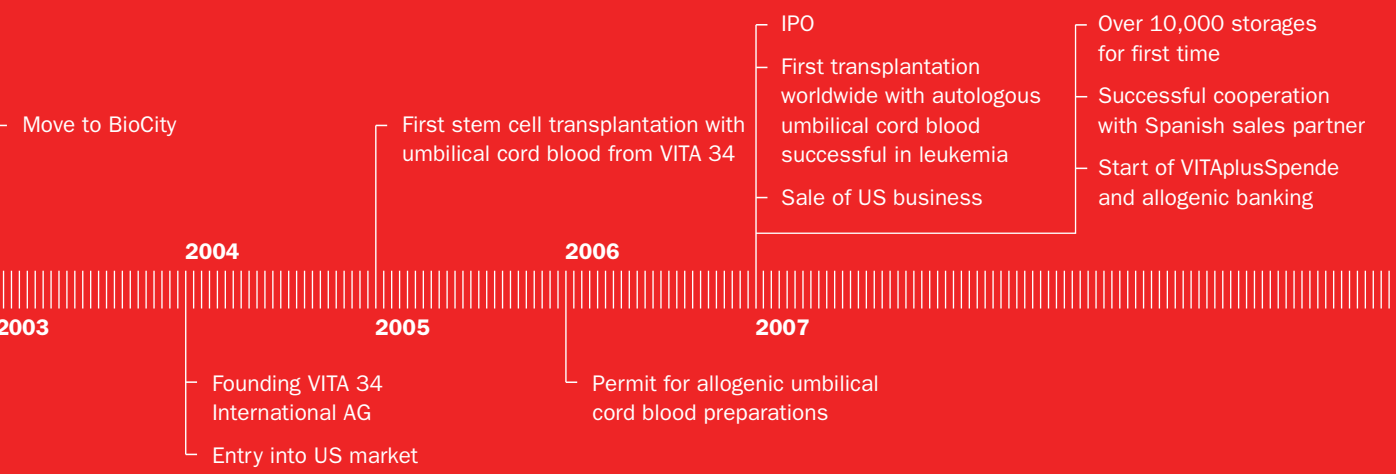


SIGNIFICANT EVENTS 2007

:: Strong increase in storages and revenues
Storages rose by 43 percent to more than 10,000 per annum. Revenues increased by 33 percent to EUR 15.4 million. Thus, 2007 was by far the most successful year in the Company's history to date.

:: Successful treatments with stem cells from umbilical cord blood
First use of autologous stem cells from umbilical cord blood successful in leukemia. The little girl who is now 6 years old is free of leukemia cells 3 years after treatment with her own umbilical cord blood.

:: Implementation of the marketing and sales strategy started
Stronger acceptance of umbilical cord blood storages for expanding the market targeted. To this end, the establishment of a comprehensive field-force network was started, addressing of multipliers intensified and advertising activities underscored.



:: Strong partnership with Secuvita in Spain
The cooperation with the Spanish sales partner exceeded all expectations and provided significant impetus in revenues and storages. VITA 34 prepares the umbilical cord blood of customers acquired by Secuvita and stores it in Leipzig.

:: Public health insurance funds support VITA 34
For the first time a partnership between a public health insurance fund and a private umbilical cord blood bank is entered into. In all, 3 Company insurance funds make the decision for VITA 34 in 2007, thus securing rebates for their members.

:: IPO secures financial basis for accelerated growth
With the IPO in the Prime Standard segment of the Frankfurt Stock Exchange, VITA 34 attracts EUR 9 million in March. They are to be used for implementing the new marketing strategy. At the same time, VITA 34 subjects itself to high standards regarding transparency.

PAULA – 10 YEARS OLD – A PIONEER

Paula is the first person in Germany whose umbilical cord blood was stored privately – by VITA 34. A little pioneer. That was 10 years ago. Since then a lot has happened, a whole lot. Paula is now in 4th grade and is, luckily, completely healthy. In this period of time, stem cell medicine has made huge advances. And every day new possibilities open up. Paula's stem cells have been stored on liquid nitrogen at minus 196 degrees Centigrade since 1997. Deep-frozen foresight, also for her brother Lauritz. His umbilical cord blood has been stored since 2004.

Left side: Paula

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders and Friends of VITA 34,

Ten years ago we founded VITA 34 in Leipzig, the first private umbilical cord blood bank in Europe. We were pioneers. VITA 34 has been publicly traded since March 2007 – again a first among umbilical cord blood banks in Europe. Thereby, we have consistently implemented the idea that we recognized to be right, important and promising 10 years ago: To produce stem cell preparations from the youngest, and thus least encumbered and most capable adult stem cells there are, those from umbilical cord blood. Today, VITA 34 is the undisputed market leader in all of the German-speaking countries. More than 66 percent of all storages of umbilical cord blood are undertaken, tested in our Glass Laboratory and prepared at VITA 34. We will now continue to develop the market for this healthcare service and lead Germany and the German-speaking countries to the international level with regard to storage rates. Over the course of the last few years we have developed a strategy to do this, have verified its success in selected regions, and are now implementing it with resources from the IPO.

Measured using progress in the field of stem cell medicine, far more than a decade has passed since the start of VITA 34. Research and applied medicine have, on the one hand, developed very quickly, as we had expected and hoped, and on the other hand there have repeatedly been developments that cause excitement and euphoria on the markets, which have shown the market has more potential than we had dared to hope for. We are currently experiencing one such development: Researchers have been successful in reprogramming skin cells in the laboratory so that they are comparable to embryonic stem cells. Of course, today we do not know whether this approach will ever be practical to implement. The obstacles and risks are currently still immense, however, it shows once again the possibilities adult stem cells open up. If the process can be developed for practical application, then the youngest autologous adult stem cells humans possess will be the best raw material for this therapeutic approach, as well.

The year 2007 was the most successful in the history of VITA 34 to date. For example, the number of storages rose by 43 percent, from 7,318 in 2006 to 10,458. Thus, we exceeded the prognoses of the market and the analysts. Revenues, which trail storage by some 6 weeks,

VITA 34 Company headquarters in Bio City, Leipzig

rose by 33 percent to EUR 15.4 million. This, too, was a significant overachievement of expectations and our own prognoses. The increase in revenues over plan, with full implementation of the plans for expanding sales, had a positive effect on profits. EBIT was EUR –0.8 million, and was better than expected by more than EUR 1 million. The negative EBIT, which had actually been announced for Q2 2007, did not take effect until the end of the year. The period until a return to profitability in 2009, therefore, has been clearly shortened.

VITA 34's positive numbers are the result both of the fact that we grew rapidly in the German-speaking countries, and were also successful in the international area. Our cooperation with our Spanish partner Secuvita, S.L. showed very positive development. The number of storages from Spain significantly exceeded our own expectations. Secuvita offers Spanish families private stem cell preparation and storage in Germany based on an exclusive contract with VITA 34 AG.

Apart from positive numbers, in 2007 VITA 34 was able to announce attention-getting successful treatments with stem cells from umbilical cord blood. For the first time in the world, leukemia in a child was defeated with stem cells from the child's own umbilical cord blood. This opens up additional areas of application for stem cells in umbilical cord blood, apart from the already routine use in cancer therapy and in many other treatments, as well as uses in regenerative medicine. US scientists also announced encouraging results concerning the use of umbilical cord blood in juvenile diabetes. In these areas, we have been successful in making the move from hypothesis to practice. There is still a great deal to do in stem cell medicine, but these successes show that we are on the right track.

No wonder that in 2007 more people than ever in the German-speaking countries had the umbilical cord blood of their children stored with VITA 34, the market leader. There are numerous celebrities, as well as the mass of very normal parents, who want to provide their children with the possibilities of stem cell medicine that storage allows. Health insurance funds, too, are now actively supporting the approach. VITA 34 has already been working with the leading provider of private health insurance, Debeka, for years. In 2007 we were successful in opening up the public health insurance fund market. VITA 34 is the first German umbilical cord blood bank

Dr. med. Eberhard Lampeter (CEO) and Peter Boehnert (CFO)

to enter into cooperative agreements with three company health insurance funds at once. The members of these funds receive a significant rebate when they choose to have the umbilical cord blood of their children stored as a precautionary measure.

At the end of the fiscal year, VITA 34 also pressed forward into the field of allogenic banking, i.e. the traditional "donation" of umbilical cord blood for the use in other patients. Here, we are using our permit through the Paul Ehrlich Institute and expect positive results for our existing autologous business. Since VITA 34 is undertaking the entry into this market with a partner, the North German Bone Marrow Register (NKR – Donate Life Initiative), no investments need to be made in this new field of business.

Thus, in the eleventh year of our Company's history we are facing exciting times at VITA 34. In 2008 we want to expand further our partnerships and, above all, implement our marketing and sales strategy, which we are using to develop the market for umbilical cord blood banking in Germany. In this way we will strengthen the basis for nearly doubling revenues by 2009 (in comparison to the plans for 2007). With revenues of approximately EUR 28 million, we expect to be profitable again after a short build-up period. We invite all of the investors and partners of VITA 34 to participate in this success, and to experience and shape the exciting developments in stem cell medicine together with us. We are sure that this will be reflected in the price of VITA 34 shares.

Best regards and our sincere thanks for the trust you have extended to us.
Leipzig, February 13, 2008

Dr. med. Eberhard F. Lampeter

Peter Boehnert

THE MANAGEMENT BOARD

VITA 34 International AG does not have its own operative business, rather it manages the group as a cross-functional management holding. Dr. Lampeter and Mr. Boehnert are directors of both VITA 34 International AG and VITA 34 AG. The Management Board of VITA 34 is augmented by Mr. Papavlassopoulos.

Dr. med. Eberhard F. Lampeter,
Management Board Chairman of VITA 34 International AG and VITA 34 AG
Responsible on the Management Board for Strategy, Research and Development, Business Development. Born in 1955, 2 children.

Dr. Lampeter founded VITA 34 in Leipzig in 1997. The Virchow Prize winner has dealt with diabetes research intensively since his studies, and in doing so became aware of approaches for using stem cells in potential therapies. Dr. Lampeter was Director of the Early Detection Center at the Diabetes Research Institute of the University of Duesseldorf from 1990 to 1997, following a previous position at the hospital in Munich-Schwabing. He has published some 50 scientific papers on diabetes, immunology and stem cell transplantation.

Dipl. Betriebsw. (FH) Peter Boehnert,
Finance Director of VITA 34 International AG and VITA 34 AG
Responsible on the Management Board for Finance, Human Resources and Investor Relations. Born in 1953, 1 child.

Peter Boehnert has been Managing Director and a Management Board member respectively of VITA 34 since 2001. He has more than 30 years of experience in the commercial sphere, which he gathered in management positions in international corporations. Following his business administration studies he was in management positions at Gillette, Schindler and finally at Morgan Crucible Company.

Dipl.-Kfm. Oliver Papavlassopoulos,
Director Marketing and Sales of VITA 34 AG
Responsible on the Management Board of VITA 34 AG for Marketing and Sales. Born in 1964, 3 children.

Oliver Papavlassopoulos has been a Management Board member of VITA 34 AG since 2006. Before that he gathered experience in marketing and sales in numerous industries, and was particularly focused on end customers and parents as a target group. Following positions at Procter & Gamble and the Holtzbrinck Gruppe, he was Director of Marketing at Lindt & Sprüngli in Switzerland. Prior to his move to VITA 34 AG he was Marketing Director at Center Parcs in Germany for several years.

SUPERVISORY BOARD REPORT

Dear Shareholders,

The Supervisory Board monitored and provided advice on the work of the Management Board in fiscal year 2007. The basis for this was extensive reports made by the Management Board in written and oral form. In addition, the Chairman of the Supervisory Board regularly exchanged information with the Chairman of the Management Board. Thus, the Supervisory Board was always informed of the intended business policy, corporate planning, the profitability of the Company, the course of business, as well as the situation of the Company and the group as a whole.

The Supervisory Board met for four regular meetings in 2007. No member of the Supervisory Board participated in less than half of the meetings. In addition, several resolutions were passed in writing. In all of the Supervisory Board meetings, the Management Board reported to the Supervisory Board on the economic and financial development of the Company, including the risk situation.

Emphasis of the Consultations in the Supervisory Board
A clear emphasis of the activities of the Supervisory Board in the reporting year was the divestiture of the US business, the IPO of VITA 34 International AG, the new marketing and sales strategy, and the expansion of European activities with the very successful distribution cooperation in Spain. In the November 2007 meeting, the Management Board presented its operative plan, as well as the financial and balance sheet plan, which were the subject of extensive deliberations.

Committee Work
The Audit Committee met three times in the reporting year. It reviewed questions regarding accounting and conducted the preliminary audit of the annual and consolidated financial statements, the annual report and the group annual report. The auditor reported in detail on his audit activities.

The Personnel Committee met three times. The questions of Management Board compensation and the extension of the Management Board contracts of Dr. Lampeter and Mr. Boehnert were dealt with.

Richard J. Neeson – Chairman of the Supervisory Board of VITA 34 International AG

Corporate Governance
The Supervisory Board dealt with the further development of Corporate Governance principles in the Company, thereby taking the changes to the German Corporate Governance Code dated June 2007 into consideration. In February 2008, the Management Board and the Supervisory Board issued a new Declaration of Compliance that is printed on page 19 of the annual report, in the "Corporate Governance" chapter.

Annual and Group Financial Statements, Audit
The auditor, Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Leipzig, audited the annual financial statements of VITA 34 International AG, the consolidated financial statements, the management report and the group management report. As a result it should be noted, that VITA 34 observed the rules of the German Commercial Code and the International Financial Reporting Standards. The annual financial statements and consolidated statements received an unqualified audit certificate. The financial statement documents were thoroughly discussed in the Audit Committee and in the Balance Sheet Meeting of the Supervisory Board, in the presence of and following a report from the auditor.

We have reviewed the consolidated financial statements and the group management report. There were no objections. We, therefore, approve the result of the audit. We approve the annual financial statements and consolidated financial statements of the Management Board. The annual financial statements are thus confirmed. We are in agreement with the management reports and, in particular, the evaluation of the further development of the Company.

The Supervisory Board thanks the Management Board and all employees for their dedicated performance in fiscal year 2007.

For the Supervisory Board

Richard J. Neeson
Chairman

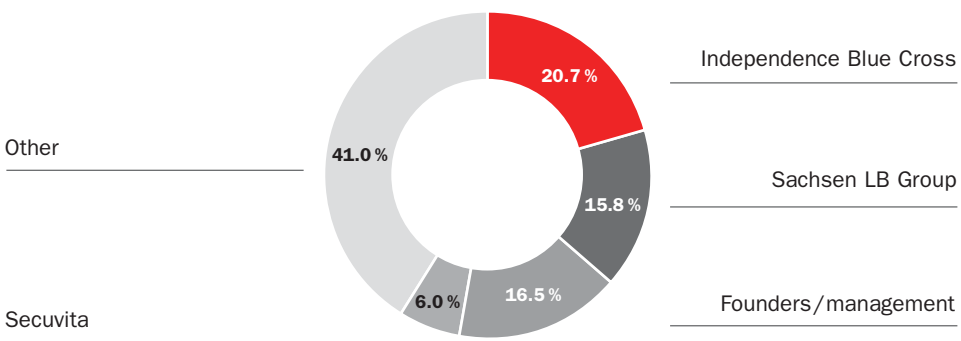
THE VITA SHARES

VITA 34 has been listed in the Prime Standard segment of the Frankfurt Stock Exchange since March 2007

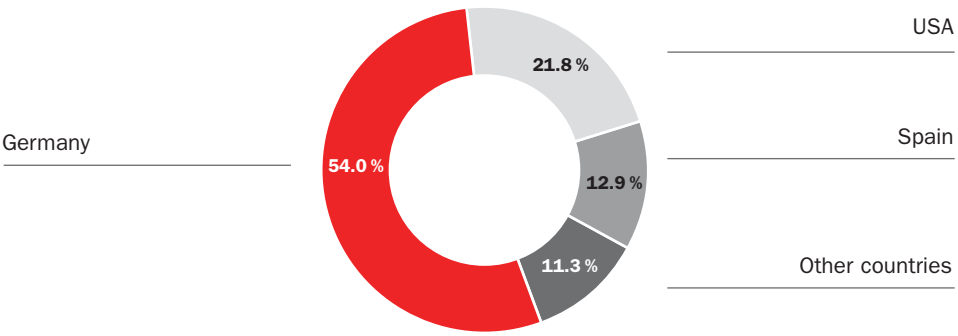
VITA 34 International AG can report on its first year as a publicly listed company. The IPO on March 27, 2007 was one of the most important milestones in the 10-year history of the Company. The Company has been listed in the Prime Standard segment of the regulated market of the Frankfurt Stock Exchange since then.

Altogether, 600,000 shares were placed with investors in a capital increase within the context of a book-building process at a price of EUR 15.00. Original shareholders did not relinquish any shares during the IPO. 82 percent of the new shares were allocated to institutional investors, 15 percent to private investors and 3 percent went to friends and family. The syndicate for the IPO consisted of Concord Investmentbank AG and Deutsche Apotheker- und Ärztebank. In September 2007, VITA 34's Spanish partner, Secuvita, and its management took a 6 percent interest in VITA 34 as new shareholders. The free-float according to Deutsche Börse's definition was, therefore, 44.1 percent at the end of December 31, 2007. The current shareholder structure is as follows:

Shareholder structure as of December 31, 2007



Regional distribution of shareholders as of December 31, 2007



The largest individual shareholder is Independence Blue Cross, the American health insurance company.

Cash inflow of EUR 9 million being used for expanding marketing and sales activities

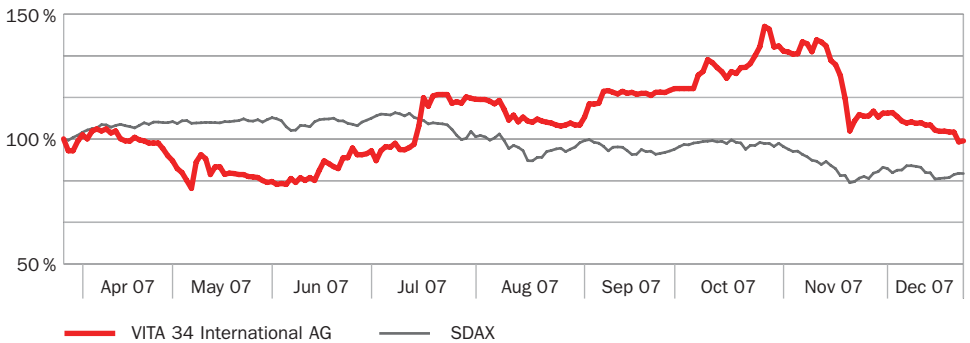
The funds raised during the IPO, totaling in gross EUR 9.0 million, are being used to finance the expanded marketing and sales strategy. This envisions expanding the market for the storage of umbilical cord blood in the German-speaking countries. As the undisputed market leader with a market share of 66 percent and more in the German-speaking countries, VITA 34 will profit the most from this market expansion.

INFORMATION AND KEY FIGURES ON THE SHARES	
Initial quotation	March 27, 2007
Market segment	Prime Standard
Ticker symbol/Reuters symbol	V3V/V3VGn.DE
Securities number/ISIN	A0BL84/DE000A0BL849
Index	CDAX, Prime All Share, Technology All Share, Prime IG Biotechnology
Number of shares issued	2,646,500
Free-float	44.1 %
Industry	Pharmaceuticals
Placement volume	600,000 shares in a capital increase
Market capitalization as of December 31, 2007	EUR 33.1 million
Designated Sponsor	Close Brothers Seydler AG Concord Investmentbank AG
Issue syndicate	Concord Investmentbank AG (Lead Manager) Deutsche Apotheker- und Ärztebank
Opening/High/Low/Closing Price (Dec. 28, 2007), XETRA in Euro	14.40/18.28/10.10/12.50

In 2007 the VITA 34 share price reached a high of EUR 18.28

The opening share price of VITA 34 International AG on March 27, 2007 of EUR 14.40 was below the issue price, and a low of EUR 10.10 was even reached on the XETRA exchange at the beginning of May. Subsequently the share price recovered notably, not least due to effective capital market communication, and in October it reached a previous high of EUR 18.28. Subsequently the price dropped, not least as a consequence of the general weakness in German stocks. At year's end the price on the XETRA was EUR 12.50. In the coming quarters, the Management Board will undertake intensive efforts to bring the share price back in line with the development and operative growth of the Company, thus offering good value development for shareholders.

XETRA share price history since IPO on March 27, 2007



The stock's trading volume was an average of some 7,600 shares per day, which is equivalent to a daily turnover of approx. EUR 100,000. VITA 34 has above-average share liquidity for a company of its size.

Extensive communication with the financial community

VITA 34 communicates with the capital market, the public and the media in an active and transparent fashion. Analyst coverage is satisfactory. VITA 34, as a publicly traded umbilical cord bank, is currently covered by 4 analyst firms. Concord Investment, Deutsche Apotheker- und Ärztebank, as well as First Berlin and Commerzbank publish estimates on VITA and its stock. The current Commerzbank report from the end of October 2007 contains a Buy recommendation with a target price of EUR 22. In addition, during 2007 VITA 34 presented the Company at several capital market conferences, for example, the German Equity Forum and the Munich Capital Market Conference. The Company's own event for presenting the half-year results was initiated in Frankfurt and enjoyed a great deal of interest.

Roadshows form another important building block in VITA 34's financial market communication and numerous roadshows were conducted in 2007. After comprehensively approaching domestic

The initial quotation of VITA 34 shares took place on March 27, 2007

and international investors within the context of the IPO, over the course of the year additional investors were familiarized with the positioning and outlook of VITA 34 in roadshows in Germany, Vienna, Zurich, London, Madrid, Bilbao and Barcelona. Especially in the second half of the year, extended roadshows were conducted again.

Positive response from investors and the financial press

VITA 34 has its own web presence to inform investors. There, the Investor Relations section was, in particular, significantly expanded and reworked over the course of 2007, and always provides extensive news and facts on the Company within the context of the website. In addition, interview formats with a high level of distribution and effect have been employed, in order to comment on and classify current developments.

Contact was maintained with the financial media over the course of 2007. VITA 34 has an ongoing dialog with the most important investors and media covering the stock exchange. Correspondingly, numerous articles and buy recommendations were published.

On July 31, 2007, VITA 34 held its first Annual General Meeting as a publicly traded company in Leipzig. Nearly 60 percent of the capital was present, and all agenda items were passed with more than 99 percent of the shareholder's votes. Following the Annual General Meeting there was an opportunity for interested shareholders to visit the VITA 34 Glass Laboratory in Leipzig.

VITA 34 will continue the capital market activities on a high level in the future. The goal is to inform continuously investors, analysts and the public about the Company's current state of business and prospects in a timely fashion, thus bringing the share price in line with the positive operative development.

CORPORATE GOVERNANCE

The principles of good Corporate Governance are a significant foundation of cooperation with the shareholders, employees and business partners for VITA 34. The following report provides information concerning the state of implementation of Corporate Governance at VITA 34.

Shareholders and Annual General Meeting

All VITA 34 shareholders have the same rights; each share is entitled to one vote, as a rule. The shareholders have the option of exercising their voting rights in the Annual General Meeting themselves, or by giving their proxy to an authorized representative or a voting representative of the Company, who is bound to instructions. In the Annual General Meeting the shareholders have the opportunity to speak regarding items on the agenda and to present factual questions and motions. Changes to the by-laws and other corporate measures such as corporate agreements and conversion, the issuance of new shares and other financing instruments, as well as the authority to buy back the Company's own shares are decided upon by the Annual General Meeting as a body of the Company.

The invitation to the Annual General Meeting has not been sent electronically to date, since the corresponding approvals for a change in the by-laws were not obtained until the 2007 Annual General Meeting.

Interaction of Management Board and Supervisory Board

Both bodies to work together closely for the benefit of the Company. The Management Board is responsible for running the Company, the Supervisory Board advises and controls the Management Board. The Management Board and the Supervisory Board observe the rules of proper company management.

The Company has taken out a directors and officers insurance policy for the Management Board and Supervisory Board. Here, no special deductible was agreed upon with the Management Board and the Supervisory Board, since we are not of the opinion that the care and responsibility that the members of the Management Board and Supervisory Board exercise in fulfilling their duties could be further enhanced by agreeing to a deductible.

An age limit for Management and Supervisory Board members was not established. The determining factor for the capability of the members of these bodies is not age; therefore, we do not consider an age limit to be sensible.

Management Board

The Management Board of VITA 34 International AG consists of 2 members. The Chairman of the Management Board is Dr. med. Eberhard F. Lampeter. The Management Board manages VITA 34 International AG under its own responsibility, thereby, orienting itself on a continuous increase in company value.

The work of the Management Board in general is regulated by rules of procedure. The rules of procedure also contain the departmental responsibilities of the Management Board members, those matters reserved for the entire Management Board, as well as the majority required to pass a Management Board resolution.

The Management Board regularly informs the Supervisory Board about all of the issues relevant to the Company related to planning, business development, risk and risk management in a timely and comprehensive manner. Currently no member of the Management Board is active as a Supervisory Board member of a company outside the group.

The Supervisory Board

In all, the Supervisory Board of VITA 34 International AG comprises six members. The Supervisory Board supervises and advises the Management Board regarding management of the business. To this end, the Supervisory Board regularly discusses the development of business, as well as planning, strategy and its implementation. It approves the annual plan prepared by the Management Board and renders a decision on the acceptance of the individual and group financial statements.

The Supervisory Board has established two committees from amongst its members: the Audit Committee and the Personnel Committee.

The Chairman of the Supervisory Board coordinates the work in the Supervisory Board, directs the meetings and handles the external affairs of the Supervisory Board.

To date, no Management Board member of VITA 34 has moved into the Supervisory Board.

Prior to the next Supervisory Board election, the Supervisory Board will form a Nominating Committee, which will propose suitable candidates to the Supervisory Board for its candidate proposals to the Annual General Meeting.

Compensation of Management Board and Supervisory Board

The compensation of Management Board members consists of a performance-independent component and a success-dependent component. VITA 34 International AG has reported the individual compensation of Management Board members. Supervisory Board compensation is

regulated in Sec. 18 of the by-laws. The Supervisory Board members at VITA 34 International AG receive fixed compensation. Performance-based compensation is not provided for.

Additional details on the compensation of the Management and Supervisory Boards can be found in the notes to the Consolidated Financial Statements under text number 29.

Transparency

The Management Board publishes insider information that pertains to VITA 34 immediately, to the extent it is not exempt from doing so in individual cases. In addition, the Company keeps an insider directory, which comprises all persons who have access to insider information.

A basic principle of the communication policy of VITA 34 is to treat all shareholders and interest groups equally when publishing information which pertains to the Company and is significant for evaluating the development of the Company.

All mandatory publications, as well as additional investor relations publications of the Company, are issued in German and in English.

All information relevant for capital markets is available in German and English on the VITA 34 website at www.vita34.com.

According to Sec. 15a of the German Securities Act (WpHG), the members of the Management Board and Supervisory Board, as well as certain employees with management duties, and those with a close relationship to them, must disclose the purchase and sale of shares in VITA 34 International AG and financial instruments based on these shares (Directors' Dealings). The following securities transaction requiring notification took place in fiscal year 2007, and were also published on the Company's website:

:: The Chairman of the Management Board, Dr. med Eberhard F. Lampeter acquired 771 shares on April 5, 2007. The total value of the transaction was EUR 10,061.55.
:: Supervisory Board member Hubertus Leonhardt acquired 1,000 shares with a value of EUR 10,740.00 on May 25, 2007.
:: On September 21, 2007, SHS Gesellschaft für Beteiligungsmanagement mbH, represented by its Managing Director Hubertus Leonhardt (Supervisory Board member) sold 40,000 shares with a total value of EUR 580,000.

The publication documentation, as well as the corresponding announcements, were sent to the German Federal Agency for Financial Services Supervision.

The shares held by Management and Supervisory Board members of VITA 34 International AG is greater than 1%, whereby the Management Board holds 6.3% and the Supervisory Board holds 3.4%.

Accounting and Auditing

VITA 34 International AG prepares its group financial statements in accordance with the International Financial Reporting Standards, thus following legal requirements.

The annual consolidated financial statements are published in significantly less time than the required 90 days following the end of the fiscal year. Interim reports are published less than 45 days following the end of the respective quarter.

Specific information on the stock option program of VITA 34 International AG can be found in the Consolidated Appendix under note 27.

The Supervisory Board has mandated Ernst & Young AG Wirtschaftsprüfungsgesellschaft Steuerberatungsgesellschaft, Leipzig, with the audit of the group financial statements of VITA 34, as well as the individual financial statements of VITA 34 International AG. The basis for appointing the auditors was their selection by the Annual General Meeting 2007. The Supervisory Board obtained an independence declaration in accordance with 7.2.1 of the Code from Ernst & Young. Therein, Ernst & Young confirmed that there are no professional, financial, personal or other relationships between the respective auditor, and its bodies and audit directors and the Company and the members of its bodies.

Declaration of Compliance

The Management Board and Supervisory Board of a German stock corporation listed on a stock exchange are obligated in accordance with Sec. 161 German Stock Act [AktG] to declare once annually whether the so called recommendations of the Government Commission on the German Corporate Governance Code have been observed and will be observed, or which recommendations have not been applied or will not be applied. The following Declaration of Compliance was made permanently accessible on the Company's website, along with the prior year's Declaration of Compliance:

VITA 34 International AG fulfills and will fulfill all of the recommendations of the German Corporate Governance Code, June 14, 2007 Version, with the following exceptions:

:: The deductible agreed between the Company and the D&O insurer is EUR 2,500. No special deductible was agreed upon with the Management Board and the Supervisory Board, since we are not of the opinion that the care and responsibility that the members of the Management Board and Supervisory Board exercise in fulfilling their duties could be further enhanced by agreeing to a deductible (3.8).

:: The German Corporate Governance Code recommends forming a Nominating Committee in the Supervisory Board to propose suitable candidates for its nomination recommendations to the Annual General Meeting. Currently, the Supervisory Board has not formed a Nominating Committee, however it should be formed in due time prior to the next Supervisory Board elections (5.3.3).

:: An age limit for Management and Supervisory Board members was not established. The determining factor for the capability of the members of these bodies is not age; therefore, we do not consider an age limit to be sensible (5.1.2/5.4.1).

:: The members of the Supervisory Board receive a fixed rate compensation. The amount of compensation currently does not warrant a change to a performance-based compensation model. (5.4.7)


POLICE
POLICE
CHIEF

JAN – 6 YEARS OLD – BACK TO A FULL LIFE

As of 2005, Jan is the first person in Europe to have been treated – successfully – with stem cell from a private umbilical cord blood bank. Jan had suffered from aplastic anemia. This is a dangerous disease, in which blood formation in the bone marrow does not function properly. In 2005 he received a transplant of stem cells from his younger brother's umbilical cord blood. It was stored at VITA 34. Today, Jan is a healthy child. He does not yet know VITA 34. His parents, however, do.

Left side: Jan and Arne

VITA 34 – FORESIGHT STEP BY STEP

1. Public Relations and care of interested parties

2. Signing of the storage contract

3. Sending of the collection set to expecting parents

4. Birth/Collection of umbilical cord blood

5. Transport of umbilical cord blood to VITA 34

6. Preparation and storage of stem cells

7. Quality controls/monitored long-term storage

VITA 34 is there for its customers round the clock from the initial contact onwards.

IT ALL BEGINS WITH PUBLIC RELATIONS

February Mr. and Mrs. Smith in Hamburg learn that Melanie Smith is three months pregnant. The obstetrician sets August 23, 2007 as the anticipated delivery date.

April Michael and Melanie Smith begin a pregnancy course together. There, they are made aware of the possibility of storing umbilical cord blood by other parents.

The Smiths gather initial information on the various private umbilical cord blood banks and their services using the Internet. They also request non-binding, free informational material from VITA 34, the market leader. This provides them with information on the process surrounding the storage of their child's umbilical cord blood. A findings sheet and a contract are enclosed with the informational material.

The Smiths receive in-depth information from the expert team at VITA 34 via the toll-free service number 0800 / 034 00 00.

May 11 The Smiths decide to have the umbilical cord blood stored with VITA 34.

May 18 The Smiths have their gynecologist fill out the form at an appointment that was already routinely scheduled. This is prescribed by law for the protection of the child. This confirms that the regular pre-natal exams have been conducted, and the laboratory values are transmitted to the VITA 34 Medical Director.

May 21 The Smiths send the completed form and the signed contract back to VITA 34.

June 22 Just to be sure, the Smiths call the toll-free service number again to have the team explain to them how the collection will take place, and what they need to observe. They only need to take the collection set with them to the clinic. The trained clinic personnel and VITA 34 take care of the rest. The birthing clinic the Smiths have selected is a VITA 34 cooperating partner, as are some 90 percent of all German birthing clinics. The personnel have been extensively trained, in order to be able to collect the umbilical cord blood and send it to VITA 34 with the set. The clinic has been certified to do this by the responsible health authorities.

EVERYTHING IS PERFECTLY PREPARED FOR THE BIRTH – THANKS TO CLOSE COOPERATION WITH THE CLINIC

July 18 The collection set from VITA 34 arrives at the Smiths. The bag system was specially developed by VITA 34 and ensures simple and risk-free collection. The anti-coagulant in the bag prevents the blood from clotting during the subsequent transport. In addition, tubes are included for storing the blood of the mother and documentation for the clinic personnel.

VITA 34 informs the birthing clinic that the Smiths want to have their child's umbilical cord blood collected.

August 26, 12:40 PM Melanie Smith notices the first contractions. Her husband brings her to the hospital. In doing so he brings the VITA 34 collection set and the release form for the clinic – both were already packed in the suitcase.

1:03 PM The Smiths arrive at the clinic. Michael Smith gives the midwife the collection set and, just to be sure, points out once again that they plan to collect the umbilical cord blood.

5:08 PM The birth begins.

5:31 PM Markus Smith gets his first look at the world and his umbilical cord is cut – 54 centimeters tall and 4,280 grams in weight. The infant is in perfect health.

5:32 PM The midwife collects the blood from part of the umbilical cord that is still connected to the placenta. The umbilical cord is disinfected and punctured at this point. Now the blood flows into the sterile collection bag thanks to gravity. Subsequently, the clinic personnel fills out the necessary papers and the umbilical cord blood is packed safe for transport between gel pillows. The mother and child take no notice of any of this.

5:48 PM The clinic informs VITA 34 by telephone that Markus Smith's blood has been successfully collected. It's no problem that today is Sunday. The VITA 34 hotline is, of course, staffed 24 hours a day, 7 days a week.

5:53 PM The VITA 34 employees give their courier an order to pick up the umbilical cord blood.

SOPHISTICATED LOGISTICS AND EXTENSIVE TESTS ARE THE DIFFERENCE

7:20 PM The trained courier picks up the collection set at the clinic in Hamburg. The temperature remains constant over many hours thanks to the gel bags in the styrofoam transport box. In addition, the temperature is electronically recorded at VITA 34 up to delivery.

August 27, 07:58 AM The courier service delivers the collection set with the umbilical cord blood to the Glass Laboratory of VITA 34 in Leipzig.

08:22 AM In the VITA 34 clean rooms the preparation of Markus Smith's umbilical cord blood and the stem cells it contains begins. Subsequently, the blood is stored in the gas phase via liquid nitrogen. In this way, stem cells stay fresh over many decades.

August 28 The Smiths receive a written receipt confirmation with precise information on the chronological sequence from birth until storage of the stem cell preparation.

Now, extensive tests of the preparation begin, which can last for several weeks.

September 28 The Smiths are informed in writing about the results of the tests: The preparation is completely in order. The cell count and quality are best suited to storage and a possible use.

The Smiths now receive an invoice and a certificate from VITA 34 concerning the successful storage. Thus, only they – and once he has reached adulthood – Markus Smith, have access to the stored stem cells.

October 2 The Smiths transfer the amount due to VITA 34.

Later The parents are kept up to date on the latest developments and advances in stem cell medicine by the VITA 34 customer newsletter.

POTENTIAL OF STEM CELLS INTERVIEW WITH PROF. DR. FRANK EMMRICH

Stem cells are considered to be the raw material for the medicine of the future. Research into future applications is being conducted world-wide, and new perspectives are constantly opening up. In Germany, for example, the Fraunhofer Institute for Cell Therapy and Immunology (IZI) in Leipzig, under the direction of Prof. Dr. Frank Emmrich, is transferring current biomedical research into the clinic. Thus, theory and practice are working hand in hand in the development of stem cell medicine. Prof. Emmrich, who is also Director of the Transplantation Center for Regenerative Medicine at the University of Leipzig, elaborates on the perspectives and potential of stem cells, and the advantages of these cells from umbilical cord blood.

Please describe what the advantages of stem cells from umbilical cord blood are.
Umbilical cord blood contains stem cells, whose number and quality can later only be found in bone marrow. These stems cells are biologically very young and capable of dividing, since they are collected at the time of birth. In addition, every person suffers different virus attacks during the course of his/her life and is subjected more or less to toxic environmental influences. The stem cells in umbilical cord blood have not yet been affected by this. Finally, umbilical cord blood cells are collected from the by-product of birth, the afterbirth, and can, therefore, be collected without any ethical concerns and without any risk to the mother and child.

When does the use of the body's own autologous stem cells make medical sense?
The fundamental problem in transplantation medicine is that foreign cells or tissues are rejected. The body uses the immune system to differentiate its own tissue from foreign tissues. Everything that is "foreign" is rejected, as a rule. When the body's own stem cells, called autologous cells, are used for transplantation, there is no such rejection reaction. In the case of some cancers, a slightly immunological incompatibility of the cell transplant has a positive effect, namely the destruction of remaining cancer cells by the transplanted immune cells. The significance of this GvL effect beyond certain leukemias, however, is disputed. Therefore, the transfer of the body's own (autologous) cells is usually the better solution in most cases, because it is safer.

Prof. Dr. Frank Emmrich

How high is the probability that a newborn person will actually be treated with his/her own stem cells?

This is a difficult question, because future scientific development in this field would have to be predicted and considered for today's newborns. This is why the experts' estimates range between 1 : 7 and 1 : 15,000 for the likelihood of use, taking scientific development into consideration.

Why have there been so few examples of the use of stem cells from umbilical cord blood in Germany to date?

Germany is somewhat more conservative in many areas, whether it be due to its size and the resulting difficulties in comparing opinions, or perhaps due to its history. Nonetheless, the first umbilical cord blood banks in the world were established in Germany. In Japan or the USA, the use of stem cells from umbilical cord blood is significantly more widespread than it is in Germany. There, innovative special clinics have had faster experiences with new processes.

What stage of development is stem cell medicine currently at?

A differentiation must be made between basic research and clinical use. Basic research deals very intensively with the early embryonic forms of stem cells or cells one would like to bring into this stage. A possible medical use is, however, way off for various reasons. On the other hand, there are stem cell treatments with younger cells, for example, with blood-forming stem cells that have been practiced in clinics for many decades. The first clinical bone marrow transplants were conducted 50 years ago and blood stem cells have been transplanted on a large scale in clinics for nearly 20 years. It has only been in the last few years, however, that notice has begun to be taken of the potential for stem cell treatments for many other diseases. This includes diseases such as heart attacks, strokes and the sugar disease diabetes mellitus, which are extraordinarily significant from an economic point of view. Currently, considerable funds are being invested in research in all industrialized nations and the hope of finding a clinically practical new method of therapy are great.

"THE POTENTIAL OF STEM CELL TREATMENTS FOR MANY DISEASES HAS ONLY BEGUN TO BE RECOG-NIZED IN THE LAST FEW YEARS."

What are the most important drivers for the development of stem cell medicine? What problems need to be solved?

From my point of view, the most important scientific driver the recognition that there are "nests" of stem cells in nearly all body tissues, and that they act as an important reservoir for tissue regeneration. In general, these mechanisms function until an advanced age. They have not been researched well enough yet, so today we cannot say when it will be possible to localize and control them in a targeted manner. In addition, in the last few years different new sources for the collection of stem cells and new preparation methods have been discovered, which will be used as the basis for developing procedures. In order, however, to be used on a large scale, well controlled clinical studies are required, which can provide statistical evidence for the benefit of the procedure. These clinical studies are not only for the professional world, rather they are also very important for those who bear the costs, so as to assure that costs are assumed.

What role is played embryonic stem cells in this context?

For us in Germany it is surely somewhat problematic that the work with human embryonic stem cells is only possible on a limited basis. Here, a revision of stem cell legislation is intended to provide relief, in which the so-called reference day rule is removed or carried forward and the legal certainty for scientists active in this field is improved. However, to be fair, one needs to admit that the very extensive research work with adult stem cells and e.g. also with umbilical cord blood cells is possible to the same extent here in Germany as it is in other European countries.

In what sort of time frame must we think with regard to the further development of stem cell medicine?

In the last few years, the development speed and the rapidness with which the new results from stem cell research have been published have increased significantly. In this regard, I expect that there will be new clinical applications for stem cell therapies for many diseases in the next 5–15 years.

"THE NUMBER AND QUALITY OF UMBILICAL CORD STEM CELLS ARE SO SIGNIFICANT THAT THIS VALUABLE MATERIAL SHOULD IN NO WAY BE DESTROYED."

Researchers have apparently been successful in changing skin cells so that they resemble embryonic stem cells. How should this result be evaluated?
These results represent a milestone in stem cell research. Mature cells were successfully placed in an immature state by introducing a special control gene. The hope now is that different tissues will be able to develop from this. Whether this will really lead to a clinically practical process cannot be answered precisely at the moment, as is the question regarding the most suitable raw material. A careful comparison must be made as to which cells are best suited for this and, here, cells from umbilical cord blood will also be studied. The have the advantage of being the most biologically young cells that can be collected without any technical effort or risk to the donor. The development of "induced" pluripotent stem cells to me seems, from the current clinically practical perspective, to be particularly interesting for the development of insulin producing islet cells for treating diabetes.

Could the use of adult stem cells be made redundant through new research results?
This is improbable. For more than 70 years, blood transfusions have been conducted on a large scale, and there have been no successful attempts to replace this through the development of artificial blood or with cultured cells. To this extent, I assume that the use of the body's own cells from blood and bone marrow will continue to be in the foreground for the next few decades. Even if clinically practical procedures could be developed from the induced pluripotent cells, today no prediction can be made as to whether and when they will be priced favorably like competing processes from adult stem cells. If there is no approach for the respective treatment with adult stem cells, the cost argument will not be important.

Would you have the umbilical cord blood of your own child be stored?
Here I would like to answer with a convinced "Yes." The number and quality of umbilical cord blood cells is so significant that this valuable material should not be destroyed, and should be saved for a possible autologous or allogenic donation and for new therapy developments of the future.

MARKET AND STRATEGY

MARKET FOR STORAGE OF STEM CELLS

Annually, stem cells are stored in less than 2 percent of all 680,000 births in Germany. In 98 percent of the cases – or more than 665,000 times – the umbilical cord and the blood it contains are simply thrown away. VITA 34 considers this to be a severe omission. After all, the umbilical cord blood contains valuable stem cells, the youngest and least encumbered available to humans after the embryonic stage.

Market share in the German-speaking countries is more than 66 percent

These stem cells are characterized by the fact that they can differentiate later to form a variety of cell types. This opens up a broad application spectrum in treating severe diseases and in regenerative medicine. The use of stem cells in cancer therapy has been standard medical practice for a long time. Studies on the use of stem cells in auto-immune diseases, diabetes, stroke and Alzheimer's, just to name a few, have already been conducted. The great majority of practical applications take place in adulthood, when corresponding diseases arise and the need for regenerative medicine increases. Whoever wants to use the valuable stem cells from umbilical cord blood at this point needs to have provided for this at birth. In many cases of stem cell use, the body's own, autologous stem cells are required. VITA 34 is the undisputed market leader in the German-speaking countries in the storage of autologous stem cells from umbilical cord blood. Its market share is clearly more than 66 percent.

Cooperation agreements with approx. 850 birthing clinics in Germany

As the first private umbilical cord blood bank in Europe, with a history of more than 10 years, VITA 34 stands for the trustworthy and sound consultation of customers and prospects, for outstanding quality in the logistics surrounding umbilical cord blood collection, for extensive tests and quality checks in the Glass Laboratory in Leipzig, as well as for reliable storage of the stem cell transplants over decades. In addition, VITA 34 is the only umbilical cord blood bank that guarantees storage independent of the Company's development thanks to an insolvency

Oliver Papavlassopoulos, Director Marketing and Sales at VITA 34 AG

policy from Generali. VITA 34 has entered into cooperation agreements for the collection of umbilical cord blood with some 850 of the 950 birthing clinics in Germany. The specialized training of the birthing clinic team on site is the basis for the production permit, without which umbilical cord blood may not be collected, in accordance with the German Pharmaceuticals Act.

Based on its excellent positioning in the market, VITA 34 is confident that it can at least keep its market share stable in the coming years. A decisive increase in storages at VITA 34, however, will be attainable, primarily by expanding the market as a whole. This means that the percentage of parents amenable to storage must be increased. Correspondingly, the expansion of the market is the declared goal of VITA 34 in the coming years.

The number of storages annually is projected to rise to some 16,000 by 2009 in the German-speaking countries

International studies and the data and experience of VITA 34 show that the willingness towards storage of umbilical cord blood increases with the level of information parents have about the opportunities and potential. A look abroad shows practically that significantly higher storage rates than are currently the case are possible in Germany. Whereas cord blood is stored in less than 2 percent of the 680,000 births annually in Germany, the percentage in the USA is more than 3 percent, and in Asian countries it is as high as 15 percent. If these rates were applied to the German market this would mean up to 100,000 storages per year. The goal of VITA 34, however, is to achieve initially an increase in annual storages in Germany to some 16,000 by 2009.

Targeted information policy as the basis for further corporate growth

To increase the level of information parents have, VITA 34 is counting on directly addressing expecting parents, as well as addressing multipliers. These multipliers have a high degree of credibility amongst parents, and they can be trained with a low use of resources. Multipliers include gynecologists, birthing clinics, parent groups and midwives.

VITA 34 employee engaged in customer care by phone

MARKETING AND SALES STRATEGY

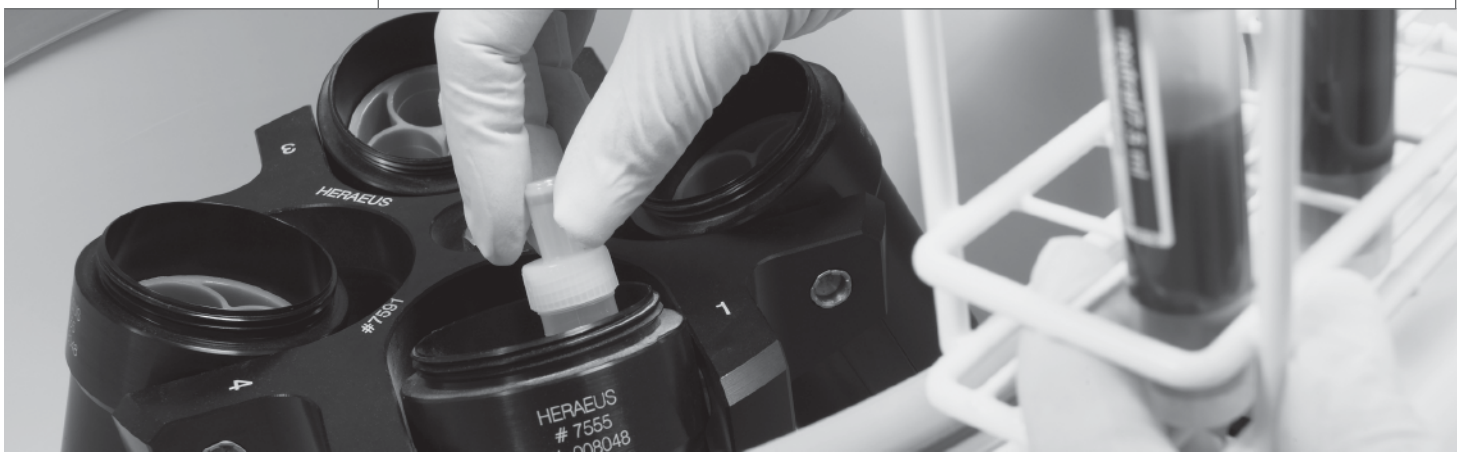
VITA 34 has significantly increased its marketing and sales efforts. On the one hand, the objective is to increase the parents' level of information, and on the other it is to increase further the actual storage rates among interested parents.

The number of employees in Marketing and Sales was expanded to 56 in 2007

In order to achieve the objectives set, the number of employees in the Marketing and Sales departments was increased significantly in 2007. To this end a field force, divided into a total of ten sales regions, was established. 4 employees are provided for in each region. In addition, customer care by phone was expanded. In all, the number of employees in Marketing and Sales rose by 60 percent in 2007 to 56 persons. VITA 34 reckons with the fact that new employees, especially in the field, require several months of training and ramp-up, before they can show measurable success.

The marketing measures employed are clearly showing success

VITA 34 began running TV spots in December 2007 to directly address expecting parents. Television advertising was placed on RTL around the “My Baby” series. The audience of this format has a high degree of overlap with the VITA 34 target group: Expecting parents and their relatives. After the launch of TV advertising on December 3rd, a significant increase in traffic was seen on the VITA 34 website in the final month of the year. In particular, the interest in the use of stem cells and the storage umbilical cord blood rose by double-digit percentages. The pages accessed via search engines also increased significantly. This trend continued in January and showed nearly a doubling of the average level in 2007.



Processing of maternal blood for the preparation of analyses

VITA 34 undertook additional optimizations in its print media ads in 2007. In particular, with regard to the credibility and the comprehensibility of the ads, market research revealed peak values with some 80 percent approval among those surveyed and, thus, a further improvement over the course of the year.

In 2007 VITA 34's service was subjected to another review by TÜV Süd. Here VITA 34 achieved top grades with an average of 1.4 in a rating system (1 = very good; 6 = very bad). The evaluation was even an improvement over the review conducted a year before, whereby friendliness, speed, the service by the employees and their professional competence earned very good marks.

Targeted increase in field force activities

Informing and training of multipliers by the VITA 34 field force was massively increased in 2007. Field force employees achieved some 6,200 visits with gynecologists during the reporting period. This represents an increase of 130 percent as compared to the prior year. VITA 34's strategy is to place special emphasis on gynecologists amongst the multipliers. The number of hospital visits, including training of the birthing teams, was increased by 94 percent to some 3,500.

VITA 34 can report encouraging results from a region, in which the field force was expanded early on within the context of the new strategy. As compared to 2006, field force visits to gynecologists nearly tripled in 2007 and hospital visits roughly doubled. In this reference region, the number of storages rose by 71 percent and was, therefore, very much above average. VITA 34 sees an initial confirmation of the strategy chosen and will continue it in the coming year.

HANNAH, VINCENT, LEAH – ALL GOOD THINGS COME IN THREES

Hanna, Vincent and Leah are triplets. They entered this world in 2007. Together they weighed only slightly more than 4 kilos. Nonetheless, it was possible to store the umbilical cord blood of all three of them. It was an event for the birthing team, but not a problem thanks to prior training by VITA 34. The parents received a financial break: In the case of multiple siblings only half the fee is charged for the second child, and from the third child on no fee is charged. Above all, however, it was important to the parents that the proper provisions were made for their three children.

Left side: Hannah, Vincent and Leah

GROUP MANAGEMENT REPORT

BUSINESS DEVELOPMENT AND ECONOMIC ENVIRONMENT

Company Profile and Business Activities

US activities were completely discontinued in 2007

VITA 34 is the leading cord blood bank in the German-speaking market. VITA 34 International AG serves as the Group's holding company. The operating business is conducted by VITA 34 AG, a wholly owned subsidiary. The activities in the US were discontinued in the first quarter of 2007 following the complete sale of the operating business of the American subsidiary, CorCell, Inc. There are no other subsidiaries at present.

For a fee, VITA 34 offers expecting parents the transplant, processing and storage of their child's umbilical cord cells. Umbilical cord blood contains the youngest adult stem cells that have least been burdened by environmental influences. The stem cell transplants stored by VITA 34 are thus of especially high quality and are available to donors for many decades to treat illnesses and in regenerative medicine.

The fees for this precautionary therapy service are charged based on different price models. The standard package comprises a non-recurring payment of EUR 1,990 on storage together with an annual payment of EUR 30.

VITA 34 revenue depends on the new stem cell transplants that are stored each year and – to a far lesser extent – on the share of the total volume stored for which annual payments are made. This portion of the total volume stored increased in the past years in response to modified price models, and continued to increase in 2007.

Cord blood cells can be transplanted for VITA 34 at some 850 of the total of about 950 maternity clinics in Germany. Cooperation agreements with maternity clinics are required by pharmaceutical law in order to obtain the production permits necessary. These thus pose barriers to market entry for competitors. To the knowledge of VITA 34, no competitor in the German-speaking market has even close to as many cooperation agreements and production permits.

VITA 34 is the market leader in the German-speaking countries

The market share of VITA 34 in the German-speaking market exceeded 66% in 2007. It was thus possible to reinforce the dominant position of prior years. The umbilical cord blood specimens of more than 46,000 children had been stored by VITA 34 at Bio City, Leipzig, by the end of 2007.

Arrival of an umbilical cord blood transport set at VITA 34

VITA 34 is a single-source provider for the production (processing, quality control and storage) and sale of stem cells from umbilical cord blood. VITA 34 cooperates with institutional partners in research and development.

Research and Development

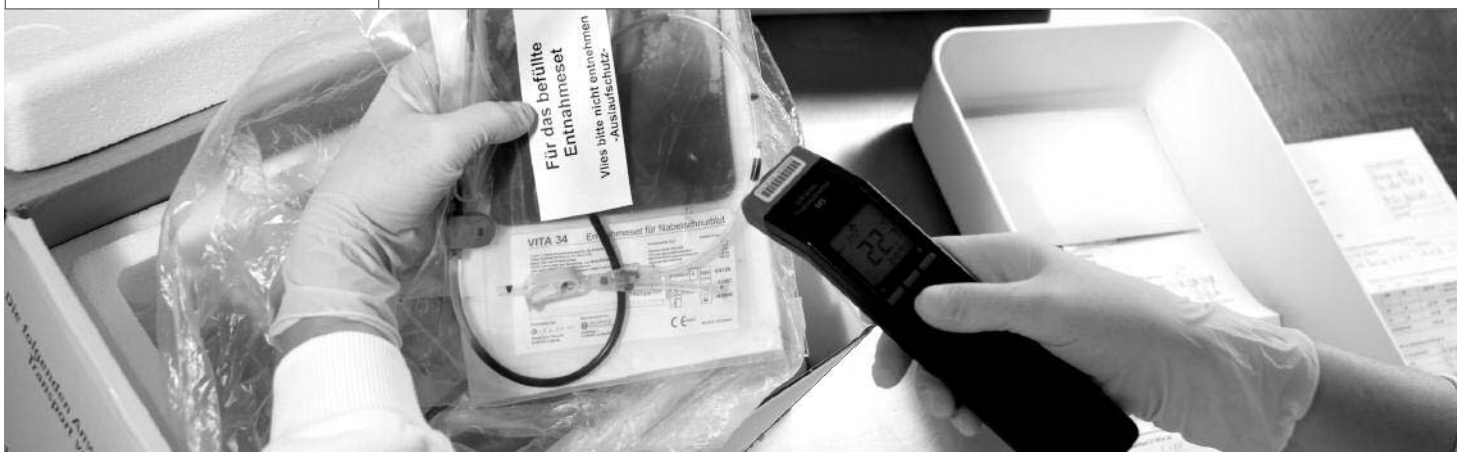
VITA 34 supports research in the field of stem cell therapy

Research and development results which reinforce the application potential of own (autologous) stem cells while opening up new areas of application are of great importance to the services offered by VITA 34. This should have a positive impact on demand for storage possibilities for umbilical cord blood. Accordingly, VITA 34 actively supports stem cell research in cooperation with reputable partners. The projects managed by partners from the scientific community are subsidized so that VITA 34 is not exposed to financial risk. Some EUR 2.0 million in subsidies has been obtained (together with associates) from the federal government and the Free State of Saxony to date.

Together with the Fraunhofer Institute for Cell Therapy, the ground work was prepared in 2007 for conducting a clinical study for the treatment of the sequelae of strokes using stem cells from the umbilical cord or bone marrow.

In cooperation with the University of Rostock, animal testing was successfully completed for a stem cell therapy to treat heart disease in early childhood. These tests serve as a key basis for clinical studies.

In 2008, the Company plans to participate in a clinical study for diabetes therapy. In addition, an application has been submitted for subsidies for a new project with the cooperation of VITA 34 AG, the Fraunhofer Institute for Cell Therapy and Immunology and the University of Leipzig. This new project aims to clarify fundamental questions of stem cell therapy.



Initial temperature control upon receipt of the umbilical cord blood

Production

Production of stem cell preparations is done in VITA 34's own laboratory

With its Glass Laboratory in the Bio City, Leipzig, VITA 34 has its own, state-accredited GMP (Good Manufacturing Practice) laboratory for the adequate production of stem cell transplants from umbilical cord blood. At present, the Glass Laboratory has an operating area of 1,000 m². There is ample space at the current Bio City facilities to enlarge it as required.

In 38 cryo tanks (as at year-end 2007), the specimens are stored at minus 196° in a gaseous phase using liquid nitrogen until they are needed. Comprehensive testing and quality assurance measures ensure the quality and suitability of stem cells.

The laboratory capacity can be increased to accommodate about 100 storages per day without significant investment in infrastructure. This represents three to four times the new storage volume of the prior year. Necessary capital expenditures concern the cryo tanks, since it only makes sense to increase this capacity as needed.

In light of the anticipated growth in storage volume, VITA 34 expects to benefit from economies of scale.

Marketing and Sales

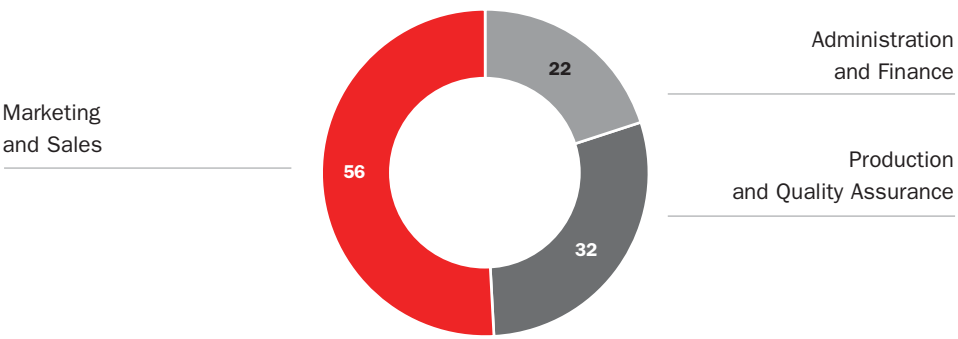
VITA 34 markets and sells its services directly in the German-speaking market. In Spain these activities are performed by Secuvita.

Intensification of multiplier contacts goes hand in hand with increases in contract numbers

In Germany, the sales and marketing division primarily comprises the consulting team operating the VITA 34 customer support hotline and the field staff. These employees directly target multipliers such as gynecologists, clinics as well as midwives and parent groups. VITA 34 data indicate that contract numbers rise as these relationships are strengthened.

The field staff of VITA 34 will be expanded considerably by the end of 2008 as part of the new strategy. A total of 40 employees are to be recruited in the 10 regions across Germany.

Number of employees as of December 31, 2007



Employees

VITA 34 employed an average of 87 employees in 2007

VITA 34 had an annual average headcount of 87 in 2007 (17 more than in the prior year).

Following 74 full-time employees at the end of 2006, the number increased to 110 at year-end 2007. This represents an increase of 49% by year-end. VITA 34 is thus well on target with regard to the expansion of personnel.

The number of employees in the **Marketing and Sales** division increased by 21 year on year, representing 60 percent of new hires. With 56 persons, more than half of VITA 34's workforce was assigned to winning and retaining customers.

The production unit, where VITA 34 can benefit most from economies of scale, increased at an above-average rate. The number of **Production and Quality Assurance** employees increased as of year-end to 32, compared to 24 at the end of the prior year.

22 persons were employed in the **Administration and Finance department** of VITA 34 for order processing, procurement, human resources, legal, finance, management reporting and business development, seven more than in the prior year.

Legal Structure of the Group

Issued Capital

Nominal capital following IPO EUR 2,646,500

In the course of the IPO on March 27, 2007, VITA 34 International AG placed 600,000 shares on the market from a capital increase. The issued 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 officially given notice 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%,
:: Sachen 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. Sec. 9 of the bylaws of VITA 34 International AG contains provisions that satisfy these legal requirements. Pursuant to Secs. 179 and 133 AktG, the articles of incorporation and bylaws can be amended by resolution of the Annual General Meeting.

Authorized Capital

Annual General Meeting passes resolution for authorized capital of up to 500,000 shares

In accordance with Sec. 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 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.

Visual control and weight determination of umbilical cord blood prior to processing

Contingent Capital

Exercise of option rights made possible

Pursuant to Sec. 7 of the articles of incorporation and bylaws of VITA 34 International AG, the Company's capital stock can be contingently increased by a nominal amount of up to EUR 40,000.00 by issue of up to 40,000 new registered shares. The contingent 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.

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 or future affiliated entities or
- redeem them.

Management Board authorized to buy back Company shares

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.

Laboratory workers preparing umbilical cord blood in a clean room

Management and Control

Compensation of Management Board and Supervisory Board

The management and control structures and the remuneration system for the Management Board and the Supervisory Board comply with the legal provisions. They comply in particular with the requirements stipulated in the German Corporate Governance Codex with the mentioned exceptions of the Declaration of Compliance.

The Management Board is organized into two main areas of responsibility. The Supervisory Board of VITA 34 International AG monitors the management activities of the Management Board. The Supervisory Board has six members. The total remuneration of the Supervisory Board is governed by Sec. 18 of the articles of incorporation and bylaws and comprises a fixed annual remuneration.

A break down of the remuneration of the members of the Management Board and Supervisory Board by person and remuneration component is disclosed in the notes to the consolidated financial statements under note 29.

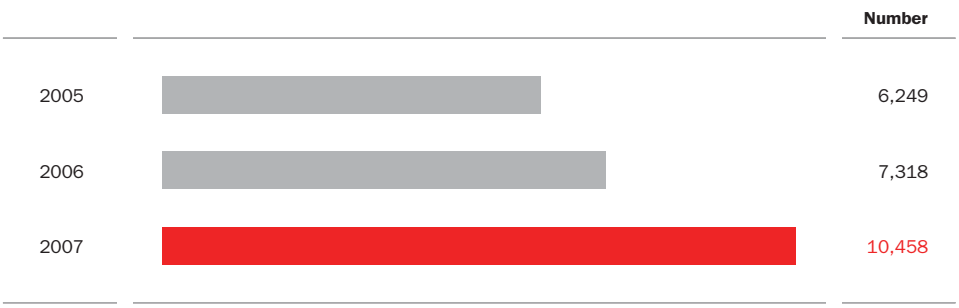
Economic Environment

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.

Operative business not majorly affected by economic trends

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.

Development of the number of annual storages



Overview of Business Development

Number of annual storages rose by 43 percent in 2007

In total, the annual number of storages increased in 2007 to 10,458, representing an increase of 43% compared to 2006, when a total of 7,318 new specimens were stored.

Storages in the German-speaking market increased by 20%. Growth impetus also came from the extremely successful Spanish business in cooperation with Secuvita.

In the fourth quarter, there was temporary easing in contractual storages in the German-speaking market. VITA 34 expects the marketing and sales strategy to generate considerable growth impetus here in the coming months. The initial response to the television advertisement campaign launched in early December 2007 is positive. VITA 34 saw requests for information from expecting parents increase significantly, with internet contacts also rising substantially.

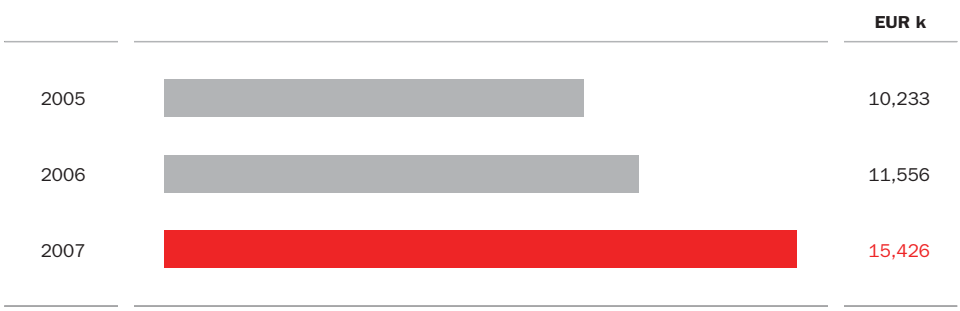
RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

Results of Operations

Clear increase in revenues and storages

VITA 34 International AG closed 2007 with record figures with respect to the number of stem cell specimens stored and revenue. Earnings before interest and taxes surpassed the expectations of the capital market. VITA 34 discloses all figures for 2007 and 2006 for continuing operations, unless otherwise indicated. The operating activities in the US were discontinued in the first quarter of 2007 and are disclosed accordingly.

Development of revenue in EUR k



Revenue was EUR 15.4 million

Revenue, which lags behind storages by about six weeks because comprehensive testing is conducted in this period, before an invoice is prepared, climbed by 33% in 2007 to EUR 15.4 million, following just under EUR 11.6 million in 2006. VITA 34 had targeted an increase in revenue of more than 25% for the full year.

INFORMATION IN EUR K	2007	2006
Revenue	15,426	11,556
– Cost of sales	–5,032	–3,661
Gross profit on sales	**10,394**	**7,895**
– Selling expenses	–8,429	–5,396
– General administrative expenses	–2,816	–2,118
– Other operating expenses/income	19	115
Operating result/EBIT	**–832**	**496**
– Interest income/expenses	260	–26
– Income tax expense	–98	–287
Adjusted net loss/profit for the year	**–670**	**183**
– Write-downs on proceeds from sale of US business	–1,560	0
– Discontinued operation	1,045	–3,049
Net loss for the year	**–1,185**	**–2,866**

Cell culture for quality assurance

In 2007, **cost of sales** increased year on year by 37% due to a rise in volume. However the costs per storage were reduced by 4%.

In 2007, **gross profit** increased from EUR 7.9 million in the prior year to EUR 10.4 million. The slight decrease in **gross margin** from 68% to 67% is due to the lower revenue per unit for storages in Spain compared to Germany.

Planned increase in sales expenditures of 56 percent

Selling expenses increased substantially as planned on the back of the expansive marketing and sales strategy in fiscal 2007. This reflects the increase in personnel in this area as well as the rise in expenses for public relations and advertising measures. Selling expenses increased by 56% to EUR 8.4 million as a result. In the fourth quarter alone, EUR 3 million were spent on sales activities, up 137% on the prior year.

General administrative expenses came to EUR 2.8 million for the full year, following EUR 2.1 million in the prior year. Various indirect costs were incurred for the IPO in the first quarter of 2007. In accordance with IFRS, these were not offset against equity.

EBIT for 2007 was a negative figure of EUR 0.8 million. This is only about half the expected amount. As budgeted, the loss resulted from the dramatic increase in selling expenses. EBIT was only negative in the fourth quarter, during which expenditure in the areas in question increased substantially. EBIT of EUR 0.5 million was generated in 2006.

Financial result of EUR –1.3 million influenced by US activities

The financial result of minus EUR 1.3 million was substantially affected by the **write-downs** on shares from Cord Blood America (CBA), which VITA 34 received as part of the sales price for the US business. These write-downs of EUR 1.6 million are offset by net sales proceeds from the **discontinued operation** of EUR 1.0 million.

The CBA shares that were written down are allocable to the discontinued operation. Adjusted for this item, the net loss for the year from continuing operations came to EUR 0.7 million in 2007.

Financial Position

Cash and cash equivalents increased to EUR 11 million

The cash flow in the VITA 34 Group was clearly positive in 2007, with cash and cash equivalents increasing to EUR 11.0 million as of December 31, 2007 compared to EUR 4.3 million in the prior year.

Cash flow from operating activities was negative at minus EUR 1.7 million due to upfront expenditure in the field of marketing and sales, compared to EUR 0.7 million in the prior-year period.

Cash flow from investing activities came to minus EUR 0.4 million following EUR minus 2.9 million in the prior year. Capital investments in intangible assets as well as plant and equipment by VITA 34 came to EUR 1.1 million in 2007. This represents a year-on-year increase of 42%. 68% of capital expenditures were channeled into property, plant and equipment and 32% to intangible assets. At EUR 0.3 million, expenditure on software was the largest item. Expenditure on property, plant and equipment primarily relates to expansion of storage capacity for umbilical cord blood specimens. An amount of EUR 0.3 million was spent on the corresponding cryo tanks. Another significant item was hardware additions in the area of IT, which totaled EUR 0.2 million.

Cash flow from financing activities of EUR 8.1 million was driven by the capital increase in the course of the IPO, as expected. The cash flow in this area came to minus EUR 31 k.

The discontinued operation – sale of CorCell – resulted in an outflow of cash and cash equivalents of about EUR 1.0 million in 2007. Cash and equivalents decreased due to the US activities by EUR 1.4 million.

Net Assets

VITA 34 significantly improved the structure of the balance sheet in 2007. This is evidenced by the considerable rise in the equity ratio of 61% and the increase in cash and cash equivalents to EUR 11.0 million compared to EUR 4.3 million as at year-end 2006, for instance.

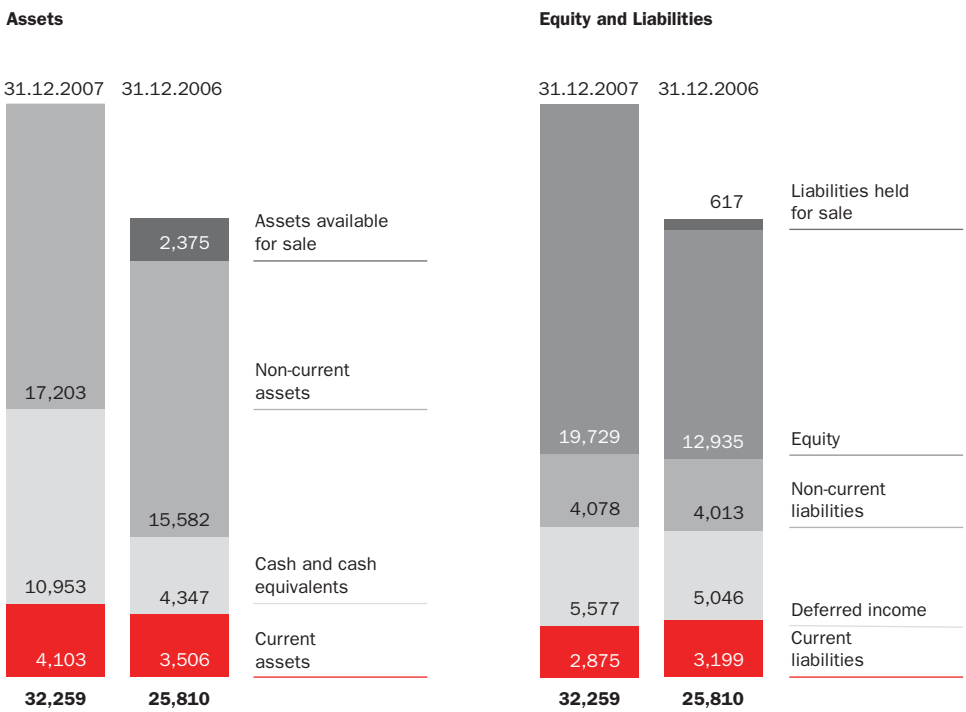
Balance sheet total as of December 31, 2007 was EUR 32.3 million

The **balance sheet total** increased as of December 31, 2007 to EUR 32.3 million, following EUR 25.8 million in the prior year.

Non-current assets were the largest line item in the assets side of balance sheet totaling EUR 17.2 million. They were significantly influenced by **goodwill** of EUR 11.9 million. This reflects the goodwill of VITA 34 AG which encompasses the complete operating business. All of its shares are held by the publicly listed VITA 34 International AG. Goodwill remained unchanged in comparison to the prior year. The rise in non-current assets stems from additions to fixed assets and an increase in receivables.

Cash and cash equivalents increased to EUR 11.0 million due to cash inflow from the IPO. They break down into cash on hand and at banks EUR 9.0 million and short-term investments of EUR 2.0 million. Restricted cash of EUR 1.1 million is not included under cash and cash equivalents. Cash and cash equivalents as of year-end 2006 came to EUR 4.3 million.

Balance sheet structure 2007 (in EUR k)



Current assets increased to EUR 4.1 million due to increased receivables of EUR 3.5 million.

Equity ratio at the end of 2007 was 61 percent

Equity increased to EUR 19.7 million, following EUR 12.9 million in the prior year. The equity ratio came to 61% at year-end 2007, compared to 50% at year-end 2006. The IPO in March had a significant influence on this development. The capital stock climbed to EUR 2,646,500 following the issue of 600,000 shares. The capital reserve rose by EUR 7.5 million to EUR 23.1 million. The expenses of EUR 0.9 million directly allocable to the IPO were offset against equity.

At EUR 4.1 million, **non-current liabilities** are almost unchanged compared to the prior year.

Increase in deferred revenues of EUR 0.6 million

A significant item is **deferred income** with EUR 5.6 million. This includes storage fees paid by customers in advance. These are released over their terms on a straight-line basis. The item increased by EUR 0.6 million in fiscal year 2007 due to the modified price structure for prepayments.

Current liabilities decreased slightly to EUR 2.9 million as of December 31, 2007, compared to EUR 3.2 million in the prior year.

Cell counting at the VITA 34 AG laboratory

RISK REPORT

VITA 34 has active risk management

VITA 34 operates an internal risk management system 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, infrastructural 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.

Of all identified risks, the following are the risks that from a present perspective can have a significant influence on the profits, financial position and net assets of VITA 34:

:: **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 cord 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 still at the earliest basic research phase. Its development into a therapy is exposed to very high risks and 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.

:: **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 agreements concluded is regularly reviewed and adjusted, if necessary.

A review of the risk position as of the balance sheet date on December 31, 2007 did not reveal any risks to the continued existence of the Company as a going concern. The total risk situation at VITA 34 has not changed substantially compared to the prior year. There are no recognizable risks for the future that could jeopardize the Company's ability to continue as a going concern.

SUBSEQUENT EVENTS

There were no events with significant effects on the net assets, financial position and results of operations after the balance sheet date.

OUTLOOK

VITA 34 intends to continue on its successful course in fiscal 2008 as regards both the continuation and intensification of the marketing and sales strategy adopted as well as the significant rise in the main indicators – storage and revenue. In 2008, VITA 34 expects percentage growth in revenue and storages to reach solid double-digit figures.

Due to the expansion of sales and marketing activities, EBIT will continue to be significantly negative at about EUR 2.5 million. The financial resources available are sufficient to finance the planned marketing and sales measures.

Revenues projected to increase to approx. EUR 28 million by the end of 2009

A significant increase in storages and revenue compared to the level of 2007 is targeted by the end of 2009. In addition, a positive result is to be generated from 2009 onwards, both on a quarterly and annual basis, once the expansion of marketing and sales activities is completed. A revenue target of about EUR 28 million is set for 2009. As was already announced in the past, this means an increase of 100% compared to the budgeted figures for 2007, and more than 80% compared to the revenue that was actually achieved, which was significantly above target.

2008 will thus be a major turning point on this growth course. It can be expected in this context that growth will not be constant. It is more likely to fluctuate periodically.

The Management Board of VITA 34 anticipates a moderate first quarter in 2008 and growth to gain strength over the course of the year, driven by the noticeable returns from the expansion of sales personnel and the new strategy. Since the expansion of personnel began in the second quarter of 2007, the related effects are expected to be felt as of the second quarter of 2008. The increase in storages and revenue in 2007 is thus only loosely related to the new strategy, although the strategy's positive impact is already noticeable.

Increased activities in the field of allogenic umbilical cord blood banking planned

In 2008, the contact to multipliers – i.e. obstetricians, doctors, midwives and parent groups – is to be intensified in line with the strategy. Apart from the activities to date as regards the storage of umbilical cord blood for the subsequent use of autologous stem cells, VITA 34 will redouble its activities in 2008 in the field of allogenic umbilical cord blood banking – i.e. the storage of stem cell specimens to be used by individuals other than the original donor.

Storage of the umbilical cord blood

Intensive maintenance of existing cooperation and expansion of new ones

"VITAplusDonation" in particular should be mentioned in this context, an option that allows parents to store their newborn's umbilical cord blood with the possibility of donating it to another patient later. This program has been welcomed by medical practitioners.

At the same time, the leading allogenic umbilical cord blood bank in Germany is to be created in cooperation with NKR ["Norddeutsche Knochenmark- und Stammzellspender-Register": North German Bone Marrow and Stem Cell Donor Register] – "Donate Life" initiative. The first donor specimens are already expected in the first quarter of 2008.

The measures for indirectly establishing contact with the target group of VITA 34 also include partnerships as they already exist with private and statutory health insurers. The number of such partnerships is to be expanded in 2008 and the existing partnerships intensified. Direct contact to expecting parents will also be strengthened further. A range of marketing instruments will be used for the purpose – following extensive market research.

Beginning in 2008, additional market potential will be tapped via sales partnerships in selected countries (based on the existing model with Secuvita in Spain) and the transfer of expertise.

Leipzig, January 31, 2008
Management Board of VITA 34 International AG

Dr. med. Eberhard F. Lampeter

Peter Boehnert

VICTORIA, VIRGINIA, VINCENT AND VALENTIN – "VENI – VITA – VENI"

Provision for the future at VITA 34 for Victoria (6 years old), Virginia (4 years old), Vincent and Valentin (both 2 years old). The parents were so confident with the offering and service of VITA 34 that the umbilical cord of all four children was stored. Storage of the umbilical cord blood of siblings is not rare at VITA 34 – and the trend is increasing. The best evidence of satisfied customers.

Left side: Victoria, Virginia, Vincent and Valentin

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

EUR K	NOTE	01/01–12/31/2007	01/01–12/31/2006
Continuing operations			
Revenue	4.1	15,426	11,556
Cost of sales	4.8	–5,032	–3,661
Gross profit on sales		**10,394**	**7,895**
Other operating income	4.2	280	358
Selling expenses	4.3	–8,429	–5,396
Administrative expenses	4.4	–2,816	–2,118
Other operating expenses	4.5	–261	–243
Net operating profit/loss		**–832**	**496**
Finance revenue	4.7	541	192
Finance costs	4.6	–1,841	–218
Earnings before taxes		**–2,132**	**470**
Income tax expense	5	–98	–287
Profit/loss for the year from continuing operations		**–2,230**	**183**
Discontinued operation			
Profit/loss from discontinued operation	6	1,045	–3,049
Net loss for the year		**–1,185**	**–2,866**
Earnings per share basic and diluted, for net profit/loss for the year attributable to ordinary equity holders of the parent (EUR)	7	–0.47	–1.40
Earnings per share from continuing operations basic and diluted, for net profit/loss for the year from continuing operations attributable to ordinary equity holders of the parent (EUR)		–0.89	0.09

CONSOLIDATED BALANCE SHEET (ASSETS)

EUR K	NOTE	01/01–12/31/2007	01/01–12/31/2006
Non-current assets			
Goodwill	8	11,911	11,911
Intangible assets	8	740	533
Property, plant and equipment	9	2,622	2,182
Investments	11	214	0
Other financial assets	16	35	35
Deferred tax assets	5	222	317
Non-current trade receivables	13	1,459	604
		17,203	**15,582**
Current assets			
Inventories	12	572	605
Trade receivables	13	1,254	951
Other receivables and assets	16	1,211	802
Deferred capital issue charges	14	0	148
Short-term investments	15	1,951	2,318
Restricted cash	17	1,066	1,000
Cash and cash equivalents	17	9,002	2,029
		15,056	**7,853**
Assets of a disposal group classified as held for sale		**0**	**2,375**
		32,259	**25,810**

CONSOLIDATED BALANCE SHEET (EQUITY AND LIABILITIES)

EUR K	NOTE	01/01–12/31/2007	01/01–12/31/2006
Equity			
Issued capital	18	2,647	2,047
Capital reserves	18	23,116	15,629
Revenue reserves	18	–6,022	–4,837
Other reserves	18	–12	96
		19,729	**12,935**
Non-current liabilities and deferred income			
Interest-bearing loans	19.2	1,625	1,750
Silent partners' interests	20	1,417	1,442
Provisions	21	299	375
Deferred grants	22	676	446
Trade payables	24	61	0
Deferred income	23	5,154	4,746
		9,232	**8,759**
Current liabilities and deferred income			
Trade payables	24	884	784
Provisions	21	215	761
Income tax liabilities	5	112	111
Interest-bearing loans	19.1	213	214
Deferred grants	22	81	59
Other liabilities	24	1,370	1,270
Deferred income	23	423	300
		3,298	**3,499**
Liabilities associated with a disposal group classified as held for sale		**0**	**617**
		32,259	**25,810**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR K	ISSUED CAPITAL	CAPITAL RESERVE	REVENUE RESERVES	OTHER RESERVES	TOTAL EQUITY
Note	18	18	18	18	
January 1, 2006	**2,047**	**15,629**	**-1,971**	**-64**	**15,641**
Difference arising from foreign currency translation				160	160
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**
January 1, 2007	**2,047**	**15,629**	**–4,837**	**96**	**12,935**
Difference arising from foreign currency translation				–108	–108
Stock-based compensation		32			32
Loss for the year			–1,185		–1,185
Total income and expense for the year	**0**	**32**	**–1,185**	**–108**	**–1,261**
Issue of capital stock	600	8,400			9,000
Transaction costs		–945			–945
	600	**7,455**	**0**	**0**	**8,055**
December 31, 2007	**2,647**	**23,116**	**-6,022**	**-12**	**19,729**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR K	NOTE	01/01–12/31/2007	01/01–12/31/2006
Cash flow from operating activities			
Earnings before taxes		–2,132	470
Adjusted for:			
Amortization and depreciation		404	300
Disposal of non-current assets		28	0
Other non-cash expenses and income		–82	–62
Exchange differences		–19	0
Finance revenues		–541	–192
Expenses of stock-based compensation		32	0
Finance expenses		1,841	218
Cash flow from ordinary operations			
+/– Trade receivables and other receivables and assets		–1,210	–577
+/– Inventories		33	–131
+/– Trade payables and other liabilities		260	726
+/– Provisions		–622	0
+/– Deferred income		531	169
Interest paid		–185	–218
Income taxes paid		–2	0
Cash flow from operating activities		**–1,664**	**703**
Cash flow from investing activities			
Purchase of intangible assets		–355	–238
Purchase of property, plant and equipment		–769	–553
Proceeds from sale of equipment		45	35
Proceeds from sale of short-term investments		2,318	0
Purchase of short-term investments		–1,984	–2,201
Interest received		370	75
Cash flow used in investing activities		**–375**	**–2,882**
Cash flow from financing activities			
Proceeds from issuance of share capital		8,203	0
Changes in silent partnerships		–25	5
Loan redemption		–126	–36
Cash flow from financing activities		**8,052**	**–31**
Net change in cash and cash equivalents from continued operations		**6,013**	**–2,211**
Change in cash and cash equivalents from discontinued operations			
from operating activities		–206	–1,236
from investing activities		1,245	–136
from financing activities		0	–15
Cash flow used in discontinued operations		**1,039**	**–1,387**
Net change in cash and cash equivalents		7,052	–3,598
Cash and cash equivalents at the beginning of the reporting period	17	3,029	6,647
Net foreign exchange difference		–13	–20
Cash and cash equivalents at the end of the reporting period	**17**	**10,068**	**3,029**
Short-term investments	15	1,951	2,318
Restricted cash		–1,066	–1,000
Liquid funds		**10,953**	**4,348**

CONSOLIDATED NOTES

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 Declaration of Compliance with the German Corporate Governance Code required by Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] has been issued and made available to the shareholders.

The consolidated financial statements of VITA 34 International AG for the fiscal year ended December 31, 2007 were authorized for issue by the Management Board on February 4, 2008. VITA 34 International AG was incorporated in Germany as a limited liability stock corporation domiciled in Germany, whose shares are admitted for public trading.

2 ACCOUNTING POLICIES

2.1 Basis of Preparation

The consolidated financial statements of VITA 34 International AG were prepared in accordance with IFRSs as adopted by the European Union and applicable as of the balance sheet date, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code]. All IFRSs applicable for the fiscal year 2007 and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) were adopted to the extent that these have been adopted by the European Union.

The consolidated financial statements of VITA 34 International AG are generally prepared in euro (EUR) on an amortized cost basis. This does not apply to financial assets held for trading and available-for-sale financial assets, which are 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 for the same reporting year as the parent company, 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

As of December 31, 2007, CorCell Inc. was an entity without business operations. We refer to note 6.

2.2 Changes in Accounting Policies

The accounting policies used generally correspond to the policies applied in the prior year.

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year.

:: IAS 1 (revised 2005) "Disclosures on Capital Management"
:: IFRS 7 "Financial Instruments"
:: IFRIC 7 "Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies"
:: IFRIC 8 "Scope of IFRS 2"
:: IFRIC 9 "Reassessment of Embedded Derivatives"
:: IFRIC 10 "Interim Financial Reporting and Impairment"

First-time adoption of these interpretations did not have any significant effect on the net assets, financial position and results of operations or cash flows of VITA 34 International AG. They did however give rise to additional disclosures.

2.3 Significant Accounting Judgments and Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at 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.

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 December 31, 2006 and 2007, 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 a pure holding company, the Company is not expected to have sufficient taxable income in the future if no targeted tax law measures are taken.

Impairment of Available-for-Sale Financial Assets

The Group classifies certain assets as available-for-sale and recognizes changes in their fair value directly in equity. If the fair value decreases, management makes assumptions relating to the impairment in order to determine whether it is a permanent impairment that has

to be recognized immediately in profit or loss. As of December 31, 2007, impairment loss of EUR 1,375 k were recognized in profit or loss on account of permanent impairment of financial assets available for sale (2006: EUR 0 k). The carrying amount available-for-sale financial assets amounts to EUR 238 k (2006: EUR 0 k).

Share-Based Payments

Within the Group, the cost from the issue of equity instruments to employees are measured at the fair value of the equity instruments on the date they are issued. An appropriate measurement method must be determined to estimate the fair value for the issue of equity instruments; this depends on the conditions of issue. It is also necessary to determine suitable data for the selected method, including in particular the expected term of the option, volatility and dividend yield, together with the relevant assumptions. The assumptions and methods applied are disclosed in note 27 to the consolidated financial statements.

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

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 411 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 and taking existing and expected sub-letting agreements into account.

The net expenses from accounting for the obligation are disclosed in the consolidated income statement 2006 as part of the profit or loss from 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. The items contained in the financial statements of an entity are measured using that functional currency. Foreign currency transactions are initially translated at the spot rate applicable between the functional currency and the foreign currency on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing rate. All exchange differences are recognized in the total income and expense for the year.

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 quarters of the fiscal year. The exchange differences arising on translation to the presentation currency are taken directly to a separate component of equity.

Goodwill
Business combinations are accounted for using the purchase method. Goodwill is initially measured at cost, which is the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquired entity.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

As of December 31, 2007, there was only one cash-generating unit. This corresponds to the "Europe" segment.

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 all 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 are 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 expenses 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 5 years.
Method used	Amortization is charged over the 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 stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on a straight-line basis over the 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	2007	2006
Laboratory equipment	5 to 14 years	5 to 14 years
Cryo tanks 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 future 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 realizable value 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 an 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 amount 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 described as 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. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses attributable to continuing operations are recognized in the income statement in those expense categories consistent with the function of the impaired asset.

With the exception of goodwill, 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 indications exist, the recoverable amount is estimated. A previously recognized impairment loss is reversed 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 that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased 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.

The Group determines at each balance sheet date whether there is evidence that goodwill is impaired. Goodwill is tested for impairment at least once a year. Impairment tests are also conducted if events or circumstances indicate that the carrying amount may be impaired.

Financial Investments and Other Financial Assets
Financial assets as defined by IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets. 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 the total income and expense for the year when the loans and receivables are derecognized or impaired as well as through the amortization process.

:: **Available-for-sale financial assets**
Available-for-sale financial assets are those non-derivative financial assets that are designated as available for sale and are not classified in the following categories:

:: Financial assets at fair value through profit or loss
:: Loans and receivables

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value, and any gain or loss is recognized in a separate item under equity. On derecognition of the investment or identification of permanent impairment, any cumulative gain or loss that had been recognized directly in equity is recognized in profit or loss.

For investments that are actively traded in organized financial markets, fair value is determined by reference to market bid prices quoted on the stock exchange at the close of business on the balance sheet date.

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.

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 and other receivables are recognized at cost.

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 reached 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 underlying 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.

Available-for-Sale Financial Assets
If an available-for-sale asset is impaired, an amount is recognized in equity for the difference between its cost (net of any principal repayment and amortization) and current fair value (less any impairment loss on that asset previously recognized in profit or loss). Reversals in respect of equity instruments classified as available for sale are not recognized in profit and loss.

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 when the reimbursement is virtually certain. The expense relating to a 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.

Share-Based Payments

Employees of the Group receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined using an appropriate pricing model (we refer to note 27 for details).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled (referred to as the vesting period). This period ends on the date of the first exercise possibility, i. e. when the entitlement of the employee in question becomes vested. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income or expense recognized under total income and expense for the year corresponds to the development of the cumulative expenses recognized at the beginning and at the end of the reporting period.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share (we refer to note 7 for further details).

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. A distinction is drawn between operating leases and finance leases depending on whether all of the risks and rewards incidental to ownership are substantially transferred.

:: **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 at their fair value 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 taxes**
Deferred tax is recognized using the liability method on all 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 liabilities are recognized for all taxable temporary differences, 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. 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.

:: **VAT**
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;

:: 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, interpretations and revised standards which are not yet effective for the fiscal year 2007 and which were not applied in the accompanying consolidated financial statements.

:: Revised IFRS 3, "Business Combinations" (not yet adopted by the EU): The revised IFRS 3 was issued in January 2008 and is effective for the fiscal years beginning on or after July 1, 2009. Some of the main amendments in the revised IFRS 3 concern the cost of business combinations, the adjustment of the cost of a business combination depending on future events, the determination of the amount of goodwill and the treatment of successive business combinations. Business combinations to date are not affected.

:: IFRIC 8 "Operating Segments": IFRS 8 was published in November 2006 and is effective for the first time for fiscal years beginning on or after January 1, 2009. IFRS 8 prescribes entities the disclosure of financial and descriptive information for reportable segments. Adoption of IFRS 8 is not expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: Revised IAS 1, "Presentation of Financial Statements – A Revised Presentation" (not yet adopted by the EU): The revised IAS 1 was issued in September 2007 and is effective for the first time for fiscal years beginning on or after January 1, 2009. The amendments primarily concern the presentation of financial statements and comparative information. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: Amendments to IAS 27, "Consolidated and Separate Financial Statements"; IAS 28, "Investments in Associates" and IAS 31, "Interests in Joint Ventures" (none of which have been adopted by the EU yet): The revised IAS 27, IAS 28 and IAS 31 were issued in January 2008 and are effective for the fiscal years beginning on or after July 1, 2009. The amendments stem from the revision of IFRS 3 "Business Combinations". The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: Revised IAS 23, "Borrowing Costs" (not yet adopted by the EU): The revised IAS 23 was issued in March 2007 and is effective for the first time for fiscal years beginning on or after January 1, 2009. The Standard prescribes entities to capitalize borrowing costs attributable to a qualifying asset. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions": IFRIC 11 was issued in November 2006 and is effective for the first time for fiscal years beginning

on or after March 1, 2007. The Interpretation governs the treatment of the granting of equity instruments to employees when the entity buys the equity instruments from a third party or the entity's shareholders provide the equity instruments needed. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: IFRIC 12, "Service Concession Arrangements" (not yet adopted by the EU): IFRIC 12 was issued in November 2006 and is effective for the first time 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.

:: IFRIC 13, "Customer Loyalty Programs" (not yet adopted by the EU): IFRIC 13 was issued in June 2007 and is effective for the first time for fiscal years beginning on or after July 1, 2008. IFRIC 13 addresses accounting by entities that offer award credits (loyalty points or flight miles) to customers when they purchase goods or services. Since the Group does not offer comparable award credits, this interpretation will not affect its net assets, financial position and results of operations or cash flows.

:: IFRIC 14, "The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (not yet adopted by the EU): IFRIC 14 was issued in July 2007 and is effective for the first time for fiscal years beginning on or after January 1, 2008. IFRIC 14 provides general guidelines for determining the upper limit of a defined benefit asset recognized pursuant to IAS 19. Since it is not relevant for the Group, this interpretation will not affect its net assets, financial position and results of operations or cash flows.

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 the revenue and segment results of the geographical segments of the Group for the period from January 1 to December, 31 2007 and for 2006.

The information presented under "USA" relates to the discontinued operation. The sale of the business operation was completed on February 28, 2007. Consequently, the disclosures reported under "USA" for 2007 only present the revenue and segment results in the period from January 1, 2007 to February 28, 2007 (prior year: January 1 to December 31, 2006).

GEOGRAPHICAL SEGMENT DATA FISCAL YEAR ENDED DECEMBER 31, 2007	EUROPE EUR K	USA EUR K	TOTAL EUR K
Revenue			
Sales to external customers	15,426	136	15,562
Segment revenue	**15,426**	**136**	**15,562**
Other segment information			
Segment result	–31	1,045	1,014
Unallocated profit or loss			–2,199
			–1,185
Amortization, depreciation and write-downs	404	0	404
Segment assets	23,640	0	23,640
Unallocated assets			8,619
Total assets			**32,259**
Segment liabilities	11,673	0	11,673
Unallocated liabilities			857
Total liabilities			**12,530**
Capital expenditures:			
– Property, plant and equipment	769	0	769
– Intangible assets	355	0	355

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 result	303	–3,049	–2,746
Unallocated profit or loss			–120
			–2,866
Amortization, depreciation and write-downs	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			458
Total liabilities			**12,875**
Capital expenditures:			
– Property, plant and equipment	553	136	689
– Intangible assets	238	0	238

Of the segment assets and segment liabilities reported under “USA” as of December 31, 2006, 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 have not yet been transferred.

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:

OVERVIEW REVENUE FROM CONTINUING OPERATIONS	2007 EUR K	2006 EUR K
Revenue		
from processing	15,028	11,239
from storage	398	317
	15,426	**11,556**

4.2 Other operating Income

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

OVERVIEW OTHER OPERATING INCOME	2007 EUR K	2006 EUR K
Government grants	143	103
Income from the reversal of accruals	74	203
Gain on disposal of property, plant and equipment	0	7
Sundry other income	63	45
	280	**358**

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:

OVERVIEW SELLING EXPENSES	2007 EUR K	2006 EUR K
Personnel expenses	2,590	1,488
Marketing expenses	5,194	3,355
Other expenses	645	553
	8,429	**5,396**

4.4 Administrative expenses

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

OVERVIEW ADMINISTRATIVE EXPENSES	2007 EUR K	2006 EUR K
Personnel expenses	1,349	1,313
Operating lease expenses	280	347
Legal, consulting and audit fees	717	238
Other expenses	470	220
	2,816	**2,118**

4.5 Other operating Expenses

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

OVERVIEW OTHER OPERATING EXPENSES	2007 EUR K	2006 EUR K
VAT arrears	0	182
Donations	115	0
Research and development costs	88	31
Bad debts	34	22
Sundry other expenses	24	8
	261	**243**

The expenses from the VAT arrears in 2006 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:

OVERVIEW FINANCE COSTS	2007 EUR K	2006 EUR K
Bank loans and overdrafts	113	110
Charges for silent partnerships	72	108
Impairment of financial instruments	1,560	0
Value adjustments of short-term financial instruments	96	0
	1,841	**218**

The impairment of financial instruments concerns the shares in Cord Blood America, Inc. (EUR 1,245 k), convertible notes (EUR 130 k) and loans (EUR 185 k) received from Cord Blood America, Inc. as consideration for the sale of the business operation of CorCell Inc. We refer to our comments under note 6.

4.7 Finance Revenue

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

OVERVIEW FINANCE REVENUE	2007 EUR K	2006 EUR K
Value adjustment of short-term financial investments	109	117
Interest income	323	75
Income from written-off receivables	109	0
	541	**192**

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

DEPRECIATION AND AMORTIZATION AND COSTS OF INVENTORIES INCLUDED IN THE CONSOLIDATED INCOME STATEMENT	2007 EUR K	2006 EUR K
Included in cost of sales:		
– Depreciation and amortization	228	180
– Costs of inventories recognized as an expenses	5,032	3,661
Included in selling expenses:		
– Depreciation and amortization	76	60
Included in administrative expenses:		
– Depreciation and amortization	100	60
– Minimum lease payments recognized as an operating lease expense	280	347

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:

OVERVIEW EMPLOYEE BENEFITS EXPENSE	2007 EUR K	2006 EUR K
Wages and salaries	4,475	3,063
Employer's contribution to statutory pension scheme	292	197
Other social security costs	237	248
	5,004	**3,508**

The employer's contributions to statutory pension insurance are classified as payments under a defined contribution plan and are recognized in full in profit or loss accordingly.

EMPLOYEES (ANNUAL AVERAGE)	2007 EUR K	2006 EUR K
Employees	87	70
Trainees/Interns	2	3
	89	**73**

5 INCOME TAXES

Major components of income tax expense for the years 2007 and 2006:

MAJOR COMPONENTS OF THE INCOME TAX EXPENSE		
CONSOLIDATED INCOME STATEMENT	**2007 EUR K**	**2006 EUR K**
Current income tax		
Current income tax expense	2	111
Deferred income tax		
Origination and reversal of temporary differences	170	69
on unused tax losses	–74	107
Income tax expense reported in the consolidated income statement	**98**	**287**

The income tax provisions disclosed in the balance sheet concern trade tax for the fiscal year 2006.

The tax rate used to calculate deferred taxes was reduced from 40% to 30% taking into account the Corporate Tax Reform Act passed by the upper house of German parliament on July 6, 2007. Deferred tax assets decreased by EUR 55 k due to the reduction of the tax rate.

A reconciliation between income tax expense and the product of accounting profit multiplied by the Group's applicable tax rate for the fiscal years 2007 and 2006 is as follows:

OVERVIEW RECONCILIATION		
	2007 EUR K	**2006 EUR K**
Accounting profit/loss before income tax from continuing operations	–2.132	470
Profit/loss before income tax from a discontinued operation	1,045	–3,049
Earnings before income tax	**–1.087**	**–2,579**
Income tax income at the eurozone tax rate of 40% (2006: 40%)	435	1,032
Adjustment because profits/loss of Corcell and VITA 34 International AG do not give rise to an income tax refund/expense	–462	–1,278
Effects of changes in tax rate	–55	0
Adjustment due to tax-free income	33	0
Adjustment due to non-deductible expenses	–49	–41
Income tax expense at effective income tax rate of 40% (2006; 40%)	**–98**	**–287**
Income tax expense reported in consolidated income statement	**–98**	**–287**

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

OVERVIEW DEFERRED INCOME TAX

	CONSLIDATED BALANCE SHEET		CONSOLIDATED INCOME STATEMENT	
	2007 EUR K	2006 EUR K	2007 EUR K	2006 EUR K
Deferred income tax liabilities				
Accelerated depreciation for tax purposes	–171	–170	–1	–47
Non-recognition of general valuation allowances	–10	–5	–5	–2
Revaluations of available-for-sale assets to fair value	–4	0	–4	0
Diverging fair value of financial instruments	0	–47	47	–47
	–185	**–222**		
Deferred income tax assets				
Adjustment of inventories	0	95	–95	31
Difference of stock option	10	0	10	0
Difference of provisions	36	37	–1	8
Deferred income	260	380	–120	–12
Unused tax losses	101	27	74	–107
	407	**539**		
Deferred taxes on the asset side	**222**	**317**		
Deferred tax income/(expense)			**–96**	**–176**

The Group has unused tax losses at the subsidiary VITA 34 AG in Germany of EUR 665 k for corporate income tax purposes (2006: EUR 102 k) and of EUR 195 k for trade tax purposes (2006: EUR 0 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 4,991 k were incurred at VITA 34 International AG that 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

The closely related value-added stages of the new business "collection and processing stem cells from cord blood" (for short "processing") and the subsequent "storage" business for the US market that had been handled exclusively by the subsidiary CorCell Inc. was sold by CorCell Inc. under an agreement dated October 10, 2006 (asset purchase agreement and existing samples purchase agreement) to Cord Blood America Inc., Los Angeles, USA, in the course of an asset deal.

The assets and liabilities in the processing segment were initially sold unconditionally. As part of the transaction, all of the employees in the processing segment were transferred to the buyer. The sales price was USD 1.00.

The storage segment was sold subject to the condition precedent that the buyer obtains purchase price financing. When the corresponding finance was obtained by the buyer on February 28, 2007, thus fulfilling the condition precedent, the sale of the storage segment was finally concluded. The sales price came to EUR 3,028 k (USD 3,998 k). EUR 1,136 k (USD 1,500 k) of the sales price was paid in cash and EUR 1,541 k (USD 2,035 k) in shares in the buying entity (18,498,715 shares with a market price as at the date of the transaction of EUR 0.08 per share). Loans were granted to the buyer in the amount of EUR 351 k (USD 463 k) of the sales price. This partial transaction was concluded on February 28, 2007.

A gain on disposal of EUR 1,253 k resulted from goodwill in the amount of EUR 2,215 k and additional assets sold amounting to EUR 249 k and assigned liabilities of EUR 689 k in the USA segment.

Goodwill as of December 31, 2006 was measured based on the cash flows that would have been generated from the continuation of the storage business. This was based on the estimation of the Management Board at the time that it was unlikely that the buyer would be able to obtain financing. The goodwill determined as at December 31, 2006 was thus less than the agreed purchase price.

CorCell Inc. remains in the VITA 34 International AG Group as a subsidiary, even after the sale of the business operations.

With respect to the shares and loans received as compensation for the sale of the business operations of CorCell Inc., these were written down by EUR 1,560 k in fiscal 2007 due to permanent impairment.

THE RESULTS OF CORCELL FOR THE YEAR ARE PRESENTED BELOW:		
	2007 EUR K	**2006 EUR K**
Revenue	136	2,081
Expenses	–136	–3,360
Adjustment of provision	–208	0
Gross profit on sales	**–208**	**–1,279**
Finance costs	0	–2
Gain on sale of business segments	1,253	0
Addition to provision relating to the discontinued operation	0	–948
Impairment of goodwill	0	–814
Profit/loss before tax from a discontinued operation	**1,045**	**–3,043**
Tax expense:		
– Related to pre-tax profit/loss	0	–6
Profit/loss for the year from a discontinued operation	**1,045**	**–3,049**

The major assets and liabilities of CorCell Inc. classified as a disposal group held for sale as of December 31, 2007 and December 31, 2006 are as follows:

OVERVIEW OF SIGNIFICANT ASSETS AND LIABILITIES OF CORCELL, INC.:		
	2007 EUR K	**2006 EUR K**
Assets:		
Intangible assets	0	2,216
Property, plant and equipment	0	83
Other receivables and assets	0	76
Assets of disposal group classified as held for sale	**0**	**2,375**
Liabilities:		
Deferred revenue	0	617
Liabilities associated with a disposal group classified as held for sale	**0**	**617**
Other assets and liabilities that are associated with a disposal group classified as held for sale, but disclosed in the applicable balance sheet items	0	1,015
Net assets/liabilities associated with a disposal group classified as held for sale	**0**	**743**

The net cash flows of CorCell Inc. with respect to the discontinued operation break down as follows:

CASH FLOWS OF CORCELL INC.	2007 EUR K	2006 EUR K
Operating activities	–206	–1,236
Investing activities	1,245	–136
Financing activities	0	–15
Net cash inflow/outflow	**1,039**	**–1,387**
Earnings per share:		
Basic from discontinued operations	0.42	–1.49
Diluted from discontinued operations	0.42	–1.49

7 EARNINGS PER SHARE

Basic 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 are calculated as follows:

UNDILUTED EARNINGS	2007 EUR K	2006 EUR K
Net profit/loss attributable to ordinary equity holders of the parent from continuing operations	–2,230	183
Profit/Loss attributable to equity holders from discontinued operations	1,045	–3,049
Net profit/loss attributable to ordinary equity holders of the parent	**–1,185**	**–2,866**
Number of shares outstanding (weighted average)	2,501,500	2,046,500
Earnings per share pursuant to IFRS (EUR)	**–0.47**	**–1.40**

Diluted earnings per share

When calculating diluted earnings per share, the net profit for the year attributable to the ordinary equity holders of the parent is divided by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued after converting all rights to ordinary shares with dilutive effect into ordinary shares.

DILUTED EARNINGS		
	2007 EUR K	2006 EUR K
Net profit/loss attributable to ordinary equity holders of the parent from continuing operations	–2,230	183
Profit/loss attributable to equity holders from discontinued operations	1,045	–3,049
Net profit/loss attributable to ordinary equity holders of the parent	**–1,185**	**–2,866**
Weighted average number of ordinary shares (excl. treasury shares) for basic earnings per share	2,501,500	2,046,500
Effect of dilution:		
– Stock option (weighted average)	12,393	0
Weighted average number of ordinary shares (excl. treasury shares) adjusted for the effect of dilution	**2,513,893**	**2,046,500**
Earnings per share pursuant to IFRS (EUR)	**–0.47**	**–1.40**

There have been no other transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these consolidated financial statements.

8 GOODWILL, INTANGIBLE ASSETS

Intangible assets developed as follows:

INTANGIBLE ASSETS AS OF DECEMBER 31, 2007			
	LICENSES	GOODWILL	TOTAL
	EUR K	EUR K	EUR K
Cost as of January 1, 2007	976	11,911	12,887
Additions	355	0	355
Disposals	0	0	0
Cost as of December 31, 2007	**1,331**	**11,911**	**13,242**
Accumulated amortization and impairments as of January 1, 2007	443	0	443
Amortization charge for the year	148	0	148
Accumulated amortization and impairments as of December 31, 2007	**591**	**0**	**591**
Carrying amount as of January 1, 2007	533	11,911	12,444
Carrying amount as of December 31, 2007	740	11,911	12,651

INTANGIBLE ASSETS AS OF DECEMBER 31, 2006			
	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 impairments as of January 1, 2006	390	0	390
Amortization charge for the year	131	0	131
Disposals	–78	0	–78
Accumulated amortization and impairments 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

9 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2007			
	TECHNICAL EQUIPMENT	FURNITURE AND FIXTURES	TOTAL
	EUR K	EUR K	EUR K
Cost as of January 1, 2007	2,158	994	3,152
Additions	415	354	769
Disposals	–79	–198	–277
Cost as of December 31, 2007	**2,494**	**1,150**	**3,644**
Accumulated depreciation and impairments as of January 1, 2007	451	519	970
Depreciation charge for the year	94	162	256
Disposals	–40	–164	–204
Accumulated depreciation and impairments as of December 31, 2007	**505**	**517**	**1,022**
Carrying amount as of January 1, 2007	1,707	475	2,182
Carrying amount as of December 31, 2007	1,989	633	2,622

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2006			
	TECHNICAL 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
Costs as of December 31, 2006	**2,158**	**994**	**3,152**
Accumulated depreciation and impairments 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 and other disposals	–6	0	–6
Accumulated depreciation and impairments 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

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

Goodwill acquired through business combinations has been allocated to the "Europe" cash-generating unit – a reportable segment – for impairment testing as follows:

The recoverable amount of the "Europe" cash-generating 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 pre-tax discount rate used for the cash flow forecasts is 15.0 %. 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.

Carrying amounts of goodwill allocated to the cash-generating unit:

OVERVIEW CARRYING AMOUNT	2007 EUR K	2006 EUR K
Carrying amount of goodwill	11,911	11,911

Key assumptions used in value in use calculation of the units as of December 31, 2007 and December 31, 2006

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 for new agreements concluded 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 market-based discount rate is derived based on the weighted average cost of capital, which is adjusted accordingly.

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 materially beyond its recoverable amount.

11 INVESTMENTS

The shares in Cord Blood America Inc., Los Angeles, USA, received in connection with the sale of the business operations of the USA segment (see note 6) were classified as available-for-sale financial assets. They were measured at the quoted market price as of the balance sheet date.

The shares are classified as non-current assets because they have trading restrictions attaching to them.

In the second and fourth quarters of 2007, the shares in Cord Blood America INC., Los Angeles, USA, were written down by EUR 1,245 k due to a fall in the quoted price that was expected to be permanent. The write-down was disclosed in the consolidated income statement under finance expenses.

OVERVIEW INVESTMENTS	2007 EUR K	2006 EUR K
Shares in Cord Blood America Inc., Los Angeles/USA	214	0
	214	**0**

12 INVENTORIES

Inventories break down as follows:

OVERVIEW INVENTORIES	2007 EUR K	2006 EUR K
Materials and supplies (measured at costs of purchase)	129	125
Work in progress (at costs of conversion)	443	480
	572	**605**

Inventories were not written down.

13 TRADE RECEIVABLES

Trade receivables break down as follows:

OVERVIEW RECEIVABLES	2007 EUR K	2006 EUR K
Non-current trade receivables	1,459	604
Current trade receivables	1,254	951
	2,713	**1,555**

The additional non-current trade receivables that originated in the reporting year were discounted using an interest rate of 4.5 % based on their terms to maturity. The outstanding non-current receivables from prior years were discounted using an interest rate of 4 %. Non-current receivables were disclosed under non-current assets.

RECEIVABLES NOT IMPAIRED OR IN ARREARS						
	CARRYING AMOUNT EUR K	THEREOF: NEITHER IMPAIRED NOR IN ARREARS AS OF BALANCE SHEET DATE	THEREOF: NOT IMPAIRED AS OF BALANCE SHEET DATE AND IN ARREARS IN THE FOLLOWING TIME PERIODS			
			LESS THAN 60 DAYS	BETWEEN 60 AND 180 DAYS	BETWEEN 180 AND 360 DAYS	MORE THAN 360 DAYS
Trade receivables as of December 31, 2007	2,713	2,423	235	0	0	0
Trade receivables as of December 31, 2006	1,555	1,201	220	0	0	0

With respect to the trade receivables that were neither impaired nor in arrears, there was no indication as of the balance sheet that the debtors would not meet their payment obligations.

Bad debt allowances on trade receivables have developed as follows:

VALUATION ALLOWANCES	2007 EUR K	2006 EUR K
Valuation allowances as of January 1	63	39
Increases (expenses for valuation allowances)	33	24
Valuation allowances as of December 31	**96**	**63**

The following table presents the expense from the write-off of trade receivables and the income from payments received from bad debts that had been written off:

EXPENSES FROM THE WRITE-OFF OF RECEIVABLES	2007 EUR K	2006 EUR K
Expenses from the write-off of receivables	2	0

All expenses and income from bad debt allowances and write-offs on trade receivables are disclosed under other operating expenses.

14 DEFERRED CAPITAL ISSUE CHARGES

The capital issue charges of EUR 148 k deferred as of December 31, 2006 were offset against capital reserves in the course of the capital increase in 2007.

15 SHORT-TERM INVESTMENTS

OVERVIEW SHORT-TERM INVESTMENTS

	DEC. 31, 2007		DEC. 31, 2006	
	TOTAL	THEREOF: CURRENT	TOTAL	THEREOF: CURRENT
Fund units	0	0	2,318	2,318
Bonds	1,951	1,951	0	0
	1,951	**1,951**	**2,318**	**2,318**

As of the balance sheet date, the short-term investments only contain short-term bonds purchased in fiscal 2007. They are measured at the quoted market price as of the balance sheet date.

16 OTHER RECEIVABLES AND ASSETS

OVERVIEW OTHER RECEIVABLES AND ASSETS

	DEC. 31, 2007		DEC. 31, 2006	
	TOTAL	THEREOF: CURRENT	TOTAL	THEREOF: CURRENT
Financial receivables and assets				
– Loans	24	24	0	0
– Other financial receivables and assets (current)	281	281	326	326
– Other financial receivables and assets (non-current)	35	0	35	0
	340	**305**	**361**	**326**
Deferred expenses	519	519	476	476
Investment grants	387	387	0	0
	906	**906**	**476**	**476**
	1,246	**1,211**	**837**	**802**

The loans extended in the course of the sale of the new business “collection and processing stem cells from cord blood” and the subsequent “storage” business for the US market (see note 6) to Cord Blood America Inc. were impaired due to the buyer’s potential payment difficulties.

In the second and fourth quarters of 2007, a non-convertible loan was thus written off in full and loan that is convertible into shares in Cord Blood America INC. was written down to the fair value of the shares that would be received if the conversion option were exercised (quoted market price as at December 28, 2007). The impairment loss totaling EUR 315 k was recognized in the consolidated income statement under finance costs.

Income from the repayment of the non-convertible loans to Cord Blood America Inc. which had already been written off in full in the second quarter of 2007 is disclosed under income from loans written off. The disclosure in the consolidated income statement was made under finance income.

The following table presents the expenses from the write-off in full of loans and other receivables, income from loans and other receivables that had been written off and write-downs on loans and other receivables:

EXPENSES/INCOME FROM THE WRITE-OFF OF RECEIVABLES	2007 EUR K	2006 EUR K
Expenses from the write-off of loans and other receivables	315	0
Income from loans and other receivables already written off	109	0

17 CASH AND CASH EQUIVALENTS, RESTRICTED CASH

OVERVIEW CASH AND SHORT-TERN-DEPOSITS	2007 EUR K	2006 EUR K
Restricted cash	1,066	1,000
Cash: Cash at banks and in hand	9,002	2,029
	10,068	**3,029**

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

EUR 1,066 k has been provided as collateral for the loans disclosed in the balance sheet and is not available to the Company.

18 ISSUED CAPITAL AND RESERVES

ISSUED CAPITAL AND RESERVES ISSUED CAPITAL	2007	2006
Ordinary shares of EUR 1 each (all fully paid in)	2,646,500	2,046,500

COMPOSITION OF EQUITY	EUR K	EUR K
Issued capital	2,647	2,047
Capital reserves	23,116	15,629
Revenue reserves	–6,022	–4,837
Other reserves	–12	96
	19,729	**12,935**

VITA 34 International AG's capital stock in accordance with its articles of incorporation and bylaws is disclosed as **issued capital** pursuant to German stock corporation law. It is divided into 2,646,500 non-par-value registered shares.

VITA 34 International AG placed 600,000 new shares from a capital increase in the course of the IPO. 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) of the Frankfurt stock exchange on March 27, 2007. The issued capital increased by EUR 600 k. The Group obtained total funding of EUR 9,000 k from the IPO.

Capital reserves show contributions beyond the capital stock and other payments by shareholders in connection with capital increases as well as reserves for share-based payments.

Capital procurement costs of EUR 945 k were offset against capital reserves. Deferred taxes were not taken into account since the utilization of unused tax losses at the level of the Company would only be possible subject to certain conditions that are currently estimated to be unlikely to be met.

Revenue reserves contain the retained earnings including the net result for the current year.

Other reserves exclusively comprise exchange differences recognized directly in equity.

Contigent capital

The capital stock may be increased contingently by a nominal amount of up to EUR 40,000 by issuing up to 40,000 no-par-value registered shares. The contigent capital increase serves to cover 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.

Authorized Capital

In accordance with Sec. 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 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.

19 INTEREST-BEARING LOANS

19.1 Current

OVERVIEW CURRENT PORTION OF INTEREST-BEARING LOANS AND CURRENT BANK LIABILITIES			
	INTEREST RATE %	2007 EUR K	2006 EUR K
IKB loan	6.42	14	14
IKB loan	6.42	2	2
KFW loan EUR 900 k	4.55	177	153
KFW loan EUR 100 k	4.55	20	45
		213	**214**

19.2 Non-Current

OVERVIEW NON-CURRENT LOANS				
	EFFECTIVE INTEREST RATE %	MATURITY	2007 EUR K	2006 EUR K
IKB loan	6.42	2013	900	900
IKB loan	6.42	2013	100	100
KFW loan EUR 900 k	4.55	2006–2013	563	700
KFW loan EUR 100 k	4.55	2006–2013	62	50
			1,625	**1,750**

EUR 1,066 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.

20 SILENT PARTNERS' INTERESTS

OVERVIEW SILENT PARTNERS' INTERESTS	2007 EUR K	2006 EUR K
Silent participation MBG	940	949
Silent participation tbg	477	493
	1,417	**1,442**

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 of the Deutsche 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.

21 PROVISIONS

OVERVIEW PROVISIONS	COMPENSATION FOR DAMAGES EUR K	SEVERANCE PAY AND COST REIMBURSEMENTS EUR K	ONEROUS CONTRACTS EUR K	OTHER EUR K	TOTAL EUR K
As of January 2007	120	410	538	68	1,136
Addition	3	0	0	0	3
Utilization	–12	–410	–127	–68	–617
Unused amounts reversed	–8	0	0	0	–8
As of December 31, 2007	**103**	**0**	**411**	**0**	**514**
Current provisions 2007	103	0	112	0	215
Non-current provisions 2007	0	0	299	0	299
	103	**0**	**411**	**0**	**514**
Current provisions 2006	120	410	163	68	761
Non-current provisions 2006	0	0	375	0	375
	120	**410**	**538**	**68**	**1,136**

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

22 DEFERRED GRANTS

Investment grants recognized under grants developed as follows:

OVERVIEW GRANTS	2007 EUR K	2006 EUR K
As of January 1	505	567
Received during the fiscal year	333	0
Released to the income statement	–81	–62
As of December 31	**757**	**505**
Current	81	59
Non-current	676	446
	757	**505**

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

23 DEFERRED INCOME

OVERVIEW DEFERRED INCOME	2007 EUR K	2006 EUR K
Current	423	300
Non-current	5,154	4,746
	5,577	**5,046**

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.

24 TRADE PAYABLES AND OTHER LIABILITIES

OVERVIEW LIABILITIES	2007 EUR K	2006 EUR K
Financial liabilities		
Current trade payables	884	784
Non-current trade payables	61	0
Other liabilities	470	672
	1.415	**1.456**
Non-financial liabilities		
Employee benefits	900	598
	900	**598**
	2.315	**2.054**

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. Non-financial liabilities mainly pertain to amounts accrued for short-term employee benefits.

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

25 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

CARRYING AMOUNTS BY MEASUREMENT CATEGORY

		CARRYING AMOUNT IN BALANCE SHEET				
	CARRYING AMOUNT AS OF DEC. 31, 2007	AMORTIZED COST	ACQUISITION COST	FAIR VALUE WITH NO EFFECT ON PROFIT OR LOSS	FAIR VALUE WITH AN EFFECT ON PROFIT OR LOSS	FAIR VALUE AS OF DEC. 31, 2007
Assets						
Cash and cash equivalents	10,068	10,068				10,068
Trade receivables	2,713	2,713				2,702
Other financial assets	316	316				316
Other primary financial assets						
– Financial assets at fair value through profit or loss	1,951				1,951	1,951
– Available-for-sale financial assets	238				238	238
Equity and liabilities						
Liabilities to banks	1,838	1,838				1,859
Silent partners' interests	1,417	1,417				1,516
Trade payables	945	945				945
Other non-interest-bearing liabilities	470	470				470
Thereof aggregated by measurement category						
– Loans and receivables	13,097	13,097				13,086
– Financial assets at fair value through profit or loss	1,951				1,951	1,951
– Available-for-sale financial assets	238				238	238
– Financial liabilities measured at amortized cost	4,670	4,670				4,790

CARRYING AMOUNTS BY MEASUREMENT CATEGORY

		CARRYING AMOUNT IN BALANCE SHEET				
	CARRYING AMOUNT AS OF DEC. 31, 2006	AMORTIZED COST	ACQUISITION COST	FAIR VALUE WITH NO EFFECT ON PROFIT OR LOSS	FAIR VALUE WITH AN EFFECT ON PROFIT OR LOSS	FAIR VALUE AS OF DEC. 31, 2006
Assets						
Cash and cash equivalents	3,029	3,029				3,029
Trade receivables	1,555	1,555				1,555
Other financial assets	361	361				361
Other primary financial assets						
– Financial assets at fair value through profit or loss	2,318				2,318	2,318
– Available-for-sale financial assets	0					0
Equity liabilities						
Liabilities to banks	1,964	1,964				2,062
Silent partners' interests	1,442	1,442				1,591
Trade payables	784	784				784
Other non-interest-bearing liabilities	672	672				672
Thereof aggregated by measurement category						
– Loans and receivables	4,945	4,945				4,945
– Financial assets at fair value through profit or loss	2,318	0			2,318	2,318
– Available-for-sale financial assets	0	0				0
– Financial liabilities measured at amortized cost	4,862	4,862				5,109

25.1 Fair Value

Cash and cash equivalents, current trade receivables and other receivables mostly fall due within the short term. Consequently, their carrying amounts as of the balance sheet date approximate their fair value.

The fair value of publicly listed shares, bonds and fund units correspond to their face values multiplied by the quoted price as of the balance sheet date.

The fair value of non-current trade receivables which fall due in more than one year corresponds to the present value of the payments relating to the assets using a market interest rate.

Trade payables and other liabilities generally have short terms to maturity; the carrying amounts approximate fair value.

The fair value of non-current interest-bearing loans and silent partners' interests recognized in the balance sheet at amortized cost was determined by discounting the expected future cash flows using a market interest rate.

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

25.2 Net Result by Measurement Category

NET INCOME FOR THE YEAR		
	2007 EUR K	2006 EUR K
Loans and receivables	245	75
Financial assets at fair value through profit or loss	13	117
Available-for-sale financial assets	–1,375	0
Financial liabilities measured at amortized cost	–185	–218
Total	**–1,302**	**–26**

All components of the net result are recognized under interest income and expenses. Not included are bad debt allowances on trade receivables and bad debts relating to the loans and receivables measurement category (EUR 2 k); these are instead disclosed under other operating expenses.

The net result by measurement category in fiscal 2007 primarily comprises impairment losses on financial assets (EUR 1,560 k) and interest income/expenses (EUR 138 k).

25.3 Analysis of Maturity Profile of Financial Obligations

The following table presents the contractually agreed (without discounting) considerations and redemption payments for primary financial liabilities:

ANALYSIS OF MATURITY PROFILE OF FINANCIAL OBLIGATIONS				
CASH FLOW 2008	**CARRYING AMOUNT AS OF DEC. 31, 2007**	**FIXED COMPENSATION**	**VARIABLE COMPENSATION**	**REPAYMENT**
Liabilities to banks	1,838	97	0	213
Shares in silent partners	1,417	74	0	0
Other not interest-bearing liabilities	1,415	0	0	1,354
Total	**4,670**	**171**	**0**	**1,567**
CASH FLOW 2009				
Liabilities to banks	1,838	91	0	125
Shares in silent partners	1,417	74	210	350
Other not interest-bearing liabilities	1,415	0	0	10
Total	**4,670**	**165**	**210**	**485**
CASH FLOW 2010 ET SEQ.				
Liabilities to banks	1,838	260	0	1,500
Shares in silent partners	1,417	508	85	940
Other not interest-bearing liabilities	1,415	0	0	51
Total	**4,670**	**768**	**85**	**2,491**

All instruments in the portfolio as of December 31, 2007 and for which payments had already been contractually agreed were included. Budgeted figures for future new debt are not included. The variable compensation from financial instruments, which is essentially calculated based on the net result generated for the year, was determined on the basis of the VITA 34 AG's budget. All on-call financial liabilities are allocated to the earliest possible period in the table.

25.4 Credit Risk

The Group mostly does business with private customers. Credit ratings are obtained from TEBA Kreditbank GmbH & Co. KG for contracts with installment payments. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to risk of default is not significant. The maximum risk of default is limited to the carrying amount disclosed in note 13. There is no significant concentration of risk of default within the Group.

With respect to the other financial assets of the Group, which comprise cash and cash equivalents and available-for-sale financial assets, the Group's maximum exposure to credit risk arises from default of the counterparty is equal to the carrying amount of these instruments.

25.5 Interest Rate Risk

The Group is not exposed to any significant interest rate risks since all loan agreements and silent participation agreements were concluded at fixed rates of interest.

25.6 Foreign Currency Risk

As a result of the Group's investment in CorCell, Inc., USA, the consolidated balance sheet can be affected by movements in the USD/EUR exchange rate. No other major transactions are settled in USD or other foreign currencies.

The following table presents the sensitivity of the Group's earnings before taxes (due to changes in the fair value of monetary assets and liabilities) and the Group's equity to a reasonably possible change in the US dollar exchange rate. All other variables remain constant.

CURRENCY RISK

	DEVELOPMENT OF THE US DOLLAR	EFFECTS ON PROFIT/LOSS EUR K	EFFECTS ON EQUITY EUR K
2007	+5%	–17	–201
	–5%	17	201
2006	+5%	–64	–99
	–5%	64	99

25.7 Sensitivity of Shares in Cord Blood America Inc.

In the course of the sale of business operations of the geographic segment USA (see note 6), 18,498,715 shares in Cord Blood America Inc., Los Angeles, USA, were purchased for EUR 1,541 k at the quoted market price as at the date of the transaction of EUR 0.08 per share.

As a result of a significant fall in the share price of Cord Blood America Inc., Los Angeles, USA, to EUR 0.012 per share (85 %) that was expected to be permanent, a write-down was recognized with effect on profit or loss. The carrying amount of the shares as at December 31, 2007 came to EUR 214 k; this takes account of the maximum potential loss from the expected falls in the share price.

26 OBLIGATIONS AND CONTINGENCIES

26.1 Operating Lease Obligations – Group as Lessee

The Group has entered into commercial leases on certain motor vehicles and technical equipment. 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 lease payment obligations under non-cancellable operating leases as of the balance sheet date are as follows:

OVERVIEW MINIMUM LEASE PAYMENT OBLIGATIONS	2007 EUR K	2006 EUR K
Within one year	422	369
After one year but not more than five years	823	987
	1,245	**1,356**

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 lease payment obligations for the latter are as follows:

OVERVIEW MINIMUM LEASE PAYMENT OBLIGATIONS CORCELL	2007 EUR K	2006 EUR K
Within one year	204	233
After one year but not more than five years	772	992
More than five years	0	153
	976	**1,378**

Due to non-cancellable subleases, future minimum lease payment obligations of EUR 374 k (2006: EUR 536 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 411 k (present value) was recognized as a provision in the consolidated financial statements for future lease payments to the lessor.

26.2 Capital Commitments

As of the balance sheet date December 31, 2007, the Group had a commitment of EUR 320 k to purchase property, plant and equipment based on the order of twelve cryo tanks from the company Chart Biomedical LTD.

26.3 Litigation

Claims Relating to Damage During Transport of Collected Umbilical Cord Blood

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 although 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 other US cord blood banks in the US (including the three largest cord blood banks in the US). The defendants are alleged to have infringed patents of PharmaStem concerning the collection, processing and storage of stem cells derived from umbilical cord blood and the therapeutic use of the stem cells derived from the cord blood. In July 2007, the U.S. Court of Appeals for the Federal Circuit ruled that the patents held by PharmaStem had not been infringed through the business models of the blood banks.

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

26.4 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.

27 SHARE-BASED PAYMENTS

The Group entered into an agreement granting stock options with a member of the Management Board of Vita 34 AG, an affiliate of Vita 34 International AG. The exercise price of the options corresponds to the market price of the shares as of the date of issue. The options expire if the appointment to the board or employment relationship of the holder ends before the expiry of the waiting period (August 2, 2009). In addition, a performance target was agreed under which the options can only be exercised if accumulated revenue for the fiscal years 2007 and 2008 and for the first and second quarter of 2009 exceeds EUR 34.4 million.

The contractual term of the options is five years. There is no framework in place for the cash settlement of options.

As part of the agreement, the member of the Management Board of Vita 34 AG was granted 30,145 options to acquire shares in VITA 34 International AG at price of EUR 14.65 each. The options expire at the end of August 2, 2012. The waiting period for exercising the options had not expired as of the balance sheet date (waiting period ends August 2, 2009).

The fair value was measured using the Black-Scholes option price model. With respect to the expected volatility, it was assumed that it would correspond to the volatility of the share price of Vita 34 International AG between initial listing on March 27, 2007 and the date on which the option was granted. The term was set at three years based on the predetermined exercise periods. In line with the behavior of employees of comparable companies who have also been granted stock options, it was assumed that the option would be exercised at the end of the first year of the exercise period. The risk-free interest rate corresponds to that of an AAA bond with the same term to maturity. The volatility taken into account when calculating the value of the option corresponds to the average value between the IPO and the granting of the option.

28 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:

EXPENSES TO RELATED PARTIES	2007 EUR K	2006 EUR K
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:	107	132
– Liabilities to Dilworth Paxon as of the balance sheet date	0	216
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 Boardmember has surrendered the patents concerned and patent application permanently for use by VITA 34 AG.		
– No remuneration was paid for the transfer in fiscal years 2006 and 2007		
Compensation of key management personnel of the Group:		
Short-term benefits:		
– Remuneration of the Supervisory Board	29	55
– Management Board salaries	754	719
Other long-term benefits:		
– The Management Board of VITA 34 International AG	40	0
Share-based compensation		
– The Management Board of VITA 34 International AG	32	0

The above remuneration of the Supervisory Board and Management Board salaries relate solely to short-term benefits. In connection with the disclosed Management Board remuneration, there were liabilities of EUR 266 k as of the balance sheet date.

28.1 Other Long-Term Benefits

In August 2007, a separate bonus agreement was concluded with a Management Board member of the subsidiary Vita 34 AG, Leipzig. Accordingly, the Management Board member receives a revenue performance bonus if revenue reaches at least EUR 25 million in fiscal 2009. The revenue performance bonus is paid out based on the revenue generated in 2009, taking into account the

"intrinsic value" as of December 31, 2009 of the outstanding options. Taking account of the budgeted revenue for 2009 and the expected intrinsic value of the options, a bonus payment of EUR 240 k is estimated. Pursuant to IAS 19, the expected payment obligation is recognized in profit or loss over the term of the bonus agreement taking discounting into account.

28.2 Share-Based Payments

For details on stock based compensation please see our comments under note 27.

29 REMUNERATION OF THE MANAGEMENT AND SUPERVISORY BOARDS PURSUANT TO SEC. 314 HGB

The following disclosures on Management Board remuneration are disclosures required by HGB in the notes to the financial statements (c.f. Sec. 314 HGB) and disclosures prescribed by provisions of the German Corporate Governance Code.

The Management Board of VITA 34 International AG has two members at present.

29.1 Structure of Management Board Remuneration and Review

The Supervisory Board determines the remuneration amount and structure for the Management Board pursuant to Sec. 87 AktG. Remuneration of VITA 34 International AG's Management Board comprises fixed and variable components and other fees.

29.2 Fixed Remuneration, Variable Performance-Based Remuneration and Other Benefits

The fixed component is a contractually defined basic salary that is paid out in equal monthly amounts. 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. These relate to sales and earnings before tax (EBIT). Furthermore, individual performance targets are taken into account. These targets are agreed by the Supervisory Board and the Management Board member at the start of each fiscal year. In the fiscal year, a special bonus was also agreed in relation to the Company's IPO.

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.

29.3 Remuneration of the Management Board for Fiscal Year 2007

The remuneration of the members of the Management Board for their activities in fiscal 2007 totaled EUR 557 k. The table below provides a breakdown of Management Board remuneration by person. The variable component is disclosed at the maximum amount that the Management Board members could attain. When determining whether qualitative targets have been reached, a smaller portion of the variable remuneration can be paid at the discretion of the Supervisory Board.

REMUNERATION OF THE MANAGEMENT BOARD OF VITA 34 INTERNATIONAL AG FOR THE FISCAL YEAR 2007 IN EUR K:

	FIXED ANNUAL SALARY 2007	OTHER REMUNERATION IN 2007	VARIABLE COMPENSATION 2007	TOTAL
Dr. med. Eberhard F. Lampeter	168	17	112	297
Peter Boehnert	137	25	98	260
Total	**305**	**42**	**210**	**557**

No members of the Management Board had received benefits or been promised benefits by a third party in the past fiscal year for their activities as members of the Management Board.

29.4 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 has undertaken to pay Dr. Lampeter compensation corresponding to his basic monthly salary each month for the duration of the restraint on competition. Mr. Boehnert receives 50 % of his basic monthly salary for each month of his 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.

29.5 Share-Based Payments

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

29.6 Remuneration of the Supervisory Board (Remuneration Report)

The Supervisory Board of VITA 34 International AG has six members at present.

Board remuneration of EUR 29 k was paid out in 2007.

The remuneration of the Supervisory Board members is determined pursuant to Sec. 18 of the articles of incorporation and bylaws. The current version of the regulation is based on the resolution adopted by the Annual General Meeting on July 31, 2007. The remuneration is agreed as a fixed annual sum and is paid quarterly to members of the Supervisory Board. The roles of the Supervisory Board Chairman and his Deputy are taken into account separately.

SUPERVISORY BOARD REMUNERATION OF VITA 34 INTERNATIONAL AG

Richard Neeson (Chairman)	8,000
Hubertus Leonhardt (Deputy Chairman)	4,833
Dr. Uwe Marx	4,000
Joseph H. Jacovini	4,000
Prof. 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 benefits were paid for services provided individually.

30 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 deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial instruments such as trade debtors and trade creditors, 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.

30.1 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.

30.2 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 constantly monitors its risk of being faced with a shortage of funds using a 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.

30.3 Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy equity ratios in order to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made to the aims, guidelines and processes as of December 31, 2007 and December 31, 2006. The capital comprises the equity disclosed in the balance sheet.

31 SUBSEQUENT EVENTS

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

32 AUDITOR'S FEES AND SERVICES PURSUANT TO SEC. 314 HGB

The fees of the auditor of the consolidated financial statements recognized as an expense in the fiscal year break down as follows:

OVERVIEW AUDIT FEES	2007 EUR K	2006 EUR K
Audit fees	90	62
Fees for other attestation or valuation services	60	0
	150	**62**

Audit fees mainly comprise fees for the statutory audit of the financial statements and the consolidated financial statements.

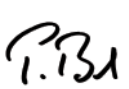
Fees for other attestation or valuation services mainly relate to payments for the review of interim financial statements and services in connection with the IPO of VITA 34 International AG.

DECLARATION OF THE LEGAL REPRESENTATIVES

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

Leipzig, January 31, 2008
Management Board of VITA 34 International AG

Dr. med. Eberhard F. Lampeter



Peter Boehnert

AUDIT CERTIFICATE

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 group equity, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted in the EU, and the additional requirements of German commercial law pursuant to Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report 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 the applicable financial reporting framework and in the group management report 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 the 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 and the group 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 consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB 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. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Leipzig, February 1, 2008

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

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

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This annual report was published on February 15, 2008 and is available for download on our website.

VITA 34 on the Internet: www.vita34.com

FINANCIAL CALENDAR

April 14, 2008	Publication Q1 report
June 6, 2008	Annual General Meeting
July 14, 2008	Publication Q2 report
October 13, 2008	Publication Q3 report

This information 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 and its affiliated companies 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.

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