

# **FINANCIAL STATEMENTS 2008**

VITA 34 INTERNATIONAL AG

**CONTENTS OF THE FINANCIAL STATEMENTSS**

Page

|  |    |
|--|----|
| Audit Opinion .....                        | 3  |
| Income Statement .....                     | 5  |
| Balance Sheet .....                        | 6  |
| Notes .....                                | 8  |
| Management Report .....                    | 19 |
| Declaration of Legal Representatives ..... | 32 |

## **Audit Opinion**

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of VITA 34 International AG, Leipzig, for the fiscal year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Leipzig, 2 February 2009

Ernst & Young AG  
Wirtschaftsprüfungsgesellschaft  
Steuerberatungsgesellschaft

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

**VITA 34 International AG, Leipzig**  
**Income statement for fiscal year 2008**

|  | EUR               | EUR                         | 2007<br>EUR          |
|--|-------------------|-----------------------------|----------------------|
| 1. Other operating income  |                   | 449.318,00                  | 515                  |
| 2. Personnel expenses  |                   |                             |                      |
| a) Wages and salaries  | 452.870,67        |                             | 547                  |
| b) Social security contributions   | 12.592,13         |                             | 12                   |
| 3. Other operating expenses  | <u>639.570,42</u> |                             | <u>1.603</u>         |
|  |                   | 1.105.033,22                | <u>2.162</u>         |
| 4. Other interest and similar income   | 299.627,95        |                             | 212                  |
| 5. Write-downs of financial assets and securities classified as current assets | 85.900,00         |                             | 776                  |
| 6. Interest and similar expenses   | <u>1.949,98</u>   |                             | <u>8</u>             |
|  |                   | 211.777,97                  | <u>-572</u>          |
| 7. Result from ordinary activities   |                   | -443.937,25                 | -2.219               |
| 8. Income taxes  |                   | 0,00                        | <u>1</u>             |
| 9. Net loss for the year   |                   | -443.937,25                 | <u>-2.218</u>        |
| 10. Loss carryforward  |                   | -5.633.195,04               | -3.415               |
| 11. Accumulated loss   |                   | <u><u>-6.077.132,29</u></u> | <u><u>-5.633</u></u> |

**VITA 34 International AG, Leipzig**  
**Balance sheet as of 31 December 2008**

| ASSETS                                   | EUR               | EUR                 | 31 Dec 2007<br>EUR k |
|--|-------------------|---------------------|----------------------|
| <b>A. FIXED ASSETS</b>                   |                   |                     |                      |
| <b>Financial assets</b>                  |                   |                     |                      |
| 1. Shares in affiliated companies        | 3.501.000,00      |                     | 1.501                |
| 2. Loans to affiliated companies         | <u>0,00</u>       |                     | <u>0</u>             |
|  |                   | <u>3.501.000,00</u> | <u>1.501</u>         |
| <b>B. CURRENT ASSETS</b>                 |                   |                     |                      |
| <b>I. Receivables and other assets</b>   |                   |                     |                      |
| 1. Receivables from affiliated companies | 91.150,78         |                     | 67                   |
| 2. Other assets                          | <u>189.707,21</u> |                     | <u>162</u>           |
|  |                   | 280.857,99          | <u>229</u>           |
| <b>II. Other securities</b>              |                   | 876.100,00          | <u>1.951</u>         |
| <b>III. Bank balances</b>                |                   | 4.454.005,40        | <u>6.105</u>         |
|  |                   | <u>5.610.963,39</u> | <u>8.285</u>         |
| <b>C. Prepaid expenses</b>               |                   | <u>16.184,97</u>    | <u>30</u>            |
|  |                   | <u>9.128.148,36</u> | <u>9.816</u>         |

| <b>EQUITY AND LIABILITIES</b>                       | EUR        | EUR                 | 31 Dec 2007<br>EUR k |
|---|------------|---------------------|----------------------|
| <b>A. EQUITY</b>                                    |            |                     |                      |
| I. Subscribed capital                               |            | 2.646.500,00        | 2.647                |
| II. Capital reserve                                 |            | 12.080.000,00       | 12.080               |
| III. Accumulated loss                               |            | -6.077.132,29       | -5.633               |
|   |            | <u>8.649.367,71</u> | <u>9.094</u>         |
| <b>B. ACCRUALS</b>                                  |            |                     |                      |
| Other accruals                                      |            | 312.434,86          | 385                  |
| <b>C. LIABILITIES</b>                               |            |                     |                      |
| 1. Trade payables                                   | 40.331,84  |                     | 5                    |
| 2. Liabilities to affiliated companies              | 125.887,35 |                     | 332                  |
| 3. Other liabilities                                |            |                     |                      |
| thereof for taxes: EUR 126.60 (prior year: EUR 0 k) | 126,60     |                     | 0                    |
|   |            | <u>166.345,79</u>   | <u>337</u>           |
|   |            | <u>9.128.148,36</u> | <u>9.816</u>         |

**VITA 34 International AG, Leipzig**  
**Notes to the financial statements for fiscal year 2008**

---

**I. General**

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

**II. Accounting and valuation methods**

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

Receivables and other assets are stated at their nominal value.

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

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

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

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

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

### **III. Notes to the balance sheet**

#### **1. Fixed assets**

Fixed assets comprise shares in affiliated companies of EUR 3,501 k (prior year: EUR 876 k). A statement of changes in fixed assets is attached to these notes.

#### **2. Receivables and other assets**

There are no trade receivables.

There are receivables from affiliated companies amounting to EUR 91 k (prior year: EUR 67 k). These mainly consist of management fees. The receivables fall due within one year.

Other assets totaling EUR 190 k (prior year: EUR 162 k) mainly comprise tax refund claims and interest receivables.

#### **3. Cash and cash equivalents and securities classified as current assets**

The Company has bank balances of EUR 4,454 k (prior year: EUR 6,105 k), as well as securities classified as current assets amounting to EUR 1,951 k (prior year: EUR 1,951 k).

Securities were written down by EUR 86 k to the lower market value as of the balance sheet date.

#### **4. Equity**

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

In 2008, the capital reserves remained unchanged at EUR 12,080 k (prior year: EUR 12,080 k).

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

The management board can, subject to the approval of the supervisory board, preclude existing shareholders' subscription rights. The preclusion of existing shareholders' rights is permissible in particular in order to:

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

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

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

Pursuant to Art. 7(3) of the articles of incorporation and bylaws of VITA 34 International AG, the Company's capital stock can be conditionally increased by a nominal amount of up to EUR 40,000.00 by issue of up to 40,000 new registered shares. The conditional capital increase serves to cover the stock options, the issue of which was adopted by resolution of the annual general meeting on 31 July 2007. The conditional capital increase is only carried out to the extent that holders of options exercise them. The new shares resulting from the options exercised participate in profits from the beginning of the fiscal year in which they are created by exercising the subscription rights.

## **5. Accruals**

Other accruals primarily comprise accruals for personnel expenses (EUR 123 k), preparing the financial statements and audit fees (EUR 89 k) and outstanding invoices (EUR 66 k).

## **6. Liabilities**

In 2008, the liabilities of EUR 166 k (prior year: EUR 337 k) include liabilities due to affiliated companies (EUR 126 k; prior year: EUR 332 k). The latter comprise liabilities due to Corcell from the cash pooling account and trade payables of EUR 40 k (prior year: EUR 5 k). All liabilities fall due within one year.

## **7. Contingent liabilities and other financial obligations**

VITA 34 International AG has assumed a no-fault liability in the case of default for all obligations of VITA 34 AG arising from the silent participation agreement dated 30 July and 6 August 1999 between VITA 34 AG and tbg Technologie-Beteiligungs-Gesellschaft mbH. If VITA 34 AG fails to meet its payment obligations towards tbg, tbg may claim payment directly from VITA 34 International AG. The contribution of tbg totals EUR 349,723.64 and its term runs until 31 December 2009.

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

#### **IV. Notes to the income statement**

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

##### **1. Other operating income**

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

##### **2. Other operating expenses**

In the year under review, this item mainly included legal and consulting fees as well as current costs from listing on the Prime Standard index amounting to EUR 381 k (prior year: EUR 1,146 k, including IPO expenses) as well as the cost of preparing and auditing the financial statements amounting to EUR 127 k (prior year: EUR 136 k). Additional other expenses of EUR 59 k are attributable to the supervisory board (prior year: EUR 81 k). Other operating expenses include expenses of EUR 14 k relating to other periods from the write-off of receivables.

##### **3. Write-downs on financial assets and securities classified as current assets**

Securities recognized under current assets were written down to net realizable value as of the balance sheet date. A write-downs of EUR 86 k were recognized as of the balance sheet date.

## V. Other notes

### 1. Employees

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

### 2. Management board

The management board members in fiscal year 2008 were:

|                                 |   |
|---------------------------------|---|
| Dr. Eberhardt F. Lampeter (CEO) | member of the management board of<br>VITA 34 AG (CEO) |
|---------------------------------|---|

|                      |   |
|----------------------|---|
| Peter Boehnert (CFO) | member of the management board of<br>VITA 34 AG (CFO) |
|----------------------|---|

### **Remuneration of the management board of VITA 34 International AG (remuneration report)**

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

Fixed salary refers to the contractually-defined basic rate which is paid monthly in equal amounts. The amount of the variable component is limited and is based on whether certain quantitative and qualitative targets set each year are met. More weight is given to the quantitative targets, which relate to sales and EBIT. Furthermore, individual performance targets are taken into account. These targets are to be agreed between the supervisory board and the management board member at the start of each fiscal year.

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

Total remuneration for management board members amounted to EUR 491 k in fiscal year 2008. Details on management board remuneration are broken down in the table below. Variable remuneration is shown at the amounts that the management board members can earn based on the company results 2008. When determining whether qualitative goals have been reached, the smaller portion of variable remuneration is determined at the discretion of the supervisory board.

Remuneration of VITA 34 International AG's management board for the fiscal year 2008 in EUR k:

|                          | Fixed<br>remuneration | Variable<br>remuneration | Other<br>remuneration | Total<br>remuneration |
|--------------------------|-----------------------|--------------------------|-----------------------|-----------------------|
| Dr. Eberhard F. Lampeter | 180                   | 63                       | 25                    | 268                   |
| Peter Boehnert           | 145                   | 51                       | 27                    | 223                   |

***Premature termination of the employment agreement***

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

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

***Stock-based compensation***

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

### 3. Supervisory board disclosures

The supervisory board members in fiscal year 2008 were:

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

## Supervisory board remuneration (remuneration report)

Board remuneration of EUR 30 k was paid in 2008.

Remuneration of supervisory board members is determined pursuant to Art. 18 of the articles of incorporation and bylaws. The current version of the regulations are based on the resolution of the annual general meeting of 31 July 2007. Remuneration is agreed as a fixed salary and is paid quarterly to members of the supervisory board. The roles of supervisory board chairman and his deputy are taken into account separately.

| <u>Supervisory board remuneration of<br/>VITA 34 International AG</u> | <u>Fixed compensation<br/>EUR</u> |
|---|-----------------------------------|
| Richard J. Neeson (Chairman)  | 8,000                             |
| Hubertus Leonhardt (Deputy Chairman)                                  | 6,000                             |
| Dr. Uwe Marx  | 4,000                             |
| Joseph H. Jacovini  | 4,000                             |
| Prof. Dr. Christoph Hohbach   | 4,000                             |
| I. Steven Udvarhelyi  | 4,000                             |

In fiscal year 2008, no other compensation was paid by the company to members of the supervisory board and no other advantages were extended for services provided individually.

## 4. Information on shareholdings, consolidated financial statements

As of 31 December 2008, VITA 34 International AG is a parent company as defined by Sec. 290 HGB of the subsidiaries listed in the list of equity investments, which in turn are affiliated companies in accordance with Sec. 271 (2) HGB.

| Name         | Registered office    | Share in capital % | Equity as of Dec. 31, 2007 (EUR k) | Net income/loss for 2008 in (EUR k) |
|--------------|----------------------|--------------------|------------------------------------|-------------------------------------|
| VITA 34 AG   | Leipzig, Deutschland | 100.0              | 2,263                              | -1,997                              |
| CorCell Inc. | Philadelphia, USA    | 100.0              | -2,198                             | 19                                  |

Exchange rate: USD 1.4097

As the parent company, VITA 34 International AG has prepared consolidated financial statements in accordance with IFRS for the year ending 31 December 2008.

## 5. Disclosures relating to corporate governance declaration

VITA 34 International AG issued a declaration of corporate governance in 2008, published in accordance with the relevant stock exchange rules and regulations. The corporate governance directives as well as the declaration of compliance can be viewed on the internet at [www.vita34.de](http://www.vita34.de) (in the investor relations section).

## 6. Appropriation of profits/proposal for the appropriation of profits

The management board proposes to carry forward the accumulated loss of EUR 6,077,132 to new account.

## 7. Audit fees and provisions pursuant to Sec. 285 No. 17 HGB

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

|   | 2008<br>EUR k | 2007<br>EUR k |
|---|---------------|---------------|
| Audit fees  | 58            | 60            |
| Fees for other attestation and valuation services | 4             | 60            |
| Total   | <u>62</u>     | <u>120</u>    |

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

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

Leipzig, 30 January 2008

VITA 34 International AG



Dr. Eberhard F. Lampeter  
CEO



Peter Boehnert  
CFO

**Statement of changes in fixed assets for fiscal year 2008**

|                                   | 1 Jan 2008   |              | Acquisition and production cost |           | 31 Dec 2008  |              | Accumulated amortization, depreciation and write-downs |      | 31 Dec 2008  |              | Net book values |       |
|-----------------------------------|--------------|--------------|---------------------------------|-----------|--------------|--------------|--|------|--------------|--------------|-----------------|-------|
|                                   | EUR          | EUR          | EUR                             | Disposals | EUR          | EUR          | EUR  | EUR  | EUR          | EUR          | EUR             | EUR.k |
| <b>Financial assets</b>           |              |              |                                 |           |              |              |  |      |              |              |                 |       |
| 1. Shares in affiliated companies | 2.076.500,00 | 2.000.000,00 | 0,00                            | 0,00      | 4.076.500,00 | 575.500,00   | 0,00   | 0,00 | 575.500,00   | 3.501.000,00 | 1.501           |       |
| 2. Loans to affiliated companies  | 2.552.471,28 | 0,00         | 0,00                            | 0,00      | 2.552.471,28 | 2.552.471,28 | 0,00   | 0,00 | 2.552.471,28 | 0,00         | 0               |       |
|                                   | 4.628.971,28 | 2.000.000,00 | 0,00                            | 0,00      | 6.628.971,28 | 3.127.971,28 | 0,00   | 0,00 | 3.127.971,28 | 3.501.000,00 | 1.501           |       |

**Management report of VITA 34 International AG**  
for the fiscal year 2008

## **1. Business development and economic environment**

### **1.1. Business environment**

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

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

The Germany economy – VITA 34's most important market at present – slipped into recession in 2008. The eurozone as a whole also slipped into recession in 2008 for the first time since its establishment. Germany's gross domestic product (GDP) decreased by 0.4% compared to the prior quarter. GDP contracted by 0.5% in the third quarter. Based on initial preliminary estimates published by the German Federal Statistics Office, GDP dropped by between 1.5% and 2.0% in the last three months of 2008. The leading economic research institutes and the federal government anticipate a weakened economy in 2009. This is also expected to have a negative impact on consumer spending.

VITA 34 cannot rule out the possibility of cord blood storage, as a preventative service provided in exchange for payment, will be affected by economic developments. Although the data available do not indicate a direct correlation between absolute purchasing power and storage figures, the effects of a sudden change in the purchasing level are unknown at present.

### **1.2. Legal environment**

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

In 2008, there were no further changes in the legal environment for VITA 34 International AG compared to 2007.

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

### **1.3. Development of other operating income**

VITA 34 International AG's income stems almost exclusively from cross-charging management costs to VITA 34 AG.

### **1.4. Capital expenditures**

In 2008, VITA 34 International AG provided VITA 34 AG with the sum of EUR 2 million on condition that it transfers these funds to its free capital reserve within the meaning of Sec. 272 (2) No. 4 HGB ["Handelsgesetzbuch": German Commercial Code].

### **1.5. Personnel**

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

The management board members in fiscal year 2008 were:

- Dr. Eberhardt F. Lampeter (CEO)
- Peter Boehnert (CFO)

## 2. Results of operations, financial position and net assets

### 2.1. Results of operations

|   | 2008        |               | 2007         |               |
|---|-------------|---------------|--------------|---------------|
| <b>Operating performance</b><br>(other operating income)          | <b>449</b>  | <b>100.0%</b> | <b>515</b>   | <b>100.0%</b> |
| <b>= Contribution margin</b>                                      | <b>449</b>  | <b>100.0%</b> | <b>515</b>   | <b>100.0%</b> |
| - Personnel expenses  | -465        | 103.6%        | -559         | 108.5%        |
| - Structural costs  | -640        | 142.5%        | 1,603        | 311.3%        |
| <b>= EBITA</b><br>(earnings before interest, taxes, amortization) | <b>-656</b> | <b>146.1%</b> | <b>1,647</b> | <b>319.8%</b> |
| - Write-downs on financial assets                                 | -86         | -19.4%        | -776         | 150.7%        |
| - Interest and similar expenses/income                            | 298         | 66.6%         | 204          | 39.6%         |
| - Tax expenses  | 0           | 0.0%          | 1            | 0.2%          |
| <b>= Net loss for the year</b>                                    | <b>-444</b> | <b>-98.9%</b> | <b>2,218</b> | <b>430.7%</b> |

- The item **other operating income** includes income of EUR 449 k for management services and income from cross-charging expenses to VITA 34 AG.
- **Personnel costs** incorporate fixed and variable components of remuneration for VITA 34 International AG's management board.
- The **structural costs** mainly contain legal, consulting and audit fees as well as ongoing costs relating to listing of the Company on the Prime Standard amounting to EUR 508 k as well as supervisory board expenses of EUR 59 k.
- The **write-downs on financial assets** relate to securities recognized under current assets which were written down to net realizable value as of the balance sheet date.
- **Interest income** results from interest on available cash and cash equivalents.

## 2.2. Net assets

### Assets (in EUR k)

|   | <u>2008</u>  | <u>2007</u>  |
|---|--------------|--------------|
| Financial assets  | 3,501        | 1,501        |
| Receivables   | 91           | 67           |
| Cash and cash equivalents<br>(bank balances and securities portfolio) | 5,330        | 8,056        |
| <u>Other assets (prepaid expenses, other assets)</u>                  | <u>206</u>   | <u>192</u>   |
| <b>Total assets</b>   | <b>9,128</b> | <b>9,816</b> |

- **Financial assets**

The financial assets of EUR 3,501 k (prior year: EUR 1,501 k) comprise shares in VITA 34 AG.

- **Receivables**

In 2008, receivables remained practically unchanged compared to the prior year. Most receivables from the subsidiary VITA 34 AG (EUR 83 k) are disclosed.

- **Cash and cash equivalents**

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

- **Other assets**

Other assets of EUR 206 k (prior year: EUR 192 k) mainly include tax refund claims from the tax authorities, interest claims from capital investments and prepaid expenses.

### Equity and liabilities (in EUR k)

|                     | <u>2008</u>  | <u>2007</u>  |
|---------------------|--------------|--------------|
| Accruals            | 312          | 385          |
| Liabilities         | 166          | 337          |
| <u>Equity</u>       | <u>8,650</u> | <u>9,094</u> |
| <b>Total assets</b> | <b>9,128</b> | <b>9,816</b> |

- **Accruals**

Accruals were recognized in 2008 for personnel expenses, supplier obligations as well as audit and consulting fees.

- **Liabilities**

In 2008, liabilities comprised liabilities due to affiliated companies of EUR 126 k (prior year: EUR 332 k) and trade payables of EUR 40 k (prior year: EUR 5 k).

- **Equity**

In 2008, the Company's equity comprised capital stock of EUR 2,647 k (prior year: EUR 2,647 k), capital reserves of EUR 12,080 k (prior year: EUR 12,080 k) and accumulated losses of EUR 6,077 k (prior year: EUR 5,633 k).

### 2.3. Financial position

|   | <b>2008</b><br><b>EUR k</b> | <b>2007</b><br><b>EUR</b><br><b>k</b> |
|---|-----------------------------|---------------------------------------|
|   | <u>          </u>           | <u>          </u>                     |
| <b>1. Cash flow from operating activities</b>   |                             |                                       |
| Net loss before extraordinary items<br>and profit/loss transfer                                   | -444                        | -2,218                                |
| Write-downs (+)/write-ups (-) on fixed assets   | 0                           | 0                                     |
| Increase (+) / decrease (-) in accruals   | -73                         | 153                                   |
| Non-cash income (-) / non-cash expenses (+)   | 0                           | 743                                   |
| Increase (-)/decrease (+) in inventories, trade<br>receivables and other assets                   | -38                         | 66                                    |
| Increase (+)/decrease (-) in trade payables and other<br>liabilities                              | -171                        | 98                                    |
| Cash flow from operating activities   | <u>-726</u>                 | <u>-1,158</u>                         |
|   | -----                       | -----                                 |
| <b>2. Cash flow from investing activities</b>   |                             |                                       |
| Cash paid (-) for investments in financial assets   | -2,000                      | 0                                     |
| Cash flow from investing activities   | <u>-2,000</u>               | <u>0</u>                              |
|   | -----                       | -----                                 |
| <b>3. Cash flow from financing activities</b>   |                             |                                       |
| Cash received (+) from equity contributions (capital<br>increases, sale of treasury shares, etc.) | 0                           | 9,000                                 |
| Cash flow from financing activities   | <u>0</u>                    | <u>9,000</u>                          |
|   | -----                       | -----                                 |
| <b>4. Cash and cash equivalents at the end of the<br/>period</b>                                  |                             |                                       |
| Change in cash and cash equivalents (subtotal of 1 to<br>3)                                       | -2,726                      | 7,842                                 |
| Cash and cash equivalents at the beginning of the<br>period                                       | <u>8,056</u>                | <u>214</u>                            |
| Cash and cash equivalents at the end of the period  | <u>5,330</u>                | <u>8,056</u>                          |

### **3. Important events following the close of fiscal year 2008**

After the close of the fiscal year 2008, there were no events of any significance for the net assets, financial position and results of operations of VITA 34 International AG.

### **4. Remuneration report**

The management and control structures and the remuneration system for the management board and supervisory board comply with legal requirements, in particular those of the German Corporate Governance Code.

The management board's duties and portfolio of responsibilities prescribes two management areas. VITA 34 International AG'S supervisory board oversees the management board's management activities and supports in an advisory capacity.

#### **Structure of management remuneration and review**

The supervisory board determines the remuneration amount and structure for the management board pursuant to Sec. 87 of the AktG ["Aktiengesetz": German Stock Corporations Act]. Remuneration of VITA 34 International AG's management board includes fixed salary and variable components as well as other benefits.

#### **Fixed remuneration, variable performance-based remuneration and fringe benefits**

Fixed salary refers to the contractually-defined basic rate which is paid monthly in equal amounts. The amount of the variable component is capped and is based on whether certain quantitative and qualitative targets set each year are met. More weight is given to the quantitative targets, which relate to sales and EBIT. Furthermore, individual performance targets are taken into account. These targets are to be agreed between the supervisory board and the management board member at the start of each fiscal year.

#### **Supervisory board remuneration**

VITA 34 International AG's supervisory board currently comprises six members. Remuneration of supervisory board members is determined pursuant to Art. 18 of the articles of incorporation and bylaws. The regulations were last amended by resolution of the annual general meeting dated 31 July 2007. Remuneration is agreed as a fixed salary and is paid quarterly to members of the supervisory board. The roles of supervisory board chairman and his deputy are taken into account separately.

The remuneration of the management board members and the supervisory board members is disclosed in the notes to the financial statements under sections V.2 and V.3.

## **5. Disclosures pursuant to Sec. 289 (4) HGB**

### **Subscribed capital**

The subscribed capital of VITA 34 International AG amounts to EUR 2,646,500 and is split into 2,646,500 no-par value bearer shares (common stock). Each share entitles the holder to one vote.

### **Limitations to the transfer of shares**

The trading of shares of VITA 34 International AG is restricted only with respect to the sales prohibition attached to shares held by certain shareholders. Under the agreed sales prohibition, these shares may not be traded on the stock exchange for a period of 12 to 18 months from the date of initial listing (27 March 2007).

### **Main shareholders**

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

- Independence Blue Cross, Philadelphia, USA: 20.7 %
- LBBW: 15.8 %

### **Legal provisions concerning the appointment and dismissal of members of the management board or amendments to the articles of incorporation and bylaws**

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

### **Authorized capital**

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

The management board can, subject to the approval of the supervisory board, preclude existing shareholders’ subscription rights. The preclusion of existing shareholders’ rights is permissible in particular in order to

- Issue up to 204,650 new shares in return for contributions in cash at a price that is not significantly below the quoted price of the shares of the Company at the time that the management board determines the issue price

- Issue up to 500,000 new shares as part of a capital increase in return for contributions in kind to issue shares for the purpose of acquiring entities, business units or equity investments
- Round fractional amounts
- Issue up to 30,000 new employee stocks

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

### **Conditional capital**

Pursuant to Art. 7 (3) of the articles of incorporation and bylaws of VITA 34 International AG, the Company's capital stock can be conditionally increased by a nominal amount of up to EUR 40,000.00 by issue of up to 40,000 new registered shares. The conditional capital increase serves to cover the stock options, the issue of which was adopted by resolution of the annual general meeting on 31 July 2007. The conditional capital increase is only carried out to the extent that holders of options exercise them. The new shares resulting from the options exercised participate in profits from the beginning of the fiscal year in which they are created by exercising the subscription rights.

### **Authority of the management board to issue shares or acquire treasury shares**

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

- Reduce the Company's equity against voluntary reserves or
- To enable shares in the Company to be offered to third parties in the course of mergers or the acquisition of companies, equity investments in companies or industrial rights (patents, brands etc)
- To enable shares in the Company to be offered for purchase by members of the management board, executives and Company employees or current or future affiliated companies
- Or redeem them.

Authorization for the acquisition of shares is limited to a total value of EUR 204,000 for shares from common stock. This is less than 10 % of the capital stock. The authorization has not been exercised.

### **Significant agreements subject to a change in control as a result of a takeover bid**

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

## **6. Risk report**

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

Explanations are provided in the following on the subgroup of all identified risks which, from a current perspective, could have an impact on the net assets, financial position and results of operations of VITA 34:

- **Risks from future alternatives for the storage of umbilical cord blood**  
Future research may prove that stem cells from other sources (e. g., adult stem cells from bone marrow or peripheral blood or tissue) are a cost-effective alternative to stem cells from core blood and that these can be obtained at any time. Therapeutic clones could also be used by customers as an alternative treatment strategy. The field of therapeutic cloning is still at the earliest basic research phase. Its development into a therapy is exposed to very high risks and is unrealistic in our opinion. Even if this procedure were to develop into a successful treatment strategy in years to come, autologous stem cells would continue to be the ideal source of cells for therapeutic cloning. Consequently management believes that these alternatives do not pose a risk to the continued existence of the Company as a going concern.
- **Risks from reports in the media:** Potential customers may be affected by negative reports on cord blood storage in the media.
- **Market risks** There is a risk that the market expansion will be slower or less pronounced than expected. A potentially limiting factor in this context might be the financial resources available to VITA 34. Nevertheless, it can be assumed that the market expansion and growth of VITA 34 will not follow a linear pattern from quarter to quarter, but will rather be subject to fluctuations.
- **Legal risks:** Legal risks can result from the wide range of regulations and laws that concern the business of VITA 34. Amendments to laws affecting the medical and pharmaceutical fields may impact existing business structures. By actively conducting talks with decision-makers, we will endeavor to clarify the special circumstances affecting VITA 34 when the law is interpreted, and implement amendments in a practical manner.
- **Liability risks:** The unsuccessful collection of umbilical cord blood, improper transportation, processing errors at VITA 34 or the loss of stored specimens may, for example, lead to liability claims by customers affected. VITA 34 has concluded insurance policies to cover potential losses and liability risks in a bid to preclude or limit the economic consequences of any potential risks. The scope of the insurance agreements concluded is regularly reviewed and adjusted, if necessary.

- **Economic risks:** The financial crisis and the associated effects on the real economy could have consequences for the business of VITA 34. It cannot be ruled out that the weakness in the overall trend of the economy will have a negative impact on the sales and income development of VITA 34.
- **Increasing price competition:** There is a risk that aggressive pricing policies of competitors will negatively impact the business of VITA 34. Low prices and significant price reductions of competitors as well as new market players may lead to a weaker sales and income development at VITA 34 than expected.
- **Potential risks from the warranty obligation of Cord Blood America Inc.**  
Vita 34 International AG has assumed responsibility relating to the fulfillment of the payment obligations of CorCell Inc. from the transaction with Cord Blood America. If CorCell does not meet its obligation, Vita 34 International AG undertakes to satisfy all payment claims of Cord Blood America Inc. The warranty has a term of three years and will end on 31 March 2010 at the latest; it is limited to a total amount of USD 3,770,000.00.

A review of the risk position as of the balance sheet date on 31 December 2008 did not reveal any risks to the continued existence of the Company as a going concern. The total risk situation at VITA 34 has not changed substantially compared to the prior year. There are no recognizable risks for the future that could jeopardize the Company's ability to continue as a going concern.

## **7. Forecast**

The success of VITA 34 International AG hinges significantly on its subsidiaries. Therefore, we will initially provide a forecast for the group (VITA 34).

In 2009 and in following years, VITA 34, besides the market development in Germany, will concentrate particularly on a prudent international expansion of activities and further research cooperations to tap growth potential. This is due to fact that the development of the German market regarding units stored was slower than expected. Furthermore, at this stage it is not possible to foresee exactly how the current economic crisis will impact the demand for the preventative services provided by VITA 34. Nevertheless, VITA 34 expects the business development in the next two years to be marked by a moderate increase in sales.

Break-even is expected to be achieved in 2009 and thus a sustainable positive EBIT. Profitability will subsequently be improved again. The measures required for this will start with processes at all company levels to achieve greater efficiency. In addition, VITA 34 has already optimized its marketing and distribution costs and is now able to adequately contact targeted gynecologists, midwives and parent groups with a lower number of employees.

VITA 34 has a clearly focussed strategy for international expansion and concentrates efforts and mainly addresses markets which seem to be readily and

easily accessible. The extent of the private expenditure on health in the respective country care is one decisive and conclusive indicator for the level of acceptance of medical preventative services as offered by VITA 34. A further important condition is that the respective regulatory prerequisites have already been created. The logistic concepts for a smooth process must also be in place. Finally, competition in such markets should not be too fierce.

The business activities in the international markets should allow a positive contribution to the total earnings of VITA 34 International AG within the short to medium-term. However, even with increasing internationalization the business development will continue to be subject to cyclical fluctuations.

VITA 34 has addressed a number of markets which meet such conditions. It can rely on its extensive experience from its past international expansion steps. For example, the cooperation with Secuvita in Spain has proved highly successful, and Austria and Switzerland are also developing well.

Basically, the markets may be addressed in form of a cooperation with a partner or through joint ventures. The umbilical cord blood banking can be done on-site or in the glass laboratory in Leipzig, depending on the regional situation. The decisive factor for VITA 34 is that the storage is carried out in accordance with the tested quality standards and strict compliance with the applicable public health policies. VITA 34 considers direct contact with parents, hospitals, gynecologists and midwives to be a quality feature which is a distinctive decision criterion for parents for the storage at VITA 34, in Germany as well as for the activities of Secuvita in Spain.

Market entry in Slovenia is planned for the first quarter 2009, from which neighboring countries can be served. An agreement to this effect with a partner was signed at the end of 2008. Further international activities are in preparation for 2009.

In Germany, VITA 34 aims to further develop the market for umbilical cord blood banking. To this end, the Company will undertake advertising activities as well as making contacts to experts and multipliers through its field staff. These occasions should be used to confer basic knowledge about private umbilical cord blood banking. Insufficient knowledge about the existing applications for umbilical cord blood and its development potential still leads some multipliers to take a critical view of it. VITA 34 believes that detailed and concise information will achieve outstanding results combined with flexible strategies to take into account arguments of skeptics. The Company's product VITAplusSpende is a good example. Parents may register the product in a public index. If somewhere in the world a patient should need these stem cells, parents may then decide to donate them or whether they should remain stored for personal needs.

VITA 34 will further enhance its product portfolio. Since the fall of 2008 it is also possible to examine umbilical cord blood for any genetic predisposition. Thus any food and drug intolerance can be detected at an early stage. This offer, VITA 34 max, was well received by parents within months of its launch and it met the expectations of the sales department. The Company plans to extend this offer to its customer base in 2009. VITA 34 examines on an ongoing basis further preventative products as a useful complement to existing products, not only for prospective parents.

VITA 34 will use the expected challenging 2009 market environment to strengthen its positioning, international focus and product range. The Company will return to profitability in 2009 as planned, thanks to improved efficiency. This will create a favorable starting point for the Company to benefit from an improving economic environment from 2010 onward. The experience gained from more than 57,000 transplants is the basis for the further successful international development of VITA 34.

VITA 34 International AG will report a loss in 2009 due to the fact that no dividend payments can be expected for that year. The losses in 2009 are comparable to those in 2008.

The funding available is sufficient to support the subsidiary VITA 34 AG financially in its endeavors to reach growth targets.

Leipzig, 30 January 2009

The management board



Dr. med. Eberhard F. Lampeter  
CEO



Peter Boehnert

## DECLARATION OF LEGAL REPRESENTATIVES

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

**Leipzig, January 30, 2009**  
**Management Board of VITA 34 International AG**



Dr. med. Eberhard F. Lampeter



Peter Boehnert

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

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

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

## **VITA 34 International AG**

Deutscher Platz 5  
04103 Leipzig

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

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