

# INTERIM REPORT

January to June 2010



 **VITA 34**

# CONSOLIDATED KEY FIGURES

		04/01- 06/30/2010	04/01- 06/30/2009	01/01- 06/30/2010	01/01- 06/30/2009
<b>STEM CELL PREPARATIONS</b>					
Umbilical cord blood storages	Anzahl	2,675	2,677	5,152	5,125
<b>PROFIT / LOSS</b>					
Revenues	TEUR	4,109	3,623	7,600	7,025
Gross profit	TEUR	2,631	2,311	4,868	4,581
EBIT	TEUR	24	16	184	-179
Period result	TEUR	-76	88	189	-4
				<b>06/30/2010</b>	<b>06/30/2009</b>
<b>BALANCE SHEET / CASH FLOW</b>					
Total assets	TEUR			<b>36,753</b>	29,573
Equity	TEUR			18,931	18,146
Equity ratio	%			51.5	61.4
Liquid funds including other financial assets	TEUR			4,527	6,582
Capital expenditures*	TEUR	355	136	571	207
Depreciation*	TEUR	357	198	482	328
Cash flow from operating activities	TEUR	285	482	-309	-1,019
<b>EMPLOYEES</b>					
Employees (as of June 30)	Anzahl			131	107
Personnel expenditures	TEUR			2,648	2,585

\* Information for tangible and intangible assets

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# LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The second quarter of the year 2010 was characterized by significant strategic crossroads. In May, we acquired the majority of shares in our Spanish cooperation partner Secuvita. Thus, we have secured our position in one of the most important European markets and have created the prerequisites for continued growth in revenues and EBIT in line with the company's expectations. As in the past, Secuvita is responsible for sales and shipping, we are responsible for the lab work and storage. The cooperation, which has had a time limit up to now, will now in the future be marked by even closer cooperation and a variety of synergies. In the transaction VITA 34 analyzed all of the possible scenarios for direct entry into the Spanish market, also taking into consideration the current economic difficulties including an unemployment rate of approx. 20 percent and some 21 competitors. EUR 4.7 million from liquid assets were used to acquire the majority position. VITA 34 currently holds 81.39 percent of the Secuvita shares, and we plan on acquiring 100 percent by the end of the year.

The most important commercial figures such as the number of storages, revenue and EBIT in the first half year of 2010 were, as in the second quarter of this year, again higher than or on a level with the results from the prior year's period. In all, we have stored 5,152 umbilical cord blood preparations in the Glass Laboratory in Leipzig and, thus, can show a moderate increase as compared with the first half year of 2009. We achieved group revenues of EUR 7.6 million in the first half year of 2010. This is an increase of EUR 0.6 million as compared with the first half year of 2009.

The operating profit (EBIT) of EUR 0.2 million in the first half year of 2010 was better than the prior year's period which had EUR -0.2 million. Due to the extraordinary expenditures for the acquisition of the shares in Secuvita, the positive EBIT trend could not be continued in Q2 2010. We are, however, confident that we will achieve a positive result over the course of the year.

We have been able to further optimize our marketing and sales strategy for 2010 and enrich it with new and planned cooperative efforts. The effects can, however, only be evaluated over a longer period of time covering several quarters.

Our foreign partners were also able to make a significant contribution again to the positive development of our company. Apart from a presence in the Spanish market, VITA 34 stores preparations for customers from Italy, Austria, Switzerland and Slovenia. We have again been able to achieve consistent growth with storages from the Italian market (500,000 births per annum) in Q2.

The medical justification for the use of umbilical cord blood in the therapy of severe diseases and in regenerative medicine is documented by constantly increasing use figures worldwide. The main fields of application for umbilical cord blood in general are in brain damage, Type 1 diabetes and leukemia. In the Q2 an additional child was treated with blood stored at VITA 34.



Additional proof of the significance of umbilical cord blood in regenerative medicine was provided by scientific publications last year, which point out that stem cells from umbilical cord blood are better suited to so-called “reprogramming” to pluripotent stem cells than regular cells or stem cells from other sources. Therefore, we are particularly proud of the fact that we began cooperation in May with the Hannover Medical School for the use of umbilical cord blood cells for conversion into iPS cells. Sächsische Aufbaubank is sponsoring the project for three years with funds totaling EUR 769k from the Free State of Saxony and the European Union.

We are convinced that this advance in medicine will further increase the significance of stem cells from umbilical cord blood. VITA 34 and the customers of VITA 34 will profit from this, in particular.

Leipzig, July 13, 2010

Dr. Eberhard Lampeter

Jörg Ulbrich

# GROUP INTERIM REPORT

01/01 to 06/30/2010

## 1 GENERAL STATEMENT

VITA 34 is by far the leading umbilical cord blood bank in the German-speaking countries, with more than 71,000 units of umbilical cord blood stored. Moreover, VITA 34 services are offered in various configurations in additional European countries. Thus, in addition to the German-speaking markets Austria and Switzerland, VITA 34 is also represented by its subsidiary in Spain, Secuvita, as well as by cooperation partners in Slovenia and Italy. In the expansion, VITA 34 benefits from the fact that it has a great deal of experience in the entire process chain of the collection, analysis and storage of umbilical cord blood as the oldest private umbilical cord blood bank in Europe. In particular with our Spanish, as well as with our other foreign activities, a significant contribution is being made towards fully utilizing our capacities. Here, uniform workflows contribute greatly to efficiency.

The VITA 34 target group consists of expecting parents. They must be informed about the possibility of storage and have the justification for it explained to them, so that they are prepared to use the necessary financial resources for storage. Approaching expecting parents is, therefore, one of the keys to the further development of VITA 34. To date in Germany umbilical cord blood is only privately stored in some 2 percent of births. Other countries have shown that the question of money is not the primary consideration when considering storage. For example, in Greece or in several Asian countries, storages have already reached double-digit percentages in relation to annual births.

Stem cells are expected to play an increasingly greater role in the treatment of diseases and in regenerative medicine in the future. Therefore, the VITA 34 product range will enter increasingly into the public eye. The significance of umbilical cord blood will increase in the area of third-party donations, as well. VITA 34 will profit from this development thanks to cooperation with the German Umbilical Cord Blood Bank (NKR North-German Bone Marrow and Stem Cell Donation Registry).

In addition, VITA 34 is opening up potential revenues with product differentiation. For example, with regard to the scope of the offer, but also with regard to payment methods, solutions are being offered tailored to different customer groups. The VITA 34 max product deserves special mention. Here, additional tests and screenings are performed on the collected umbilical cord blood, for example, to detect a genetic predisposition for various diseases.

## 2 REVENUE AND PROFIT SITUATION

In the first half year of 2010 5,152 stem cell preparations were stored at VITA 34. Thus, they were slightly above the level of the previous year, when 5,125 umbilical cord blood storages were achieved. The storage figures in Q2 2010 were at the level of the prior year's quarter and were 8 percent higher than in Q1 2010. Here, our subsidiary Secuvita, S.L. is continuing to make a contribution despite the difficult economic situation in Spain. Business with the cooperation partners continued to grow, including Izvorna Celica d.o.o., Sorgente S.r.L. and Deutsche Nabelschnurblutbank (NKR).



VITA 34 books revenues some one to two months after the storage of a transplant. Storages, therefore, precede the development of revenues. Whereas VITA 34 earned revenues amounting to EUR 3.5 million in Q1 2010, in Q2 EUR 4.1 million in revenues were booked, making it the strongest quarter VITA 34 has had with regard to revenue. This increase can be mainly attributed to the consolidation with Secuvita as of the middle of May.

Gross profit in Q2 2010 was EUR 2.6 million and, therefore, was slightly above the value of Q2 2010, when EUR 2.3 million were generated. As compared with the first half year 2009, the gross profit in the first half year 2010 of EUR 4.9 million represented an increase of EUR 0.3 million. This was mainly the result of cost optimization in the production area.

The marketing and sales expenditures of EUR 1.9 million in Q2 2010 were higher than the EUR 1.8 million posted in Q2 of the prior year. This increase can be traced to the Secuvita expenditures which, as a sales organization, generates costs nearly exclusively in this area.

As compared with the first half year of 2009 the expenditures for Marketing and Sales dropped by EUR 0.3 million to EUR 3.6 million. This was mainly achieved by increasing sales efficiency.

Administrative costs in Q2 2010 were EUR 0.9 million and were, therefore, significantly higher than the EUR 0.6 million of the prior year's quarter. In the first half year the administrative costs totaled EUR 1.4 million, whereas they were EUR 1.2 million in the first half year of 2009. For the most part, the costs associated with the purchase of the shares of Secuvita and Novel Pharma, as well as the required depreciations in plant and equipment led to this increase.

The earnings before interest and taxes, EBIT, of EUR 24,000 in Q2 2010 was at the level of the prior year's quarter. The first half year of 2010 clearly improved as compared with the first half year of 2010, moving from EUR -0.2 million to EUR 0.2 million. As compared with the prior year's period the financial result decreased from EUR 100k to EUR -23k in Q2 2010. The financial profit in the first half year 2010 was EUR 32k as compared with EUR 91k the year before.

The income tax credit in Q2 2010 was EUR 77k following EUR 28k in the prior year's quarter. Whereas there was an income tax income of EUR 92k in the first half year of 2009, the income taxes in the first half of 2010 led to an expense of EUR 27k.

Due to the takeover of Secuvita and the associated costs, in Q2 2010 a loss in the amount of EUR 0.1 million was posted in Q2 2010. Thus, the period profit for Q1 2009 was EUR 0.1 million. As compared with the prior year, the period result in the first half year of 2010 improved significantly from EUR 4k to EUR 189k.

### 3 FINANCIAL AND ASSET SITUATION

#### Financial Situation

In Q2 2010 cash decreased by EUR 2.7 million to EUR 4.5 million and was, thus, EUR 1.1 million below the value of the prior year, which was EUR 5.6 million as of June 30. As compared with year's end 2009 with EUR 8.1 million, however, the cash and cash equivalents in the first half-year of 2010 decreased, mainly due to the purchase of Secuvita.

# Everything under one roof: Integration of the Spanish partner Secuvita S.L. in the VITA 34 group

Following cash flow from operating activities in the amount of EUR -0.6 million in Q1 2010, there was an improvement to EUR 0.3 million in Q2 2010. The cash flow from operating activities was EUR -0.3 million in the first half of 2010, following EUR 1.0 million in the prior year's period. This improvement was mainly the result of a reduction in receivables and a significantly higher period result before income tax in the first six months of the current fiscal year, as compared with the first half-year of 2009.

The cash flow from investing activities was EUR -3.8 million in Q2 2010 after EUR -0.3 million in Q1 of this year. As compared with the prior year's period the cash flow in the first six months of the current fiscal year decreased by EUR 3.1 million to EUR -4.2 million. This was primarily the result of the acquisition of companies minus the cash taken over.

In the first half-year of 2010, the cash flow from financing activities increased as compared to the first half-year of 2009, from EUR 0.4 million to EUR 1.5 million. This can be attributed to the increase in the current interest-bearing loans.

## Assets

The structure of the VITA 34 balance sheet changed in Q2 2010 on account of the purchase of the subsidiary in Spain. The balance sheet total increased by EUR 5.7 million from EUR 31.1 million as of December 31, 2009 to EUR 36.8 million as of June 30, 2010.

The largest item on the asset side of the VITA 34 balance sheet in the first half-year of 2010 was the goodwill of the subsidiaries VITA 34 AG and Secuvita, which totaled EUR 13.3 million. Thus, goodwill increased by EUR 1.4 million, from EUR 11.9 million as compared with year's end 2009.

The non-current assets not including goodwill totaled EUR 13.9 million in the first half-year of 2010. The increase of EUR 6.4 million as compared with December 31, 2009 was mainly caused by an increase in intangible assets. The assets from storage contracts taken over, as well as revenues from future storages of existing customers have been included in this.

The current assets and cash together totaled EUR 9.5 million, where cash and cash equivalents of EUR 3.2 million represented the largest item. Cash and cash equivalents of EUR 6.1 had been posted at the end of 2009. Receivables on the other hand rose to EUR 2.7 million at the end of the reporting period following EUR 2.3 million at the end of 2009.





# Start of iPS cell project of VITA 34 in conjunction with the Hannover Medical School (MHH)

## 4 INVESTMENTS

VITA 34 made investments in plant and material and intangible assets in the amount of EUR 0.4 million in Q2 2010. In comparison with the prior year's period, in which investments amounted to EUR 0.1 million, more has been invested in 2010. In the first six months of 2010 the investments in the reporting period totaled EUR 0.6 million and exceeded the value of the prior year's period by EUR 0.4 million. The investments were mainly in pre-payments for process software in the IT department, new acquisitions in the laboratory and in expanding the cryo and storage capacities at the company's headquarters in Leipzig. It is expected that there will be no significant change in investment activity in the coming quarter.

## 5 EMPLOYEES

As of June 30, 2010, VITA 34 employed 131 people in the group (without trainees and temporary workers). In the prior year, 107 people were employed as of June 30. The number of employees has increased by 35 as compared with Q1 2010. This is primarily the result of additional personnel from Secuvita.

At the end of Q2 there were 40 employees in production and quality assurance, in marketing and sales 68 and in the commercial department 23 employees.

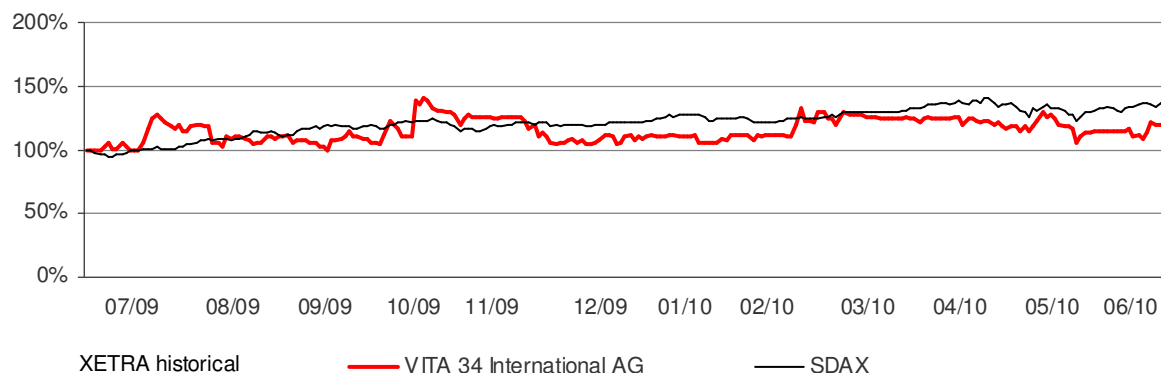
## 6 VITA 34 ON THE CAPITAL MARKET

At the end of Q1 2010 we detected a recovery in the German stock market. As compared with year's end, the DAX and SDAX indices showed a positive development. The development must be viewed in a more differentiated manner at the end of Q2. As compared with December 30, 2009, the DAX remain nearly unchanged as of June 30, 2010.

By contrast, the SDAX, an indicator for German second-line stocks, improved by some 10 percent. The VITA 34 stock also followed this trend. As compared with a price of EUR 4.55 as of December 30, 2009, it was able to assert a growth of approx. 9.5 percent, rising to a price of EUR 4.98 on June 30, 2010 on the Xetra electronic trading system. In the first half-year of 2010, the stock reached its high of EUR 5.33 on February 22. The low of EUR 4.40 was noted at the beginning of the quarter, on January 20. The positive development of the first quarter was, however, not continued in the second quarter.

We are not satisfied with the fact that the development of the share price is not trending along with the positive development of the company. We need to repeat that the VITA stock currently has a difficult starting position under the general market conditions for small cap companies. The low market capitalization, the low trading volume despite a positive development, and the classification in the risky biotechnology industry all contribute to this. However, a comparison of our stock with the Prime IG Biotechnology Performance Index, in which the VITA stock is listed, shows a different trend. Contrary to the aforementioned positive development of the VITA share price of approx. +9.5 percent since the end of 2009, the index, in which the VITA stock is among the smallest equities, has experienced a negative trend of -3 percent.

The average number of shares traded also experienced a positive development in the first half-year of 2010. As compared with the turnover achieved in the first half-year of 2009, the volume increased by some 83 percent. Per day an average of 4,250 shares were traded on all German exchanges in 2010, and in Q2 it was even approx. 4,700 shares. Of these, the majority of 3,300 again were on Xetra, which represented the most liquid exchange. As Designated Sponsor for VITA 34, ICF Kursmakler AG ensures tight margins between bid and offer prices, thus increasing the attractiveness of the stock for investors.



There were no fundamental changes in the shareholder structure: The percentage of VITA shares held by founders and management is now 15.1 percent. The largest single shareholder since the IPO has been 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) of VITA 34 International AG. Free float according to the Deutsche Börse AG definition was 48.4 percent.

Detailed, transparent and very fast communication will continue to be the cornerstones of information dissemination by VITA 34 to the capital market. For this reason we will also implement several new contents on our IR website at the beginning of July 2010.

VITA 34 participated in the Munich Capital Market conference in April. In addition, VITA 34 will present as usual at important capital market conferences such as the German Equity Forum in November 2010.

In depth information on the course of business and on the VITA 34 stock can be found on the revised VITA 34 International AG website at its new address [www.vita34group.com](http://www.vita34group.com).

Investors and interested parties can download the 2010 Half-Year Report from the Financial Reports section of the company's website. In addition, VITA 34 is available for investor questions via email at [ir@vita34.com](mailto:ir@vita34.com)

## 7 RISKS AND MARKET OPPORTUNITIES

With regard to risks and market opportunities, there have been no significant changes to the risks and opportunities listed in the 2009 Annual Report at VITA 34 in the first half of 2010.

### INFORMATION AND KEY FIGURES ON THE SHARES

Ticker symbol / Reuters symbol	V3V / V3VGn.DE
Securities number / ISIN	A0BL84 / DE000A0BL849
Initial quotation	03/27/2007
Market segment	Prime Standard
Index	CDAX, Prime All Share, Technology All Share, Prime IG Biotechnology
Opening / High / Low / Closing price Q2 2010 (Xetra)	4.55 EUR / 5.55 EUR / 4.40 EUR / 4.98 EUR
Number of shares issued	2,646,500
Freefloat as of 06/30/2010	48.4 %
Market capitalization as of 06/30/2010	13.2 Mio. EUR
Designated Sponsor	ICF Kursmakler AG

# Fourth transplantation in 2010 with umbilical cord blood stored at VITA 34

## 8 OUTLOOK

The statements in the outlook section of the 2009 Annual Report and in the Q1 2010 Quarterly Report, that VITA 34 will not pursue revenue growth at any cost in the core business considering the economic situation and reluctant consumer behavior, continue to be valid for the core German-speaking market. A trend towards stagnation or a slight reduction in numbers can be seen in the German-speaking and Spanish markets. In contrast, this year will be characterized by growth in the Italian and Slovenian markets, as well as in donated preparations. At the group level revenues of EUR 18-19 million will be earned on a 12 month basis. For 2010 revenues in the amount of EUR 17-18 million are expected due to the initial consolidation of May 12, 2010.

In May 2010, VITA 34 was able to acquire the majority of Secuvita, S.L., which had only been its Spanish partner up to then. In this way VITA 34 is not only directly present in one of the currently most attractive markets, rather it has simultaneously ensured for itself long-term, relevant storage figures and an increased utilization of its own laboratories. As of May 12, 2010 the transaction has led to full consolidation and, thus, as of year's end there will be higher revenues than planned. The increase in Value Added Tax in Spain to 18 percent as of July 1, 2010, however, represents an additional burden and challenge.

The acquisition of a majority stake in Secuvita is associated with extraordinary expenditures that were incurred within the scope of the transaction and structural adjustments. Here, it will be necessary to undertake investments in and for synergies between Secuvita and VITA 34. This will depress the 2010 result. However, all steps will be taken in order to ensure that the desired goal of clearly improving profitability by year's end and in the following years is achieved.

Moreover, it is necessary to undertake all measures to set a course for growth beyond the year 2010. Consolidation and increasing the effectiveness of business activities and internal processes continue to be among the central measures. We will, however, ensure that there will be no compromise in quality in favor of economic considerations.

VITA 34 will evaluate and open up additional synergy potential and enhancements of the core business in developing the German market. Here, VITA 34 has the expansion of the value chain in focus. Long-term approaches will be pursued with the products and therapeutic approaches expected from the research projects. Here, VITA 34 is working towards an approach that is as cost neutral as possible.

In the future, too, VITA 34 will offer its services domestically and internationally as a complete provider, such as has been implemented with our European partners and for the German Cord Blood Bank (NKR-North German Bone Marrow and Stem Cell Donor Registry). The outstanding reputation of VITA 34 with end customers and transplanting physicians should be considered a long-term success factor in this regard.

Leipzig, July 13, 2010  
Management Board of VITA 34 International AG



Dr. Eberhard Lampeter



Jörg Ulbrich



# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

06/30/2010

## 1 CONDENSED CONSOLIDATED STATEMENT OF INCOME

EUR K	NOTE	04/01/- 06/30/2010	04/01/- 06/30/2009	01/01/- 06/30/2010	01/01/- 06/30/2009
Revenue		4,109	3,623	7,600	7,025
Cost of sales		-1,478	-1,312	-2,732	-2,444
<b>Gross profit on sales</b>		<b>2,631</b>	<b>2,311</b>	<b>4,868</b>	<b>4,581</b>
Other operating income		275	81	512	342
Selling expenses		-1,909	-1,762	-3,567	-3,880
Administrative expenses		-862	-601	-1,410	-1,154
Other operating expenses		-111	-13	-219	-68
<b>Net operating profit/loss</b>		<b>24</b>	<b>16</b>	<b>184</b>	<b>-179</b>
Finance revenue		17	163	108	206
Finance costs		-40	-63	-76	-115
<b>Earnings before taxes</b>		<b>1</b>	<b>116</b>	<b>216</b>	<b>-88</b>
Income tax income	5	-77	-28	-27	92
<b>Period result</b>	<b>6.1</b>	<b>-76</b>	<b>88</b>	<b>189</b>	<b>4</b>
Period result attributable to					
Owners of the parent		-22	88	243	4
Non-controlling interests		-54	0	-54	0
Earnings per share, basic / diluted (EUR)				0.07	0.00

## 2 CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR K	NOTE	04/01- 06/30/2010	04/01- 06/30/2009	01/01- 06/30/2010	01/01- 06/30/2009
Period result		-76	88	189	4
Changes recognized in other comprehensive income		0	0	-3	0
Changes recognized in profit or loss		0	0	4	0
<b>Difference from currency translation</b>		<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>
Changes recognized in other comprehensive income		0	0	-19	0
Changes recognized in profit or loss		0	0	-110	0
<b>Gains/losses on available-for-sale financial assets</b>		<b>0</b>	<b>0</b>	<b>-129</b>	<b>0</b>
<b>Total comprehensive income for the year after tax</b>		<b>-76</b>	<b>88</b>	<b>61</b>	<b>4</b>
Period result attributable to					
Owners of the parent		-22	88	115	4
Non-controlling interests		-54	0	-54	0

### 3 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (ASSETS)

EUR K	NOTE	06/30/2010	12/31/2009
<b>Non-current assets</b>			
Goodwill	3.1	13,301	11,911
Intangible assets	3.1	7,655	795
Property, plant and equipment	3.1	3,803	3,319
Investments		0	155
Other financial assets		38	35
Deferred tax assets		0	667
Non-current trade receivables		1,803	1,805
Restricted Cash		632	695
		<b>27,232</b>	<b>19,382</b>
<b>Current assets</b>			
Inventories		580	554
Trade receivables		2,676	2,334
Other receivables and assets		1,585	825
Short-term investments		1,500	2,000
Cash and cash equivalents	4	3,180	6,055
		<b>9,521</b>	<b>11,768</b>
		<b>36.753</b>	<b>31,150</b>



### 3 CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (EQUITY AND LIABILITIES)

EUR K	NOTE	06/30/2010	12/31/2009
<b>Equity</b>			
Issued capital		2,647	2,647
Capital reserves		23,236	23,236
Revenue reserves		-7,205	-7,138
Other reserves		0	128
Treasury shares at cost		-436	0
Non-controlling interests		689	0
		<b>18,931</b>	<b>18,873</b>
<b>Non-current liabilities and deferred income</b>			
Interest-bearing loans		1,312	1,375
Silent partners' interests		940	940
Deferred income taxes		962	0
Deferred grants		818	846
Deferred income		5,784	5,616
		<b>9,816</b>	<b>8,777</b>
<b>Current liabilities and deferred income</b>			
Trade payables		795	813
Provisions		221	363
Income tax liabilities		0	195
Interest-bearing loans		3,273	125
Deferred grants		50	50
Other liabilities		2,660	1,314
Deferred income		1,007	640
		<b>8,006</b>	<b>3,500</b>
		<b>36.753</b>	<b>31,150</b>

#### 4 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN GROUP EQUITY

EUR K	ISSUED CAPITAL	CAPITAL RESERVES	REVENUE RESERVES	OTHER COMPREHENSIVE INCOME	
				TRANSLATION RESERVE	AVAILABLE-FOR- SALES ASSETS
<b>Balance as of January 1, 2009</b>	<b>2,647</b>	<b>23,192</b>	<b>-7,734</b>	<b>0</b>	<b>0</b>
Share-based compensation		37			
Period result			4		
Comprehensive income	0	37	4	0	0
<b>Balance as of June 30, 2009</b>	<b>2,647</b>	<b>23,229</b>	<b>-7,730</b>	<b>0</b>	<b>0</b>
<b>Balance as of January 1, 2010</b>	<b>2,647</b>	<b>23,236</b>	<b>-7,138</b>	<b>-1</b>	<b>129</b>
Changes in the consolidation scope					
Equity transactions			-310		
Available-for-sale shares					-129
Difference arising from foreign cur- rency translation				1	
Period result			243		
Comprehensive income	0	0	-67	1	-129
<b>Balance as of June 30, 2010</b>	<b>2,647</b>	<b>23,236</b>	<b>-7,205</b>	<b>0</b>	<b>0</b>

TREASURY SHARES AT COST	NON-CONTROLLING INTERESTS	TOTAL EQUITY
0	0	18,105
		37
		4
0	0	41
2,647	23,211	18,146
0	0	18,873
-436	1,933	1,497
	-1,190	-1,500
		-129
		1
	-54	189
-436	689	58
-436	689	18,931

## 5 CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

EUR K	NOTE	01/01- 06/30/2010	01/01- 06/30/2009
<b>Cash flow from operating activities</b>			
Earnings before taxes		216	-88
Adjusted for:			
Amortization and depreciation		482	328
Profit / loss from disposal of non-current assets		0	5
Other non-cash expenses and income		-20	-295
Exchange differences		-6	-2
Finance revenues		-108	-206
Finance expenses		76	115
Expenses of share-based compensation		0	37
Cash flow from ordinary operations:			
+/- Trade receivables and other receivables and assets		-134	-410
+/- Inventories		-26	34
+/- Trade payables and other liabilities		-738	-587
+/- Provisions		-142	-4
+/- Deferred income		168	160
Interest paid		-76	-103
Income taxes paid		-1	-3
<b>Cash flow from operating activities</b>		<b>-309</b>	<b>-1.019</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible assets		-304	-39
Purchase of property, plant and equipment		-267	-168
Purchase of companies, net of assumed cash		-4.154	0
Purchase of short-term investments		-1.500	-1.000
Cash received from the sale of short-term investments		2.000	0
Interest received		42	82
<b>Cash flow from investing activities</b>		<b>-4.183</b>	<b>-1.125</b>
<b>Cash flow from financing activities</b>			
<b>Changes in restricted cash</b>		63	250
Changes in silent partnerships		0	163
Changes in loans		1.437	-62
<b>Cash flow from financing activities</b>		<b>1.500</b>	<b>351</b>
Net change in cash and cash equivalents		-2.992	-1.793
Cash and cash equivalents at the beginning of the reporting period		6.055	6.374
Change in cash and cash equivalents from changes in the consolidation scope		-38	0
Net foreign exchange difference		2	1
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4</b>	<b>3.027</b>	<b>4.582</b>
Short-term investments		1.500	1.000
<b>Liquid funds</b>		<b>4.527</b>	<b>5.582</b>



# NOTES ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1 COMPANY INFORMATION

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

The unaudited, condensed, consolidated interim financial statements for the period from January 1 until June 30, 2010 were approved for publication by the Management Board on July 13, 2010

## 2 ACCOUNTING AND VALUATION PRINCIPLES

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

The preparation of the consolidated interim financial statements for the period from January 1 until June 30, 2010 has been conducted in accordance with IAS 34 "Interim Financial Reporting".

The condensed consolidated interim financial statements do not contain all of the explanations and information prescribed for the annual financial statements and should be read in conjunction with the consolidated financial statements as of December 31, 2009.

### 2.2 Significant Accounting and Valuation Methods

The accounting and valuation methods used to prepare the condensed consolidated interim financial statements correspond with the methods used in the preparation of the consolidated financial statements for the fiscal year as of December 31, 2009.

The group used the following new and revised IFRS standards and interpretations for the first time as of January 1, 2010:

- :: Amendments to IFRS 1: First-time Adoption of International Financial Reporting Standards
- :: Amendments to IFRS 1: Additional Exceptions for First-Time Users
- :: Amendments to IFRS 2: Share-based Payment
- :: Amendments to IFRS 3: Business Combinations
- :: Amendments to IAS 27: Consolidated and Separate Financial Statements
- :: Amendments to IAS 39: Financial Instruments: Recognition and Measurement – Eligible Hedged Items
- :: IFRIC 12: Service Concession Arrangements
- :: IFRIC 15: Agreements for the Construction of Real Estate
- :: IFRIC 16: Hedges of a Net Investment in a Foreign Operation
- :: IFRIC 17: Distributions of Non-cash Assets to Owners
- :: IFRIC 18: Transfers of Assets from Customers
- :: Improvements to IFRS in 2008
- :: Improvements to IFRS in 2009

The standards and interpretations required to be used for the first time starting January 1, 2010 resulted in no significant effects on the interim financial statements of VITA 34 International AG.

## 2.3 Business Combinations

IFRS 3, Business Combinations (IFRS 3 (2008)), and IAS 27, Consolidated and Individual Financial Reports (IAS 27 (2008)), have been used by the company since fiscal year 2010. All business combinations are drawn up in accordance with the acquisition method. The acquisition costs of a company acquisition are valued in accordance with the applicable time values of the assets employed and the liabilities received or taken over at the time of acquisition. Ancillary costs of acquisition are recorded at the time they are incurred as expenses. The assets acquired and identifiable in a business combination, as well as the liabilities assumed (including contingent liabilities, with the exception of deferred taxes) are valued with the applicable time value at the time of acquisition, independent of the scope of any non-controlling shares.

The valuation of non-controlling shares is done proportionally using the applicable proportional time value of the acquired asset and the assumed liabilities. The goodwill attributable to the minority shareholder was not covered by this. 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. In the case of successive company acquisitions, a new valuation using the applicable time value of the shares held at the time of the transfer of control is to be undertaken.

Changes in the percentages of holdings that do not lead to a loss of control, are accounted for as equity transactions. Here, each difference between the amount by which the non-controlling shares are adjusted and the applicable time value of the paid or unpaid consideration are directly posted in the retained earnings and are attributed to the company.

## 3 CONSOLIDATION SCOPE

The consolidated interim financial statements incorporate the financial statements of VITA 34 International AG and Vita 34 AG, Leipzig, Germany, as well as Novel Pharma, S.L., Alcala de Henares (Madrid), Spain, and Secuvita S.L., Alcalá de Henares (Madrid), Spain.

### 3.1 Acquisition of Secuvita S.L., Alcalá de Henares (Madrid), Spain

On May 12, 2010, the company acquired indirectly 51.62 percent of the shares in the Spanish Secuvita S.L. (hereinafter referred to as "Secuvita"), Alcalá de Henares (Madrid), Spain, by taking over all of the shares held by Novel Pharma S.L., Spain. Novel Pharma S.L., Spain, is a holding company without its own business operations. In June the company had increased its indirect holdings by an additional 29.77 percent. As of the end of the first six months the company indirectly held more than 81.39 percent of the shares.

Secuvita is also active in the field of collecting, preparing and storing umbilical cord blood. With the entry at Secuvita, the company is continuing to expand a value chain in this southern European country, after having only been the storage service provider for Secuvita up to now.

Currently in Spain, umbilical cord blood is stored in some 4 percent of births and, thus, the rate is roughly twice the rate found in Germany.

Based on the preliminary purchase price calculation, the acquisition of the interest has resulted in goodwill in the amount of EUR 1.4 million. This has been determined as follows:

<b>GOODWILL SECUVITA</b>	<b>2010</b>
	<b>EUR K</b>
Purchase price paid for 51,62% of the shares	3,266
Applicable time value of the assts and liabilities (proportional)	-2,679
Deferred tax liabilities (proportional)	803
<b>Goodwill</b>	<b>1,390</b>

The goodwill is mainly determined by the synergies expected from the takeover of the majority of shares.

The applicable time value of the assets acquired, liabilities and contingent liabilities of Secuvita applied at the time of acquisition, as well as their book value directly before the business combination, are contained in the following table:

ASSETS AND LIABILITIES OF SECUVITA, S.L.	Applicable time value at the time of acquisition (proportional)	Book value immediately before business combination (proportional)
	EUR K	EUR K
<b>Assets</b>	<b>8,182</b>	<b>4,827</b>
<b>Current Assets</b>	<b>1,245</b>	<b>1,245</b>
Cash and cash equivalents	427	427
Trade receivables	522	522
Other assets	296	296
<b>Non-current Assets</b>	<b>6,936</b>	<b>3,582</b>
Intangible assets	3,471	2
Property, plant and equipment	274	423
Investments	2,928	2,928
Other assets	264	229
<b>Liabilities</b>	<b>-6,306</b>	<b>-4,526</b>
<b>Current liabilities</b>	<b>-2,518</b>	<b>-1,523</b>
Trade payables	-337	-392
Interest-bearing loans	-890	-890
Deferred income	-148	-148
Other liabilities	-1,143	-92
<b>Non-current liabilities</b>	<b>-3,788</b>	<b>-3,004</b>
Deferred tax liabilities	-803	-19
Interest-bearing loans	-2,944	-2,944
Deferred income	-41	-41

The applicable time value of the assets, liabilities and contingent liabilities acquired were determined using observed market prices. If a market price could not be determined, income-oriented approaches of cost-oriented procedures for valuating the acquired assets and assumed liabilities were employed.

Mainly assets from storage contracts taken over, as well as income from future storages of existing customers are posted under intangible assets, which were discounted down to the actual cash value using a depreciation rate.



The attainable amount from the contracts taken over were derived using an average storage duration of 20 years, the average cancellation rate determined from the prior year's values, based on the current cost structures and tax rates at Secuvita.

In the case of income from future storages, the attainable amount was determined based on the average repeat storage rates and the current price and cost structures for multiple storages.

The interest rate determined for the cash flow prognoses was derived from a risk-free interest rate, taking into consideration a market risk premium and a company-specific beta factor at the time the shares were acquired.

The applicable time value of the receivables corresponds with the book value at the time of acquisition. None of the receivables were discounted. The receivables are, presumably, collectable.

Thanks to the acquisition of Secuvita, group revenues increased by EUR 505k. The period result contains a loss on the part of Secuvita of EUR 294k, which has been incurred since the time of acquisition. The loss was, in particular, due to restructuring measures associated with the acquisition of the company. If the business combination had taken place at the beginning of the year, the period result would have been EUR 85k and revenues would have been EUR 9,301k.

The transaction costs associated with the acquisition of the company are listed under the administrative costs.

### 3.2 Change in the Percentage of Shares Held in Secuvita S.L., Alcalá des Henares (Madrid), Spain

On June 2, 2010 the company increased its indirect participation in Secuvita by an additional 29.77 percent. A purchase price in the amount of EUR 1.500k was paid for this. At the end of the half year, the company indirectly held more than 81.39 percent of the shares.

The increase in the participation in Secuvita resulted in a reduction in the shares of other shareholders by EUR 1,190k, as well as an increase in retained earnings of EUR 310k.

## 4 CASH AND CASH EQUIVALENTS

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

CASH AND CASH EQUIVALENTS	06/30/2010	06/30/2009
	EUR K	EUR K
Cash at banks and in hand	3.180	4.582
Current accounts credit	-153	0
<b>Cash at banks and in hand</b>	<b>3.027</b>	<b>4.582</b>

## 5 INCOME TAXES

### *Treatment of tax losses carried forward and deferred tax claims*

Within the context of a tax audit conducted at VITA 34 AG, which reached back to tax year 2002, the financial authorities arrived at a different opinion than VITA 34 AG with regard to the tax treatment of deferred income from storage fees paid in advance.

This resulted in an assessment that modified the VITA 34 AG tax return, the result of which led to a reduction in the tax loss carried forward as of the relevant date December 31, 2002. VITA 34 AG initiated legal action against this assessment. In March 2010 the case was won and the tax treatment by VITA 34 AG of deferred income from storage fees paid in advance was determined to be justified. Income from the reversal of a provision for business tax in the amount of EUR 195k resulted from winning this case.

The adjustment of valuation differences from deferred income between the tax balance sheet and the consolidated interim financial statements, as well as the adjustment of the tax loss carried forward result of winning the case led altogether to a reduction in the deferred taxes and, therefore, to additional expenditures in the amount of EUR 145k.

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

<b>MAJOR COMPONENTS OF THE INCOME TAX INCOME / EXPENSE</b>	<b>01/01-06/30/2010</b>	<b>01/01-06/30/2009</b>
<b>CONSOLIDATED STATEMENT OF INCOME</b>	<b>EUR K</b>	<b>EUR K</b>
<b>Current income tax</b>		
Current income tax income/expense	-195	3
<b>Deferred income tax</b>		
Origination and reversal of temporary differences	250	-31
On unused tax losses	-28	-64
<b>Income tax expense/income</b>	<b>27</b>	<b>-92</b>

## 6. 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.

### 6.1. Information Concerning Geographic Regions

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

The income was assigned to the geographic regions, taking the revenues achieved in the respective countries into consideration.

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

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

The following table contains information on sales revenues and segment results of the geographic segments of the group for the period from January 1 to June 30, 2010, or 2009:

<b>PERIOD FROM 01/01 – 06/30/2010</b>					
	<b>DACH</b>	<b>SPAIN</b>	<b>TOTAL</b>	<b>CONSOLI- DATION</b>	<b>GROUP</b>
	<b>EUR K</b>	<b>EUR K</b>	<b>EUR K</b>	<b>EUR K</b>	<b>EUR K</b>
Income from business with external customers	6.739	861	7.600	0	7.600
Income from business with other segments	356	0	356	-356	0
	<b>7.095</b>	<b>861</b>	<b>7.956</b>	<b>-356</b>	<b>7.600</b>
EBIT	592	-408	184	0	184
Amortization and depreciation	-253	-229	-482	0	-482
Income tax expense	-143	116	-27	0	-27
Segment assets	30.573	11.312	41.885	-5.132	36.753
Segment liabilities	-12.102	-10.852	-22.954	5.132	-17.822

<b>PERIOD FROM 01/01 – 06/30/2009</b>					
	<b>DACH</b>	<b>SPAIN</b>	<b>TOTAL</b>	<b>CONSOLI- DATION</b>	<b>GROUP</b>
	<b>EUR K</b>	<b>EUR K</b>	<b>EUR K</b>	<b>EUR K</b>	<b>EUR K</b>
Income from business with external customers	7,025	0	7,025	0	7,025
Income from business with other segments	0	0	0	0	0
	<b>7,025</b>	<b>0</b>	<b>7,025</b>	<b>0</b>	<b>7,025</b>
EBIT	-179	0	-179	0	-179
Amortization and depreciation	328	0	328	0	328
Income tax expense	92	0	92	0	92
Segment assets	29,573	0	29,573	0	29,573
Segment liabilities	-11,427	0	-11,427	0	-11,427

The company has been the storage service provider for Secuvita in the previous years. In 2009 the income regarding this service has been attributed to the only segment DACH.

The segment operating profit/loss does not contain any finance revenues (EUR 108k) and finance expenses (EUR -76k) since they are not directly attributable to the individual segments.

The group financing (including finance expenses and revenues) as well as taxes on income and profits, are taxed uniformly across the groups and are not attributed to the individual segments.

## 7 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions which have been entered into with related parties for the period from January 1 to June 30, 2010 and 2009:

EXPENSES TO RELATED PARTIES	TOTAL AMOUNT OF TRANSACTIONS	
	2010	2009
PERIOD FROM 01/01 – 06/30/	EUR K	EUR K
<b>Compensation of key management personnel of the Group:</b>		
Short-term benefits:		
- Remuneration of the Supervisory Board	15	30
- Management Board salaries	156	309
Share-based compensation		
- The Managements Board of VITA 34 AG	0	37

## FINANCIAL CALENDAR 2010

February 25, 2010	Publication of Annual Report
April 15, 2010	Publication of Q1 Report
July 13, 2010	Publication of Q2 Report
July 13, 2010	Annual General Meeting
October 14, 2010	Publication of Q3 Report
November 2010	German Equity Forum

## CONTACT

Dr. med. Eberhard F. Lampeter  
VITA 34 International AG  
Deutscher Platz 5  
04103 Leipzig

Telephone: +49 341 48792-40  
Fax: +49 341 48792-39  
E-mail: [ir@vita34.com](mailto:ir@vita34.com)

### Press:

Axel Mühlhaus/Dr. Sönke Knop  
edicto GmbH  
Zeißelstraße 19  
60318 Frankfurt

Telephone: +49 69 905505-52  
Fax: +49 69 905505-77  
E-mail: [vita34@edicto.de](mailto:vita34@edicto.de)

This Interim Report was published in German and English on July 13, 2010 and is available for download on our internet site.

VITA 34 on the Internet: [www.vita34group.com](http://www.vita34group.com)

**VITA 34 International AG**

Deutscher Platz 5  
04103 Leipzig

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

Internet: [www.vita34group.com](http://www.vita34group.com)  
E-mail: [ir@vita34.com](mailto:ir@vita34.com)

