VITA 34

THE STEM CELL BANK

20 Years

With experience into future

# ANNUAL REPORT 2017

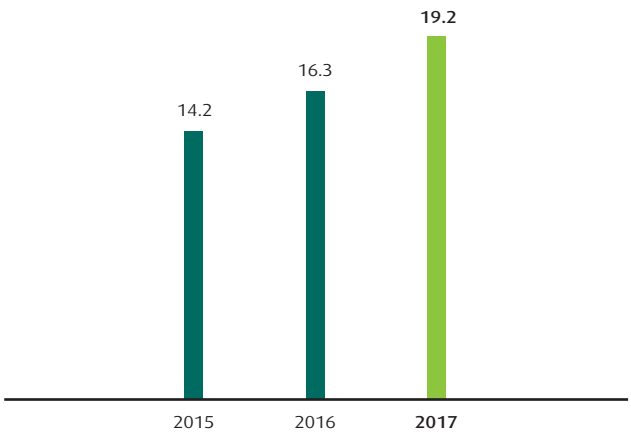
# Key Financial Figures

| | | 2015 | 2016 | **2017** |
|---|---|---|---|---|
| **Profit and loss** | | | | |
| Sales revenue | In EUR thousands | 14,169 | 16,290 | 19,186 |
| Gross profit | In EUR thousands | 6,488 | 8,620 | 10,795 |
| EBITDA | In EUR thousands | 3,895 | 2,293 | 1,840 |
| EBITDA margin as a percentage of sales | % | 27.5 | 14.1 | 9.6 |
| EBIT | In EUR thousands | 1,613 | 780 | 135 |
| Net result for the period | In EUR thousands | 1,702 | 617 | –324 |
| Earnings per share | EUR | 0.67 | 0.14 | –0.09 |
| **Balance sheet / cash flow** | | | | |
| Balance sheet total | In EUR thousands | 43,782 | 43,422 | 61,961 |
| Equity | In EUR thousands | 23,756 | 23,648 | 29,643 |
| Equity ratio | % | 54.3 | 54.5 | 47.8 |
| Liquid funds | In EUR thousands | 2,082 | 2,813 | 4,180 |
| Investment | In EUR thousands | 4,656 | 566 | 13,132 |
| Amortization and depreciation | In EUR thousands | 2,282 | 1,513 | 1,707 |
| Cash flow from operating activities | In EUR thousands | 2,590 | 2,287 | 1,530 |
| **Employees** | | | | |
| Employees (as of Dec. 31)* | Number | 140 | 122 | 133 |
| Personnel expenses | In EUR thousands | 5,620 | 6,330 | 7,575 |

*Including subsidiaries

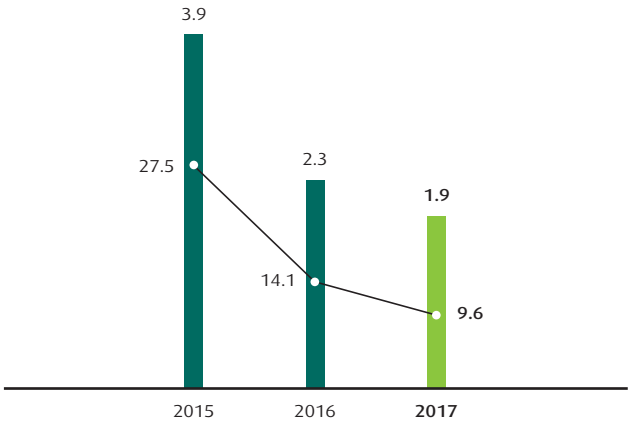
## Sales revenue

In EUR million




## EBITDA

In EUR million EBITDA margin as a percentage of sales (in %)

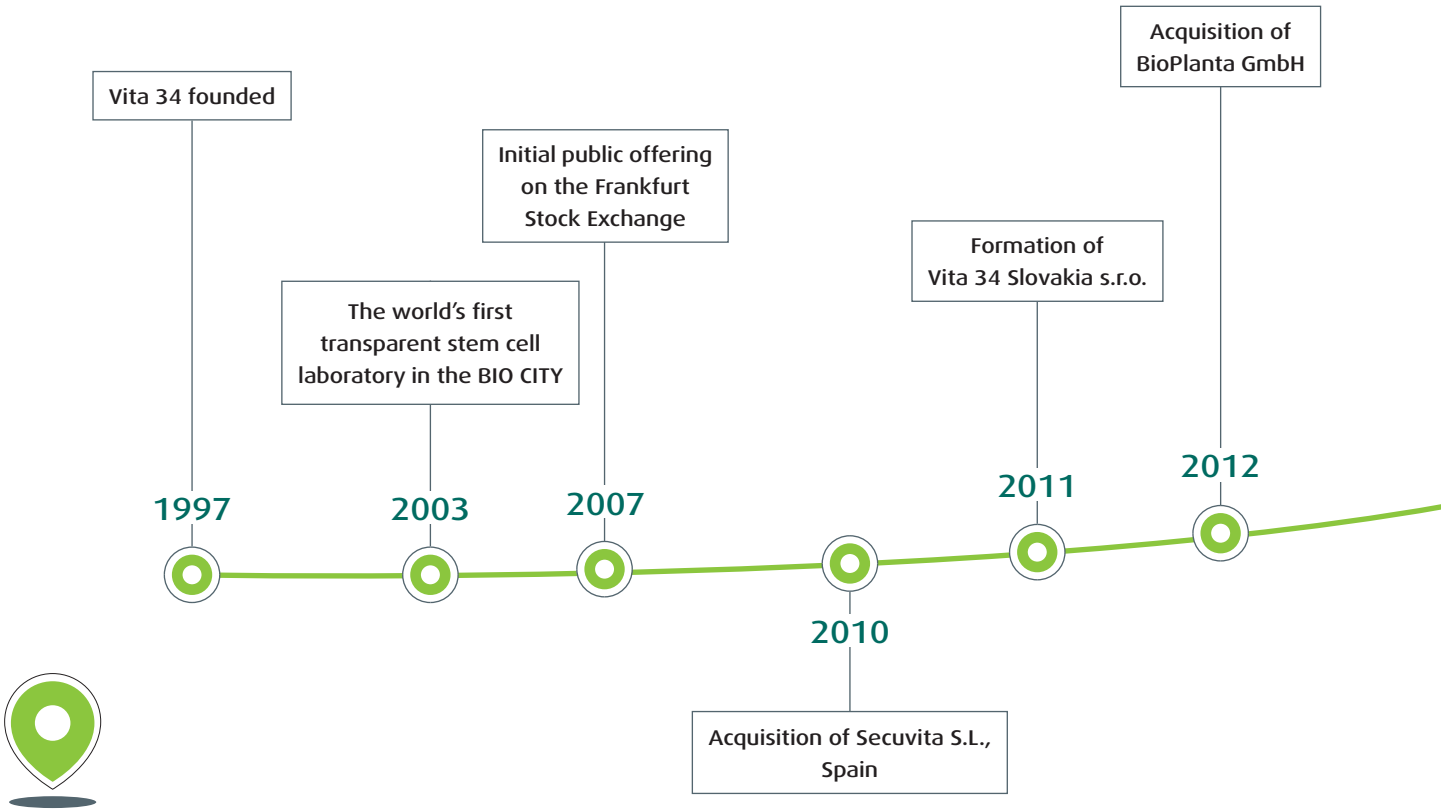


# Contents

# Growth
## over the Course of Time

With impressive growth in recent years we are on the way to becoming the market leader among private stem cell banks in Europe

## Vita 34 – 20 Years of Sustainable Growth




## Positioning

### THE LARGEST PRIVATE STEM CELL BANK IN THE DACH REGION

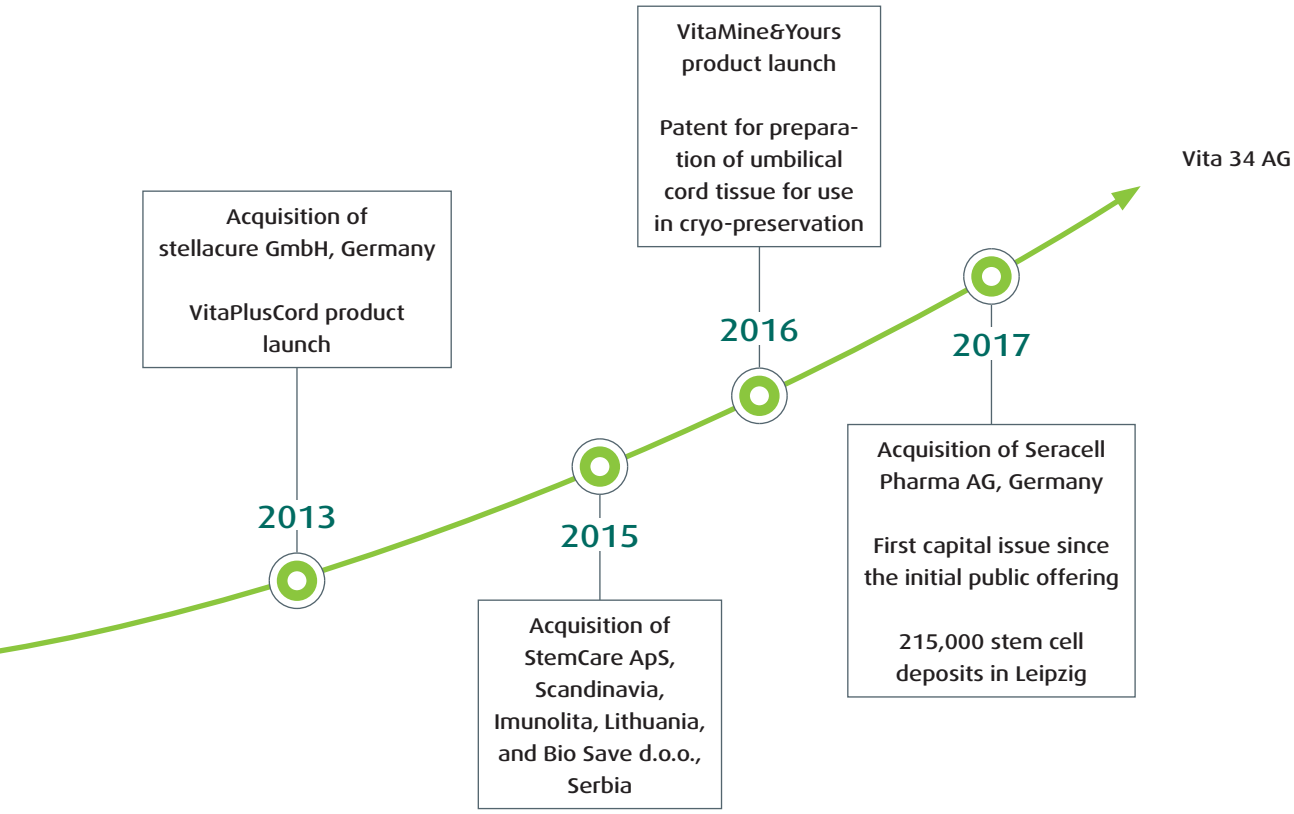
Vita 34 is the market leader among private stem cell banks in the German-speaking countries and the second largest umbilical cord blood bank in Europe. With our large international network of subsidiaries and sales partners, our activities are spread over more than 20 countries worldwide. Our business model is based on sustainable growth, in order to create lasting value for current and future generations.

As a full-service provider for cryo-preservation, Vita 34 is responsible for the collection, preparation, storage, and use of stem cells from umbilical cord blood and umbilical cord tissue in a highly regulated market with laborious approval processes. This makes it more difficult for new potential competitors and is a sustainable source of strength for our competitive position.

The maintenance of the highest quality standards is of the utmost priority for us. This is reflected in the many permits and licenses, which also ensure the Company's innovation leadership among umbilical cord blood banks in Europe.

Vita 34 cooperates with approximately 800 maternity clinics in Germany in order to ensure that as many people as possible can make provision for their children's health with a stem cell deposit. This represents a market coverage rate of 95 %.

We want to establish ourselves as the market leader among private international biobanks and, by making stem cells available for use, make our contribution to the creation of new regenerative therapies.




## Products

### INDIVIDUAL CARE PROVISION WITH FORESIGHT

By continually expanding its product offering, Vita 34 is building on its role as pioneer and leader among private stem cell banks. Vita 34 provides for the collection, preparation, and cryo-preservation of stem cells from umbilical cord blood (**"VitaPlus"**) and umbilical cord tissue (**"VitaPlusCord"**) for personal precaution purposes.

We are the first private stem cell bank to make it our objective to increase the number of deposits that are available for public use in addition to offering an individual care provision. With "**VitaMine&Yours**," a new service introduced in 2016, parents can combine an individual care provision with a public donation, provided sufficient umbilical blood can be obtained. With "**VitaPlusDonation**" stem cells are stored for personal use but can also be donated to treat another person with a medical need.

Also unique in Germany is the "**Sibling initiative**" in which Vita 34 offers free storage of stem cells collected from the umbilical cord blood of a child whose brother or sister is seriously ill and needs the stem cells from the newborn sibling for treatment purposes, for example in the case of leukemia.

Vita 34's "**Preventive screenings**" help with the early identification of genetic health risks and predispositions for intolerances by making use of umbilical cord blood or a saliva specimen. These early recognition tests go further than the standard tests performed by doctors and provide an opportunity to take targeted preventative measures.

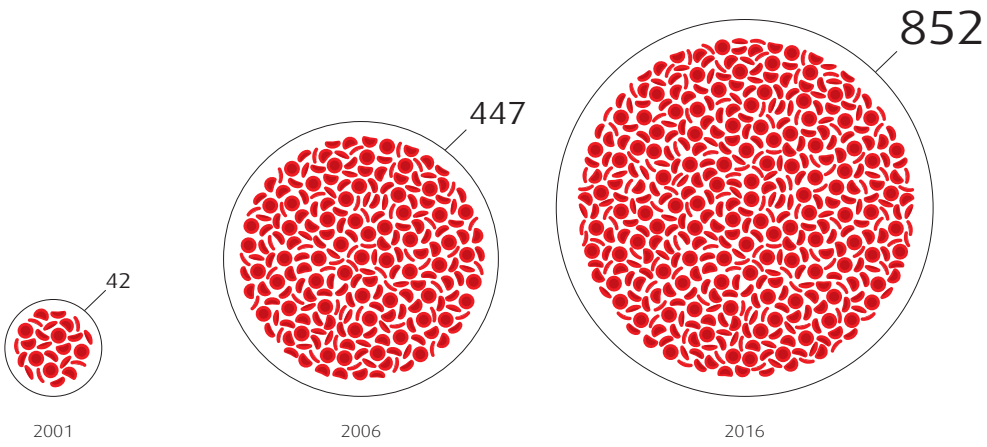
Vita 34 has established Europe's only **mobile stem cell team**, in order to ensure that treatment with stem cells from umbilical cord blood can be performed in any hospital while meeting the highest quality standards.

# Recognizing Future
## Market Potential

Stem cells collected from umbilical cord blood and cord tissue have an enormous market potential in transplantations and new cell therapies

# Market Potential of Stem Cells from Umbilical Cord Blood

**Transplantations Using Stem Cells Obtained from Umbilical Cord Blood**




Source: Bioinformant.

## Today

Umbilical cord blood and tissue is not only a valuable source of hematopoietic stem cells, which are already today used for allogeneic and autologous transplantations to treat leukemia and genetically inherited illnesses, it can also be used to collect other types of cells. Mesenchymal stem cells or various cell types from the immune system can be separated from it[1]. Cryo-preservation enables all these cells to be stored for a period of 20 years or more, without loss of vitality or other qualities[2].

The know-how we have concerning separation processes and concerning the further development of such processes is a key factor for the future. Vita 34 has already provided stem cells from its storage for 30 therapies. The increased demand from research and therapy centers around the world makes it possible for Vita 34 to establish itself as a future partner for such services.

**14 %**

**OF STEM CELL TRANSPLANTATIONS IN THE USA** already use stem cells sourced from umbilical cord blood.[3]

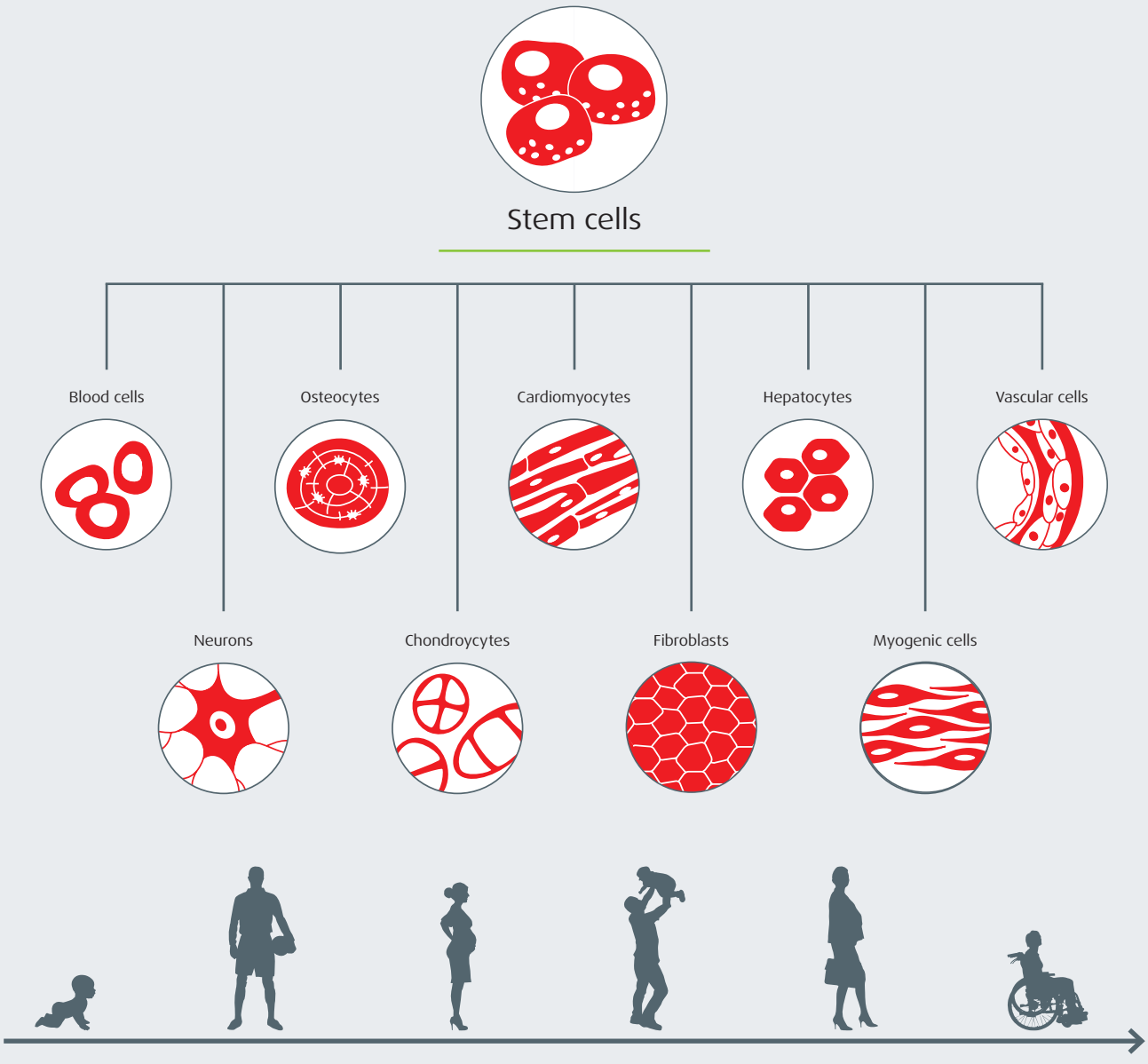
## Tomorrow

In addition to the existing established therapies using stem cells from umbilical cord blood, soon also isolated immune cells obtained from umbilical cord blood may become an important therapy option. Isolated killer cells from umbilical cord blood have been used in an innovative clinical study in cancer patients to attack tumors efficiently. In addition to the isolation of various cell types, stem cell researchers are focusing on the multiplication and modification of such cells.[4] Current studies are developing processes to multiply the isolated cells in order to use them in great quantities in future cell-based therapies[5,6,7]. This will also enable cells that are only found in small quantities in umbilical cord blood to be used for therapeutic purposes. Further, research is being carried out on various methods of modifying these cells in order to use them soon in even more diverse and effective ways in innovative treatments for cancer and autoimmune and inflammatory diseases[8].

[1] Lechner et al.: Isolierung mesenchymaler Stammzellen aus der humanen Nabelschnur als Grundlage für eine autologe Stammzelltherapie in der Kinderchirurgie. Chirurgisches Forum, 2007, in German
[2] Broxmeyer et al.: Hematopoietic stem/progenitor cells, generation of induced pluripotent stem cells, and isolation of endothelial progenitors from 21- to 23.5-year cryopreserved cord blood. Blood, 2011
[3] Bioinformant. Complete 2017–18 Global Cord Blood Banking Industry Report
[4] https://clinicaltrials.gov/ct2/show/NCT01619761 (dated: February 8, 2018)
[5] Lee et al.: Isolation of multipotent mesenchymal stem cells from umbilical cord blood. Blood, 2004
[6] https://www.gamida-cell.com/nam-technology/
[7] Wagner et al.: StemRegenin-1 (SR1) Expansion Culture Abrogates the Engraftment Barrier Associated with Umbilical Cord Blood Transplantation (UCBT). Blood, 2014
[8] Horwitz et al.: Umbilical cord blood expansion with nicotinamide provides long-term multilineage engraftment. JCI, 2014

## Stem Cells are the Building Blocks of Life

**Stem Cells**




Collecting stem cells from umbilical cord blood and tissue at birth is completely risk-free for both mother and child. In addition, once these have been isolated successfully, Vita 34 can use cryo-preservation to store these stem cells for very long periods of time without them being exposed to environmental influences or diseases. Stem cells from umbilical cord blood and tissue are much more potent than stem cells from bone marrow, as they are younger and have not reached such a significant degree of differentiation. Among other things they also carry fewer surface markers than adult stem cells and are therefore suitable for a larger number of possible recipients.

# Market Leadership
## Means Customer Trust

Building on our market leadership in the DACH region enables us to provide our customers all over Europe with attractive and high-quality products


Was ist ein Colony Assay?

# Vita 34 Events in 2017

## April

Acquisition of **Seracell Pharma AG** announced.

Vita 34 celebrates its 20th corporate anniversary in Leipzig.

## June

The Supervisory Board appoints Dr. Wolfgang Knirsch, the current COO, as the new Chairman of the Management Board.

Expansion of our activities in Romania with our new cooperation partner Besmax Life Solutions SRL.

The Annual General Meeting approves a dividend of EUR 0.16 per share and makes new appointments to the Supervisory Board.

## June

First capital increase since the IPO as a private placing with a new strategic investor (MKBV), raising proceeds of approximately EUR 2.0 million.

## July

Successful capital increase by subscription issue raising almost EUR 5.0 million secures the Seracell acquisition and completes the financing measures. Start of the integration of Seracell.

## August

Management Board raises revenue target from EUR 18.9 million to EUR 19.4 million and, as a result of extraordinary effects, adjusts EBITDA range to EUR 1.6–1.9 million.

## September

Falk Neukirch returns as Finance Director, completing the restructuring of the Management Board.

## October

Vita 34 supports a joint study into the process of collecting umbilical cord blood under difficult conditions together with the Berlin Charité hospital.

### SERACELL ACQUISITION – SUCCESSFUL COMPLETION OF THE MOST IMPORTANT STRATEGIC AND OPERATING TASK IN 2017

Events in the fiscal year 2017 were dominated by the acquisition and integration of Seracell Pharma AG, a competitor. A purchase agreement was signed in April, and the plan was announced to the capital market. This was the start of a project of enormous importance to Vita 34, and a number of tasks and milestones remained to be addressed.

First, there was an intensive due diligence audit, and parallel to this, progress was made to complete the financing of the purchase price totaling EUR 14.1 million. In addition to loan capital of EUR 7.4 million financed by bank loan, two equity capital measures were made in June and July to raise a further EUR 7.0 million. The purchase price was paid in two installments, one in July and one in October, and the Seracell shareholdings were acquired in succession.

Parallel to this, the integration of the operating business of the subsidiary was being driven forward. The head office, with the Seracell cryo-cell tank and manufacturing plant, was integrated into the Vita 34 Group and the new production and storage capacity contributes to the Group's future growth. The Berlin location, where the administration, marketing, and sales operations were based, was closed. Of the 56 employees in total, eight employees in the manufacturing operation were transferred to Vita 34.

With the help of the very engaged Vita 34 team and based on comprehensive experience in performing business acquisitions and an excellent understanding of the customers and market, Vita 34 was able to complete the integration of Seracell within the fiscal year 2017.

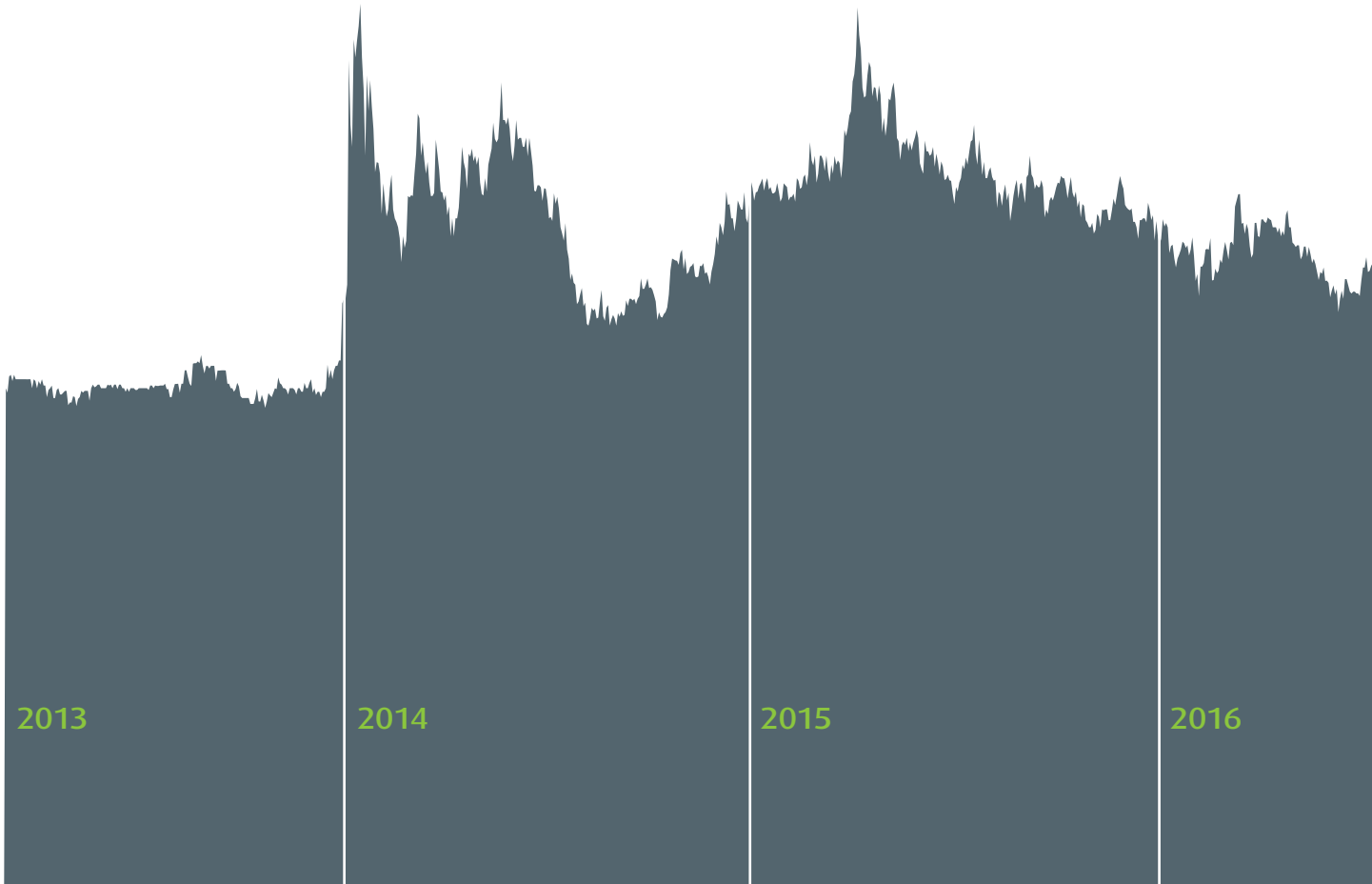
The acquisition has strengthened Vita 34's position as market leader in the German-speaking region significantly and provided it with a strong position in Europe. In the long term, use should be made of the synergies, logistics, and scale advantage of Vita 34's established value-added chain, leading to Vita 34 being able to provide its customers with a wider range of products. For shareholders, it should lead to cost savings and a significant increase in revenue from the existing base and from the acquisition of potential new customers, leading to increased profitability. With regard to the future, Vita 34 anticipates 8,000 new customers per year. As a result of the Seracell acquisition the number of deposits stored by Vita 34 has been increased dramatically to over 200,000 in 2017.

## The Value-added Chain – the Stem Cell Deposit Route

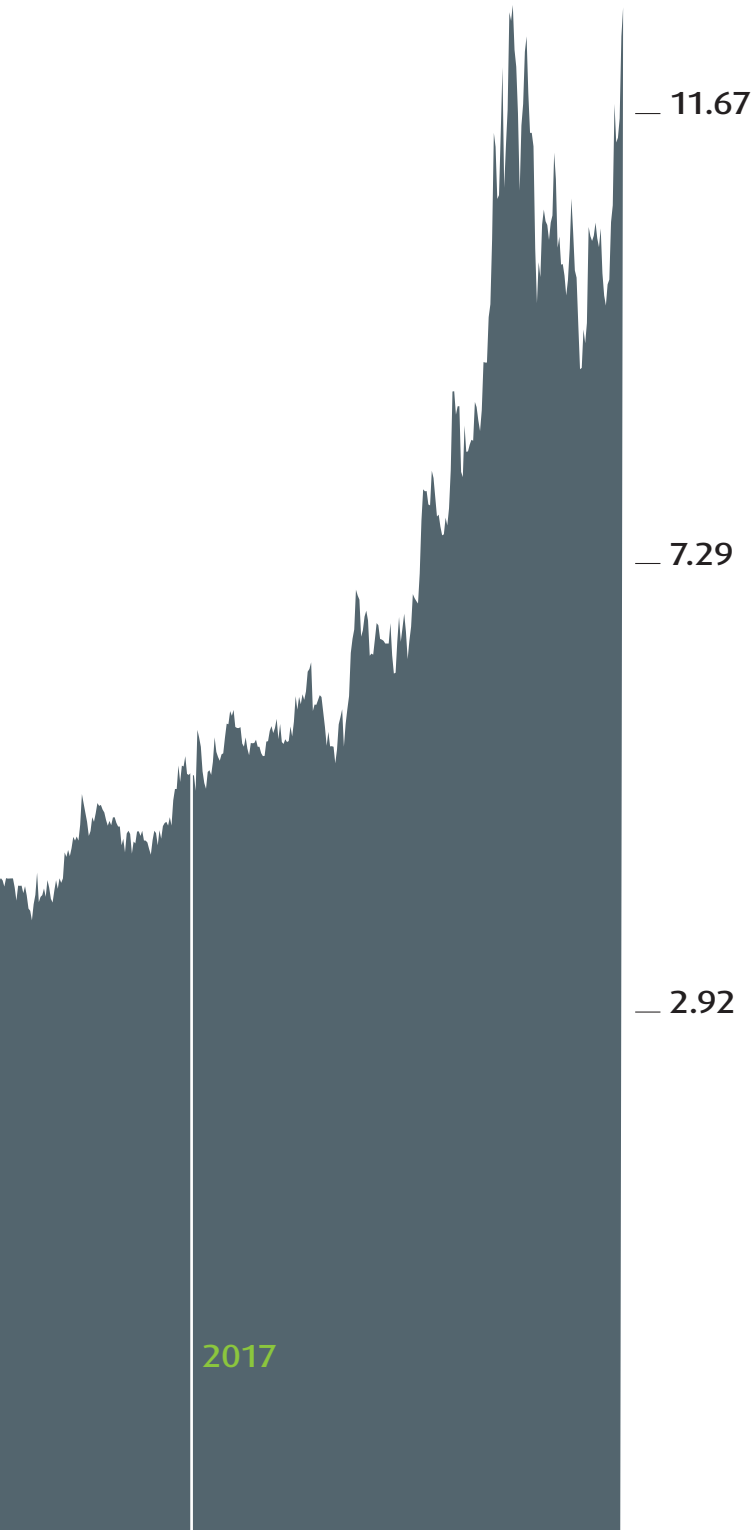
In the fiscal year 2017 the Vita 34 AG share price rose sharply. The share price was up 96 %, outperforming its reference indices by a significant amount

5.75 / 11.25

Opening share price on January 2, 2017 and closing share price on December 29, 2017 in euros (Xetra, the electronic trading system of Deutsche Börse AG)



# To Our Shareholders



# The Management Board

## Dr. Wolfgang Knirsch

Chairman of the Management Board of Vita 34 AG (CEO)

- Management Board responsibility for sales and marketing (COO) since 2016; CEO since June 2017
- Many years of experience in sales and marketing in the pharmaceutical industry (Höchst AG, Merck KGaA, and Biotest AG)

## Falk Neukirch

Finance Director of Vita 34 AG (CFO)

- Responsible for finance, human resources, legal, investor relations, IT, and purchasing
- Many years' experience in establishing finance departments of stock market companies and in corporate acquisitions and their integration (Deloitte, JV AMD/Infineon/Toppan Photomasks, and First Sensor AG)

Further information about the curriculum vitae of members of the Management and Supervisory Boards is provided in the investor relations section of Vita 34's website (www.vita34.de).

# Letter from the Management Board

We at Vita 34 look back with pride on the fiscal year 2017 as an eventful and successful year. Last year, we were able to celebrate our Company's 20th anniversary and pass the 200,000 stem cell deposit level. For the first time since the IPO in 2007 we undertook a capital share issue. As planned, were able to finance the acquisition of Seracell Pharma AG, our competitor, by means of a private placing with our new strategic investor, MKBV, and a subscription share issue which raised a total of EUR 7.0 million, together with a bank loan of EUR 7.4 million. The integration of all of Seracell's operational departments was completed quickly and smoothly by the end of the year. The strong new customer business in the second half of 2017 showed that, as expected, the objectives of the acquisition will be achieved. Accordingly, management's expectations when taking the decision to make this acquisition have been achieved in full.

A number of personnel changes have also been made by Vita 34 in 2017. Dr. André Gerth left the Company in June. We have completed the restructuring of the Management Board with the appointment of Dr. Wolfgang Knirsch as the new Chairman of the Management Board, the return of Falk Neukirch as Finance Director in September, and the planned departure of Alexander Starke as interim member of the Management Board at the end of the year. In addition, the Supervisory Board has been reconstituted, and is now led by the new Chairman of the Supervisory Board, Frank Köhler. With these changes Vita 34 is not only optimally strategically positioned for continued growth course, but also in terms of personnel.

We adjusted our 2017 revenue and results targets in August due to the positive effect of the Seracell acquisition on revenue, the associated one-off expenses for the acquisition and integration of Seracell, and the extraordinary costs incurred in connection with the changes in the Management Board. We met these targets comfortably, increasing revenues by 17.8 % to EUR 19.2 million and with an EBITDA of EUR 1.8 million.

The strength of Vita 34's new revenue and results following the Seracell acquisition is clearly shown in the numbers for the fourth quarter of 2017. A 25.6 % increase in revenues to EUR 5.4 million and a more than proportional 57.1 % increase in EBITDA to EUR 1.1 million already indicate the route that Vita 34 will be following in future.

As part of our growth strategy we have also pressed forward with geographic expansion over the past year. Vita 34 has been represented in the Romanian market since June with our new cooperation partner, Besmax Life Solutions, a member of the Life Solutions Group. Our partner provides good access to maternity clinics. In addition, we have restructured our sales network in Italy and Serbia.

We will continue to examine the market for attractive companies and partners in order to grow further geographically as well as along the value-added chain through to the cell product. Further, we will create additional boosters for our organic growth with innovative processes and products. For "AdipoVita," a new product, Vita 34 has developed a process for the collection and cryo-preservation of autologous adipose tissue. An application was made for a permit to collect and manufacture adipose tissue deposits for possible later isolation of adult stem cells in August 2017. In the medium term the focus of the Vita 34 product portfolio will be on applications for individualized medicine and on developing the business-to-government (B2G) business. In addition to this, we plan further optimization of the Group's cost structure in order to deploy our financial resources towards Vita 34's future dynamic growth.

With the Company's current course, we are on a good way to achieving an EBITDA of EUR 10 million in accordance with the medium-term objective set out in our "Vision 2021." For the current fiscal year 2018 we expect that the current positive growth trend will continue and anticipate sales revenues of between EUR 21.0 million and EUR 23.0 million and an EBITDA of between EUR 4.0 million and EUR 4.6 million.

In particular it pleases us that we have seen not only a sharp increase in the share price in the second half of the year, but also a significant increase in trading volumes. This reflects the increased interest in Vita 34 shares. We would like to thank you, our shareholders, for your trust and for your support, both in the past and in the future. We are also happy that we were once again in a position to pay our shareholders an attractive dividend for 2017.

We join you in looking forward to a successful year for Vita 34 in 2018.

Leipzig, in March 2018

Dr. Wolfgang Knirsch
Chairman of the Management Board

Falk Neukirch
Finance Director

# Vision 2021

## Interview with the Vita 34 AG Management Board on Vision 2021


Interview with Dr. Wolfgang Knirsch, Chairman of the Management Board, and Falk Neukirch, Vita 34 AG Finance Director

Dr. Knirsch, 2017 was an important year in the Company's history. In your opinion, what was the most important event for the Company's future prospects?

**DR. WOLFGANG KNIRSCH (WK)** We have achieved a lot in 2017 and given the Company a new direction in many respects. A number of things got moving as a result of the decision to acquire the Company's most important competitor in Germany. The Seracell acquisition was an important step in our Buy and Build strategy, an approach that we have been following successfully now for a number of years. With this transaction we have been able to attract the interest of new investor groups, and to win them over, both for the purposes of this acquisition and at the same time convincing them of our business model.

The integration of Seracell has now been completed. What are your next objectives?

**WK** With the Seracell acquisition we have exceeded the 200,000 mark in terms of the number of stem cell deposits, and we have increased our sales by 17.8%. In the fourth quarter sales increased significantly, showing an increase of 25.6%, and EBITDA increased at an even faster rate, with a plus of 57.1% compared to the same quarter in the previous year. Having completed this transaction successfully we are in an excellent situation which enables us to start off from a stronger market position for our next objective: further organic and inorganic growth, both in Germany and in Europe as a whole. We have set out this strategic objective in our "Vision 2021."

What is the purpose of Vision 2021?

**WK** Vision 2021 describes the results that we are targeting in terms of EBITDA – earnings before interest, taxes, depreciation, and amortization – through the year 2021, and the medium-term strategy that we are following to achieve that. To do this, we have defined various tasks for Vita 34, and to make them tangible we have set out measures and earnings contributions for these tasks.

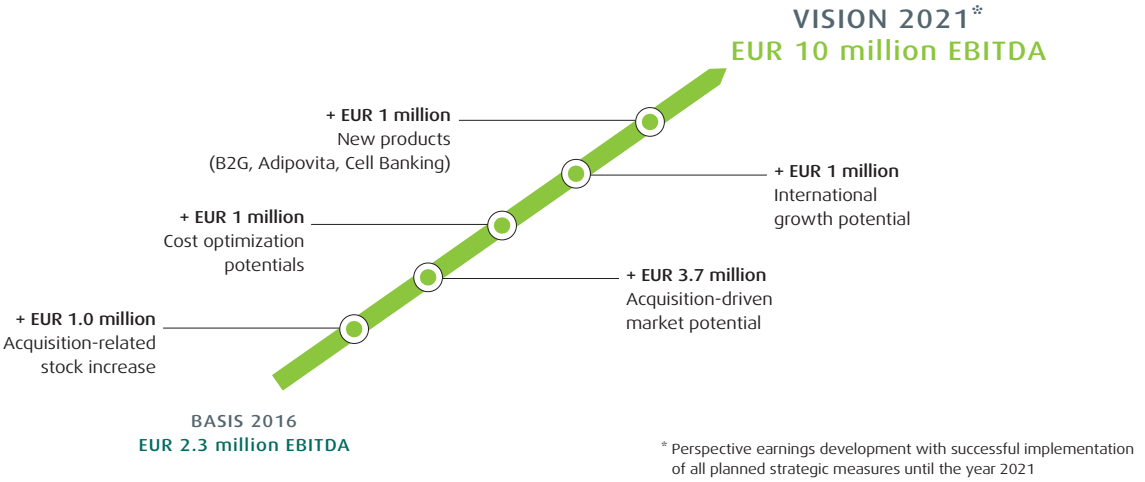
What does that mean in practice, Mr. Neukirch?

**FALK NEUKIRCH (FN)** That means that we have set ourselves an ambitious target for 2021, using the third quarter of 2017 as a basis. From an EBITDA level of EUR 2.3 million in 2016 we want to achieve an annual EBITDA of EUR 10 million from 2021. That means a EUR 7.7 million increase in earnings, or a fourfold growth within four years.

Why set such relatively large targets over such a long time period?

**FN** There are three main reasons for this. First, we want to offer our investors a long-term perspective. Second, these goals include various measures and tasks that address our vertical and horizontal growth strategy. Third, business development consists of targets and planning, but often also of options and opportunities. Here, we don't want to subordinate our ability to act flexibly to the achievement of short-term financial objectives; rather, we want to shape the business in the interests of generating sustainable growth.

## Vision 2021




* Perspective earnings development with successful implementation of all planned strategic measures until the year 2021

What tasks have you defined?

**FN** Of course it is our primary goal to keep growing our core business. First of all, we expect the acquisition to drive a growth in the number of umbilical cord blood and tissue deposits, contributing approximately EUR 1 million to results. This will be taken up by the recurring annual sales from existing contracts. Our experience, by the way, shows that 98 % of customers extend their contracts when they expire. This provides a stable contribution to earnings, which we can plan for. Here, the Seracell acquisition has enabled us to increase our starting position by a significant amount.

This refers to the deposits in storage?
What does that mean for new customer business?

**FN** Correct. The market potential opened up by this acquisition in Germany is, in our view, the more attractive prospect. By using a copy-cat strategy, Seracell had reached a market share of approximately 60 % in Germany. In future, we will offer our products and any new products to potential customers without needing to make significant increases in our marketing budget. New customers bring initial revenue from the processing of new deposits, and they subsequently increase the recurring revenue basis. We expect that as a result of the more efficient Vita 34 cost structure the earnings increase based on this acquisition-driven market potential will be in the range of EUR 3–4 million in the medium term.

You mentioned the cost structure.
Do you expect further synergies from the acquisition?

**FN** We see potential for improvements throughout the Group, among other things in procurement, marketing, sales, and administration – in particular in our subsidiaries, but not only there. For the time being, we will maintain marketing expenditure in Germany at its current level because the critical mass that we have achieved enables us to target the potential market in Germany effectively without needing to respond to the power game played by our former competitor.

Dr. Knirsch, your colleague was discussing vertical and horizontal growth strategies. What can your shareholders expect from this, and what does it mean in terms of numbers?

**WK** There are substantial differences in the deposit rates in the different European countries, unrelated to the gross domestic product of the countries or the wage levels of their populations. The rates vary from 1 % to 10 %. The average in the EU is 2 %, compared to rates of 5 % in the USA or 25 % in South Korea. In our view, the substantial differences in market penetration demonstrate the international growth potential that exists in our core business, and we want to work on this on a selective basis. Horizontal market growth will be achieved by acquisitions or investments in majority shareholdings in selected regions. Here we are looking out for interesting market participants and will carefully assess the options available to us to ensure that the opportunities do actually pay off for us. Parallel to this we will work with our established sales partners in other countries

as we have done in the past. These generate lower margins but they are for us largely cost-neutral ventures. As a result, we have conservative expectations of an EBITDA contribution of EUR 1 million from the growth in international business.

What do you have in mind when you talk about vertical growth?

**WK** We are observing and evaluating the demand in selected European countries for private umbilical cord blood and biobanks as an alternative to public banks. We believe that we can demonstrate the advantages of storing umbilical cord blood and tissue or other cell samples to governmental regulators and state organizations, and show it to be an attractive service with economic benefits for their health systems. Business-to-government is an interesting sector for us to expand on our business model.

And of course, we are looking at the demand for cell therapies and the opportunities that they can provide us. Here, we are examining the possibilities to make opportunistic acquisitions along the value-added chain in our service lines. We have built up a lot of know-how in handling stem cells, which can be useful for other cell sources, for example in cell multiplication and processing. We can imagine providing services for the storage and processing of various types of cells and tissue. The advances in regenerative medicine and the increasing demand for modern cell therapies show us the potential for new areas of application. We are actively following the academic discussions on the value of T-lymphocyte and other cell types from young umbilical cord blood for these therapies. We see good opportunities here for targeted additions to add to our biobanking and stem cells value-added chains. Technologies needed for this can also be acquired in the marketplace.

What opportunities do you see in the state biobanking sector, and why now?

**WK** It should not be a surprise that we see great potential for the use of stem cells from umbilical cord blood, given the many advantages they confer – not only as a personal precaution, but also on a donation basis, for use by others. There is a growing number of applications for allogeneic transplantation purposes based on donations, and they are widely accepted by the population as a whole. The public funding model usually used for public biobanking can break down the financial barriers faced by donor families.

When we look at the markets we see that only 16 of the 46 European countries have public biobanks. In total there are 56 public banks of which 16 are hybrid banks with state and private holdings.

We have proven expertise in establishing and operating biobanks, and we are in a dialog at management level with key opinion leaders in various countries. We know that the interest in research and development in stem cells is growing strongly, and a number of countries want to support the infrastructure using biotech clusters, and also by means of public biobanks for scientific purposes, for industry, and for the population as a whole.

What are the advantages for governments and why does this represent a particularly good opportunity for Vita 34, in comparison with its competitors?

**WK** Governments or state institutions need to have the know-how available to plan and operate such projects, and they need to provide the long-term finance from government budgets. We have the necessary know-how and the experience, we have all the approvals and certificates, and we are in a position to transfer this to other countries. We are in a position to make a quick and direct launch. With "VitaMine&Yours" and "VitaPlus-Donation" products we have developed successful blueprints for the allogeneic transplantation market. We have the capacity in our Leipzig and Rostock locations, and our logistic concept is a market leader.

You mentioned the important role being played by the biotech clusters and industry. Are these also potential customers for Vita 34?

**WK** Both the science and the clinical developments have made massive leaps in recent years. For example, we have seen some highly promising advances in the use of chimeric antigen receptors (CAR) in cancer therapies. A major breakthrough was made in 2017 with the approval of the first CAR T-cell therapy in the USA. We are seeing biopharma companies and leading pharmaceutical companies making major efforts to develop therapies with different cell types, for example T-cells, natural killer cells, or dendritic cells, with the objective of bringing them to market. Here we are currently talking about in excess of 150 preclinical and clinical studies where we could offer services during the development work or subsequent to market approval processes. These services can be in cell isolation, cell modification, or cell stimulation. When we listen closely to the market and find good partners, this provides us with very attractive opportunities without needing to take on major risks of undertaking our own development work.

Vision 2021 is for the medium term and is multifaceted. What are your expectations for the current fiscal year?

**WK** We will continue to work on the various tasks that we have started, we have our EBITDA target to aim for, and we will make every effort to make Vita 34 the European market leader.

# Supervisory Board Report

## Dear Shareholders,

The fiscal year 2017 just ended has been a year of change for the Company, and accordingly it has presented the Supervisory Board with a number of challenges. In particular this applied to the reorganization of the Management Board, and to the acquisition of a competitor and the associated financing issues. In addition to changes in the Management Board, there have also been changes in the Supervisory Board.

The Supervisory Board has addressed these challenges and paid close attention in the reporting year to the tasks entrusted to it in accordance with the law and by the Company's articles of association and internal rules of procedure. The Supervisory Board monitored the activities of the Management Board on an ongoing basis during the fiscal year 2017, providing support in an advisory capacity. This was based on written and oral reports provided by the Management Board, as well as information provided by the Management Board at Supervisory Board meetings, and on regular consultations between the Management Board and the Chairman of the Supervisory Board. The Chairman of the Supervisory Board was in regular contact with the Management Board between the dates of the regular Supervisory Board meetings in order to ensure a comprehensive exchange of information between these bodies. Within the Supervisory Board, the Chairman of the Supervisory Board also exchanged information with the remaining members of the Supervisory Board regarding current Company issues on a regular basis.

As a result, the Supervisory Board was informed of the Company's overall intended business policy, its strategy, planning, risk situation and risk management, compliance, and of developments concerning its business situation and significant business transactions, as well as the situation of the Company and the Group as a whole.

The number of Supervisory Board meetings held reflects the intensive nature of the Supervisory Board's work during the reporting year. The Supervisory Board held five meetings in the first half of the year up until June 28, 2017 and a further seven meetings after the Supervisory Board elections held on June 28, 2017. Some meetings were held in the form of telephone conferences in accordance with the provisions of the articles of association of the Company. The Management Board informed the Supervisory Board about the commercial and financial development of the Company, including the risk situation, on a regular basis at the Supervisory Board meetings, and provided additional information on request. With one exception, all members of the Supervisory Board participated in more than half of the meetings held up until the Supervisory Board elections on June 28, 2017. Since June 28, 2017 all members have participated in more than half of the meetings. The Chairman of the Supervisory Board and his deputy participated in all the meetings. In the second half of the year, one member of the Supervisory Board did not participate in two meetings due to urgent professional commitments and one member of the Supervisory Board did not participate in one meeting. The Supervisory Board has not formed committees.

During the reporting period, the Supervisory Board has not been informed by any of its members of any matters that could give rise to a significant conflict of interest of a non-temporary nature.

### SIGNIFICANT ISSUES DISCUSSED BY THE SUPERVISORY BOARD

In additional to issues of general relevance, the Supervisory Board dealt with topics arising in individual areas and, when required, passed the necessary resolutions. Significant matters dealt with by the Supervisory Board in the reporting year included:

- Matters arising in connection with the acquisition of Seracell Pharma AG, in particular in connection with how the acquisition process was structured, and the financing of the acquisition by equity financing and by use of a bank loan.
- Matters concerning the restructuring of Seracell Pharma AG and its integration into the Vita 34 Group.
- Approval of a capital increase from authorized capital with exclusion of subscription rights for shareholders for an amount of approximately 10% of the Company's nominal capital in order to finance the acquisition of Seracell Pharma AG.
- Issues concerning the composition and remuneration of the Management Board of Vita 34 AG as well as the management of Vita 34 Group subsidiaries.
- Approval of the capital increase without the requirement to issue a prospectus undertaken to raise approximately EUR 5 million to finance the Seracell Pharma AG acquisition by issue of subscription rights from authorized capital and the associated share placing with investors of such shares remaining unsubscribed after the subscription period.
- Expansion of the Management Board with the appointment of Falk Neukirch as Finance Director, prolongation of the Management Board service agreement with Dr. Wolfgang Knirsch as Chairman of the Management Board, and reorganization of responsibilities within the Management Board.
- Finally, in November 2017, the Supervisory Board performed a self-evaluation of its own activities in order to examine the

efficiency of the work performed by the Supervisory Board. The Supervisory Board also undertook training on topics concerning the most recent compliance developments and obligations affecting capital market participants.

## CHANGES IN THE SUPERVISORY BOARD

At the Annual General Meeting, Frank Köhler and Steffen Richtscheid were appointed as new members of the Supervisory Board on June 28. On the same date the number of members of the Supervisory Board was reduced to four, in order to enable the Supervisory Board to manage its workload more efficiently. The terms of office of Dr. Hans-Georg Giering, Alexander Starke, and Dr. Holger Födisch ended at the close of the Annual General Meeting. Artur Isaev resigned his position as member of the Supervisory Board with effect on the same date. From that date the members of the Supervisory Board are Frank Köhler, Gerrit Witschaß, Dr. med. Mariola Söhngen, and Steffen Richtscheid. At the first meeting of the new Supervisory Board Frank Köhler was elected as Chairman of the Board and Gerrit Witschaß was elected as Deputy Chairman of the Board.

## CHANGES IN THE MANAGEMENT BOARD

Falk Neukirch resigned his position as Finance Director in April 2017 for personal reasons. The Supervisory Board appointed Dr. Wolfgang Knirsch as Chairman of the Management Board of Vita 34 AG on June 12, 2017 following the resignation of Dr. André Gerth, the previous Chairman. In this connection Alexander Starke was seconded by the Supervisory Board to act as a member of the Management Board until the end of 2017 in order to ensure that the Management Board consisted of two members. In September 2017, Falk Neukirch was able to resume his position as Finance Director.

## CORPORATE GOVERNANCE

The Supervisory Board dealt with further amendments to the Company's Corporate Governance principles, taking account of the recommendations of the German Corporate Governance Code (DCGK) dated February 7, 2017. In March 2017, the Management Board and the Supervisory Board issued a Declaration of Compliance, which is presented in the "Corporate Governance" section of the annual report on page 43, and which is also published on the website of the Company.

## ANNUAL AND GROUP FINANCIAL STATEMENTS, AUDIT

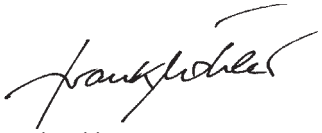
The annual financial statements of Vita 34 AG have been prepared in accordance with the provisions of the German Commercial Code; the consolidated annual financial statements and the combined management report of Vita 34 AG have been prepared on the basis of Secs. 315 and 315a of the German Commercial Code, in conjunction with the International Financial Reporting Standards (IFRS) as applicable in the European Union. The annual financial statements of Vita 34 AG, the consolidated financial statements, and the combined management report have been audited by PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft (Berlin office). The audit engagement was entered into in accordance with the resolution of the Annual General Meeting, legal provisions, and the provisions of the DCGK.

On conclusion of the engagement it was determined that the financial statements have been prepared in accordance with the requirements of the German Commercial Code and with IFRS, respectively. The annual financial statements and the consolidated financial statements received an unqualified certification. The financial statement documents were thoroughly discussed in the annual financial statements meeting of the Supervisory Board, in the presence of the auditor, and following a report from the auditor. During this meeting, the auditor's representatives reported on the significant findings of their audit, as well as on the control and risk management system with regard to accounting. They dealt with the scope, emphasis, and costs of the audit; furthermore, they noted that they have no conflicts of interest, since PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft was only engaged to perform audit services.

The Supervisory Board examined the annual financial statements, the consolidated annual financial statements, and the combined management report. On concluding our own review we raised no objections against the annual financial statements of Vita 34 AG, the consolidated annual financial statements of Vita 34 AG, or the combined management report, as well as the corresponding audit reports issued by the auditors. The Supervisory Board approved the results of the audit after its own examination, accepted the annual financial statements of Vita 34 AG prepared by the Management Board, and acknowledged the consolidated financial statements. The Supervisory Board agrees with the combined management report, in particular the evaluation concerning the further development of the Company.

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

March 27, 2018
For the Supervisory Board



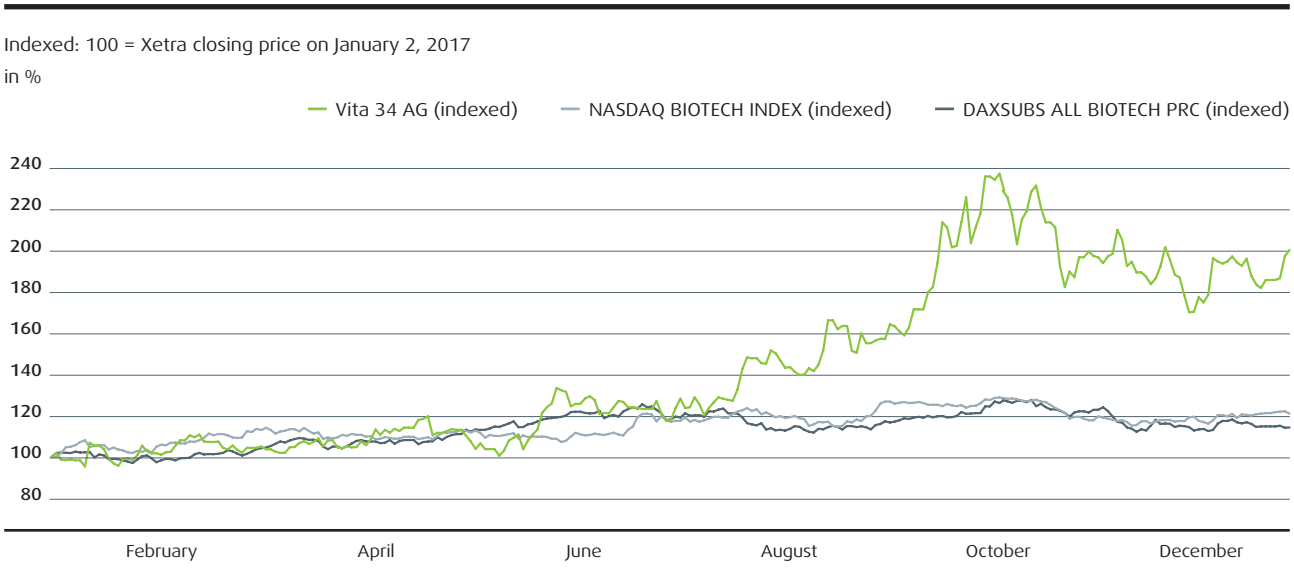
Frank Köhler
Chairman of the Supervisory Board

# Vita 34 AG Shares

## Share Price Development

Vita 34 AG shares are listed on the regulated market (segment: Prime Standard) of the Frankfurt Stock Exchange. The stock had a closing price of EUR 5.75 on the first trading day of the fiscal year. In a nervous market environment at the start of the year, the share price reached its year's low of EUR 5.24 as early as January 9. Following a sideways movement through the first quarter, the share price was looking to make a break-out during the second quarter. An upward trend was set from July, so that the share price climbed over the EUR 10 mark for the first time since 2009 on September 14. The shares continued to gain in value, reaching the highest intraday level of the year at EUR 14.30 on October 4. After some volatility during the fourth quarter the share closed the year at EUR 11.25. The market capitalization of Vita 34 AG totaled EUR 46.6 million at the balance sheet date. By year end, Vita 34 shares had achieved a gain of 96 %, significantly outperforming its reference indices, the Dax-subsector Biotechnology (+13 %) and the Nasdaq Biotechnology (+21 %), for 2017. On average, 14,082 shares were traded on the most important trading platform, Xetra, per trading day in fiscal year 2017.

**Share Price Development (January 2, 2017–December 29, 2017)**



### Information and Key Figures on the Shares

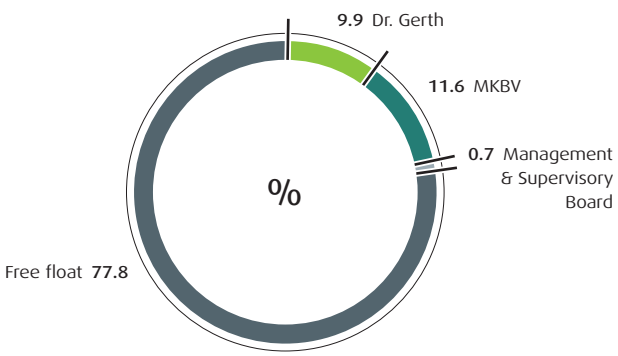
| | |
|---|---|
| Ticker symbol/ Reuters symbol | V3V/ V3VGn.DE |
| Securities number/ ISIN | A0BL84/ DE000A0BL849 |
| Initial quotation | March 27, 2007 |
| Market segment | Prime Standard |
| Indices | CDAX, Prime All Share, Technology All Share, DAXsubsector Biotechnology, DAXsubsector Pharma & Healthcare |
| Opening price (January 2, 2017) | EUR 5.75 |
| Closing price (December 29, 2017)* | EUR 11.25 |
| High/low | EUR 14.30/EUR 5.24 |
| Number of shares | 4,145,959 |
| Free float (December 29, 2017) | 77.8% |
| Market capitalization (December 29, 2017) | EUR 46.6 million |
| Designated sponsor | ODDO SEYDLER Bank AG |

* Closing price, Xetra, the electronic trading system of Deutsche Börse AG

Vita 34 AG has a broad shareholder base, with a free float of 77.8% at the end of 2017, higher than in the previous year (December 31, 2016: 72.6%). At the end of the fiscal year the new strategic investor, MKBV, held 11.6% of the shares. 9.9% of the shares were held by Dr. André Gerth. The Management and Supervisory Board of Vita 34 held 0.7% of the shares at the end of the year.

### Shareholder Structure

As of December 31, 2017




## Investor Relations

In the fiscal year 2017, Vita 34 has again provided capital market participants with comprehensive information about the development of the Company in a transparent manner. An active dialog with shareholders and stakeholders, and prompt publication of information of relevance to the Company by means of ad hoc notices and press releases ensure comprehensive and timely provision of information on Vita 34's development.

Due the changes made to the Management Board and the acquisition of Seracell, Vita 34 has intensified its investor relations activities in order to reposition the Company with the capital markets. As a result, Vita 34 has strengthened the presentation of its new equity story with management roadshows, capital market conferences, and in individual meetings.

Share analyses on Vita 34 were prepared by Montega AG during the fiscal year 2017. In its last update on November 23, 2017, the analysts from Montega confirmed both their "buy" recommendation for the share as well as the target price of EUR 12.00.

Addition information on the Vita 34 share is available for download on the Internet at www.vita34group.de on the "Share" page.

## Annual General Meeting

The regular Annual General Meeting of Vita 34 AG took place on June 28, 2017 at the Fraunhofer Institute for Cell Therapy and Immunology in Leipzig. Approximately 29.82 % of voting shares were represented. As in the previous year, shareholders approved agenda Topic 2 by a great majority, approving the proposal of the Management and Supervisory Boards to pay a dividend in the amount of EUR 0.16 per share.

Formal approval was issued to all members of the Management and Supervisory Boards holding office during the fiscal year 2016 under Topics 3 and 4.

PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft (Berlin office) was appointed as auditor for the Company and for the Group for the fiscal year 2017 under Topic 5.

Under Topic 6 the shareholders approved the reduction in size of the Supervisory Board from six members to four, and amendments to the remuneration of the Supervisory Board. Under Topic 7 Frank Köhler and Steffen Richtscheid were appointed as new members of the Supervisory Board in place of Dr. Hans-Georg Giering and Alexander Starke.

Under Topic 8 the shareholders approved the creation of new authorized capital, with the authorization to exclude shareholders' subscription rights, together with the cancellation of the existing Authorized Capital 2014 ("Authorized Capital 2017"). In doing so, the cancellation of the Authorized Capital 2014 was dependent on the creation of the new Authorized Capital 2017 becoming effective.

In addition, the Management Board was granted approval under Topic 9 to issue convertible and/or warrant-linked bonds, also with the authorization to exclude shareholders' subscription rights. The shareholders also voted for the creation of a Conditional Capital 2017, together with the cancellation of existing Conditional Capital 2007.

The detailed voting results of the 2017 Annual General Meeting can be reviewed on the Investor Relations website at www.vita34group.de on the "Annual General Meeting" page.

# Sustainability

As the largest private stem cell bank in the German-speaking countries, Vita 34 is aware of its responsibility to current and future generations, and views sustainability as an important part of its business model. In providing storage of umbilical cord blood and tissue for personal care provision or for use as a donation, Vita 34 does not only want to offer the opportunity to make an individual care provision, it also wants to create added value for society as a whole. Vita 34 vies for a lasting balance between commercial, ecological, and social aspects as the foundation for sustainable and positive business development.

## ECONOMIC RESPONSIBILITY

Vita 34 pursues a business model based on sustainable growth, growth that creates lasting value and observes the interests of all its stakeholders.

It is still the case that the majority of umbilical cord blood and tissue is destroyed after childbirth. We at Vita 34, as a European pioneer in umbilical cord blood banking, work every day to make the possibility of a sustainable use of umbilical cord blood and tissue generally better known. Within the scope of its quality management procedures, Vita 34 promotes the further development of the national and European legal framework, in order to ensure the greatest possible safety and quality in the storage of umbilical cord blood and tissue. Vita 34 has implemented the legal requirements in its corresponding Standard Operating Procedures (SOPs), which go beyond the legal requirements in important areas.

A comprehensive risk management system identifies, evaluates, and prioritizes all significant factors that could threaten the sustainable development of the Company, in order for countermeasures to be taken on a timely basis. Vita 34 has an excellent infrastructure and can guarantee comprehensive safety to its customers for the collection, transport, and storage of stem cells. By holding temporary capacity independent of third parties, Vita 34 AG is also prepared for all imaginable failures of its power supply. In addition, Vita 34 has insurance coverage for all stored stem cell deposits. A special feature of the liability insurance at Vita 34 is that, apart from the activities of the employees of Vita 34, it also covers the collection of the umbilical cord blood and tissue by the personnel in the birthing clinics.

## ECOLOGICAL RESPONSIBILITY

Environmental protection is a significant task in an industry that is subject to high regulatory standards. Vita 34 monitors and evaluates the use and disposal of dangerous substances and chemicals in order to meet the ecological responsibilities of the business. Vita 34 also makes continuous efforts to reduce the amount of hazardous waste. In its administrative building Vita 34 produces part of the electricity it requires with its own photovoltaic system, which produces 18,000 kWh annually. This is equivalent to a saving of 11 tons of $CO_2$ emissions.

## SOCIAL RESPONSIBILITY

The "VitaPlusDonation" product is an opportunity to have a personal stem cell deposit stored for personal health care use, which can also be made available for public donation to another person when the medical need arises. Using Vita 34's offer, parents and grandparents make an investment in the future of their descendants, and they make a contribution to generational social equality in the process.

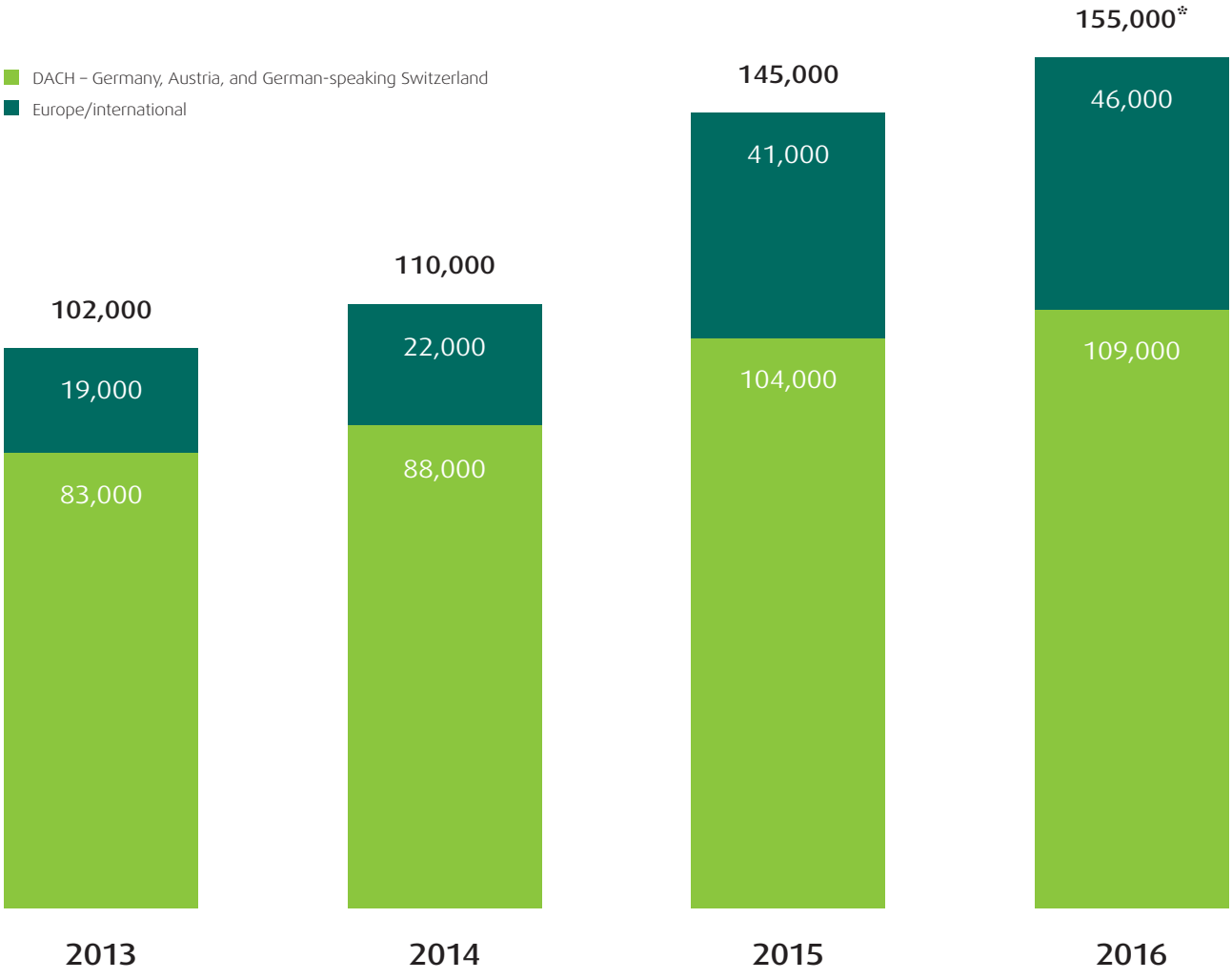
In addition, Vita 34 invests in selected medical research and development projects that support medical progress and that are therefore for the benefit of society as a whole.

Vita 34 regards a high level of employee loyalty and employee satisfaction as an important factor for the Company's success. Accordingly, it places great value on offers that support the reconciliation of family and work, further education and training, and precautionary health management measures within its health management approach.

# The number of stem cell deposits from umbilical cord blood and tissue stored by Vita 34 increased as a result of new customer business and the Seracell acquisition by

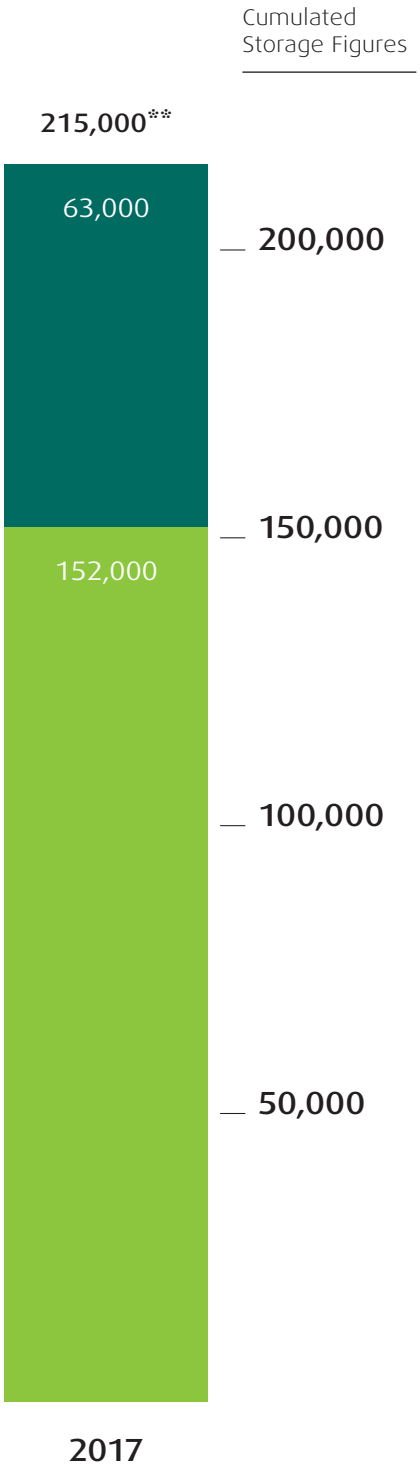
# 38.7 %

The majority of the increase from 2016 to 2017 is due to inorganic growth.




* Including stem cell deposits acquired with assets of Vivocell, StemCare, and Imunolita
** Including stem cell deposits acquired with assets of Seracell Pharma AG

# Combined Management Report



# Combined Management Report

## Fundamentals of the Company and the Group

### BUSINESS MODEL

**Core business.** The core business of Vita 34 AG is the collection, preparation, and storage of stem cells from umbilical cord blood and tissue. The Group, which was founded in 1997, has approx. 215,000 stem cell deposits, which makes it by far the largest stem cell bank in the German-speaking countries and the second-largest private umbilical cord blood bank in Europe today. The environment in which Vita 34 operates is highly regulated, and this applies to the use of both umbilical cord blood and umbilical cord tissue, which is covered by the German Organ Transplantation Act (OTG). The Group currently has some 133 employees and is active in more than 20 countries around the world, with a particular focus on Europe. Vita 34's strong position in the German market has been further reinforced with the acquisition of Seracell Pharma AG in 2017.

**Medical potential.** Stem cells have been used to treat serious illnesses for the last 60 years. The transplantation of stem cells obtained from umbilical cord blood is an established therapy for hematopoietic and immune system therapies, and in particular for leukemias and lymphomas. These techniques have already been used or tested for more than 80 conditions, including autoimmune diseases, metabolic disorders, and brain damage.

The use of the body's own stem cells may well be the future of regenerative medicine used to treat sports injuries, the consequences of heart attacks and strokes, or the effects of wear and tear on bones and cartilage tissue. The first transplantation of stem cells obtained from umbilical cord blood was performed in 1988. In the USA alone, as many as 42 transplantations were made in 2001 and 850 in 2016.[1]

**Cooperation with maternity clinics.** Vita 34 works together with some 800 maternity clinics in Germany to collect the body's youngest and most vigorous stem cells at the moment of birth. In order to ensure the greatest possible process assurance, Vita 34 provides regular training events for clinical staff in the collection of umbilical cord blood and tissue.

**Storage and recovery process.** After collection, stem cells are transported to the Vita 34 stem cell laboratory in Leipzig via courier using specially designed transport packaging. Once there, they are cryo-preserved and stored in accordance with Good Manufacturing Practice Guidelines (GMP), and based on the corresponding manufacturing permit. This ensures that the stem cells obtained from umbilical cord blood and tissue remain available for therapeutic purposes for many decades to come. The storage of stem cells obtained from the umbilical cord provides people with a chance to participate in future developments and improvements in stem cell medicine. The storage is an insurance policy for the parents, an investment for the future – and they secure a unique opportunity for their child at the moment they are born.

**Quality assurance and innovation leadership.** The name Vita 34 stands for maintaining the highest standards of quality. Vita 34 can only set and maintain these standards through use of rigorous quality assurance processes. This is also reflected in the many permits and licenses that ensure the Company's innovation leadership among umbilical cord blood banks in Europe. For example, Vita 34 is the only private stem cell bank in Germany that, in addition to having a permit for the storage of umbilical cord blood for autologous use, possesses the following:

- permits from the German Federal Institute for Vaccines and Biomedical Pharmaceuticals (Paul-Ehrlich Institute) for dispensing umbilical cord blood products for the therapeutic use in hematological/oncological diseases for siblings (family-allogenic uses), and to help third-party recipients (allogenic uses);

- a permit for the collection, processing, cryo-preservation, and storage of umbilical cord tissue in Germany, Austria, Switzerland (DACH region), and Luxembourg;

- a patent from the European Patent Office (EPO) in Luxembourg for a disinfection, preparation, cryo-preservation, and cell isolation process for umbilical cord tissue and the cells contained therein. As a result Vita 34 is currently the only German stem cell bank that is permitted to collect and store both cells and tissue from the umbilical cord of newborns under current legislation; and

- the necessary approvals and permits to offer customers a storage and recovery facility for both whole blood and separated blood for medical therapy purposes.

In addition, application has been made for a permit to collect and process adipose tissue deposits for possible later isolation of adult stem cells.

**Investment in research and development.** Vita 34 supports applied stem cell research by developing new products and services based on cryo-preservation of stem cells or potentially of cells from other sources. For this purpose, the Group works with selected renowned research institutions and universities and creates quality standards for the storage of various stem cell material intended for medical use at a later date. In this way Vita 34 is opening up a potential opportunity to profit from the growing need for personalized cryo-preserved cell material for use in regenerative medicine or cell therapies.

### Expanding the Product Portfolio

In addition to the collection, preparation, and cryo-preservation of stem cells from umbilical cord blood ("VitaPlus") and tissue ("VitaPlusCord"), Vita 34 has continually expanded its product range in recent years.

- "**VitaMine&Yours**", a new product introduced in 2016, combines the storage of umbilical cord blood for one's own use with the possibility of a donation. Where sufficient quantities are available (which is not the case for all collections due to various individual factors) the umbilical cord blood obtained at birth can be split into one deposit for the child and a second deposit to be made available as a public donation for which no charge is made to the customer. Apart from a personal health provision, Vita 34 is the first private stem cell bank to additionally provide a service for the general public.

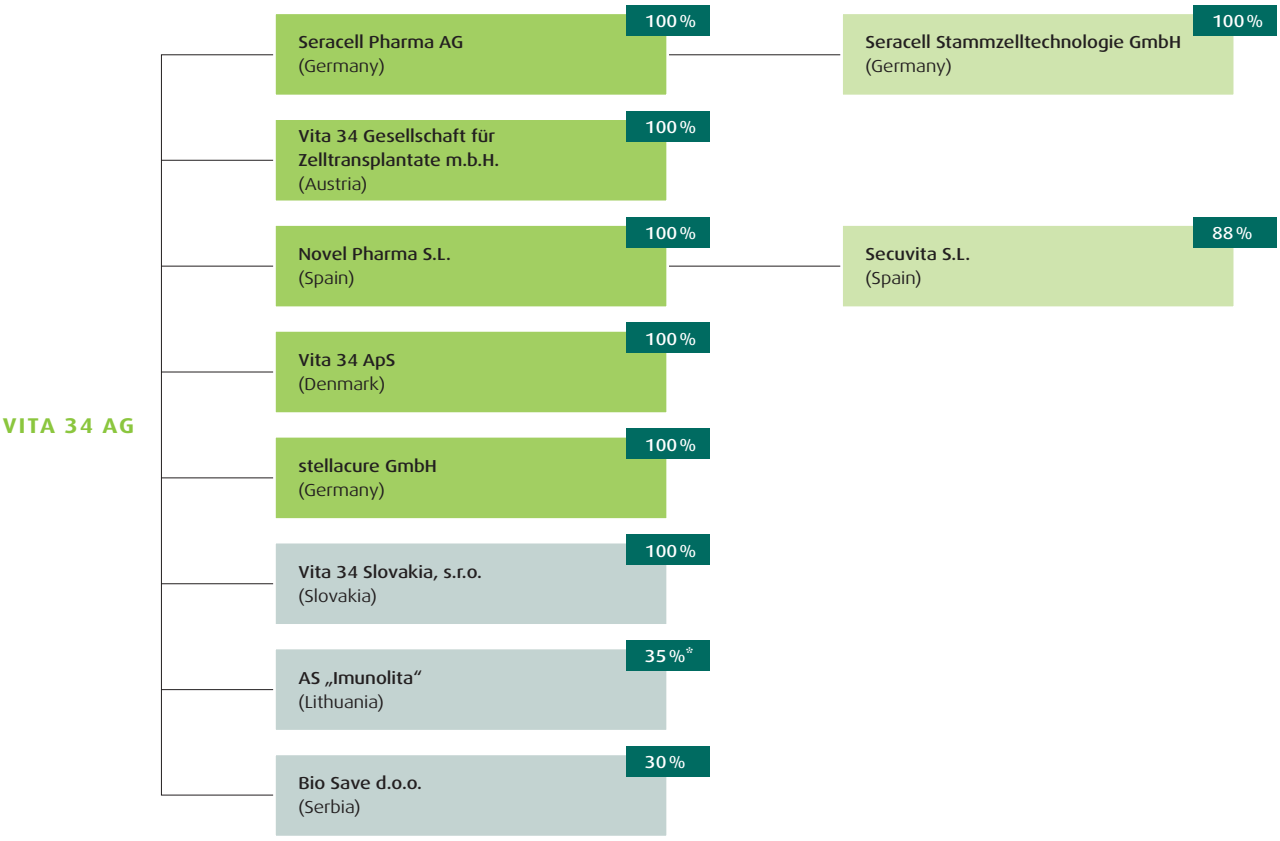
- With "**VitaPlusDonation**" the stem cells for personal use are stored, while at the same time their tissue-specific characteristics are made available worldwide for stem cell search purposes in an anonymous format via the stem cell registry established by Vita 34 on www.stemcellsearch.org. In this way, a child's own stem cells are available for therapeutic use; however, they can also be donated if needed to a third person who is ill.

- Because the probability of tissue characteristics matching is highest among siblings, Vita 34 founded the "**Sibling Initiative**" in 2002. Vita 34 offers free storage of stem cells from the umbilical cord blood of a child whose brother or sister is seriously ill and needs the stem cells from the newborn sibling for treatment purposes, for example in the case of leukemia.

- The Vita 34 **Preventive Screening** is based on umbilical cord blood or a saliva sample and supplements a standard physician's examination and helps with the early detection of genetically related health risks and predispositions to incompatibilities. It encompasses tests of the DNA for risks regarding intolerances against antibiotics, lactose, and cereal flour, as well as disturbances of the immune system (AAT deficiency) or an iron overload (haemochromatosis).

- Across Europe, Vita 34 has established the only **mobile stem cell team**, in order to ensure that treatment with stem cells from umbilical cord blood can be performed in any hospital. The mobile stem cell team from Vita 34 delivers the cryo-preserved stem cells to the respective clinic and performs another quality test before handing them over to the physician and ensures their proper preparation for transplantation purposes. Apart from observing all pharmaceutical legal requirements in the storage of stem cells, Vita 34's process for dispensing the umbilical cord blood also meets the highest quality standards. This is possible thanks to special mobile equipment and the use of mobile cleanroom technology, independent of how the clinic is equipped.

## Corporate Structure and Shareholdings




*Including voting majorities; fully consolidated entities are marked in green

### CORPORATE STRUCTURE AND SHAREHOLDINGS

The parent company of the Group is Vita 34 AG, a stock-exchange-listed and publicly traded company. With the exception of Seracell Stammzelltechnologie GmbH, subsidiaries and associated companies act as sales entities for Vita 34 AG, while the parent company is responsible for strategic and operating activities, such as the preparation and storage of stem cells, on behalf of its subsidiaries. The Vita 34 Group is subsequently referred to as "Vita 34" unless a specific reference is made to describe matters that exclusively concern the parent company or one of its subsidiaries.

The most important change in the Group structure in 2017 was the acquisition of Seracell Pharma AG and its subsidiary company, Seracell Stammzelltechnologie GmbH. The remaining shareholding in stellacure GmbH, Germany not already held by the Group was also acquired. In addition, Stemcare ApS, which is active in Denmark, Sweden, and Norway, was renamed Vita 34 ApS.

The following companies are included and fully consolidated in the Group annual report of Vita 34 AG as of December 31, 2017: Seracell Pharma AG (Germany), Seracell Stammzelltechnologie GmbH (Germany), Vita 34 Gesellschaft für Zelltransplantate m.b.H. (Austria), Novel Pharma S.L. (Spain), Secuvita S.L. (Spain), Vita 34 ApS (Denmark), and stellacure GmbH (Germany).

Vita 34 Slovakia, s.r.o. (Slovakia) and AS "Imunolita" have not been consolidated based on materiality criteria. The investment in Bio Save d.o.o. (Serbia) is consolidated using the equity method.

International Presence – The Vita 34 Family


## Vita 34 on the International Market

Vita 34 has expanded its strategy of further internationalization ambitiously and successfully in the past years. Vita 34 is represented by its subsidiaries and sales partners in more than 20 countries.

## OBJECTIVES AND STRATEGY

Vita 34's objective is to continue and reinforce the successful growth course achieved in recent years also in the future. In doing so, Vita 34 is concentrating on revenue and earnings growth. For the medium term this means working to achieve the "Vision 2021," which aims for an EBITDA of EUR 10 million in 2021. The Management Board has identified the following three building blocks to achieve this strategic growth.

### Expansion of the Core Business and Broadening the Product Portfolio

Internationally, within the umbilical cord blood and umbilical cord tissue storage sector, Vita 34 has a unique product portfolio. Vita 34 aims to broaden the product range for stem cell deposits on a consistent basis by applying active portfolio and lifecycle management techniques. The "VitaMine&Yours" product introduced in 2016, which combines the storage of umbilical cord blood for personal use with the opportunity of providing donations, has been received well in the marketplace. In addition to storing umbilical cord blood and tissue, it is also planned to collect and store adult stem cells. In the short term, autologous adipose tissue shall be collected and stored. The second stage shall be preparing this tissue for use in plastic surgery or for cosmetic purposes. In the medium term, it is planned to expand the current product offering to provide a comprehensive biobank service. This could be biological specimens of separated immune cells or periphery bloods from children or adults, which could be used in, for example, immune therapies or immuno-oncology treatments.

### Inorganic Growth by Acquisition

The growth strategy is focused on vertical and horizontal acquisitions that strengthen the market position through clearly defined criteria and, in addition, provide synergy benefits, in particular in sales and marketing as well as in manufacturing and management areas.

By making opportunistic acquisitions along the value chain or acquiring businesses that have complementary product offerings, Vita 34 is following a vertical portfolio expansion strategy.

The horizontal market expansion is focused on opening up new geographical markets. This can be achieved by acquiring established competitors or by building up majority shareholdings. In doing so, expansion will take place in selected European markets.

### New Research and Development Fields

Vita 34 pursues a clearly focused innovation strategy. Vita 34 has identified the establishment of new products and services as an important growth factor. This will involve expanding the value-added chain by adding products and services for the pharmaceutical industry or for government organizations. Vita 34 also plans to offer support for stem cell-based therapies.

The scope of future research and development activities and projects will be limited to a volume that is commercially sensible, shall be selected projects that are oriented to market trends, and shall carry a minimum risk profile in respect of the research partners involved. In addition to the current core business, Vita 34 assesses the demand for new products in the regenerative medicine sector (storage of adipose tissue to collect mesenchymal stem cells and adipocytes) and for cell therapies (storage of T-cells, natural killer (NK) cells, and dendritic cells). The objective is to participate in the advances made in regenerative stem cell medicine and various immuno-oncology cell therapies in the medium and long term.

## MANAGEMENT SYSTEM AND PERFORMANCE INDICATORS

The Vita 34 AG Management Board uses a number of performance indicators for internal Group management purposes. These are primarily figures for revenue, and for earnings before interest, taxes, depreciation, and amortization (EBITDA) and the ratios derived from them such as gross margin and EBITDA margin. Movements on these performance indicators as compared with defined targets is monitored on an ongoing basis. Figures for total output and for equity ratio are no longer used as performance indicators by the Management Board.

For regular stock market management and reporting purposes Vita 34 uses revenues and earnings before interest, taxes, depreciation and amortization (EBITDA). The development of the performance indicators as compared with defined targets is reported on a quarterly, half-yearly, and annual basis. The following list contains information on the relevant internal Group key performance indicators.

### Revenues

Revenue is the output from operating performance, sold on the market at sales prices applying in a particular period.

### EBITDA and EBITDA Margin

Earnings before interest, taxes, depreciation, and amortization (EBITDA) is the central key performance indicator at Vita 34. It serves as the main measure for the cash flow strength and the operating profitability of the Company. In the case of EBITDA margin, EBITDA is compared to revenue.

The precise development of the key figures for revenues, total operating revenue, EBITDA, EBITDA margin and equity ratio are explained in the "Revenue and Income Situation," "Financial Situation," and "Asset Situation" sections.

## RESEARCH AND DEVELOPMENT

Researchers worldwide are working on methods to use stem cells in various therapies against a number of different diseases. The stem cells that are of particular interest for medical application are those that are as free as possible from infection and environmental influences, as well as extremely young and vigorous, which means that they possess a high development potential. Both stem cells from umbilical cord blood and tissue score highly in these characteristics and, as a result, they represent an important source for stem cell research. Stem cells from umbilical cord tissue can, therefore, augment or even replace established therapies for the treatment of cartilage defects and tendon or sports injuries, as well as arthritis.

Vita 34 participates in research programs to study potential applications, both through the activities of its own research and development department and by participating in projects in cooperation with leading universities throughout Europe. In addition, Vita 34 is making an active contribution to medical progress by providing test deposits and expertise. Vita 34 provides support for research projects by performing processing work, performing evaluations, and storing the deposits collected.

The increasing number of studies, as well as the tremendous progress made in biomedical research in the case of cell-based therapies, underscores the potential of stem cells from umbilical cord blood and tissue. With the advancing development of stem cell therapies, Vita 34 expects an increasing demand for the secure storage and provision of cells and tissues in the future.

### EMPLOYEES AND QUALIFICATIONS

Vita 34 has succeeded in creating a team of motivated and qualified employees. They provide the foundation for the Vita 34's long-term development and for the successful acquisition and integration of newly acquired businesses. Vita 34 promotes inter-team cooperation and joint activities. The team structure, flat corporate hierarchy, and very good working environment contribute to employee satisfaction. In addition, Vita 34 employees can contribute suggestions using the Vita idea management system.

As of the December 31, 2017 balance sheet date, Vita 34 employed 133 employees in either full or part-time positions (2016: 122 employees) and five trainees (2016: three trainees). The increase was primarily due to the acquisition of Seracell. Vita 34 has been successful in recruiting eight employees to the Vita 34 team at the Rostock location.

The average age of the Group's employees in the reporting year was 39 years, unchanged from the previous year; the average length of employment was five years (2016: six years).

**Employee Structure of Vita 34 and Subsidiary Companies in the Consolidated Group as of December 31, 2017**

| Number | 2017 | 2016 |
|---|---|---|
| **Total number of employees*** | **133** | **122** |
| Of these Management Board | 3 | 3 |
| Of these management | 13 | 16 |
| **Trainees** | **5** | **3** |

* Based on headcount and excluding agency staff, trainees, casual labor, and employees on parental leave

Mr. Alexander Starke, interim member of the Management Board, resigned his position as a member of the Management Board with effect from December 31, 2017 as planned. From that date the Management Board consists of the Chairman of the Management Board, Dr. Wolfgang Knirsch and the Finance Director, Falk Neukirch.

A high proportion of Vita 34 staff are women, who comprise 71% of the total. Women hold 54% of positions with a management role, and 80% of trainees are women. Approximately one quarter of Vita 34 employees take advantage of schemes offered that are designed to support them in combining family and career. This includes both part-time employment arrangements as well as the flexible distribution of shifts and personalized maternity leave planning. The arrangements for flexible working hours introduced in 2016 were very well received by staff. In addition, there was a high acceptance level for the precautionary measures offered as part of the health care management program in the fiscal year.

## Report on Economic Position

### MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

#### Macroeconomic Environment

The overall economic environment in which Vita 34 operates has been a prosperous one over the past fiscal year. The global economic recovery has also continued through 2017. Based on International Monetary Fund (IMF) calculations, gross domestic product (GDP) increased by 3.7% in 2017 (2016: 3.2%).[2] The European economy, too, has managed an impressive trend in recent years. The IMF forecasts that 2017 growth was 2.4%, significantly above the rate in the previous year (1.8%).[3]

The economic mood remains optimistic despite ongoing geopolitical conflicts, among other things due to the fact that the fear of major political upheaval in Europe, for example in the Netherlands and in France, has proved unfounded. The business climate index (BCI) for the Eurozone in December 2017 increased by 0.17% to 1.66%, its highest value since 1985.[4] However, concerns about the Brexit negotiations and, above all, the fear of inflation and increases in interest rates in the USA continue to be a cause of uncertainty for financial markets.

Once again in 2017 Germany is leading Europe's economic recovery. Based on statistics issued by the German Federal Office for Statistics, economic growth was 2.2% in the year just ended, which was significantly higher than in the previous year (2016: 1.9%).[5]

The purchasing power and net disposable income available to the population are important factors that affect the choice for umbilical cord blood and tissue storage. The Society for Consumer Research (Gesellschaft für Konsumforschung – GfK) calculated that purchasing power in Europe as a whole increased by a nominal 1.9% in 2017, whereby there was a substantial variation in the net disposable income available in the 42 countries surveyed.[6] Based on statistics issued by the German Federal Office for Statistics, net income in Germany increased by a nominal rate of 2.4% in 2017 compared to the previous year. [7]

#### Sector-specific Environment

Vita 34's business activities are in the medical biotechnology sector. Based on the financing record and on the performance of the sector indices, 2017 was a positive year for the biotechnology sector. In total, biotechnology companies raised USD 23.3 billion in IPOs and follow-on financing rounds, significantly more than in the previous year (2016: USD 17.5 billion). The biotechnology sector also recorded an increase in risk capital raised, with an increase from USD 14.8 billion in 2016 to USD 15.7 billion in 2017.[8] Financing raised on the stock market by biotechnology companies in Germany totaled EUR 283.9 million in 2017, significantly more than in the previous year (2016: EUR 230.6 million).[9]

**Stem Cell Source for Transplants in Children up to Age 18 in the USA**


Source: National Marrow Donor Program/Be The Match FY 2016

After a weak previous year, 2017 was a very good year for companies in the biotechnology sector on the stock market; the indices for pharmaceutical and biotechnology shares went up on a regular basis, with some light volatility. The BioCentury 100 Index increased by 32 % over the course of the year, and the NASDAQ Biotechnology was up 21 % at the end of the year.[10] Share prices for biotech companies in Europe were also up in 2017 (BioCentury Europe Index +10 %, DAX Biotechnology subsector Index +14 %).[11] The German biotechnology sector has established itself as the driving force in the industry in Europe. In 2016, the 615 (2015: 593) biotechnology companies surveyed recorded total sales revenues of EUR 3.54 billion, 8 % more than in the previous year (2015: EUR 3.28 billion). The largest proportion of this total is attributable to biotechnology companies working in medical fields (EUR 2.46 billion).[12] The industry's willingness to invest continues, which is also reflected in the growth in research and development (R&D) expense in 2016, which totaled EUR 1.1 billion, an increase of 6.3 %. The companies were particularly focused on therapies and diagnostics (EUR 0.91 billion, an increase of 6.6 %), which highlights the need for bio-based processes, new therapies, and active medical ingredients.[13]

Vita 34, with its umbilical cord blood and tissue storage business, finds itself in a particularly dynamic and innovative environment. Stem cells have been used to treat serious hematologic diseases and for metabolic disorders and brain damage therapies since 1957.[14] Stem cells can be isolated from three difference sources: bone marrow, peripheral blood, and umbilical cord blood.[15] In 1988, umbilical cord blood was used for the first time to treat a serious hematopoietic disorder (Fanconi anemia).[16] In total, 35,000 umbilical cord blood transplantations have been carried out worldwide.[17] Based on statistics issued by the National Marrow Donor Program, umbilical cord blood is now the second most common source of stem cells used for transplants for children under 18 years of age, and it is also used in the treatment of adults.[18]

There are an estimated 745,000 umbilical cord blood deposits stored in public stem cell banks ready for use in future therapies, and another four million are stored in private stem cell banks. Using these, it should be possible to perform research into conditions[19] such as type I diabetes mellitus, strokes, Alzheimer's disease, cerebral palsy, and various hematological illnesses in the future. Researchers also currently see potential possibilities to isolate various stem cell types from umbilical cord blood,[20] to multiply them,[21] and, if necessary, to make improvements to them for therapies with more lasting therapeutic success.[22]

Stem cells from umbilical cord blood and tissue are vital all-rounders, and they offer enormous medical potential. While umbilical cord blood contains hematopoietic blood-forming cells, umbilical cord tissue contains cells that can be differentiated into the different tissue types, such as skin, muscles, cartilage, or bone. Studies are being conducted into the potential use of these cells for therapeutic purposes such as treating heart attacks, rheumatic diseases, and sport injuries involving cartilage damage. Stem cells from umbilical cord blood and tissue have numerous advantages compared to stem cells obtained from other sources. Stem cells obtained from umbilical cord blood and tissue can be collected at much less risk and can be made available for immediate use. In addition, there is a lower risk of rejection reactions in the case of allogeneic transplants using stem cells from umbilical cord blood compared to cells obtained from other sources.[23]

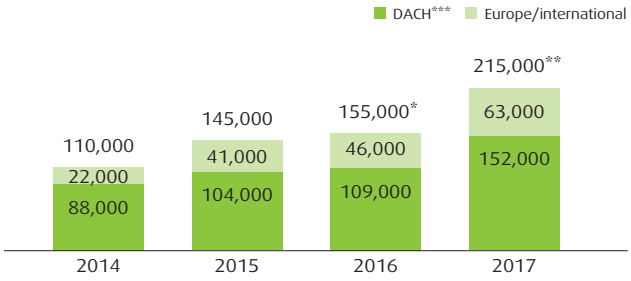
The significance of the potential offered by stem cell therapies is reflected in the range of research activities being carried out on this topic. According to the most important database of clinical studies (www.clinicaltrials.gov) a total of 6,420 studies concerning stem cell therapies are registered, of which 848 use umbilical cord blood and 90 use umbilical cord tissue.[24] The importance of biobanks for the provision of the cell material for personalized cell therapies will increase.[25]

Current research being performed with stem cells and the numerous therapy options already available indicate that there will be a growing demand for cryo-preservation and the safe storage of umbilical cord blood and tissue. This is also reflected in the sustained increase in the number of stem cell deposits. Accordingly, the conditions necessary for the development of Vita 34's core business are, therefore, wholly positive.

## COURSE OF BUSINESS

Once again Vita 34 is able to report a positive revenue trend in the fiscal year 2017. Revenues in the period increased to EUR 19.2 million in this period compared with EUR 16.3 million the previous year. This 17.8 % growth is primarily a result of the increase in the number of new stem cells from umbilical cord blood and tissue deposits following the acquisition of Seracell, a competitor. By the end of December 2017 Vita 34 had 215,000 stem cell deposits in storage (previous year: 155,000).

**Cumulated Storage Figures**




* Including stem cell deposits acquired with assets of Vivocell, StemCare and Imunolita

** Including stem cell deposits acquired with assets of Seracell Pharma AG

*** DACH – Germany, Austria, and German-speaking Switzerland

### Successful Acquisition of Seracell and Capital Raising

The fiscal year 2017, the year in which Vita 34 celebrated its 20th anniversary, was dominated by the acquisition of Seracell, a competitor, and by integration of the acquisition. The purchase price of EUR 14.1 million was financed by means of a EUR 7.4 million bank loan and by two equity capital financing rounds that raised a further EUR 7 million for the acquisition. The acquisition was completed in two stages, with the first installment of the purchase price being paid to acquire 77 % of the Seracell shares on June 28, 2017, with the result that Seracell was consolidated in full as of June 30, 2017. As agreed upon, the remaining 23 % of the shares were taken over at the end of October 2017.

A capital increase was effected on June 13, 2017, without the requirement to issue a prospectus, in order to increase the issued share capital by up to 10 %, making use of the Authorized Capital 2014. All the new shares were acquired by MK Beleggingsmaatschappij Venlo B.V. (MKBV) at a subscription price of EUR 6.62 per share. The gross proceeds of the issue raised in this financing round amounted to approx. EUR 2 million. The Company's issued share capital increased as a result from EUR 3,026,500.00 to EUR 3,329,149.00.

The third financing round, which took place between July 14 and July 27, 2017 consisted of a capital increase in exchange for cash contributions for shares issued from the Authorized Capital 2014. The exercise of subscription rights and the subsequent placing of shares with qualified investors resulted in the issue of a further 816,810 new registered shares at a price of EUR 6.10 per share and gross issue proceeds of almost EUR 5 million. The Company's issued share capital increased by EUR 816,810.00 as a result of the capital increase from EUR 3,329,149.00 to EUR 4,145,959.00. The subscription ratio was four old shares for each new share (4:1). In addition to the existing shareholders, subscription rights were granted to holders of the new shares which were not yet approved for trading purposes on the stock exchange and which had been issued under the capital increase in exchange for cash contributions registered at the commercial register on June 16, 2017 (MKBV private placing).

The integration of Seracell was completed by the end of the fiscal year 2017. The former administration center of the business in Berlin was closed in its entirety, and the Rostock location, with its production and storage capacity, was retained, providing Vita 34 with capacity for further growth.

The acquisition has strengthened Vita 34's position as market leader in the German-speaking region significantly, and provided it with a strong position in Europe. Accordingly, it is a groundbreaking step towards implementing the Buy and Build strategy. Synergies and economies of scale should provide cost savings and profitability gains.

### Adjustments to Forecasts in the Course of the Year

The benefits of the acquisition were already apparent during the second half of 2017. As expected, revenues in Germany increased significantly. For this reason, the revenue forecast for 2017 was adjusted upwards in August 2017. The new revenue target for the fiscal year was increased to EUR 18.9–19.4 million (previously: EUR 17.4–17.9 million). As a result of the one-off expenses incurred in connection with the acquisition and the integration of the Seracell Group and as a result of the changes in management it was necessary to lower the EBITDA target to EUR 1.6–1.9 million (previously: EUR 2.6–2.7 million). Both one-off effects have taken effect in full in 2017 and will not be a burden on future years, enabling the Company to benefit from the additional revenue-driven earnings in the short term.

### Changes in the Management and Supervisory Boards

In addition to continuing with the Buy and Build strategy, the fiscal year 2017 was characterized by a number of changes in the Management and Supervisory Boards. Finance Director Falk Neukirch left the Company in April 2017 at his own request. Dr. Wolfgang Knirsch, previously Director of Sales & Marketing, was appointed Chairman of the Management Board following the dismissal of Dr. André Gerth as Chairman of the Management Board in June. In September, Falk Neukirch returned as Finance Director and, with the resignation of Alexander Starke as interim member of the Management Board as of December 31, 2017, the restructuring of the Management Board is now complete.

The Annual General Meeting 2017 approved a resolution on June 28 to reduce the size of the Supervisory Board from six to four persons. Artur Isaev resigned his position as a member of the Supervisory Board. In addition, the terms of office of Dr. Hans-Georg Giering, Alexander Starke, and Dr. Holger Födisch expired. The Annual General Meeting appointed Frank Köhler and Steffen Richtscheid as new members of the Supervisory Board. The Supervisory Board appointed Frank Köhler as the new Chairman of the Supervisory Board, and Gerrit Witschaß remains as Vice Chairman of the Supervisory Board. The fourth member of the Supervisory Board continues to be Dr. med. Mariola Söhngen.

### Geographic Expansion and Enlargement of the Sales Partnership Network

In the course of its growth strategy Vita 34 has continued to drive forward its internationalization and geographic expansion. As part of this, Vita 34 entered the Romanian market in June. Besmax Life Solutions, the Group's Romanian cooperation partner, is part of the Life Solutions Group, which has good access to maternity clinics as it is a supplier of specialist pharmaceuticals for use in gynecology and obstetrics.

The cooperation arrangement with the Italian partner Sorgente ended on October 31, 2017 and was replaced at the start of November with a partnership with the Italian biotechnology company Serena Medical, a health care management company. The contract with the Company's Serbian partner, Bio Save, also expired at the end of the year. The Company's new cooperation partner in Serbia with effect from January 1, 2018 is long-term Seracell partner Cord iPS. As with other cooperation arrangements, the partners are responsible for sales and marketing activities, for training the clinics and for collecting deposits in accordance with the applicable quality standards, and for transporting the deposits to Leipzig. The processing, testing, cryopreservation, and storage of the stem cell deposits are performed in the Vita 34 laboratory.

### New Research Partnerships

Vita 34 has been working with the renowned Berlin Charité hospital since October 2017 in a joint research project investigating the collection of umbilical cord blood under difficult birth conditions. The study extends over a twelve-month period, and Vita 34 will provide financial and personnel support for the study and will be responsible for the processing, evaluation, and

storage of the umbilical cord blood deposits. The results of the study are intended to generate new insights that will provide the basis for future investigations into clinical applications for umbilical cord blood for infantile diagnostic purposes.

### Patents

Vita 34 is working on an ongoing basis to develop innovative processes and products. Patent protection was granted by the European Patent Office (EPO) for the use of a new process in early 2017. The patent describes a process for the disinfection, preparation, cryo-preservation, and isolation of cells obtained from umbilical cord tissue. With this, Vita 34 is currently the only German stem cell bank that has permits under all current standards to store both blood and tissue obtained from the umbilical cord of newborn babies for later use. The grant of this new EU patent confirms the Company's leading role in the further development of processes and products that will provide an important basis for future treatment options.

In August 2017, the development of a new process for storing adult stem cells in connection with a medical procedure was completed ("AdipoVita") and application was made for a manufacturing permit for this process with the appropriate state authorities.

## GROUP REVENUE AND EARNINGS (IFRS)

Revenues in the fiscal year 2017 increased 17.8 % compared to the same period in the previous year to EUR 19.2 million (previous year: EUR 16.3 million). The positive revenue trend is primarily a result of the successful integration of Seracell and the associated increase in the number of new umbilical cord blood deposits in the second half of 2017.

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Sales revenue | 19,186 | 16,290 |
| - Cost of sales | –8,391 | –7,669 |
| **Gross profit** | **10,795** | **8,620** |
| - Marketing and selling costs | –5,430 | –5,122 |
| - Administrative expenses | –4,956 | –3,925 |
| - Other operating income, less expenses | –274 | 1,207 |
| **Operating result/EBIT** | **135** | **780** |
| Interest expenses | –148 | –51 |
| - Share of loss of associates | –140 | –42 |
| - Income tax expense | –172 | –71 |
| **Net result for the period** | **–324** | **617** |

The increase in revenue is primarily a result of the new end customers in the German market gained as a result of the Seracell acquisition. This resulted in both an increase in the gross profit in absolute terms to EUR 10.8 million (previous year: EUR 8.6 million) as well as an increase in the gross margin to 56.3 % (previous year: 52.9 %).

The effects of the initial consolidation of Seracell, in particular the acquisition and integration costs, had an effect on expenses in the fiscal year 2017. The net figure for other operating income less expenses fell in the reporting period to EUR –0.3 million (previous year: EUR 1.2 million). Marketing and selling expenses (EUR 5.4 million; previous year: EUR 5.1 million) increased less than proportionally to revenue. The ratio of marketing and selling expenses to revenue improved to 28.3 % in 2017 (previous year: 31.4 %), reflecting the benefits of synergies derived from the acquisition. Other operating expenses increased from EUR 0.4 million to EUR 1.0 million in the reporting period. These primarily include integration costs, including redundancy and termination costs of EUR 0.7 million. Administrative expenses also increased from EUR 3.9 million in the previous year to EUR 5.0 million in the reporting period. This reflected both the increase in consulting costs incurred in connection with the Seracell acquisition as well as additional personnel costs of EUR 0.4 million as a result of the restructuring of the Management Board. Research and development expenses in the fiscal year 2017 totaled EUR 0.4 million (previous year: EUR 1.2 million).

The positive effects on results derived from the increased revenue and the associated synergy benefits could not compensate for the one-off effects of the acquisition and the changes in management in the fiscal year 2017. The earnings before interest, taxes, depreciation and amortization (EBITDA) suffered as a result and totaled EUR 1.8 million, after EUR 2.3 million in the previous year.

The operating result (EBIT) in the fiscal year just ended amounted to EUR 0.1 million, lower than in the previous year (EUR 0.8 million). In addition to the one-off effect on results, this was due to the increased depreciation resulting from the recognition of assets recognized in the course of the purchase price allocation in connection with the Seracell acquisition (EUR 0.5 million).

The income tax expense in 2017 was EUR 0.2 million (previous year: EUR 0.1 million). Vita 34 AG is subject to higher tax charges on its results in 2017 due to the fact that the Company's tax losses carried forward have been fully utilized.

The net result for the period in the fiscal year 2017 was EUR –0.3 million (previous year: EUR 0.6 million). Earnings per share, after taking account of results attributable to other shareholders, were EUR –0.09 (previous year: EUR 0.14), while the number of shares in issue increased by 1,119,459 as a result of the private placing and subscription rights capital increases in 2017.

Revenue and EBITDA for the year as a whole were in the medium to higher expectations range of between EUR 18.9 and EUR 19.4 million for revenue and EUR 1.6 and EUR 1.9 million for EBITDA.

The acquisition and integration of Seracell was completed by the end of the fiscal year 2017. The associated costs, together with the costs of the changes in management were one-off effects on the results for the fiscal year 2017. With the exception of the depreciation on assets recognized as part of the acquisition purchase price allocation, Vita 34 expects that there will be no further charges against results resulting from the acquisition from 2018. The positive effects resulting from the acquisition were already apparent in the results for the third and fourth quarters.

### Fourth Quarter 2017

There were noticeable positive effects in the second half of the year resulting from the acquisition and integration of Seracell and the associated significant increase in new customer business in the DACH region. In the fourth quarter of 2017 Vita 34 recorded revenue of EUR 5.4 million, a significant (25.6 %) increase compared to the same quarter in the previous year (EUR 4.3 million). Earnings before interest, taxes, depreciation and amortization (EBITDA) increased more than proportionately (57.1 %) to EUR 1.1 million (Q4 2016: EUR 0.7 million), and the EBITDA margin was 19.4 % compared to 16.2 % in the same period in the previous year. EBIT increased to EUR 544 thousand, following EUR –2 thousand in the previous year. Other operating expenses fell by EUR 0.1 million compared to the same period in the previous year (previous year: EUR 0.3 million). Administrative expenses amounted to EUR 1.2 million (Q4 2016: EUR 1.0 million) and marketing and selling costs were EUR 1.5 million in the fourth quarter (Q4 2016: EUR 1.3 million).

## GROUP FINANCIAL POSITION

Based on a net result for the period of EUR –0.2 million in the fiscal year 2017 (previous year: EUR 0.7 million) and after adjustment for non-cash items, the Group's cash flow from operating activities was EUR 1.5 million (previous year: EUR 2.3 million). The lower cash flow from operating activities was primarily due to the one-off expenses previously described in the "Group Revenue and Earnings" section above.

The cash outflow from investing activities in the reporting period totaled EUR –13.1 million, significantly higher than the EUR –0.6 million in the previous year. This primarily includes the net cash outflow incurred in respect of the Seracell acquisition, less the cash and cash equivalents held by the acquired company at the acquisition date (EUR –12.4 million).

The cash flow from financing activities amounted to EUR 13.0 million, significantly higher in the fiscal year 2017 than in the previous year (previous year: EUR –1.0 million). The increase is primarily due to the receipts from the private placing and share subscription issue (EUR 6.7 million) and the change in loan balances (EUR 6.7 million) resulting from the drawdown of a bank loan, both of which were in connection with the Seracell acquisition. As in the previous year a dividend of EUR 0.16 per share was paid in the reporting period, which resulted in a total dividend payment of EUR 0.5 million.

Vita 34 had cash and cash equivalents of EUR 4.2 million at the balance sheet date (December 31, 2016: EUR 2.8 million). This provides Vita 34 with a solid basis for further organic and inorganic growth.

Details of the Group's financial management policies and objectives are provided in the notes to the consolidated financial statements.

## GROUP NET ASSETS

As of December 31, 2017 the balance sheet total was approximately EUR 62.0 million, EUR 18.6 million higher than as of December 31, 2016 (EUR 43.4 million). On the asset side of the balance sheet the non-current assets including goodwill were EUR 52.2 million as of December 31, 2017, following EUR 35.7 million as of the end of 2016. This increase is primarily due to the Seracell acquisition. As a result of this, goodwill totaled EUR 18.3 million as of December 31, 2017 (December 31, 2016: EUR 13.4 million) and there was a significant increase in intangible assets to EUR 21.5 million (previous year: EUR 11.7 million). Other financial assets were at a consistent level with the previous year at EUR 3.7 million (previous year: EUR 3.6 million).

Current assets totaled EUR 9.8 million at the balance sheet date (previous year: EUR 7.7 million). The increase was primarily due to the increase in cash and cash equivalents, which increased from EUR 2.8 million to EUR 4.2 million by the end of the fiscal year. Trade receivables totaled EUR 3.9 million at the end of the period (previous year: EUR 3.6 million).

On the equity and liabilities side of the balance sheet, equity totaled EUR 29.6 million at the December 31, 2017 balance sheet date (December 31, 2016: EUR 23.6 million). The equity ratio fell as a result of the increased level of borrowings and amounted to 47.8 % (December 31, 2016: 54.5 %).

Non-current liabilities and deferred income increased to EUR 24.1 million as of December 31, 2017 compared to EUR 14.6 million at the end of the previous year. The increase is primarily due to the bank loan of EUR 7.4 million that was used to finance the Seracell acquisition purchase price (net of transaction costs). Current liabilities and deferred income increased from EUR 5.2 million as of the year ended December 31, 2016 to EUR 8.2 million as of December 31, 2017. This is due to an increased level of other liabilities of some EUR 2.5 million as of the December 31, 2017 balance sheet date (December 31, 2016: EUR 1.6 million) and to an increase in deferred income which amounted to EUR 2.6 million (December 31, 2016: EUR 1.8 million). The deferred income accounts for the storage fees that are collected from customers with a one-off advance payment and are then released to income on a linear basis over the agreed storage period.

### Major Balance Sheet Items

| In EUR thousands | **Dec. 31, 2017** | Dec. 31, 2016 |
|---|---|---|
| **Assets** | | |
| Non-current assets | 52,155 | 35,680 |
| Thereof: goodwill | 18,323 | 13,414 |
| Current assets | 9,806 | 7,741 |
| Thereof: liquid funds | 4,180 | 2,813 |
| **Equity and liabilities** | | |
| Equity | 29,643 | 23,648 |
| Non-current liabilities | 24,125 | 14,552 |
| Thereof: deferred income | 9,460 | 9,011 |
| Current liabilities | 8,193 | 5,222 |

## NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF VITA 34 AG (GERMAN COMMERCIAL CODE)

The annual financial statements of Vita 34 AG have been prepared in accordance with the German Commercial Code (HGB).

Sales revenues in the reporting year were EUR 13.8 million, representing an increase of 17.9 % compared with the previous year (previous year: EUR 11.7 million). Other operating income of EUR 0.5 million was lower than in the previous year (previous year: EUR 1.0 million).

In the fiscal year 2017 the cost of sales was EUR 5.4 million, following EUR 5.0 million in the previous year. The gross profit from sales totaled EUR 8.4 million as compared with EUR 6.7 million in the fiscal year 2016. This is equivalent to a gross margin (based on sales) of 60.9 %, as compared with 57.2 % in the reference period of the previous year.

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Revenue | 13,825 | 11,696 |
| - Cost of sales | –5,426 | –5,008 |
| **Gross profit** | **8,398** | **6,688** |
| - Marketing and selling costs | –3,164 | –2,934 |
| - Administrative expenses | –4,065 | –3,352 |
| - Other operating expenses/income | –161 | 716 |
| **Operating profit/EBIT** | **1,008** | **1,118** |
| - Financial result | 271 | 116 |
| - Income tax expense | –270 | –57 |
| **Net result for the period** | **1,009** | **1,117** |

The net amount of other operating income less expenses fell in the fiscal year 2017 to EUR –0.2 million following EUR 0.7 million in the previous year.

Marketing and selling costs increased by 10.3 % to EUR 3.2 million following EUR 2.9 million in the fiscal year 2016. Administrative expenses increased by EUR 4.0 million in the reporting period compared to EUR 3.4 million in the previous year, an increase of 17.6 %. The increase is primarily due to the consulting costs incurred in connection with the Seracell transaction; accordingly, these are one-off costs.

The key performance indicator, earnings before interest, taxes, depreciation and amortization (EBITDA), is calculated as the sum of operating EBIT (2017: EUR 1.0 million; 2016: EUR 1.1 million) and depreciation and amortization (2017: EUR 0.6 million; 2016: EUR 0.8 million). The EBITDA in the fiscal year 2017 was EUR 1.6 million, 15.8 % below the previous year's level of EUR 1.9 million, which was primarily due to the costs incurred in connection with the acquisition and integration of Seracell, the capital increase, and the changes in management.

The financial result increased to EUR 0.3 million (previous year: EUR 0.1 million), primarily due to an increase in income from investments.

The net result for the period totaled EUR 1.0 million, consistent with the previous year's level.

## Financial Position of Vita 34 AG (German Commercial Code)

| In EUR thousands | 2017 | 2016 |
|---|---|---|
| Cash flow from operating activities | 1,196 | 2.273 |
| Cash flow from investing activities | –14,894 | 20 |
| Cash flow from financing activities | 13,458 | –674 |

The cash flow from operating activities amounted to EUR 1.2 million. The cash flow from investing activities in the past year was influenced by investments in subsidiary companies – in particular the Seracell acquisition – amounting to EUR 14.2 million, classified as non-current financial assets.

The increased cash flow from financing activities was primarily due to the capital increases in the fiscal year (EUR 7.0 million) and the new loans entered into (EUR 7.5 million), less the amounts of loans provided to affiliated companies, the dividend payment, and the planned installment payments made to repay the loan taken out in the previous year.

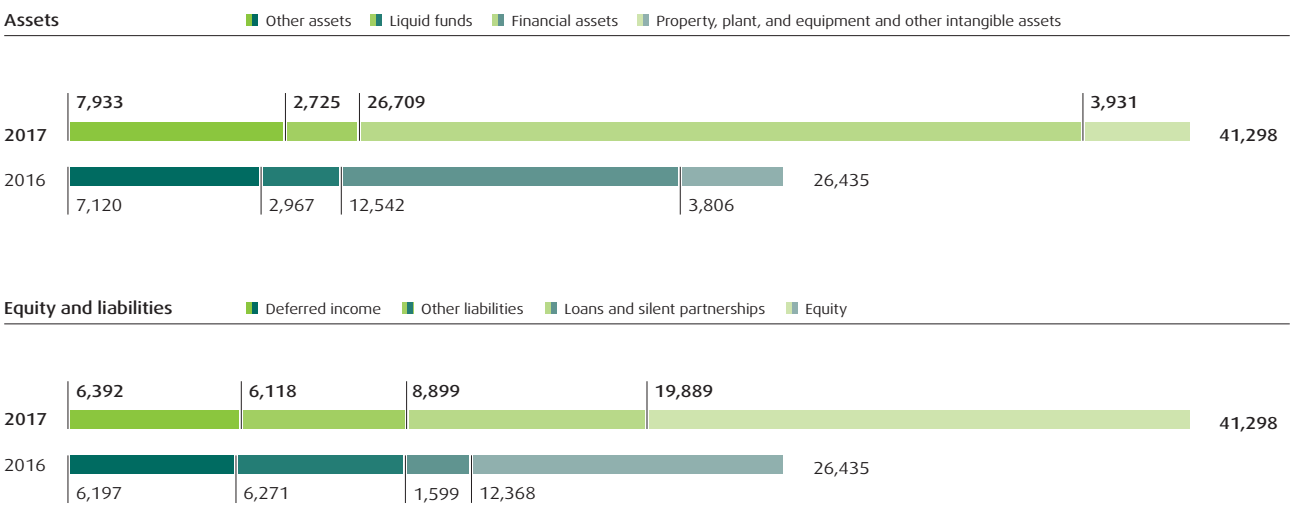
This resulted in a change in liquid funds of EUR 0.2 million. Cash funds as of December 31, 2017 totaled EUR 2.7 million (December 31, 2016: EUR 3.0 million).

The property, plant, and equipment and other intangible assets as of December 31, 2017 were EUR 3.9 million (December 31, 2016: EUR 3.8 million).

Financial assets increased to EUR 26.7 million as of December 31, 2017 (December 31, 2016: EUR 12.5 million) and consist of investments in affiliated companies of EUR 21.9 million (previous year: EUR 7.9 million), investment securities of EUR 2.3 million (previous year: EUR 2.3 million), and loans to affiliated companies of EUR 2.4 million (previous year: EUR 2.3 million). Other assets as of December 31, 2017 totaled EUR 7.9 million (December 31, 2016: EUR 7.1 million). These primarily consist of trade receivables of EUR 3.4 million (previous year: EUR 3.1 million) and receivables from affiliated companies of EUR 2.3 million (previous year: EUR 2.0 million). In addition, it contains prepaid expenses of EUR 0.9 million (previous year: EUR 0.9 million).

## Net Assets of Vita 34 AG (German Commercial Code)

December 31



On the equity and liabilities side of the balance sheet, equity totaled EUR 19.9 million at the end of the year (previous year: EUR 12.4 million). The increase is a result of the capital increases carried out in the fiscal year 2017. The equity ratio increased slightly to 48% (previous year: 47%) due to the fact that, in addition to the capital increases, a bank loan was entered into in order to finance the Seracell purchase price.

Loans and silent partnerships totaled EUR 8.9 million as of December 31, 2017 (December 31, 2016: EUR 1.6 million); the increase resulted from the bank loan of EUR 7.5 million used to finance the Seracell acquisition. The other liabilities at the 2017 year-end amounted to EUR 6.1 million following EUR 6.3 million the previous year. These primarily include liabilities to affiliated companies of EUR 2.0 million (previous year: EUR 1.8 million), deferred grants of EUR 0.6 million (previous year: EUR 0.7 million), and provisions of EUR 1.0 million (previous year: EUR 1.2 million).

Deferred income increased marginally and was EUR 6.4 million as of the December 31, 2017 balance sheet date. This contains the storage fees that are collected from customers with a one-off advance payment which are then released to income on a straight-line basis over the agreed storage period.

### Employees of Vita 34 AG (German Commercial Code)

On average in 2017, Vita 34 employed 96 people (on a full-time basis, excluding members of the Management Board, agency staff, casual labor, and employees on parental leave). In addition, the Company had an annual average of three trainees. A high proportion of Vita 34 staff are women, who comprise 69% of the total.

## REPORT ON POST-BALANCE SHEET EVENTS

Since the end of the fiscal year 2017 there have been no further events of particular significance or that would have had a significant effect on the net assets, financial position, or results of operations of the Group.

# Corporate Governance

## DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH § 289A GERMAN COMMERCIAL CODE [HGB]

### Compliance Declaration in Accordance with § 161 German Stock Corporation Act (AktG)

The Management Board and Supervisory Board of a German corporation listed on a stock exchange are required, in accordance with § 161 German Stock Corporation Act [AktG], to declare once annually whether the recommendations of the Government Commission on the German Corporate Governance Code have been observed and will be observed, or which recommendations have not been applied or will not be applied. The following Declaration of Compliance was made accessible on the Company's website on March 26, 2018 along with the last five years' Declarations of Compliance.

"The Management Board and the Supervisory Board of Vita 34 AG hereby declare, in accordance with Section 161 of the German Stock Corporation Act (AktG), that Vita 34 AG has met, since the issuance of the last Declaration of Compliance on March 27, 2017, and will in future continue to meet, the recommendations of the 'Governmental Commission on the German Corporate Governance Code (DCGK)' announced by the Federal Ministry of Justice in the official section of the German Federal Gazette in the version dated February 7, 2017, with the following exceptions:

- Sec. 3.8 DCGK: No specific deductible has been agreed upon with the Supervisory Board, since we are not of the opinion that the diligence and sense of responsibility exercised by the members of the Supervisory Board in performing their duties could be further enhanced by agreeing to a deductible.

- Sec. 4.1.3 DCGK: Vita 34 AG has taken measures, appropriate to the Company's risk situation, to ensure that the provisions of law and the Company's internal policies are complied with. The Company's system of risk management is audited annually as part of the annual audit of the financial statements; no objections have been raised to date. The Management Board and the Supervisory Board believe that the introduction of an additional compliance management system is not necessary in view of the good experience in the past and in view of the Company's size. In addition, it has been decided that a whistle-blower system will not be implemented at present as Management Board and Supervisory Board take the view that there has not been sufficient experience of the use of such a system in Germany to date. Accordingly, the

intention at the present time is to wait and observe whether the arguments against the use of a whistle-blower system, in particular that it is expensive, that it can have negative consequences for the working atmosphere, and that it may be misused, are in fact relevant in practice and to see what solutions are established in practice to avoid these issues. The Management Board and the Supervisory Board will continue to observe developments in practice concerning this matter.

- Secs. 5.1.2 and Secs. 5.4.1 DCGK: No age limit for Management and Supervisory Board members has been established. The determining factor for the capability of the members of these bodies is not age; therefore, we do not consider an age limit to be sensible.

- Secs. 5.3.1, 5.3.2 and Secs. 5.3.3. DCGK: The establishment of committees (i.e. a body that is only comprised of part of the members of the Supervisory Board), especially an Audit Committee, and a Nominating Committee does not make sense due to the size of the Vita 34 AG Supervisory Board.

- Sec. 7.1.2 DCGK: The Company observes the legally prescribed deadlines with regard to its publishing obligations in order to avoid additional administrative effort and associated costs as well as to avoid binding management's capacity further."

Leipzig, March 26, 2018

The Supervisory Board The Management Board

## CORPORATE GOVERNANCE PRACTICES

At Vita 34 AG, the principles of good corporate governance form the basis of our cooperation with shareholders, employees, and business partners. The Company has not implemented corporate governance practices that go beyond the legal requirements.

## MANAGEMENT AND SUPERVISORY BOARD PROCEDURES

Both bodies work together for the benefit of the Company. The Management Board is responsible for running the Company; the Supervisory Board advises and supervises the Management Board. The Management Board and the Supervisory Board observe the rules of orderly company management.

The Vita 34 AG Management Board consists of two members. Dr. Wolfgang Knirsch is Chairman of the Management Board and Mr. Falk Neukirch is Finance Director. The Management Board is independently responsible for the management of Vita 34 AG, and in doing so it aims to achieve continual increases in the Company's value.

The work of the Management Board in general is regulated by its rules of operation. The rules of operation contain the policies and procedures of the Management Board and those matters reserved for the entire Management Board, as well as the majority required to pass a Management Board resolution.

The Management Board regularly informs the Supervisory Board of the issues relevant to the Company related to strategy, planning, business development, risk and risk management, as well as compliance, in a timely and comprehensive manner. Currently, no member of the Management Board holds a position as a Supervisory Board member of a company outside the Group.

The Supervisory Board of Vita 34 AG comprises four members. It supervises and advises the Management Board regarding the management of the business. To this end, the Supervisory Board regularly discusses the development of the Company's business, as well as its business plans, strategy, and their implementation. It approves the annual plan prepared by the Management Board, accepts the annual financial statements, and approves the consolidated financial statements. Furthermore, it is responsible for appointing and removing the members of the Management Board, as well as for representing the Company in dealings with the Management Board.

The Chairman of the Supervisory Board coordinates the work of the Supervisory Board, directs its meetings, and handles the external affairs of the Supervisory Board. The members of the Supervisory Board are independent in their decisions and are not bound to specifications or instructions from third parties.

The Supervisory Board has not received any notice of conflicts of interest from either the Management Board or from Supervisory Board members during the reporting period. To date, no Management Board member of Vita 34 AG has moved from the Management Board to the Supervisory Board. The Supervisory Board consists of four independent persons.

The compensation of Management Board members consists of a fixed component and a variable, performance-based component. Vita 34 AG publishes the Management Board compensation individually.

Supervisory Board compensation is regulated in Section 18 of the bylaws. The Supervisory Board members of Vita 34 AG receive a fixed compensation. There are no performance-based arrangements. Additional details on the compensation of the Management and Supervisory Boards can be found in notes 29 and 30 of the notes to the consolidated financial statements.

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

A solid principle of the communications policy of Vita 34 AG is that all shareholders and interest groups are treated equally when publishing information that pertains to the Company and is significant for evaluating the development of the Company.

All mandatory publications, as well as additional investor relations publications of the Company, are issued in German and in English. All information relevant for capital markets is available in German and English on the Vita 34 AG website at www.vita-34group.de.

In accordance with Art 19 EU Regulation 596/2014 (the European Market Abuse Directive), members of the Management Board, the Supervisory Board, certain employees with management duties, and persons closely related to such persons are required to make disclosures of purchase and sale transactions involving Vita 34 AG shares and financial instruments based on Vita 34 AG shares (Directors' Dealings). Securities transactions requiring notification that took place in fiscal year 2017 were also published on the Company's website. The publication documentation, as well as the corresponding announcements, was sent to the German Federal Financial Supervisory Authority.

## TARGET VALUES FOR FEMALE QUOTAS

In May 2015 the German Bundestag [Parliament] passed a law regarding the equal representation of women and men in management positions. In accordance with legal provisions, which Vita 34 AG is affected by as a publicly traded and non-codetermined company, binding target numbers were determined for the Supervisory Board, the Management Board, and the next two management levels of the Vita 34 Group. In detail, the following was resolved for the individual levels:

- Supervisory Board: For the Supervisory Board of Vita 34 AG a target number for the ratio of women was set at a minimum of one woman among the six members. This target number is currently met by the membership of Ms. Gerrit Witschaß and Dr. Mariola Söhngen on the Supervisory Board. With effect from June 30, 2017 the Supervisory Board has set a target of a minimum of zero percent for the period up to June 30, 2022.

- Management Board: For the Management Board of Vita 34 AG a target number for the ratio of women for the period up to June 30, 2017 was set at a minimum of one woman among three members of the Management Board. This target was not achieved by the target date due to the fact that, following the departure of Dr. André Gerth as Chairman of the Management Board, the Supervisory Board made a particular effort to maintain continuity in the Management Board with Dr. Wolfgang Knirsch and Mr. Falk Neukirch. The Supervisory Board has set a target of zero percent for the period from June 30, 2017 to June 30, 2022. There are currently two members of the Management Board. The Supervisory Board does not intend to increase the size of the Management Board or to make any other changes to the membership of the Management Board.

A target of 40 % female representation by June 30, 2017 was set for management positions one level below the Management Board. This target was met by the target date. The Management Board has again set a target of 40 % female representation for the period until June 30, 2022.

## DIVERSITY POLICY IN ACCORDANCE WITH § 289F PARA. 2 NO. 6 GERMAN COMMERCIAL CODE [HGB]

The Supervisory Board and the Management Board do not currently have an independent diversity policy as required in accordance with § 289f Para. 2 No. 6 HGB covering the composition of the Company's representative bodies and the Supervisory Board in matters such as age, sex, education, or professional background. The Management Board and the Supervisory Board are of the opinion that there is no substantial benefit to be obtained by implementing a further diversity policy concerning the composition of the Management and Supervisory Boards in addition to the targets already set and the measures already taken and planned by the Company to promote diversity. The Management and Supervisory Boards will examine the matter again in the fiscal year 2018 to decide whether the preparation of a separate diversity policy makes sense.

## TAKEOVER-RELEVANT INFORMATION IN ACCORDANCE WITH SEC. 298A PARA. 1, SEC. 315A PARA. 1 HGB

### Structure of the Registered Capital

The registered capital of Vita 34 AG is EUR 4,145,959 and is divided into 4,145,959 non-par value registered shares. Each share entitles the holder to one vote. The shares are fully paid. All shares have the same rights and obligations. The specific rights and obligations of the shareholders are set out in the German Stock Corporation Act (AktG), in particular in Secs. 12, 53a et seq., 118 et seq., and 186 AktG.

### Authority of the Management Board to Issue or Repurchase Shares

The Company has created authorized capital in accordance with Sec. 7 Para. 2 of the Vita 34 AG articles of association. The Management Board is authorized, in accordance with a resolution of the Annual General Meeting on August 28, 2014, to increase

the Company's share capital on one or more occasions by up to a total of EUR 393,791.00 by August 27, 2019 by means of the issuance of up to 393,791 new, non-par value registered shares, in exchange for cash or in-kind contributions (Authorized Capital 2014). If the capital stock is increased in exchange for cash contributions, the shareholders must be granted subscription rights. The subscription rights may also be granted to the shareholders indirectly in accordance with Sec. 186 Para. 5 AktG. The Management Board is, however, authorized to decide, in each case with the approval of the Supervisory Board, on the exclusion of shareholders' subscription rights.

Under the approval resolution, shareholders subscription rights may only be excluded in the following circumstances:

- to compensate for fractional amounts;
- to issue employee stock to the Company's employees and to employees of the Company's affiliates;
- to increase capital in exchange for contributions in kind;
- to the extent required to meet subscription rights for shares to be issued to holders of current conversion and/or option rights arising under the exercise of the Authorized Capital 2014 or to meet obligations to holders of conversion and/or option rights already granted or future conversion and/or option subscription rights arising from Vita 34 AG or its group companies, being a right to purchase new shares to the extent that would be due them following exercise of their conversion and/or option rights or following fulfillment of a conversion obligation of the shareholders;
- if the issue price of the new shares in the case of capital increases in exchange for contributions in cash is not significantly lower than the stock market price of already listed shares at the time of the final determination of the issue price, and the shares issued do not exceed in total 10 % of the issued share capital either at the time of effectiveness or at the time this authorization is exercised. This limitation covers shares that have been sold, issued or are to be issued during the term of this authorization up to the point of its exercise based on other authorizations with direct or corresponding application of Sec. 186, Para. 3, Sentence 4 German Stock Corporation Act with exclusion of subscription rights.

The Management Board decides on the other details of conducting capital increases from Authorized Capital 2014, especially the content of stock rights and the conditions of stock issue with the approval of the Supervisory Board. The Supervisory Board is authorized to adjust the version of Sec. 7 Para 2 of the articles of association according to the respective exercise of the authorized capital and, if the authorized capital is not or not fully exploited by August 27, 2019, to adjust the expiration deadline for the authorization.

The Management Board was granted approval under Topic 9 at the Annual General Meeting held on June 28, 2017 to issue, subject to the approval of the Supervisory Board, up to a total of EUR 40,000,000 bearer or registered bonds with conversion rights or bearer or registered bonds option warrants or a combination of such instruments with or without time limit for a total of up to 1,513,250 registered non-par value shares in Vita 34 AG ("Vita 34 shares") with a share in the issued share capital of up to EUR 1,513,250.00 ("Bond issue"). To provide for the issue of shares to the holders or creditors holding convertible debt or options issued based on this approval, the share capital of the Company was increased by up to 1,513,250.00 by the conditional issue of up to 1,513,250 registered ordinary shares ("Conditional capital 2017").

The Company may reacquire own (treasury) shares only with the prior approval of the Annual General Meeting or in one of the restricted cases specifically permitted under stock corporation law. The Management Board was granted approval under Topic 7 at the Annual General Meeting held on August 28, 2014 to reacquire own shares, subject to the approval of the Supervisory Board and limited until August 27, 2019, up to a total of 10 % of the share capital as of the date of the resolution.

## Limitations Relevant to the Exercise of Voting Rights or the Transfer of Shares

Each share entitles the holder to one vote at the Annual General Meeting and is the basis for calculating the shareholder's entitlement to the Company's profits. This does not apply to shares in the Company held by the Company itself; the Company does not accrue any rights in respect of these shares. The voting rights of such shares are excluded by law in circumstances set out under Sec. 136 AktG.

The Management Board is not aware of any other further limitations concerning the transfer of shares.

## Major Shareholders of the Company

The following direct or indirect participations in the capital of Vita 34 AG, which exceed 10 %, were made known to Vita 34 AG by means of voting rights notifications as of the date of preparation of this report:

- MK Beleggingsmaatschappij Venlo B.V.: 11.6 %
  (direct shareholding)
- Michael Köhler: 11.6 %
  (indirect shareholding through MK Beleggingsmaatschappij Venlo B.V.)

### Rules for Appointing and Removing Members of the Management Board and Concerning Changes to the Articles of Association

The legal provisions concerning the appointment and removal of members of the Management Board can be found in Secs. 84 and 85 AktG. Section 9 of the articles of association of Vita 34 AG provides for a unanimous arrangement. Amendments to the articles of association can be made in accordance with Secs. 179, 133 AktG, as well as Sec. 25 of the Vita 34 AG articles of association by means of a resolution of the Annual General Meeting passed with a simple majority of the votes cast, to the extent a larger majority is not required for by law.

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

There are no significant agreements of the Company that are subject to the condition of a change in control following a takeover offer, except for an agreement made with the two members of the Management Board for the case of a change in control ("change of control term").

To the extent that the change of control term is applied, it provides that both members of the Management Board have the right to terminate their respective employment contracts within six months.

In the case that one member of the Management Board avails himself of this termination right, the Management Board member has claim to a payout of an amount equal to three annual salaries (fixed salary plus bonus), as well as to a severance payment of up to two annual salaries (fixed salary and variable compensation). The payout and severance together must not exceed an amount of three annual salaries. In the case of termination of the employment agreement, the Supervisory Board may demand that the Management Board member continues in office as a director for a period of up to six months following a change in control. In the case of the other member of the Management Board, the termination payment is 50 % of the salary (fixed salary and variable compensation) no longer due and payable over the remaining period of the contract due to the termination, whereby a 100 % performance target will be assumed, plus the payment of one year's gross basic salary. The total termination payment may not exceed EUR 750,000.

### FURTHER DISCLOSURES IN ACCORDANCE WITH SEC. 160 PARA. 1 NO. 2 AKTG

We refer to the disclosures on equity in the notes to the consolidated financial statements.

## Opportunity and Risk Report

### INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

Vita 34 has had an internal risk and opportunity management system in place since 2006 which covers both Vita 34 AG and the Group as a whole. It identifies, evaluates, and prioritizes all significant risks and opportunities, in order to take controlling steps. In accordance with the German Accounting Standards (DRS 20), a risk is defined as the possibility of a negative deviation from the company forecast, whereas an opportunity is the possibility of a positive deviation from the defined corporate objectives.

Both comprehensive documentation as well as a transparent communication of the risks form the basis of the risk management system. Associated activities are recognized within the risk management system and monitored. An internal control system represents an additional central component of the risk management system. In particular, the accounting, bookkeeping, and controlling processes are managed with the aid of this internal system. The subsidiaries are integrated into the Group annual report via a reporting system. The Group is supervised and managed by means of annual budget planning and monthly reporting of actual figures, as well as budget comparison analyses. Risk management and the internal control system are viewed together and interface directly with the Management Board and management level. The Management Board is responsible for determining the scope and orientation of the system, based on the Company's specific requirements. Despite adequate and functionally implemented systems, there can never be absolute reliability in the identification and management of risk. If a risk is identified, as an initial step external specialists are consulted in order to eliminate it; parallel to this, an evaluation regarding the influence of the risk on operations and the Group annual report is conducted. In a second step, within the context of the accounting-based internal control system, controls are implemented to ensure sufficient security that business operations and the preparation of the annual and Group financial statements are safeguarded despite the identified risks.

The identification, recording, and evaluation of new risks are performed as part of an operating business process. Annually, the Control department conducts a risk inventory, in order to analyze, review, and supplement the types of risk detected, in cooperation with the responsible management personnel and the Management Board. Changes in risk and the corresponding data are reported to the Management Board and to the Supervisory Board on a monthly basis. The risk management system is documented and the individual risks are described in the risk management manual and the risk information sheets.

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

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

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

Of all the risks identified, a description of those risks that, in the current view, could have a significant influence on the net assets, financial position, and results of operations of the Group and those of Vita 34 AG is provided below.

## COMPANY RISKS

### Product Risk

Potential future research might create possibilities to collect stem cells for therapeutic use from other sources, sources that may be obtainable at any time and that provide an equivalent alternative to stem cells collected from umbilical cord blood and tissue. The diseases treated with autologous stem cells mainly occur at an advanced age. Today, however, these patients do not have an autologous umbilical cord blood deposit. A risk could arise, that for this reason research with bone marrow or peripheral stem cells is pursued more quickly. This is why autologous bone marrow cells are used exclusively today for treatments following heart attacks, although research in animal models has shown that umbilical cord blood stem cells have a better effect.

In addition, the development of what are known as iPS (induced pluripotent stem) cells can, based on the body cells of a patient containing nuclei, lead to an alternative stem cell source for different regenerative therapies. Renowned scientists, however, have been able to demonstrate that umbilical cord blood is better suited for this technology over other, older somatic cells (e.g. skin cells). Vita 34 has engaged in cooperative research efforts in this field at an early stage, in order to establish umbilical cord blood as a cell source for iPS techniques. Based on the advantages of umbilical cord blood as compared with other cell sources, the increasing use of the latter does not represent a fundamental existential risk in the view of management; rather it contributes to the expansion of the potential uses of umbilical cord blood stem cells. In addition, Vita 34 participates in selected research projects, in order to identify potential for additional adult stem cell sources in a timely fashion, and to use them in developing its own products.

The primary concentration on one business segment – stem cell banking – can currently be seen as a product risk.

### Strategic Risks

There is a risk that market expansion on a national or international level will be slower or less extensive than expected. Markets can have unplanned developments due to regulatory, market, or economic influences, and thus also limit or slow down growth. It can be assumed that the market expansion and the growth of Vita 34 will not take a linear course over the quarters, but instead will be subject to fluctuation. Moreover, there is a risk that ongoing cooperative ventures will be terminated and that reductions in revenue and profit will follow.

### Financial Risks

Both price fluctuations as well as bad debt could result from changes in the economic conditions in markets or influences on consumers. Particularly in foreign markets, financial risks could arise from changes to interest rate and tax policies, as well as exchange rate fluctuations. An increase in competition could result in financial or liquidity risks. Risks are to be avoided and mitigated by long-term business planning and liquidity planning with foresight, as well as controlling of the subsidiaries. Excess liquidity is to be invested and regularly monitored, observing a conservative investment strategy within the scope of securities management. Despite a conservative investment strategy and its direct monitoring, value may be lost.

### Legal Risks

Legal risks could arise from the complexity of regulations and laws that affect Vita 34. Changes in laws in the field of medical and pharmaceutical law could potentially have an influence on existing business structures. An active dialog with decision makers is used to try to present the special features of Vita 34 within the context of interpreting law, and to design implementation of reforms in a practical manner. In addition, competitive disputes could influence or significantly limit the business activity of Vita 34, e.g. in marketing and sales. Legal risks also arise from failed umbilical cord blood and tissue collections, improper transport, processing errors at Vita 34, or the destruction of stored deposits, which, for example, can lead to liability claims on the part of the customers affected. Vita 34 has taken out insurance policies for cases of damage and liability, in order to supplement comprehensive quality management in a commensurate manner. This is intended to exclude or at least limit the commercial effects of risks that may occur. The scope of the insurance policies is continually reviewed and adjusted where necessary. Moreover, Vita 34 will not undertake any restrictions that could affect quality for cost reasons.

### Marketing and Sales Risks

Potential customers could be influenced by negative, unprofessional, or incorrect reporting in the media concerning the storage of umbilical cord blood or stem cell applications. This can lead to decreases in revenues. In addition, the selection of cooperative ventures or cooperation partners can also lead to loss in revenue due to damages to reputation or contractual constellations. There is a risk that the business activity of Vita 34 will be negatively influenced by an increase in the intensity of competition. This includes both aggressively priced offers as well as significant price reductions on the part of competitors or companies entering the market. This could lead to weaker revenue and profit development at Vita 34. It cannot be ruled out that a slow economic recovery following the financial market crisis could have a negative effect on the consumption patterns of end consumers and, therefore, on the development of revenues and profits at Vita 34. Vita 34 takes the estimates of national purchasing power trends published by market researchers into consideration in its planning.

### Capital Market Risks

The development of the Vita 34 stock price can be influenced by external events, e.g. a financial market crisis. The associated investment decisions by shareholders are in part controlled by factors that have no connection with the fundamental Vita 34 performance indicators. Vita 34 will continue to further its recognition on the capital market by observing laws and regulations, as well as transparent communication with shareholders.

### Personnel Risks

Vita 34 sees no risks that could threaten the Company thanks to the established measures of its internal control systems, as well as by means of a personnel policy that is characterized by social and safety-oriented measures.

### Infrastructure Risks

The failure of process and sales-related technology or the failure or limitation of logistical processes can influence the profit situation of Vita 34. These risks are mostly prevented or excluded by maintaining redundant safeguarding systems.

The risks listed have not arisen to date. On the whole, there are currently no risks that threaten Vita 34's ability to continue as a going concern.

## OPPORTUNITIES FOR FUTURE DEVELOPMENT

### Product Opportunities

In 2012, Vita 34 developed a method of conserving umbilical cord tissue for use in collecting mesenchymal stem cells based on Good Manufacturing Practice (GMP), a system that continues to be unique until today. Since 2013, Vita 34 has been the only private stem cell bank in Germany that can store not only umbilical cord blood but also umbilical cord tissue in accordance with Good Manufacturing Practice Guidelines (GMP), based on the corresponding permits. This unique characteristic provides Vita 34 with the opportunity to open up additional market potential with its "VitaPlusCord" product offering, and as a consequence of this to profit from an increased number of new storages.

In addition to this, Vita 34 has developed a process for the collection and cryo-preservation of autologous adipose tissue. An application was made in August 2017 for a permit to collect and process adipose tissue deposits for possible later isolation of adult stem cells.

Due to the intensive scientific developments taking place in the field of regenerative medicine, Vita 34 expects there to be a globally increasing demand for the cryo-preservation and reliable storage of cells and tissues. With targeted research and development investment, Vita 34 aims to create new product ranges in the long term. Vita 34 sees the opportunity to take up a distinctive market position as a service provider and supplier for pharmaceutical/therapeutic-oriented companies.

### Opportunities from Internationalization

Together with its subsidiary companies and sales and cooperation partners, Vita 34 is active in more than 20 international markets. The addition of a new sales partner in Romania in 2017 adds the opportunity to position the Company in this attractive market. The market research estimates the total volume of storage deposits to be at the level that it is in Germany, due to the high demand and strength of personal family care arrangements within the local health system there.

Vita 34 is continuing to open up attractive new markets that can generate contributions to profits in the medium term. Within the scope of these cooperative arrangements, the partner companies enjoy independence in marketing and sales. Thereafter, Vita 34 is responsible for the preparation and storage of the umbilical cord blood and tissue in Leipzig and Rostock. Through this form of cooperation, Vita 34 can profit from additional income, without incurring its own cost of sales abroad. The Company is provided with a stable foundation via geographic diversification, which opens up the possibility of participating in the potential of many markets.

### Market Opportunities via Acquisitions

In the past, and in particular in the fiscal year just ended, Vita 34 has put attractive growth spurts into motion by means of strategic acquisitions, which puts the Company in a position to add sustained strength to its leading position in the European market. These generate synergy effects and competitive advantages, and the various product offerings in particular create new opportunities for acquiring customers. In addition, they give access to new technologies and to qualified staff. Vita 34 has built up excellent expertise, enabling the targeted, speedy, and successful integration of acquired companies.

Within the scope of the increasing consolidation of the market for private stem cell banking, Vita 34 regularly examines the potential for opportunistic acquisition in order to expand further and to improve its geographic market positioning.

Vita 34 is also assessing the possibility of, and specific opportunities for, establishing itself in the business-to-government (B2G) sector. Biobanking has experienced a worldwide boom in recent years. Some state biobanks face the need to expand their capacity due to the increased demand for storage. In addition, some governments are taking the first steps towards delegating the establishment of public biobanks to private companies

### Overall Assessment of the Management Board

As the second-largest stem cell bank in Europe and the market leader in the German-speaking market, and taking into account the associated opportunities and risks, Vita 34 considers itself well positioned to ensure the continued existence of the Company in the long term, and to utilize the opportunities that present themselves. A risk management system is used to classify risk probabilities and consequences, which enables risks to be monitored on an ongoing basis. After reviewing the risk situation as of the closing date, December 31, 2017, there were no risks that endanger the ability of the Company to continue as a going concern. The overall risk situation of Vita 34 has not fundamentally changed as compared with the previous year. Also, there are no future recognizable risks that threaten the ability of the Company to continue as a going concern.

## Outlook and Forecast

Forecasts of future economic trends are fundamentally characterized by a high level of uncertainty, but especially so in the current political and economic environment. The following forward-looking statements concerning the business development of Vita 34 assume that there will not be a recession in Europe. Instead, we expect an ongoing moderate economic recovery in the current fiscal year for our competitive markets.

For 2018 and 2019 the IMF expects annual global growth of 3.9 %.[26] The IMF forecasts that over the next two years the worldwide economy will be supported primarily by the developed economies, which could experience increasing demand and investment levels given good conditions and the positive sentiment in the financial markets. It is also expected that US tax reform will provide a temporary boost to the US economy. Growth of 2.2 % is forecast for Europe for 2018.[27]

For Germany, the IMF forecasts a continuation of the growth trend, with a 2.3 % growth rate.[28] GfK, a market research company, calculates that there will be a 2.8 % increase in nominal purchasing power in Germany.[29]

Vita 34 entered into new sales and cooperation partnerships in 2017, enabling it to build further on its market position in Romania, Italy, and Serbia over the course of the coming fiscal year. The new sales partners will add new momentum here in 2017. In the other European markets the market position will be defended and revenues and earnings increased in line with market growth. As in previous years, the entry into new markets in attractive European regions should be possible by making opportunistic acquisitions or entering into sensible partnership arrangements. The primary objective in the German-speaking countries is to win over Seracell's former customer groups by providing them with an attractive product offering. Targeted marketing activities will provide support for a sustained strengthening of the Group's market presence and market leadership. Vita 34 aims for at least 8,000 new stem cell deposits in Germany annually.

In the coming year, the management of Vita 34 will be working on three growth areas: expansion of the core business, horizontal and vertical acquisitions, and new research and development fields.

Vita 34 will continue to provide momentum for the organic growth of its **core business**, and further develop its own product portfolio, primarily with new products and cooperation arrangements. The development work on storage of stem cells from adipose tissue has been completed and application has been made for a manufacturing permit with the local state authority. This will enable the storage of adipose tissue for use in future regenerative therapies, for example in replacement joints or cell patch. It is expected that the permit will be issued this year. The market launch of this new product is planned for the end of 2018 or start of 2019. In the second stage, the process of obtaining cell deposits from such tissue will be examined. This new source of the body's own cells may be of use for healing scar tissue and for treatment of skin wrinkles and could establish itself as an alternative to Botox or hyaluronic acid. Vita 34 has the know-how and logistical infrastructure to market such a product to clinics and patients.

The overall image of the Group will be improved further, strengthening the Vita 34 brand. The European partners will operate under a single marketing and sales strategy so that products from Vita 34 are perceived as "Made in Germany by Vita 34" in all European markets. In addition, further efficiencies in the cost structure are planned in order to make use of the Group's financial resources in an optimal manner for further growth.

In the continued consolidation of the market Vita 34 intends to play an active role by making **horizontal and vertical acquisitions**, enabling it to grow both geographically and along the value-added chain. Here, Vita 34 sees opportunities to distinguish the Vita 34 products from those offered by its competitors further. In future, Vita 34 aims to widen its offering by establishing itself as a biobank, in order to benefit from this growing market and increasing demand. The Group will take up opportunities arising from the business-to-government (B2G) sector as described and from business-to-business (B2B). There is increasing demand for cell isolation, cell multiplication, and cell modification services, particularly where individualized cell therapies are established. Vita 34 is examining further strategic options for new offerings in this area; these may arise through partnerships or acquisitions.

The Group's position as quality and innovation leader will also require continued investment in **research and development**. Here, modest projects that provide a good balance between the scientific profile and the associated commercial opportunities will be undertaken. Again, the focus will be on regenerative stem cell medicine and on immunotherapeutic cell therapies, the number of which may increase exponentially in coming years given the scientific and medical progress. Clinical studies and applied therapies will generate ever more data, which will support the potential offered by stem cell deposits. Vita 34 intends to concentrate on the development of a service offering concerning cell isolation, cell multiplication, and cell modification, and its core business of cryo-preservation.

It is expected that the cooperation arrangement with the Berlin Charité hospital will produce results that will enable further research into treatments for infantile brain damage such as HIE or autism, which can be investigated using umbilical cord blood. In addition to participating in academic cooperation arrangements, Vita 34 will take an increasing role in scientific and industry conferences in order to better identify and serve the biopharma industry and its current and future needs.

## Financial Forecast

In its "**Vision 2021**" the Management Board of Vita 34 set a target of an EBITDA of EUR 10 million, which it aims to achieve by 2021 by following its declared growth strategy.

For the current fiscal year 2018 the Management Board expects that the positive growth trend will continue and expects sales revenue of between EUR 21.0 million and EUR 23.0 million and an EBITDA of between EUR 4.0 million and EUR 4.6 million, which represents an EBITDA margin in the range of 19 %–20 %.

## Forward-looking Statements

This annual report contains forward-looking statements. These statements are based on current information, as available to Vita 34 at the date of the preparation of the annual report. Such forward-looking statements are subject, however, to risks and uncertainties. If the assumptions on which these are based should not transpire or additional opportunities/risks arise, the actual events could deviate from the forecasts made. Accordingly, Vita 34 can assume no responsibility for this information.

Leipzig, March 27, 2018

The Vita 34 AG Management Board

Dr. Wolfgang Knirsch
Chairman of the
Management Board

Falk Neukirch
Finance Director

## Management Report – Footnotes

[1] Bioinformant: Complete 2017–18 Global Cord Blood Banking Industry Report.

[2] http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018 (dated January 28, 2018)

[3] http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018 (dated January 28, 2018)

[4] European Union: Eurostatistics. Data for short-term economic analysis. 01/2018, January 2018

[5] https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/VGR/Inlandsprodukt/Tabellen/Gesamtwirtschaft.html (dated January 28, 2018)

[6] GfK, Press Release "Purchasing power of Europeans increases at a nominal 1.9%" (dated November 7, 2017): http://www.gfk.com/de/insights/press-release/kaufkraft-europa-2017 (dated: January 28, 2018, in German)

[7] https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/VGR/Inlandsprodukt/Tabellen/Gesamtwirtschaft.html (dated January 28, 2018, in German)

[8] BioCentury BCIQ Database: https://bciq.biocentury.com/ (dated January 28, 2018)

[9] BIOCOM (2018): Destination Growth. 6th Analysis of European Biotech Companies on the Stock Markets: US versus Europe, January 2018

[10] BioCentury: Biotech indexes close 2017 with a whimper, https://www.biocentury.com/bc-extra/financial-news/2017-12-29/biotech-indexes-close-2017-whimper (dated December 29, 2017)

[11] BIOCOM (2018): Destination Growth. 6th Analysis of European Biotech Companies on the Stock Markets: US versus Europe vom Januar 2018

[12] BIOCOM (2018): Destination Growth. 6th Analysis of European Biotech Companies on the Stock Markets: US versus Europe, January 2018

[13] BIOCOM: Die deutsche Biotechnologie-Branche 2017, http://biotechnologie.de/statistics_articles/13-die-deutsche-biotechnologie-branche-2017 (dated January 29, 2018, in German)

[14] N Engl J Med. 1957 Sep 12;257(11):491-6. Intravenous infusion of bone marrow in patients receiving radiation and chemotherapy

[15] National Marrow Donor Program: Be The Match, https://bethematchclinical.org/transplant-therapy-and-donor-matching/cell-sources/ (dated January 30, 2018)

[16] Blood. 2013 Jul 25;122(4):491-8. doi: 10.1182/blood-2013-02-453175. Epub 2013 May 14. Umbilical cord blood transplantation: the first 25 years and beyond

[17] World Marrow Donor Association. Cord blood: the basics, https://www.wmda.info/cord-blood/basics-cord-blood/ (dated January 31, 2018)

[18] National Marrow Donor Program: Be The Match, https://bethematchclinical.org/transplant-therapy-and-donor-matching/cell-sources/ (dated January 30, 2018)

[19] World Marrow Donor Association: WMDA Activities Report 2016, Stem Cells Transl Med. 2017 Dec; 6(12): 2071-2078. doi: 10.1002/sctm.17-0102. Epub 2017 Oct 28.: Effect of Autologous Cord Blood Infusion on Motor Function and Brain Connectivity in Young Children with Cerebral Palsy: A Randomized, Placebo-Controlled Trial.; Bone Marrow Transplant. 2015 Oct; 50(10): 1271-8. doi: 10.1038/bmt.2015.124. Epub 2015 Jun 1: Umbilical cord blood donation: public or private?

[20] Broxmeyer et al.: Hematopoietic stem/progenitor cells, generation of induced pluripotent stem cells, and isolation of endothelial progenitors from 21- to 23.5-year cryopreserved cord blood. Blood, 2011

[21] Lee et al.: Isolation of multipotent mesenchymal stem cells from umbilical cord blood. Blood, 2004

[22] Pineault & Abu-Khader: REVIEW Advances in umbilical cord blood stem cell expansion and clinical translation. Exp Hematol, 2015

[23] Pineault & Abu-Khader: REVIEW Advances in umbilical cord blood stem cell expansion and clinical translation. Exp Hematol, 2015

[24] www.clinicaltrials.gov: search intervention/treatment: "stem cell", "cord blood" and "cord tissue". Includes current, completed and terminated studies. (dated February 01, 2018)

[25] TMF – Technologie- und Methodenplattform für die vernetzte medizinische Forschung e.V.: Researchers demand national biobank infrastructure. Press release dated December 20, 2012. http://www.biobanken.de/News/tabid/83/articleType/ArticleView/articleId/28/language/de-DE/TMF-PressemitteilungbrForscher-fordern-nationale-biobanken-Infrastrukturen.aspx (dated January 31, 2018, in German)

[26] http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018 (dated January 28, 2018)

[27] http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018 (dated January 28, 2018)

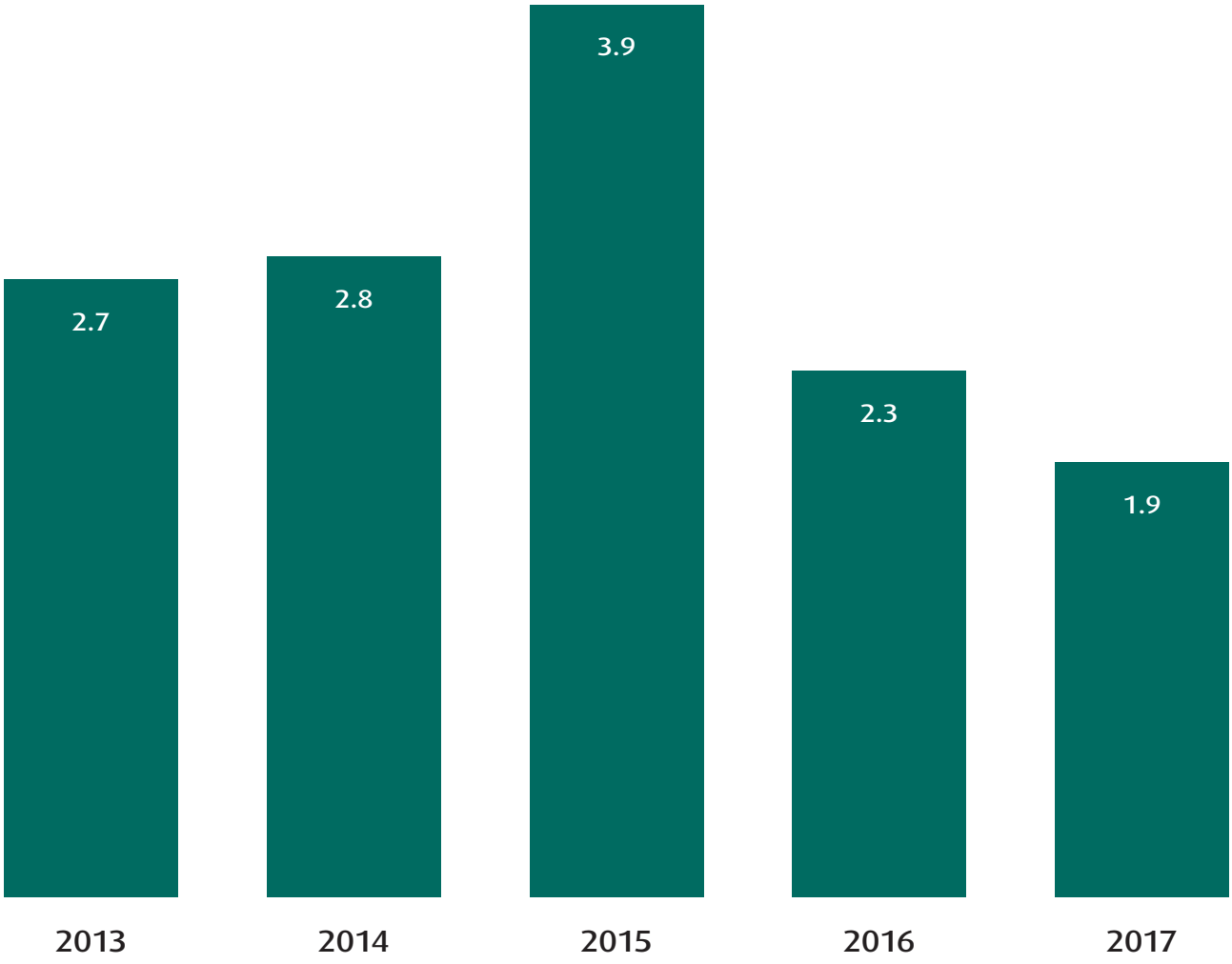
[28] http://www.imf.org/en/Publications/WEO/Issues/2018/01/11/world-economic-outlook-update-january-2018 (dated January 28, 2018)

[29] GfK, Press release December 12, 2017 "German purchasing power to increase by 2.8% in 2018": http://www.gfk.com/fileadmin/user_upload/dyna_content/DE/documents/Press_Releases/2017/20171212_PM_GfK_Kaufkraft_Deutschland-2018_dfin.pdf (dated January 28, 2018, in German)

After one-off effects from acquisitions in the years 2016 and 2017 an EBITDA of EUR 4.0–EUR 4.6 million is expected in the fiscal year 2018.

9.6 % / 19–20 %

EBITDA margin 2017 compared to forecast 2018



# Consolidated Financial Statements and Notes


* Expected range for 2018

# Consolidated Statement of Income

| In EUR thousands | Note | 2017 | 2016 |
|---|---|---|---|
| Sales revenue | 6.1 | 19,186 | 16,290 |
| Cost of sales | 6.2 | –8,391 | –7,669 |
| **Gross profit on sales** | | **10,795** | **8,620** |
| Other operating income | 6.3 | 717 | 1,608 |
| Marketing and selling costs | 6.4 | –5,430 | –5,122 |
| Administrative expenses | 6.5 | –4,956 | –3,925 |
| Other operating expenses | 6.6 | –991 | –401 |
| **Net operating profit / loss (EBIT)** | | **135** | **780** |
| Finance income | 6.8 | 52 | 143 |
| Finance expenses | 6.7 | –200 | –194 |
| Share of result of associates | 12 | –140 | –42 |
| **Earnings before taxes** | | **–153** | **687** |
| Income tax expense | 7 | –172 | –71 |
| **Net result for the period** | | **–324** | **617** |
| | | | |
| **Attributable to:** | | | |
| Owners of the parent | | –322 | 408 |
| Non-controlling interests | | –2 | 209 |
| | | | |
| **Earnings per share, basic / diluted (EUR)**<br>Basic and diluted, for profit or loss for the period attributable to the ordinary equity holders of the parent (EUR) | 8 | –0.09 | 0.14 |

# Consolidated Statement of Comprehensive Income

| In EUR thousands | Note | 2017 | 2016 |
|---|---|---|---|
| **Net result for the period** | | **–324** | **617** |
| **Other comprehensive income** | | | |
| Currency translation differences | 17 | –3 | 13 |
| Gains and losses on available-for-sale financial assets | 17 | 3 | 36 |
| Income tax effect | 7 | –1 | –12 |
| **Other comprehensive income to be reclassified to the consolidated statement of income in subsequent periods** | | **–1** | **38** |
| **Total comprehensive income after tax** | | **–325** | **654** |
| Attributable to: | | | |
| Owners of the parent | | –323 | 446 |
| Non-controlling interests | | –2 | 209 |

# Consolidated Statement of Financial Position

## Assets

| In EUR thousands | Note | Dec. 31, 2017 | Dec. 31, 2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | 10 | 18,323 | 13,414 |
| Intangible assets | 9 | 21,536 | 11,677 |
| Property, plant, and equipment | 11 | 6,635 | 5,027 |
| Investments in associates | 12 | 129 | 269 |
| Other assets | 15 | 3,665 | 3,591 |
| Trade receivables | 14 | 1,103 | 888 |
| Restricted cash | 16 | 763 | 814 |
| | | **52,155** | **35,680** |
| **Current assets** | | | |
| Inventories | 13 | 500 | 291 |
| Trade receivables | 14 | 3,806 | 3,581 |
| Other receivables and assets | 15 | 1,319 | 1,057 |
| Cash and cash equivalents | 16 | 4,180 | 2,813 |
| | | **9,806** | **7,741** |
| | | **61,961** | **43,422** |

# Equity & Liabilities

| In EUR thousands | Anhang | Dec. 31, 2017 | Dec. 31, 2016 |
|---|---|---|---|
| **Equity** | | | |
| Registered capital | 17 | 4,146 | 3,027 |
| Capital reserves | 17 | 23,913 | 18,213 |
| Retained earnings | 17 | 1,924 | 2,865 |
| Other reserves | 17 | -120 | -119 |
| Treasury shares | 17 | -337 | -337 |
| Non-controlling interests | 17 | 117 | 0 |
| | | **29,643** | **23,648** |
| **Non-current liabilities and deferred income** | | | |
| Trade payables | 24 | 1,808 | 437 |
| Interest-bearing loans | 18 | 8,032 | 1,542 |
| Silent partners' interests | 19 | 0 | 940 |
| Deferred income tax | 7 | 3,934 | 1,665 |
| Deferred grants | 22 | 890 | 957 |
| Deferred income | 23 | 9,460 | 9,011 |
| | | **24,125** | **14,552** |
| **Current liabilities and deferred income** | | | |
| Trade payables | 24 | 949 | 1,162 |
| Provisions | 20 | 3 | 16 |
| Income tax payable | 7 | 11 | 7 |
| Interest-bearing loans | 18 | 1,145 | 601 |
| Silent partners' interests | 19 | 940 | 0 |
| Deferred grants | 22 | 66 | 80 |
| Other liabilities | 24 | 2,532 | 1,575 |
| Deferred income | 23 | 2,547 | 1,782 |
| | | **8,193** | **5,222** |
| | | **61,961** | **43,422** |

# Consolidated Statement of Changes in Group Equity

| | Equity attributable to the | | | | |
|---|---|---|---|---|---|
| In EUR thousands | Registered capital | Capital reserves | Retained earnings | Reserves for available-for-sale financial assets | Revaluation reserves |
| **Balance as of Jan. 1, 2016** | **3,027** | **18,213** | **2,928** | **–35** | **–122** |
| Net result for the period | 0 | 0 | 408 | 0 | 0 |
| Other comprehensive income | 0 | 0 | 0 | 25 | 0 |
| **Total comprehensive income** | **0** | **0** | **408** | **25** | **0** |
| Dividend payment | 0 | 0 | –474 | 0 | 0 |
| Changes to the consolidation group | 0 | 0 | 0 | 0 | 0 |
| **Balance as of Dec. 31, 2016** | **3,027** | **18,213** | **2,865** | **–10** | **–122** |
| **Balance as of Jan. 1, 2017** | **3,027** | **18,213** | **2,865** | **–10** | **–122** |
| Net result for the period | 0 | 0 | –322 | 0 | 0 |
| Other comprehensive income | 0 | 0 | 0 | 2 | 0 |
| **Total comprehensive income** | **0** | **0** | **–322** | **2** | **0** |
| Capital increase from issue of new shares | 1,119 | 5,700 | 0 | 0 | 0 |
| Dividend payment | 0 | 0 | –474 | 0 | 0 |
| Increase in shareholding in subsidiary | 0 | 0 | –144 | 0 | 0 |
| **Balance as of Dec. 31, 2017** | **4,146** | **23,913** | **1,924** | **–8** | **–122** |

| owners of the parent | | | | |
|---|---|---|---|---|
| Currency translation differences | Total equity | Treasury shares, at cost | Non-controlling interests | Total equity |
| **0** | **24,011** | **–337** | **82** | **23,756** |
| 0 | 408 | 0 | 209 | 617 |
| 13 | 38 | 0 | 0 | 38 |
| **13** | **446** | **0** | **209** | **654** |
| 0 | –474 | 0 | 0 | –474 |
| 0 | 0 | 0 | –289 | –289 |
| **13** | **23,986** | **–337** | **0** | **23,648** |
| **13** | **23,986** | **–337** | **0** | **23,648** |
| 0 | –322 | 0 | –2 | –324 |
| –3 | –1 | 0 | 0 | –1 |
| **–3** | **–323** | **0** | **–2** | **–325** |
| 0 | 6,819 | 0 | 0 | 6,819 |
| 0 | –474 | 0 | 0 | –474 |
| 0 | –144 | 0 | 119 | –25 |
| **10** | **29,863** | **–337** | **117** | **29,643** |

# Consolidated Statement of Cash Flows

| In EUR thousands | Note | 2017 | 2016 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Earnings before taxes | | –153 | 687 |
| Adjusted for: | | | |
| Amortization and depreciation | 9, 11 | 1,707 | 1,513 |
| Gains / losses on disposal of non-current assets | | 16 | 73 |
| Other non-cash expenses / income | | –40 | –286 |
| Finance income | 6.8 | –52 | –143 |
| Finance expenses | 6.7 | 200 | 121 |
| Changes in working capital: | | | |
| +/– Receivables and other assets | | 121 | 19 |
| +/– Inventories | | 101 | 53 |
| +/– Liabilities | | –946 | 225 |
| +/– Provisions | | –13 | –13 |
| +/– Deferred income | | 1,215 | 534 |
| Interest paid | | –169 | –97 |
| Income taxes paid | | –457 | –400 |
| **Cash flow from operating activities** | | **1,530** | **2,287** |
| **Cash flow from investing activities** | | | |
| Purchase of intangible assets | 9 | –75 | –57 |
| Purchase of property, plant, and equipment | 11 | –678 | –397 |
| Purchase of companies, net of assumed cash | 3 | –12,415 | 0 |
| Disposal of companies, net of cash balances | | 0 | –46 |
| Purchase of long-term financial investments | | 0 | –860 |
| Payments for the acquisition of non-controlling interests | | –25 | 0 |
| Cash receipts from the disposal of property, plant, and equipment | | 8 | 0 |
| Cash receipts from the sale of financial assets | | 0 | 735 |
| Interest received | | 52 | 59 |
| **Cash flow from investing activities** | | **–13,132** | **–566** |
| **Cash flow from financing activities** | | | |
| Cash receipts from share issues | 17 | 6,741 | 0 |
| Dividend payment | 17 | –474 | –474 |
| Cash receipts from loan drawdowns | 18 | 7,425 | 0 |
| Cash outflows from loan repayments | 18 | –721 | –517 |
| **Cash flow from financing activities** | | **12,971** | **–991** |
| Net change in cash and cash equivalents | | 1,368 | 731 |
| Cash and cash equivalents at the beginning of the reporting period | 16 | 2,813 | 2,082 |
| **Cash and cash equivalents at the end of the reporting period (liquid funds)** | **16** | **4,180** | **2,813** |

# Notes to the Consolidated Financial Statements

## 1 Information on the Parent Company and the Group

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

The declaration of compliance with the German Corporate Governance Code required by Sec. 161 AktG ["Aktiengesetz": German Stock Corporation Act] has been issued and made available to shareholders on the website www.vita34group.de.

The consolidated financial statements of Vita 34 AG for the fiscal year as of December 31, 2017 were authorized for issue by the Management Board on March 27, 2018. Vita 34 AG is incorporated in Germany as a limited liability stock corporation domiciled in Germany, whose shares are admitted for public trading.

## 2 Accounting and Valuation Principles

### 2.1 BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Vita 34 AG were prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of the end of the reporting period, and the additional requirements of German commercial law pursuant to Sec. 315e (1) HGB ["Handelsgesetzbuch": German Commercial Code]. All IFRS standards and interpretations applicable for the fiscal year 2017 issued by the International Financial Reporting Interpretations Committee (IFRIC) were adopted to the extent that these have been endorsed by the European Union.

The consolidated financial statements of Vita 34 AG are generally prepared in Euro on an amortized cost basis. Exceptions to this are the financial assets held for trading purposes, and available-for-sale financial assets, which are valued at fair value. Unless indicated otherwise, all amounts have been rounded to thousands of Euros.

### 2.2 CONSOLIDATION PRINCIPLES

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

Subsidiaries are included in the consolidated financial statements when they are controlled by the Company. In particular, the Group controls an associated company if the Group possesses the following attributes:

- executive power over the associated company (i. e. the Group has the opportunity based on current rights to control the associated company in a way that has a significant influence on its returns);
- risk exposure to or claims to variable returns based on its investment in the associated company; and
- the ability to use its executive power over the associated company in such a manner that the returns of the associated company are influenced as a result.

In addition to Vita 34 AG, the parent company, the subsidiaries listed in note 28 are included in the consolidation.

## 2.3 CHANGES IN ACCOUNTING POLICIES AND VALUATION METHODS

The accounting policies and valuation methods used are generally unchanged from those applied in the prior period.

The Group has adopted the following new and revised IFRS standards and interpretations for the first time during the current fiscal year:

- amendments to IAS 7; and
- amendments to IAS 12.

Adoption of the aforementioned standards and interpretations is mandatory from January 1, 2017. There were no significant effects on the consolidated financial statements of Vita 34 AG as a result of the implementation of the new or modified standards and interpretations.

## 2.4 SIGNIFICANT ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

### Impairment Testing of Goodwill

The goodwill acquired as part of the business combinations has been attributed to the "Stem Cell Banking – Germany" and "Spain," cash-generating units for impairment testing purposes.

The recoverable amount of the respective cash-generating units is determined based on a value-in-use calculation using cash flow projections based on cash flow forecasts prepared by senior management covering a three-year period, which are based on the financial plans approved by the Supervisory Board. The pre-tax discount rate used is between 10.7 % and 13.4 %. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows. The underlying assumptions for calculating the recoverable amount including a sensitivity analysis are explained in more detail in note 10.

### Purchase Price Allocation for Business Acquisitions

Assets and liabilities acquired as part of business acquisitions are initially recorded in the consolidated financial statements at their fair values on the date of acquisition.

The fair values of the acquired assets and liabilities are determined by reference to observable market prices. If no market prices can be determined, income-based approaches or cost-based approaches are used to value the acquired assets and liabilities. The fair values determined in this way are heavily dependent on the discount rates used in the discounted cash flow methods and on the estimates of cash inflows and outflows. The underlying assumptions used to determine the recoverable amounts are explained in note 3.

### Treatment of Unused Tax Losses and Deferred Tax Assets

During the tax field audit performed by the tax authority at Vita 34 AG covering assessment periods up to 2009, the tax authorities did not agree with Vita 34 AG's tax treatment of allowances made against loans to affiliated companies.

The amended assessment issued by the tax authority differed from Vita 34 AG's tax returns, showing a reduction of the unused tax loss as of December 31, 2009 of EUR 2,553 thousand. Vita 34 AG made a legal challenge against these assessments. During the fiscal year 2017 a ruling was obtained in Vita 34 AG's favor. However, the tax authorities have appealed against this ruling, with the effect that it is not yet legally binding. Management continues to assume that the allowances recorded against the loans made to affiliated companies are deductible for tax purposes.

The tax expense and the tax repayment due have been calculated as of the closing date and have been calculated based on this assumption.

No deferred tax assets have been recognized on tax losses carried forward by Novel Pharma S.L. This company is purely a holding company, in which no sufficient taxable income is expected in the future based on the current tax situation.

Deferred tax assets were recognized for tax losses carried forward by the other Group companies as of the end of the reporting period, to the extent it is probable, based on the Group's business plan, that the unused tax losses will be utilized. Deferred tax assets arising on differences between the carrying amounts for tax purposes and the IFRS carrying amounts at the corresponding companies were offset against deferred tax liabilities. In the case of an excess of deferred tax assets over liabilities, the assets have been recognized, to the extent that it is considered likely that the taxable income for this will be available.

We refer to the explanations in note 7, "Income Taxes."

### Recognition of Grants for Development Projects

Grant income awarded for work on publicly funded development projects is recognized in the income statement at the date on which the relevant qualifying expenditures are incurred by the Company, provided that a grant award notice has been received from the public entity providing the grant.

The recognition of the grant income at the time the qualifying expenses are incurred ensures that the related expenses and income are matched in the period covered by the consolidated financial statements.

## 2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

### Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The acquisition costs of a company acquisition are measured as the sum of the consideration transferred, measured at the applicable fair value of the assets transferred at the date of acquisition, and the non-controlling shares held in the acquired company. Acquisition-related costs are recorded as expenses within administrative expenses at the date they are incurred.

Non-controlling shares are measured at the proportional fair values of the acquired assets and assumed liabilities. Following initial recognition, profits and losses are recognized, without limit, in proportion to the shareholding interests, as a result of which a negative balance can result on the balance recorded for non-controlling shares.

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

Goodwill is initially measured at acquisition cost, which is measured as the excess of the consideration transferred by the Group over the acquired identifiable assets acquired and liabilities assumed. In the case of an acquisition at a price under fair value, the resulting gain is recognized under other operating income. Before recognizing a gain on an acquisition below fair value, a further reassessment is made to determine whether all acquired assets and all acquired liabilities have been adequately identified and measured.

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

As of December 31, the following cash-generating units exist to which goodwill was allocated as part of a business combination:

- Stem Cell Banking – Germany; and
- Spain.

Changes in the shareholding ratios that do not lead to a loss of control are recognized as transactions within equity. Here, each difference between the amount by which the non-controlling shares are adjusted and the fair value of the consideration paid or received is recorded directly in retained earnings and attributed to the Company.

### Fair Value Measurement

All assets and liabilities reported at their fair value in the financial statements are classified in accordance with the fair value hierarchy set out below. The allocation to the hierarchy level is based on the input parameter of the lowest level that is material for measurement at fair value:

a. Level 1 – Prices for identical assets or liabilities quoted in active markets (non-adjusted)

b. Level 2 – Measurement procedures in which the lowest level input parameter that is significant to the measurement of the fair value is directly or indirectly observable on the market

c. Level 3 – Measurement procedures in which the lowest level input parameter that is significant to the measurement of the fair value is not directly or indirectly observable on the market

In the case of assets or liabilities that are recognized in the financial statements on a recurring basis, the Group decides whether regrouping between the levels or hierarchy has taken place by reviewing the classification at the end of each reporting period (based on the lowest level input parameter that is significant to the measurement of the fair value).

### Research and Development Costs

Research costs are expensed as incurred. Development costs incurred within the scope of an individual project are recognized as assets when they meet the recognition criteria under IAS 38.

Subsequent to initial recognition, development costs are recognized at their acquisition costs less accumulated amortization and accumulated impairment losses. Amortization begins with the conclusion of the development phase and from the point in time at which the asset can be used. It is conducted over the period of expected future use and is recorded in the cost of sales. An impairment test is conducted annually during the development phase.

### Intangible Assets

Individually acquired intangible assets that were not acquired as part of a business combination are initially recognized at their acquisition costs. The acquisition costs of intangible assets acquired as part of a business combination are equal to their fair values at the date of acquisition. Subsequent to initial recognition, intangible assets are carried at cost less total accumulated amortization and accumulated impairment losses.

A differentiation is made between intangible assets with finite useful lives and those with indefinite useful lives.

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

Impairment testing is carried out at least annually at the cash-generating unit level to test the carrying value of individual intangible assets with an unlimited useful life. These intangible assets are not subjected to planned amortization. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment that the asset has an unlimited useful life is still justified. If this is not the case, a change in the evaluation from unlimited to finite useful life is conducted prospectively.

A summary of the accounting policies applied to the Group's intangible assets (excluding goodwill) is presented below:

| | Development costs | Patents and licenses | Acquired contracts | Customer relationships and trademarks |
|---|---|---|---|---|
| Useful lives | Finite useful lives, amortization over the expected product lifecycle | Finite useful lives, with the exception of one acquired license with an indefinite useful life (between five and 15 years) | Finite useful lives, amortization over the expected period of the contract of between 23 and 28 years | Finite useful lives, amortization over the expected period of between four and five years |
| Amortization methods used | Straight-line amortization over the expected useful life | | | |
| Internally generated or acquired | Internally generated | Acquired | Acquired | Acquired |

A license acquired in the business combination has been assigned an indefinite useful life as there is no limit to the Group's ability to use this license.

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

### Property, Plant, and Equipment

Items of property, plant, and equipment not acquired in a business combination are recognized at their acquisition or production costs less planned, accumulated depreciation. The acquisition costs of tangible assets acquired as part of a business combination are equal to their fair value at the date of acquisition. Depreciation is calculated on a straight-line basis over the useful life of the assets.

**Useful Life of the Assets**

| | Useful life |
|---|---|
| Laboratory equipment | 5–14 years |
| Cryo-tanks and accessories | 40 years |
| Office and business equipment | 3–13 years |

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

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

### Investments in Associates

Associates are companies over which the Group is able to exercise a significant influence on the business and financial policy. As a rule, this is the case where voting rights of between 20 % and 50 % are held. Associated companies are recognized in the consolidated financial statements in accordance with the equity method, using the acquisition cost at the date of initial recognition. Goodwill allocated to shares in associated companies is not recognized separately; rather it is included in the acquisition costs of the associate. The Group's share in the profit of the associated company from the date of acquisition is recognized in the consolidated statement of income, and its share of changes in equity not affecting income is recognized directly in the Group equity. The cumulative changes from the date of acquisition increase or decrease the carrying value of the investment in the associated company.

The financial statements of the associated company are prepared using the same closing date as the financial statements of the Group. To the extent necessary, adjustments are made to the financial statements to ensure they are consistent with the Group's standard accounting policies.

## Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If there is any indication of impairment, or if an annual impairment test is required, the Group estimates the recoverable amount of the asset. The recoverable amount of an asset is the higher of the two amounts of the fair value of an asset or a cash-generating unit minus the disposal costs and its value in use. The recoverable amount needs to be determined for each asset, unless an asset does not generate any cash flows that are mostly independent of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the fair value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. This is based on valuation multipliers, share prices of shares in publicly traded companies or other available indicators of fair value. Impairment losses attributable to continuing operations are recognized in the statement of income in those expense categories consistent with the function of the impaired asset.

With the exception of goodwill, the Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized for an asset in prior years may no longer exist or may have diminished. If such indications exist, the recoverable amount is estimated. An impairment loss recognized in previous periods is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of amortization or depreciation, had no impairment loss been recognized for the asset in prior years.

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

The Group determines at the end of each reporting period whether there is evidence that goodwill is impaired. Goodwill is tested for impairment at least once annually. Impairment tests are also conducted if events or circumstances indicate that the carrying amount may be impaired. Impairment is determined by finding the recoverable amount of the cash-generating unit that the goodwill is attributable to. To the extent that the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment charge is recorded. Any impairment loss recognized on goodwill is not reversed in a subsequent period.

## Financial Assets

Financial assets as defined by IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. Financial assets are measured on initial recognition at fair value. In the case of financial assets that are not at measured fair value through profit or loss, the measurement amount at initial recognition also includes transaction costs that are directly attributable to the acquisition of the financial asset. The Group determines the classification of its financial assets upon initial recognition and, where allowed and appropriate, re-evaluates this designation at the end of each reporting period.

Regular way purchases and sales of financial assets are recognized as of the settlement date, i.e., the date on which an asset is delivered to or by the Company. Regular way purchases or sales are purchases or sales of financial assets that prescribe the delivery of the asset within a set period determined by market regulations or convention.

### FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

### LOANS AND RECEIVABLES

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

#### AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

- financial assets at fair value through profit or loss; and
- loans and receivables.

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

For financial assets that are actively traded in organized financial markets, fair value is determined by reference to bid prices quoted on the stock exchange at the end of the reporting period.

### Treasury Shares

If the Group acquires its own shares, they are recognized as treasury shares at their acquisition cost and deducted from equity. The purchase, the sale, the issuance, or the retirement of the Company's own shares are recognized directly in equity. Any differences between the carrying amount and the consideration are recognized directly in equity.

### Inventories

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

The costs of purchase of raw materials, consumables, and supplies are determined using the weighted average cost method.

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

### Trade and Other Receivables

Trade and other receivables are recognized at cost.

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

Bad debt allowances are recorded to make allowances for known risks. The allowances are calculated on a staggered basis together with groups of other similar receivables dependent on the extent to which they are overdue.

Receivables are written off as soon as they become uncollectible.

### Cash and Cash Equivalents

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

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

### Loans, Overdraft Facilities, and Silent Partnership

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

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

Overdraft facilities are measured on initial recognition at their fair value, which generally is equivalent to the repayment amount.

### Derecognition of Financial Assets and Financial Liabilities

#### FINANCIAL ASSETS

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

#### FINANCIAL LIABILITIES

A financial liability is derecognized when the obligation underlying the liability is discharged, is canceled, or expires.

### Impairment of Financial Assets

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

If an available-for-sale asset is impaired, the cumulative loss – calculated as the difference between the cost of the asset and its current fair value, less any impairment recognized in the income statement for this instrument in prior periods – is transferred from other comprehensive income and recognized in the statement of income. Impairments recorded against equity instruments are not reversed in the statement of income; any subsequent increase in the fair value is recorded directly in other comprehensive income.

### Provisions

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

### Pensions

As part of a business combination in 2012, the Company acquired a pension obligation, together with an associated reinsurance policy. The Company has paid premiums to an insurance company for these pension obligations. The amount of the pension obligation is determined using the actuarial prospective entitlement cash value method. The Company records the actuarial gains and losses in the reporting period in which they are incurred, in their full amount, in other comprehensive income. In this way the actuarial profits and losses are recorded directly in retained earnings; further, they are not subsequently reclassified to the statement of income in subsequent years.

The asset or liability arising under a defined benefit plan represents the cash value of the defined benefit obligation (applying a discount rate based on senior, fixed-interest, corporate bonds; see note 21) and the fair value of the plan assets that exist solely for the purposes of meeting those obligations. The plan assets consist of qualifying insurance policies. The plan assets are protected against any claims of the Group's creditors and cannot be paid directly to the Group. The fair value is based on market price information. The value of a recognized asset of the defined benefit plan is equivalent to the cash value of any economic benefit in the form of reimbursement from the plan or in the form of a reduction in the future contribution payments to the plan. Since the plan assets consist of a qualified insurance policy, which precisely covers all of the promised benefits with regard to the amount and when it is due, the amount that may be recognized for the plan assets is limited to the cash value of the obligations covered.

## Leasing Arrangements

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an estimate of whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is drawn between operating leases and finance leases depending on whether all of the risks and rewards incidental to ownership are substantially transferred. The Group's leasing arrangements in the reporting period are limited to leases in which the Group is a lessee.

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

An asset and a liability are recognized at the commencement of leasing arrangements which are finance leasing transactions. Lease payments are then separated into a finance cost and a repayment element in such a manner that the interest is charged at a consistent rate of interest on the lease liability. Leased assets are depreciated over the useful lives of the respective assets.

## Revenue Recognition

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

### SALE OF GOODS

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

### RENDERING OF SERVICES

Revenue from the collection, processing, and storage of stem cells from umbilical cord blood ("the manufacture of a stem cell deposit") is recognized as income when the processing has been completed. Income from the storage of stem cells from umbilical cord blood and tissue ("storage of a stem cell deposit") is recorded on a straight-line basis over the storage term. If a total amount has been agreed with the customer as full compensation for manufacturing and storage, the share of revenue earned for the storage service element is derived from the total revenue earned for the products, calculated by reference to the relative amounts of cost incurred for manufacturing and storage. Any prepaid storage fees received are recognized as "deferred income", taking the effect of interest into account.

The Group renders additional environmental, research, and development services. Revenues from the sale of services are recognized in the period in which the service is rendered. This is done according to the degree of completion of the transaction and the ratio of the service rendered as of the closing date as a percentage of the total service to be rendered.

### INTEREST INCOME

Revenue is recognized as interest accrues.

## Borrowing Costs

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

## Public Grants

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

## Taxation

### CURRENT TAX ASSETS AND LIABILITIES

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

### DEFERRED TAXES

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

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

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

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

### VALUE-ADDED TAX

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

- where the VAT incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of VAT included.

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

## 2.6 NEW ACCOUNTING POLICIES

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued new standards, interpretations, and amended standards that are not yet effective for the fiscal year 2017 and that were not applied in the accompanying consolidated financial statements:

### IFRS 9 "Financial Instruments"

The standard was issued in July 2014 and is effective for the first time for fiscal years beginning on or after January 1, 2018. The new standard replaces IAS 39 "Financial instruments" and provides comprehensive guidance on the classification and measurement of financial assets and liabilities, impairment of financial assets, as well as accounting for hedging transactions.

The Group will apply the standard for the first time for the fiscal year commencing on January 1, 2018 and will, in accordance with the transition arrangements, not restate the previous year's figures. The Group does not expect that the initial application of IFRS 9 will have a significant effect on the consolidated financial statements. There will be no significant change in the classification and measurement of the Group's financial assets and liabilities as reported in the consolidated financial statements compared to the current presentation. The Group expects only an insignificant change as a result of the new impairment model. The Group has no hedging transactions in the fiscal year 2017, as in previous periods.

### IFRS 15 "Revenue from Contracts with Customers"

The standard was issued in May 2014 and subsequently amended in April 2016. It is effective for the first time for fiscal years beginning on or after January 1, 2018. This standard regulates when and in which amount revenues are to be recognized. IFRS 15 replaces IAS 18 "Revenues," IAS 11 "Construction Contracts," and a series of revenue-related interpretations. The application of IFRS 15 is to be applied retrospectively and applies to nearly all contracts with customers; the most significant exceptions are leasing arrangements, financial instruments, and insurance contracts. The Group will apply the new standard at the prescribed date of initial application and plans to opt for the modified retrospective approach.

#### SALE OF GOODS

The Group expects that revenue will be recognized at the moment in time when control over the asset is transferred to the customer. This will not be a change compared to the current method of recognizing revenue. Accordingly, the Group does not expect that the implementation of IFRS 15 will result in any change in the accounting policy for recognition of revenue from the sale of goods.

#### RENDERING OF SERVICES

- Manufacture and storage of stem cell deposits
  The Group earns the largest proportion of its income from the manufacturing and storage of stem cell deposits. These services are governed either by means of individual contracts with the customers, with the storage invoiced on an annual basis ("annual payment contracts") or alternatively sold as a package with a contractually agreed storage period ("advance payment contracts"). The manufacture of the stem cell deposits and the storage of the stem cell deposits represent separate performance obligations. In those cases where the service is sold separately, the transaction price can clearly be allocated to the transaction obligation. In transactions in which both services are sold to the customer as a package, the transaction price is allocated to the performance obligations on a proportionate basis relative to the individual transaction prices. This is done using the "expected-cost-plus-a-margin" approach. Revenue for the manufacturing of the stem cell deposits is recognized at the point in time, once the process of collecting, preparing, and commencing storage of the stem cells is complete. Sales revenues from the storage of stem cell deposits is recognized over time, over the contractually agreed storage period.

  Prepayments received from customers in the case of advance payment contracts are reported as deferred income under the current accounting policy. Under IFRS 15, the Group is required to determine whether its contracts include a significant financing component. Under consideration of the nature of the services offered, the Group has determined that the payment terms are designed for reasons other than the provision of finance for the Group. Accordingly, the Group has determined that these contracts do not include a significant financing component.

  The application of the revenue recognition requirements under IFRS 15 to revenue generated by the storage of stem cell deposits does not represent a change to the revenue recognition policies followed by the Group to date. The deferred income reported in the consolidated financial statements to date will be reported as a contract liability following the application of IFRS 15.

- Other services
  The Group renders additional environmental, research, and development services. Revenues from the sale of services are recognized in the period in which the service is rendered. For this purpose, progress towards complete satisfaction of a performance obligation is based on the ratio of costs incurred to date to the expected total costs that will be incurred.

  The application of the revenue recognition requirements under IFRS 15 to revenue generated from other services does not represent a change to the revenue recognition policies followed by the Group to date. Unfinished services that are currently recognized as inventories will be reported as contract assets on application of IFRS 15.

#### PRESENTATION AND DISCLOSURE REQUIREMENTS

In addition to the changes in the statement of financial position resulting from the inclusion of new balance sheet items for contract assets and contract liabilities, IFRS 15 includes an increased level of presentation and disclosure requirements than is the case under present IFRS. This will lead to more detailed qualitative and quantitative disclosures in the notes.

### IFRS 16 "Leases"

IASB published the new standard for accounting for lease arrangements in January 2016. This provides the obligatory application of the right of use of the leased object and a corresponding lease liability for lessees for most lease arrangements. For lessors, on the other hand, there are only slight changes as compared with classification and recognition of lease arrangements under IAS 17. IFRS requires increased disclosure requirements both for lessees and lessors. IFRS 16 shall be applied for the first time for fiscal years beginning on or after January 1, 2019. The Group is only involved as a lessee in leasing arrangements at this time. The recognition of rights of use and lease liabilities from today's perspective will lead to effects on the asset and financial situation and an enlargement of the statement of financial position with a slightly decreasing equity ratio. Significant effects on the profit situation are currently not expected in comparison with current accounting.

### Amendments to IAS 40 "Investment Property"

The amendments clarify when an entity shall reclassify real estate from or to the category "investment property". The amendments to the standard have not yet been adopted by the EU and are expected to be applicable for fiscal years that begin on or after January 1, 2018. The Group has held no investment properties in the fiscal year just ended. Accordingly it does not expect any consequences from the amendments to IAS 40.

### Amendments to IFRS 2 "Share-based Payment"

The amendments address the consequences of exercise conditions on the measurement of share-based transactions with a cash settlement option: classification of share-based payment transactions with net fulfillment clauses with a legal obligation for withholding tax and accounting for share-based payment transactions with cash compensation in the case of a modification of their terms, which lead to a classification as share-based payments with equity compensation. The amendments to the standard have not yet been adopted by the EU and are expected to be applicable for fiscal years that begin on or after January 1, 2018. The modifications are intended to contribute towards more consistency in accounting for share-based payments. The Group does not expect effects from the amendments to IFRS 2.

### Amendments to IFRS 4 "Insurance Contracts"

The changes are intended to address the current concerns regarding the various dates of initial application of IFRS 9 "Financial Instruments" and the new standard for recognizing insurance contracts. The amendments shall be applied for the first time for fiscal years beginning on or after January 1, 2018. The Group does not expect effects from the amendments to IFRS 4.

### Annual improvements to the IFRS cycle 2014–2016

The amendments to the standards have not yet been adopted by the EU and are expected to be applicable for fiscal years that begin on or after January 1, 2018. The revisions to the standards incorporate changes and clarifications to IFRS 1, IFRS 12, and IAS 28. The amendments are not expected to have any effect on the net assets, financial position, profit situation, cash flows, or the disclosure notes.

The Group intends to apply these standards (to the extent applicable) from the point in time they take effect.

# 3 Business Combinations

In April 2017 Vita 34 AG entered into a purchase agreement to acquire the entire share capital of Seracell Pharma AG, Rostock ("Seracell"), a competitor in the collection and storage of umbilical cord blood in Germany. At the date of acquisition Seracell Pharma AG held the entire share capital of Seracell Stammzelltechnologie GmbH, Rostock. Both companies were consolidated in full on June 28, 2017, due to the acquisition of the majority of the voting rights on that date.

The fair value of the acquired Seracell assets and liabilities at the date of initial consolidation are presented in the following table:

| In EUR thousands | Fair values at the date of initial consolidation |
|---|---|
| **Assets** | **14,540** |
| **Non-current assets** | |
| Intangible assets | 10,969 |
| Property, plant, and equipment | 1,396 |
| **Current assets** | |
| Inventories | 310 |
| Trade receivables | 330 |
| Other receivables and assets | 210 |
| Cash and cash equivalents | 1,325 |
| **Liabilities** | **5,359** |
| **Non-current liabilities** | |
| Trade payables | 1,502 |
| Interest-bearing loans | 208 |
| Deferred income tax | 2,451 |
| **Current liabilities** | |
| Trade payables | 123 |
| Interest-bearing loans | 88 |
| Other liabilities | 987 |
| **Total identifiable assets at fair value** | **9,181** |

The fair values of the acquired assets and liabilities were determined based on observable market prices. Where market prices were not available, earnings-based or cost-based approaches were used to determine the value of the acquired assets and liabilities.

Intangible assets primarily included assets arising under acquired storage contracts (EUR 9,911 thousand), trademarks (EUR 527 thousand), and customer relationships (EUR 359 thousand).

The recoverable amount of the storage contracts was determined taking into account the average storage periods of 25 years, an ongoing churn rate, the known cost structure and the tax rates applicable to Seracell for the estimation period.

The trademarks acquired were valued based on the Relief-from-Royalty method. The values are determined by discounting the license royalties saved, which are calculated by multiplying a license fee with the sales revenues generated from the trademark over a remaining useful life of seven years, and the tax rates used for Seracell for the estimation period.

The value of the customer relationships acquired were determined using the multi-period excess earnings method.

The fair value of acquired trade receivables was determined after taking account of allowances made against overdue receivables; their carrying amounts approximate their fair values. The gross amount of receivables before allowances totaled EUR 346 thousand.

Non-current trade payables represent obligations under storage contracts for which no further corresponding income is expected in the future. The fulfillment amount was determined taking into account the specific contractual storage periods of up to 25 years and on the basis of Seracell's current cost structure.

Based on the purchase price allocation, goodwill of EUR 4.9 million arises on the acquisition. The goodwill represents inseparable intangible assets such as expected synergy effects, which will result in an improved market position:

| | In EUR thousands |
|---|---|
| Total identifiable assets at fair value | 9,181 |
| Goodwill arising on acquisition | 4,909 |
| **Consideration transferred** | **14,090** |

The consideration transferred consisted of a cash purchase price payment. With the exception of purchase price payment retention of EUR 350 thousand, the payment was made in the fiscal year 2017. The retention is due for payment in 2018.

The transaction costs of EUR 305 thousand were recorded as expenses and reported within administrative expenses.

The transaction resulted in the following cash flows in the fiscal year 2017:

| | In EUR thousands |
|---|---|
| Purchase price paid in 2017 | 13,740 |
| Less: cash assumed on acquisition | –1,325 |
| **Cash flow from business acquisitions** | **12,415** |

In the period from the date of acquisition until December 31, 2017 Seracell contributed revenues of EUR 1.4 million and a net loss of EUR 0.4 million. The loss was primarily a result of integration costs and amortization of intangible assets recorded as assets as part of the acquisition. Had Seracell been included in the consolidated financial statements from January 1, 2017 the Group's sales revenue and net result for the period, including the integration costs, would have been EUR 22.1 million and EUR –0.7 million respectively.

# 4 Subsidiaries with Significant Non-Controlling Shares

Non-controlling shareholders hold shares in the following companies:

| | Share of equity/ share of voting rights | |
|---|---|---|
| Name, Location | **2017 in %** | 2016 in % |
| Secuvita, S. L., Madrid, Spain | 12.0 | 12.0 |
| stellacure GmbH, Leipzig, Germany | 0 | 24,8 |

The shareholdings of non-controlling shareholders for significant subsidiaries are composed as follows:

| | Non-controlling shareholders shares | |
|---|---|---|
| Name, Location | **2017** | 2016 |
| Secuvita S.L., Madrid, Spain | 117 | 118 |

The summarized financial information for subsidiaries with significant non-controlling shares is as follows:

| | Secuvita S.L., Madrid, Spain | |
|---|---|---|
| In EUR thousands | **2017** | 2016 |
| Non-current assets | 6,499 | 6,557 |
| Current assets | 2,595 | 2,733 |
| Non-current liabilities | 3,635 | 5,911 |
| Current liabilities | 3,050 | 965 |
| Net assets | 2,409 | 2,413 |
| Sales revenue | 2,749 | 2,626 |
| Net result for the period | –4 | 219 |
| Total comprehensive income | –4 | 219 |
| Earnings attributable to non-controlling shares | 0 | 26 |

# 5 Segment Reporting

## 5.1 INFORMATION ON BUSINESS SEGMENTS

In the fiscal year 2017 the Group only had the "Stem Cell Banking" reporting segment, which is active in the field of collecting, processing, and storing stem cells from umbilical cord blood and tissue, and in the development of cell therapy processes.

## 5.2 INFORMATION CONCERNING GEOGRAPHIC REGIONS

The following tables contain information on the revenues and non-current asset values according to IFRS 8.33 (a) and (b) according to geographic activity areas of the Group for the fiscal years 2017 and 2016:

**Revenues from External Customers in Accordance with IFRS 8.33 (a)**

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Domestic | 10,481 | 7,705 |
| Spain | 2,752 | 2,626 |
| Other foreign | 5,953 | 5,959 |
| **Group** | **19,186** | **16,290** |

The classification of the revenues is done on the basis of the location of the customer.

**Non-Current Assets in Accordance with IFRS 8.33 (b)**

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Domestic | 38,667 | 21,658 |
| Spain | 4,742 | 4,971 |
| Denmark | 5,168 | 5,449 |
| Other foreign | 1,239 | 1,322 |
| **Group** | **49,816** | **33,400** |

# 6 Revenue, Other Income, and Expenses

## 6.1 SALES REVENUE

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

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Revenue from processing/manufacturing | 14,771 | 13,108 |
| Revenue from storage | 3,740 | 2,770 |
| Other revenues | 675 | 412 |
| | **19,186** | **16,290** |

## 6.2 COST OF SALES

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

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Cost of materials | 1,209 | 1,029 |
| External services | 2,214 | 2,326 |
| Personnel expenses | 2,479 | 1,989 |
| Amortization and depreciation | 1,214 | 1,238 |
| Premises costs | 471 | 471 |
| Other expenses | 804 | 616 |
| | **8,391** | **7,669** |

## 6.3 OTHER OPERATING INCOME

Other operating income disclosed in the statement of income consists of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Public grants | 324 | 783 |
| Income from derecognition of accrued liabilities | 129 | 160 |
| Income from damage settlements | 5 | 5 |
| Sundry other income | 259 | 660 |
| | **717** | **1,608** |

The public grants are mainly research and development grants awarded (EUR 219 thousand). The income from research and development is offset by corresponding expenditures of EUR 386 thousand. There are no unfulfilled conditions or contingencies in relation to these grants.

Income from derecognition of accrued liabilities primarily includes derecognition of allowances made for financial obligations for trade payables accrued in the prior year to the extent that the amounts utilized by the Group in the reporting year were less than expected.

### 6.4 MARKETING AND SELLING COSTS

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

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Personnel expenses | 1,783 | 1,850 |
| Amortization and depreciation | 213 | 142 |
| Marketing expenses | 2,477 | 2,318 |
| Other expenses | 957 | 812 |
| | **5,430** | **5,122** |

The other expenses primarily include sales-related office space costs, insurance, and consulting expenses.

### 6.5 ADMINISTRATIVE EXPENSES

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

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Personnel expenses | 2,698 | 2,281 |
| Amortization and depreciation | 278 | 133 |
| Legal, consulting, and audit fees | 839 | 495 |
| Other expenses | 1,141 | 1,016 |
| | **4,956** | **3,925** |

The other expenditures primarily include administration related office costs and IT costs.

### 6.6 OTHER OPERATING EXPENSES

Other operating expenses disclosed in the statement of income consist of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Bad debt expenses | 230 | 249 |
| Sundry other expenses | 761 | 152 |
| | **991** | **401** |

The sundry other expenses primarily include the Seracell integration costs.

## 6.7 FINANCE EXPENSES

The finance expenses disclosed in the statement of income consist of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Loans and overdraft facilities | 104 | 55 |
| Remuneration for silent partnerships | 66 | 66 |
| Other interest expenses | 30 | 0 |
| Realized losses from financial investments | 0 | 73 |
| | **200** | **194** |

## 6.8 FINANCE INCOME

The finance income disclosed in the statement of income consists of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Interest income | 33 | 91 |
| Income from non-current financial assets | 19 | 52 |
| | **52** | **143** |

## 6.9 EMPLOYEE BENEFITS EXPENSE

The expense for employee benefits breaks down as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Wages and salaries | 6,610 | 5,364 |
| Social security costs | 904 | 824 |
| Pension costs | 61 | 142 |
| | **7,575** | **6,330** |

The employer's contributions to statutory pension insurance are classified as defined contribution plan contributions, and are accordingly recognized in full as an expense.

The annual average number of employees in the Group was as follows:

| | **2017** | 2016 |
|---|---|---|
| Employees | 120 | 129 |
| Trainees/interns | 4 | 4 |
| | **124** | **133** |

# 7 Income Taxes

The income tax expense/credit for the fiscal years 2017 and 2016 primarily consists of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| **Consolidated statement of income** | | |
| Current income tax expense | 354 | 130 |
| Deferred tax on the creation and reversal temporary differences | -141 | -8 |
| Deferred tax on tax losses | -41 | -51 |
| **Income tax expense** | **172** | **71** |
| | | |
| **Consolidated statement of comprehensive income** | | |
| Unrealized gains from available-for-sale financial assets | -1 | -12 |
| **Income taxes recognized in equity** | **-1** | **-12** |

The income tax receivables recognized in the statement of financial position primarily relate to the expected tax refund for the fiscal year (EUR 782 thousand).

A reconciliation between income tax expense and the product of accounting profit multiplied by the Group's applicable tax rate for the fiscal years 2017 and 2016 is as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| **Earnings before income tax** | **–153** | **687** |
| Income tax income (+) expense (–) at the Group tax rate of 28.6 % (previous year: 27.4 %) | 44 | –188 |
| Adjustments since results of Novel Pharma S.L. do not lead to an income tax expense | 2 | 1 |
| Adjustments due to tax free income | 12 | 16 |
| Adjustments due to non-deductible expenses | –124 | –84 |
| Unrecognized deferred taxes on tax losses carried forward | –27 | –9 |
| Adjustments for tax legislation changes | 0 | 292 |
| Foreign exchange effects | 1 | 6 |
| Effect of different tax rates | –80 | –105 |
| **Income tax expense** | **–172** | **–71** |

The change in the Group tax rate is a result of the initial consolidation of companies in Germany with higher tax rates in the reporting year, and to a higher weighting of German companies in the calculation of the Group's tax rate, due to greater contributions to the results.

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

| | Consolidated statement of financial position | | Consolidated statement of income | |
|---|---|---|---|---|
| In EUR thousands | **2017** | 2016 | **2017** | 2016 |
| **Deferred income tax liabilities** | | | | |
| Higher tax depreciation | –5,746 | –2,817 | 171 | 58 |
| Discounting of loans | –2 | –2 | 0 | 1 |
| Differences on trade receivables | 8 | –19 | 27 | 10 |
| Differences on other receivables and assets | –304 | –336 | 32 | 136 |
| Differences on other liabilities | –229 | –269 | 39 | –53 |
| Adjustments to carrying values of investments | –194 | –194 | 0 | 0 |
| Differences on deferred income | –1,733 | 0 | 56 | 0 |
| Differences on trade liabilities | 0 | –81 | 81 | –48 |
| **Deferred tax liabilities** | **–8,200** | **–3,718** | | |
| **Deferred income tax liabilities** | | | | |
| Discounting of receivables | –36 | –37 | 1 | –55 |
| Differences on other receivables | 30 | 29 | 1 | 29 |
| Differences on loan liabilities | –22 | 39 | –61 | –17 |
| Differences on other financial assets | 4 | –2 | 6 | –6 |
| Differences on inventories | 0 | 0 | 24 | –27 |
| Differences on other liabilities | 555 | 83 | 16 | –21 |
| Differences on deferred grants | 8 | 7 | 1 | 1 |
| Tax losses carried forward | 3,719 | 1,934 | –212 | 51 |
| **Deferred tax assets** | **4,258** | **2,053** | | |
| **Deferred tax liabilities (net)** | **–3,942** | **–1,665** | | |
| **Deferred tax income** | | | **182** | **59** |

The movement on tax losses carried forward by the Group companies was as follows:

| Name | Country | Income tax rate | **2017 In EUR thousands** | 2016 In EUR thousands |
|---|---|---|---|---|
| Vita 34 AG | Germany | 32 % | 0 | 216 |
| Seracell Pharma AG | Germany | 30 % | 5,708 | * |
| stellacure GmbH | Germany | 32 % | 753 | 724 |
| Vita 34 Gesellschaft für Zelltransplantate m.b.H. | Austria | 25 % | 0 | 23 |
| Vita 34 ApS | Denmark | 22 % | 3,412 | 2,897 |
| Secuvita S.L. | Spain | 25 % | 4,238 | 4,397 |
| Novel Pharma S.L. | Spain | 25 % | 0 | 0 |

* Company not included in the consolidated financial statements as of December 31, 2016

The income tax losses carried forward that have been incurred in Germany, Denmark, and Spain can be carried forward without by the Group for offset against future taxable results of the respective companies. Deferred tax assets on tax losses carried forward were recognized to the extent that it can be assumed that the unused tax losses will be utilized, based on business planning.

There are losses carried forward at Novel Pharma, S.L. that are available to the Group for offset against future taxable profits of Novel Pharma S.L. However, deferred tax assets have not been recognized in respect of these losses, as they may not be used to offset taxable profits elsewhere in the Group and they have arisen in an intermediate holding company that does not usually generate taxable profits. They can only be used under certain conditions, which are currently not likely to occur.

No deferred tax assets have been recognized for tax losses carried forward in the amount of EUR 246 thousand.

## 8 Earnings per Share

### BASIC/DILUTED EARNINGS PER SHARE

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

Basic/diluted earnings per share are calculated as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Net profit/loss from continuing operations | -325 | 617 |
| Less: portion attributable to non-controlling shares | 2 | -209 |
| **Result from continuing operations attributable to shareholders of Vita 34 AG** | **-323** | **408** |
| Number of shares outstanding (weighted average) | 3,549,543 | 2,964,593 |
| **Earnings per share (EUR)** | **-0.09** | **0.14** |

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

# 9 Intangible Assets

The movements on intangible assets were as follows:

### Overview of intangible assets as of December 31, 2017

| In EUR thousands | Development costs | Patents and licenses | Acquired contracts and development projects | Customer relationships and trade-marks | **Total** |
|---|---|---|---|---|---|
| Acquisition cost as of Jan. 1, 2017 | 407 | 3,747 | 14,938 | 0 | 19,092 |
| Additions | 95 | 75 | 0 | 0 | 170 |
| Additions resulting from business combinations | 0 | 73 | 8,802 | 1,996 | 10,871 |
| Disposals | 0 | –25 | 0 | 0 | –25 |
| Currency differences | 0 | –1 | –8 | 0 | –9 |
| **Acquisition cost as of Dec. 31, 2017** | **502** | **3,869** | **23,732** | **1,996** | **30,099** |
| Accumulated amortization and impairment as of Jan. 1, 2017 | 0 | 3,128 | 4,287 | 0 | 7,415 |
| Amortization for the year | 4 | 244 | 680 | 230 | 1,159 |
| Disposals | 0 | –9 | 0 | 0 | –9 |
| Currency differences | 0 | –1 | –1 | 0 | –2 |
| **Accumulated amortization and impairment as of Dec. 31, 2017** | **4** | **3,362** | **4,967** | **230** | **8,563** |
| Carrying amount as of Jan. 1, 2017 | 407 | 619 | 10,651 | 0 | 11,677 |
| **Carrying amount as of Dec. 31, 2017** | **498** | **507** | **18,765** | **1,766** | **21,536** |

### Overview of intangible assets as of December 31, 2016

| In EUR thousands | Development costs | Patents and licenses | Acquired contracts and development projects | **Total** |
|---|---|---|---|---|
| Acquisition cost as of Jan. 1, 2016 | 165 | 3,683 | 15,019 | 18,867 |
| Additions | 242 | 57 | 0 | 299 |
| Changes in the consolidated group | 0 | 0 | –102 | –102 |
| Currency differences | 0 | 7 | 21 | 28 |
| **Acquisition cost as of Dec. 31, 2016** | **407** | **3,747** | **14,938** | **19,092** |
| Cumulative amortization and impairment as of Jan. 1, 2016 | 0 | 2,966 | 3,431 | 6,397 |
| Amortization for the year | 0 | 155 | 859 | 1,014 |
| Changes in the consolidated group | 0 | 0 | –4 | –4 |
| Currency differences | 0 | 7 | 1 | 8 |
| **Accumulated amortization and impairment as of Dec. 31, 2016** | **0** | **3,128** | **4,287** | **7,415** |
| Carrying amount as of Jan. 1, 2016 | 165 | 717 | 11,588 | 12,470 |
| **Carrying amount as of Dec. 31, 2016** | **407** | **619** | **10,651** | **11,677** |

The acquired contracts and development projects and the customer relationships and trademarks contain the following significant assets as of December 31, 2017:

| In EUR thousands | Carrying amount | Remaining useful life |
|---|---|---|
| Acquired storage contracts Secuvita | 3,776 | 18 years |
| Acquired storage contracts Vita 34 ApS | 5,093 | 23 years |
| Acquired storage contracts Vivocell | 1,233 | 22 years |
| Acquired storage contracts Seracell | 8,628 | 25–28 years |
| Trademark Seracell | 461 | 4 years |
| Customer relationships Seracell | 1,304 | 4–7 years |

## 10 Goodwill

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Acquisition cost as of Jan. 1 | 13,942 | 14,131 |
| Additions resulting from business combinations | 4,909 | 0 |
| Changes in the consolidated group | 0 | –189 |
| Disposals | –528 | 0 |
| **Acquisition cost as of Dec. 31** | **18,323** | **13,942** |
| Cumulative amortization and impairment as of Jan. 1 | 528 | 401 |
| Amortization for the year | 0 | 127 |
| Disposals | –528 | 0 |
| **Accumulated amortization and impairment as of Dec. 31** | **0** | **528** |
| Carrying amount as of Jan. 1 | 13,414 | 13,730 |
| **Carrying amount as of Dec. 31** | **18,323** | **13,414** |

The goodwill attributed to the "Biotechnology" cash-generating unit which was written down in full in the previous year has been treated as a disposal in 2017.

The goodwill and intangible assets with indefinite useful lives acquired in business combinations have been attributed to cash-generating units for impairment testing as follows:

| | Stem Cell Banking – Germany | | Spain | | Total | |
|---|---|---|---|---|---|---|
| In EUR thousands | **2017** | 2016 | **2017** | 2016 | **2017** | 2016 |
| Goodwill | 17,731 | 12,822 | 592 | 592 | 18,323 | 13,414 |
| License with indefinite useful life | 43 | 43 | 0 | 0 | 43 | 43 |

The Group conducts its annual impairment test in the fourth quarter of the fiscal year. The Group considers the relationship between market capitalization and book value, apart from other factors, in reviewing the indicators for impairment. The recoverable amounts determined in the impairment testing exceeded the carrying amounts of the respective cash-generating units.

### Cash-generating Unit "Stem Cell Banking – Germany"

The recoverable amount of the "Stem Cell Banking – Germany" cash-generating unit has been determined based on a value in use calculation using cash flow projections updated from the prior year and based on financial budgets prepared by senior management covering a three-year period, as approved by the Supervisory Board. The discount rate used for the cash flow forecast for the "Stem Cell Banking – Germany" segment before tax is 10.7 % (prior year: 9.4 %). Cash flows beyond the three-year period are extrapolated using a 1 % growth rate.

### Cash-generating Unit "Spain"

The recoverable amount of the cash-generating unit "Spain" has also been determined based on a value in use calculation, using cash flow projections based on financial budgets prepared by senior management covering a three-year period, as approved by the Supervisory Board. The pre-tax discount rate applied to the cash flow projections is 13.4 % (prior year: 12.8 %). Cash flows beyond the three-year period are extrapolated using a 1 % growth rate.

## KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATION OF THE BUSINESS UNITS AS OF DECEMBER 31, 2017 AND DECEMBER 31, 2016

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

**Budgeted Gross Margins –** The gross margins are derived from the average gross margin achieved for new agreements concluded in the financial year immediately before the budgeted year.

**Discount Rates –** The discount rates reflect the estimates of company management with regard to the specific risks attributable to the cash-generating units. This is the benchmark used by management to assess the operating performance and evaluate future investment projects. The discount rate is derived from a risk-free interest rate, also taking a market risk premium, a country-specific risk premium and a company-specific beta factor into account.

## SENSITIVITY OF THE ASSUMPTIONS MADE

For the purposes of performing the sensitivity analysis for the cash-generating unit, a decrease in the planned gross margin of one percentage point or an increase in the discount rate (after taxes) of a percentage point was assumed. On this basis, no impairment requirement for the cash-generating units results.

# 11 Property, Plant, and Equipment

The movements on property, plant, and equipment were as follows:

**Property, Plant, and Equipment as of December 31, 2017**

| In EUR thousands | Land | Technical equipment | Operating and business equipment | **Total** |
|---|---|---|---|---|
| Acquisition cost as of Jan. 1, 2017 | 306 | 5,911 | 1,793 | 8,010 |
| Additions | 0 | 553 | 125 | 678 |
| Disposals | 0 | –4 | –104 | –108 |
| Additions resulting from business combinations | 0 | 1,353 | 43 | 1,396 |
| **Acquisition cost as of Dec. 31, 2017** | **306** | **7,813** | **1,858** | **9,976** |
| Accumulated amortization and impairment as of Jan. 1, 2017 | 0 | 1,765 | 1,218 | 2,983 |
| Amortization for the year | 0 | 291 | 158 | 449 |
| Disposals | 0 | –4 | –87 | –91 |
| **Accumulated amortization and impairment as of Dec. 31, 2017** | **0** | **2,052** | **1,289** | **3,341** |
| Carrying value as of Jan. 1, 2017 | 306 | 4,146 | 575 | 5,027 |
| **Carrying value as of Dec. 31, 2017** | **306** | **5,761** | **568** | **6,635** |

**Property, Plant, and Equipment as of December 31, 2016**

| In EUR thousands | Grund und Boden | Technical equipment | Operating and business equipment | **Total** |
|---|---|---|---|---|
| Acquisition cost as of Jan. 1, 2016 | 306 | 5,653 | 1,912 | 7,871 |
| Additions | 0 | 258 | 139 | 397 |
| Disposals | 0 | 0 | –101 | –101 |
| Changes in the consolidated group | 0 | 0 | –157 | –157 |
| **Acquisition cost as of Dec. 31, 2016** | **306** | **5,911** | **1,793** | **8,010** |
| Accumulated amortization and impairment as of Jan. 1, 2016 | 0 | 1,495 | 1,231 | 2,726 |
| Amortization for the year | 0 | 270 | 103 | 373 |
| Disposals | 0 | 0 | –101 | –101 |
| Changes in the consolidated group | 0 | 0 | –15 | –15 |
| **Accumulated amortization and impairment as of Dec. 31, 2016** | **0** | **1,765** | **1,218** | **2,983** |
| Carrying amount as of Jan. 1, 2016 | 306 | 4,158 | 681 | 5,145 |
| **Carrying value as of Dec. 31, 2016** | **306** | **4,146** | **575** | **5,027** |

The carrying value of technical equipment held under lease purchase arrangements amounted to EUR 391 thousand as of December 31, 2017 (previous year: none).

## 12 Investments in Associates

The investments in associates are the result of participation in Bio Save d.o.o., Belgrade, Serbia, which has been incorporated into the consolidated financial statements of Vita 34 AG since June 30, 2016 in accordance with the equity method.

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| **Summarized financial information** | | |
| Non-current assets | 241 | 232 |
| Current assets | 666 | 730 |
| Non-current liabilities | 166 | 117 |
| Current liabilities | 735 | 374 |
| Sales revenue | 1.313 | 845 |
| Net result for the period | –465 | –139 |
| Total comprehensive income | –465 | –139 |
| Dividends paid during the fiscal year | 0 | 0 |
| | | |
| **Reconciliation to statement of financial position and statement of income** | | |
| Net assets of the associate | 6 | 471 |
| Group shareholding in associate | 30 % | 30 % |
| Goodwill | 128 | 128 |
| Carrying amount of the Group's interest in the associate | 129 | 269 |
| Group's share in the result of the associate | –140 | –42 |

## 13 Inventories

Inventories consist of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Raw materials, consumables, and supplies | 305 | 219 |
| Work in progress | 195 | 72 |
| | **500** | **291** |

Impairment allowances of EUR 48 thousand were recorded in 2017 (previous year: EUR 0 thousand).

# 14 Trade Receivables

Trade receivables consist of the following:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Non-current trade receivables | 1,103 | 888 |
| Current trade receivables | 3,806 | 3,581 |
| | **4,909** | **4,469** |

The non-current trade receivables that originated in the reporting year were discounted using an interest rate of 3.0 % (2016: 3.0 %) based on their terms to maturity. Due to the long term of some receivables (up to 25 years), trade receivables due after more than twelve months are reported separately under non-current assets.

An aging analysis of the trade receivables is provided in the table below.

| | | Of these: Not impaired and overdue in the following time brackets | | | | |
|---|---|---|---|---|---|---|
| In EUR thousands | **Carrying amount** | Not overdue | Less than 60 days | Between 60 and 180 days | Between 180 and 360 days | More than 360 days |
| As of Dec. 31, 2017 | 4,909 | 4,061 | 616 | 180 | 52 | 1 |
| As of Dec. 31, 2016 | 4,469 | 3,149 | 547 | 496 | 211 | 66 |

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

The movements on impairment allowances recorded against trade receivables were as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Bad debt allowances as of Jan. 1 | 617 | 687 |
| Changes in the consolidated group | 15 | –313 |
| Additions (expenses for impairment) | 220 | 243 |
| **As of Dec. 31** | **853** | **617** |

An expense of EUR 10 thousand was recorded in the fiscal year for the full write-off of trade receivables (previous year: EUR 5 thousand). All expenses from bad debt allowances and write-offs of trade receivables are disclosed under other operating expenses.

### DEFAULT RISK

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Credit verification procedures are only performed in cases where trade is financed via banks other than the Group's partner banks.

## 15 Other Receivables and Assets

| | 2017 | | 2016 | |
|---|---|---|---|---|
| In EUR thousands | **Total** | Of these: current | **Total** | Of these: current |
| **Financial receivables and assets** | | | | |
| Available-for-sale financial assets | 2,342 | 0 | 2,284 | 0 |
| Other financial receivables and assets | 796 | 181 | 1,221 | 641 |
| **Non-financial assets** | **3,138** | **181** | **3,505** | **641** |
| | | | | |
| **Prepaid expenses** | | | | |
| Other assets | 897 | 188 | 925 | 198 |
| Sonstige Vermögenswerte | 950 | 950 | 218 | 218 |
| | **1,847** | **1,138** | **1,143** | **416** |
| | | | | |
| | **4,985** | **1,319** | **4,648** | **1,057** |

The available-for-sale financial assets are financial securities. The change in value of these securities are recorded in other comprehensive income with no effect on the statement of income. The financial securities have been used as collateral security for the purposes of obtaining a loan and a bank guarantee.

Other financial receivables and assets primarily include receivables from the granting of loans to subsidiaries of Vita 34 AG which are not included in the consolidated financial statements.

The other assets primarily include receivables for tax overpayments and for government grants for research and development projects.

## 16 Cash and Cash Equivalents and Restricted Cash

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Restricted cash | 763 | 814 |
| Cash and cash equivalents | 4,180 | 2,813 |
| | **4,943** | **3,627** |

Cash and cash equivalents consist of cash and bank account balances. Bank balances earn interest at the floating rates for on-call deposits. Cash and cash equivalents in the statement of financial position equals the cash and cash equivalents balance reported in the cash flow statement.

The restricted cash represents deposits for bank loans and rental payments.

# 17 Equity

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Registered capital | 4,146 | 3,027 |
| Capital reserves | 23,913 | 18,213 |
| Retained earnings | 1,924 | 2,865 |
| Other reserves | –120 | –119 |
| Treasury shares | –337 | –337 |
| Non-controlling shares | 117 | 0 |
| | **29,643** | **23,648** |

Vita 34 AG's **registered capital** presented represents the Company's issued share capital as stated in the Company's articles of incorporation and bylaws and pursuant to German stock corporation law. The share capital consists of 4,145,959 (previous year: 3,026,500) non-par value registered shares.

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

Vita 34 AG undertook a capital increase on June 16, 2017, issuing 302,649 shares. By partial use of the authorized capital, and with the approval of the Supervisory Board, the issued share capital of the Company was increased by the issue of 302,649 new shares in exchange for cash contributions. The new ordinary shares are entitled to participate in the profits of the Company from January 1, 2017. The new shares were issued at a price of EUR 6.62 per share.

In addition, a further capital increase from authorized capital in exchange for cash contributions was effected on July 28, 2017. Under this capital contribution 816,810 new shares were placed by exercise of subscription rights and by means of a subsequent private placing of shares with qualifying investors at a price of EUR 6.10.

The movements on the Company's registered capital and capital reserves as a result of these capital raising measures were as follows:

| In EUR thousands | Registered capital | Capital reserves |
|---|---|---|
| As of Jan. 1, 2017 | 3,027 | 18,213 |
| Capital increase in exchange for cash June 16, 2017 | 303 | 1,701 |
| Capital increase in exchange for cash July 28, 2017 | 817 | 4,166 |
| Transaction costs on the issue of new shares (net of tax deduction) | 0 | –167 |
| **As of Dec. 31, 2017** | **4,146** | **23,913** |

**Retained earnings** contain the cumulative profits including the net result for the current year. Retained earnings were reduced by EUR 474 thousand in the reporting year by a dividend payment. The dividend per share was EUR 0.16.

Based on the cumulated retained earnings as reported in the annual financial statements of Vita 34 AG as of December 31, 2017, the Management and Supervisory Boards of Vita 34 AG propose the payment of a dividend of EUR 0.16 per qualifying share. This represents a total payment of EUR 653 thousand.

**Other reserves** contains actuarial gains and losses from defined benefit pension plans, gains and losses on "available-for-sale financial assets," and currency translation differences.

As of the closing date the Group owned 61,907 of its own shares, known as treasury shares (1.49 %), as in the previous year.

The **non-controlling interests** contains the interest of non-controlling interests in Secuvita S.L. in the acquired assets and liabilities, valued at their proportional interest in the fair value at the time of acquisition. The goodwill attributable to the non-controlling interests was not recognized for this purpose. Subsequent to initial recognition, profits and losses are attributed proportionate to interests with no upper or lower limit to the total amount apportioned.

### AUTHORIZED CAPITAL

Vita 34 AG has created authorized capital in accordance with Sec. 7 para. 2 of the Company's articles of association. The Management Board is authorized, in accordance with a resolution of the Annual General Meeting held on August 28, 2014, to increase the nominal capital of the Company on one or more occasions by up to a total of EUR 393,791.00 by August 27, 2019 by means of the issuance of up to 393,791 new registered, non-par value shares in exchange for cash or in-kind contributions (Authorized Capital 2014).

## 18 Loans

| | 2017 | | 2016 | |
|---|---|---|---|---|
| In EUR thousands | **Total** | Of these: current | **Total** | Of these: current |
| Liabilities to financial institutions | 7,913 | 580 | 685 | 205 |
| Other financial liabilities | 1,012 | 475 | 1,457 | 395 |
| Lease purchase loan | 253 | 89 | 0 | 0 |
| | **9,177** | **1,145** | **2,142** | **601** |

The loan liabilities consist of the following:

| In EUR thousands | Interest rate in % | Maturity | **2017** | 2016 |
|---|---|---|---|---|
| Loan of EUR 7,500 thousand | 2.48 | 2018–2023 | 7,431 | 0 |
| Loan of EUR 1,000 thousand | 1.25 | 2015–2020 | 450 | 650 |
| Loan of EUR 137 thousand | 0 | 2013–2024 | 31 | 35 |
| Other financial liability of EUR 2,042 thousand | 0 | 2015–2019 | 1,012 | 1,457 |
| Lease purchase loan, EUR 242 thousand | 2.86 | 2017–2022 | 181 | 0 |
| Lease purchase loan, EUR 308 thousand | 3.39 | 2017–2019 | 72 | 0 |
| | | | **9,177** | **2,142** |

Transaction costs of EUR 75 thousand incurred in connection with the EUR 7,500 thousand loan are recognized in the measurement of the loan liability.

Security has been provided on the loans shown in the balance sheet totalling EUR 7,881 thousand (with a nominal amount of EUR 8,500 thousand) as follows:

- global assignment of the Company's receivables from storage contracts with rights against the respective third parties with names beginning with the letters A–Z; and
- collateral security over financial securities and their respective depot accounts included in restricted cash.

There is a bank guarantee amounting to EUR 1,000 thousand for another loan with an amount of EUR 1,012 thousand (nominal amount EUR 2,042 thousand). Financial securities have been provided as collateral to the guaranteeing bank as a security for the bank guarantee.

The Group acquired the lease purchase loan arrangements as part of the Seracell acquisition.

The movements on the loans were as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Loans as of Jan. 1 | 2,142 | 2,789 |
| Receipts from loan drawdowns | 7,425 | 0 |
| Loan repayments | –721 | –517 |
| Non-cash interest effects | 35 | 20 |
| Additions as a result of business combinations | 296 | 0 |
| Changes in the consolidated group | 0 | –150 |
| **Loans as of Dec. 31** | **9,177** | **2,142** |

## 19 Silent Partners' Interests

The Mittelständische Beteiligungsgesellschaft Sachsen mbH, Dresden (MBG) receives a fixed fee of 6 % p. a. on its contribution of EUR 940 thousand made to Vita 34 AG, which is payable quarterly in arrears for the preceding quarter as of March 15, June 15, September 15, and December 15 of each year. In addition, MBG receives a profit-based fee of 50 % of the net profit for the year of Vita 34 AG, limited however to a maximum of 1 % p. a. of the contribution made. The basis for calculating the profit-based fee is the net profit for the year under German commercial law, adjusted for certain income and expense items.

MBG does not participate in losses of Vita 34 AG. The term of the silent partnership ends on June 30, 2018.

## 20 Provisions

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| As of January 1, 2017 | 16 | 29 |
| Utilization | 0 | 13 |
| Release | 13 | 0 |
| **As of Dec. 31, 2017** | **3** | **16** |

## 21 Provisions for Pension Obligations

In 2014 the pension obligations towards one Management Board member were restructured. Under these arrangements the pension obligation was limited to the benefits accrued up to July 31, 2014. This is a defined benefit pension plan (covered by investments) for which contributions are made to a specially administered pension fund. The movements on the amounts reported in the financial statements were as follows:

| In EUR thousands | 2017 | 2016 |
|---|---|---|
| Cash value of the defined benefit pension plan obligation | –361 | –350 |
| Fair value of plan assets | 375 | 368 |
| Effect of asset ceiling | –14 | –18 |
| **Defined benefit obligation** | **0** | **0** |

In accordance with IAS 19.113 the cash value of the defined benefit pension plan obligation and the fair value of the plan asset are offset. Plan assets include a qualified insurance policy that covers all of the promised benefits exactly with regard to the amount payable and the timing of the payments due. Thus, recognition of the plan asset is immediately limited to the cash value of the obligations covered.

### Development of the Cash Value of the Defined Benefit Pension Plan Obligation

| In EUR thousands | 2017 | 2016 |
|---|---|---|
| Cash value of the defined benefit pension plan obligation as of Jan. 1 | 350 | 285 |
| Interest expense | 7 | 7 |
| **Revaluation** | | |
| Actuarial gains/losses as a result of changes in financial assumptions | 4 | 58 |
| **Cash value of the defined benefit pension plan obligation as of Dec. 31** | **361** | **350** |

### Changes in the Fair Value of the Plan Assets

| In EUR thousands | 2017 | 2016 |
|---|---|---|
| Fair value of the plan asset as of Jan. 1 | 368 | 363 |
| Interest income | 6 | 9 |
| **Revaluation** | | |
| Interest on plan assets excluding amounts included in net interest income and expenses | 1 | –4 |
| **Fair value of plan assets as of Dec. 31** | **375** | **368** |

The measurement of the pension obligations as of December 31, 2017 was done using the Heubeck guideline tables 2005 G as the biometric calculation basis according to the modified entry age method.

### Assumptions for Determining the Pension Fund Obligations

| in % | 2017 | 2016 |
|---|---|---|
| Discount rate | 1.80 | 1.85 |
| Salary trend | 0.00 | 0.00 |
| Pension trend | 1.90 | 1.90 |

Due to the reinsurance policy, changes to the above parameters would not be expected to have an effect on the pension plan obligation.

## 22 Deferred Grants

The movements on investment grants and subsidies were as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| As of Jan. 1, 2017 | 1,037 | 1,121 |
| Released to income | 80 | 84 |
| **As of Dec. 31, 2017** | **957** | **1,037** |
| Current grants | 66 | 80 |
| Non-current grants | 890 | 957 |
| **As of Dec. 31, 2017** | **957** | **1,037** |

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

## 23 Deferred Income

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Current deferred income | 2,547 | 1,782 |
| Non-current deferred income | 9,460 | 9,011 |
| | **12,007** | **10,793** |

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

## 24 Trade Payables and Other Liabilities

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| **Financial liabilities** | | |
| Non-current trade payables | 1,808 | 437 |
| Current trade payables | 949 | 1,162 |
| Other financial liabilities | 853 | 806 |
| | **3,611** | **2,405** |
| | | |
| **Non-financial liabilities** | | |
| Payments to employees and members of the Management Board | 972 | 509 |
| Other non-financial liabilities | 707 | 260 |
| | **1,679** | **769** |
| | | |
| | **5,290** | **3,174** |

Summary of the terms of the financial liabilities described above:

- Non-current trade liabilities are not interest bearing, and have a term of up to 25 years.
- Current trade payables are non-interest bearing and are normally settled within 30 days.
- Other liabilities are non-interest bearing and also have an average term of 30 days. Non-financial liabilities mainly relate to amounts accrued for short-term employee benefits.
- Interest payable is normally settled monthly or quarterly throughout the fiscal year.

Non-current trade liabilities contain obligations from long-term storage contracts.

## 25 Additional Information on Financial Instruments

The carrying amounts and the fair values are provided by category in the following table. The carrying amounts and the fair values are identical.

| December 31, 2017 | Measurement | At amortized cost | | At fair value with no effect on income | |
|---|---|---|---|---|---|
| In EUR thousands | Category | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | | |
| Cash and cash equivalents | LaR | 4,943 | 4,943 | | |
| Trade receivables | LaR | 4,909 | 4,909 | | |
| Available-for-sale financial assets | AfS | | | 2,342 | 2,342 |
| Other financial receivables and assets | LaR | 796 | 796 | | |
| **Equity and liabilities** | | | | | |
| Loan liabilities | FLAC | 9,177 | 9,177 | | |
| Silent partners' interests | FLAC | 940 | 940 | | |
| Trade liabilities | FLAC | 2,758 | 2,758 | | |
| Other financial liabilities | FLAC | 853 | 853 | | |
| **Total by measurement category** | | | | | |
| Loans and receivables | (LaR) | 10,648 | 10,648 | 0 | 0 |
| Available-for-sale financial assets | (AfS) | 0 | 0 | 2,342 | 2,342 |
| Financial liabilities at amortized cost | (FLAC) | 13,728 | 13,728 | 0 | 0 |

| December 31, 2016 | Measurement | At amortized cost | | At fair value with no effect on income | |
|---|---|---|---|---|---|
| In EUR thousands | Category | Carrying amount | Fair value | Carrying amount | Fair value |
| **Assets** | | | | | |
| Cash and cash equivalents | LaR | 3,626 | 3,626 | | |
| Trade receivables | LaR | 4,469 | 4,469 | | |
| Available-for-sale financial assets | AfS | | | 2,284 | 2,284 |
| Other financial receivables and assets | LaR | 1,221 | 1,221 | | |
| **Liabilities** | | | | | |
| Loan liabilities | FLAC | 2,142 | 2,142 | | |
| Silent partners' interests | FLAC | 940 | 940 | | |
| Trade liabilities | FLAC | 1,599 | 1,599 | | |
| Other financial liabilities | FLAC | 806 | 806 | | |
| **Total by measurement category:** | | | | | |
| Loans and receivables | (LaR) | 9,316 | 9,316 | 0 | 0 |
| Available-for-sale financial assets | (AfS) | 0 | 0 | 2,284 | 2,284 |
| Financial liabilities at amortized cost | (FLAC) | 5,488 | 5,488 | 0 | 0 |

## 25.1 FAIR VALUE

Cash and cash equivalents, current trade receivables, and other receivables mostly have short-term maturities. Accordingly, their carrying amounts as of the end of the reporting period approximate their fair value.

The fair value of non-current trade receivables that mature after more than one year is the present value of the payments due, discounted using a market interest rate. The classification is made in Level 2 of the fair value hierarchy.

The fair value of available-for-sale financial assets is determined by reference to market prices quoted on active markets. In each case the classification is a Level 1 classification in the fair value hierarchy.

Current liabilities for trade payables and other liabilities generally have short maturities. Accordingly, their carrying amounts approximate their fair values.

The fair values of non-current interest-bearing loans, silent partners' interests, and non-current trade payables recognized in the statement of financial position at amortized cost were determined by discounting the expected future cash flows using a market interest rate. In each case the classification is a Level 2 classification in the fair value hierarchy.

## 25.2 NET RESULT BY MEASUREMENT CATEGORY

The following table shows the net result from financial assets and financial liabilities by measurement category:

| In EUR thousands | Financial income | Financial expenses | Other operating expenses | Other comprehensive income | **Total** |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Loans and receivables | 34 | -30 | -230 | 0 | -227 |
| Available-for-sale financial assets | 19 | 0 | 0 | 3 | 22 |
| Financial liabilities at amortized cost | 0 | -169 | 0 | 0 | -169 |
| | **52** | **-200** | **-230** | **3** | **-375** |
| **2016** | | | | | |
| Loans and receivables | 91 | 0 | -249 | 0 | -157 |
| Available-for-sale financial assets | 0 | -22 | 0 | 36 | 15 |
| Financial liabilities at amortized cost | 0 | -121 | 0 | 0 | -121 |
| | **91** | **-143** | **-249** | **36** | **-263** |

## 25.3 ANALYSIS OF MATURITY PROFILE OF FINANCIAL OBLIGATIONS

The following table presents the undiscounted amounts of contractually agreed obligation for capital and interest/compensation for primary financial liabilities:

| In EUR thousands | 2018 | 2019 | 2020ff |
|---|---|---|---|
| Loan liabilities | 1,701 | 2,465 | 5,658 |
| Silent partners' interests | 973 | 0 | 0 |
| Trade payables | 2,592 | 768 | 2,140 |
| Other financial liabilities | 853 | 0 | 0 |
| | **6,119** | **3,233** | **7,798** |

The table includes amounts for all instruments for which payments had already been contractually agreed as of December 31, 2017. Budgeted figures for future new debt are not included. Payments of interest or other compensation on financial instruments that are variable in nature and that are based on the net result for the year were determined on the basis of Vita 34 AG's business planning. All financial liabilities that are repayable on demand are allocated to the earliest possible period presented.

## 25.4 LIQUIDITY RISK

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

### 25.5 CREDIT RISK

The Group mostly does business with private customers. Credit ratings used for contracts with installment payments in the "Stem Cell Banking – Germany" segment are obtained from TEBA Kreditbank GmbH & Co. KG. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. The maximum exposure to default risk is limited to the carrying values disclosed in note 14. The Group has no significant default risk concentrations.

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

### 25.6 INTEREST RISK

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

### 25.7 CURRENCY RISK

In the reporting period the Group also had revenues and expenses in Swiss Francs (CHF). Therefore, changes in the Euro/CHF exchange rate can affect the consolidated statement of financial position. A change in the exchange rate of 10 % would have no significant effect on the Group result before taxes or the Group's equity.

## 26 Contingencies and Other Obligations

### 26.1 OPERATING LEASE COMMITMENTS – GROUP AS LESSEE

The Group has entered into commercial leases on certain motor vehicles and technical equipment. These leases have an average life of between two and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. In addition, the Group has leasing agreements for the use of commercial premises.

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

Future minimum lease payment obligations under non-cancellable operating leases as of the end of the reporting period fall due as follows:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| Within one year | 878 | 653 |
| Between one and five years | 1,282 | 555 |
| More than five years | 0 | 0 |
| | **2,160** | **1,208** |

The expense recorded for minimum leasing rentals payable under leasing arrangements in the fiscal year amounted to EUR 785 thousand (previous year: EUR 654 thousand).

### 26.2 OBLIGATIONS UNDER LEASE PURCHASE ARRANGEMENTS – GROUP AS LESSEE

As part of the Seracell acquisition in the fiscal year the Group assumed certain lease purchase arrangements for technical equipment. These arrangements are classified as financing lease arrangements under IAS 17.

The future minimum lease rental payments due under lease purchase arrangements can be reconciled to their present values as follows:

| | 2017 | |
|---|---|---|
| In EUR thousands | Minimum leasing payments | Cash value of minimum leasing payments |
| Due within one year | 96 | 89 |
| Due between one and five years | 171 | 163 |
| Due after five years | 0 | 0 |
| **Total minimum leasing payments** | **266** | **253** |
| Less: interest | –13 | |
| **Cash value of minimum leasing payments** | **253** | **253** |

### 26.3 OTHER FINANCIAL OBLIGATIONS

As of the end of the reporting period December 31, 2017, the Group had purchasing obligations for property, plant, and equipment amounting to EUR 385 thousand (2016: EUR 296 thousand).

In addition, as of the December 31, 2017 closing date there were purchase obligations for goods and services amounting to EUR 197 thousand (2016: EUR 218 thousand).

### 26.4 CONTINGENT LIABILITIES

Contingent liabilities of EUR 477 thousand arising from the acquisition of a majority shareholding in stellacure GmbH in 2013 vis-à-vis the seller have been assigned a fair value of EUR 0 thousand. This liability is conditional in nature under the terms of the share purchase agreement. The relevant terms necessary for payment as set out in the agreement were not met within the agreed reference period. Accordingly there is no remaining obligation as at the end of the fiscal year 2017.

## 27 Information on Related Party Transactions

Related parties include subsidiaries not included in the consolidated financial statements, associated companies, shareholders with significant influence, and persons in key positions within the Company.

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

| In EUR thousands | For services provided and for other expenses | Sales and income | Receivables at the balance sheet date |
|---|---|---|---|
| **2017** | | | |
| Unconsolidated subsidiaries | 0 | 111 | 18 |
| Associated companies and subsidiaries of associated companies | 0 | 1.472 | 1,049 |
| Other related companies and persons | 79 | 0 | 0 |
| **2016** | | | |
| Unconsolidated subsidiaries | 0 | 117 | 24 |
| Associated companies and subsidiaries of associated companies | 0 | 330 | 435 |
| Other related companies and persons | 10 | 24 | 7 |

The Group enters into transactions with unconsolidated subsidiaries and associated companies in the course of undertaking its ordinary activities. Such transactions are generally conducted on market terms and conditions.

Expenses totaling EUR 79 thousand were incurred in 2017 for services provided by one company which is related to a member of the Supervisory Board.

A working capital credit line was granted to Vita 34 Slovakia, s.r.o. The loan amounted to EUR 453 thousand as of December 31, 2017 (previous year: EUR 391 thousand). The working capital credit line is not secured and has no fixed agreed repayment date. The interest rate is 200 basis points over the Euro Interbank Offered Rate and is adjusted annually. Interest income of EUR 7 thousand (previous year: EUR 7 thousand) was recorded in 2017.

The following expenses were recorded for members of management in key management positions:

| In EUR thousands | **2017** | 2016 |
|---|---|---|
| **Short-term benefits** | | |
| Supervisory Board remuneration | 130 | 160 |
| Management Board salaries (excluding pension expenses) | 1,261 | 805 |

Information on the remuneration paid to the individual members of the management and Supervisory Boards is provided in notes 29 and 30.

## 28 Disclosure of Group Shareholdings in Accordance with Sec. 313 (2) para. 2 HGB

The following companies were included in the Group as of December 31, 2017:

| Name | Place of business | Shareholding in % |
|---|---|---|
| **Subsidiaries** | | |
| Seracell Pharma AG | Rostock, Germany | 100 |
| Seracell Stammzelltechnologie GmbH | Rostock, Germany | 100 |
| stellacure GmbH | Leipzig, Germany | 100 |
| Vita 34 Gesellschaft für Zelltransplantate m.b.H. | Vienna, Austria | 100 |
| Novel Pharma S.L. | Madrid, Spain | 100 |
| Secuvita S.L. | Madrid, Spain | 88 |
| Vita 34 ApS (vormals: StemCare ApS) | Gentofte, Denmark | 100 |
| **Associated companies** | | |
| Bio Save d.o.o. | Belgrade, Serbia | 30 |

In addition, the Group had the following shareholdings:

| Name | Place of business | Shareholding in % | Equity in EUR thousands | **Result for the year in EUR thousands** |
|---|---|---|---|---|
| Vita 34 Slovakia s.r.o | Bratislava, Slovakia | 100[1,2] | –331 | –67 |
| Kamieninių lųstelių bankas UAB „Imunolita“ | Vilnius, Lithuania | 35[2,3] | –428 | –27 |

[1] Not included in the consolidated financial statements on materiality grounds.

[2] Equity and result for the year in the local annual financial statements for the year ended December 31, 2016.

[3] Not consolidated under the equity method on materiality grounds.

## 29 Remuneration of the Management Board Pursuant to Sec. 314 HGB

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

From January 1, 2018 the Vita 34 AG Management Board consists of two members.

In fiscal year 2017 the following people were appointed to the Management Board:

| | |
|---|---|
| Dr. Wolfgang Knirsch | Management Board for Sales & Marketing (COO) until June 12, 2017<br>Chairman of the Management Board (CEO) from June 12, 2017 |
| Falk Neukirch | Finance Director (CFO) until April 28, 2017 and from September 11, 2017 |
| Alexander Starke | Member of the Management Board from June 12, 2017 until December 31, 2017 |
| Dr. André Gerth | Chairman of the Management Board (CEO) until June 12, 2017 |

The terms of the service contracts were amended most recently in the fiscal year 2017.

### SYSTEM OF MANAGEMENT BOARD COMPENSATION AND REVIEW

The Supervisory Board determines the remuneration amount and structure for the Management Board pursuant to Sec. 87 German Stock Corporation Act (AktG). Remuneration of Vita 34 AG's Management Board comprises fixed and variable components and other compensation.

### FIXED REMUNERATION, VARIABLE SUCCESS-BASED COMPENSATION, AND FRINGE BENEFITS

The fixed component is a contractually defined basic salary that is paid out in equal monthly amounts. The variable component is based on the targets for each individual fiscal year and is determined based on whether certain quantitative targets are met. After twelve months the Management Board receives a partial payment dependent on attaining the year's intermediate goal for individual strategic corporate goals. There is a limitation on the variable compensation which applies should the targets be 100 % attained and which applies to agreed partial performances including the discretionary bonus. The variable compensation is comprised of four partial components "strategic corporate objectives" (Component I), "EBIT goal" (Component II), "stock price performance" (Component III), and "discretionary bonus" (component IV).

In addition, the members of the Management Board received other benefits, consisting principally of payments to support funds, insurance payments, and the private use of company cars. The benefits received by each member of the Management Board are subject to taxation on an individual basis.

## REMUNERATION OF THE MANAGEMENT BOARD FOR FISCAL YEAR 2017

The remuneration of the members of the Management Board for their activities in fiscal year 2017 totaled EUR 1,261,000 (2016: EUR 805 thousand). The table below provides a breakdown of Management Board remuneration by person. The variable compensation, calculated against an annual intermediate goal of the three-year period, is stated together with the amounts calculated against the based on the Group's 2017 results.

### Remuneration of the Vita 34 AG Management Board for the Fiscal Year 2017

**Dr. Wolfgang Knirsch**, Chairman of the Management Board

| In EUR thousands | 2016 | **2017** | 2017 (min) | 2017 (max) |
|---|---|---|---|---|
| **Non-performance-related component:** | | | | |
| Fixed component | 97 | 166 | 166 | 166 |
| Fringe benefits | 6 | 13 | 13 | 13 |
| **Total** | **103** | **179** | **179** | **179** |
| **Performance-related components:** | | | | |
| Variable remuneration for one year | 23 | 43 | 0 | 96 |
| Variable remuneration for multiple periods | 26 | 35 | 0 | 84 |
| **Total** | **152** | **257** | **179** | **359** |
| Pension benefits | 0 | 0 | 0 | 0 |
| **Total remuneration** | **152** | **257** | **179** | **359** |

**Falk Neukirch**, Finance Director

| In EUR thousands | 2016 | **2017** | 2017 (min) | 2017 (max) |
|---|---|---|---|---|
| **Non-performance-related component:** | | | | |
| Fixed component | 150 | 156 | 156 | 156 |
| Fringe benefits | 8 | 8 | 8 | 8 |
| **Total** | **158** | **164** | **164** | **164** |
| **Performance-related components:** | | | | |
| Variable remuneration for one year | 39 | 32 | 0 | 96 |
| Variable remuneration for multiple periods | 44 | 35 | 0 | 84 |
| **Total** | **241** | **231** | **164** | **344** |
| Pension benefits | 12 | 12 | 12 | 12 |
| **Total remuneration** | **253** | **243** | **176** | **356** |

**Alexander Starke**, Management Board
Joining date: June 12, 2017/leaving date: Dec. 31, 2017

| In EUR thousands | 2016 | **2017** | 2017 (min) | 2017 (max) |
|---|---|---|---|---|
| **Non-performance-related component:** | | | | |
| Fixed component | 0 | 167 | 167 | 167 |
| Fringe benefits | 0 | 0 | 0 | 0 |
| **Total** | **0** | **167** | **167** | **167** |
| **Performance-related components:** | | | | |
| Variable remuneration for one year | 0 | 0 | 0 | 0 |
| Variable remuneration for multiple periods | 0 | 0 | 0 | 0 |
| **Total** | **0** | **167** | **167** | **167** |
| Pension benefits | 0 | 0 | 0 | 0 |
| **Total remuneration** | **0** | **167** | **167** | **167** |

**Dr. André Gerth**, Chairman of the Management Board
Leaving date: June 12, 2017

| In EUR thousands | 2016 | **2017** | 2017 (min) | 2017 (max) |
|---|---|---|---|---|
| **Non-performance-related component:** | | | | |
| Fixed component | 264 | 242 | 242 | 242 |
| Termination benefit | 0 | 279 | 279 | 279 |
| Fringe benefits | 20 | 16 | 16 | 16 |
| **Total** | **284** | **537** | **537** | **537** |
| **Performance-related components:** | | | | |
| Variable remuneration for one year | 51 | 69 | 0 | 170 |
| Variable remuneration for multiple periods | 77 | 0 | 0 | 135 |
| **Total** | **412** | **606** | **537** | **842** |
| Pension benefits | 26 | 12 | 12 | 12 |
| **Total remuneration** | **438** | **618** | **549** | **854** |

## Payment of Remuneration of Members of the Management Board of Vita 34 AG for Fiscal Year 2017

| | **Dr. Wolfgang Knirsch** Chairman of the Management Board | | **Falk Neukirch** Finance Director | |
|---|---|---|---|---|
| In EUR thousands | 2016 | **2017** | 2016 | **2017** |
| **Non-performance-related component:** | | | | |
| Fixed component | 97 | 166 | 150 | 156 |
| Fringe benefits | 6 | 13 | 8 | 8 |
| **Total** | **103** | **179** | **158** | **164** |
| **Performance-related components:** | | | | |
| Variable remuneration for one year | 0 | 29 | 0 | 49 |
| Variable remuneration for multiple periods | 0 | 0 | 0 | 0 |
| **Total** | **103** | **208** | **158** | **213** |
| Pension benefits | 0 | 0 | 12 | 12 |
| **Total remuneration** | **103** | **208** | **170** | **225** |

| | **Alexander Starke** Management Board Joining date: June 12, 2017/ leaving date: Dec. 31, 2017 | | **Dr. André Gerth** Chairman of the Management Board Leaving date: June 12, 2017 | |
|---|---|---|---|---|
| In EUR thousands | 2016 | **2017** | 2016 | **2017** |
| **Non-performance-related component:** | | | | |
| Fixed component | 0 | 167 | 264 | 242 |
| Termination benefits | 0 | 0 | 0 | 243 |
| Fringe benefits | 0 | 0 | 20 | 16 |
| **Total** | **0** | **167** | **284** | **501** |
| **Performance-related components:** | | | | |
| Variable remuneration for one year | 0 | 0 | 79 | 127 |
| Variable remuneration for multiple periods | 0 | 0 | 100 | 70 |
| **Total** | **0** | **167** | **463** | **698** |
| Pension benefits | 0 | 0 | 26 | 12 |
| **Total remuneration** | **0** | **167** | **489** | **710** |

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

### PREMATURE TERMINATION OF THE EMPLOYMENT AGREEMENT

For the Chairman of the Management Board, the following was agreed in 2017: In case of a removal from office and the resulting termination of employment for important reasons, excluding, however, grounds which are also important reasons for immediate termination of employment as defined in § 626 of the German Civil Code [Bürgerliches Gesetzbuch: BGB], the Company is obliged to pay the member of the Management Board a termination payment amounting to the annual remuneration payable for two years, this being limited to a maximum of the remuneration due under the remaining term of the contract. Should the member be incapacitated for work purposes, the Company will continue to pay the contractually agreed fixed salary for a period not exceeding six months.

For the Finance Director, in case of a non-culpable incapacity the Company has an obligation to pay a maximum of the contractually agreed (fixed) salary for a period not exceeding six months, this period being limited, however, until the end of the contract period.

Agreements have been made regarding payments in the case of a premature termination of the service contract in the case of a control change (change of control). A control change takes place when a shareholder or third party directly or indirectly possesses more than 50 % of the voting rights in Vita 34 AG, or has entered into a company contract in accordance with Sec. 291 German Stock Company Act, or the Company is incorporated in accordance with Sec. 319 AktG, or the Company is merged into another legal entity. The promised benefits encompass the payment of the capitalized draws (fixed salary and profit sharing), as well as a claim to severance. Both amounts are limited in their amount.

### SHARE-BASED PAYMENTS

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

## 30 Remuneration of the Supervisory Board (remuneration report)

The Supervisory Board was reduced from six members to four members by shareholder resolution at the Annual General Meeting held on June 28, 2017. In fiscal year 2017 the following persons were appointed to the Supervisory Board:

| | |
|---|---|
| Frank Köhler (from June 28, 2017) | Founder of the Aroma Company GmbH, Shareholder and Director of the Aroma Company Köhler & Weckesser GbR and member of the Supervisory Board of Shop Apotheke Europe N.V. |
| Dr. Hans-Georg Giering (until June 28, 2017) | CEO and Chairman of the Board of Finest Investors SE |
| Gerrit Witschaß | Company officer and Director of Education at Berufsförderungswerk der Fachgemeinschaft Bau Berlin und Brandenburg gGmbH |
| Alexander Starke (until June 12, 2017) | Attorney at Law |
| Dr. med. Mariola Söhngen | Chairman of the Management Board at Mologen AG |
| Steffen Richtscheid (from June 28, 2017) | Attorney at Law and Partner at the law firm Weidinger Richtscheid |
| Dr. Holger Födisch (until June 28, 2017) | Diretor of Dr. Födisch Umweltmesstechnik AG |
| Artur Isaev (until June 28, 2017) | Founder and General Director of the Human Stem Cells institute PJSC, Moscow |

Remuneration paid totaled EUR 130 thousand (previous year: EUR 160 thousand).

The remuneration of the Supervisory Board members is determined in accordance with Art. 18 of the Company's articles of association, which is currently based on the resolution of the Annual General Meeting dated June 28, 2017, effective January 1, 2017. The remuneration is agreed as a fixed annual sum and is paid quarterly to members of the Supervisory Board. The roles of the Supervisory Board Chairman and his deputy are taken into account separately.

**Remuneration of the Vita 34 International AG Supervisory Board – Fixed Payments**

| In EUR thousands | **2017** |
|---|---|
| Frank Köhler (Chairman from June 28, 2017) | 20 |
| Dr. Hans-Georg Giering (Chairman until June 28, 2017) | 20 |
| Gerrit Witschaß (Vice Chairman from June 12, 2017) | 25 |
| Alexander Starke (Vice Chairman until June 12, 2017) | 15 |
| Dr. med. Mariola Söhngen | 20 |
| Steffen Richtscheid | 10 |
| Dr. Holger Födisch (until June 28, 2017) | 10 |
| Artur Isaev (until June 28, 2017) | 10 |
| | **130** |

We refer to the disclosures made on related party transaction (see note 27, "Information on Related Party Transactions") for disclosures of other compensations and benefits paid to members of the Supervisory Board or companies or natural persons related to them.

## 31 Financial Risk Management Objectives and Policies

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

The Group uses only financial assets with a good rating, offering the best security, and where the funds are available at short notice.

The main risks arising from the Group's financial instruments are credit risks and liquidity risks. Company management drafts and reviews risk management guidelines for each of these risks.

### CAPITAL MANAGEMENT

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payments to shareholders, return capital to shareholders, or issue new shares. No changes were made to the objectives, policies, and methods as of December 31, 2017 and December 31, 2016. Capital comprises the equity disclosed in the statement of financial position.

## 32 Auditor's Fees and Services Pursuant to Sec. 314 HGB

Total fees charged by PKF Deutschland GmbH, the auditor for the fiscal year 2017, amounted to EUR 95 thousand, consisting of fees charged for audit services for the audits of the annual and consolidated financial statements of Vita 34 AG.

Total fees charged by Ernst & Young GmbH, the auditor for the fiscal year 2016, amounted to EUR 107 thousand, consisting of fees charged for audit services for the audits of the annual and consolidated financial statements of Vita 34 AG. Of this, EUR 38 thousand related to previous years.

## 33 Events after the Closing Date

There have been no events of a significant nature or with a significant effect on the assets, financial results, or results of operations of the Group since the closing date.

Leipzig, March 27, 2018

The Vita 34 AG Management Board

Dr. Wolfgang Knirsch
Chairman of the Management Board

Falk Neukirch
Finance Director

# Responsibility Statement

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

Leipzig, in March 2018

The Vita 34 AG Management Board

Dr. Wolfgang Knirsch
Chairman of the Management Board

Falk Neukirch
Finance Director

# Independent Auditor's Report

To Vita 34 AG, Leipzig

## Report on the Audit of the Consolidated Financial Statements and the Combined Management Report

### AUDIT OPINIONS

We have audited the consolidated financial statements of Vita 34 AG, Leipzig, and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in Group equity, and the consolidated statement of cash flows for the fiscal year from January 1, 2017 to December 31, 2017, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Vita 34 AG Group management report for the fiscal year from January 1, 2017 to December 31, 2017, which is combined with the management report of Vita 34 AG. In accordance with the requirements of the German Commercial Code, we have not audited the contents of the Declaration on Corporate Governance prepared pursuant to § 289f HGB and § 315d HGB.

In our opinion, based on our knowledge obtained in the audit:

- the accompanying consolidated financial statements comply in all material respects with International Financial Reporting Standards (IFRS) as applicable in the EU and the supplementary requirements of German commercial law pursuant to Section 315e (1) of the German Commercial Code [HGB], and give a true and fair view of the net assets and financial position of the Group as at December 31, 2017 as well as the results of operations for the fiscal year from January 1 to December 31, 2017; and

- the attached combined management report, as a whole, provides an appropriate view of the Group's position. In all material respects, this Group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion does not cover the statements made in the Declaration on Corporate Governance prepared pursuant to § 289f HGB and § 315d HGB described above.

Pursuant to Section 322 paragraph 3 sentence 1 HGB, we declare that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements and the combined management report.

### BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the combined management report in accordance with § 317 HGB and the EU auditors' regulation (no. 537/2014; hereafter: "EU Audit Regulation") in compliance with German generally accepted standards for the audit of financial statements promulgated by the German Institute of Public Auditors [IDW]. Our responsibilities under those standards and principles are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and of the combined management report" section of our auditor's report. We are independent of the Group companies in accordance with the requirements of European and German commercial law and the rules of professional conduct, and we have fulfilled our other professional responsibilities applicable in Germany in accordance with these requirements. In addition, in accordance with Article 10 (2)f of the EU Audit Regulation we declare that we have not provided prohibited non-audit services prohibited under Article 5 (1) EU-APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the consolidated financial statements and the combined management report.

## KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance for our audit of the consolidated financial statements for the fiscal year from January 1, 2017 to December 31, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters.

The matters that we consider to be the key audit matters were as follows:

### Business Combination: Acquisition of Seracell Pharma AG and Initial Consolidation

**Reason for determining this issue as a key audit matter:** On April 25, 2017 Vita 34 AG entered into an acquisition agreement to acquire the entire share capital of Seracell Pharma AG ("Seracell"), Rostock. At the date of acquisition, Seracell held the entire share capital of Seracell Stammzelltechnologie GmbH, Rostock. Both companies were consolidated in full from June 28, 2017. Vita 34 AG accounted for the business combination in accordance with IFRS 3 "Business Combinations." The accounting for the business combination was a key audit matter given the complexity of the transaction and the associated significant risk of a materially incorrect presentation and due to the assumptions and estimates necessarily made by the Company's legal representatives in performing the purchase price allocation.

**Audit approach and findings:** As part of our audit of the consolidated financial statements we have, verified that Vita 34 AG controls Seracell based, among other things, on the acquisition agreement and on the criteria set out in IFRS 10 "Consolidated Financial Statements."

Our audit procedures on the purchase price allocation included, in addition to verifying the consideration paid by Vita 34 AG, an assessment of the methodology used by the external third-party expert engaged by the Company's legal representatives to identify the acquired assets and liabilities and to assess the appropriateness of the valuation models used, taking the requirements of IFRS 3 into account. With the support of our own internal valuation specialists we have verified the valuation methods used, taking the requirements of IFRS 13 "Fair Value Measurement" into account. In addition, we have analyzed the assumptions and judgmental estimates (for example growth rates, capital cost rates, licensing fee rates, or remaining useful lives) used to determine the fair value of the acquired, identifiable asset and the acquired liabilities (including contingent liabilities) at the date of acquisition in order to determine whether these are consistent with general and sector-specific market expectations. In addition, we have verified the arithmetical accuracy of the models used and the future expected cash flows used for the valuation by reference to, among other things, internal planning and documentation.

Further, we have made an assessment of the disclosures made by Vita 34 AG in the notes to the consolidated financial statements concerning the Seracell business combination in view of the disclosure requirements under IFRS 3.

Our audit procedures did not result in any objections to Vita 34 AG's accounting for the Seracell business combination.

**Reference to relevant information and disclosures:** We refer to note 2 "Accounting and Valuation Principles" in the notes to the consolidated financial statements for a description of the accounting and valuation policies used to account for Vita 34's acquisition of Seracell. A description of the transaction and disclosures on the purchase price allocation can be found in note 3 "Business Combinations."

### Goodwill Impairment Testing:

**Reason for determining this issue as a key audit matter:** The consolidated financial statements of Vita 34 AG as at December 31, 2017 includes goodwill reported in the statement of financial position amounting to EUR 18,323 thousand. As a result of Vita 34 AG's business combination with Seracell on June 28, 2017, goodwill amounting to EUR 4,909 thousand was added to the cash-generating unit "Stem cell banking – Germany" on initial consolidation during the fiscal year 2017. The goodwill is subjected to an impairment test by the Company at least once annually on December 31 of each fiscal year. The valuation is determined by use of a valuation model based using discounted cash flow techniques. The result is highly dependent on the Management Board's estimates of future cash flows and on the discount rate used. Accordingly, the valuation is associated with significant level of uncertainty and is of particular importance for the purposes of our audit.

**Audit approach and findings:** We have analyzed the process used to perform the impairment testing on goodwill and performed audit procedures on the accounting-related internal controls included in the process. In particular, we have satisfied ourselves of the appropriateness of the calculations made to determine the future cash flows. In doing so we have, among other things, compared these amounts with current budgets included in the business plans resolved by the Management Board and approved by the Supervisory Board, and with general market expectations. As a relatively small change in the discount rate used can have a significant effect on the amount of the enterprise value calculated under this method, we have also placed focus on the inputs used to calculate the discount rate used in the calculation, including the determination of the weighted average cost of capital as well as on the method used to perform the calculation.

Our audit procedures did not result in any objections to Vita 34 AG's accounting for goodwill.

**Reference to relevant information and disclosures:** We refer to note 10 "Goodwill" in the notes to the consolidated financial statements for a description of the accounting and valuation policies used to perform the impairment testing on goodwill.

## OTHER INFORMATION

The legal representatives are responsible for the other information. The other information consists of the following:

- the Declaration on Corporate Governance in accordance with No. 3.10 of the German Corporate Governance Code; and
- the responsibility statement on the consolidated financial statements in accordance with § 297 paragraph 2 sentence 4 HGB and on the combined management report in accordance with § 315 paragraph 1 sentence 5 HGB.

The other information includes, in addition, the other sections of the annual report, with the exception of the audited consolidated financial statements, the audited combined management report, and our audit opinion.

Our audit opinions on the consolidated financial statements and on the combined management report do not cover the other information, and consequently we do not express an audit opinion or provide any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information:

- is materially inconsistent with the consolidated financial statements, with the combined management report, or our knowledge obtained in the audit; or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## RESPONSIBILITIES OF THE COMPANY'S LEGAL REPRESENTATIVES AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE COMBINED MANAGEMENT REPORT

The Company's legal representatives are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition the Company's legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Company's legal representatives are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the Company's legal representatives are responsible for the preparation of the combined management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the Company's legal representatives are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a combined management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the combined management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the combined management report.

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE COMBINED MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the combined management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements, and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the combined management report.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this combined management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements and of the combined management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures relevant to the audit of the combined management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems;

- evaluate the appropriateness of accounting policies used by the Company's legal representatives and the reasonableness of estimates made by the Company's legal representatives and related disclosures;

- conclude on the appropriateness of the Company's legal representatives' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the combined management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern;

- evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e paragraph 1 HGB;

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the combined management report. We are responsible for the direction, supervision, and performance of the Group audit. We remain solely responsible for our audit opinions;

- evaluate the consistency of the combined management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides; and

- perform audit procedures on the prospective information presented by the Company's legal representatives in the combined management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the Company's legal representatives as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

## Other Legal and Regulatory Requirements

### FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as Group auditor by the Annual General Meeting on June 28, 2017. We were engaged by the Supervisory Board on December 22, 2017. We have been the Group auditor of Vita 34 AG from the fiscal year 2017.

We declare that the audit opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

### GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Patrick Niebuhr.

Berlin, March 27, 2018

We have issued the above report on the audit of the consolidated financial statements as of December 31, 2017 and on the combined management report for the fiscal year 2017 of Vita 34 AG, Leipzig, in accordance with the applicable German legal requirements and with generally accepted standards for the issuance of audit reports (Institut der Wirtschaftsprüfer – IDW PS 450 Audit Standards).

Berlin, March 27, 2018

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Beier | Niebuhr |
| Wirtschaftsprüfer | Wirtschaftsprüfer |

## Financial Calendar 2018

| | |
|---|---|
| March 28, 2018 | Publication of the Annual Report |
| May 9, 2018 | Publication of the Quarterly Statement (Q1) |
| May 15, 2018 | Annual General Meeting 2018 |
| August 30, 2018 | Publication of the Half-Year Financial Report |
| November 22, 2018 | Publication of the Quarterly Statement (Q3) |

## Contact Information


**CONTACT**
Vita 34 AG
Deutscher Platz 5a
04103 Leipzig
Germany

Telephone: +49 (0)341 48792-40
Telefax: +49 (0)341 48792-39
E-mail: ir@vita34group.de



**EDITORIAL TEAM**
Vita 34 AG, Leipzig
MC Services AG, Munich

**PHOTO CREDITS**
Cover: gettyimages/Photography by Bobi – 500883141
P. 2–3: gettyimages/Tom Merton – 555799485
P. 6–7: gettyimages/Hero Images – 554996479
P. 10–11: Vita 34 AG

**PRODUCTION**
The production of the paper is certified in accordance with DIN ISO 9001 and 14001. The cellulose and paper plants of the manufacturer are certified in accordance with FSC Chain of Custody. The wood originated exclusively from controlled and sustainably managed forests.

**PUBLICATION**
This interim report was published in German and English on March 28, 2018 and is available for download on our Internet site. This document is a convenience translation of the original German-language document.

Vita 34 on the Internet: www.vita34group.de

VITA 34
DIE STAMMZELLBANK

**Vita 34 AG**
Registered office: Deutscher Platz 5a | 04103 Leipzig | Germany
Mailing address: Perlickstraße 5 | 04103 Leipzig | Germany
Telephone: +49 (0)341 48792-40 | Telefax: +49 (0)341 48792-39
E-mail: ir@vita34group.de | www.vita34group.de | www.facebook.com/vita34