ANNUAL REPORT 2011
VITA 34 AG

KEY GROUP FIGURES

		2011	2010	2009
STEM CELL PREPARATIONS				
Umbilical cord blood storages	Number	8,806	11,038	10,816
PROFIT / LOSS				
Revenues	EUR K	16,001	16,963	15,097
Gross profit	EUR K	9,462	10,823	10,139
EBITDA	EUR K	638	1,687	739
EBIT	EUR K	-335	743	162
Period result	EUR K	1,191	349	596
BALANCE SHEET / CASH FLOW				
Total assets	EUR K	34,741	36,688	31,150
Equity	EUR K	20,009	18,818	18,873
Equity ratio	%	57,6	51.3	60.6
Liquid funds	EUR K	3,026	4,989	8,055
Capital expenditures *	EUR K	1,005	977	726
Depreciation *	EUR K	973	944	577
Cash flow from operating activities	EUR K	-683	1,008	1,149
EMPLOYEES				
Employees (as of December 31)	Number	117	147	101
Personnel expenditures	EUR K	5,811	5,719	5,340

** Information for tangible and intangible assets*

CONTENTS

Stem Cell Medicine –

Responsibility for a common future

VITA 34

Dr. med. Eberhard F. Lampeter
CEO

“As a pioneer in the storage of umbilical cord blood in Europe, we have invested a great deal of energy with our partners in the new development and improvement of commercially available technologies and processes from the very outset, in order to live up to the highest standards of quality. This has resulted in innovations such as our collection set, the break-resistant freezing bag or the decentralized DESY collection system.
Our customers, other institutions and our foreign partners have been able to profit from our experience and our research. “

LETTER FROM THE MANAGEMENT BOARD

Dear Shareholders,

In the past fiscal year 2011, Vita 34 again proved its competitiveness. Today, Vita 34 provides roughly half of all transplants of private umbilical cord blood in Europe. In Germany, we are still the only private umbilical cord blood bank that can demonstrate a tangible medical application of stored preparations. In 2011 alone, four additional implementations of the umbilical cord blood preparations stored with us were added. Moreover, we are now the undisputed market leader in the German-speaking countries with some 86,000 storages.

Children in the new German states were treated with their own umbilical cord blood that had been stored at Vita 34 for the first time in 2011. In April a transplant took place in the case of a 3 year-old girl from Saxony with a congenital form of hypoglycemia, and in November a 7 year-old boy in Mecklenburg-Vorpommern with early childhood brain damage was treated. Our “VitaPlusSpende” [Vita plus Donation] product was used for the first time in the case of a girl in Argentina in the spring of 2011. With this variant, parents store their child’s umbilical cord blood at Vita 34 for later use and, at the same time, keep the option of this preparation being used for a third person open. In addition, an additional transplantation was conducted to treat a 2 year-old boy with Type 1 diabetes within the scope of a European study in cooperation with the Technical University Munich. The number of uses of Vita 34 preparations has, thus, risen to a total of 19 since 2004.

This confirms that our strategy of observing the highest quality standards is correct, and it must continue to be the top priority. This is the only way to ensure the use of the preparation in case of need. As a forerunner in Europe, Vita 34 established the first mobile team for preparing a transplantation of stem cells from umbilical cord blood in 2011. As a result, it is now possible for the first time for a physician to observe the strict quality requirements during treatment in any hospital. We expect this preparation of umbilical cord blood on site, by order of the attending physician, and the professional handling of implementations to have a further positive effect on the number of transplantations.

After the reporting period ended we undertook an additional important step, in order to increase the number of applications. We established an open, free of charge search form for donated preparations on the Internet. Any suitable umbilical cord blood preparation for a stem cell transplantation can be researched at www.stemcellsearch.org. This new online registry reduces the time required in searching for a donor significantly. In this way, a physician can search for the most important parameters directly and receive results concerning potentially matching preparations for patients in just a few minutes. The special feature here is that patients and their families can also search for donor transplants, as well. If there is a match, a physician must then be involved. In the case of a serious inquiry on the part of a physician, Vita 34 communicates detailed parameters concerning the preparation and, if applicable, has fine type determination done.
This online registry encompasses umbilical cord preparations from the “VitaPlusSpende” [Vita plus Donation] product, which increases by several hundred preparations each year.

Vita 34 company headquarters in BIO CITY Leipzig

In order to discover new areas of application and untapped potential for umbilical cord blood, we have already been actively supporting stem cell research for many years and will continue to do so in the future. This includes large research projects with renowned partners. They include the first European clinical study on the treatment of Type 1 diabetes in collaboration with the Technical University Munich. Type 1 diabetes is the most common and one of the most severe chronic diseases in childhood. Research is being conducted into whether the administration of one's own umbilical cord blood can stop the progress of the disease. This would be a major success. To date six children have been treated with their own umbilical cord blood, which had been stored at Vita 34, within the context of this study. Moreover, there is another cooperative effort with the Medical College Hanover for the development of a standard process for the production of clinically useable iPS cells (induced pluripotent stem cells) from umbilical cord blood. A standard process would once again significantly expand the range of applications.

From an economic viewpoint, fiscal year 2011 remained challenging. Above all, the difficult market environment in Spain with the highest unemployment rate in Europe was noticeable in the significantly diminished storage figures from this region. This is a very important market for us, since the storage ratio there is still double that of Germany's. Stabilization of business in this market, therefore, continues to be a focal point. We intend to achieve this on the one hand by improving the profitability of our subsidiary Secuvita, S. L., such that this area can continue to make a positive contribution to the group result. We expect positive impetus thanks to the cooperation entered into with Hospital de Madrid in 2011, one of the largest clinic chains in Spain with five hospitals and 6,900 births per annum. Hospital de Madrid started a new offer for umbilical cord blood storage in November 2011, and in doing so is relying on the DESY system developed and patented by Vita 34. The long-term storage then takes place at Vita 34 in Leipzig.

In all the number of storages in 2011 was 8,806 following 11,038 in record year 2010. Apart from the decline in Spanish business, the elimination of storages for Norddeutsche Knochenmark- und Stammzellregister (North German Bone Marrow and Stem Cell Registry – NKR) was also noticeable in 2011. It had increased strongly in 2010. Revenues totaled some EUR 16 million following EUR 17 million the prior year. Earnings before interest and taxes (EBIT) in 2011 was EUR -0.3 million after a positive figure of EUR 0.7 million a year before. The group result for the entire year 2011 of EUR 1.2 million nearly tripled. However, in the past fiscal year there was a positive special effect from the recognition of deferred taxes on losses carried forward of Vita 34 International AG in the wake of the merger. The group structure was simplified significantly by the merger of subsidiary Vita 34 AG with the group holding Vita 34 International AG. Since then, we have used Vita 34 AG name exclusively.

Business in Italy developed in a gratifying manner. We have been active there since 2009 with our sales partner Sorgente S.r.l. The number of storages from this region nearly doubled in 2011. In the future we expect a further increase in the number of stored umbilical cord blood preparations and a slight increase in the contribution to revenue and profit, although the economic environment has also darkened there somewhat, as well. Business in Slovenia and Switzerland should also continue to develop in a stable manner. The Slovakian market, however, remains challenging, since unexpected market entry barriers have been encountered there. We founded a subsidiary there in 2011, Vita 34 Slovakia.

Plans are to continue to expand the market in Germany in 2012. In order to increase our regional presence, the marketing and sales activities begun in 2011 will be continued. Regions with strong incomes and high birth rates will be at the center of these activities.

Our goal is to increase the operating result in a year-to-year comparison in 2012. Revenues in 2012 should be at the level of 2011. To do this we would like to take advantage of the market opportunities, apart from the stated measures, and also open up additional business segments within the value chain, even outside of Europe.

In the medium and long term Vita 34 could benefit from a ruling by the European Court of Justice (ECJ) handed down in October 2011. The ECJ decided that patents may no longer be awarded in Europe to processes and products that require stem cells from human embryos. We expect that as a result investment and development efforts will increase with regard to alternative methods using adult stem cells such as those from umbilical cord blood.

We would like to thank all of our shareholders and business partners for the trust they have extended to us. We also owe a debt of gratitude to our employees for their very good work.

Leipzig, March 12, 2012

Dr. med. Eberhard F. Lampeter
CEO

Jörg Ulbrich
CFO

Dr. med. Eberhard F. Lampeter (CEO) and Jörg Ulbrich (CFO)

THE MANAGEMENT BOARD

Dr. med. Eberhard F. Lampeter and Jörg Ulbrich are directors of Vita 34 AG.

Dr. med. Eberhard F. Lampeter,
Management Board Chairman of Vita 34 AG
Responsible on the Management Board for Strategy, Production, Research and Development, Marketing and Sales as well as Investor Relations.
Born in 1955, 2 children.

Dr. med. 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. med. Eberhard F. 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.-Wirtschaftsingenieur (FH) Jörg Ulbrich,
Finance Director of Vita 34 AG
Responsible on the Management Board for Finance and Controlling, Administration and IT.
Born in 1971, 1 child.

Jörg Ulbrich has been a member of the Vita 34 Management Board since November 01, 2009. Before that he was Commercial Director with procura power at Vita 34 AG for many years. He has worked for the company since 1997 and was significantly involved in building Vita 34. After his studies in Business and Engineering he was a commercial employee at a project management and general contracting firm.

SUPERVISORY BOARD REPORT

Dear Shareholders,

The Supervisory Board has dealt with the strategic direction and the prospects for the company, as well as special topics, extensively over the course of the last fiscal year. It has fulfilled the duties it was entrusted with in accordance with the law, the by-laws and the rules of operation. The Supervisory Board regularly monitored and provided advice on the work of the Management Board in fiscal year 2011. 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 engaged in a regular exchange of information with the Chairman of the Management Board. All decisions of significance were discussed openly with the supervisory body.

For example, the Supervisory Board was always informed concerning the intended business policy, corporate planning, the development of the business situation and significant business transactions, as well as the situation of the company and the group as a whole.

The Supervisory Board met for four regular meetings in 2011. In addition, several resolutions were passed in writing and within the context of telephone conferences. In all of the Supervisory Board meetings, the Management Board informed the Supervisory Board about the commercial and financial development of the company, including the risk situation. No member of the Supervisory Board participated in less than half of the meetings.

Emphasis of the Consultations in the Supervisory Board
Apart from the overarching topics, the board dealt with specific topics in individual areas and, when necessary, passed necessary resolutions. Clear points of emphasis in the work of the Supervisory Board in the reporting year were questions in the area of Marketing and Sales. An additional topic of emphasis was international activities, especially the integration of the interest in Secuvita, S. L. in Spain, but also cooperation with Italian partner Sorgente S.r.l. and Izvorna Celica, d.o.o. The Supervisory Board also dealt with the merger of the 100 percent subsidiary Vita 34 AG with Vita 34 International AG.

Committee Work
There have been no more committees since the reduction in the number of members of the Supervisory Board to three in 2009. The duties delegated to committees have been assumed by all three members.

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 May 26, 2010 into consideration. In March 2012, the Management Board and the Supervisory Board issued a new Declaration of Compliance, which is printed on page 16 of the annual report, in the “Corporate Governance” chapter, and which has also been published on the home page of the company.

Dr. Holger Födisch, Chairman of the Supervisory Board of Vita 34 AG

Annual and Group Financial Statements, Audit

The auditor, Ernst & Young, Wirtschaftsprüfungsgesellschaft Stuttgart (Leipzig branch office), audited the annual financial statements of Vita 34 AG, the consolidated financial statements, the management report and the group management report. As a result it should be noted, that the financial statements observed the rules of the German Commercial Code and the International Financial Reporting Standards. The annual financial statements and consolidated statements received an unqualified certification. The financial statement documents were thoroughly discussed in the Balance Sheet Meeting of the Supervisory Board, in the presence of and following a report from the auditor.

The Supervisory Board reviewed the annual financial statements, the management report as well as the consolidated annual financial statements and the consolidated management report. There were no objections. The Supervisory Board approved the results of the audit after its own review, accepted the annual financial statements and acknowledged the consolidated financial statements. Thus, the annual financial statements prepared by the Management Board have been accepted. We agree with the management report and, in particular, the evaluation of the further development of the company.

The Supervisory Board would like to thank the Management Board as well as the ladies and gentlemen of the staff for their work this fiscal year.

For the Supervisory Board

Dr. Holger Födisch
Chairman

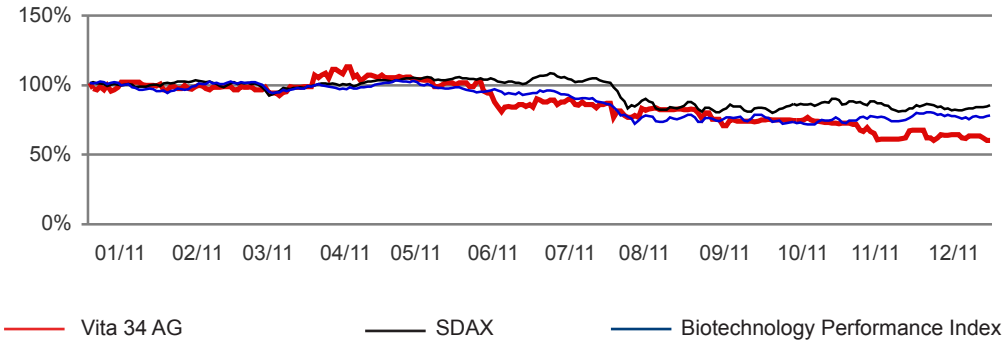
THE VITA SHARES

Debt crisis in Europe depresses capital markets

2011 was a difficult year on the capital markets with heavily fluctuating share prices. As early as March the most significant German indices posted heavy losses. Over the course of the year, intensification of the debt crisis in Europe and concerns concerning the continuation of the common currency led to harsh stock price declines as of the end of July 2011.

The German DAX stock index, in which the 30 largest German stocks are represented, lost 25 percent of its value between July and September 2011 alone. The stock markets have been able to stabilize again somewhat since the low in September. The German second-line stocks demonstrated a similar development: The MDAX lost some 12 percent over the course of the year, and the SDAX small cap index lost 14.5 percent of its value. The most important comparative indices, in which Vita 34 stock is also included, have developed differently. Whereas the DAX Biotechnology Performance Index subsector lost approximately 22 percent in an annual comparison, the DAX Pharma & Healthcare Performance Index sector grew by some 8 percent.

XETRA Price History 2011

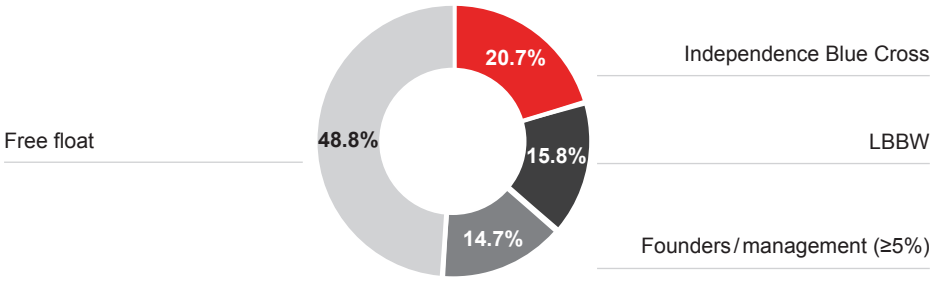


Reserved price development of the Vita stock

The Vita share price was not able to escape the difficult market environment and was additionally influenced by the moderate development of business. The low on the Xetra electronic trading system of EUR 2.799 was posted on December 30, 2011. Thus, the stock price was 40 percent lower than at year's end 2010. The stock reached its high of EUR 5.283 on April 15, 2011. The average number of shares traded per day on all German exchanges in 2011 was 2,486 shares. Xetra accounted for 69 percent of this.

ICF Kursmakler AG continued to act as Designated Sponsor. The analysts from First Berlin Equity Research GmbH also continuously observed and analyzed Vita 34 and published research reports in 2011. This institute continues to give the Vita stock a buy recommendation with a target price of EUR 6.00.

Shareholder Structure as of December 31, 2011



Independence Blue Cross remains largest shareholder

There were no fundamental changes in the shareholder structure in the reporting period. The founders and management of Vita 34 continued to hold 14.7 percent of the shares. The largest single shareholder was the American health insurance company Independence Blue Cross with a share of 20.7 percent. Landesbank Baden-Württemberg held 15.8 percent via its subsidiaries CFH Beteiligungsgesellschaft mbH (9.15 percent) and SBF Sächsische Beteiligungsfonds GmbH (6.68 percent). The free float was 48.8 percent.

Open and active capital market communication

In the future Vita 34 AG will continue to pursue open and active capital market communication. In 2011 close contact was maintained not only with shareholders, but also journalists and investors. The Vita 34 Management Board conducted a number of discussions within the context of roadshows and capital market conferences. Consequently, Vita 34 presented at in Munich and in Frankfurt at the Germany Equity Capital Forum of Deutsche Börse AG, among other places. The shareholders were kept comprehensively informed of all important developments in the Group with two shareholder letters in 2011. In the future, as well, shareholders will be kept up-to-date twice a year using this format. In addition, quarterly, semi-annual and annual financial statements are published in German and English. Extensive information on the stock and the development of business is also available on the Internet at www.vita34group.com.

Simplification of the group structure via merger

The Annual General Meeting took place in Leipzig on July 12, 2011. The shareholders approved all agenda items with more than 99 percent of the votes. Among other things, the group structure was simplified significantly and a resolution was passed for the merger of subsidiary Vita 34 AG with the group holding Vita 34 International AG. Since then the Company has been using the Vita 34 AG name exclusively.

INFORMATION AND KEY FIGURES ON THE SHARES AS OF DECEMBER 31, 2011	
Ticker symbol / Reuters symbol	V3V / V3VGn.DE
Securities number / ISIN	A0BL84 / DE000A0BL849
Initial quotation	March 27, 2007
Market segment	Prime Standard
Index	CDAX, Prime All Share, Technology All Share, DAXsector Pharma & Healthcare (Performance), DAXsubsector Biotechnology (Performance)
Opening / High / Low / Closing Price 2011 (XETRA)	EUR 4.74 / EUR 5.28 / EUR 2.80 / EUR 2.80
Number of shares issued	2,646,500
Free float as of December 31, 2011	48.8%
Market capitalization as of December 31, 2011	EUR 7.4 million
Designated Sponsor	ICF Kursmakler AG

CORPORATE GOVERNANCE REPORT

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

Shareholders and Annual Shareholders‘ Meeting
All Vita 34 AG 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 Shareholders‘ 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 Shareholders‘ Meeting the shareholders have the opportunity to speak regarding items on the agenda and to present factual questions and petitions. 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 Shareholders‘ Meeting as a body of the company.

The Management Board makes it easier for shareholders to obtain information on the Annual Shareholders’ Meeting through the use of electronic forms of communication, particularly the Internet.

Interaction of Management Board and Supervisory Board
Both bodies work together 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 orderly company management.

The company has taken out a directors and officers insurance policy for the Management Board and Supervisory Board.
No special deductible has been agreed upon with the Management Board and the Supervisory Board to date, 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 has not been 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 Vita 34 AG Management Board consists of two members. The Chairman of the Management Board is Dr. med. Eberhard F. Lampeter, an additional member is Jörg Ulbrich. The Management Board leads Vita 34 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 operation. The rules of operation contain the fundamentals of management 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

The Supervisory Board of Vita 34 AG comprises three members. It 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 annually plan prepared by the Management Board, accepts the annual financial statements and acknowledges the consolidated financial statements acceptingly.

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. The members of the Supervisory Board are independent in their decisions and are not bound to specifications or instructions from third parties.

The Supervisory Board has not received any notice of conflicts of interest from either the Management Board or Supervisory Board members. To date, no Management Board member of Vita 34 AG has moved into the Supervisory Board.

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 AG publishes the Management Board compensation individually.

Supervisory Board compensation is regulated in Sec. 18 of the by-laws.
The Supervisory Board members at Vita 34 AG receive a 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 consolidated notes under text number 26.

Transparency

The Management Board publishes insider information that pertains to Vita 34 AG 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 AG 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.vita34group.de.

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 AG and financial instruments based on these shares (Directors' Dealings). The following securities transactions requiring notification took place in fiscal year 2011, and were also published on the company's website. The publication documentation, as well as the corresponding announcements, was sent to the German Federal Agency for Financial Services Supervision.

The Vita 34 AG shares held by Management and Supervisory Board members is greater than 1 percent, whereby Director Dr. med. Eberhard F. Lampeter held 240,624 shares, which is equivalent to 9.09 percent, Dr. Holger Födisch 85,000 shares, representing 3.21 percent, and Supervisory Board member Dr. Uwe Marx held 27,329 shares, equal to 1.03 percent as of December 31, 2011.

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

The consolidated financial statements are published in less time than the 90 days following the end of the fiscal year required by the German Corporate Governance Code ("DCGK"). Interim reports are published less than 45 days following the end of the respective quarter.

The Supervisory Board has entrusted Ernst & Young Wirtschaftsprüfungsgesellschaft, Stuttgart (Leipzig Branch), with the audit of the consolidated financial statements, as well as the individual financial statements of Vita 34 AG. The basis for appointing the auditors was their selection by the Annual Shareholders' Meeting 2011. The Supervisory Board obtained an independence declaration in accordance with Title 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. Moreover, it was agreed that the Chairman of the Supervisory Board would be immediately informed of exclusion or conflict of interest criteria that could arise during the audit.

Declaration of Compliance

The Management Board and Supervisory Board of a German stock corporation listed on a stock exchange are obligated in accordance with § 161 German Stock Act [AktG] to declare once annually whether the "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 AG, or before the merger Vita 34 International AG, complied with the valid version of the code (status: May 26, 2010) since issuing the last declaration, and will continue to comply with the recommendations, with the exceptions listed as follows:

:: Sec. 3.8 para. 3 DCGK: No special deductible was agreed upon with the Supervisory Board, since we are not of the opinion that the care and responsibility the members of the Supervisory Board exercise in fulfilling their duties could be further enhanced by agreeing to a deductible.

:: Sec. 4.1.5 DCGK: In filling management positions within the company, the Management Board takes both company-specific circumstances, as well as commensurate variety into consideration. In our opinion, however, the specifications of the DCGK restrict the Management Board too greatly in its selection of the suitable candidates for the management positions to be fulfilled.

:: Sec. 4.2.3 para. 2 Sentence 4 and Sec. 4.2.3 para. 4 DCGK: In contrast with the Corporate Governance Code, the design of the variable compensation does not take negative developments into consideration. A settlement cap was not agreed to. The arrangement of variable compensation and agreeing to a settlement cap in accordance with the specifications of the DCGK could impair the recruitment of highly qualified employees.

:: Sec. 5.1.2 para. 1 and Sec. 5.4.1 para. 2 and para. 3 DCGK: A specification for the composition of the Management Board, as called for in Sec. 5.1.2 para. 1 DCGK, limits the Supervisory Board inappropriately in its selection of suitable Management Board members. The same applies accordingly for a target regarding the structure of the Supervisory Board membership, as called for in Sec. 5.4.1, para. 2 and 3. We are fundamentally of the opinion that this represents too broad a limitation in individual cases of the selection of suitable Supervisory Board members. In addition, such a target also impairs the right of our shareholders to elect the members of the Supervisory Board.

:: Sec. 5.1.2 para. 2 sentence 3 / 5.4.1 para. 2 sentence 1 DCGK: An age limit for Management and Supervisory Board members has not been 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.

:: Sec. 5.3.1, 5.3.2 and 5.3.3 DCGK: The establishment of committees, especially an Audit Committee, and a Nominating Committee is difficult to manage due to the size of the Vita 34 AG Supervisory Board of only three board members. The increase in efficiency in auditing the accounting intended by the code with the establishment of an Audit Committee would not be achieved, since the Audit Committee would need to be filled with nearly all plenum members. Likewise, the Nominating Committee would need to be filled with nearly all plenum members which, however, would not lead to any improved preparation of the proposed resolutions of the Supervisory Board regarding the election proposals of the shareholders.

:: Sec. 5.4.3 sentence 3 DCGK: The recommendation of making candidate proposals for the chairmanship of the Supervisory Board known to the shareholders is not followed, since according to Sec. 14, para 1 of the by-laws of the company, the Supervisory Board elects a chairperson from amongst its midst. Announcement of proposed candidates cannot be implemented on account of this.

:: Sec. 5.4.6 para. 1 sentence 3 and para. 2 DCGK: The company complies with the recommendations of the code with regard to the compensation of the Chairperson of the Supervisory Board and of the Vice Chairperson, with the exception that the chair and membership in committees is not particularly taken into consideration due to the lack of committees formed. 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.

Santiago Luengo
Managing Director

“Our values, our goals, our entire culture and structure have only one goal: to store new-borns’ UCB at the highest level of quality, should it be required for therapy in the future.

We can offer this unique opportunity to our clients thanks to the cooperation with Vita 34.”

secuvita
CARING FOR THE FUTURE

"UMBILICAL CORD BLOOD – BIOLOGICALLY VALUABLE" INTERVIEW WITH PROF. DR. MED. ECKART WUNDER

Prof. Dr. med. Eckart Wunder was the Director of the Laboratory for Stem Cell Research at the Institute of Hematological Research of the CHM-Hôpital du Hasenrain in Mulhouse, France for many years.

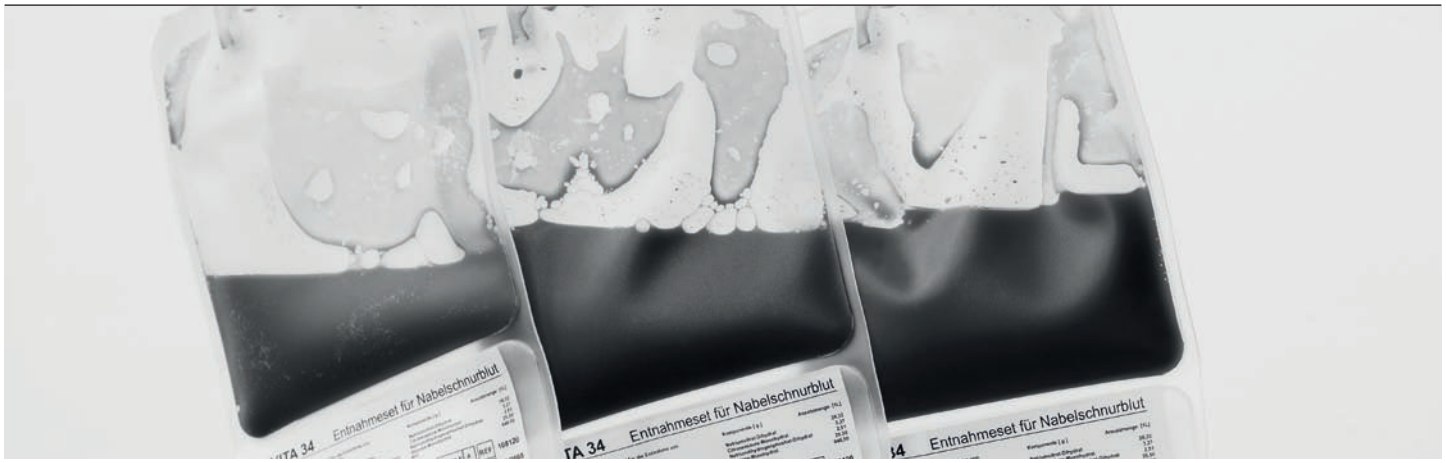
How do stem cells come to be in umbilical cord blood, and what differentiates them from their older "siblings" in bone marrow, which one can collect up to an advanced age, while umbilical cord blood is only available once at birth?

Beginning with the 4th month of pregnancy the center of blood formation of the fetus moves to the liver, then to the spleen, and then it moves one last time to its ultimate place, the bone marrow. The stems cells are, therefore, in the process of moving during the birth of the child. The "move" takes place via the child's blood. This is why all of the child's blood is full of stem cells when it is born. These stem cells have an enormously large regeneration potential.

A remnant of this blood, known as umbilical cord blood, remains in the blood vessels of the placenta and the umbilical cord once the umbilical cord is cut. There is about 80-130 milliliters, and up to now it has usually been disposed of with the placenta. The child is subjected to high tractive and compression forces during birth. Nature may have set things up such that many, very potent "repair" stem cells are circulating in the blood of the child at this critical point in time. At any rate, it is a valuable biological material, which can be used very advantageously if needed later in life in the course of a regenerative therapy as the body's own tissue. Some such therapies are already being used, for example, in the case of heart attacks, and new ones are continuously being added.

Apart from the simple, and for the mother and child risk-free, collection of the umbilical cord blood, the high quality of the stems cells is of particular advantage. These include various precursor cells that can develop further into different tissues.

Stems cells that can be collected after the birth of a person are referred to as "adult." However, if one compares the stems cells from the bone marrow of a six year-old with umbilical cord blood stem cells, one finds major differences, since stem cells age and their numbers and ability to divide diminish. They also increasingly collect DNA damage over the course of life. This can be seen, for example, in the fact that in the marrow cavities of the bones the pink-colored, blood-forming marrow that is still prevalent in youth, is successively replaced with yellow fatty tissue. Put casually, stem cells from umbilical cord blood are young, healthy and unused. By freezing at very low temperatures one can preserve the "youth" of umbilical cord stem cells, such that a child born today can presumably tap into his/her birth-fresh stem cells at 60 years of age.



Vita 34 collection set for umbilical cord blood

Lately there have been more and more reports that one can also produce what are known as induced pluripotent stem cells (iPS) from adult cells, for example, from the skin. By activating genetic switches they are effectively reset to an embryonic state, such that in principle each of the over 200 different human tissues could be produced from them. Doesn't this make the collection and freezing of umbilical cord blood stem cells at birth superfluous?

First it should be said that these cells are very well suited for researching genetic defects in cell cultures or for searching for suitable new medicines. On the other hand, we are still very far away from using iPS cells for directly replacing tissues in patients. Above all here, as is the case with real embryonic cells, the use of which in humans is prohibited in most European countries, the risk of causing tumors is an unsolved problem. A second dilemma is that reprogramming represents a brutal intervention in the control mechanisms in the cell nucleus. This can be seen in the fact that only a small percentage of the treated cells even complete transformation, and that the resulting iPS cells, known as cell lines, have very different properties. In addition, accompanying damage can occur in the genetic switches of the chromatin.

Careful tests must, therefore, be conducted to select suitable lines, as well as to ensure the sustainability and stability of the tissues created. Moreover, in order to produce induced pluripotent cells, one needs very well preserved cells to start with in any case. At an advanced age, when the probability of needing regenerative therapies increases greatly, the body cells of humans have already collected various damages. If such a pre-damaged cell is reprogrammed and multiplied, one can surely cause them to form different tissues, for example, heart muscle, however, the damage collected in the genetic material of the cell nucleus is not eliminated by this process. To form adequate tissue from a few iPS cells, the cells in the cell culture must divide very often. In doing so, errors are passed on and increase the risk that the cell will be uncontrollable and will itself cause damage.

This problem does not exist, however, when the production of iPS cells is done using unencumbered and undamaged umbilical cord blood stem cells. Thus, if I had the choice I would always turn to cells from umbilical cord blood for iPS cell production.

“UMBILICAL CORD BLOOD – INDISPENSABLE SOURCE OF STEM CELLS” INTERVIEW WITH PROF. DR. MED. WOLFGANG HOLZGREVE

Prof. Dr. med. Dr. h.c. mult. Wolfgang Holzgreve, MBA, is the Medical Director and Chairman of the Board of the University Clinic in Bonn. For many years he was Professor of Obstetrics and Gynecology, as well as Director of the University Gynecological Clinic in Basel, Switzerland.

You were one of the first people in your specialization to deal with the question of which role stem cells could play in obstetrics, and you have published numerous scientific works on the subject. One focal point of your research activity is intrauterine stem cell therapy. What is that?

Physician William Liley was the first one who was successful in treating a child during pregnancy in the mother’s womb some 40 years ago. The child was suffering from anemia, because antibodies against the red blood cells of the child had developed in the mother’s blood. The most common cause of this is rhesus incompatibility, which can develop when the mother is Rh negative and the child is Rh positive. The source of the anemia can also be an infection with the parvo B19 virus. William Liley was successful in introducing red blood cells into the abdominal cavity of the child, thus fighting the anemia. Such an intervention was very risky and couldn’t be done “blindly.” Liley, however, found a way to perform the injection with a visual control using contrast agents and a modified X-ray technique.

Nowadays we have highly developed ultrasound technology that provides us with a very detailed three-dimensional representation of the fetus in the uterus. A focal point of my research was to use and improve upon this technology, in order to obtain access to the fetus via the umbilical cord vein. This technology allows both umbilical cord blood to be collected even before birth, as well as transfusions to be conducted and medicines administered. There were approaches in our work group very early on towards using this path to attempt stem cell therapy of the fetus, as well.

Weighing of umbilical cord blood

Stem cell research has advanced more than twenty years after your first publication. What do you consider to be the central developments and what opportunities do you see for stem cell therapy, particularly with regard to stem cells from umbilical cord blood?

Umbilical cord blood has established itself as an indispensable source of stem cells. Around the world, more than 20,000 donations of umbilical cord blood have been transplanted, particularly in cases of acute leukemia, but also in cases of congenital metabolic diseases. These are the main areas where donated umbilical cord blood stem cells, i.e. those foreign to the patient, are used.

In the meantime, however, there are also more than one hundred cases in which the child's own umbilical cord blood has been used. Here it is evident that the emphasis is completely different. More than 80 percent of the cases involved what are known as regenerative therapies, which the use of the body's own stem cells make possible. The continuously increasing number of umbilical blood units stored for children themselves or their families has allowed clinical studies on the treatment of previously incurable diseases, for example, early childhood brain damage or juvenile Type 1 diabetes, an auto-immune disease. Particularly in the case of early childhood brain damage it is important to start treatment very early on. Every obstetrician should, therefore, follow this research and these clinical studies very closely, in order to properly counsel those seeking advice.

Colleagues from Zurich have now been able to produce living heart valves and "tissue patches" from umbilical cord blood stem cells, which can grow along with children who need to be operated on after birth due to a heart defect. Making such therapeutic approaches clinical routine would be a considerable advance in the treatment of cardio-vascular diseases in infants. Ideally, risky multiple operations and the lifelong administration of blood thinning agents would no longer be necessary. This is where the research work of our workgroup comes around full circle: If a heart defect could be diagnosed in the uterus already using high-resolution ultrasound technology, stem cell from the umbilical cord vein could perhaps be collected even before birth. The production of the "living" heart valve could then be completed by the time of birth, such that the essential operation could take place without delay. As with every good research hypothesis, however, the result is still pending, and the initial successes must be reviewed carefully.

„Because smiles are

www.izvorna-celica.si

Ian Jan
CEO

“We chose Vita 34, because we only work with the best.”

SUSTAINABILITY

UNDERSTANDING OF SUSTAINABILITY

Sustainable business practices and corporate social responsibility are being discussed and promoted across a broad political spectrum. [→ www.nachhaltigkeitsrat.de] Vita 34 has also dedicated itself to sustainable action and conduct. The following pages demonstrate how sustainability is being lived using real-life examples.

Sustainability comprises three equally important aspects: Economic, ecological and social sustainability. It is only their combination that contributes to creating global justice and allowing subsequent generations to satisfy their own requirements. For Vita 34 this means that all of our decision-making processes are directed towards allowing business to develop in a manner that does not impair future generations from an economic, ecological or social perspective. In this sustainability report, Vita 34 would like to present the sustainable aspects of our corporate activities.

PROFILE OF OUR SUSTAINABILITY

Vita 34 has set the goal of supporting the treatment of diseases that have been incurable up to now through the preventative storage of umbilical cord blood. Stem cell rich umbilical cord blood, which is stored for the patient's own use (autologous) or as a donation (allogenic), can make a valuable contribution towards the body's own regeneration in case of need and, in the long term, increase the quality of life for patients. The storage of umbilical cord blood is a future-oriented investment in one's own provisions for health care.

Despite initial success in use and in research, some 95 percent of all umbilical cord blood is discarded after birth. Therefore, an important goal of our entire corporate activity is to make our service generally better known and accessible, as well as to establish the treatment with stem cells from umbilical cord blood as a medical standard. In real terms this means actively participating in basic research as well as applied research. The repair mechanisms of the body can be improved by treatment with stem cells and, thus, stem cell therapies have the potential of lowering healthcare costs in the long term.

The Company's own process and product innovations are both a challenge and a necessity for Vita 34. Technological and medical innovations arise again and again in long-term research and development activities and cooperative efforts. Together with Hegewald Medizinprodukte GmbH, for example, we developed high-grade, practice-optimized collection and storage systems for umbilical cord blood preparations, in order to further optimize transport and storage quality. The storage tanks have been adapted to our specific quality requirements in collaboration with Chart Industries, Inc. Thanks to the intensive cooperation with our business partners we can satisfy the high quality requirements and position ourselves as an innovator on the market.

Vita 34 glass laboratory at BIO CITY Leipzig

The performance and dedication of our employees should be emphasized. They determine the future corporate success of Vita 34 with their specific qualifications and motivation. This is why personal development and employee satisfaction are important social challenges.

OUR MAIN SUSTAINABILITY SYSTEMS

This report is directed towards all interested readers and partners of Vita 34: Cooperation partners, investors, shareholders, as well as potential customers and employees. The basis for determining the main sustainability topics is the guidelines of the Global Reporting Initiative (GRI). [→ www.globalreporting.org] We have selected the traditional structure for presenting our sustainability topics. They are intended to supplement the following annual report on the economic situation of Vita 34 with additional, non-financial information. Here, only those indicators were taken into consideration, which have a major influence on company activities. Please direct questions or suggestions to: sustainability@vita34group.com.

Economic activities are sustainable when they do not impair ecological compatibility and social justice. The forward-looking development of the Company, which allows a sustainable development of society, is the centerpiece. As a pioneer in the autologous storage of umbilical cord blood in Europe, Vita 34 has been engaged from the outset in the establishment of the national and European legal framework that ensures a high level of safety and quality in the storage of umbilical cord blood in the market. Our quality management system, as well as our activities in the area of research and development, are ultimately important for customer satisfaction.

The effects of our business activities on the environment cannot be represented in detail in accordance with GRI requirements. Here, there are not the necessary comparative values and specific climate balances, or statements on energy consumption and mobility. A significant aspect for Vita 34 is the use of energy-efficient technologies and the assurance of the stringent environmental requirements in the use of hazardous materials.

Social responsibility for Vita 34 means responsibility towards employees and society. The focal points of this area are industrial safety, employee and customer satisfaction, as well as our societal commitment, especially in educating the public.

ECONOMIC RESPONSIBILITY: QUALITY MANAGEMENT AND RESEARCH

Quality Management: The Most Stringent Quality Requirements

Observance of a wide variety of laws and regulations

Various laws and regulations apply to the preparation and execution of stem cell storage at Vita 34. In Germany, the Act Concerning Commerce in Pharmaceuticals (AMG) is the overriding regulation concerning the production of allogenic and autologous umbilical cord blood preparations. The AMG prescribes the production requirements, the staffing and the establishment of a quality management system in companies. These requirements are solidified by means of the German Pharmaceuticals and Active Agents Directive, the Good Manufacturing Practice Guidelines (GMP), the Guidelines on the Transplantation of Stem Cells from Umbilical Cord Blood and by the Haemotherapy Guideline for Collecting Blood and Blood Components and for the Use of Blood Products. Observance of these legal provisions and guidelines is a matter of course for Vita 34.

Legal requirements formulate a standard procedure, which is solidified at Vita 34 in the corresponding procedures (SOP – Standard Operating Procedure). SOPs describe all of the production steps from anamnesis to use. They are continuously monitored, reviewed and improved by those responsible for quality assurance, in order to constantly tap optimization potential. To ensure that the collection, production and use of stem cells from umbilical cord blood run as reliably as possible from the time the customer is contacted, to storage in the laboratory, up to use, we have established SOPs according to our own scientific analyses, which go beyond the legal provisions in important partial areas. All employees involved are obligated and correspondingly trained to observe these strict process guidelines.

In 2011 the State Directorate Leipzig reviewed Vita 34‘s production of umbilical cord blood products in accordance with EU regulations and guidelines and the German Pharmaceuticals Act, for the eighth time since the Company was founded. Observance of the legal requirements was once again confirmed with the issuance of a GMP certificate.

Involvement in improving valid quality standards

Moreover, our experts engage in promoting and improving the valid quality standards and legal bases on a national and European level, so that umbilical cord blood preparations can be used successfully in case of need. The contributions are done in a passive manner, by means of the political bodies requesting corresponding assessments and expert opinions. We participate actively in biosaxony e.V., the Gesellschaft für Regenerative Medizin e.V. [Association for Regenerative Medicine], and the International Society for Stem Cell Research (ISSCR). In addition, Vita 34 is a member of Cord Blood Europe, the association of private European umbilical cord blood banks. This association provides a platform for the exchange of best practices in stem cell storage, and strives for harmonization of the legal framework in Europe. Dr. med. Eberhard F. Lampeter is President of this association. [→ www.cordbloodeurope.org]

Research and Development

Research and development represent an important pillar of the value chain at Vita 34. The majority of research and development activities is implemented in cooperation with universities and renowned research institutes throughout Germany. The goal is to promote basic and applied research of umbilical cord blood worldwide, in order to understand stem cells from umbilical cord blood and how they function even better.

Vita 34 archive

Worldwide increase in clinical studies with umbilical cord blood

The intensive scientific involvement is reflected in the increasing numbers of studies. Worldwide 230 clinical studies have been started since 2000 dealing with the transplantation of umbilical cord blood, as well as specific areas of application. [→ www.ClinicalTrials.gov] Likewise, the clinical applications of cord blood transplants have increased in comparison with the previous year. Since umbilical cord blood is only stored in relatively few cases, physicians can currently only avail themselves of this option to a limited extent. Nonetheless, to date nearly 500 patients have been treated with allogenic or autologous stem cells from privately stored cord blood. [→ www.nabelschnurblut.de]

Pre-Clinical Research and Applications in Clinical Studies and Experimental Treatments

In cooperation with the University of Leipzig, in the past Vita 34 supported research into the use of umbilical cord blood stem cells in stroke therapy. The joint research project with the University of Rostock on the topic of stem cell therapy in heart disease was awarded the renowned Ernst Derra Prize by the German Society for Thoracic, Cardiac and Vascular Surgery [Deutsche Gesellschaft für Thorax-, Herz- und Gefäßchirurgie]. Vita 34 provided the research institutions umbilical cord blood that had been donated specifically for this purpose.

Basic Research

Various cooperative efforts in basic research

The development of procedures for the production of induced pluripotent stem cells (abbreviated iPS) from umbilical cord blood is the content of a research project with the Hanover Medical College. The goal of the cooperative research effort is the development of a technological process for reprogramming the cells from umbilical cord blood into iPS cells. Additionally, we are pursuing the question as to how many manipulation steps are required for selecting iPS cells. These cells have the unique capability of developing into different body cells and, thus, can be used for a specific therapy.

The first European study for the treatment of Type 1 diabetes in children is being conducted with the Institute for Diabetes Research of the Clinic and Polyclinic for Pediatric and Adolescent Medicine at the Technical University Munich. In this study the question as to whether the destruction of the insulin producing cells can be stopped with the child's own umbilical cord blood is being pursued.

The project with the Translation Center for Regenerative Medicine in Leipzig has been concluded. The object was the "Establishment and Evaluation of VSEL (Very Small Embryonic Like) Stem Cells for Tissue Repair." [→ www.trm.uni-leipzig.de] The results of this project are currently being evaluated.

Cryo-tank storage at Vita 34

PUBLICATIONS AND PRESENTATIONS BY VITA 34 IN FISCAL YEAR 2011
Danova-Alt R, Heider A, Egger D, Cross M, Alt R: Phenotypic characterisation of hUCB derived VSEL cells. Stem Cells in Development and Disease, Max Delbrück Zentrum Berlin-Buch, 11th – 14th September 2011.
Danova-Alt R, Heider A, Egger D, Cross M, Alt R: Phenotypic characterisation of Lin-CD45- VSEL cells in hUCB. Stem Cells in Development and Disease, Max Delbrück Zentrum Berlin-Buch, 11th – 14th September 2011.
Danova-Alt R, Heider A, Egger D, Cross M, Alt R: Very small embryonic-like stem cells purified from umbilical cord blood lack stem cell characteristics. World Congress on Regenerative Medicine, Leipzig, 2nd – 4th September 2011.
Alt R: Umbilical cord blood derived very small embryonic-like stem cells lack stem cell properties, 6th Annual Congress of the German Society for Stem Cell Research, Düsseldorf, Germany, November 20 – 22, 2011.
Egger D, Danova-Alt R, Heider A, Alt R: Very small embryonic-like (VSEL) Stammzellen für die Regenerative Medizin. Regenerative Medizin 4:16-20, 2011.

Research Location Leipzig

Vita 34 profits from the regional location factors, which allow in-depth cooperation with highly specialized research facilities. Through this we promote stem cell research and, simultaneously, contribute towards developing regional competencies. We allow bachelor's, master's and doctoral work to be supervised and conducted in our Research Department.

Securing Consequences – Safeguarding the Stem Cell Storage

Assurance of professional storage over 50 years

Since the storage of umbilical cord blood is oriented towards the future, Vita 34 has secured the entire cycle of stem cell storage. Together with leading insurance companies, we guarantee the decades long, professional storage of umbilical cord blood. Generali Insurance, one of Europe's largest insurance companies, ensures that the cord blood will remain stored safely, in the event of the inability of Vita 34 to pay, for a period of 50 years. HDI Gerling is another reliable partner that serves Vita 34 in the area of professional insurance. A special feature of our liability insurance is, that apart from the activities of the employees of Vita 34, the collection of the umbilical cord blood by the personnel in the birthing clinics is also covered.

ECOLOGICAL RESPONSIBILITY: ENVIRONMENTAL PROTECTION AND INNOVATIVE TECHNOLOGY

Ecological Responsibility

Sparing use of materials

Environmental protection and the observance of strict quality standards are of great importance for Vita 34. The legal provisions concerning environmental protection are observed in the Vita 34 business processes. The efforts geared towards environmental protection encompass, among other things, the implementation of energy saving measures, sparing use of material in all areas, increases in efficiency in the use of nitrogen for the storage of umbilical cord blood, and the proper disposal of hazardous waste.

Only small quantities of hazardous materials and chemicals are used in the Vita 34 production process. As early as 2003 a usable 60 percent DMSO solution (dimethylsulfoxide) in a small package size was developed together with Serumwerk Bernburg AG. Thanks to this, less residual amounts of DMSO that can no longer be used and, therefore, need to be disposed of as hazardous waste, accumulate. We are studying whether the DMSO solution could be replaced by plant anti-freeze proteins, together with the Fraunhofer Institute for Cell Therapy and Immunology and BioPlanta GmbH, in a three-year joint project.

The use and disposal of hazardous materials and chemicals are regularly monitored and evaluated. Employees who deal with hazardous materials are obligated to observe EU Guidelines 2002/95/EU on the Reduction of Hazardous Substances in Electrical and Electronic Devices (RoHS), as well as the internal guidelines (SOP) that go beyond this. In order to keep the risk to employees as small as possible, health checks are conducted at regular intervals and training in dealing with laboratory techniques is conducted.

Innovative Technologies with Savings Potential

Many years of experience and technological competence are important prerequisites for being able to develop processes that do not impair subsequent generations. An example of this are the cryo-tanks, in which the umbilical cord blood preparations are stored over decades. The electricity-independent cold tanks ensure a high level of safety thanks to their specific design, and they have a low power consumption thanks to vacuum insulation. Since the umbilical cord blood preparations are stored in the gas phase over liquid nitrogen, the nitrogen is used ideally. Moreover, this technology minimizes the potential risk of cross contamination between the preparations.

Determination of the Environmental and Climate Balance (CO2 Emissions)

A central challenge in the future will be the review of the CO2 emissions produced by corporate activities. This calls for a comprehensive consideration of the value chain, energy consumption and expenditures for mobility.

SOCIAL RESPONSIBILITY: EMPLOYEES AND SOCIETY

Industrial Safety and Health Protection

Internal and external employee training

Safety and health in the workplace are important indicators for employee satisfaction and employee motivation. There is a safety delegate and an industrial safety committee at Vita 34. They monitor the observance of the legal provisions and contribute to continuous improvement in the working conditions with regard to safety and health. Annual facility tours and instruction of the employees are conducted each year for technical safety supervision. Industrial medical care is mainly concentrated on the production and quality assurance areas. In the other areas, the optimization of desk work via ergonomically designed work stations is the focus. All new employees in the production area must take part in a hiring review, which is repeated every three years. Newly hired employees in this department take place in an external "Behavior in Clean Rooms" advanced training course. Discussions regarding GMP relevant topics are conducted at regular intervals. There is an internal hygiene training course every two years for medical/technical assistants at Vita 34, and an annual internal advanced training course covering flow cytometry.

Employees and Structures

As of year's end 2011, Vita 34 employed 117 regular employees and five trainees throughout Europe. The age structure is mixed, and cooperation is promoted by interdisciplinary team meetings, as well as joint activities. Vita 34 employees can submit suggestions for improvement within the scope of our idea management program. Our team structures and the flat corporate hierarchies create a very good working atmosphere, which is reflected in employee satisfaction. Employee fluctuation and terms of employment with a duration of more than two years increased as compared with the prior year from 4.6 to 17.7 percent. This increase was partly the result of headcount adjustments within the scope of consolidation.

Family-friendly personnel policy at Vita 34

The staff at Vita 34 is characterized by a large portion of women (75 percent). In order to support the professionally qualified employees, Vita 34 has developed solutions for family-friendly personnel policy in conjunction with the "Alliance Family + Profession" network in Leipzig. Flexible contractual structures such as part time positions, flexible distribution of shift work, as well as personalized parent time design are intended to make the compatibility of family and career possible. Already more than 30 percent of our employees in Germany take advantage of these offers.

EMPLOYEE STRUCTURE OF VITA 34 AS OF 12/31/2011

	TOTAL	FEMALE		MALE	
	NUMBER	NUMBER	%	NUMBER	%
Employees in total	117	88	75	29	25
Thereof Management Board	2	0	0	2	100
Thereof employees in leading role	13	6	46	7	54
Trainees	5	4	80	1	20

Dispatch employee at Vita 34

Social Involvement

Social responsibility is a solid component of our strategy. With heart and mind we are working on preserving high-quality stem cell preparations from cord blood, which offer a change for medical therapies and, therefore, a fresh, healthy start. Today, children are already benefitting from treatment with stem cells. This is the incentive to continue to improve and to research additional treatment options with stem cells from umbilical cord blood. Social responsibility to us means acting in such a manner, that Vita 34 does not promote any social or ecological abuses.

Here, customer satisfaction is a measure of how well the services are received, and whether follow-up orders or orders from referrals are generated. Customer relations at Vita 34 are characterized by a high level of sensitivity and trust. In customer surveys the services of Vita 34 are evaluated as trustworthy, safe and serious. A large portion of the umbilical cord blood storages in 2011 resulted from referrals by customers and multipliers such as midwives and physicians.

More than 2,500 people visited the “Glass Laboratory” in Leipzig in 2011

Vita 34 offers tours in the “Glass Laboratory” within the scope of regular parent discussions. In addition, tours and presentations are organized for physicians, midwives, and school classes. More than 2,500 visitors took advantage of this offer in 2011. In November 2011, Vita 34 took part in a podium discussion within the context of the movie talk “My Sister‘s Keeper” in the Contemporary Forum Leipzig. Persons wishing to know more and small researchers can get a look inside biotechnology companies at “Open House Days” or “Long Evenings of Science” (Initiatives by the City of Leipzig). Interested parties can also access Vita 34 information online, for example, via the virtual tour through the “Glass Laboratory” on the Company’s website. Current developments and background information concerning stem cells are posted on the Company’s blog, as well as on the social media network Facebook. Already more than 4,000 fans use the Vita 34 Facebook profile to gather and exchange information, and to contact us.

EUR 27,000 donated to German Children’s Cancer Assistance [Deutsche KinderKrebshilfe] since 2004

Vita 34 also participated in various donation activities in 2011. With our participation in the “Row Against Cancer” benefit regatta in Dresden, we supported the “Life with Cancer” [“Leben mit Krebs”] Foundation in financing sports therapies for cancer patients. The staff at Vita 34 donated EUR 1,000 for two year-old Lina from Dresden to have a dolphin therapy within the context of our Christmas donation activity. She is suffering from Angelman’s Syndrome, a genetic defect that leads to significantly delayed development. [→ www.angelman-lina.de] Together with our customers we donated some EUR 2,000 to the Deutsche KinderKrebshilfe Foundation [German Childrens’ Cancer Assistance] and EUR 450 to the children’s hospice Kinderhospiz Bärenherz Leipzig e.V. in 2011 within the context of the “Parents Inform Parents” initiative. Since 2004 some EUR 27,000 has been donated to the “German Childrens’ Cancer Assistance” [Deutsche KinderKrebshilfe] Foundation through this initiative. [→ www.krebshilfe.de]


Sorgente
La scelta di una vita, la scelta per la vita.

Roberto Marani and Salvatore Iuzzolini
CEOs

“Since the very beginning we have felt a strong affinity with the values and mission of Vita 34.

So far, two years after start-up, our double-digit growth continues undiminished. It is our goal to perpetuate this trend to its maximum market potential, together with our German partners.”

GROUP MANAGEMENT REPORT

BUSINESS AND ECONOMIC ENVIRONMENT

Corporate Profile and Business Activity

In all, some 86,000 umbilical cord blood preparations stored to date

Vita 34 is the oldest, and with some 86,000 storages, the largest private umbilical cord blood bank in the German-speaking countries. Vita 34 has more than 15 years of experience in the field of umbilical cord blood and can, as the only private provider in Germany, point to actual medical applications of the umbilical cord blood it has stored. Together with its subsidiaries Vita 34 AG forms the Vita 34 Group (hereinafter referred to as “Vita 34”).

Vita 34 offers expecting parents the collection, preparation and storage of their children’s umbilical cord blood. In doing so, Vita 34 has a permit for both the production of autologous (own, for the child himself) umbilical cord blood preparations, as well as a permit for the production of allogenic (third party) preparations. Vita 34 offers a combined form as a third option, the “VitaPlusSpende” [VitaPlusDonation] product. Here, parents store their child’s umbilical cord blood at Vita 34 for later use. At the same time they keep the option open that this preparation might also be used as a donation to a third person. Autologous storage is possible using various pricing models, for example, in the form of a one-time payment in combination with an annual storage fee, or also as a prepayment for 25 years. Since 2011 expecting parents in German have also been able to select a special online offer from Vita 34 with lower one-time payments and monthly installments.

First mobile transplant team in Europe

Vita 34 has a broad network of gynecologists, midwives and clinics. The outstanding feature here is that there are cooperation contracts with some 96 percent of all birthing clinics in Germany. Personal training of physicians and midwives is the basis for the high quality of the umbilical cord blood collection, the first step in the production chain of a stem cell transplant that might be life-saving. Ensuring the highest quality standards over the entire process, including transport and storage, is the top priority at Vita 34 and the fundamental basis that allows the preparation to be used in case of need. In the spring of 2011, Vita 34 established the first mobile team in Europe for preparing a transplantation of stem cell from umbilical cord blood. The team is equipped in such a manner that treatment can be done by physicians in any hospital.

Four transplants used in 2011

This high level of quality is evident in many applications. In all, umbilical cord blood stored at Vita 34 has been used in therapy with 19 children, among other uses within the context of the first European study on the treatment of Type 1 diabetes, as well as in cases of brain damage, leukemia and cerebral palsy. The strict Vita 34 quality standards and the extensive approval procedures allow this broad range of uses for the preparations. The first time a preparation stored at Vita 34 was used was in 2004. The transplantation was done with a girl who was three years old at the time and suffering from acute lymphatic leukemia. Umbilical cord blood stored at Vita 34 was used in four children in the year 2011.

Vita 34 actively supports stem cell research and cooperates with renowned research institutes and universities. The main goals are the development of new therapies for the treatment of cardiovascular diseases, juvenile diabetes, as well as stem cell multiplication.

Group structure streamlined via merger

The group structure was simplified significantly in 2011: Following the merger of subsidiary Vita 34 AG, which contained the operating business in Germany, with the group holding Vita 34 International AG, the company has used the Vita 34 AG name exclusively. In Spain, one of the most important European markets for the storage of umbilical cord blood, Vita 34 is represented by a subsidiary, Secuvita, S. L. A majority interest in the former Spanish sales partner was assumed in May 2010 and the position was increased to 88 percent in July 2010. In 2011 Vita 34 founded the Vita 34 Slovakia subsidiary. Vita 34 is also active in Italy, Slovenia and Switzerland with cooperation partners.

Research & Development

For years now Vita 34 has actively supported stem cell research, and collaborates with renowned partners. The projects are financed by subsidies for the most part.
Research has the aim of finding additional possible applications for stem cells from umbilical cord blood and tapping the vast potential and possible approaches for new cell therapies. Increased acceptance of the private storage of umbilical cord blood is expected from this.

Reprogramming of umbilical cord blood cells into iPS cells

Vita 34 has been working on the development of a process for reprogramming umbilical cord blood cells into iPS cells (induced pluripotent stem cells) together with the Medical College of Hanover since 2010. These cells have the properties of embryonic stem cells and can differentiate themselves into nearly all body tissue cells. If the development of a standard process for the production of clinically applicable iPS cells is successful, this would significantly expand the application range of the umbilical cord stem cells. The research project has a term of three years and is being subsidized by the Free State of Saxony and the European Union with a sum of EUR 769,000.

In cooperation with the Technical University Munich, Vita 34 has been supporting the first clinical study in Europe for the treatment of Type 1 diabetes with the body's own stem cells from umbilical cord blood since 2009. Type 1 diabetes is the most common and one of the most severe chronic diseases in childhood. Research is being conducted into whether the administration of one's own umbilical cord blood can stop the progress of the disease. Within the context of this study by the end of 2011 six children, of them one child in 2011, were treated with their own umbilical cord blood preparations stored at Vita 34. A total of 10 transplants are planned. The patients are being examined regularly over a period of two years and the results are being documented. They will be evaluated once the study has been concluded.

From 2009 to the end of 2011 Vita 34, together with the Translation Center for Regenerative Medicine of the University of Leipzig (TRM), studied the significance of Very Small Embryonic-Like Stem Cells (VSEL) for regenerative cell therapy. The results of this project are currently being evaluated.

Plant frost protection proteins for stem cell preservation

Vita 34 started the latest research project together with the Leipzig Fraunhofer Institute for Cell Therapy and Immunology IZI, the Leibniz Institute for Plant Biochemistry (IPB) in Halle and BioPlanta GmbH in March 2011. The goal is to develop a process for the production of frost protection proteins in plant bioreactors and to study their application in the cryo-preservation of stem cells. This project is scheduled to run until 2013 and is being sponsored by a total of EUR 824,000 from Sächsische Aufbaubank.

Production

Vita 34 is located in the “BIO CITY” biotechnology center in Leipzig and has a laboratory there with a state accreditation for the GMP compliant (Good Manufacturing Practice) production of stem cell preparations from umbilical cord blood. Vita 34 has held this production permit since 1997 already. As of 2006 Vita 34 has also had the permit from the Paul Ehrlich Institute for the production of allogenic umbilical cord preparations.

The total space used by Vita 34 in BIO CITY is currently some 1,300 square meters. There, approximately 86,000 umbilical cord preparations have now been stored. With the “BioCube” expansion building on the BIO CITY grounds the storage capacity will be increased by some 250,000 umbilical cord blood transplants. Vita 34 is correspondingly investing in new cryo-tanks for storing the preparations. The number of cryo-tanks was increased to 82 as of the end of 2011. The preparations are stored at minus 196 degrees in the gaseous phase of liquid nitrogen in them. Thus, Vita 34 guarantees the observance of the highest quality and safety standards.

Marketing and Sales

A significant building block in the marketing and sales activities of Vita 34 is its comprehensive network of gynecologists, midwives and clinics. There are cooperation contracts with some 96 percent of all birthing clinics in Germany. Cooperative sales agreements with health insurance companies, an internal consulting team in telephone customer care, field force employees and targeted PR are additional building blocks of the marketing and sales strategy. Others are the new internet presence and the “Vita 34 direct” online offering. This addresses new target groups in Germany and offers an additional option with a lower cost of entry. In order to convey basic knowledge concerning the benefits of the private storage of umbilical cord blood and its potential uses, social networks are being used increasingly.

Cooperation started with Hospital de Madrid

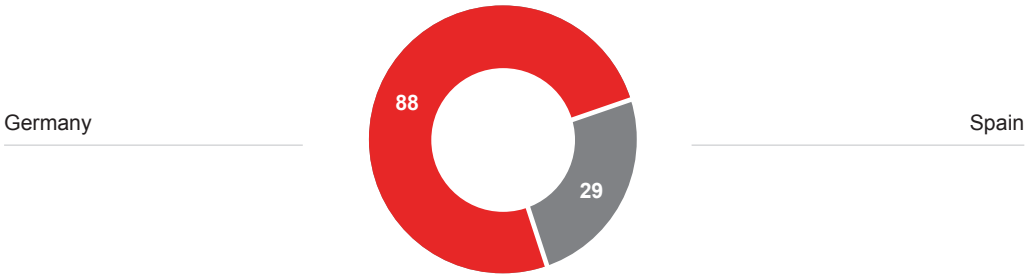
The restructuring of the marketing and sales activities started in 2011 is planned to be continued in fiscal year 2012. In Germany, sales will be increasingly focused on regions where income and also birth rates are strong, in order to increase storages. Vita 34 has entered into a cooperative sales agreement with one of the largest laboratory services companies in Germany, MVZ synlab, which has more than 100 locations in Germany, for a greater market presence. Additional sales channels will also be used in Spain. One of the largest clinic chains in Spain, Hospital de Madrid, began a new offer for umbilical cord storage together with Vita 34 in November 2011. Umbilical cord blood has been collected and stored temporarily there since this point in time. The long-term storage takes place at Vita 34 in Leipzig. Here, Hospital de Madrid is availing itself of the expertise of and the DESY system developed and patented by Vita 34. This modern, enclosed blood bag system allows the collection and preparation of umbilical cord blood in accordance with GMP standards at significantly reduced costs. Umbilical cord blood can also be prepared in a GMP compliant manner in normal medical labs using this system.

Personnel

On average in 2011, Vita 34 employed 126 people, following 118 in 2010 (on a full time basis, without trainees and temporary employees). In 2011 the employees of Secuvita, S. L. were completely included in this calculation, whereas in the prior year only 7.5 months were taken into consideration (from the time of the takeover).

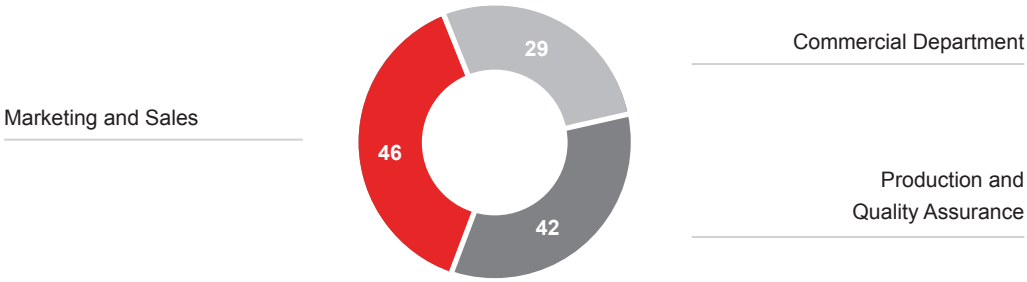
On December 31, 2011 VTA 34 employed 117 employees and five trainees in either full or part-time positions. Of these, 29 employees worked for Secuvita, S. L. and 88 worked for Vita 34 AG.

Number of Employees on December 31, 2011 According to Country



In the Marketing and Sales Department the number of employees was 46. As compared with the prior year this was a reduction of 19 persons. Headcount adjustments took place both in Spain and in Germany.
The Production and Quality Assurance Department employed 42 persons as of year's end 2011, in the wake of 53 the prior year. The reduction of 11 persons affected both the company in Germany as well as the one in Spain.
In the Commercial Department 29 persons were employed at Vita 34 for order processing, procurement, personnel, legal, finance, IT, controlling and business development duties, as in the previous year..

Number of Employees as of December 31, 2011 by Department (incl. Secuvita, S. L.)



Vita 34 employs 75 percent women. Of those employees in management positions, 46 percent are women. Vita 34 allows employees, especially those with children, the selection of part-time models, flexible parent time models, and depending on the department they belong to, flexible shift work. Within the context of the company retirement program, employees can also select attractive benefits, for example, disability insurance or the free selection of the type of provisions. In addition, Vita 34 employees are covered by a group accident policy.

Vita 34 sponsored training courses in the Industrial Clerk and IT Specialist professions, as well as practical training within the context of BA studies in Business and BA studies in Biotechnology.

In total, Vita 34 spent EUR 5.8 million on wages and salaries, social charges and retirement expenses in 2011.

GROUP LEGAL STRUCTURE

Registered Capital
The registered capital of Vita 34 AG is EUR 2,646,500 and is divided into 2,646,500 individually registered, non-par value shares. Here, each share equals one vote.

Restrictions on the Transfer of Stock
The only restrictions on the ability of Vita 34 AG stock to be traded are those shares of old shareholders subject to a prohibition of sale. These shares were not permitted to be traded on the exchanges within the context of the agreed sale moratorium for a period of 12 or 18 months after the date of listing, March 27, 2007.

Major Shareholders of the Company
The following direct or indirect holdings of Vita 34 AG capital, that exceed ten percent of the voting rights, have been announced as of December 31, 2011 via a voting rights notice:

:: Independence Blue Cross, Philadelphia, USA: 20.7 percent,
:: Landesbank Baden-Württemberg (LBBW): 15.8 percent.

Rules for Appointing and Removing Members of the Management Board and Concerning Changes to the By-Laws
The legal provisions concerning the appointment and removal of members of the Management Board can be found in Secs 84 and 85 German Stock Corporation Act. Section 9 of the by-laws of Vita 34 AG provides for a unanimous arrangement. Changes to the by-laws can be brought about by a resolution of the Annual General Meeting in accordance with Sec. 179, 133 German Stock Corporation Act.

Authorized Capital
In accordance with Sec. 7 para. 2 of the bylaws of Vita 34 AG, the Company has authorized capital. By virtue of a resolution of the Annual General Meeting on July 12, 2011, the Management Board is authorized to increase the nominal capital of the company within a period of up to July 11, 2016 after registration of the change in the by-laws, once or multiple times up to a total of EUR 1 million by issuing 1,000,000 new, individually registered, non-par value shares in exchange for cash or material contributions.

The Management Board will decide on the exclusion of the subscription rights of shareholders, in each case with the approval of the Supervisory Board. An exclusion of the right to purchase stock is, in particular, admissible in order to:
:: Issue up to 264,650 new shares in exchange for a cash contribution at a price that is not significantly lower than the exchange price of the shares of the company at the time the issue price is set by the Management Board.
:: To issue up to 1,000,000 new shares within the scope of capital increases in exchange for material contributions for awarding stock for the purpose of acquiring companies or parts of companies, or taking an interest in companies.
:: To even out peak amounts;
:: To issue up to 30,000 new employee shares.

The Management Board decides on the other content of stock rights and the conditions of stock issue with the approval of the Supervisory Board.

Contingent Capital
In accordance with Sec. 7 para. 3 of the Vita 34 AG bylaws, the authorized capital of the company has been conditionally increased nominally by up to EUR 40,000 via the issue of 40,000 new, individually registered non-par value shares. The contingent capital increase serves to cover stock options, the issue of which was adopted by resolution of the Annual General Meeting on July 31, 2007. The conditional capital increase will only be undertaken to the extent that those with option rights exercise those options. The new shares resulting from the exercised option rights participate in profits from the beginning of the year in which the option right has been exercised.

Significant Agreements that Exist under the Condition of a Change in Control Following a Takeover Offer

There are neither significant agreements of the company that exist under the condition of a change in control following a takeover offer, nor has the company made any compensation agreements with members of the Management Board or employees in case of a takeover offer.

Management and Control
The management and control structures, as well as the compensation system for the Management Board and Supervisory Board follow the legal guidelines. In particular, they follow the specifications of the German Corporate Governance Code.

The division of business in the Management Board provides for two Management Board areas. The Supervisory Board of Vita 34 AG monitors how the Management Board runs the business and provides advice.

System of Management Board Compensation and Review
The amount and structure of the Management Board compensation is determined by the Supervisory Board in accordance with Sec. 87 German Stock Corporation Act. Remuneration of Vita 34 AG‘s Management Board comprises fixed and variable components and other fees.

Fixed Compensation, Variable Success-Based Compensation and Fringe Benefits
The fixed component is a contractually defined basic salary that is paid out in equal monthly amounts. The variable component is based on the targets for each individual fiscal year, and is oriented on whether certain quantitative and qualitative targets are met. In the case of quantitative goals, which have the greatest weighting, these include revenue and earnings before interest and taxes (EBIT).

Supervisory Board Compensation
The Supervisory Board of Vita 34 AG has comprised three members since the 2009 Annual General Meeting. The remuneration of the Supervisory Board members is determined pursuant to Art. 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 12, 2011. The remuneration is agreed as a fixed annual sum and is paid quarterly to members of the Supervisory Board. Here, the functions of the Supervisory Board Chairman as well as the Deputy are taken into special consideration.

The compensation of the Management and Supervisory Board members is individualized in the group appendix under text number 26, where it is broken down into the individual compensation components.

ECONOMIC ENVIRONMENT

Once the global economy began to demonstrate a positive trend at the beginning of 2011, the debt of some European countries, as well as the USA, caused a cool-down. Added to this was insecurity with regard to the future of the common European currency.

Slight economic growth in Europe in 2011

According to information from the European Statistics (Eurostat) the growth in seasonally adjusted gross domestic product (GDP) in the EU and in the Euro region (Euro 17) in Q2 2011 was in both cases only 0.2 percent following growth rates of 0.7 and 0.8 percent in Q1 2011. Whereas the economy in Europe and the Eurozone grew again slightly by 0.3 and 0.2 percent in Q3 2011, experts have retracted their prognoses for future development. In accordance with the EU autumn prognosis 2011 economic growth in the Euro area in 2012 should grow at an expected 0.5 percent, as opposed to the formerly forecast 1.8 percent, and in the EU it will be 0.6 percent as opposed to an expectation of 1.9 percent. In 2013 the economy in the Euro region and in the EU is supposed to strengthen again and increase by 1.3 percent and 1.5 percent, respectively.

Despite the fears of recession and the worsening of the debt crisis in the Euro region, according to GfK (Gesellschaft für Konsumforschung, a market research company), consumers in Germany had a favorable outlook on the future again in December 2011. Thus, economic expectations increased again for the first time in five months in December, stopping the downward trend. However, willingness to buy suffered tangible losses.

3.0 percent increase in GDP in Germany

According to information from the German Federal Statistics Office (Destatis) the Germany economy grew again strongly in 2011. The price-adjusted gross domestic product (GDP) increased by 3.0 percent as compared with the prior year according to initial calculations. In 2010 growth was 3.7 percent. Accordingly, growth impetus in 2011 was domestic. Private consumption increased by 1.5 percent on a price-adjusted basis.

Here, the German employment market proved to be very robust in 2011: According to Destatis data, in 2011 for the first time more than 41 million persons residing in Germany were employed. Based on preliminary estimates, the number of unemployed individuals in Germany dropped by 15.1 percent to 2.5 million people on an annual average in 2011.

The effects of the positive economic developments in Germany have not yet made themselves felt in the course of business of Vita 34 in 2011.

At the same time other European countries had a less positive development: According the Italian statistics authorities Istat the Italian economy contracted by 0.2 percent in Q3 2011 as compared with the prior quarter. This is the first drop in economic performance since the end of 2009. As compared with the prior year's period Italy's economy grew by 0.2 percent in Q3. Experts had expected stronger growth.

49.6 percent unemloyment rate in Spain for those 25 and under

According to Eurostat Spanish gross domestic product stagnated in Q3 2011 following growth of 0.2 percent in Q2 2011. Compared with the prior year's quarter an increase of 0.8 percent was achieved. At the same time Spain continued to have the highest unemployment rate in the EU. According to Eurostat data it was 22.9 percent (seasonally adjusted) in Spain in November 2011. Spain also had the highest unemployment rate for those under 25 at 49.6 percent.

OVERVIEW OF BUSINESS PERFORMANCE

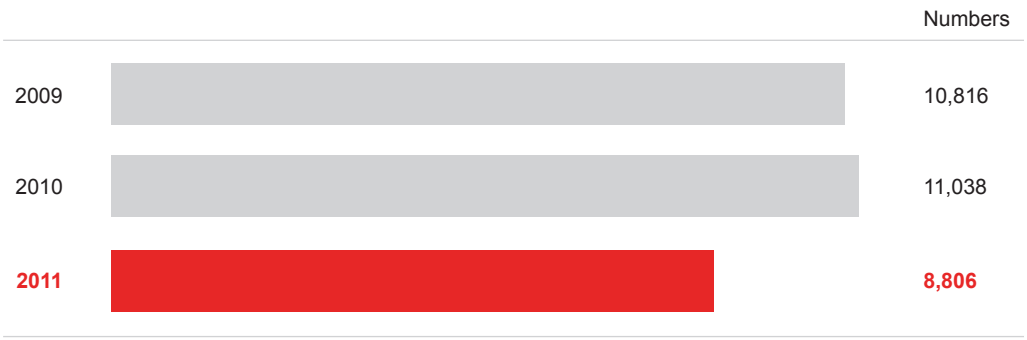
Total of 8,806 umbilical cord blood preparations stored in 2011

In 2011, 8,806 umbilical blood preparations were stored at Vita 34 in Leipzig, which represents an approximately 20 percent reduction as compared with the record number of the prior year (11,038). This is, among other things, attributable to the fact that no umbilical cord blood preparations were stored for NKR (German Umbilical Cord Blood Bank), which had some 1,000 storages in 2010.

In all, the percentage of storages from abroad dropped slightly in 2011. Our subsidiary Secuvita, S. L. achieved lower storage figures as compared to the prior year due to the difficult situation on the Spanish market (high level of unemployment and large number of competitors). Our Italian partner Sorgente S.r.l. was able to nearly double its storage figures as compared with the prior year and, thus, make a contribution to the profitability of Vita 34 in 2011.

The storages from our Slovenian partner Izvorna Celica d.o.o. decreased slightly as compared with the prior year. They are, based on the small market size in Slovenia (20,000 births per annum), of less importance to the overall profits of Vita 34 than the results in the German-speaking, Spanish and Italian markets.

Development of the Number of Storages



In 2011, as well, Vita 34 offered additional services in conjunction with the storages of umbilical cord blood, for example, the “Vita 34 Max” product, which among other things contains preventative screening of the umbilical cord blood. A significantly high portion of our customers has selected this contract option in the German-speaking countries. The preventative screening is offered as a separate product for existing customers, as well, where it is performed on older children or parents without the storage of umbilical cord blood.

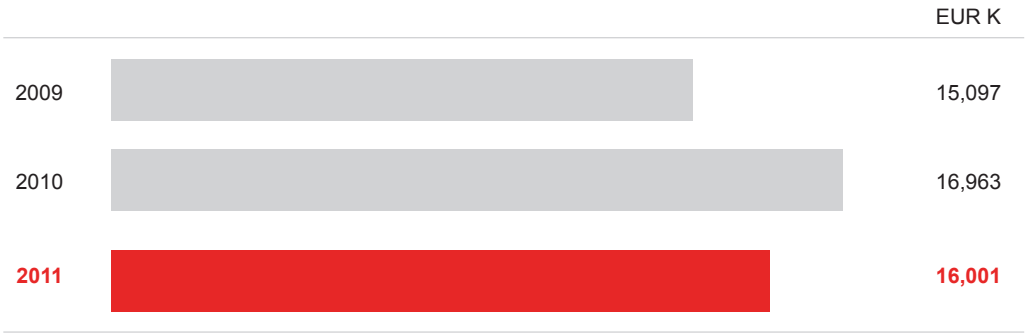
PROFIT, FINANCIAL AND ASSET SITUATION

Profit Situation

Revenues approx. EUR 16 million

Fiscal year 2011 was characterized by several special challenges for Vita 34. The tense economic situation in Spain, one of our most important markets, and the elimination of revenues from storages for the German Cord Blood Bank (Deutsche Nabelschnurblutbank) have left their mark on the development of our business. However, positive revenue developed primarily from storages for our Italian sales partner Sorgente S.r.l. 2011 revenues of EUR 16 million are as forecast lower than last year’s revenues.

Development of Sales Revenues in EUR K



The revenues result from storages from the German-speaking region (Germany, Austria and Switzerland) as well as from other European countries, primarily Spain and Italy, but also with proportionally good results on a regional basis from Slovenia. Vita 34 was able to increase the average revenue per storage in 2011. This is, among other things, attributable to the increased willingness of end customers to choose our compact models with a prepayment option for 25 years.

EUR K	2011	2010
Revenues	16,001	16,963
Cost of sales	-6,539	-6,140
Gross profit	**9,462**	**10,823**
Selling expenses	-6,970	-7,241
General administrative expenses	-2,929	-3,048
Other operating expenses/income	102	209
Operating result/EBIT	**-335**	**743**
Interest paid/received	-161	-77
Income tax income/expense	1,687	-317
Period result	**1,191**	**349**

Gross margin some 59 percent

The **cost of sales** increased as compared with the prior year from EUR 6.1 million to EUR 6.5 million. This was mainly caused by the complete consolidation of the costs of Secuvita, S. L. this year, instead of only 7.5 months as in 2010. The reduction in sales revenues led to **gross profit** from sales decreasing by 12.5 percent from EUR 10.8 million in 2010 to EUR 9.5 million in the reporting period. The gross profit margin in fiscal year 2011 was around 59 percent.

The **selling expenses** decreased by EUR 0.2 million from EUR 7.2 million in 2010 to EUR 7.0 million in 2011. The reduction of some 3 percent, despite the complete consolidation of the costs of Secuvita, S. L. can be attributed to changes within the marketing mix and cost savings. The **administrative expenses** of EUR 3.0 million for the entire year 2011 were at the prior year's level.

The **netted other operating expenses and income** decreased as compared to the prior year, from EUR 0.2 million to EUR 0.1 million. The income in 2011 is primarily comprised of research grants received. The expenses primarily consisted of increased research and development expenditures in the amount of EUR 0.3 million.

The **earnings before interest and taxes, EBIT**, of EUR -0.3 million was significantly lower than the EUR 0.7 million of the prior year. EBIT in Q4 of EUR 0.1 million was somewhat lower than in Q3.

Increased period result

Due to decreased interest income caused by lower levels of cash, the **financial result** was EUR -0.2 million following EUR -0.1 million the prior year. In 2011 an **income tax credit** of EUR 1.7 million was posted, whereas in the prior year there had been an income tax expense of EUR -0.3 million. The positive tax effect was the result of deferred taxes on the Vita 34 International AG tax losses carried forward incurred in the merger being activated for the first time. In the reporting period this led to one-time income from the activation of deferred taxes on losses carried forward. Thus, the **period result** was EUR 1.2 million in 2010, and was EUR 0.9 million higher than the prior year.

Financial Situation

Cash of EUR 3.0 million

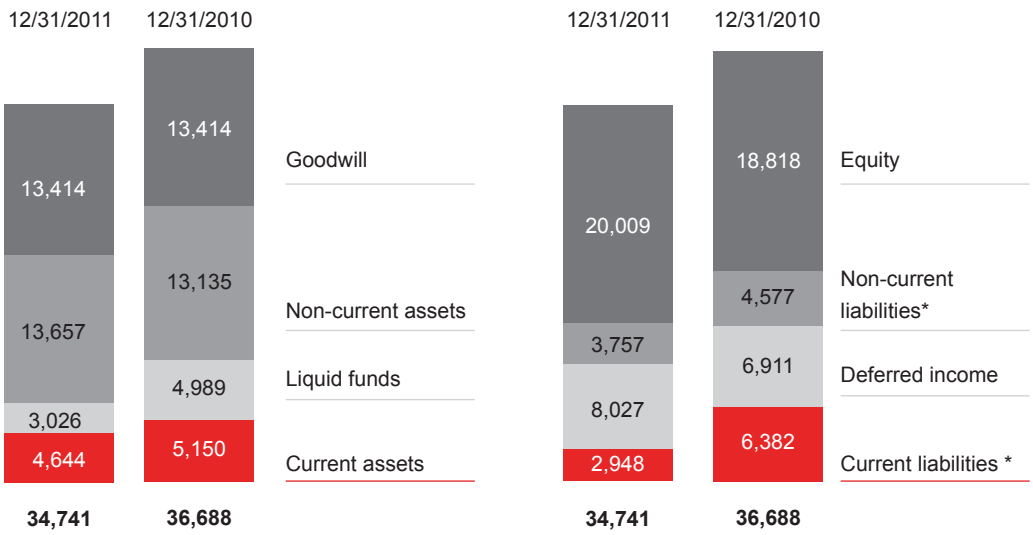
Vita 34 had **cash** in the amount of EUR 3.0 million as of December 31, 2011, following EUR 5.0 million a year before. A major part of the change in cash was the result of operating activities.

The **cash flow from operating activities** was EUR -0.7 million in 2011, following EUR 1.0 million in the prior year's period. The reduction in liabilities in the first half-year of 2011 had a negative effect of EUR 2.7 million.

The **cash flow from investing activities** was EUR 0.5 million following EUR -4.5 million the prior year, since no companies were acquired in the reporting period as compared with 2010. As in the prior year EUR 1.0 million were invested in intangible assets and property, plant and equipment in 2011. Of this amount, some 36 percent was spent on intangible assets. Here, down payments for software of EUR 0.4 million were the focal point. Investments in property, plant and equipment mainly pertained to the expansion of the storage capacity for umbilical cord blood preparations. EUR 0.4 million were invested in the cryotanks necessary for storage.

As of December 31, 2011, the **cash flow from financing activities** of EUR -0.3 million was below the level of the prior year (EUR 1.0 million). This primarily resulted from the repayment of loans.

Assets



**without defferred income*

Unchanged, Vita 34 has a solid balance sheet structure. As compared with 2010, the balance sheet total in the reporting period decreased from EUR 36.7 million to EUR 34.7 million.

Among the assets the **non-current assets** of EUR 27.1 million represented the largest line item. They are mainly characterized by goodwill in the amount of EUR 13.4 million. This includes the goodwill of Vita 34 AG and Secuvita, S. L. The increase in non-current assets is attributable to the active deferred taxes that were formed in the wake of the merger.

The **cash and cash equivalents** at year's end 2010 were EUR 3.0 million and as of the end of 2011 consisted of cash on hand and bank deposits combined. Freely available cash in the amount of EUR 0.4 million is not contained in the cash and cash equivalents.

The **current assets** dropped as compared with the prior year's period, from EUR 5.2 million to EUR 4.6 million in the reporting period due to the sale of current assets totaling EUR 1.5 million.

Increase in equity ratio to approx. 57 percent

On the liabilities side **equity** increased from EUR 18.8 million the previous year to EUR 20.0 million as of year's end 2011. The authorized capital remained unchanged at EUR 2.65 million. The equity ratio was some 57 percent, following 51 percent the prior year.

The **non-current liabilities** of EUR 3.8 million were less than the prior year's value of EUR 4.6 million. This reduction was primarily the result of the elimination of passive deferred taxes.

One of the most significant lines items is **deferred income** at EUR 8.0 million. This contains the storage fees that are collected from customers in advance. These are then dissolved over the term of the agreed storage period for the umbilical cord preparations in a linear manner. In fiscal year 2011 this line item increased by EUR 1.1 million, since Secuvita, S. L. also offered its customers the prepayment of storage fees for 25 years.

The **current liabilities** decreased significantly as of December 31, 2011 to EUR 2.9 million as compared with EUR 6.4 million the prior year. This was mainly due to a reduction in miscellaneous liabilities, which had been EUR 3.0 million as of year's end 2010, and were EUR 0.7 million at year's end 2011.

SUBSEQUENT REPORT

Following the conclusion of fiscal year 2011, no occurrences of special significance or with a major effect on the asset, financial, or profit situation have occurred.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM, AND RISK REPORT

As a capital market oriented stock corporation within the meaning of Sec. 264d German Commercial Code, we are obligated in accordance with Sec. 289 para. 5 German Commercial Code to describe the significant features of the internal control and risk management system with regard to the invoicing process.

Vita 34 has maintained an internal risk management system for many years. Risks are identified, evaluated and prioritized. A comprehensive documentation and communication of the risks is the basis of the risk management system and its control. Associated activities are recognized within the risk management system and monitored. An internal control system represents an additional central component of the risk management system. In particular, invoicing, accounting and controlling processes are managed with this. Risk management and the internal control system are represented together and interface directly with the Management Board and management level. The Management Board designs the scope and orientation of the established systems on its own responsibility, using the company-specific requirements. Despite adequate and functionally implemented systems, there can never be absolute reliability in the identification and management of risk. Recognized risks are, for example, limited by the engagement of external specialists and are reviewed with regard to their influence on the business processes and the group financial statements. Within the context of the accounting based internal control system, controls are implemented to ensure sufficient security that business operations and the preparation of the annual and group financial statements are safeguarded despite the identified risks.

The identification, recording and evaluation of new risks are done in an operative process. Annually, the Controlling Department conducts a risk inventory, in order to analyze, review and supplement the types of risk detected in cooperation with the responsible management personnel and the Management Board. The risks are discussed regularly at the management level in quarterly meetings. Changes in risk and the corresponding data are reported to the Management Board and the Supervisory Board on a monthly basis. The risk management system is documented and the individual risks are described in the risk management manual and the risk information sheets.

In addition, the company rules and other corporate guidelines lay down and partially validate different processes. Major procedures are subject to the four eyes principle in all areas of the company, that means two signatures are always required for execution. In the case of IT supported systems, the access rights (read and write authorization) is regulated for each employee.

External service providers participate in the preparation of monthly, quarterly and annual financial statements. The assignment of the duties is set and documented when drafting the financial statements.

Apart from the regular process-related risks, primarily risks within projects, as well as special occasions, are identified, analyzed and recorded based on the risk management system. Risks are divided into the following risk categories: Strategic, financial, personal and legal risks, product, capital market and infrastructure risks, as well as risks in marketing and sales.

From among the entirety of the identified risks, the following risks are expounded upon, which from the current view could significantly influence the profit, financial and asset situation:

:: **Product Risk:**
Future research could prove that stem cells from other sources (for example, from bone marrow, peripheral blood or tissues) are an alternative, obtainable at any time, to stem cells from umbilical cord blood within the scope of therapeutic use. A risk could arise from the fact that research with bone marrow and/or peripheral stem cells advances faster, since the diseases treated with autologous stem cells primarily appear at an advanced age, yet these patients do not yet have a repository of autologous umbilical cord blood. This is why autologous bone marrow cells are used exclusively today for treatments following heart attacks, although research in animal models has shown that umbilical cord blood stem cells have a better effect. In addition, the development of what are known as iPS cells (induced pluripotent stem cells) can, based on the body cells of a patient containing nuclei, lead to an alternative stem cell source for different regenerative therapies. Renowned scientists, however, have been able to demonstrate that umbilical cord blood is better suited for this technology than other, older somatic cells (for example, skin cells). Vita 34 engaged in cooperative research efforts in this field at an early stage, in order to establish umbilical cord blood as a cell source for iPS techniques. Based on the advantages of umbilical cord blood as compared with other cell sources, the increasing use of the latter does not represent a fundamental existential risk in the view of management, rather it contributes to the expansion of the potential uses of umbilical cord blood stem cells. The primary concentration on one product can currently be seen as a product risk. Apart from the great potential of stem cells from umbilical cord blood and the aforementioned developments, Vita 34 endeavors to establish additional product fields within the scope of the long-term corporate strategy.

:: **Strategic Risks:**
There is a risk that the market expansion on a national or international level will be slower or less extensive than expected. A limiting factor here could also be the financial means that are available to Vita 34. This could affect the opening of international markets. At any rate it can be assumed that the market expansion and the growth of Vita 34 will not take a linear course over the quarters, but instead will be subject to fluctuation. International markets can have unplanned developments due to regulatory, market or economic influences, and thus also limit growth. Moreover, there is a risk that ongoing cooperative ventures will be terminated and that reductions in revenue and profit will follow.

:: **Financial Risks:**
Financial or liquidity risks could occur through different marketing measures, through external influences on markets or consumers, as well as associated uncollectible receivables, or through an increase in competition. These risks could also have an economic source. In foreign markets, for example, in Spain, financial risks could arise due to changes in the peripheral conditions of interest and tax policy. Risks are to be avoided and mitigated by long-term business planning and liquidity planning with foresight.

:: **Legal Risks:**
Legal risks could arise from the manifold regulations and laws that affect Vita 34. Changes in laws in the field of medical and pharmaceutical law could influence the existing business structures. An active dialog with decision makers is used to try to present the special features of Vita 34 within the context of interpreting law, and to design implementation of reforms in a practical manner. In addition, competitive disputes could influence or significantly limit the business activity of Vita 34, for example, in marketing and sales. In

the summer of 2011 Vita 34 was prohibited from making certain advertising claims in a judgment handed down by the State Superior Court Dresden. Vita 34 revised its marketing and sales material accordingly. Legal risks also arise from failed umbilical cord blood collections, improper transport, processing errors at Vita 34 or the destruction of stored preparations which, for example, can lead to liability claims on the part of the customers affected. Vita 34 has taken out insurance for possible cases of damage and liability risks that should exclude or limit the economic effects of risks that may arise. The scope of the insurance policies is continuously reviewed and adjusted where necessary. Moreover, Vita 34 will not undertake any restrictions that could affect quality for cost reasons.

:: **Risks in Marketing and Sales:**
Based on negative, unprofessional or incorrect reporting in the media concerning the storage of umbilical cord blood or stem cell applications, potential customers could be influenced and this could lead to decreases in revenues. The selection of cooperative ventures or cooperation partners can also lead to loss in revenue due to damages to reputation or contractual constellations. There is a risk that the business activities of Vita 34 could be negatively affected by aggressively priced offers from competitors. Lower prices or significant price reductions of competitors or companies new to the market could lead to a weaker than expected development of sales and profits at Vita 34. It cannot be ruled out that a weakness in the overall economic development could have a negative effect on the consumption patterns of end consumers and, therefore, on the development of revenues and profits at Vita 34. Vita 34 will take the national purchasing power development prognosticated by market researchers into consideration in planning.

:: **Capital Market Risks:**
The development of the Vita 34 stock price can be influenced by external events, for example, a financial market crisis. The associated investment decisions by shareholders are in part controlled by factors that have no connection with the fundamental Vita 34 performance indicators. Vita 34 will continue to appear on the capital market by observing laws and regulations, as well as transparent communication with shareholders.

:: **Personnel Risks:**
Vita 34 see no risks that could threaten the company thanks to established measures of the internal control systems, as well as by means of a personnel policy that is characterized by social and safety oriented measures.

:: **Infrastructure Risks:**
The failure of process and sales relevant technology, or the failure or limitation of logistical processes can influence the profit situation of Vita 34. These risks are mostly prevented or excluded by redundant safeguarding systems.

After reviewing the risk situation as of the closing date, December 31, 2011, there were no risks that endanger the continuation of the company. The overall risk situation of Vita 34 has not fundamentally changed as compared with the prior year. No existentially threatening risks can be seen for the future.

OUTLOOK

Opening of additional business segments planned

Vita 34 plans on ending fiscal years 2012 and 2013 with a positive period result. In doing so, plans are to increase the operating profit moderately as compared with the prior year in 2012. Revenues in 2012 should be at the level of 2011. The effects of a further worsening of global economic development here are not easily foreseeable, and they could influence the business of Vita 34 accordingly. Improvement in efficiency and the intensification of marketing and sales activities, combined with many years of experience and above-average quality standards, should lead to continued positive development of business. The goal is to take advantage of market opportunities and to open up new fields of business in the future within the value chain, even outside of Europe.

Stabilization of business in Spain a priority

The current fiscal year 2012 will remain challenging. Above all, a continuing difficult economic situation is expected in Spain. Stabilization of business in this market continues to be a focal point. The objective is to improve the profitability of subsidiary Secuvita, S. L., such that this area can continue to make a positive contribution to group profits. In Spain, the storage figures should increase via the cooperative effort with Hospital de Madrid. This Spanish chain of clinics began a new offer for umbilical cord storage together with Vita 34 in November 2011. Umbilical cord blood has been collected and stored temporarily there since this point in time. The long-term storage takes place at Vita 34 in Leipzig. Here, Hospital de Madrid is availing itself of the expertise of and the DESY system developed and patented by Vita 34. Thus, umbilical cord blood can also be prepared in normal medical laboratories in accordance with the highest standards of quality with significantly reduced costs. Hospital de Madrid is one of the largest clinic chains in Spain with five hospitals and more than 6,900 births per annum.

Plans are to continue to expand the market in Germany in 2012. According to our own research, umbilical cord blood is currently collected for private provision in approximately 2 percent of births in Germany. In order to better take advantage of the potential and increase regional presence, marketing and sales activities on the domestic market will be increasingly focused on specific target groups. Those regions with strong incomes and high birth rates will be at the center of these activities. In this context, the cooperation with MVZ synlab, one of Germany's largest laboratory service companies with more than 100 locations, that has existed since 2011 will be intensified. In addition, the Internet presence will continue to be optimized and social media will be used increasingly. On the one hand this supports sales, and on the other basic knowledge concerning the private storage of umbilical cord blood and its potential uses is imparted in a professionally based manner.

The positive development of business in Italy with increasing storage figures should also continue in the future. Vita 34 is active on this market with its partner Sorgente S.r.l. Although the economic climate has also become less promising in Italy, as well, Vita 34 is expecting a slight increase in the revenue and profit contribution to the group from this region. Business in Slovenia and Switzerland should also continue to develop in a stable manner. The Slovakian market, however, remains challenging, since unexpected market entry barriers have been encountered there.

Additional applications for umbilical cord blood planned

Vita 34 expects an altogether increasing acceptance of privately stored umbilical cord blood through the increasing numbers of global clinical studies with autologous umbilical cord blood, as well as through the increasing numbers of application or the therapies implemented with stem cells from umbilical cord blood. Since 2004 a total of 19 of the umbilical cord blood preparations stored at Vita 34 have been used for transplantation, four of them alone in 2011. Additional applications are already planned. This experience in the implementation of umbilical cord blood, as well as high standards of quality and safety, are unique in Germany. As a forerunner in Europe, Vita 34 established the first mobile team in Europe for preparing a transplantation of stem cell from umbilical cord blood in 2011. As a result, stem cell treatment is now available in any hospital for the first time. This preparation of umbilical cord blood on site by order of the

attending physician and the professional handling of implementations should have a further positive effect on the number of transplantations.

An increasing number of applications of preparations stored at Vita 34 is also expected on account of an online platform established after the reporting period. This platform is free of charge and openly accessible on the Internet at www.stemcellsearch.org and supports the search for suitable donor transplants at Vita 34 for treating diseases. Vita 34 intends to expand this online register in the future.

Stem cell research will continue to be supported in the future

Vita 34 will also actively support stem cell research in upcoming years. The goal is to research additional, previously undiscovered potential of umbilical cord blood and continuously expand its range of applications. Vita 34 is working together with well-known partners on large research projects, which will be continued in the future. They include the first European clinical study on the treatment of Type 1 diabetes with the body's own stem cells in collaboration with the Technical University Munich. Type 1 diabetes is the most common and one of the most severe chronic diseases in childhood. Research is being conducted into whether the administration of the body's own umbilical cord blood can stop the progress of the disease. In addition, a three-year cooperative effort with the Medical College Hanover that has existed since May 2010 on the use of umbilical cord blood cells for conversion into iPS cells (induced pluripotent stem cells) is continuing to be pursued. If the development of a standard process for the production of clinically applicable iPS cells is successful, this would significantly expand the application range of umbilical cord stem cells.

In the medium and long term Vita 34 could benefit from a ruling by the European Court of Justice (ECJ). In October 2011 the ECJ decided that patents may no longer be awarded in Europe to processes and products that require stem cells from human embryos. Investments and development efforts will now foreseeably concentrate on alternative methods with adult stem cells, such as those from umbilical cord blood, which are not affected by the ECJ ruling.

It is anticipated that Vita 34 will use space in the „BIO CITY" technology center's expansion building in Leipzig, the "BioCube," as of 2013. This will increase the capacity for the storage of umbilical cord blood preparations by approximately 250,000 transplants.

Leipzig, March 12, 2012
The Vita 34 AG Management Board

Dr. med. Eberhard F. Lampeter
CEO

Jörg Ulbrich
CFO

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF INCOME

EUR K	NOTE	01/01-12/31/2011	01/01-12/31/2010
Continuing operations			
Revenue	4.1	16,001	16,963
Cost of sales	4.2	-6,539	-6,140
Gross profit on sales		**9,462**	**10,823**
Other operating income	4.3	604	1,128
Selling expenses	4.4	-6,970	-7,241
Administrative expenses	4.5	-2,929	-3,048
Other operating expenses	4.6	-502	-919
Net operating profit/loss		**-335**	**743**
Finance revenue	4.8	96	208
Finance costs	4.7	-257	-285
Earnings before taxes		**-496**	**666**
Income tax income/expense	5	1,687	-317
Period result		**1,191**	**349**
Period result attributable to			
Owners of the parent		1,262	483
Non-controlling interests		-71	-134
Earnings per share (EUR)	6	0.48	0.18
Basic and diluted, for profit or loss for the year attributable to ordinary equity holders of the parent (EUR)			

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR K	NOTE	12/31/2011	12/31/2010
Net profit/loss for the year		1,191	349
Changes recognized in other comprehensive income		0	-3
Changes recognized in profit or loss		0	4
Difference from currency translation		**0**	**1**
Changes recognized in other comprehensive income		0	-19
Changes recognized in profit or loss		0	-110
Gains/losses on available-for-sale financial assets		**0**	**-129**
Total comprehensive income for the year after tax		**1,191**	**221**
Period result attributable to			
Owners of the parent		1,262	355
Non-controlling interests		-71	-134

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ASSETS)

EUR K	NOTE	12/31/2011	12/31/2010
Non-current assets			
Goodwill	7	13,414	13,414
Intangible assets	7	6,660	7,027
Property, plant and equipment	8	4,162	3,767
Other financial assets	12	80	125
Deferred tax assets	5	738	0
Non-current trade receivables	11	1,666	1,741
Restricted cash	14	351	475
		27,071	**26,549**
Current assets			
Inventories	10	546	626
Trade receivables	11	2,748	2,914
Other receivables and assets	12	1,350	1,412
Short-term deposits	13	0	1,500
Cash and cash equivalents	14	3,026	3,687
		7,670	**10,139**
		34,741	**36,688**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EQUITY AND LIABILITIES)

EUR K	NOTE	12/31/2011	12/31/2010
Equity			
Issued capital	15	2,647	2,647
Capital reserves	15	23,236	23,236
Revenue reserves	15	-5,706	-6,968
Treasury shares	15	-436	-436
Non-controlling interests	15	268	339
		20,009	**18,818**
Non-current liabilities and deferred income			
Interest-bearing loans	16.2	1,810	1,760
Silent partners‘ interests	17	940	940
Deferred income taxes	5	0	948
Deferred grants	19	1,007	929
Deferred income	20	6,788	5,838
		10,545	**10,415**
Current liabilities and deferred income			
Trade payables	21	600	892
Provisions	18	17	39
Income tax payable	5	210	210
Interest-bearing loans	16.1	1,374	2,060
Deferred grants	19	81	102
Other liabilities	21	666	3,079
Deferred income	20	1,239	1,073
		4,187	**7,455**
		34,741	**36,688**

CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

EUR K	EQUITY ATTRIBUTABLE TO THE			
	ISSUED CAPITAL	CAPITAL RESERVES	REVENUE RESERVE	CURRENCY TRANSLATION RESERVE
Note	**15**	**15**	**15**	
Balance as of January 1, 2010	**2,647**	**23,236**	**-7,138**	**-1**
Period result			483	
Other result				1
Comprehensive income	0	0	483	1
Changes in the consolidation scope				
Changes from equity transactions			-313	
Balance as of December 31, 2010	**2,647**	**23,236**	**-6,968**	**0**
Balance as of January 1, 2011	**2,647**	**23,236**	**-6,968**	**0**
Period result			1,262	
Other result				
Comprehensive income	0	0	1,262	0
Balance as of December 31, 2011	**2,647**	**23,236**	**-5,706**	**0**

OWNERS OF THE PARENT				
AVAILABLE-FOR-SALE ASSETS	TOTAL SHARE-HOLDERS' EQUITY	TREASURY SHARES AT ACQUISITION COSTS	NON-CONTROLLING INTERESTS	TOTAL EQUITY
129	**18,873**	**0**	**0**	**18,873**
	483		-134	349
-129	-128			-128
-129	355		-134	221
	0	-436	1,829	1,393
	-313		-1,356	-1,669
0	**18,915**	**-436**	**339**	**18,818**
0	**18,915**	**-436**	**339**	**18,818**
	1,262		-71	1,191
	0			0
0	1,262		-71	1,191
0	**20,177**	**-436**	**268**	**20,009**

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR K	NOTE	01/01-12/31/2011	01/01-12/31/2010
Cash flow from operating activities			
Earnings before taxes		-496	666
Adjusted for:			
Amortization and depreciation	7,8	973	944
Gains/losses from the disposal of non-current assets		2	126
Other non-cash expenses/income		94	-76
Exchange rate differences		0	-6
Finance revenue	4.8	-96	-208
Finance costs	4.7	257	285
Working capital adjustments:			
+/- Receivables and other assets		348	-160
+/- Inventories		80	-72
+/- Liabilities		-2,705	-169
+/- Provisions		-22	-324
+/- Deferred income		1,116	288
Interest paid		-234	-285
Income taxes paid		0	-1
Cash flow from operating activities		**-683**	**1,008**
Cash flow from investing activities			
Purchase of intangible assets	7	-358	-487
Purchase of property, plant and equipment	8	-647	-491
Purchase of companies, net of assumed cash		0	-4,204
Cash received from the sale of property, plant and equipment		2	0
Purchase of short-term investments		0	-1,500
Cash received from the sale of short-term investments	13	1,500	2,000
Interest received		36	147
Cash flow from investing activities		**533**	**-4,535**
Cash flow from financing activities			
Changes in restricted cash		124	220
Cash received from investment grants	19	0	151
Changes in loans	16	-437	626
Cash flow from financing activities		**-313**	**997**
Net change in cash and cash equivalents		-463	-2,530
Cash and cash equivalents at the beginning of the reporting period	14	3,489	6,055
Change in cash and cash equivalents from changes in the consolidation scope		0	-38
Exchange rate related change in cash and cash equivalents		0	2
Cash and cash equivalents at the end of the reporting period	**14**	**3,026**	**3,489**
Short-term investments	13	0	1,500
Liquid funds		**3,026**	**4,989**

CONSOLIDATED NOTES

1 INFORMATION ON THE PARENT COMPANY AND THE GROUP

The parent company Vita 34 AG (the “Company”), headquartered in Leipzig (Germany), Deutscher Platz 5a, recorded in the commercial register of the District Court Leipzig under number HRB 20339, is a company whose corporate purpose is the collection, preparation and storage of stem cells from umbilical cord blood, as well as the development of cell therapy procedures. Its subsidiaries (together with the Company referred to as the „Group“) also operate in the field of cord blood storage.

The Annual General Meeting convened on July 12, 2011 resolved the merger of the former subsidiary company Vita 34 AG (District Court Leipzig HRB 18047) with VITA 34 International AG by means of merger by absorption. The merger was recorded in the commercial register on August 17, 2011. The name of the new company is Vita 34 AG.

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 on our website www.vita34group.com.

The Management Board authorized the consolidated financial statements of Vita 34 AG for the fiscal year as of 31 December 2011 for issue on 12 March 2012. Vita 34 AG was incorporated in Germany as a limited liability stock corporation domiciled in Germany, whose shares are admitted for public trading.

2 ACCOUNTING AND VALUATION PRINCIPLES

2.1 Basis for the Preparation of the Financial Statements

The consolidated financial statements of Vita 34 AG were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of the end of the reporting period, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch“: German Commercial Code]. All IFRS standards applicable for the fiscal year 2011 and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) were adopted to the extent that these have been endorsed by the European Union.

The consolidated financial statements of Vita 34 AG are generally prepared in Euro on an amortized cost basis. Exceptions to this are the financial assets held for commercial purposes, as well as financial investments available for divestiture, which were recognized at the applicable fair value. Unless indicated otherwise, all amounts have been rounded to thousands of euros (EUR k).

Consolidation principles

The consolidated financial statements include the financial statements of Vita 34 AG and its subsidiaries as of 31 December of each fiscal year. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Subsidiaries are fully consolidated from the date of acquisition, i.e. the date on which the Group obtains control. They are de-consolidated as soon as the parent loses control over the subsidiary.

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

A change in the level of participation in a subsidiary without loss of control is posted as an equity transaction.

Losses are attributed to non-controlling interests, even if this would lead to a negative balance.

The following companies have been included in the consolidated group:

:: Novel Pharma, S. L., Alcalá de Henares (Madrid), Spain
:: Secuvita, S. L., Madrid, Spain

The Annual General Meeting convened on July 12, 2011 resolved the merger of the former 100% subsidiary company Vita 34 AG (District Court Leipzig HRB 18047) with VITA 34 International AG by means of merger by absorption. The name of the new company is Vita 34 AG. This did not lead to an effect on the group financial statements at hand. The assets and liabilities assumed within the context of the merger are continued at their carrying value, whereby both the historical procurement and production costs, as well as the cumulative depreciation accrued up to the date of the merger (August 17, 2011) have been transferred to the absorbing company.

Due to the merger, the tax losses of Vita 34 AG (District Court Leipzig HRB 18047) carried forward, were completely eliminated. The active deferred taxes on these losses carried forward, which had been formed the year before, were adjusted correspondingly. Contrary to the procedure in previous years, active deferred taxes were formed based on the existing losses carried forward of Vita 34 International AG, since the Company is now active in an operating capacity, and the existing losses carried forward are to be used in the reporting year and subsequent years. Additional effects on the group financial statements at hand did not result from the merger. Here, we refer additionally to the explanations under Section 5 “Income Taxes.”

2.2 Changes in Accounting Policies

The accounting policies and valuation methods used generally correspond to the policies applied in the prior period.

The Group has adopted the following new and revised IFRSs and IFRIC interpretations for the first time during the year.

:: Changes to IAS 24: Related Party Disclosures
:: Amendments to IAS 32: Financial Instruments – Presentation
:: Changes to IFRIC 14: The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
:: IFRIC 19: Extinguishing Financial Liabilities with Equity Instruments
:: Improvements to IFRS 2010

Adoption of the aforementioned standards and interpretations is mandatory from 1 January 2011. There were no significant effects on the group financial statements of Vita 34 AG on account of the new or modified standards and interpretations.

2.3 Significant Accounting Judgments and Estimates

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

Impairment Testing of Goodwill

The goodwill acquired within the scope of the company combinations has been attributed to the “DACH” and “Spain” units for impairment testing.

The recoverable amount of the respective 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 discount rate used is between 8.5 and 9.0 percent before taxes. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows. The underlying assumptions for calculating the recoverable amount including a sensitivity analysis are explained in more detail in note 9.

Treatment of Unused Tax Losses and Deferred Tax Assets

Deferred tax assets were recognized as of the end of the reporting period at Vita 34 AG and Secuvita, S. L. for the full amount of unused tax losses thus calculated, since it is probable that the unused tax losses will be fully utilized according to the corresponding planning statement. Deferred tax assets for differences between the tax carrying amounts and the IFRS carrying amounts at Vita 34 AG and Secuvita, S. L. were offset against the deferred tax liabilities. In the case of an overlap of the deferred tax claims they have been activated, since it is considered probable that the taxable income for this will be available. In contrast, deferred tax losses of Novel Pharma, S. L. were not activated. This company is purely a holding company, in which no sufficient taxable income is expected in the future without taking targeted legal tax measures.

Here, we refer to the explanations under Section 5 “Income Taxes.”

2.4 Summary of Significant Accounting Policies

Company Combinations and Goodwill

Company combinations after December 31, 2008

All mergers are drawn up in accordance with the acquisition method. The acquisition costs of a company acquisition are measured as the sum of the consideration transferred, valuated with the applicable fair value of the asset surrendered at the time of acquisition and the interests without controlling influence in the acquired company. Ancillary costs of acquisition are recorded at the time they are incurred as expenses.

The valuation of non-controlling shares is done proportionally using the applicable proportional fair value of the acquired asset and the assumed liabilities, or the corresponding share of the identifiable net assets of the acquired company. In accordance with the first-time approach, profits and losses are allocated proportional to holdings in an unlimited manner, which can also lead to a negative balance in the case of non-controlling shares.

If the group acquires a company, it evaluates the suitable classification and designation of the financial assets and assumed liabilities in accordance with the contractual terms, economic circumstances and the prevailing conditions at the time of acquisition.

Goodwill is initially valuated at the procurement cost, which is measured as the excess of the transferred consideration over the acquired identifiable assets and assumed liabilities of the group.

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. This applies irrespective of whether other assets or liabilities of the acquired company are assigned to these cash-generating units.

As of December 31, 2011 there are two cash-generating units “DACH” and “Spain.”

Changes in the holding percentages that do not lead to a loss of control are recognized as equity transactions. Here, each difference between the amount by which the non-controlling interests are adjusted and the applicable fair value of the paid or received consideration is directly recorded in the retained earning and attributed to the company.

Intangible Assets

Individually acquired intangible assets that were not acquired within the context of a merger are initially recognized at their acquisition costs. The acquisition costs of intangible assets acquired within the context of a merger are equivalent to their attributable fair value at the time of acquisition. Following initial recognition, intangible assets are carried at cost less total accumulated amortization and total 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 future economic benefits embodied in the asset are accounted for by changing the amortization period or method. Such changes are treated as changes in an estimate. The amortization expense on intangible assets with a finite life is recognized in the statement of income 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 as summarized below:

ACCOUNTING POLICIES APPLIED TO THE GROUP‘S INTANGIBLE ASSETS (WITHOUT GOODWILL)			
	PATENTS	**SOFTWARE**	**ACQUIRED CONTRACTS**
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.	The acquired storage contracts are amortized over the expected 20-year term of the contracts. In the case of potential new contracts from existing customer relationships the amortization is over 5 years.
Method used	Amortization is charged over the expected useful life using the straight-line method. The Company does not have any patents with an indefinite useful life.	Amortization is charged over the useful life using the straight-line method.	The amortization is charged over the expected term of the contracts using the straight-line method.
Internally generated or acquired	All patents were purchased for a consideration.	All software was purchased for a consideration.	The contracts were acquired within the context of mergers.
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.	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 statement of income when the asset is derecognized.

Property, Plant and Equipment

Property, plant and equipment not acquired in a merger, are recognized at their acquisition or production costs minus planned, accumulated depreciation. The acquisition costs of intangible assets acquired within the context of a merger are equivalent to their attributable fair value at the time of acquisition. 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 as soon as there is any indication that the carrying amount of an asset exceeds its recoverable amount.

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 net carrying amounts of the assets, useful lives and depreciation methods are reviewed at the end of each fiscal year and adjusted if necessary.

USEFUL LIVES OF THE ASSETS		
	2011	2010
Laboratory equipment	5-14 years	5-14 years
Cryotanks and accessories	40 years	40 years
Other equipment, furniture and fixtures	3-13 years	3-13 years

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. The recoverable amount of an asset is the higher of the two amounts of the applicable fair value of an asset or a cash-generating unit minus the disposal costs and useful life. The recoverable amount needs to be determined for each asset, unless an asset does not generate any cash flows that are mostly independent of other assets or other 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 fair 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 statement of income in those expense categories consistent with the function of the impaired asset.

With the exception of goodwill, the Group assesses at each end of the reporting period whether there is any indication that an impairment loss recognized for an asset in prior years may no longer exist or 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 end of the reporting period 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. Impairment is determined by finding the recoverable amount of the cash-generating unit that the goodwill is attributable to. To the extent that the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment is recorded. Any impairment loss recognized on goodwill is not reversed in a subsequent period.

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. In the case of financial investments, which are not at measured fair value through profit or loss, any directly attributable transaction costs are included that are directly attributable to the acquisition of the financial asset. 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 settlement date, i.e., the date on which an asset is delivered to or by the company. 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 valuated with an effect on income at the attributable fair value

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 that are not listed in an active market. These assets are measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

:: Financial Assets Available for Divestiture

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 valuated with an effect on income at the attributable fair value
:: 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 impairment, any cumulative gain or loss that had previously 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 bid prices quoted on the stock exchange at the close of business on the end of the reporting period.

Own Shares

If the group acquires its own shares, they are recognized at the acquisition costs and deducted from equity. The purchase, the sale, the issuance or the retirement of the company's own shares is recognized as profit neutral. Any difference between the carrying amount and the consideration is recognized in the other capital reserves.

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 are not included.

Trade and Other Receivables

Trade and other receivables are recognized at cost.

Trade receivables due in less than twelve months are reported under current assets. In some cases the Company offers its customers financing options. Receivables can then have a term of up to 25 years, thus significantly longer than the business cycle of twelve months assumed by the Company. Due to the long payment term of some receivables, trade receivables due in more than twelve months are reported separately under non-current assets.

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 written off as soon as they become uncollectible.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of no more than three months.

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

Loans, Overdraft Facilities and Silent Participation

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. The costs here are 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.

Non-interest bearing loans are recognized at the applicable fair value when first recorded. In the following periods the valuation is done at amortized cost using the effective interest method.

Overdraft facilities are recognized at first posting with the applicable fair value, which generally is equivalent to the repayment amount.

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 expired.

Impairment of Financial Assets

The Group assesses at each end of the reporting period whether a financial asset or group of financial assets is impaired. Please refer to the section above for details of trade receivables.

Financial Assets Available for Divestiture

If an asset available for divestiture is impaired, the cumulative loss resulting as the difference between the cost and the currently applicable fair value less any prior impairment recognized in the income statement for this instrument is deducted from other gains and losses and recognized in the income statement. Allowances for equity are not recognized in the income statement retroactively; a later increase in fair value is recognized directly in other gains and losses.

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 statement of income net of any reimbursement. If the effect of the fair 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 received remuneration in the form of share-based payment transactions in prior years, whereby employees receive equity instruments in return for work performed („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 24 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 ending on the date on which the relevant employees become fully entitled to the award (‚the vesting date‘). This period ends on the first possible day of exercise, i.e. the date on which the corresponding employee is irrevocably 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 vest at the end of the vesting period. 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.

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 statement of income on a straight-line basis over the lease term. Operating leases were entered into for the offices rented, for vehicles and for photocopiers and telecommunications systems.

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 for revenue to be recognized:

:: Sale of Goods

Income is recognized when the ownership of the sold goods together with the determinant opportunities and risks have transferred to the purchaser. This is usually when the goods are received.

:: Rendering of Services

Revenue from processing cord blood is recognized as income when the processing has been finished. If a total amount has been agreed with the customer as full 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 recognized as deferred income.

:: Interest Income

Revenue is recognized as interest accrues.

Borrowing Costs

Borrowing costs attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use are capitalized as part of the acquisition or production cost of this asset. Other borrowing costs are expensed in the period they are incurred.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all associated 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 statement of income over the expected useful life of the relevant asset by equal annual installments.

Taxation

:: 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 end of the reporting period.

:: Deferred Taxes

Deferred taxes are recognized using the liability method on all temporary differences as of the end of the reporting period between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward 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 carry-forward of unused tax credits and unused tax losses can be utilized. Exceptions are:

:: Where the deferred tax asset relating to the deductible temporary difference arises from 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.

:: In respect of 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 at each reporting 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 reviewed at each end of the reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be realized.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled. In doing so, tax rates (and tax regulations) that are valid as of the closing date or that will be valid in the near future, are used as a basis.

:: Value-Added Tax

Revenue, expenses and assets are recognized net of VAT. Exceptions are:

:: 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 amount of VAT recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

2.5 New Accounting Policies

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) has issued new standards, interpretations and amended standards which are not yet effective for the fiscal year 2011 and which were not applied in the accompanying consolidated financial statements:

:: Amendments to IFRS 3: Business Combinations The changes are applicable to fiscal years that begin on or after July 1, 2011. The valuation options available to non-controlling interests have been changed. Only those components of non-controlling interests that have a current right of ownership and form the basis for the owner to have a proportional claim on the net assets of the company in the case of liquidation may be valued either at the applicable fair value or the proportionate interest of the current ownership rights to the net assets of the acquired company. All other components are to be values at the applicable fair value at the time of acquisition. The changes will not result in any effect on the asset, financial or profit situation.

:: Amendments to IFRS 7, Financial Instruments Disclosures (not yet adopted by the EU): The amendments were adopted in December 2010 and will foreseeably be used for fiscal years that begin on or after July 1, 2011. They provide for additional information obligations in case the financial assets are not or not completely derecognized after their transfer to third parties or there is continued involvement. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows of the Group.

:: Changes to IFRS 7, Financial Instruments: Disclosures (not yet adopted by the EU): The amendments were adopted in December 2011 and will foreseeably be used retroactively for fiscal years that begin on or after January 1, 2013. They provide for detailed disclosure obligations if netting agreements exist. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows of the Group.

:: IFRS 9, Financial Instruments (not yet adopted by the EU): The standard was issued in November 2009 and is expected to be effective for the first time for fiscal years beginning on or after January 1, 2015. IFRS 9 marks the completion of the first phase of a three-phase project to replace IAS 39: Financial Instruments: Recognition and Measurement. The rules for the classification and measurement of financial assets will be changed. This is likely to affect the Group‘s net assets, financial position and results of operations or cash flows, and to result in more disclosures in the notes. However, this cannot be reliably assessed at the current time, since the project has not been concluded.

:: IFRS 10, Consolidated Financial Statements (not yet adopted by the EU): The standard was issued in May 2011 and is expected to be effective for the first time for fiscal years beginning on or after January 1, 2013. IFRS creates a uniform basis for the definition of a parent/subsidiary relationship and the definitive limitation of the consolidation group. To this extent, the new standard replaces rules IAS 27 and SIC-12, relevant for this up to now. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: IFRS 11, Joint Arrangements (not yet recognized by the EU): The standard was issued in May 2011 and is expected to be effective for the first time for fiscal years beginning on or after January 1, 2013. IFRS regulates the accounting of affairs, in which a company exercises joint leadership in a joint venture or a joint activity. To this extent, the new standard replaces rules IAS 31 and SIC-13, relevant for this up to now. The amendments are not currently expected to have any effect on the net assets, financial position and results of operations or cash flows.

:: IFRS 12, Disclosures of Interests in Other Companies (not yet adopted by the EU): The standard was issued in May 2011 and is expected to be effective for the first time for fiscal years beginning on or after January 1, 2013. IFRS 12 defines the required disclosures for companies that handle their accounting in accordance with the two new standards IFRS 10 and IFRS 11. This standard replaces the disclosure obligations currently contained in IAS 28. According with current expectations, the amendments will have an effect on the notes. However, this cannot be reliably assessed at the current time, since the project has not been concluded.

:: IFRS 13, Fair Value Measurement (not yet adopted by the EU): The standard was issued in May 2011 and is expected to be effective for the first time for fiscal years beginning on or after January 1, 2013. IFRS 13 describes, how the applicable fair value is to be determined, and it expands the information concerning the applicable fair value. This is likely to affect the Group‘s net assets, financial position and cash flows, and to result in more disclosures in the notes. However, this cannot be reliably assessed at the current time, since the project has not been concluded.

:: Revisions to IAS 1, Presentation of Items of Other Comprehensive Income (not yet adopted by the EU): The amendments were adopted in June 2011 and will foreseeably be used for fiscal years that begin on or after July 1, 2012. Afterwards, there will still be the option to present the statement of profit and loss and the other comprehensive income either together or separate from one another. The recognition of components of other comprehensive income, which are reorganized in the following periods in the statement of profit and loss, and of components that are not reorganized, should be done separately. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

:: Revisions to IAS 12, Recovery of Underlying Assets (not yet adopted by the EU): The amendments were adopted in September 2010 and will foreseeably be used for fiscal years that begin on or after January 1, 2012. For the valuation of deferred tax liabilities and deferred tax assets the refutable assumption is introduced, that the asset is recovered by divestiture and not by use. The new rule is limited to real estate held as financial investments, which are valuated according to the fair value model, and to plant, property and equipment and intangible assets that are valued according to the revaluation model. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

:: Revisions to IAS 19, Employee Benefits (not yet adopted by the EU): The amendments were adopted in June 2011 and will foreseeably be used for fiscal years that begin on or after January 1, 2013. Herein, accounting for pension obligations has been fundamentally revised. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

:: Revisions to IAS 27, Separate Financial Statements (not yet adopted by the EU): The revisions were adopted in May 2011 and will foreseeably be used for fiscal years that begin on or after January 1, 2013. The standard, together with IFRS 10, replaces the prior version IAS 27 (2008) “Consolidated and Separate Financial Statements” including interpretation SIC-12. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

:: Revision to IAS 28, Investments in Associates (not yet adopted by the EU): The revisions were adopted in May 2011 and will foreseeably be used for fiscal years that begin on or after January 1, 2013. The revisions involve the adaptation of the standard to the new requirements of IFRS 10, 11, and 12. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

:: Revisions to IAS 32, Financial Instruments: Presentation (not yet adopted by the EU): The amendments were adopted in December 2011 and will foreseeably be used retroactively for fiscal years that begin on or after January 1, 2013. This deals with clarifications concerning the presentation of financial assets and liabilities. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

:: IFRIC 20, Stripping Costs in the Production Phase of a Surface Mine (not yet adopted by the EU): The interpretation was adopted in October 2011 and is expected to be effective for the first time for fiscal years beginning on or after January 1, 2013. The interpretation discusses when and how the benefit from stripping activities is to be accounted for and valuated. Since it is not currently relevant for the Group, this revision will not affect its net assets, financial position and results of operations or cash flows.

3 SEGMENT REPORTING

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

:: Germany, Austria, Switzerland (DACH)
:: Spain.

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

3.1 Information Concerning Geographic Regions

The geographic segments of the group are determined in accordance with the revenues earned in the geographical areas.

Management monitors the operating profit/loss of the business units separately, in order to make decisions concerning the distribution of resources and to determine the profitability of the units. The development of the segments is evaluated using the operating profit. The group financing (including finance income of EUR 96k and finance expense of EUR -257k) as well as taxes on income and profits, are taxed uniformly across the group and are not attributed to the individual segments.

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

The following table contains information on income and segment results of the geographic segments of the group for fiscal years 2011 and 2010:

PERIOD FROM 01/01 - 12/31/2011					
	DACH EUR K	SPAIN EUR K	TOTAL EUR K	CONSOLIDATED EUR K	GROUP EUR K
Income from transactions with external customers	11,356	4,645	16,001	0	16,001
Income from transactions with other segments	1,275	0	1,275	-1,275	0
	12,631	**4,645**	**17,276**	**-1,275**	**16,001**
EBIT (operating profit)	463	-798	-335	0	-335
Depreciation	-582	-391	-973	0	-973
Segment assets	33,890	8,736	42,626	-7,885	34,741
Segment liabilities	-11,261	-11,357	-22,618	7,885	-14,733

PERIOD FROM 01/01 - 12/31/2010					
	DACH EUR K	SPAIN EUR K	TOTAL EUR K	CONSOLID-ATED EUR K	GROUP EUR K
Income from transactions with external customers	13,782	3,181	16,963	0	16,963
Income from transactions with other segments	1,305	0	1,305	-1,305	0
	15,087	**3,181**	**18,268**	**-1,305**	**16,963**
EBIT (operating profit)	716	-1,278	-562	1,305	743
Depreciation	-529	-415	-944	0	-944
Restructuring expense	0	-371	-371	0	-371
Segment assets	32,063	10,123	42,186	-5,498	36,688
Segment liabilities	-10,436	-12,932	-23,368	5,498	-17,870

4 REVENUE, OTHER INCOME AND EXPENSES

4.1 Sales Revenues

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

REVENUE		
	2011 EUR K	2010 EUR K
Revenue		
from processing	14,071	15,351
from storage	1,930	1,612
	16,001	**16,963**

4.2 Cost of Sales

Cost of sales disclosed in the statement of income includes the following expenses:

COST OF SALES		
	2011 EUR K	2010 EUR K
Cost of materials	1,118	1,079
Personnel expenses	1,503	1,486
Amortization, depreciation and write-downs	657	499
Third-party services	2,402	2,401
Rent and rent incidentals	191	199
Other expenses	668	476
	6,539	**6,140**

4.3 Other Operating Income

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

OTHER OPERATING INCOME	2011 EUR K	2010 EUR K
Government grants	340	305
Income from the derecognition of accruals	74	202
Income from the reversal of provisions	20	326
Sundry other income	170	295
	604	**1,128**

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.

Income from the derecognition of deferred liabilities mainly encompasses the derecognition of financial obligations deferred in the prior year that the Group used less of than expected in the reporting year. In addition, this contains the derecognition of bonus payments to employees deferred in the prior year, which were not fully paid out in 2011.

4.4 Selling Expenses

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

SELLING EXPENSES	2011 EUR K	2010 EUR K
Personnel expenses	2,826	2,761
Amortization, depreciation and write-downs	143	125
Marketing expenses	3,066	3,654
Other expenses	935	701
	6,970	**7,241**

4.5 Administrative Expenses

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

ADMINISTRATIVE EXPENSES	2011 EUR K	2010 EUR K
Personnel expenses	1,482	1,472
Amortisation, depreciation and write-downs	173	145
Operating lease expenses	474	383
Legal, consulting and audit fees	777	917
Other expenses	23	131
	2,929	**3,048**

4.6 Other Operating Expenses

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

OTHER OPERATING EXPENSES	2011 EUR K	2010 EUR K
Donations	5	0
Research and development costs	297	415
Bad debts	20	306
Sundry other expenses	180	198
	502	**919**

The other expenses include, in particular, extraordinary write-downs on assets no longer required, which are associated with the acquisition of subsidiaries. Here, assets that were acquired for a planned establishment of an internal laboratory at Secuvita were adjusted, since the establishment of the laboratory was no longer pursued in the wake of the acquisition of this subsidiary.

4.7 Finance Costs

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

FINANCE COSTS		
	2011 EUR K	2010 EUR K
Bank loans and overdrafts	196	130
Charges for silent partnerships	61	75
Interest expense for back tax payments	0	80
	257	**285**

4.8 Finance Revenue

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

FINANCE REVENUE		
	2011 EUR K	2010 EUR K
Interest income	96	136
Profit from financial liabilities valuated at fair value	0	72
	96	**208**

4.9 Employee Benefits Expense

The expense for employee benefits breaks down as follows:

EMPLOYEE BENEFIT EXPENSE		
	2011 EUR K	2010 EUR K
Wages and salaries	4,884	4,877
Social security costs	899	817
Pension cost	28	25
	5,811	**5,719**

The employer‘s contributions to statutory pension insurance of EUR 435k (2010: EUR 321k) are classified as payments under a defined contribution plan and are recognized in full in profit or loss accordingly.

EMPLOYEES (ANNUAL AVERAGE)		
	2011 NUMBER	2010 NUMBER
Employees	126	118
Temporary employees	1	2
Trainees/Interns	5	5
	132	**125**

5 INCOME TAXES

Major components of income tax expense for the fiscal years 2011 and 2010 are as follows:

MAJOR COMPONENTS OF THE INCOME TAX EXPENSE/INCOME		
CONSOLIDATED STATEMENT OF INCOME	2011 EUR K	2010 EUR K
Current income tax		
Current income tax expense/income	0	215
Adjustments to income tax incurred in prior years	0	-199
Deferred income tax		
Origination and reversal of temporary differences	559	201
on unused tax losses	-2,246	100
Income tax income/expense	**-1,687**	**317**

The income tax liabilities recognized in the balance sheet relate to income tax liabilities for the current fiscal year.

A reconciliation between income tax expense and the product of accounting profit multiplied by the Group‘s applicable tax rate for the fiscal years 2011 and 2010 is as follows:

RECONCILIATION		
	2011 EUR K	2010 EUR K
Earnings before income tax	**-496**	**666**
Income tax income/expense at the parent company's tax rate of 31.5% (2010: 31.5%)	156	-210
Adjustment because profits/loss of Novel Pharma, S. L. do not give rise to an income tax refund/expense (2010: Vita 34 International AG, CorCell, Inc. and Novel Pharma, S. L.)	-53	-129
Adjustment due to tax-free income	18	21
Adjustment due to non-deductible expenses	-30	-145
Adjustment of deferred taxes on tax losses carried forward incurred in the merger	1,595	195
Adjustment due to changes in tax law	0	-49
Income tax expense at effective income tax rate of 31.5 % (2010: 31.5%)	**1,687**	**-317**
INCOME TAX INCOME/EXPENSE REPORTED IN CONSOLIDATED STATEMENT OF INCOME	**1,687**	**-317**

Deferred income tax at end of the reporting period relates to the following:

DEFERRED INCOME TAX	CONSOLIDATED STATEMENT OF FINANCIAL POSITION		CONSOLIDATED STATEMENT OF INCOME	
	2011 EUR K	2010 EUR K	2011 EUR K	2010 EUR K
Deferred income tax liabilities				
Higher tax write-offs	-1,923	-1,983	60	54
Discounting of loans	-21	-23	2	-23
Difference of trade receivables	-28	0	-28	0
Adjustment participation carrying amounts	-215	-215	0	0
	-2,187	**-2,221**		
Deferred income tax credits				
Discounting of receivables	34	29	5	-11
Difference of other receivables	30	0	30	0
Difference of share-based payments	0	0	0	-49
Deferred income	0	0	0	-246
Difference in trade payables	0	30	-30	30
Difference in other liabilities	6	605	-598	44
Unused tax losses	2,855	609	2,246	-100
	2,925	**1,273**		
Deferred taxes	738	-948		
Deferred tax income/expense			**1,687**	**-301**

In Germany there are corporate income tax losses carried forward at Vita 34 AG in Germany of EUR 4,939k and commercial tax losses carried forward of EUR 4,880k that are available to the group indefinitely for offsetting against future taxable profits of this company.

Within the scope of the merger of the former Vita 34 AG and Vita 34 International AG, the existing tax losses of the original subsidiary carried forward as of December 31, 2010 were completely eliminated. The active deferred taxes on this (EUR 130k) were booked as an expense.

The tax losses of VITA 34 International AG, now Vita 34 AG, carried forward are still available for the company to use as an offset. To date, none of the deferred taxes have been activated on this basis, since the company was purely a holding company, in which no taxable income was expected. In the wake of the merger the Company now has an operative business itself. Taking the financial planning for the parent company into consideration, it can be assumed that the tax losses carried forward will be used in the reporting year and in the following years. This is why deferred taxes were activated for the first time on the corresponding tax losses carried forward. In the reporting period this led to one-time income from the activation of deferred taxes on losses carried forward (EUR 1,567k)

In Spain, income tax losses carried forward in the amount of EUR 4,292k (2010: EUR 1,595k) were available at subsidiary Secuvita, S. L., which are available to the Group for a period of 15 years for offsets against future taxable profits of this company. Deferred tax assets have been recognized in respect of these losses as they may be used to offset taxable profits of Secuvita, S. L.

There are also losses carried forward at Novel Pharma, S. L. that are available to the Group for a period of 15 years for offset against future taxable profits of Novel Pharma, S. L. 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 an intermediate 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 EARNINGS PER SHARE

Basic / Diluted Earnings per Share

Basic / diluted 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 / diluted earnings per share are calculated as follows:

BASIC / DILUTED EARNINGS PER SHARE		
	2011 EUR K	**2010 EUR K**
Net profit from continuing operations	1,191	349
Less: Portion attributed to non-controlling shares	71	134
Profit from continued operations attributable to the owners of ordinary shares in the parent company	**1,262**	**483**
Number of shares outstanding (weighted average)	2,646,500	2,646,500
Earnings per share pursuant to IFRS (EUR)	**0.48**	**0.18**

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

Potential ordinary shares were not taken into account in the calculation of the diluted earnings per share in 2011 and 2010 because the average market price of the ordinary shares during the reporting period was lower than the strike price of the options.

7 GOODWILL, INTANGIBLE ASSETS

Intangible assets developed as follows:

INTANGIBLE ASSETS AS OF DECEMBER 31, 2011				
	PATENTS AND LICENCES	GOODWILL	ACQUIRED CONTRACTS	TOTAL
	EUR K	EUR K	EUR K	EUR K
Cost as of January 1, 2011	2,402	13,414	6,236	22,052
Additions	358	0	0	358
Acquisition of a subsidiary	0	0	0	0
Disposals	-1	0	0	-1
Cost as of December 31, 2011	**2,759**	**13,414**	**6,236**	**22,409**
Accumulated amortization and impairments as of January 1, 2011	1,387	0	224	1,611
Amortization charge for the year	370	0	354	724
Accumulated amortization and impairments as of December 31, 2011	**1,757**	**0**	**578**	**2,335**
Carrying amount as of January 1, 2011	1,015	13,414	6,012	20,441
Carrying amount as of December 31, 2011	1,002	13,414	5,658	20,074

INTANGIBLE ASSETS AS OF DECEMBER 31, 2010				
	PATENTS AND LICENCES	GOODWILL	ACQUIRED CONTRACTS	TOTAL
	EUR K	EUR K	EUR K	EUR K
Cost as of January 1, 2010	1,909	11,911	0	13,820
Additions	487	0	0	487
Acquisition of a subsidiary	6	1,503	6,236	7,745
Cost as of December 31, 2010	**2,402**	**13,414**	**6,236**	**22,052**
Accumulated amortization and impairments as of January 1, 2010	1,114	0	0	1,114
Amortization charge for the year	273	0	224	497
Accumulated amortization and impairments as of December 31, 2010	**1,387**	**0**	**224**	**1,611**
Carrying amount as of January 1, 2010	795	11,911	0	12,706
Carrying amount as of December 31, 2010	1,015	13,414	6,012	20,441

8 PROPERTY, PLANT AND EQUIPMENT

Property, plant, and equipment developed as follows:

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2011	REAL PROPERTY	TECHNICAL EQUIPMENT	FURNITURE AND FIXTURES	TOTAL
	EUR K	EUR K	EUR K	EUR K
Cost as of January 1, 2011	306	3,816	1,520	5,642
Additions	0	480	167	647
Acquisition of a subsidiary	0	0	0	0
Disposals	0	-120	-258	-378
Cost as of December 31, 2011	**306**	**4,176**	**1,429**	**5,911**
Accumulated depreciation and impairments as of January 1, 2011	0	820	1,055	1,875
Amortization charge for the year	0	131	118	249
Disposals	0	-121	-254	-375
Accumulated depreciation and impairments as of December 31, 2011	**0**	**830**	**919**	**1,749**
Carrying amount as of January 1, 2011	306	2,996	465	3,767
Carrying amount as of December 31, 2011	306	3,346	510	4,162

PROPERTY, PLANT AND EQUIPMENT AS OF DECEMBER 31, 2010	REAL PROPERTY	TECHNICAL EQUIPMENT	FURNITURE AND FIXTURES	TOTAL
	EUR K	EUR K	EUR K	EUR K
Cost as of January 1, 2010	0	3,380	1,368	4,748
Additions	5	436	49	490
Acquisition of a subsidiary	301	0	230	531
Disposals	0	0	-127	-127
Cost as of December 31, 2010	**306**	**3,816**	**1,520**	**5,642**
Accumulated depreciation and impairments as of January 1, 2010	0	697	732	1,429
Amortization charge for the year	0	123	324	447
Disposals	0	0	-1	-1
Accumulated depreciation and impairments as of December 31, 2010	**0**	**820**	**1,055**	**1,875**
Carrying amount as of January 1, 2010	0	2,683	636	3,319
Carrying amount as of December 31, 2010	306	2,996	465	3,767

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

The goodwill acquired within the scope of the company combinations has been attributed to cash-generating units for impairment testing, as follows:

:: The goodwill from the acquisition of shares in Vita 34 AG (Commercial Register District Court Leipzig HRB 18047) was attributed to the “DACH” cash-generating unit.
:: The goodwill from the acquisition of a majority interest in Secuvita, S. L. was divided between the “Spain” and “DACH” cash-generating unit, commensurate with the future potential profits expected.

“DACH” Cash-Generating Unit

The Group conducts its annual impairment test in the fourth quarter of the fiscal year. The Group considers the relationship between market capitalization and book value, apart from other factors, in reviewing the indicators for impairment.

The recoverable amount of the „DACH“ cash-generating unit has been determined based on a value in use calculation using cash flow projections updated from the prior year and based on financial budgets approved by senior management covering a five-year period. The pre-tax discount rate applied to the cash flow projections is 9.0 percent (prior year: 9,8 percent). Cash flows beyond the five-year period are extrapolated using a 0.5 percent growth rate.

“Spain” Cash-Generating Unit

The recoverable amount of the cash-generating unit “Spain” has also 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 applied to the cash flow projections is 8.5 percent (prior year: 8.3 percent). Cash flows beyond the five-year period are extrapolated using a 0.5 percent growth rate.

Carrying Amounts of Goodwill Allocated to the Respective Cash-Generating Unit:

CARRYING AMOUNTS		
	2011	**2010**
	EUR K	**EUR K**
Goodwill segment „DACH“	12,822	12,822
Goodwill segment „Spain“	592	592
	13,414	**13,414**

Key Assumptions Used in Value in Use Calculation of the Units as of December 31, 2011 and December 31, 2010

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 company management with regard to the specific risks attributable to the cash generating units. This is the benchmark used by management to assess the operating performance and evaluate future investment projects. The discount rate is derived from a risk-free interest rate, also taking a market risk premium and a company-specific beta factor into account. The reduction in the discount rate of the “DACH” cash-generating unit as compared with the prior year is based on the reduction in the risk-free interest rate. The increase in the discount rate of the “Spain” cash-generating unit as compared with the prior year primarily resulted from additional consideration of a market risk premium.

Sensitivity of the Assumptions Made

Company management is of the opinion that it can be reasonably expected that in general possible changes to one of the key assumptions used to determine the value in use of the “DACH” cash-generating unit could lead to the carrying value of the cash-generating unit exceeding its recoverable amount. The value in use could fall below the carrying value particularly in the event that the expected number of storages is not reached in the planning period, or the discount rate increases. In the case of a reduction of the annual free cash flow in the planning period of approximately EUR 140k in the planning period or an increase in the discount rate of 1.1 percent, the value of use of the cash-generating unit would be reduced to its book value.

Company management is of the opinion that it can be reasonably expected that in general possible changes to one of the key assumptions used to determine the value in use of the “Spain” cash-generating unit could lead to the carrying value of the cash-generating unit exceeding its recoverable amount. The value in use could fall below the carrying value particularly in the event that the expected number of storages is not reached in the planning period, or the discount rate increases. In the case of a reduction of the annual free cash flow in the planning period of approximately EUR 350k in the planning period or an increase in the discount rate of 7.7 percent, the value of use of the cash-generating unit would be reduced to its book value.

10 INVENTORIES

Inventories break down as follows:

INVENTORIES	2011 EUR K	2010 EUR K
Materials and supplies (measured at costs of purchases)	202	185
Work in progress (at cost of conversion)	344	441
	546	**626**

Inventories were not written down.

11 TRADE RECEIVABLES

Trade receivables break down as follows:

RECEIVABLES	2011 EUR K	2010 EUR K
Non-current trade receivables	1,666	1,741
Current trade receivables	2,748	2,914
	4,414	**4,655**

The additional non-current trade receivables that originated in the reporting year were discounted using an interest rate of 4.0 percent (2010: 4.8 percent) based on their terms to maturity. Due to the long term of some receivables (up to 25 years), trade receivables due in more than twelve months are reported separately under non-current assets.

NOT IMPAIRED RECEIVABLES						
		THEREOF: IMPAIRED AS OF THE END OF THE REPORTING PERIOD PAST DUE	THEREOF: NOT IMPAIRED AS OF THE END OF THE REPORTING PERIOD BUT PAST DUE IN THE FOLLOWING PERIODS			
	CARRYING AMOUNT EUR K		LESS THAN 60 DAYS	BETWEEN 60 AND 180 DAYS	BETWEEN 180 AND 360 DAYS	MORE THAN 360 DAYS
Trade receivables as of December 31, 2011	4,414	2,581	529	126	580	159
Trade receivables as of December 31, 2010	4,655	3,632	454	66	19	41

With respect to the trade receivables that were neither impaired nor past due, there was no indication as of the end of the reporting period that the debtors would fail to meet their payment obligations.

Provisions for impairment of trade receivables break down as follows:

VALUATION ALLOWANCES		
	2011 EUR K	2010 EUR K
Valuation allowances as of January 1	433	132
Increases (expenses for valuation allowances)	9	301
Valuation allowances as of December 31	**442**	**433**

The following table presents the expenses from the full derecognition of trade receivables:

EXPENSES / INCOME FROM DERECOGNIZED RECEIVABLES		
	2011 EUR K	2010 EUR K
Expenses for the complete derecognition of receivables	12	4

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

Default Risk

Receivable balances are monitored on an ongoing basis with the result that the Group‘s exposure to bad debts is not significant. Credit verification procedures are only performed in cases where trade is financed via banks other than the Group‘s partner banks. Customers of the Group who wish to trade on credit terms are not subject to credit verification procedures because past experience has shown that such measures do not significantly reduce the risk of default.

12 OTHER RECEIVABLES AND ASSETS

OTHER RECEIVABLES AND ASSETS				
	12/31/2011		12/31/2010	
	TOTAL	THEREOF: CURRENT	TOTAL	THEREOF: CURRENT
Financial receivables and assets				
- Other financial receivables and assets	165	165	416	416
- Other financial assets	80	0	125	0
	245	**165**	**541**	**416**
Deferred grants	881	881	788	788
Investment grants and subsidies	304	304	208	208
	1,185	**1,185**	**996**	**996**
	1,430	**1,350**	**1,537**	**1,412**

13 SHORT-TERM DEPOSITS

SHORT-TERM RECEIVABLES		
	2011 EUR K	2010 EUR K
Time deposits	0	1,500
	0	**1,500**

As of the end of the reporting period, the short-term investments only contain time deposits with a total term of more than three months.

The time deposits are assets classified as loans and receivables when initially measured.

14 CASH AND CASH EQUIVALENTS, RESTRICTED CASH

CASH AND CASH EQUIVALENTS, RESTRICTED CASH		
	2011 EUR K	2010 EUR K
Restricted cash	351	475
Cash: Cash at banks and in hand	3,026	3,687
	3,377	**4,162**

Bank balances earn interest at the floating rates for on-call deposits.

Of the cash, an amount of EUR 351k (2010: 475k) is not available to the Company. EUR 250k (2010: EUR 375k) thereof has been provided as collateral for the loans disclosed in the statement of financial position.

For the purpose of calculating cash flow, the cash and cash equivalents as of December 31 are broken down as follows:

OVERVIEW CASH AND CASH EQUIVALENTS		
	2011 EUR K	2010 EUR K
Cash on deposit at banks and on hand	3,026	3,687
Current account overdrafts	0	-198
	3,026	**3,489**

15 ISSUED CAPITAL AND RESERVES

ISSUED CAPITAL AND RESERVES		
Issued capital	**2011**	**2010**
Ordinary shares of EUR 1 each (all fully paid in)	2,646,500	2,646,500
Composition of equity	**EUR K**	**EUR K**
Issued capital	2,647	2,647
Capital reserve	23,236	23,236
Revenue reserves	-5,706	-6,968
Own shares	-436	-436
Non-controlling shares	268	339
	20,009	**18,818**

Vita 34 AG 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.

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

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

Own shares contains shares (3.02 percent) that were acquired in conjunction with the acquisition of the interest in Secuvita, S. L.

The **non-controlling shares** contain the shares of the minority shareholders of Secuvita, S. L. in the acquired assets and liabilities, valued at the proportional applicable fair value at the time of acquisition. The goodwill attributable to minority shareholders was not disclosed here. After initial recognition, profits and losses are attributed without limit proportionate to interests.

Contingent Capital
The capital stock was increased contingently by a nominal amount of up to EUR 40,000 by issuing up to 40,000 new non-par-value registered shares in 2007. The contingent capital increase serves to cover stock options, the issue of which was adopted by resolution of the annual general meeting on 31 July 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 Para. 2 of the bylaws of Vita 34 AG, the Company has authorized capital. By virtue of a resolution of the Annual General Meeting on July 12, 2011, the Management Board is authorized to increase the nominal capital of the company within a period of up to July 11, 2016 after registration of the change in the by-laws, once or multiple times up to a total of EUR 1 million by issuing 1,000,000 new, individually registered, non-par-value shares in exchange for cash or material contributions.

The Management Board will decide on the exclusion of the subscription rights of shareholders, in each case with the approval of the Supervisory Board. An exclusion of the right to purchase stock is, in particular, admissible in order to:

:: Issue up to 264,650 new shares in exchange for a cash contribution at a price that is not significantly lower than the exchange price of the shares of the company at the time the issue price is set by the Management Board.

:: To issue up to 1,000,000 new shares within the scope of capital increases in exchange for material contributions for awarding stock for the purpose of acquiring companies or parts of companies, or taking an interest in companies.
:: To even out peak amounts;
:: To issue up to 30,000 new employee shares.

The Management Board decides on the other content of stock rights and the conditions of stock issue with the approval of the Supervisory Board.

16 LOANS

16.1 Current

OVERVIEW OF CURRENT LOANS AS WELL AS CURRENT LIABILITIES OWED TO BANKS			
	INTEREST RATE AS A %	2011 EUR K	2010 EUR K
Loan for EUR 100k	6.42	50	0
Loan for EUR 900k	6.42	450	0
Loan for EUR 900k	4.55	112	112
Loan for EUR 100k	4.55	13	13
Loan for EUR 600k	5.24	61	61
Loan for EUR 100k	4.99	100	100
Loan for EUR 150k	6.26	75	75
Loan for EUR 75k	8.64	13	0
Loan for EUR 1,500k	2.26	0	1,500
Current account overdrafts	2.64	0	199
Loan for EUR 1,250k	5.22	500	0
		1,374	**2,060**

16.2 Non-current

NON-CURRENT LOANS	EFFECTIVE INTEREST RATE AS A %	MATURITY	2011S EUR K	2010 EUR K
Loan for EUR 100k	6.42	2013	50	100
Loan for EUR 900k	6.42	2013	450	900
Loan for EUR 900k	4.55	2006-2013	113	225
Loan for EUR 100k	4.55	2006-2013	12	25
Loan for EUR 600k	5.24	2008-2017	310	370
Loan for EUR 150k	6.26	2011-2012	0	75
Loan for EUR 75k	8.64	2011-2016	57	0
Loan for EUR 137k	0.00	2013-2024	68	65
Loan for EUR 1,250k	5.22	2012-2013	750	0
			1,810	**1,760**

EUR 250k (2010: EUR 365k) has been provided as collateral for the loans disclosed in the statement of financial position and is not available to the Company. No collateral has been provided for the other loans disclosed in the statement of financial position.

17 SHARES OF SILENT SHAREHOLDERS

SILENT PARTNERSHIP	2011 EUR K	2010 EUR K
Silent partnership MBG	940	940
	940	**940**

Mittelständische Beteiligungsgesellschaft Sachsen mbH, Dresden (MBG) receives a fixed fee of 6 percent p.a. on the contribution of EUR 940k it has made to Vita 34 AG; the fee is payable quarterly for the preceding quarter as of 15 March, 15 June, 15 September, and 15 December of each year. In addition, MBG receives a profit-based fee of 50 percent of the net profit for the year of Vita 34 AG, or 1 percent p.a. of the contribution made, whichever is lower. The basis for calculating the profit-based fee is the net profit 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.

18 PROVISIONS

PROVISIONS	
	TOTAL EUR K
As of January 1, 2011	39
Addition	1
Utilization	-3
Unused amounts reversed	-20
As of December 31, 2011	**17**
Current provisions 2011	17
Non-current provisions 2011	0
	17
Current provisions 2010	39
Non-current provisions 2010	0
	39

The provision comprises expenses for legally prescribed manufacturing authorizations for birthing devices in connection with the collection of umbilical cord blood during the birth as well as potential damages. The Company assumes that it will have to make payments. A provision was created for the amount of the cash outflows expected for 2012.

19 DEFERRED GRANTS

The investment grants and subsidies recognized under grants showed the following development:

GRANTS		
	2011 EUR K	2010 EUR K
As of January 1	1,031	896
Received during the fiscal year	130	216
Released through profit and loss	-68	-81
Decrease due to recovery	-5	0
As of December 31	**1,088**	**1,031**
Current	81	102
Non-current	1,007	929
	1,088	**1,031**

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

20 DEFERRED INCOME

DEFERRED INCOME	2011 EUR K	2010 EUR K
Current	1,239	1,073
Non-current	6,788	5,838
	8,027	**6,911**

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.

21 TRADE PAYABLES AND OTHER LIABILITIES

LIABILITIES	2011 EUR K	2010 EUR K
Financial Liabilities		
Current trade payables	600	892
Other liabilities	446	2,579
	1,046	**3,471**
Non-financial other liabilities		
Employee benefits	220	500
	220	**500**
	1,266	**3,971**

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 also 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.

The reduction in other financial liabilities is mainly based on the payment in the prior year of the value-added tax liabilities of Secuvita, S. L. for the years 2007-2010 recognized here.

22 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

CARRYING AMOUNTS BY MEASUREMENT CATEGORY					
		CARRYING AMOUNT IN STATEMENT OF FINANCIAL POSITION			
EUR K	CARRYING AMOUNT 12/31/2011	AMORTIZED COST	AT FAIR VALUE DIRECTLY IN EQUITY	AT FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE 12/31/2011
Assets					
Cash and cash equivalents	3,377	3,377			3,377
Trade receivables	4,414	4,414			4,400
Other financial assets	245	245			245
Liabilities					
Liabilities to banks	3,184	3,184			3,112
Shares in silent partners	940	940			1,022
Trade payables	600	600			600
Other non-interest-bearing liabilities	446	446			446
Thereof combined by measurement category					
- Loans and receivables	8,036	8,036			8,022
- Financial liabilities valued at fair value	5,170	5,170			5,180

CARRYING AMOUNTS BY MEASUREMENT CATEGORY					
		CARRYING AMOUNT IN STATEMENT OF FINANCIAL POSITION			
EUR K	CARRYING AMOUNT 12/31/2010	AMORTIZED COST	AT FAIR VALUE DIRECTLY IN EQUITY	AT FAIR VALUE THROUGH PROFIT AND LOSS	FAIR VALUE 12/31/2010
Assets					
Cash and cash equivalents	4,162	4,162			4,162
Trade receivables	4,655	4,655			4,647
Other financial assets	541	541			541
Other primary financial assets					
- Loans and receivables	1,500	1,500			1,500
Liabilities					
Liabilities to banks	3,820	3,820			3,789
Shares in silent partners	940	940			1,031
Trade payables	892	892			892
Other non-interest-bearing liabilities	2,579	2,579			2,579
Thereof combined by measurement category					
- Loans and receivables	10,858	10,858			10,850
- Financial liabilities valued at fair value	8,231	8,231			8,291

22.1 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 end of the reporting period approximate their fair value.

The fair value of publicly listed shares, bonds and mutual funds correspond to their face values multiplied with the quoted price as of the end of the reporting period.

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 statement of financial position at amortized cost was determined by discounting the expected future cash flows using a market interest rate.

22.2 Net Result by Measurement Category

NET RESULT	2011 EUR K	2010 EUR K
Loans and receivables	-158	-455
Financial assets at fair value through profit and loss	0	0
Financial liabilities valued at fair value	-23	72
Total	**-181**	**-383**

All components of the net result are recognized under interest income and expenses. Not included are income from the reversal of bad debt allowances, expenses for allowances for trade receivables and bad debts relating to the loans and receivables measurement category of EUR -20k (2010: EUR -306k); these are instead disclosed under other operating income and other operating expenses.

The net results by measurement category are mainly comprised of interest income and expenses in the total amount of EUR -138k and expenses from write-downs on receivables in the amount of EUR -20k. In 2010 they were dominated by interest income and expense in the amount of EUR -149k and expenses from the impairment of receivables in the amount of EUR -306k.

22.3 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	2012 EUR K	2013 EUR K	2014 ff. EUR K
Liabilities to banks	1,476	1,505	433
Shares in silent partners	65	65	1,242
Other non-interest-bearing liabilities	983	8	91
Total	**2,524**	**1,578**	**1,766**

All instruments in the portfolio as of December 31, 2011 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 Vita 34 AG‘s budget. All on-call financial liabilities are allocated to the earliest possible period in the table.

22.4 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 continually monitors its risk of a shortage of funds using a liquidity tool. This tool considers the maturity of both its financial assets (e.g., receivables, other financial assets) and projected cash flows from operations.

22.5 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 the “DACH” segment. In addition, receivable balances are monitored on an ongoing basis with the result that the Group‘s exposure to bad debts is not significant. The maximum risk of default is limited to the carrying amount disclosed in note 11. 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.

22.6 Interest 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.

22.7 Currency Risk

In the reporting period the Group also had revenues and expenses in Swiss Francs (CHF). Therefore, changes in the CHF/Euro exchange rate can fundamentally affect Group statement of financial position. No other major transactions are settled in other foreign currencies.

The Swiss National Bank set an intervention rate of CHF/Euro 1.20 based on increased demand for Francs. The exchange rate as of December 31, 2011 was 1.22 CHF/Euro. A reduction in the exchange rate below the currently set intervention rate is currently not considered likely. Reduction of the rate to the set intervention rate does not significantly affect the Group statement of financial position.

An altogether possible increase in the exchange rate of 5 percent would lead to a change in the Group earnings before taxes as well as Group equity of EUR -10k in each case due to a change in the fair value of the monetary assets and liabilities.

23 COMMITMENTS AND CONTINGENCIES

23.1 Operating Lease Commitments - 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.

In addition, the group has leasing agreements for the use of space.

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

Future minimum lease payment obligations under non-cancelable operating leases as of the end of the reporting period are as follows:

MINIMUM LEASE PAYMENTS		
	2011 EUR K	2010 EUR K
Within one year	660	357
Between one and five years	2,078	126
	2,738	**483**

23.2 Capital Commitments

As of the end of the reporting period of December 31, 2011, the Group has purchasing obligations for property, plant and equipment amounting to EUR 262k (2010: EUR 280k).

23.3 Legal Disputes

Corresponding provisions are set up for legal disputes in the amount of the expected cash outflows (cf Note 18).

Legal action has been initiated against Secuvita, S. L. and its former shareholders in conjunction with the acquisition of the shares in Secuvita, S. L. by Novel Pharma, S. L. The suit filed by the interest holder remaining as a shareholder in Secuvita, S. L. requests that the transfer of shares in Secuvita, S. L. to Novel Pharma, S. L. be declared invalid and that the shareholder resolutions of Secuvita, S. L. in its meeting of June 30, 2010 be declared void. Taking into consideration that the suit has little chance of being successful, the Company has decided not to include a provision in the annual financial statements for this.

23.4 Contingent Liabilities

Vita 34 AG did not have any contingent liabilities as of the end of the reporting period.

24 SHARE-BASED PAYMENTS

The Group entered into an agreement dated August 2, 2007 granting stock options to a former member of the Management Board of Vita 34 AG (Commercial Register District Court Leipzig HRB 18047). The exercise price of the options is equal to the market price of the shares on the date of grant. 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 exceeded EUR 34.4m. With the cancellation agreement dated October 19, 2009 it was determined that the agreed performance target had been reached.

The contractual term of the options is five years. The options cannot be settled in cash.

As part of the agreement, the member of the Management Board of Vita 34 AG (Commercial Register District Court Leipzig HRB 18047) was granted 30,145 options to acquire shares in Vita 34 AG at a price of EUR 14.65 each. The options expire at the end of August 2, 2012. They vested on October 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 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 options 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.

25 INFORMATION ON RELATIONSHIPS TO FRIENDS AND FAMILY

Vita 34 AG and the following subsidiaries are included in the consolidation group:

OVERVIEW OF SUBSIDIARIES INVOLVED IN CONSOLIDATION	PERCENTAGES OF EQUITY	
	2011	2010
NAME, HEADQUARTERS	%	%
Vita 34 AG (District Court Leipzig HRB 18047), Leipzig, Germany	0	100
Novel Pharma, S. L., Alcala de Henares (Madrid), Spain	100	100
Secuvita, S. L., Madrid, Spain	88	88

The Annual General Meeting convened on July 12, 2011 resolved the merger of the former subsidiary company Vita 34 AG (District Court Leipzig HRB 18047) with Vita 34 International AG by means of merger by absorption.

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	2011 EUR K	2010 EUR K
There is an agreement with a member of the management board concerning rights of use and sale relating to a patent application and two patents. The management board has surrendered the patents concerned and patent application permanently for use by Vita 34 AG.		
- No compensation was paid for the surrender for use in fiscal year 2010 and 2011.		
Compensation of key management personnel of the Group:		
Short-term benefits:		
- Remuneration of the supervisory board	27	36
- Management board salaries	328	380
Share-based compensation:		
- The management board of Vita 34 AG	0	0

The above remuneration of the Supervisory Board and Management Board salaries relate solely to short-term benefits. As of the end of the reporting period, there were liabilities relating to Management Board remuneration of EUR 0 (2010: EUR 108k).

25.1 Share-Based Payments

Please refer to note 24 for details of share-based payments.

26 REMUNERATION OF THE MANAGEMENT BOARD 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 (cf. Sec. 314 HGB) and disclosures prescribed by provisions of the German Corporate Governance Code.

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

26.1 System of Management Board Compensation and Review

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

26.2 Fixed Compensation, Variable Success-Based Compensation and Fringe Benefits

The fixed component is a contractually defined basic salary that is paid out in equal monthly amounts. The variable component is unlimited 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 revenue and earnings before interest and taxes (EBIT). Furthermore, individual performance targets are taken into account. The Supervisory Board and the Management Board member agree to these targets at the start of each fiscal year.

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.

26.3 Remuneration of the Management Board for Fiscal Year 2011

The remuneration of the members of the Management Board for their activities in fiscal year 2011 totaled EUR 328k (2010: EUR 393k). 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 AG FOR THE FISCAL YEAR 2011 IN EUR K

	FIXED ANNUAL SALARY 2011	OTHER REMUNERATION IN 2011	VARIABLE COMPENSATION 2011	TOTAL
Dr. med. Eberhard F. Lampeter	180	20	0	200
Jörg Ulbrich	110	18	0	128
Total	**290**	**38**	**0**	**328**

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

26.4 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.

Bans on competition for 24 months following termination of employment have been agreed with the one Management Board member. The Company has undertaken to pay Dr. Lampeter compensation corresponding to his basic monthly salary each month for the duration of the ban on competition. The Company is entitled to waive the ban on competition upon termination of the employment agreement. In this case, there is no obligation to pay compensation.

26.5 Share-Based Payments

The Management Board members of Vita 34 AG do not receive any additional share-based payments.

26.6 Remuneration of the Supervisory Board (remuneration report)

In all, the Supervisory Board of Vita 34 AG comprises three members.

Remuneration for this body in the amount of EUR 18k (2010: EUR 18k) was paid in 2011.

The remuneration of the Supervisory Board members is determined pursuant to Art. 18 of the articles of incorporation and by-laws. The current version of the regulation is based on the resolution adopted by the Annual General Meeting on July 12, 2011. 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.

In fiscal year 2011, the Company paid no other compensation to members of the Supervisory Board and no other benefits were paid for services provided individually.

SUPERVISORY BOARD REMUNERATION OF VITA 34 AG	
	FIXED AMOUNTS IN EUR
Dr. Holger Födisch (chairman)	8,000
Richard Neeson (deputy chairman)	6,000
Dr. Uwe Marx	4,000

27 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 assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The Group uses only financial assets with a good rating and the 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. Company management reviews and agrees policies for managing each of these risks and they are summarized below.

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 objectives, policies and methods as of December 31, 2011 and December 31, 2010. Capital comprises the equity disclosed in the statement of financial position.

28 SUBSEQUENT EVENTS

There were no other events after end of the reporting period, which would require reporting.

29 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:

AUDIT FEES		
	2011 EUR K	2010 EUR K
Audit fees	78	75
Fees for other attestation or valuation services	1	57
	79	**132**

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

Leipzig, March 12, 2012
The Vita 34 AG Management Board

Dr. med. Eberhard F. Lampeter
CEO

Jörg Ulbrich
CFO

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, March 12, 2012
The Vita 34 AG Management Board

Dr. med. Eberhard F. Lampeter
CEO

Jörg Ulbrich
CFO

AUDIT OPINION

We have audited the consolidated financial statements prepared by Vita 34 AG, Leipzig, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in group equity, the consolidated statement of cash flows and the notes to the consolidated financial statements, together with the group management report for the fiscal year from 1 January to 31 December 2011. 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 on 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 as-sets, 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 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, 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, March 13, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Mandler
Wirtschaftsprüfer
[German Public Auditor]

Bätz
Wirtschaftsprüfer
[German Public Auditor]

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This report is printed on FSC® certified real natural paper, DIN ISO 9706.

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This annual report was published on March 21, 2012
and is available for download on our website.

Vita 34 on the Internet: www.vita34group.com

FINANCIAL CALENDAR

March 21, 2012	Publication of Annual Report
April 26, 2012	Publication of Q1 Report
May 24, 2012	Munich Capital Market Conference
July 19, 2012	Annual General Meeting
July 19, 2012	Publication of Q2 Report
October 25, 2012	Publication of Q3 Report
November 2012	German Equity Forum

This information contains forward-looking statements, which are based on current assumptions and estimates of Vita 34 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 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 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 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.

To improve readability, the male terminology is used for both genders in this report. The wording used is intended to equally address all humans, irrespective of their gender.

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