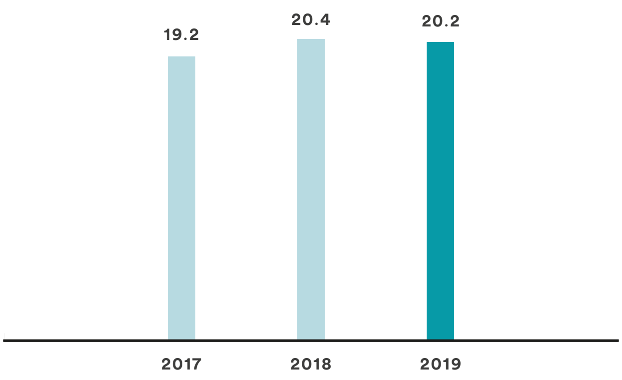
ANNUAL REPORT
2019

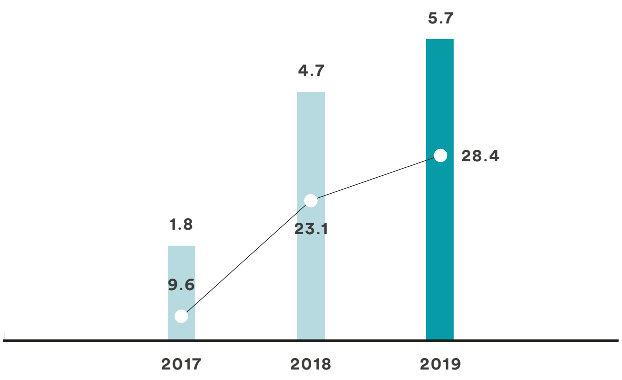
KEY FINANCIAL FIGURES

		2017	2018	**2019**
Statement of income				
Sales revenue	EUR thousand	19,192	20,409	20,247
Gross profit	EUR thousand	10,801	11,974	12,612
EBITDA	EUR thousand	1,846	4,722	5,746
EBITDA margin as a percentage of sales	%	9.6	23.1	28.4
Operating result (EBIT)	EUR thousand	141	2,631	3,282
Net result for the period	EUR thousand	−325	832	1,343
Earnings per share	EUR	−0.09	0.20	0.33
Balance sheet		Dec. 31, 2017	Dec. 31, 2018	**Dec. 31, 2019**
Balance sheet total	EUR thousand	61,798	59,317	61,099
Equity	EUR thousand	29,528	29,546	30,268
Equity ratio	%	47.8	49.8	49.5
Liquid funds	EUR thousand	4,180	6,960	9,102
Cash flow		2017	2018	**2019**
Investments	EUR thousand	13,639	1,655	1,400
Depreciation and amortization	EUR thousand	1,707	2,092	2,464
Cash flow from operating activities	EUR thousand	1,537	4,597	6,318
Employees		Dec. 31, 2017	Dec. 31, 2018	**Dec. 31, 2019**
At the reporting date	Number	140	123	120

Sales revenues in EUR million



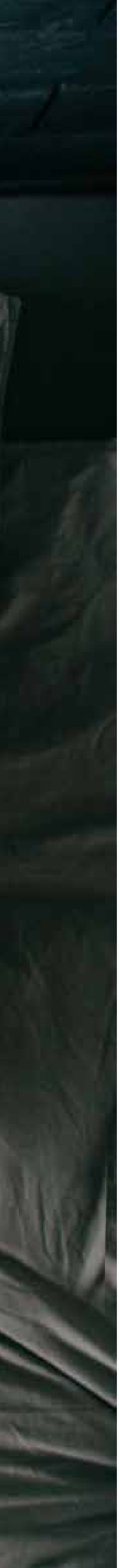
EBITDA in EUR million
EBITDA margin as a percentage of sales in %



VITA 34 – ONE OF THE LARGEST CELL BANKS IN EUROPE

Vita 34 was founded in Leipzig in 1997 and is today one of the leading cell banks in Europe. As the first private umbilical cord blood bank in Europe and a pioneer in cell banking, the company has since then been a full-service provider of cryopreservation, offering the collection, processing and storage of stem cells from umbilical cord blood and umbilical cord tissue.

Based on the expansion of the business model in 2019, Vita 34 intends to also offer the storage of immune cells from peripheral blood as well as of stem cells from autologous fat in the future.



CONTENT

INTERVIEW WITH THE MANAGEMENT BOARD

WITH DR. WOLFGANG KNIRSCH, CHIEF EXECUTIVE OFFICER, AND FALK NEUKIRCH, CHIEF FINANCIAL OFFICER OF VITA 34 AG

With such a jump in profits like in 2019, you should be very satisfied with your development, right?

DR. WOLFGANG KNIRSCH: The strong earnings performance with EBITDA growth of 21.7% to EUR 5.7 million was certainly the special highlight of 2019. The earnings level now achieved with an EBITDA margin of 28.4% shows what is possible in our market with our business model and how high-margin our core business is. In terms of revenue, we fell slightly short of our expectations, but exceeded the EBITDA forecast.

FALK NEUKIRCH: We feel "confirmed" in the implementation of our strategy. That is more appropriate than "satisfied". After all, this jump in earnings did not happen by itself. We had to implement various measures, some of them very far-reaching, such as the restructuring of our international sales activities, especially in Denmark, Italy, Serbia and Romania. We have now largely done our homework from the past. With our high-margin core business, solid growth in our core market DACH and, in the future, also in international markets, we are very well positioned. Additional prospects result primarily from the development of new products, especially from the product immune cell storage, which should have a positive influence on the company's revenue and earnings situation in the future.

Wasn't the jump in earnings also somewhat "bought" by renouncing revenue growth?

FALK NEUKIRCH: When international sales activities are restructured, it is quite clear that this will be accompanied in the first step by a renunciation of revenue growth. Our main objective was to create intact prospects for profitable growth in the future.

DR. WOLFGANG KNIRSCH: Against the background of these measures implemented in international business, the development in the core market DACH must be the benchmark for us. And here, we were able to develop well in 2019, especially in the second half of the year, also in terms of revenue. We are constantly working on optimizing our sales and marketing measures in order to strengthen this development even further in 2020, i. e. to grow with profitable revenue.

DR. WOLFGANG KNIRSCH
CEO of Vita 34 AG

- Responsible for corporate strategy, manufacturing, research and development, marketing and sales
- Many years of experience in marketing & sales in the pharmaceutical industry (Höchst AG, Merck KGaA, Biotest AG)

FALK NEUKIRCH
CFO of Vita 34 AG

- Responsible for Finance, Human Resources, Legal, Investor Relations, IT and Purchasing
- Many years of experience in establishing finance departments of listed companies as well as in company acquisitions and their integration (Deloitte; JV MD/Infineon/ Toppan Photomasks; First Sensor AG)

"Our position in the core market DACH with more than 600 clinic partnerships in Germany is unrivalled."
Falk Neukirch

What are the prospects for further growth then?

FALK NEUKIRCH: Vita 34 remains a growth company – even though our focus was initially on strengthening profitability. Our position in the core market DACH with more than 600 clinic partnerships in Germany is unrivalled and with a storage ratio of currently still less than 2%, it offers enormous potential – also compared to other European countries where we observe significantly higher storage ratios. In addition, acquisitions remain an option for us at all times.

DR. WOLFGANG KNIRSCH: We have started a fundamental transformation process from a stem cell bank to a much broader-based cell bank in order to exploit entirely new additional growth potential from current and future cell therapies. We are concentrating on two main areas: On the one hand, we are focusing our R&D activities on the identification, isolation and characterization of immune cells from peripheral blood. The new immune cell isolate product based on this is expected to be launched on the market at the end of 2022. On the other hand, we will further develop our new product "AdipoVita", which enables the collection of stem cells from adipose tissue in adults, and will begin marketing it in the medium term. This will give us access to the attractive market of aesthetic medicine.

This, however, requires a great deal of patience from your shareholders.

DR. WOLFGANG KNIRSCH: With our immune cell isolate, we have also deliberately chosen the “long” path with the aim of opening up as broad a market as possible. We are aware of the high market entry barriers for cell-based therapies and have analyzed these with particular care. We have now largely completed the extensive preparations and will be testing our cell isolation process and the immune cells obtained in in-vitro studies from the first half of 2020. We expect this development step to be successfully completed by the end of next year. In vivo studies will follow subsequently. However, these are not a prerequisite for our official product launch and market entry, but an important building block for the sustained success of the new product line.

FALK NEUKIRCH: We operate in a highly regulated market that is subject to the Transfusion and Organ Transplantation Act. Therefore, new products and procedures require a little more time. Investors are familiar with this from other sectors, such as the life sciences, pharma and biotech, where development times can be considerably longer. I am sure that they attach more importance to a convincing risk/opportunity profile and then, if necessary, anticipate future developments in their evaluation.

Then what exactly will we get in 2020?

DR. WOLFGANG KNIRSCH: Projects in 2020 as soon as the defined milestones are reached. The future prospects for our company will then become very clearly defined. Nobody knows how the coronavirus pandemic will develop and what effects it will have. In the event of a moderate to slightly above-average impact of the coronavirus on the economy, we currently do not expect a sustained negative impact on business development as a result; in concrete terms, we are planning revenue without further acquisitions in a range of EUR 19.0 to 21.0 million. EBITDA is expected to be in a range of EUR 4.8 to 5.8 million. At the same time, we are paying very close attention to the global developments of the coronavirus pandemic and we have taken precautions to be prepared in case of a significant economic impact.

“We will be able to report on our future projects in 2020 as soon as the defined milestones are reached. The future prospects for our company will then become very clearly defined.”
Dr. Wolfgang Knirsch

SUPERVISORY BOARD REPORT

DEAR SHAREHOLDERS,

In the reporting year 2019, the Supervisory Board intensively fulfilled the duties assigned to it by law, the Articles of Association and the rules of procedure. The Supervisory Board constantly monitored the work of the Management Board and provided advice. This was based on the written and oral reports of the Management Board, information provided by the Management Board at Supervisory Board meetings, and regular consultation meetings between the Management Board and the Chairman of the Supervisory Board. Between the regular Supervisory Board meetings, the Chairman of the Supervisory Board regularly exchanged information with the Management Board to ensure a comprehensive exchange of information between the bodies. Within the Supervisory Board body, the Chairman of the Supervisory Board also regularly exchanged information with members of the Supervisory Board on current issues concerning the company.

As a result, the Supervisory Board was informed about the intended business policy, strategy, corporate planning, the risk situation and risk management, compliance, the current development of the business situation and significant business transactions as well as the situation of the company and the Group as a whole.

The Supervisory Board held 15 Supervisory Board meetings in the financial year 2019. At regular intervals, the Management Board informed the Supervisory Board in detail about the economic and financial development of the company, including the risk situation, at the Supervisory Board meetings and provided additional information upon request. With one exception, all Supervisory Board members attended all meetings. Ms. Witschaß was unable to attend the Supervisory Board meeting on February 21, 2019. The Chairman of the Supervisory Board attended all meetings. Thus, all members of the Supervisory Board attended more than half of the meetings of the Supervisory Board (Sec. 5.4.7 German Corporate Governance Code). The Supervisory Board has not formed any committees.

As of February 28, 2019, the Deputy Chairman of the Supervisory Board, Ms. Witschaß, resigned from the Supervisory Board. Mr. Richtscheid accepted the unanimous election as Deputy Chairman of the Supervisory Board on March 22, 2019. Mr. Schobinger was elected as a new member of the Supervisory Board at the 2019 Annual General Meeting.

In the period under review, the Supervisory Board was not informed by its members of any circumstances that could constitute a material and not merely temporary conflict of interest.

FOCUS OF THE DISCUSSIONS IN THE SUPERVISORY BOARD

In addition to general topics, the Supervisory Board dealt with issues relating to individual areas and, if required, passed the necessary resolutions. The Supervisory Board meetings in the year under review focused on these topics:

- Development of a competence profile for the entire body
- Shareholder structure of Vita 34 AG, especially with regard to competitors
- Annual and consolidated financial statements for the financial year 2018
- Questions regarding the remuneration of the Vita 34 AG Management Board and the management of the Vita 34 Group subsidiaries
- Sales and marketing activities
- Current status of the actions for rescission, the compulsory disclosure procedure and the release procedure with regard to resolutions of the Annual General Meeting in 2018 and 2019, and options for possible termination of the proceedings
- Proposed resolutions for the Annual General Meeting 2019 including the proposal of a candidate for election to the Supervisory Board
- Review of the efficiency of the Supervisory Board's work
- Change of legal form of Seracell Pharma AG into a GmbH and subsequent merger with Seracell Stammzelltechnologie GmbH
- Possible acquisitions
- Foreign activities (business of subsidiaries and sales partners, cost reduction measures)

- Strategic development in the core business, in particular product development, further development through inorganic growth, status of research and development projects
- Renewal of the IT landscape
- Budget planning 2020 and medium-term planning 2020/2021

In the first Supervisory Board meetings in 2020 and especially in the Supervisory Board meeting on March 20 and March 22, 2020, at which the financial statements were approved, the Supervisory Board discussed intensively with the Management Board the possible effects of a further spread of the COVID-19 virus (“coronavirus“) on the business development of Vita 34 AG and the precautions and countermeasures taken within the company.

CORPORATE GOVERNANCE

The Supervisory Board dealt with the corporate governance standards applied in the Company and the implementation of the recommendations and suggestions of the German Corporate Governance Code in the version dated February 7, 2017. On March 20, 2020, the Management Board and the Supervisory Board issued a Declaration of Conformity, which is printed in the “Corporate Governance” section on page 23 of the Annual Report and published on the Company’s website in the “Investor Relations” section. In this context, the Supervisory Board was informed by the external legal advisor of Vita 34 AG about the changes to the German Corporate Governance Code and the effects on Vita 34 AG.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS, AUDIT

The annual financial statements of Vita 34 AG are prepared in accordance with the provisions of the German Commercial Code (HGB), the consolidated financial statements together with the summarized management report of Vita 34 AG are prepared on the basis of §§ 315, 315 a HGB in conjunction with the International Financial Reporting Standards (IFRS), as they are to be applied in the European Union. The auditor, PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft (Berlin branch), audited the annual financial statements of Vita 34 AG, the consolidated financial statements and the combined management report. The audit mandate was issued in accordance with the resolution of the Annual General Meeting, legal provisions and the provisions of the GCGC.

As a result, it should be noted that the provisions of the German Commercial Code (HGB) and IFRS were complied with in the preparation of the financial statements. The annual financial statements and the consolidated financial statements each received unqualified opinions. The financial statement documents were discussed in detail at the financial statement meeting of the Supervisory Board in the presence and following a report of the auditor. At this meeting, the representatives of the auditor reported on the main results of their audit and on the control and risk management system with regard to accounting. They also discussed the scope, focus and costs of the audit. Furthermore, they stated that there were no reasons for bias; PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft only provided auditing services.

The Supervisory Board examined the annual financial statements, the consolidated financial statements, the combined management report and the proposal for the appropriation of profits. As a result of our own examination, no objections were raised against the annual financial statements of Vita 34 AG, the consolidated financial statements of Vita 34 AG, the combined management report, the corresponding audit reports of the auditor and the proposal for the appropriation of the balance sheet profit. Following its own examination, the Supervisory Board agreed with the results of the audit, adopted the annual financial statements of Vita 34 AG prepared by the Management Board and approved the consolidated financial statements. The Supervisory Board agrees with the combined management report and in particular with the assessment of the further development of the Company.

The Supervisory Board would like to thank the Management Board and the employees for their work during this financial year.

March 22, 2020

For the Supervisory Board

Frank Köhler
Chairman of the Supervisory Board

VITA 34 AG SHARES

Share Price Development

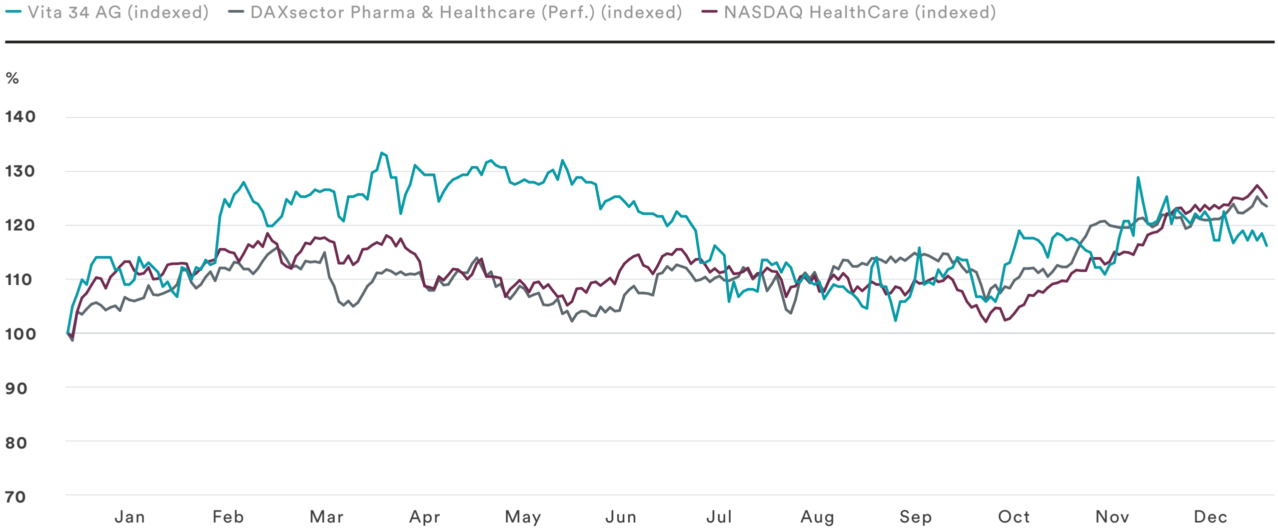
The Vita 34 AG shares opened the stock market year 2019 with a Xetra closing price of EUR 10.95, which was also the low for the year. The highest price for the year was reached on April 4 at EUR 14.65. The Xetra closing price of EUR 12.75 on December 30, 2019 finally meant a price performance of +16.4%. The benchmark indices DAXsector Pharma & Healthcare and NASDAQ HealthCare achieved a performance of +23.8% and +25.4% respectively. The market capitalization of Vita 34 AG was EUR 52.9 million on December 30, 2019. An average of 3,650 shares per day were traded on Xetra in the fiscal year 2019.

Key Share Data 2019

Ticker symbol/Reuters symbol	V3V/V3VGn.DE
Securities identification 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
Price on 01/02/2019*	EUR 10.95
Price on 12/30/2019*	EUR 12.75
High/low	EUR 14.65/EUR 10.95
Number of shares	4,145,959
Freefloat on 12/30/2019	75.09%
Market capitalization on 12/30/2019	EUR 52.9 million
Designated Sponsor	Lang & Schwarz Broker GmbH

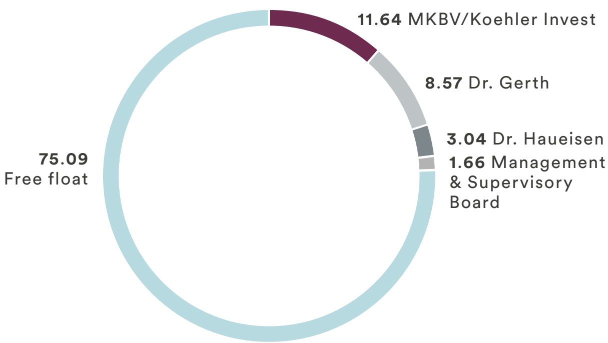
* Closing prices Xetra trading system of Deutsche Börse AG

Share Price Development 2019 Indexed: 100 = Xetra closing price on January 2, 2019



The shareholder structure of Vita 34 AG is characterized by a broad shareholder base. As of December 31, 2019, the free float amounted to 75.1% (December 31, 2018: 75.4%). 11.6% of the shares were held by the strategic investor MKBV, while 8.6% were attributable to Dr. André Gerth, 3.0% to Dr. Peter Haueisen and 1.7% to the Management and Supervisory Board of Vita 34.

Shareholder Structure as of December 31, 2019 in %



Investor Relations

Vita 34 AG maintains an active and transparent information policy towards all capital market participants. In addition to regular analyst events, this includes participation in capital market conferences, management roadshows and one-on-one meetings. The declared goal is to contribute to a fair valuation of the shares through open dialogue.

During the year 2019, the Vita 34 shares were continuously covered by Montega and Warburg Research. On November 22, 2019, the latter recommended the shares as a buy with a target of EUR 18.00. On the same day, the experts at Montega also issued a buy recommendation for the shares with a target price of EUR 17.00.

Further information on the Vita 34 shares is available for download on the Internet at www.vita34group.de in the “Share” section.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

Fundamentals of the Company and the Group

BUSINESS MODEL

The **core business** of Vita 34 AG and the Group (hereinafter "Vita 34") is the collection, preparation, and storage of stem cells from umbilical cord blood and tissue. With 237 thousand stem cell deposits, the Group, which was founded in 1997, is by far the largest stem cell bank in the German-speaking countries and thus one of the two largest private umbilical cord blood banks in Europe today. In processing umbilical cord blood and umbilical cord tissue, Vita 34 works in a highly regulated market, which is covered by the transfusion and organ transplant act. The Group is currently internationally active with 120 employees, with a focus on Europe, and stores umbilical cord blood from more than 20 countries.

Medical potential. More than thirty years ago, the first transplantation of stem cells from umbilical cord blood took place. Since then, more than 40,000 umbilical cord blood samples have been used therapeutically for patients. More than 800,000 umbilical cord blood donations are now stored in public umbilical cord blood banks worldwide and more than four million are available in private umbilical cord blood banks[1].

In the public perception, the use of stem cells is still primarily associated with the already established treatment of diseases of the hematopoietic and immune system such as leukemia or lymphomas. While this is the main application of umbilical cord blood from public banks, the applications of private deposits have clearly shifted to the field of regenerative medicine for several years now. In the future, this will involve the treatment of sports injuries, wear and tear of bones and cartilage as well as subsequent symptoms of heart attacks and strokes. Particular successes are currently being recorded in the treatment of early childhood brain damage and autism, as publications of study results from the USA have shown.

The great potential of umbilical cord blood does not only lie in the area of the stem cells it contains and the associated possible hematopoietic and regenerative therapies, but also in the immune cells contained in the umbilical cord blood, which Vita 34 wants to make accessible for current and future therapies. CAR-T cell therapies impressively demonstrate the great potential of immune cells for the treatment of severe and most serious diseases.

Cooperation with maternity clinics and gynecologists. In order to obtain the youngest and most vital stem cells during birth, Vita 34 works together with over 600 maternity clinics in Germany. Vita 34 regularly trains clinical staff in the collection of umbilical cord blood and tissue in order to ensure the greatest possible process assurance in accordance with the legal requirements. Thus, over 90% of all births in Germany can be covered by our services.

Storage and recovery process. After the stem cells have been collected, they are transported in special transport packaging by courier to the stem cell laboratory of Vita 34 in Leipzig. There, they are cryopreserved and stored in accordance with GMP (Good Manufacturing Practice) based on the corresponding manufacturing permit. The stem cells from umbilical cord blood and tissue are thus preserved for many decades for therapeutic use. With storage, parents invest in the participation in medical progress and thus in a preventive product by securing a unique opportunity for their child directly at birth.

Quality assurance and innovation leadership. The name Vita 34 stands for compliance with the highest quality standards. Only through consistent quality assurance, Vita 34 can set and maintain these standards. This is also reflected in the various authorizations and approvals that secure the Company the innovation leadership among the umbilical cord blood banks in Europe. For example, Vita 34 is the only private stem cell bank in Germany that, in addition to the permission for the storage of umbilical cord blood for autologous purposes, also possesses:

- authorizations and approvals from the German Federal Institute for Vaccines and Biomedical Pharmaceuticals (Paul Ehrlich Institute) for the dispensing of umbilical cord blood preparations for therapeutic use in hematological-oncological diseases in siblings (familial-allogene application) and for foreign recipients (allogeneic application)

- the permission to collect, process, cryopreserve and store umbilical cord tissue from Germany, Austria, Switzerland (DACH region) and Luxembourg

- a patent from the European Patent Office (EPO) for a process for disinfection, preparation, cryopreservation and cell isolation of umbilical cord tissue and the cells contained therein. Vita 34 is thus currently the only German stem cell bank that is allowed to collect and store both blood and tissue from the umbilical cord of newborns under all applicable regulations.

- the necessary authorizations and approvals to offer customers the possibility of storing and dispensing both whole blood and separated blood for therapeutic use

In 2018, Vita 34 received accreditation according to the internationally recognized NetCord FACT standard (FACT accreditation). The certificate confirms that Vita 34 meets the highest quality standards in its activities as a stem cell bank. The underlying criteria are developed by doctors from a large number of countries and go beyond the already strict regulations of the German authorities.

In addition, permission was requested for the collection and production of adipose tissue preparations for a possible later isolation of adult stem cells. The associated product launch of “AdipoVita”, which enables the preservation of adipose tissue and the stem cells it contains for adults as well, is planned for the medium term.

COMPREHENSIVE PRODUCT PORTFOLIO

In addition to the collection, preparation and cryopreservation of stem cells from umbilical cord blood (“VitaPlus”) and tissue (“VitaPlusCord”), Vita 34 has continuously expanded its product range in recent years.

- Since the probability of matching tissue characteristics is highest among siblings, Vita 34 founded the “Sibling Initiative” as early as 2002. The company enables the 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 of the newborn sibling for treatment, for example in leukemia.

- With **“VitaPlusDonation”**, the stem cells are stored for personal provision, while at the same time their tissue-specific characteristics are made available worldwide for stem cell search purposes in an anonymous format on www.stemcellsearch.org. Thus, the stem cells are available for personal therapeutic stem cell application, but can also be donated to a third-party patient if necessary.

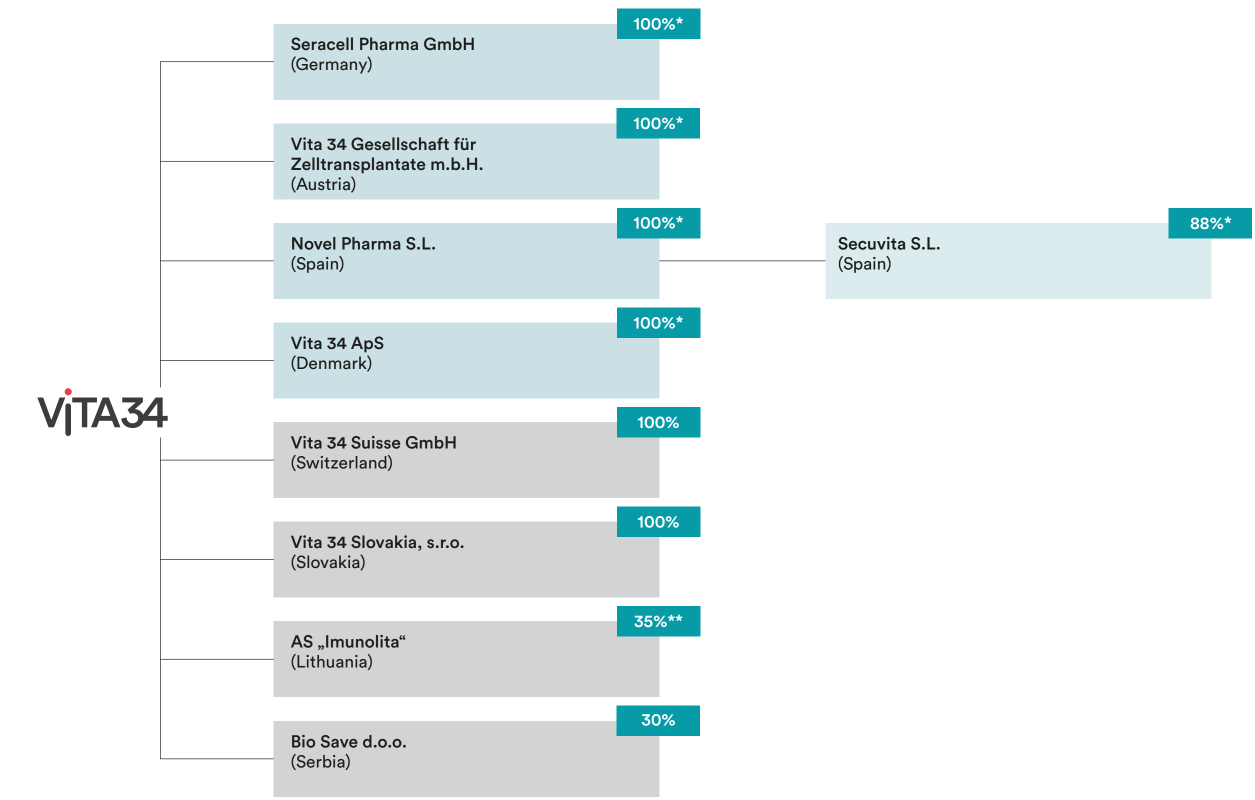
- The product **“VitaMine&Yours”**, introduced in 2016, combines the storage of umbilical cord blood for personal provision with the possibility of a donation. If sufficient quantities are available (which due to individual influencing factors is only achieved with a part of all collections), the umbilical cord blood collected at birth can be divided – into a personal deposit for the child and a second deposit free of charge for the customer as a public donation. In addition to individual health care, Vita 34 is thus the first private stem cell bank to provide an additional service to the general public.

- In May 2018, the new pricing model **“VitaPur”** was introduced to the market. With a new price structure (lower initial cost price for storage with a higher recurring annual fee), it is aimed specifically at price-sensitive customers and should help to further increase market penetration in the core markets of the DACH region.

- The **Vita 34 Preventive Screening** based on umbilical cord blood or a saliva sample complements the standard medical examinations and helps to detect genetic health risks and predispositions to intolerances at an early stage with early detection tests. It includes DNA tests for risks of intolerance to antibiotics, lactose and cereal flour, as well as for a disorder of the immune system (AAT deficiency) or hereditary fructose intolerance.

- Vita 34 has established the only **mobile stem cell team** in Europe and thus enables the treatment with stem cells from umbilical cord blood in any hospital. The mobile stem cell team of Vita 34 delivers the cryopreserved stem cells to the respective hospital, performs quality tests again before handing them over to the doctor and ensures the professional preparation for the transplantation. In addition to complying with all pharmaceutical law requirements for the storage of stem cells, Vita 34 also meets the highest quality standards when delivering the umbilical cord blood. This is possible thanks to special mobile equipment and the use of mobile clean room technology – regardless of the clinic’s equipment.

Corporate Structure and Shareholdings



* full consolidation
** incl. majority of voting rights

CORPORATE STRUCTURE AND SHAREHOLDINGS

The stock exchange listed Vita 34 AG is the parent company of the Group. With the exception of Seracell Pharma GmbH and Vita 34 ApS, the European subsidiaries and associated companies operate exclusively as sales companies of Vita 34 AG, with the parent company assuming strategic and operational tasks, such as the preparation and storage of stem cells, for the subsidiaries. Seracell continues to operate as a complete cryobank with its own manufacturing process at the Rostock site, thus providing production and storage capacity for future growth of Vita 34 AG.

The following companies were included in the consolidated financial statements of Vita 34 AG as of December 31, 2019, and are therefore fully consolidated: Seracell Pharma GmbH, Vita 34 Gesellschaft für Zelltransplantate m.b.H. (Austria), Novel Pharma S.L. (Spain), Secuvita S.L. (Spain), Vita 34 ApS (Denmark).

Seracell Pharma AG was transformed into Seracell Pharma GmbH as part of the change in legal form. Subsequently, Seracell Stammzelltechnologie GmbH was merged into Seracell Pharma GmbH.

The investment in Bio Save d.o.o. (Serbia) is reported under other assets in non-current assets.

The Vita 34 Group is referred to as Vita 34 in the following. If it concerns exclusively the interests of the parent company or one of the subsidiaries, this is explicitly stated.

VITA 34 ON THE INTERNATIONAL MARKET

Vita 34 has successfully implemented the strategy of further internationalization in recent years. The Group currently stores umbilical cord blood from more than 20 countries.

OBJECTIVES AND STRATEGIES

Vita 34 AG is the pioneer of stem cell banking in Europe. In the future, the company is working on opening up new business areas in addition to its core business of umbilical cord blood banking and thus developing into the European market leader in cell banking. To achieve this strategic goal and the associated growth, the Management Board has identified the following four core areas:

NEW RESEARCH AND DEVELOPMENT AREAS

Through targeted research and development of market-oriented products and services, Vita 34 continues to develop from a pure stem cell bank to a more broadly based cell bank that can supply the best available patient's own cells for current and future cell therapies. Vita 34 pursues a clearly focused innovation strategy by developing new products and services around the cryopreservation of stem cells or other suitable cell sources. To this end, the company cooperates with selected renowned research institutes and universities and, by storing different cell material, creates quality standards for later medical use. In this way, Vita 34 opens up the potential to benefit from the increasing demand for cryopreserved cell material for personalized use in the field of regenerative medicine or cell therapies in the future. In addition, the value chain is to be expanded to include products and services for the pharmaceutical industry or governmental organizations. Currently, the cryopreservation of immune cells from peripheral blood and subsequently also from umbilical cord blood is being prepared. Vita 34 will test its cell isolation process and the immune cells derived from it in in-vitro studies starting in the first half of 2020, which should be completed by the end of 2020. The product launch is planned for the end of 2022.

In all research & development activities, projects are selected on an economically reasonable scale, in line with market trends and with an adequate risk profile in the partnerships. In addition to the current core business, Vita 34 continuously evaluates the need for new products for regenerative medicine (storage of adipose tissue as the starting point for mesenchymal stem cells and adipocytes) and for cell therapies (storage of T cells, natural killer (NK) cells, dendritic cells). The aim is to participate in the progress of further developments in the field of regenerative stem cell medicine and various immunoncological cell therapies in the medium and long term.

EXPANSION OF THE CORE BUSINESS

Vita 34 traditionally focuses on organic growth as part of its corporate strategy. In recent years, the company has successfully pushed ahead with internationalization, as the current storage of umbilical cord blood from more than 20 countries proves. The company keeps on working on continuously increasing the market penetration in the high-margin core market DACH. At the same time, its market presence domestically and abroad is to be stabilized and expanded overall. For this purpose, Vita 34 has a broad product portfolio in the field of storage of umbilical cord blood and umbilical cord tissue. The aim is to continuously expand the product range for stem cell deposits through active portfolio and life cycle management.

INORGANIC GROWTH

A further focus of the growth strategy is on vertical and horizontal acquisitions in Europe, which should strategically strengthen the market position according to clearly defined parameters and open up additional synergies, particularly in the areas of marketing and sales as well as production and administration. The vertical portfolio expansion strategy involves opportunistic acquisitions along the value chain or of companies with complementary product offerings. The horizontal market expansion strategy focuses on the selective entry into specific European markets.

ONGOING COST EFFICIENCY

Vita 34 continuously reviews all activities for their contribution to the current and future profitability of the Group. In order to secure future profitable growth on a sustainable basis, the Management Board will continue to examine further opportunities to increase cost efficiency.

MANAGEMENT SYSTEM AND PERFORMANCE INDICATORS

For Group-wide management and for regular capital market-oriented communication, the Vita 34 AG Management Board uses the key figures revenue and earnings before interest, taxes, depreciation and amortization (EBITDA). The development of the key performance indicators in relation to defined target values is permanently monitored internally and reported on a quarterly, half-yearly and annual basis. The key figures for the financial corporate management of the Group are calculated as follows:

REVENUE

Revenue represents the gross inflow of economic benefits from operating activities. Revenue received for warehousing services covering several periods is spread over the period in which the warehousing services are provided.

EBITDA

Operating EBITDA is the key performance indicator of Vita 34 and serves as a key benchmark for the company's cash flow strength and operating profitability.

The exact development of these key performance indicators and other key figures is explained in the sections “Revenue and Earnings”, “Financial Position” and “Net Assets”.

RESEARCH AND DEVELOPMENT

Vita 34 considers research and development to be a key growth driver for the further development of the company. Therefore, these activities are based on a careful market analysis. This includes knowledge of the state of the art and the latest developments in the field of therapies and, last but not least, a careful analysis of the respective targeted market in order to define the economic potential of new products.

In the fiscal year 2019, research and development expenses amounted to EUR 0.5 million (2018: EUR 0.5 million), which corresponds to 2.4% (2018: 2.4%) of revenue. Vita 34 employed a total of 8 (2018: 9) people in research & development in the year under review.

In the coming years, Vita 34 will concentrate on two main areas based on its core competence. On the one hand, R&D activities will focus on the identification, isolation and characterization of immune cells from peripheral blood of adults and, in the future, also from umbilical cord blood. The new product "immune cell isolate" based on this is expected to be launched on the market at the end of 2022. On the other hand, Vita 34 will further develop the future product "AdipoVita", which enables the collection of stem cells from the adipose tissue of adults, in order to enter the attractive market of aesthetic medicine in the medium term.

APPLICATIONS FOR REGENERATIVE AND AESTHETIC MEDICINE

In a joint research project with the Fraunhofer Institute for Cell Therapy and Immunology, Vita 34 has developed a GMP process for the cryopreservation of adipose tissue for autologous fat transplantation. Currently, the process for the isolation of mesenchymal stem cells from fresh and cryopreserved adipose tissue is being tested in a second development stage. These stem cells not only offer attractive perspectives for regenerative medicine. With the new products based on adipose tissue stem cells, Vita 34 can also participate in the growing market of aesthetic medicine. Already known applications here are cell-assisted lipofilling, the treatment of wound healing disorders and the aesthetic treatment of skin wrinkles and scars.

IMMUNE CELL BANKING FOR A NEW ERA OF CANCER THERAPY

In oncological research, immune cell therapy is a great source of hope with currently already impressive treatment successes. This personalized medicine, which focuses on the individual therapy of the patient, is a growth market in which Vita 34 can participate with its specific competence.

The immune system is an effective weapon in the battle against cancer. Immunoncological therapies aim to modify the immune system in such a way that tumor cells are effectively attacked. Convincing progress in oncology is achieved by so-called CAR-T cells, which are produced by genetically modifying the patient's T cells. CAR-T therapies have already been approved by the FDA in the USA and by the EMA in Europe for selected indications.

The peripheral blood of cancer patients, which is currently used as a standard source of therapeutic immune cells, is affected by aging processes (immunosenescence) and by radiation or chemotherapeutic treatments. In addition, the persistence of CAR cells in the patient's blood plays a decisive role. The persistence affects the duration of action of the CAR cells and depends on the so-called naivety of the lymphocytes, to which the T cells also belong. Lymphocytes are classified as naive if they have not yet had contact with antigens and thus have not yet been activated. Lymphocytes of young adults or from umbilical cord blood are to a large extent naive and are therefore of great interest as a starting point for the development of new immune cell therapies.

Vita 34 aims to provide the starting material for the collection of individual T cells and their conversion into CAR-T cells in the future. The preventive storage of autologous peripheral blood of young adults or the pre-emptive storage at diagnosis offers Vita 34 considerable opportunities for new products. Since umbilical cord blood is particularly uncontaminated, research and development are therefore not only aimed at the production of cryopreserved immune cell isolates from the peripheral blood of adults. In the future, we will also work on the production of cryopreserved immune cell isolates from umbilical cord blood. The aim is to make the young and unaffected immune cells from the umbilical cord blood accessible for immune cell therapies. This would also provide additional impetus for the company's traditional business.

With the production of cryopreserved immune cell preparations, Vita 34 is not only entering a sales market with presumably very high potential. The innovative products and services of Vita 34 can also optimize oncological therapy. With the production of cryopreserved immune cell isolates as starting material for immunoncological therapies, Vita 34 can develop new products for personal provision. This enables Vita 34 to address target groups that have not yet been reached through the traditional business.

EMPLOYEES AND QUALIFICATIONS

Vita 34 has an international team of motivated and qualified employees. They are the foundation for the long-term positive development as well as for the successful acquisition and integration of new companies. Vita 34 promotes team-spanning cooperation and joint activities. The team structure, a flat company hierarchy and the very good working environment contribute significantly to employee satisfaction. In addition, Vita 34 employees can contribute suggestions as part of Vita idea management.

As of December 31, 2019, Vita 34 employed a total of 120 full- or part-time employees (2018: 123 employees) and two trainees (2018: three trainees).

Employee structure of Vita 34 and the subsidiaries included in the scope of consolidation as of December 31, 2019

Number	**2019**	2018
Total number of employees*	**120**	**123**
Thereof: Management Board	2	2
Thereof employees in management functions	15	14
Trainees	**2**	**3**

* based on headcount excluding temporary staff and trainees, marginal part-time employees and employees on parental leave

The staff of Vita 34 is characterized by a high proportion of women of around 70%. In management positions, 46% of the employees are women, 50% of the trainees are women. Around a quarter of the employees in Germany take advantage of offers to balance family and career. In addition to part-time employment, these include flexible distribution of shift work and individual parental leave arrangements. The flexible working hours scheme introduced in 2016 continues to be very well received by employees. The preventive measures offered to employees as part of the health management system also generated great interest in the year under review.

Business report

MACROECONOMIC ENVIRONMENT AND INDUSTRY-RELATED FRAMEWORK CONDITIONS

MACROECONOMIC ENVIRONMENT

According to the Kiel Institute for the World Economy (IfW)[2], the global economy has further lost momentum in 2019. The economy continued to deteriorate, particularly in the advanced economies, while economic momentum stabilized in many emerging markets. This was supported by an easing of monetary policy, which is again strongly expansionary in the advanced economies, while lower US interest rates allowed the central banks in the emerging markets to cut interest rates across the board. In addition, some countries are experiencing noticeable stimulus from fiscal policy. Global production is expected to have increased by only 3.0% overall in 2019 (2018: 3.7%).

In the Eurozone, private consumption has recently been somewhat more buoyant, while the unemployment rate has tended to improve further. For the full year 2019, the IfW expects gross domestic product growth in the euro zone to be 1.2% (2018: 1.9%).

According to initial calculations by the Federal Statistical Office (Destatis)[3], Germany's price-adjusted gross domestic product grew by 0.6% in 2019 after 1.5% in the previous year. The German economy thus grew for the tenth year in a row, which represents the longest growth phase in the united Germany, although growth in 2019 lost momentum. The economy was mainly supported by consumption. Private consumer spending rose by 1.6% in price-adjusted terms and government spending by 2.5%. The German economy exported 0.9% more goods and services in price-adjusted terms than in 2018, while price-adjusted imports rose by 1.9%.

The purchasing power of the population is an important factor in the decision to store umbilical cord blood and tissue. For 2019, the Gesellschaft für Konsumforschung (GfK) calculated a Europe-wide increase in purchasing power of around 3.5% compared to the previous year.[4]

INDUSTRY-RELATED FRAMEWORK CONDITIONS

The economic success of Vita 34 is largely determined by the development of new storages. Possible fluctuations in the annual birth figures tend to play a subordinate role, as there is still enormous potential for increasing the proportion of new deposits within this population. According to the company's own data and estimates, the storage rate in Europe currently fluctuates between 1% and 10% depending on the country. The main influencing factors here are the willingness to make personal provision, which varies according to the performance of the health care systems, and the awareness of the product range at the time of birth or before. In Germany, the storage rate is below 2%. This low market penetration illustrates the market potential for storage.

BUSINESS DEVELOPMENT

In the fiscal year 2019, Vita 34 generated revenue of EUR 20.2 million (2018: EUR 20.4 million) and thus remained just below the forecast range of EUR 21.0 to 23.0 million. While sales in the DACH region improved slightly compared to the previous year, the expected temporary dampening effects from the change of sales partners in international business led to a decline in sales in the rest of the world. On the earnings side, the positive effects of the successful restructuring in Scandinavia and the unchanged high level of cost discipline are clearly visible. At EUR 5.7 million, EBITDA was above the forecast of EUR 5.0 to 5.6 million. As of December 31, 2019, 237 thousand stem cell deposits were stored at Vita 34 (previous year: 226 thousand).

Cumulated Storage Figures

EUR thousand	2016	2017	2018	**2019**
Total	155	215	226	237

GROUP REVENUE AND EARNINGS (IFRS)

Revenue for the fiscal year 2019 amounted to EUR 20.2 million after EUR 20.4 million in the previous year. While revenue in the DACH region, taking into account the clinic business, improved by 1.7% compared to the previous year, revenue in the rest of the world declined. There, the expected temporary dampening effects of the change of sales partner in international business had an impact. Overall, these effects could not be fully offset by the positive development in the DACH region. During the course of the year, revenue growth picked up significantly in the second half of the year.

EUR thousand	**2019**	2018
Revenue	20,247	20,409
Cost of sales	–7,635	–8,435
Gross profit	**12,612**	**11,974**
Marketing and selling expenses	–4,902	–4,925
Administrative expenses	–4,686	–4,805
Other operating income less expenses	258	387
Operating profit/EBIT	**3,282**	**2,631**
Financial result	–140	–846
Income tax expenses	–1,799	–952
Net result for the period	**1,343**	**832**
Operating profit/EBIT	**3,282**	**2,631**
Depreciation and amortization for the period	2,464	2,092
EBITDA	**5,746**	**4,722**

As a result of the successfully implemented efficiency measures in Denmark, cost of sales fell disproportionately high in relation to revenue from EUR 8.4 million to EUR 7.6 million, as the share of revenue attributable to the storage business increased. Despite the slight decline in revenue, gross profit thus improved from EUR 12.0 million to EUR 12.6 million, which is equivalent to a higher gross margin of 62.3% (2018: 58.7%).

On the expense side, marketing and selling expenses remained at the previous year's level of EUR 4.9 million. The ratio of marketing and selling expenses to revenue was thus 24.2% (2018: 24.1%). Administrative expenses decreased slightly from EUR 4.8 million to EUR 4.7 million. Research and development expenses amounted to EUR 0.5 million in fiscal year 2019 (2018: EUR 0.5 million).

The positive effects of the cost efficiency measures and the realignment of the international business led to a significant improvement in earnings. EBITDA rose by 21.7% from EUR 4.7 million to EUR 5.7 million. Accordingly, the EBITDA margin also increased from 23.1% to 28.4%. The first-time application of IFRS 16 resulted in a reduction in operating expenses of EUR 0.5 million in fiscal year 2019, while depreciation and amortization increased by EUR 0.5 million.

The operating result (EBIT) grew from EUR 2.6 million to EUR 3.3 million in the past fiscal year, mainly due to the positive changes in EBITDA described above. A contrary effect was caused by depreciation and amortization, which increased as planned by EUR 0.4 million, primarily due to the regulations of IFRS 16 (Leases), which have been mandatory since 2019.

The financial result for 2019 was EUR –0.1 million after EUR –0.8 million in the previous year. Here, financial expenses decreased from EUR 0.9 million to EUR 0.2 million, after an extraordinary write-down on a loan to the Slovakian subsidiary had to be made in the previous year due to the withdrawal from the Slovakian market.

Income tax expenses rose from EUR 1.0 million to EUR 1.8 million in 2019. This is due to a one-time effect from the partial write-down of tax receivables in the amount of EUR 0.7 million resulting from the changed expectations with regard to the outcome of the BFH lawsuit on the tax recognition of partial write-downs. The write-down had no liquidity effect as the taxes had already been paid in previous periods.

The net result for the year improved in 2019 from EUR 0.8 million to EUR 1.3 million. Earnings per share, taking into account minority interests, amounted to EUR 0.33 based on 4,098,153 shares (2018: EUR 0.20 based on 4,084,052 shares on a weighted annual average).

FOURTH QUARTER OF 2019

Revenue rose from EUR 4.9 million to EUR 5.1 million in the fourth quarter of 2019. This development reflects the turnaround in revenue development achieved in the second half of 2019. EBITDA amounted to EUR 1.2 million (Q4 2018: EUR 1.4 million), equivalent to an EBITDA margin of 23.5% (Q4 2018: 29.7%). EBIT amounted to EUR 0.6 million compared to EUR 0.9 million in the prior-year quarter. Marketing and selling expenses increased from EUR 1.1 million to EUR 1.5 million in the fourth quarter of 2019, while administrative expenses remained at the previous year's level with EUR 1.1 million.

GROUP FINANCIAL POSITION

Based on earnings before income taxes of EUR 3.1 million in fiscal year 2019 (2018: EUR 1.8 million), cash flow from operating activities after taking non-cash items into account amounts to EUR 6.3 million compared with EUR 4.6 million in the previous year. This increase is largely due to the good earnings development and efficient working capital management.

Cash flow from investing activities totaled EUR –1.4 million in the period under review, and comprised in particular fixed asset investments of EUR 0.8 million and payments for the most recent acquisitions of EUR 0.6 million. The previous year's figure of EUR 0.8 million was largely characterized by an inflow of funds from the sale of financial assets in the amount of EUR 2.4 million.

Cash flow from financing activities amounted to EUR –2.8 million in fiscal year 2019 (2018: EUR –2.6 million). This is primarily composed of the dividend payment and scheduled repayments. As in the previous year, the dividend paid out in the reporting period amounted to EUR 0.16 per share. With 4,098,153 shares (2018: 4,084,052 shares), this corresponds to a total distribution at the previous year's level of EUR 0.7 million. In addition, due to the first-time application of IFRS 16 in fiscal year 2019, payments for leases entered into are reported under cash flow from financing activities. In the previous year, the corresponding payments are included in cash flow from operating activities in a comparable amount.

As of the reporting date, Vita 34 had cash and cash equivalents of EUR 9.1 million (December 31, 2018: EUR 7.0 million). Vita 34 thus has solid liquidity as a basis for further organic and inorganic growth.

Please refer to the explanations in the Notes for the principles and objectives of financial management.

GROUP NET ASSETS

The balance sheet total as of December 31, 2019 was EUR 61.1 million (December 31, 2018: EUR 59.3 million). On the assets side of the balance sheet, non-current assets including goodwill amounted to EUR 48.2 million as of December 31, 2019, compared to EUR 47.9 million at the end of 2018. This increase is primarily due to the first-time application of IFRS 16, which resulted in the recognition of assets for the usage rights to leased assets in the amount of EUR 1.9 million as of the balance sheet date. In contrast, intangible assets decreased by EUR 1.5 million due to scheduled depreciation and amortization on intangible assets acquired in the context of company acquisitions. Goodwill remained unchanged at EUR 18.3 million as of December 31, 2019.

Current assets amounted to EUR 12.9 million as of the reporting date (December 31, 2018: EUR 11.4 million). The increase is mainly due to the rise in cash and cash equivalents from EUR 7.0 million to EUR 9.1 million. This rise more than compensated for the simultaneous decline in income tax receivables from EUR 0.8 million to EUR 44 thousand.

On the equity and liabilities side of the balance sheet, equity amounted to EUR 30.3 million as of December 31, 2019 (December 31, 2018: EUR 29.5 million). At 49.5%, the equity ratio was at the previous year's level (49.8%).

Non-current liabilities increased from EUR 21.9 million to EUR 22.4 million as of December 31, 2019. This reflects the first-time application of IFRS 16, which resulted in lease liabilities of EUR 1.4 million being recognized as of the balance sheet date. In addition, deferred income taxes increased by EUR 0.5 million. In contrast, interest-bearing loans decreased by EUR 1.6 million. Current liabilities rose from EUR 7.9 million to EUR 8.4 million.

Overall, non-current and current interest-bearing loans declined by 29.9% from EUR 7.7 million to EUR 5.4 million due to scheduled repayments. The major part of non-current and current contractual liabilities in the amount of EUR 14.4 million (December 31, 2018: EUR 14.2 million) includes deferred income from storage fees prepaid by customers for subsequent years.

Key balance sheet items

Assets EUR thousand	**Dec. 31, 2019**	Dec. 31, 2018
Non-current assets	48,221	47,917
Thereof goodwill	18,323	18,323
Current assets	12,878	11,401
Thereof liquid funds	9,102	6,960

Equity and liabilities EUR thousand	**Dec. 31, 2019**	Dec. 31, 2018
Equity	30,268	29,546
Non-current liabilities	22,414	21,870
Thereof contract liabilities	11,563	11,355
Current liabilities	8,417	7,901

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF VITA 34 AG (HGB)

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

Revenue for fiscal year 2019 amounted to EUR 13.9 million after EUR 14.3 million in the previous year. Cost of sales decreased from EUR 5.1 million to EUR 4.8 million. This results in a gross profit of EUR 9.1 million compared to EUR 9.3 million in fiscal year 2018, which corresponds to an improved gross margin of 65.3% compared to 64.6% in the previous year.

EUR thousand	**2019**	2018
Revenue	13,920	14,325
Cost of sales	–4,831	–5,074
Gross profit	**9,089**	**9,252**
Marketing and selling expenses	–3,272	–3,156
Administrative expenses	–3,868	–3,958
Other operating income less expenses	–666	–1,099
Operating profit/EBIT	**1,284**	**1,039**
Financial result	1,333	474
Income tax expense	–1,087	–368
Net result for the period	**1,530**	**1,145**
Operating profit/EBIT	**1,284**	**1,039**
Depreciation and amortization for the period	609	677
EBITDA	**1,892**	**1,716**

At EUR 3.3 million, marketing and selling expenses remained at the previous year's level (EUR 3.2 million), as did administrative expenses at EUR 3.9 million (2018: EUR 4.0 million).

The balance of other operating income and expenses was EUR –0.7 million in the reporting period after EUR –1.1 million in the previous year. The one-time merger loss of EUR –0.3 million recognized in 2018 had a particular impact here.

EBITDA improved slightly from EUR 1.7 million to EUR 1.9 million in fiscal year 2019 and the operating result (EBIT) from EUR 1.0 million to EUR 1.3 million.

The financial result was EUR 1.3 million (2018: EUR 0.5 million). The increase is due to the decline in depreciation and amortization on financial assets from EUR 1.8 million to EUR 0.7 million. Income from investments in Seracell Pharma GmbH, which mainly resulted from compensation payments for a contractual non-competition clause and the company's existing customer business, decreased to EUR 2.2 million (2018: EUR 2.5 million).

As a result of the development of the financial result and the increase in income taxes by EUR 0.7 million, net income for the year under review was EUR 1.5 million after EUR 1.1 million in the previous year.

Financial position of Vita 34 AG (HGB)

EUR thousand	**2019**	2018
Cash flow from operating activities	2,172	2,607
Cash flow from investing activities	1,267	1,620
Cash flow from financing activities	–1,931	–749

Cash flow from operating activities fell from EUR 2.6 million to EUR 2.2 million in the period under review despite the higher earnings before taxes due to higher non-cash income and a smaller reduction in working capital compared with the previous year.

Cash flow from investing activities resulted in a net cash inflow of EUR 1.3 million (2018: EUR 1.6 million), which is primarily due to dividends received in the amount of EUR 2.4 million.

Cash flow from financing activities amounted to EUR –1.9 million (2018: EUR –0.7 million) and resulted mainly from the repayment of loans in the amount of EUR 1.7 million (2018: EUR 1.9 million) and a dividend payment of EUR 0.7 million (2018: EUR 0.7 million). The reduction compared to the previous year is due to the receipt of intercompany loans in fiscal year 2018.

As of December 31, 2019, cash and cash equivalents amounted to EUR 7.0 million (December 31, 2018: EUR 5.5 million).

Net Assets of Vita 34 AG (HGB)

Assets EUR thousand	**Dec. 31, 2019**	Dec. 31, 2018
Property, plant, and equipment and other intangible assets	3,969	3,860
Financial assets	21,845	23,015
Liquid funds	7,521	5,769
Other assets	5,531	7,104
Balance sheet total	**38,867**	**39,748**

Equity and liabilities EUR thousand	**Dec. 31, 2019**	Dec. 31, 2018
Equity	21,260	20,380
Loans	5,300	7,000
Other liabilities and provisions	5,331	5,676
Deferred income	6,976	6,692
Balance sheet total	**38,867**	**39,748**

Property, plant and equipment and other intangible assets amounted to EUR 4.0 million as of December 31, 2019 (previous year: EUR 3.9 million).

Financial assets decreased from EUR 23.0 million to EUR 21.8 million as of December 31, 2019, and consisted of shares in affiliated companies and investments of EUR 20.0 million (previous year: EUR 20.7 million), investment securities of EUR 0.1 million (previous year: EUR 0.3 million) and loans to affiliated companies of EUR 1.8 million (previous year: EUR 2.0 million). Other assets amounted to EUR 5.5 million as of December 31, 2019 (previous year: EUR 7.1 million). These consisted primarily of trade receivables of EUR 2.0 million (previous year: EUR 2.4 million) and receivables from affiliated companies of EUR 2.1 million (previous year: EUR 2.4 million). In addition, prepaid expenses of EUR 1.0 million (previous year: EUR 0.9 million) were included.

On the equity and liabilities side, equity amounted to EUR 21.3 million (previous year: EUR 20.4 million) as of the balance sheet date. The increase is due to the net result for the period. The dividend distribution in the year under review had a counteracting effect. The equity ratio as of December 31, 2019 was 54.7% (previous year: 51.3%).

Loans amounted to EUR 5.3 million as of December 31, 2019 (previous year: EUR 7.0 million). The decrease results from the scheduled repayment of loans in the amount of EUR 1.7 million. Other liabilities and provisions amounted to EUR 5.3 million at the end of 2019, compared with EUR 5.7 million in the previous year. They mainly included liabilities to affiliated companies in the amount of EUR 2.4 million (previous year: EUR 2.4 million), the special item for grants and subsidies in the amount of EUR 0.4 million (previous year: EUR 0.5 million) and provisions of EUR 1.1 million (previous year: EUR 1.0 million).

Deferred income increased from EUR 6.7 million to EUR 7.0 million as of the balance sheet date. This includes storage fees paid in advance by customers on a one-off basis and released on a straight-line basis over the agreed storage period.

OVERALL STATEMENT ON THE ECONOMIC SITUATION OF THE GROUP

In the opinion of the Management Board, the economic situation of Vita 34 at the time of publication of the Annual Report remains very satisfactory. The company has implemented its strategy of combining organic and inorganic growth in recent years with vigor and great determination. Accordingly, Vita 34 is successfully geared towards stable and profitable growth. The number of new storages and the key earnings figures have exceeded the previous year's level. The corporate and sales structure in the core market DACH as well as in the international markets was sustainably optimized. In parallel, the company is increasingly developing into a cell bank with a significantly broader potential customer base. On the basis of the very solid earnings position, coupled with a high level of liquidity and a strong equity ratio, Vita 34 has the resources to significantly develop the business both organically and inorganically.

EMPLOYEES OF VITA 34 AG (HGB)

The average number of employees at Vita 34 in 2019 was 91 (full-time equivalents excluding the Management Board, temporary staff, marginal part-time employees and employees on parental leave). In addition, there was an annual average of two and a half apprenticeships. The staff of Vita 34 is characterized by a high proportion of women of around 72%.

Corporate Governance

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SEC. 289F HGB AND SEC. 315D HGB

DECLARATION OF CONFORMITY IN ACCORDANCE WITH SEC. 161 AKTG

Pursuant to sec. 161 AktG, the Management Board and Supervisory Board of a German stock corporation listed on the stock exchange are obliged to declare once a year whether the recommendations of the Government Commission on the German Corporate Governance Code have been and are being complied with or which recommendations have not been or are not being applied. The following Declaration of Conformity was made permanently accessible on the company's website on March 20, 2020, together with the Declarations of Conformity of the last five years.

"Pursuant to sec. 161 of the German Stock Corporation Act (AktG), the Management Board and Supervisory Board of Vita 34 AG declare that the recommendations of the Government Commission on the German Corporate Governance Code (DCGK) in the version dated February 7, 2017, have been complied with since the last Declaration of Conformity dated March 25, 2019, and will continue to be complied with in the future, with the exception of the points listed below

- Section 3.8 DCGK: A separate deductible was not agreed with the Supervisory Board, as we do not believe 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 a deductible.

- Section 4.1.3 GCGC: Vita 34 AG has installed appropriate measures geared to the risk situation of the company to ensure compliance with legal requirements and internal company guidelines. The existing risk management system is reviewed annually as part of the audit of the financial statements, and no objections have been raised to date. In view of the size of the company, the Management Board and Supervisory Board consider the established and practiced system of compliance measures to be target-oriented, adequate and sufficient. Due to the positive experience in the past and the size of the company, the Management Board and Supervisory Board do not consider the introduction of a special compliance management system going beyond this to be necessary. The establishment of a protected whistleblower system will also be dispensed with for the time being, as the Management Board and Supervisory Board still do not believe that there is sufficient practical experience with this in Germany. Furthermore, the implementation of the European Whistleblowing Directive into national law should not be prejudged. It will therefore continue to be awaited whether the arguments put forward against a whistleblower system, in particular high costs, possible negative effects on the working climate and susceptibility to abuse, actually play a role in practice and what solutions will be established to avoid these points. The Management Board and the Supervisory Board will continue to monitor the developing practice in this regard.

- Section 5.1.2 and Section 5.4.1 DCGK: No age limit has been set for members of the Management Board and Supervisory Board. Age is not the decisive factor for the capabilities of the members of the executive bodies; we do not consider such an age limit to be appropriate.
- Sections 5.3.1, 5.3.2, 5.3.3 and 5.4.6 DCGK: The establishment of committees (i.e. a body composed of only some of the Supervisory Board members), in particular the establishment of an audit committee and a nomination committee, is not reasonable due to the size of the Supervisory Board of Vita 34 AG. Committee membership cannot therefore be taken into account in the remuneration of the Supervisory Board.
- Section 7.1.2 DCGK: The company continues to comply with the statutory deadlines in its publication obligations in order to avoid otherwise higher administrative expenses and associated costs and the additional commitment of management capacity. This is also in line with the intention of the legislator, who has extended the period for publication of the half-yearly financial statements from two to three months.

Leipzig, March 20, 2020

The Supervisory Board | The Management Board

CORPORATE GOVERNANCE PRACTICES

For Vita 34 AG, the principles of good corporate governance are an essential basis for the management of the company and the cooperation with its shareholders, employees and business partners. Corporate governance practices that exceed the legal requirements are not applied.

WORKING METHODS OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Both bodies work closely together for the benefit of the company. The Management Board is responsible for corporate governance, while the Supervisory Board advises and monitors the Management Board. The Management Board and Supervisory Board comply with the rules of proper corporate governance.

The Management Board of Vita 34 AG consists of two members. The Chairman of the Management Board is Dr. Wolfgang Knirsch, the Chief Financial Officer is Falk Neukirch. The Management Board independently manages Vita 34 AG and is oriented towards the goal of a sustainable increase in the company value.

The work of the Management Board is regulated overall by the rules of procedure. The rules of procedure contain the principles of management by the members of the Management Board, matters reserved for the Management Board as a whole and the unanimity required for Management Board resolutions in the case of two Management Board members.

The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all issues of strategy, planning, business development, risk situation, risk management and compliance that are relevant to the company. No member of the Management Board is currently a member of the Supervisory Board of a company outside the Group.

The Supervisory Board of Vita 34 AG consisted of three or four members in fiscal year 2019. From the resignation of Ms. Gerrit Witschaß from office as of February 28, 2019 until the Annual General Meeting 2019, the Supervisory Board consisted of three members. At the Annual General Meeting 2019, Mr. Nicolas Schobinger was elected as a new member of the Supervisory Board. Since then, the Supervisory Board has again consisted of four members. It monitors and advises the Management Board in the management of the business. To this end, the Supervisory Board regularly discusses business development as well as planning, strategy and their implementation. It approves the annual planning prepared by the Management Board, approves the annual financial statements and notes the consolidated financial statements with approval. It is also responsible for appointing and dismissing members of the Management Board and representing the company vis-à-vis the Management Board.

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

No conflicts of interest were reported to the Supervisory Board by members of the Management Board or Supervisory Board in the period under review. To date, no member of the Management Board of Vita 34 AG has moved to the chairmanship of the Supervisory Board. The Supervisory Board currently consists of four independent members, Frank Köhler, Dr. Mariola Söhngen, Steffen Richtscheid and Nicolas Schobinger.

The remuneration for the members of the Management Board consists of non-performance-related and performance-related components. Vita 34 AG discloses the remuneration of the Management Board on an individual basis. The remuneration of the Supervisory Board is regulated in sec. 18 of the Articles of Association. The members of the Supervisory Board receive a fixed remuneration at Vita 34 AG. Performance-related remuneration is not provided for. Further details on the remuneration of the Management Board and Supervisory Board can be found in Notes 27 and 28 of the Notes to the Consolidated Financial Statements.

The Management Board publishes insider information concerning Vita 34 AG without delay unless it is exempted from doing so in individual cases. In addition, the company maintains insider lists for specific occasions, which record all persons with access to the relevant insider information.

A firm principle of the communication policy of Vita 34 AG is to treat all shareholders and interest groups equally when publishing information that concerns the company and is decisive for assessing the development of the company.

All mandatory publications and additional investor relations publications of the company are published in German and English. All information relevant to the capital market is available in German and English on the Vita 34 AG website at www.vita34group.de.

In accordance with Article 19 of Regulation (EU) No. 596/2014 (Market Abuse Regulation), the members of the Management Board and Supervisory Board as well as certain employees discharging managerial responsibilities and persons closely related to them must disclose the purchase and sale of shares in Vita 34 AG and related financial instruments (Directors' Dealings). Vita 34 AG was not notified of any notifiable securities transactions in fiscal year 2019.

TARGETS FOR THE FEMALE QUOTA

In May 2015, the Bundestag passed a law on equal participation of women and men in management positions. In accordance with the legal requirement, which affects Vita 34 AG as a listed and non-co-determined company, binding target figures were set for the Supervisory Board, the Management Board and the next management level of the Vita 34 Group. In detail, the following was resolved for the individual levels:

- For the Supervisory Board of Vita 34 AG, the Supervisory Board has set a target figure of 0% for the period up to June 30, 2022 with effect from the end of June 30, 2017.
- For the Management Board of Vita 34 AG, the Supervisory Board has set a target figure of 0% for the period up to June 30, 2022 with effect from the end of June 30, 2017. The Management Board currently consists of two members. The Supervisory Board does not intend to expand the Management Board or to change its composition.
- For the management level below the Management Board, the Management Board has set a target figure of 40% for the period up to June 30, 2022.

The target figures set were achieved in fiscal year 2019.

DIVERSITY CONCEPT IN ACCORDANCE WITH SEC. 289F PARA. 2 NO. 6 HGB

The Management Board and Supervisory Board have so far not drawn up an independent diversity concept in accordance with sec. 289f para. 2 no. 6 HGB with regard to the composition of the representative body and the Supervisory Board with regard to aspects such as age, gender, educational or professional background. The Management Board and Supervisory Board are of the opinion that, apart from the objectives for the composition of the Management Board and Supervisory Board and the measures to promote diversity that have been implemented in the company to date and are being pursued, an additional diversity concept will not bring any substantial added value. However, in fiscal year 2020, the Management Board and Supervisory Board will again examine whether it makes sense to create a separate diversity concept.

TAKEOVER-RELEVANT INFORMATION IN ACCORDANCE WITH SEC. 289A PARA. 1 AND SEC. 315A PARA. 1 HGB

Composition of the subscribed capital
The subscribed capital of Vita 34 AG amounts to EUR 4,145,959 and is divided into 4,145,959 registered no-par-value ordinary shares (no-par shares). Each share has one voting right. The shares are fully paid up. All shares carry the same rights and obligations. The rights and obligations of the shareholders are set out in detail in the provisions of the AktG, in particular secs. 12, 53a et seq., 118 et seq. and 186 AktG.

Authorizations of the Management Board to issue or buy back shares
According to sec. 7 para. 2 of the Vita 34 AG Articles of Association, there is an authorized capital. By resolution of the Annual General Meeting on June 4, 2019, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital in one or more stages in the period up to June 3, 2024 by up to a total of EUR 2,072,979.00 by issuing up to 2,072,979 new registered no-par value ordinary shares against cash or non-cash contributions (Authorized

Capital 2019). If the share capital is increased against cash contributions, the shareholders shall be granted a subscription right. The subscription right may also be granted to shareholders indirectly in accordance with sec. 186 para. 5 AktG. However, the Management Board is authorized, in each case with the approval of the Supervisory Board, to decide on the exclusion of shareholders' subscription rights.

An exclusion of subscription rights is only permitted under the authorization resolution:

- to compensate for fractional amounts;
- to issue shares as employee shares to employees of the company and employees of affiliated companies of the company;
- for capital increases against contributions in kind;
- to the extent necessary to grant the holders of conversion and/or option rights or a conversion obligation outstanding at the time of the utilization of Authorized Capital 2019 or a conversion obligation from convertible bonds and/or bonds with warrants already issued or to be issued in the future by Vita 34 AG or its group companies a subscription right to new shares to the extent to which they would be entitled as shareholders after exercising the conversion and/or option rights or after fulfilment of a conversion obligation;
- if the issue price of the new shares in the case of capital increases in exchange for cash contributions is not significantly lower than the stock exchange price of the shares already listed at the time of the final determination of the issue price and the shares issued do not exceed a total of 10% of the share capital either at the time this authorization becomes effective or at the time it is exercised. Shares that were sold or issued or are to be issued during the term of this authorization up to the time of its utilization on the basis of other authorizations in direct or corresponding application of sec. 186 para. 3 sentence 4 AktG under exclusion of subscription rights shall be counted towards this limit.

The total of the shares issued against cash and non-cash contributions under exclusion of the subscription right may not exceed 10% of the share capital at the time of this authorization becoming effective or – if this value is lower – at the time of exercising this authorization. This 10% limit shall include shares which were issued during the term of the Authorized Capital 2019 with an exclusion of the subscription right pursuant to sec. 186 para. 3 sentence 4 AktG and against contributions in kind under the Authorized Capital 2019, and such shares which are to be issued during the term of the Authorized Capital 2019 under bonds with conversion or option rights or, respectively, conversion obligations issued with an exclusion of the subscription right of the shareholders.

The Management Board, with the approval of the Supervisory Board, shall decide on the further details of the implementation of capital increases from the Authorized Capital 2019, in particular the content of the rights attached to the shares and the terms and conditions of the share issue. The Supervisory Board is authorized to amend the wording of sec. 7 para. 2 of the Articles of Association in accordance with the respective utilization of the Authorized Capital and, if the Authorized Capital is not or not fully utilized by June 3, 2024, after expiry of the authorization.

By resolution of the Annual General Meeting on 28 June 2017 under agenda item 9, the Management Board was authorized, with the approval of the Supervisory Board, to issue bearer or registered bonds with a total nominal value of up to EUR 40,000.000.00 with a conversion right or with option rights securitized in bearer or registered warrants or a combination of these instruments with or without a term limitation to a total of up to 1,513,250 registered no-par value shares of Vita 34 AG ("Vita 34 shares") with a proportionate amount of the share capital totaling up to EUR 1,513,250.00 ("Bonds"). In order to grant shares to the holders or creditors of convertible bonds or bonds with warrants issued on the basis of this authorization, the share capital was contingently increased by up to EUR 1,513,250.00 by issuing up to 1,513,250 registered no-par value shares (Contingent Capital 2017).

By resolution of the Annual General Meeting of May 15, 2018 under agenda item 10, the Management Board and the Supervisory Board were authorized to issue stock options with the right to subscribe to a total of 100,000 shares to the Management Board and managers of the Vita 34 Group until December 31, 2021. At the same time, a contingent capital of EUR 100,000 was created to service the stock options. One shareholder has filed a legal challenge against this resolution. The legal proceedings are still ongoing.

Restrictions regarding voting rights or the transfer of shares
Each share entitles the holder to one vote at the Annual General Meeting and is decisive for the shareholders' share of the company's profits. This does not apply to treasury shares held by the company, from which the company has no rights. In the cases of sec. 136 AktG, the voting rights from the shares concerned are excluded by law.

The Management Board is not aware of any other restrictions on the transfer of shares.

Major shareholders of the company
The following direct or indirect participations in the capital of Vita 34 AG exceed 10% of the voting rights:

- Shareholding of Michael Köhler with its two subsidiaries MK Beleggingsmaatschappij Venlo B.V. and Koehler Invest N.V. according to voting rights notification published on May 16, 2018: 11.64%

Supplementary disclosures in accordance with sec. 160 AktG
Reference is made to the explanations in the notes on equity.

Regulations on the appointment and dismissal of members of the Management Board and amendments to the Articles of Association

The legal provisions governing the appointment and dismissal of members of the Management Board can be found in secs. 84 and 85 AktG. Sec. 9 of the Vita 34 AG Articles of Association provides for an identical regulation. Pursuant to secs. 179, 133 AktG and sec. 25 of the Vita 34 AG Articles of Association, the Articles of Association may be amended by a resolution of the Annual General Meeting with a simple majority of the share capital represented unless a larger majority is required by law.

Significant agreements contingent on a change of control following a takeover bid

There are no significant agreements of the company contingent upon a change of control as a result of a takeover bid, with the exception of an agreement concluded with the two members of the Management Board in the event of a change of control ("change of control regulation").

If the change of control regulation applies, it gives both members of the Management Board the right to terminate their contracts of service within six months.

If a Management Board member exercises this right of termination, the severance payment amounts to 50% of the remuneration (fixed salary and bonus) no longer accruing and no longer being paid due to the premature termination of the contract, assuming 100% target fulfilment, plus the payment of one year' s gross basic salary. The total amount of the severance payment may not exceed EUR 750,000 (Dr. Wolfgang Knirsch) or EUR 400,000 (Falk Neukirch).

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

Vita 34 has been running an internal risk and opportunity management system since 2006, which applies to both the Group and Vita 34 AG. All significant risks and opportunities are identified, evaluated and prioritized so that appropriate control measures can be taken. In accordance with the German Accounting Standard No. 20 (DRS 20), a risk is defined as the possibility of a negative deviation from the company forecast, while an opportunity is defined as the possibility of a positive deviation from the defined company targets.

The risk management system is based on comprehensive documentation and transparent communication of risks. Related activities are identified and monitored within the risk management system. An internal control system is another central component of the risk management system. This internal system is used in particular to manage accounting, bookkeeping and controlling processes. The subsidiaries are included in the consolidated financial statements by means of reporting. The Group is monitored and controlled via annual budget planning, monthly reporting of actual figures and budget comparison analyses. Risk management and the internal control system are viewed together and intervene directly at the Management Board and management level. Based on company-specific requirements, the Management Board determines the scope and orientation of the systems set up on its own responsibility. Despite adequate and functionally implemented systems, it is not possible to guarantee absolute certainty that risks will be identified and managed. If a risk is identified, external specialists are called in to eliminate it in a first step. In parallel, an evaluation is carried out with regard to the influence of the risk on the operating processes and the consolidated financial statements. In a second step, new control mechanisms are implemented as part of the accounting-related internal control system to ensure that, despite the risks identified, operational processes and the preparation of the annual and consolidated financial statements are safeguarded.

Identification, recording and evaluation of new risks are performed in an operating process. Every year, the controlling department carries out a risk inventory in order to analyze, review and supplement recorded risk types in cooperation with the responsible managers and the Management Board. Changes in risks and corresponding key figures are regularly reported to the Management Board and the Supervisory Board. The risk management manual and the risk information sheets document the risk management system and describe the individual risks.

In addition, various procedures are laid down and partially validated in the company rules and other company guidelines. Significant processes are subject to the dual control principle in all areas of the company, so that at least two signatures are always required for execution. In IT-supported systems, access rights (read and write authorization) are regulated for each employee.

External service providers are involved in the preparation of quarterly, half-yearly and annual financial statements. The assignment of tasks in the preparation of the financial statements is defined and documented.

Opportunity and risk report

In addition to the regular process-related risks, primarily risks within projects and on special occasions are identified, analyzed and recorded on the basis of the risk management system. Risks are divided into the following risk categories: strategic, financial, personnel and legal risks, product, capital market and infrastructure risks, as well as marketing and sales risks.

Out of the entirety of the identified risks and opportunities, the following refers to those risks and opportunities that, from today's perspective, could significantly influence the results of operations, financial position and net assets of the Group and Vita 34 AG.

COMPANY RISKS

PRODUCT RISK

Future research may show that stem cells from other sources are an always obtainable and equivalent alternative to stem cells from umbilical cord blood and tissue for therapeutic use. The diseases to be treated with autologous stem cells mainly occur at an advanced age. Today, however, these patients do not yet have an autologous umbilical cord blood deposit. A risk could arise from the fact that research with bone marrow or peripheral stem cells is therefore being pushed forward more quickly. Currently, autologous bone marrow stem cells are used for treatment after heart attacks, although research on animal models has shown that stem cells from umbilical cord blood are more effective.

The development of so-called iPS cells (induced pluripotent stem cells), based on a patient's nucleated body cells, can also lead to an alternative stem cell source for various regenerative therapies. However, renowned scientists have been able to show that umbilical cord blood is more suitable for this technology than other, older somatic cells (for example skin cells). Vita 34 entered into research cooperations in this field very early on in order to establish umbilical cord blood as a cell source for iPS techniques. Due to the advantages of umbilical cord blood compared to other cell sources, the increasing use of the latter does not represent a risk that could endanger the existence of the company in principle from the management's point of view, but rather contributes to the expansion of the application possibilities of stem cells from umbilical cord blood. In addition, Vita 34 participates in selected research projects in order to identify potential for further adult stem cell sources at an early stage and to use this potential in its own product development.

The primary concentration on one business segment – stem cell banking – is currently also to be seen under product risks. Vita 34 is also countering this risk by the expansion of the business model in 2019, which in future also includes the storage of stem cells from the body's autologous fat tissue as well as immune cells from peripheral blood and perspectively umbilical cord blood.

STRATEGIC RISKS

There is a risk that market expansion at national and especially international level may be slower or less extensive than expected. Markets may develop unexpectedly due to regulatory, market or economic influences and thus limit or delay growth. It is to be assumed that market expansion and Vita 34 growth will not take a linear course over the quarters, but will be subject to fluctuations. In addition, there is a risk that ongoing sales cooperations will be terminated, resulting in a reduction in revenue and earnings.

FINANCIAL RISKS

Changes in the general economic conditions on markets or influences on consumers, as currently the unforeseeable effects of the coronavirus pandemic, can lead to both price fluctuations and bad debt losses. Especially in foreign markets, financial risks can arise due to changes in interest and tax policies and exchange rate fluctuations. An increase in competition can result in financial risks or liquidity risks. Risks are to be avoided and minimized by long-term business and forward-looking liquidity planning as well as the controlling of the subsidiaries. Default risks on receivables are monitored by means of permanent control of receivables and their maturities. In the sales partner business, risks are minimized as far as possible by means of collateralization of receivables and in some cases prepayment agreements.

LEGAL RISKS

Legal risks can arise from the various regulations and laws affecting Vita 34. Legislative changes in the field of medical and pharmaceutical law, as well as divergent legal opinions on the application of existing law in the context of approval or licensing procedures, have the potential to influence the existing business structures. By maintaining active contact with decision-makers, we try to present the special features of Vita 34 within the context of interpreting the law and to ensure that the implementation of the changes is practice-oriented. Furthermore, competition law disputes can influence or considerably restrict the business activities of Vita 34, for example in marketing and sales. Legal risks also arise from failed collection of umbilical cord blood and tissue, improper transport, processing errors at Vita 34 or the destruction of stored preparations, which can lead, for example, to liability claims by the affected customers. In order to complement the comprehensive quality management system, Vita 34 has taken out insurance policies to adequately counteract possible damage claims and liability risks. They are intended to eliminate or at least limit the economic consequences of any risks that may arise. The scope of the insurance contracts taken out is continuously reviewed and adjusted if necessary. In addition, Vita 34 will not apply any restrictions affecting quality for cost reasons.

MARKETING AND SALES RISKS

Potential customers may be influenced by negative, unobjective or false media coverage of umbilical cord blood storage or stem cell applications. This can lead to revenue losses as well as a change in consumer behavior as a result of macroeconomic developments. In addition, the selection of cooperations or cooperation partners can lead to a loss of revenue due to damage to the company's reputation or contractual constellations. There is a risk that the business activities of Vita 34 will be negatively affected by an increase in the intensity of competition. This includes aggressive low-price offers as well as significant price reductions by competitors or new companies entering the market. These measures may lead to weaker than expected revenue and earnings development at Vita 34.

The company is countering these risks, among other things, with its new product "VitaPur" with an entry price of less than EUR 1,000, by further strengthening the Vita 34 brand, also as a quality leader in the German market, through targeted marketing campaigns, and through innovative development work with regard to new business areas beyond stem cell storage, which at the same time open up additional benefits for existing customers.

CAPITAL MARKET RISKS

The development of the share price of Vita 34 is influenced by external events, such as crises on the financial market. Related investment decisions of shareholders are partly controlled by factors that have no connection to the fundamental key figures of Vita 34. The company will continue to distinguish itself through its compliance with laws and regulations and through transparent communication with shareholders on the capital market.

PERSONNEL RISKS

Due to the established measures of the internal control system and a personnel policy characterized by social and safety-oriented standards, Vita 34 sees no risks that could endanger the company.

INFRASTRUCTURE RISKS

The failure of process- and sales-relevant technology or the failure or restriction of logistic processes can influence the earnings situation of Vita 34. For example, the effects and developments in connection with a further spread of the coronavirus on supply chains and logistics processes, especially in cross-border business, are not foreseeable. These risks are largely avoided or excluded by redundant backup systems.

The listed risks are not currently specified. Overall, there are currently no risks that could endanger the company's existence.

OPPORTUNITIES FOR FUTURE DEVELOPMENT

PRODUCT OPPORTUNITIES

In 2012, Vita 34 developed a procedure for the conservation of umbilical cord tissue based on Good Manufacturing Practice (GMP), which allows the collection of mesenchymal stem cells as starting cells for regenerative medicine. Since 2013, Vita 34 is the only private stem cell bank in Germany that is able to store not only umbilical cord blood but also umbilical cord tissue according to GMP guidelines. This unique selling proposition offers Vita 34 the opportunity to develop further market potentials through the corresponding product range "VitaPlusCord" and as a consequence to profit from an increased number of new storages.

Vita 34 has also developed a procedure for the collection and cryopreservation of autologous fat tissue. Permission for the collection and production of adipose tissue preparations for a possible later isolation of adult stem cells has already been applied for. The associated product launch of "AdipoVita" is planned in the medium term.

Due to the intensive scientific development in the field of regenerative medicine, Vita 34 expects a worldwide increase in demand for cryopreservation and safe storage of cells and tissue. Through targeted investments in research and development, Vita 34 is striving to open up further product fields in the long term. The company sees the opportunity to gain significant market positions as a service provider and supplier for pharmaceutical/ therapeutic oriented companies.

MARKET OPPORTUNITIES IN THE CORE MARKET DACH

Vita 34 traditionally focuses on organic growth as part of its corporate strategy. The company is working intensively on continuously increasing its market penetration in the high-margin core market DACH through targeted marketing and sales measures in order to further expand its leading position in the DACH market and to profit from this on a sustained basis.

OPPORTUNITIES FROM INTERNATIONALIZATION

Vita 34 is active in more than 20 international markets with the help of subsidiaries as well as sales and cooperation partnerships. The company is continually opening up new attractive markets, which provide earnings contributions in the medium term. As part of these cooperations, the partner companies enjoy independence in the areas of marketing and sales. Vita 34 then takes over 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 own distribution costs abroad. The company expands its stable base through geographic diversification and opens up the possibility of participating in the potential of several target markets.

MARKET OPPORTUNITIES FROM ACQUISITIONS

In the past, Vita 34 has initiated attractive growth spurts through targeted strategic acquisitions, enabling the company to strengthen its leading position in the European market in the long term. This has resulted in synergy effects and competitive advantages, which provide new opportunities in customer acquisition, particularly through the various product offerings. In addition, access to new technologies and qualified personnel is enabled. Vita 34 has built up outstanding expertise in planning the integration of the acquired companies and implementing it swiftly and successfully.

As part of the increasing consolidation of the private stem cell banking market, Vita 34 regularly examines the potential for expansion through opportunistic acquisitions, thereby improving its geographical market position throughout Europe.

Vita 34 also evaluates the opportunities and concrete possibilities to establish itself in the business-to-government (B2G) sector. Biobanking has experienced a worldwide upswing in recent years. Some state-owned biobanks are faced with the task of expanding their capacities due to the increasing demand for storage. There are also initial efforts by some countries to delegate the establishment of new public biobanks to private service providers who have the necessary expertise and experience in cell banking.

OVERALL ASSESSMENT OF THE MANAGEMENT BOARD

As one of the leading stem cell banks in Europe with market leadership in the German-speaking market, Vita 34 considers itself well positioned in terms of opportunities and risks to secure the continued existence of the company in the long term and to take advantage of any opportunities that arise. A risk management system classifies the probability of occurrence and impact, thus enabling continuous monitoring of risks. After reviewing the risk situation as of the balance sheet date December 31, 2019, there were no risks that could endanger the continued existence of the company. The overall risk situation of Vita 34 has not changed fundamentally compared to the previous year. There are also no discernible risks for the future that could endanger the company's existence.

Forecast report

The following statements on the future course of business of Vita 34 and the assumptions regarding the economic development of markets deemed to be significant for this purpose are based on the company's assessments which it considers to be realistic at present according to the information currently available. However, against the background of the current economic environment, these are subject to some uncertainty and therefore carry the unavoidable risk that the forecast developments will not actually occur either in their tendency or to the extent they are expected to occur.

EXPECTED MACROECONOMIC DEVELOPMENT

The Organization for Economic Development and Cooperation (OECD)[5] lowered its global growth forecast for 2020 from 2.9% to 2.4%. According to the current economic forecast, the coronavirus is the greatest threat to the global economy since the global financial crisis. Further restrictions on the movement of people, goods and services are foreseeable and are likely to lead to a deterioration in the business and consumer climate and a slowdown in production. The OECD Interim Economic Outlook examines two scenarios: The first is based on the most favorable development imaginable with extensive containment of the virus. The second scenario describes a domino effect with a strong spread of the virus. Even in the best-case scenario of only weak virus spread beyond China, global economic growth is expected to slow down sharply in the first half of the year – as a result of interrupted supply chains, a decline in tourism and a deterioration in the business climate. The forecast for the Eurozone has been lowered from 1.1% to 0.8% in the best case and from 0.4% to 0.3% for Germany.[6]

EXPECTED DEVELOPMENT OF VITA 34

Vita 34 will consistently push forward the initiated transformation process from a pure stem cell bank to a more broadly based cell bank in order to offer further storage possibilities in the short to medium term, to be able to supply the best available individual cells for current and future cell therapies and thus to develop additional market potential via new business areas. Through the development of new products and services related to the cryopreservation of stem cells or, in the future, other cell sources, the company intends to position itself early on in medically promising areas in order to participate in the identified market potential. Currently, the focus is on the one hand on the storage of stem cells from the autologous fat. The associated product launch of "AdipoVita", which enables the preservation of adipose tissue and the stem cells it contains also for adults, is planned in the medium term. On the other hand, Vita 34 is consistently pushing forward its efforts to be able to store immune cells and cell preparations from peripheral blood and, in perspective, umbilical cord blood in the future. The company will test its cell isolation process and the immune cells derived from it in in-vitro studies starting in the first half of 2020, which should be completed by the end of 2020. The new immune cell isolate product based on this process is expected to be launched at the end of 2022.

In addition to organic growth, Vita 34 will actively pursue further market consolidation through horizontal and vertical acquisitions in order to grow both geographically and along the value chain. In this context, announced opportunities in the business-to-government (B2G) and business-to-business (B2B) business are to be exploited. The demand for services in the field of cell isolation, cell propagation and cell modification is increasing, especially due to the further establishment of personalized cell therapies. Here, Vita 34 is examining further strategic options for new offers, which could be represented by partnerships or acquisitions.

The market position achieved in the European markets is to be defended or expanded by increasing revenue and earnings in line with market growth. In the German-speaking countries, the primary goal is to sustainably consolidate the market presence and leading market position through targeted marketing activities. The changes in sales partners abroad should lead to a sustained moderate growth trend in these regions.

The industry is currently undergoing a consolidation process in which Vita 34 AG would like to actively participate. The company therefore intends to develop new markets in attractive European regions through opportunistic acquisitions or beneficial partnerships.

FINANCIAL FORECAST

For the fiscal year 2020, the Management Board expects revenues of between EUR 19.0 and 21.0 million (excluding acquisitions) and EBITDA of between EUR 4.8 and 5.8 million. In general, the Management Board considers the sensitivity of the Vita 34 business model to economic fluctuations to be low. Even particularly drastic economic effects, such as after the attacks of September 11, 2001 or in the course of the Financial Crisis, had no significant impact on the business development of Vita 34. In the event of a moderate to slightly above-average influence of COVID-19 on the economy, the Management Board therefore does not currently expect a sustained negative impact on the business development resulting from this. The current assessment of the company's development in the fiscal year 2020 does not include the effects of a significantly wider spread of the COVID-19 virus ("Coronavirus").

At the same time, the company has taken a number of precautionary measures to minimize the potential impact of the spread of the COVID-19 virus on business development, in order to remain efficient at all times, even if demand is forecast to remain stable. For example, a possible impending interruption of the supply chain on the procurement side was counteracted by an increased stockpiling of important procurement materials in the first quarter of 2020. The inventories should be able to cushion current supply bottlenecks while maintaining the comfortable liquidity situation. Personnel deployment planning has been optimized to such an extent that independently operating teams guarantee smooth operations at all times - even if the case of a possible infection of individual employees should arise. At the same time, hygiene regulations have been further increased and adapted to the special situation. From a regulatory perspective, no restrictions on operations are currently expected. The company has carried out an intensive risk prevention process in response to the possible effects of the COVID-19 virus, implemented appropriate precautionary measures as early as the first quarter of 2020 and will take further measures depending on developments. However, the company has no influence on temporary restrictions on the scope of sales and marketing measures, such as those foreseeable for the external sales force.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. They are based on the current information available to Vita 34 at the time the Annual Report was prepared. However, such forward-looking statements are subject to risks and uncertainties. If the underlying assumptions do not materialize or further opportunities/risks arise, the actual results may differ from the estimates made. Vita 34 can therefore not assume any liability for these statements.

Leipzig, March 22, 2020

The Management Board of Vita 34 AG

Dr. Wolfgang Knirsch
Chief Executive Officer

Falk Neukirch
Chief Financial Officer

Footnotes

[1] Mayani et al. Cord blood research, banking and transplantation: achievements, challenges and perspectives. Bone Marrow Transpl. 2019

[2] https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2019/KKB_61_2019-Q4_Welt_DE.pdf

[3] https://www.destatis.de/DE/Presse/Pressemitteilungen/2020/01/PD20_018_811.html

[4] https://www.gfk.com/de/insights/press-release/europaeer-geben-2019-im-schnitt-14739-euro-aus/

[5] https://www.oecd.org/berlin/presse/coronavirus-ist-groesstes-wirtschaftsrisiko-seit-der-finanzkrise-02032020.htm

[6] OECD Economic Outlook, Interim Report March 2020

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

EUR thousand	Note	**2019**	2018
Sales revenue	5.1	20,247	20,409
Cost of sales	5.2	−7,635	−8,435
Gross profit on sales		**12,612**	**11,974**
Other operating income	5.3	544	716
Marketing and selling costs	5.4	−4,902	−4,925
Administrative expenses	5.5	−4,686	−4,805
Other operating expenses	5.6	−285	−329
Operating result (EBIT)		**3,282**	**2,631**
Financial income		71	44
Financial expenses	5.7	−211	−891
Earnings before taxes		**3,142**	**1,784**
Income tax expense/income	6	−1,799	−952
Result for the period after taxes		**1,343**	**832**
Attributable to:			
Owners of the parent company		1,350	828
Non-controlling interests		−8	4
Earnings per share, undiluted/diluted (EUR) Undiluted and diluted, relating to the result for the period attributable to the holders of ordinary shares of the parent company	7	0.33	0.20

Consolidated Statement of Comprehensive Income

EUR thousand	Note	2019	2018
Result for the period		**1,343**	**832**
Other comprehensive income			
Currency translation differences	16	–2	–7
Net gain/loss on available-for-sale financial assets	16	4	7
Income tax effect	6	–1	–2
Other comprehensive income to be reclassified to the statement of income in subsequent periods		**1**	**–2**
Result from equity instruments at fair value through other comprehensive income		0	–24
Reassessment of a defined benefit plan	19	–56	0
Income tax effect	6	18	0
Other comprehensive income not to be reclassified to the statement of income in subsequent periods		**–38**	**–24**
Total comprehensive income after taxes:		**1,305**	**807**
Attributable to:			
Owners of the parent company		1,313	803
Non-controlling interests		–8	4

Consolidated Balance Sheet

Assets

EUR thousand	Note	**Dec. 31, 2019**	Dec. 31, 2018
Non-current assets			
Goodwill	9	18,323	18,323
Intangible assets	8	18,525	19,990
Property, plant and equipment	10	7,285	6,908
Right-of-use assets	11	1,905	0
Other assets	14	1,012	1,312
Trade receivables	13	632	1,088
Restricted cash	15	540	296
		48,221	**47,917**
Current assets			
Inventories	12	294	456
Trade receivables	13	2,879	2,744
Income tax receivables	6	44	845
Other receivables and assets	14	559	395
Cash and cash equivalents	15	9,102	6,960
		12,878	**11,401**
Total Assets		**61,099**	**59,317**

Total Equity & Liabilities

EUR thousand	Note	**Dec. 31, 2019**	Dec. 31, 2018
Equity			
Subscribed capital	16	4,146	4,146
Capital reserves	16	24,012	23,913
Retained earnings	16	2,440	1,848
Other reserves	16	–183	–145
Treasury shares	16	–261	–337
Non-controlling interests	16	114	122
		30,268	**29,546**
Non-current liabilities			
Interest-bearing loans	17	3,799	5,383
Leasing liabilities	11	1,356	0
Deferred grants	20	797	827
Contract liabilities	21	11,563	11,355
Provisions	18	14	0
Pension provisions	19	56	0
Deferred income taxes	6	4,828	4,306
		22,414	**21,870**
Current liabilities			
Trade payables	22	1,266	1,106
Provisions	18	104	164
Income tax payables	6	703	294
Interest-bearing loans	17	1,584	2,305
Lease liabilities	11	546	0
Deferred grants	20	45	63
Contract liabilities	21	2,871	2,803
Other liabilities	22	1,298	1,166
		8,417	**7,901**
Total Equity & Liabilities		**61,099**	**59,317**

Consolidated Statement of Changes in Group Equity

		Equity attributable to the owners of the parent company			
EUR thousand	Note	Subscribed capital	Capital reserves	Retained earnings	Reserves for available-for-sale financial assets
Balance as of Jan. 1, 2018		**4,146**	**23,913**	**1,810**	**–8**
Result for the period		0	0	828	0
Other comprehensive income		0	0	0	–19
Total comprehensive income		**0**	**0**	**828**	**–19**
Dividend payment		0	0	–653	0
Other changes		0	0	–136	0
Balance as of Dec. 31, 2018		**4,146**	**23,913**	**1,848**	**–26**
Balance as of Jan. 1, 2019		**4,146**	**23,913**	**1,848**	**–26**
Result for the period		0	0	1,350	0
Other comprehensive income		0	0	0	3
Total comprehensive income		**0**	**0**	**1,350**	**3**
Sale of treasury shares	16	0	99	0	0
Dividend payment	16	0	0	–656	0
Other changes	6	0	0	–103	0
Balance as of Dec. 31, 2019		**4,146**	**24,012**	**2,440**	**–24**

Revaluation reserves	Currency translation differences	Total equity	Treasury shares at acquisition costs	Non-controlling interests	Total equity
–122	**10**	**29,749**	**–337**	**117**	**29,528**
0	0	828	0	4	832
0	–7	–25	0	0	–25
0	**–7**	**803**	**0**	**4**	**807**
0	0	–653	0	0	–653
0	0	–136	0	0	–136
–122	**3**	**29,762**	**–337**	**122**	**29,546**
–122	**3**	**29,762**	**–337**	**122**	**29,546**
0	0	1,350	0	–8	1,343
–38	–2	–38	0	0	–38
–38	**–2**	**1,313**	**0**	**–8**	**1,305**
0	0	99	77	0	176
0	0	–656	0	0	–656
0	0	–103	0	0	–103
–160	**1**	**30,415**	**–261**	**114**	**30,268**

Consolidated Cash Flow Statement

EUR thousand	Note	2019	2018
Cash flow from operating activities			
Earnings for the period before taxes		3,142	1,784
Adjusted for:			
Depreciation and amortization	8, 10, 11	2,464	2,092
Gains/losses on disposal of non-current assets		6	5
Other non-cash expenses/income		–47	–237
Financial income		–71	–44
Financial expenses	5.7	184	891
Changes in working capital:			
+/- Inventories		162	–18
+/- Receivables and other assets		269	1,156
+/- Liabilities		292	–850
+/- Contract liabilities		277	337
+/- Provisions		–46	161
Interest paid		–161	–236
Income taxes paid		–153	–443
Cash flow from operating activities		**6,318**	**4,597**
Cash flow from investing activities			
Purchase of intangible assets	8	–23	–17
Purchase of property, plant, and equipment	10	–827	–795
Purchase of companies, net of assumed cash	17	–550	–825
Purchase of long-term financial investments		0	–17
Proceeds from the disposal of property, plant, and equipment		2	5
Proceeds from the sale of financial investments		0	2,446
Interest received		8	25
Cash flow from investing activities		**–1,390**	**821**

EUR thousand	Note	**2019**	2018
Cash flow from financing activities			
Proceeds from share issues	16	176	0
Dividend payment	16	–656	–653
Payments for the repayment of financial loans	17	–1,767	–1,985
Payments for leases	11	–541	0
Cash flow from financing activities		**–2,787**	**–2,638**
Net change in cash and cash equivalents		2,140	2,779
Cash and cash equivalents at the beginning of the reporting period		6,960	4,180
Cash and cash equivalents at the end of the reporting period (liquid funds)		**9,102**	**6,960**

Notes to the Consolidated Financial Statements for the Fiscal Year 2019

1. INFORMATION ON THE PARENT COMPANY AND THE GROUP

The parent company Vita 34 AG (the "company") based in Leipzig (Germany), Deutscher Platz 5a, registered in the register court of the local court of Leipzig under HRB 20339, is a company whose corporate purpose is the collection, processing and storage of stem cells from umbilical cord blood and tissue, the development of cell therapeutic procedures and the implementation of projects in the field of biotechnology. Its subsidiaries (together with the company referred to as "Group") are also active in the field of storage of umbilical cord blood and tissue.

The declaration on the German Corporate Governance Code required by sec. 161 AktG 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 ending December 31, 2019 were approved for publication by the Management Board on March 22, 2020. Vita 34 AG is a limited liability stock corporation founded in Germany with its registered office in Germany, whose shares are admitted to public trading.

2. ACCOUNTING AND VALUATION PRINCIPLES

2.1 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Vita 34 AG have been prepared in accordance with the International Financial Reporting Standards (IFRS) valid on the balance sheet date, as applicable in the EU, and the supplementary provisions of German commercial law to be observed in accordance with sec. 315e para. 1 HGB. All IFRS binding for the fiscal year 2019 and the pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) were applied insofar as they were recognized by the European Union.

The consolidated financial statements of Vita 34 AG are generally prepared on the basis of continued acquisition costs in euro. This does not apply to financial assets measured at fair value. Unless otherwise stated, all values are rounded to the nearest thousand euro (EUR thousand).

2.2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of Vita 34 AG and its subsidiaries as of December 31 of each fiscal year. The financial statements of the subsidiaries are prepared using uniform accounting and valuation methods on the same balance sheet date as the financial statements of the company.

The subsidiaries over which the company exercises control are included in the consolidated financial statements. In particular, the Group controls an associated company if all of the following characteristics are met:

- executive power over the associated company (i.e., based on currently existing rights, the Group has the power to govern the activities of the associated company that have a significant effect on the associated company's return),
- a risk exposure from or entitlement to fluctuating returns from its investment in the associated company, and
- the ability to use its executive power over the associated company in such a way as to affect the performance of this company.

In addition to the parent company Vita 34 AG, the subsidiaries listed in note 26 were included in the Group's consolidation scope. In the fiscal year 2019, the subsidiary Seracell Stammzelltechnologie GmbH was merged with Seracell Pharma GmbH (formerly: Seracell Pharma AG).

2.3 CHANGES IN ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied correspond in principle to the methods used in the previous year. The Group applied IFRS 16 for the first time in the fiscal year 2019. The conversion effects for the Group resulting from the first-time application of IFRS 16 as of January 1, 2019 due to the change in accounting method, are described in this section.

Various other standards and amendments to standards were applied for the first time in 2019, which have no impact on the consolidated financial statements of Vita 34 AG. The Group has not applied any standards, amendments or interpretations early that have been published but have not yet come into force.

IFRS 16 Leases

The standard was published in January 2016 and is to be applied for the first time for fiscal years beginning on or after January 1, 2019. IFRS 16 replaces IAS 17 'Leases' and a number of lease-related interpretations. The standard requires lessees to recognize the right to use the leased asset and a corresponding lease liability for most leases. The lessee is no longer required to classify the leased asset as a finance lease or an operating lease as required by IAS 17.

Vita 34 applies IFRS 16 for the first time to the fiscal year beginning January 1, 2019 using the modified retrospective approach. The first-time application affects the leases of Vita 34 that were previously classified as operating leases. As part of the first-time application of IFRS 16, assets for the usage rights to leased assets in the amount of EUR 1,260 thousand and lease liabilities in the same amount were recognized as of January 1, 2019.

In accordance with the application facilitations of IFRS 16, the Group does not apply the new regulations to leases whose term ends within twelve months after the date of first-time application, nor to leases for assets of low value. The minimum lease payments from operating leases as of December 31, 2018 include rent-related obligations. These rent-related obligations were not taken into account when determining the lease liability.

Based on the operating lease obligations as of December 31, 2018, the reconciliation to the opening balance sheet value of the lease obligations as of January 1, 2019 was as follows:

EUR thousand	
Minimum lease payments from operating leases as of December 31, 2018	**2,327**
Non-leasing components	–791
Leases with provision in 2019	–180
Short-term leases	–10
Low-value leases	–35
Leasing obligations as of January 1, 2019 (undiscounted)	**1,311**
Discounting with the marginal borrowing rate as of January 1, 2019	–51
Leasing liability from first-time application of IFRS 16 as of January 1, 2019	**1,260**

The weighted average interest rate was 1.5%.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING AND VALUATION METHODS

Business combinations and goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at the fair value of the assets given at the acquisition date, and the non-controlling interest in the acquiree. Incidental acquisition costs are recognized as expenses within administrative expenses at the time they arise.

Non-controlling interests are measured at the proportionate fair value of the assets acquired and liabilities assumed. After initial recognition, gains and losses are allocated without limit in proportion to the interest held, which may also result in a negative balance for non-controlling interests.

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

Goodwill is initially measured at cost, which is the excess of the consideration transferred over the Group's interest in the identifiable assets acquired and liabilities assumed. In the case of an acquisition at a price below fair value, the resulting gain is reported under other operating income. Before recognizing a gain on an acquisition at less than fair value, a further assessment is made to ensure that all assets acquired and liabilities assumed 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 each of the Group's cash-generating units that are expected to benefit from the business combination, irrespective of whether other assets or liabilities acquired are assigned to those units. This applies regardless of whether other assets or liabilities of the acquired company are allocated to these cash-generating units.

For goodwill, the Group determines at each balance sheet date whether there are any indications of impairment of goodwill. Goodwill is tested for impairment at least once a year. A review is also carried out if events or circumstances indicate that the value could be impaired. Impairment is determined by calculating the recoverable amount of the cash-generating unit to which the goodwill was allocated. If the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment loss is recognized. An impairment loss recognized for goodwill may not be reversed in subsequent reporting periods.

Measurement of fair value

All assets and liabilities for which fair value is disclosed in the financial statements are classified in the fair value hierarchy described below, based on the lowest level input parameter that is significant to fair value measurement overall:

a. Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities

b. Level 2 – Measurement procedures where the lowest level input parameter that is significant for fair value observation as a whole is directly or indirectly observable in the market

c. Level 3 – Measurement procedures where the input parameter of the lowest level that is significant for observation at fair value overall is not observable in the market

For assets and liabilities recognized on a recurring basis in the financial statements, the Group determines whether reclassifications between levels in the hierarchy have occurred by reviewing the classification (based on the lowest level input parameter that is significant to the fair value observation overall) at the end of each reporting period.

Research and development costs
Research costs are recognized as expenses in the period in which they are incurred. Development costs incurred as part of an individual project are recognized as assets if they meet the recognition criteria of IAS 38.

After initial recognition, development costs are carried at cost less accumulated amortization and accumulated impairment losses. Amortization begins when the development phase is completed and from the date on which the asset can be used. It is recognized over the period over which future benefits are expected and is included in cost of sales. During the development phase, an annual impairment test is carried out.

Intangible assets
Separately acquired intangible assets that are not acquired as part of a business combination are measured at acquisition cost upon initial recognition. The acquisition costs of intangible assets acquired as part of a business combination correspond to their fair value at the time of acquisition. After initial recognition, intangible assets are carried at acquisition cost, minus any accumulated amortization and any accumulated impairment losses.

Intangible assets with finite useful lives are amortized over their economic lives 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 least at the end of each fiscal year. If the expected useful life of the asset or the expected pattern of amortization of the asset has changed, a different amortization period or method is selected. Such changes are treated as changes in an accounting estimate. Amortization on intangible assets with finite useful lives is recognized in the income statement under the expense category consistent with the function of the intangible asset.

The accounting policies applied to the Group's intangible assets (excluding goodwill) are summarized below:

	Development costs	Patents and licences	Contracts acquired	Customer relationships and brand names
Useful life	Finite useful life, amortization over the expected product life cycle	Finite useful life, amortization over the expected useful life of 5 to 15 years	Finite useful life, amortization over the expected contract period of 23 to 28 years	Finite useful life, amortization over the expected period of 4 to 5 years
Amortization method used	Amortization is calculated using the straight-line method over the expected useful life			
Internally created or acquired	Internally created	Acquired	Acquired	Acquired

Gains or losses arising from derecognition of intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period in which the item is derecognized.

Property, plant and equipment
Property, plant and equipment not acquired in a business combination is carried at acquisition or production costs less accumulated scheduled depreciation. The acquisition costs of property, plant and equipment acquired in a business combination correspond to their fair value at the time of acquisition. Scheduled straight-line depreciation is based on the estimated useful lives of the assets.

Useful life of the assets

	Useful life
Laboratory equipment	5 to 14 years
Cryotanks and accessories	40 years
Office and business equipment	3 to 13 years

The carrying amounts of property, plant and equipment are tested for impairment whenever there is an indication that the carrying amount of an asset may exceed its recoverable amount.

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

Impairment of non-financial assets
The Group assesses at each balance sheet date whether there are any indications that an asset may be impaired. If any such indication exists, or if annual impairment testing for an asset is required, the Group makes an estimate of recoverable amount. 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 less costs to sell and its value in use. The recoverable amount is determined for each individual asset, unless an asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and written down to its recoverable amount. To determine the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market expectations regarding the interest effect and the specific risks of the asset. An appropriate valuation model is used to determine fair value less costs to sell. This is based on valuation multiples, stock exchange prices of exchange-traded shares in companies or other available indicators of fair value. Impairment losses of continuing operations are recognized in the expense categories consistent with the function of the impaired asset.

For assets other than goodwill, an assessment is made at each balance sheet date as to whether there is any indication that an impairment loss recognized in prior periods may no longer exist or may have decreased. If such an indicator exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognized. If this is the case, the carrying amount of the asset must be increased to its recoverable amount. This increased carrying amount may not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

After a reversal of an impairment loss, the depreciation charge shall be adjusted in future periods to allocate the asset's revised carrying amount, less any residual carrying amount, on a systematic basis over its remaining useful life.

Financial assets
<u>Initial recognition and measurement of financial assets</u>
In accordance with IFRS 9, financial assets are classified in the following measurement categories:

1. Financial assets at amortized cost (debt instruments)

2. Financial assets at fair value through other comprehensive income (debt instruments)

3. Financial assets at fair value through profit or loss

4. Financial assets at fair value through other comprehensive income (equity instruments)

The classification of financial assets upon initial recognition depends on the characteristics of the cash flow conditions and the business model conditions of the financial asset. When financial assets are recognized for the first time, they are measured at fair value. In the case of financial assets that are not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset are also included. The Group determines the classification of its financial assets upon initial recognition and reviews this classification at the end of each reporting period to the extent permissible and appropriate.

Regular way purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which an asset is delivered to or by the company. Regular way purchases or sales are purchases or sales of financial assets that require delivery of the assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement of financial assets

1. Financial assets at amortized cost (debt instruments)

The Group classifies financial assets in this category if the following conditions are met:

- The financial asset is held as part of the Group's business model to collect the contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortized cost are measured using the effective interest method and are assessed for impairment. Non-current non-interest-bearing receivables are discounted at a market interest rate equivalent to the term. Gains and losses from financial assets at amortized cost are recognized in the income statement.

Financial assets at amortized cost mainly comprise trade receivables.

2. Financial assets measured at fair value through other comprehensive income (debt instruments)

The Group classifies financial assets in this category if the following conditions are met:

- The financial asset is held within the scope of the Group's business model both to collect the contractual cash flows and to sell financial assets and
- The contractual terms of the financial asset give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding.

Gains and losses on financial assets measured at fair value through other comprehensive income are recognized in other comprehensive income. This does not include impairment losses and income, interest from the application of the effective interest method and gains and losses from currency translation. If the financial asset is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified to the income statement.

Financial assets from debt instruments measured at fair value through other comprehensive income include investments in securities, which are reported under non-current assets.

3. Financial assets measured at fair value through other comprehensive income (equity instruments)

On initial recognition, the Group may elect to irrevocably classify its investments as investments measured at fair value through through other comprehensive income if they meet the definition of equity under IAS 32 and are not held for trading purposes. The classification is made individually for each instrument.

Gains and losses on such financial assets are recognized in other comprehensive income and are not subsequently transferred to the income statement.

Financial assets from equity instruments measured at fair value through other comprehensive income include shares in the other investments listed in Note 26.

4. Financial assets measured at fair value through profit or loss

Financial assets in this category comprise financial assets held for trading, financial assets that are measured at fair value upon initial recognition through profit or loss, or financial assets that must be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of sale or repurchase in the near future. Derivatives, including separate embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified irrespective of the business model and measured at fair value through profit or loss. Notwithstanding the criteria for classifying debt instruments at amortized cost or at fair value through OCI as described above, debt instruments may be designated at fair value through profit or loss upon initial recognition if this eliminates or significantly reduces an accounting mismatch.

Financial assets in this category are carried at fair value on the balance sheet, with net changes in fair value recognized in the income statement.

The Group does not hold any such financial assets.

Derecognition of financial assets
A financial asset is derecognized when the right to receive cash flows from the financial asset expires or the financial asset is transferred.

Impairment of financial assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments that are not carried at fair value through profit or loss. ECLs are based on the difference between the agreed cash flows under the respective contract and the discounted expected cash flows.

ECLs are determined in two stages. For credit risks that have not increased significantly since initial recognition, ECLs are established for credit losses resulting from default events that are possible within the next twelve months (12-month ECL). For credit risks that have increased significantly since initial recognition, an allowance for expected credit losses is established over the remaining life of the exposure, regardless of the time of default (lifetime ECL).

For trade receivables, the Group uses a simplified approach to calculate ECLs. Therefore, the Group does not track changes in credit risk, but establishes an allowance for expected credit losses based on lifetime ECLs at each balance sheet date. The Group has established an allowance matrix based on its historical credit risk experience, adjusted for forward-looking factors specific to debtors and the economic environment.

For debt instruments measured at fair value through other comprehensive income, the Group applies the simplified method for assessing credit risk. At each reporting date, the Group assesses whether the debt instrument has a low credit risk taking into account all reasonable and supportable information available without undue effort or expense. In making this assessment, the Group re-evaluates the internal credit quality of the debt instrument. In addition, the Group believes that credit risk is significantly increased if contractual payments are more than 30 days past due.

Financial Liabilities

Initial recognition and measurement of financial liabilities
All financial liabilities are initially recognized at fair value and in the case of loans and liabilities, less directly attributable transaction costs.

The Group's financial liabilities include trade and other payables as well as loans and borrowings.

Subsequent measurement of financial liabilities
The measurement of financial liabilities depends on their classification as described below:

- Interest-bearing loans

This is the most relevant category for the Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized and as part of the amortization process of the effective interest method.

Amortized cost is calculated taking into account any discount or premium on the purchase and any fees or costs that are an integral part of the effective interest rate. The amortization of the effective interest method is recognized in the income statement as finance costs.

This category generally applies to interest-bearing loans and borrowings. Further information is provided in note 17.

- Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of short-term repurchase. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedging relationships as defined by IFRS 9. Separate embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the income statement. Financial liabilities designated upon initial recognition as at fair value through profit or loss are classified as such upon initial recognition and only if the criteria of IFRS 9 are met.

The Group has not classified any financial liabilities as at fair value through profit or loss.

Derecognition of financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the respective carrying amounts is recognized in the income statement.

Treasury shares
If the Group acquires treasury shares, these are recognized at acquisition costs and deducted from equity. The purchase, sale, issue or cancellation of treasury shares is 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 or net realizable value.

In addition to production materials and wages, the cost of work in progress also includes appropriate portions of production overheads and depreciation to the extent attributable to production. Administrative and selling costs and interest were not included.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash on hand, bank balances and short-term deposits with original maturities of three months or less. Restricted cash is reported separately.

For the purposes of the cash flow statement, cash and cash equivalents include cash and short-term deposits as defined above.

Provisions

A provision is 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 recognized as a liability to be reimbursed, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to the formation of the provision is shown in the income statement after deduction of the reimbursement. If the effect of the time value of money is material, provisions are discounted at a pre-tax rate that reflects the risks specific to the liability. Where discounting is used, the increase in provisions due to the passage of time is recognized as interest expense.

Legal disputes are often based on complex legal issues and involve considerable uncertainty. Accordingly, the assessment as to whether a present obligation as of the balance sheet date probably exists as a result of a past event, whether a future outflow of resources is probable and whether the amount of the obligation can be reliably estimated is based on considerable discretion. The assessment is usually made with the involvement of external lawyers. It may become necessary to set up a provision for an ongoing proceeding due to new developments or to adjust the amount of an existing provision. In addition, the outcome of proceedings for Vita 34 may result in expenses that exceed the provision set up for the case.

Pensions

As part of a business combination in 2012, the company assumed a pension agreement and the related reinsurance policies. For this pension obligation, the company has made contributions to an insurance company. The amount of the pension obligation is determined using the actuarial projected unit credit method. The company recognizes the full amount of actuarial gains and losses in other comprehensive income in the reporting period in which they occur. Actuarial gains and losses are immediately transferred to retained earnings and are not reclassified as income in subsequent years.

The amount to be recognized as a liability from a defined benefit plan includes the present value of the defined benefit obligation (using a discount rate based on senior fixed-interest corporate bonds; see note 19) and the fair value of plan assets available for the direct settlement of obligations. Plan assets include qualifying insurance policies. The plan assets are protected against access by creditors of the Group and cannot be paid directly to the Group. The fair value is based on information about the market price. The value of a recognized asset of the defined benefit plan generally corresponds to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. As the plan assets include a qualifying insurance contract that precisely covers all promised benefits in terms of their amount and maturity, the recognition of plan assets is limited to the present value of the obligations covered.

Leases
When concluding an agreement, the Group assesses whether the agreement contains a lease, i.e. the right to use an identified asset for a certain period of time in return for payment. For all leases, the Group records assets for the rights to use the leased assets and liabilities for the payment obligations resulting from the leases. Exceptions to this are short-term leases and leases for assets of low value, for which payments are recognized as expenses in the income statement on a straight-line basis in accordance with the application of the facilitations provided by IFRS 16.

Rights of use of assets
The Group recognizes rights of use under leases from the date on which the asset in question is available for use. Rights of use are measured at amortized cost less accumulated depreciation and impairment losses. Changes resulting from the revaluation of lease liabilities are reflected in the carrying amount of the right of use. The cost of acquisition includes the value of the recognized lease liability plus lease payments made before the asset is made available for use, initial direct costs and asset retirement obligations less lease incentives received. Rights of use are amortized on a straight-line basis over the lease term.

Lease liabilities
The Group recognizes lease liabilities from the date on which the asset is available for use. The lease liability is measured at the present value of the lease payments to be made over the term of the contract.

Lease payments include:

- fixed payments minus lease incentives payable by the lessor,
- variable payments,
- expected payments from residual value guarantees,
- the exercise price of a call option (if exercise was deemed sufficiently certain), and
- contractual penalties in the event of termination of a lease.

Lease payments are discounted at the interest rate on which the lease is based, if determinable. Otherwise, they are discounted at the marginal borrowing rate.

Insofar as leases contain extension or termination options, changes in the term of these options are only taken into account if the exercise or non-exercise of such options is sufficiently certain.

The carrying amount of a lease liability is remeasured if there is a change in the lease (e.g. with regard to the amount of the lease payments or the term of the lease).

Revenue from contracts with customers
The Group generates revenue from the provision of services. The Group recognizes revenue when it fulfils a performance obligation by transferring a promised good or service to a customer.

The production and storage of stem cell deposits represent the major part of the services provided by the Group. As part of the services provided, these are either sold individually to the customer and the storage is invoiced annually (“annual payer contracts”) or they are sold in a package with a contractually agreed duration of storage of the stem cell deposit (“prepayment contracts”). Both the creation and the storage of stem cell deposits constitute separate service obligations. In the case of the individual sale of the services, the transaction price can be clearly allocated to the service obligation. In the event of a sale of the two services in a package to the customer, the transaction price is allocated to the service obligations on the basis of the relative individual sale prices. Revenue from the production of the stem cell deposit is recognized when the process of collecting, preparing and storing the stem cells is completed. Revenue from the storage of stem cell deposits is recognized over the contractually agreed storage period. The allocation of discounts granted at the level of individual contracts is made in the service obligation “creation of stem cell deposits”.

In the case of prepayment contracts, the Group receives prepayments from customers for the storage of stem cell deposits over a period of several years. The customer prepayments received are deferred and reported in the balance sheet item contract liabilities. Invoices to customers are issued in accordance with the contractual terms and conditions and usually provide for payment within 30 days of invoicing.

Government grants and subsidies
Government grants are recognized when there is reasonable assurance that the grants will be received and the company will comply with the conditions attached to them. In the case of expense-related grants, these are recognized as income over the period necessary to match them with the related expenses they are intended to compensate. If the grant relates to an asset, it is recognized as deferred income and released to income on a straight-line basis over the expected useful life of the asset concerned.

Taxes
Actual tax refund claims and tax 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 calculation of the amount is based on the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred taxes
Deferred taxes are recognized using the balance sheet liability method for all temporary differences between the carrying amount of an asset or liability in the balance sheet and its tax base at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences, unused tax loss carryforwards and unused tax credits to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the unused tax loss carryforwards and tax credits can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available against which the deferred tax asset can be at least partially utilized. Unrecognized deferred tax assets are reviewed on each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled. This is based on the tax rates (and tax regulations) that are valid on the balance sheet date or will be valid shortly.

Value added tax
Revenues, expenses and assets are recognized net of value-added tax. There are the following exceptions:

- If the value added tax incurred on the purchase of goods or services cannot be claimed by the tax authorities, the sales tax is recognized as part of the cost of the asset or as part of the expenses.

- Receivables and liabilities are recognized together with the amount of value added tax included therein.

The amount of value added tax refunded by or paid to the tax authorities is recognized in the balance sheet under receivables or liabilities.

2.5 SIGNIFICANT ESTIMATES AND ASSUMPTIONS

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

Impairment test of goodwill
Goodwill acquired in the course of business combinations was allocated to the cash-generating units “stem cell banking - Germany” and “Spain” for the purpose of impairment testing.

The recoverable amount of each cash-generating unit is determined based on a value-in-use calculation using cash flow projections based on financial budgets prepared by management for a three-year period and approved by the Supervisory Board. The recoverable amount is heavily dependent on the discount rate used in the discounted cash flow method and the expected future cash inflows. The basic assumptions for determining the recoverable amount, including a sensitivity analysis, are explained in note 9.

Treatment of deferred tax assets
Deferred taxes on loss carryforwards by Novel Pharma S.L. were not capitalized. This company is a pure holding company, for which no sufficient taxable income can be expected in the future based on current tax circumstances.

Deferred taxes were capitalized on the loss carryforwards of Group companies existing as of the balance sheet date, provided that it can be assumed according to the planning calculations that the loss carryforwards will be utilized. Deferred tax assets for differences between the tax balance sheet values and the IFRS balance sheet values of the respective companies were offset against deferred tax liabilities. In the event of a surplus of deferred tax assets, these were capitalized if it is considered probable that taxable income will be available for this purpose.

We refer to the explanations in note 6 “income taxes”.

Revenue from contracts with customers
<u>Breakdown of the transaction price for pre-payment contracts</u>
Both the production and storage of stem cell deposits constitute separate performance obligations. In the case of prepayment contracts, both services are sold to the customer as a package. The allocation of the transaction price to the service obligations is based on the relative individual sales prices.

The Group concludes that the determination of the relative individual sales prices on the basis of the “expected cost plus a margin approach” is the most appropriate method for their determination. Both performance commitments are allocated the same relative margin in relation to the respective cost of production. The production costs for the multi-year benefit obligation for the storage of stem cell deposits are determined on the basis of expected cost and inflation developments.

<u>Existence of a financing component for prepayment contracts</u>
In the case of prepayment agreements, the Group receives prepayments from the customer for the storage of stem cell deposits over a period of several years. With regard to the nature of the service offered, the Group notes that the payment terms were designed for reasons other than the provision of financing to the Group.

The Group therefore concludes that the prepayments made do not contain a financing component.

<u>Revenue recognition for annual payer contracts with multi-year contract terms</u>
The Group offers annual payer contracts, which include a minimum contract period of several years in relation to the service obligation storage of the stem cell deposit. The transaction price for this contract is determined taking into account all payments to be made by the customer during the contract period.

The Group believes that a significant financing component exists for these contracts. Therefore, for payments due in more than one year, an adjustment is made for the time value of money. The allocation of the transaction price to the performance obligations is similar to the allocation of the transaction price for prepayment contracts.

Leases

Determination of the term of a lease with an extension option

The Group determines the term of the lease as the non-cancellable term of the lease and all periods covered by an option to extend the lease if exercise is reasonably certain.

The Group has several leases that include renewal options. The Group makes an assessment as to whether it is reasonably certain that the lease renewal option will be exercised.

Determination of the marginal borrowing rate

The Group is regularly unable to determine the implicit interest rate of a lease. In these cases the lease liability is measured at the marginal interest rate. This is the interest rate that the Group would pay under similar economic conditions for a loan – with a similar term and collateralization – to acquire an asset with a similar value as the right to use the leased asset.

The Group determines the incremental borrowing rate using observable data such as market interest rates, taking into account company-specific adjustments.

Treatment of grants for development projects

Income from publicly subsidised development projects is recognized as income at the time when the corresponding eligible expenses are incurred by the company. Recognition of income requires a notice of subsidy from the public funding authorities.

Recording income at the time when the eligible expenses are incurred ensures that expenses and income are presented in the consolidated financial statements on an accrual basis.

2.6 NEW ACCOUNTING STANDARDS

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have adopted further standards, interpretations and amendments to standards that are not yet mandatory for the fiscal year 2019 and have not yet been applied to these consolidated financial statements. From today's perspective, the standards and interpretations that have already been published but have not yet come into force do not have any material impact on the Group's net assets, financial position and results of operations.

3. SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

Minority shareholders hold interests in the following company:

	Share of equity / voting rights	
Name, registered office	**2019** in %	2018 in %
Secuvita S.L., Madrid, Spain	12.0	12.0

Minority interests in significant subsidiaries are composed as follows:

	Share of equity / voting rights	
EUR thousand	**2019**	2018
Secuvita S.L., Madrid, Spain	114	122

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

	Secuvita S.L., Madrid, Spain	
EUR thousand	**2019**	2018
Non-current assets	6,472	6,469
Current assets	2,861	2,679
Non-current liabilities	3,811	3,665
Current liabilities	3,043	3,038
Net assets	2,480	2,446
Sales revenue	2,778	2,501
Result for the period	–63	37
Comprehensive income	–63	37
Result attributable to non-controlling interests	–8	4

4. SEGMENT REPORTING

4.1 INFORMATION ON BUSINESS SEGMENTS

In fiscal year 2019, the Group continues to have only the reportable segment “stem cell banking”, which is active in the collection, processing and storage of stem cells from umbilical cord blood and tissue as well as the development of cell therapeutic procedures.

4.2 INFORMATION ON GEOGRAPHICAL AREAS

The following tables contain information on revenue and non-current assets in accordance with IFRS 8.33 (a) and (b) by geographical area of the Group’s operations for the fiscal years 2019 and 2018:

Revenue from transactions with external customers in accordance with IFRS 8.33 (a)

EUR thousand	**2019**	2018
Domestic	14,114	13,975
Spain	2,778	2,501
Other foreign countries	3,355	3,933
Group	**20,247**	**20,409**

Sales revenues are allocated on the basis of the location of the customer.

Non-current assets according to IFRS 8.33 (b)

EUR thousand	**2019**	2018
Domestic	37,838	36,908
Spain	4,513	4,588
Denmark	4,607	4,894
Other foreign countries	1,152	1,181
Group	**48,110**	**47,571**

5. SALES REVENUES, OTHER INCOME, AND EXPENSES

5.1 REVENUE FROM CONTRACTS WITH CUSTOMERS

The sales revenues reported in the income statement for continuing operations are broken down by type of service provided as follows:

EUR thousand	**2019**	2018
Revenue processing/production	14,923	15,278
Revenue from storage	5,298	5,025
Other revenue	26	107
	20,247	**20,409**

In the year under review, the income from the clinic business reported in the previous year at other revenue was allocated to "revenue processing/production" or "revenue from storage" according to the type of service provided. The previous year's figures have been adjusted accordingly.

5.2 COST OF SALES

The cost of sales reported in the income statement includes the following expenses:

EUR thousand	**2019**	2018
Cost of materials	1,115	1,125
External services	2,200	2,273
Personnel expenses	1,705	2,156
Depreciation and amortization	1,743	1,608
Premises costs	228	555
Other expenses	643	718
	7,635	**8,435**

As a result of the first-time application of IFRS 16 from the fiscal year 2019, expenses for the rental of company premises are no longer included in the premises costs, as the rights of use for the company premises are capitalized. Depreciation on these premises, which will be incurred for the first time in the fiscal year 2019, is included in the depreciation and amortization line.

5.3 OTHER OPERATING INCOME

The other operating income reported in the income statement is composed as follows:

EUR thousand	**2019**	2018
Government grants	197	78
Income from the derecognition of accrued liabilities	44	355
Income from damage compensation	4	0
Miscellaneous other income	299	283
	544	**716**

Government grants mainly relate to subsidies for research and development. There are no unfulfilled conditions or other uncertainties in connection with the government grants.

Income from the derecognition of accrued liabilities mainly comprises the derecognition of financial obligations from trade accounts payable accrued in the previous year, from which the Group received less than expected in the reporting year.

5.4 MARKETING AN SELLING EXPENSES

The selling expenses reported in the income statement are composed as follows:

EUR thousand	**2019**	2018
Personnel expenses	1,753	1,657
Amortization	382	295
Expenses for marketing measures	2,183	2,114
Other expenses	584	859
	4,902	**4,925**

Other expenses mainly include sales-related occupancy costs, insurance costs and consulting costs.

5.5 ADMINISTRATIVE EXPENSES

The administrative expenses reported in the income statement comprise the following components:

EUR thousand	**2019**	2018
Personnel expenses	2,301	2,437
Amortization	339	189
Legal, consultancy and audit costs	604	639
Other expenses	1,442	1,540
	4,686	**4,805**

Administrative expenses include research and development expenses of EUR 486 thousand (previous year: EUR 470 thousand).

5.6 OTHER OPERATING EXPENSES

The other operating expenses reported in the income statement are composed as follows:

EUR thousand	**2019**	2018
Loss of receivables	250	96
Miscellaneous other expenses	36	233
	285	**329**

The losses of receivables result from the recognition of valuation allowances for trade receivables. Miscellaneous other expenses in the previous year mainly include expenses in connection with the termination of active sales activities in the Danish market.

5.7 FINANCIAL EXPENSES

The financial expenses reported in the income statement are composed as follows:

EUR thousand	**2019**	2018
Loans and overdrafts	160	193
Fees for silent partnerships	0	33
Interest expense for leases	20	0
Other interest expense	3	20
Realized losses from financial assets	27	645
	211	**891**

The losses from financial assets in the previous year are mainly due to the valuation adjustment made on a loan granted to Vita 34 Slovakia.

5.8 EXPENSES FOR EMPLOYEE BENEFITS PURSUANT TO SEC. 314 PARA. 1 NO. 4 HGB

The expenses for employee benefits are made up as follows:

EUR thousand	**2019**	2018
Wages and salaries	4,780	5,245
Social security contributions	928	956
Expenditure for pension provision	51	49
	5,760	**6,250**

Employer contributions to the statutory pension scheme are classified as benefits under a defined contribution plan and are therefore recognized in full as an expense.

The annual average number of employees in the Group is broken down as follows:

Number	**2019**	2018
Employees	115	125
Trainees / interns	3	4
	118	**129**

The reduction in the number of employees is related to the termination of active sales activities in the Danish market.

6. INCOME TAXES

The main components of income tax expense for the fiscal years 2019 and 2018 are as follows:

EUR thousand	2019	2018
Consolidated income statement		
Actual income taxes		
Actual income tax expense	669	663
Adjustment of income taxes accrued in previous years	695	0
Deferred income taxes		
Deferred taxes on the creation and reversal of temporary differences	–390	–609
Deferred taxes on loss carryforwards	825	898
Income tax expense	**1,799**	**952**
Consolidated statement of comprehensive income		
Unrealized loss on available-for-sale financial assets	1	2
Profit from the revaluation of actuarial gains and losses	–18	0
Income taxes recognized directly in equity	**–17**	**2**

In the fiscal year 2019, a one-off tax expense is to be recorded due to the expected outcome of a tax lawsuit between Vita 34 and the Leipzig tax office. The starting point of the tax law dispute was a change in the tax office's assessment of the tax return of Vita 34 AG, which resulted in a reduction of the tax loss carryforward of EUR 2.6 million as of December 31, 2006. Vita 34 AG has filed a complaint against this assessment. In fiscal year 2017, the tax court dispute was decided in favor of Vita 34 AG. The tax authorities have appealed against the ruling. As a result of the verbal negotiations before the BFH (Federal Fiscal Court), the Management Board must now assume that Vita 34 AG will lose in the lawsuit. As a result of the changed assessment of the Management Board, receivables in the amount of EUR 650 thousand from taxes already paid will be written off. There will be no outflow of liquidity, as the taxes have already been paid in the past.

The income tax receivables reported in the balance sheet relate to refund claims for overpaid taxes and tax prepayments.

The reconciliation between the income tax expense and the product of the net profit for the period shown in the balance sheet and the applicable tax rate for the Group for the fiscal years 2019 and 2018 is as follows:

EUR thousand	**2019**	2018
Earnings before income taxes	**3,142**	**1,784**
Income tax expense (-) or income (+) at the tax rate of the Group of 31.5% (2018: 30.5%)	–990	–548
Adjustments, as the results of Novel Pharma S.L. did not result in a lead to income tax burden	2	4
Adjustment due to tax-free income	16	11
Adjustment for non-deductible expenses	–107	–250
Elimination of tax loss carryforwards	0	–59
Unrecognized deferred tax assets on loss carryforwards	–20	–34
Income taxes for previous years	–686	0
Differences from tax rate differences	–15	–77
Income tax expense	**–1,799**	**–952**

The change in the Group tax rate results from a higher weighting of companies in Germany when determining the Group tax rate due to higher profit contributions.

Deferred income taxes are comprised of the following as of the balance sheet date:

	Consolidated balance sheet		Consolidated income statement	
EUR thousand	**2019**	2018	**2019**	2018
Deferred taxes on temporary differences				
Intangible assets	–4,955	–5,325	370	412
Property, plant and equipment	–238	–152	–86	–55
Trade receivables	34	47	–13	–15
Other non-current assets	–73	–111	39	0
Current assets	300	0	300	0
Pension obligations	18	0	0	0
Interest-bearing loans	–14	–17	3	3
Contract liabilities	–1,616	–1,417	–199	132
Leases	3	0	3	0
Other liabilities	–154	–127	–27	132
	–6,695	**–7,102**	**390**	**609**
Tax loss carryforwards	**1,867**	**2,796**	**–825**	**–898**
Deferred tax liabilities	**–4,828**	**–4,306**		
Deferred income tax expense			**–435**	**–289**

In the fiscal year 2019, tax loss carryforwards at one subsidiary were adjusted for fiscal years prior to the affiliation of the company concerned to the Group. As the relevant deferred taxes were formed in prior periods outside the income statement, the carrying amount of the deferred tax liabilities was also adjusted outside the income statement. The adjustment of the tax loss carryforwards resulted in an increase in deferred tax liabilities of EUR 103 thousand and was recorded in the company's revenue reserves.

The loss carryforwards of Group companies developed as follows:

Name	Registered office	Income tax rate	**2019 EUR thousand**	2018 EUR thousand
Seracell Pharma GmbH	Germany	32 %	1,063	3,481
Vita 34 ApS	Denmark	22 %	3,312	3,698
Secuvita S.L.	Spain	25 %	3,433	3,824

Any existing income tax loss carryforwards in Germany, Denmark and Spain are available to the Group without limitation for offsetting against future taxable income of the respective company. Deferred taxes on these tax loss carryforwards were capitalized if it is assumed according to the planning calculation that the loss carryforwards will be utilized. No deferred tax assets were recognized for tax loss carryforwards in the amount of EUR 61 thousand.

Novel Pharma S.L., Spain, has tax loss carryforwards that are available to the Group for offset against future taxable income of Novel Pharma S.L. However, no deferred tax assets were recognized for these losses, as these losses may not be used for offsetting against the taxable income of other Group companies and they arose at an intermediate holding company that generally does not generate positive taxable income. Their usability is only possible under certain conditions, the fulfilment of which, however, cannot currently be assessed as probable.

7. EARNINGS PER SHARE

Undiluted/diluted earnings per share
In calculating the undiluted/diluted earnings per share, the profit attributable to the holders of ordinary shares of the parent company is divided by the weighted average number of ordinary shares in circulation during the year.

Undiluted/diluted earnings per share are calculated as follows:

EUR thousand	**2019**	2018
Profit/loss from continuing operations	1,343	832
Less: portion attributable to non-controlling interests	8	–4
Result from continuing operations attributable to shareholders of Vita 34 AG	**1,350**	**828**
Number of shares outstanding (weighted average)	4,098,153	4,084,052
Earnings per share (EUR)	**0.33**	**0.20**

8. INTANGIBLE ASSETS

The intangible assets developed as follows:

Overview of intangible assets as of December 31, 2019

EUR thousand	Development costs	Patents and licenses	Acquired contracts	Customer relationships and brand names	**Total**
Acquisition costs as of January 1, 2019	528	3,820	23,618	1,996	29,962
Additions	0	23	0	0	23
Disposals	–46	–21	0	0	–67
Exchange rate differences	0	0	–3	0	–3
Acquisition costs as of December 31, 2019	**482**	**3,822**	**23,615**	**1,996**	**29,915**
Accumulated amortization and impairments as of January 1, 2019	51	3,497	5,733	691	9,972
Amortization of the fiscal year	47	133	845	460	1,485
Disposals	–46	–21	0	0	–67
Impairments	0	0	0	0	0
Exchange rate differences	0	0	–1	0	–1
Accumulated amortization and impairments as of December 31, 2019	**52**	**3,610**	**6,577**	**1,151**	**11,390**
Carrying amount as of January 1, 2019	477	323	17,885	1,305	19,990
Carrying amount as of December 31, 2019	**430**	**213**	**17,037**	**845**	**18,525**

Overview of intangible assets as of December 31, 2018

EUR thousand	Development costs	Patents and licenses	Acquired contracts	Customer relationships and brand names	**Total**
Acquisition costs as of January 1, 2019	502	3,869	23,732	1,996	30,099
Additions	26	17	0	0	43
Disposals	0	–66	–97	0	–164
Exchange rate differences	0	0	–17	0	–17
Acquisition costs as of December 31, 2018	**528**	**3,820**	**23,618**	**1,996**	**29,962**
Accumulated amortization and impairments as of January 1, 2019	4	3,362	4,967	230	8,564
Amortization of the fiscal year	47	201	865	460	1,574
Disposals	0	–66	–97	0	–164
Exchange rate differences	0	0	–2	0	–2
Accumulated amortization and impairments as of December 31, 2018	**51**	**3,497**	**5,733**	**691**	**9,972**
Carrying amount as of January 1, 2018	498	507	18,765	1,766	21,536
Carrying amount as of December 31, 2018	**477**	**323**	**17,885**	**1,305**	**19,990**

The acquired contracts as well as the customer relationships and brand names include the following significant assets as of December 31, 2019:

EUR thousand	Carrying amount	Remaining useful life
Acquired storage contracts Secuvita	3,364	16 years
Acquired storage contracts Vita 34 ApS	4,607	21 years
Acquired storage contracts Vivocell	1,121	20 years
Acquired storage contracts Seracell	7,931	23 to 26 years
Trademark rights Seracell	198	2 years
Customer relations Seracell	647	2 to 5 years

9. GOODWILL

EUR thousand	**2019**	2018
Acquisition costs as of Jan. 1	18,323	18,323
Acquisition costs as of Dec. 31	**18,323**	**18,323**
Accumulated impairments as of Jan. 1	0	0
Accumulated impairments as of Dec. 31	**0**	**0**
Carrying amount as of Jan. 1	18,323	18,323
Carrying amount as of Dec. 31	**18,323**	**18,323**

Goodwill acquired in business combinations was allocated to cash-generating units for impairment testing as follows:

EUR thousand	**2019**	2018
Stem cell banking Germany	17,731	17,731
Spain	592	592
	18,323	**18,323**

The Group conducted its annual impairment test in the fourth quarter of fiscal year 2019. The Group considers, among other factors, the relationship between market capitalization and carrying amount in assessing whether there is any indication of impairment. The recoverable amounts based on the impairment test exceeded the carrying amounts for the cash-generating units.

Cash-generating unit “stem cell banking - Germany”
The recoverable amount of the cash-generating unit “stem cell banking - Germany” is determined on the basis of a value-in-use calculation using cash flow forecasts updated compared to the previous year, which are based on financial plans prepared by the management for a period of three years and approved by the Supervisory Board. The discount rate used for the cash flow forecasts for the “stem cell banking - Germany” segment is 7.7% before taxes (previous year: 9.8%). Cash flows beyond the three-year period are extrapolated using a growth rate of 1%.

Cash-generating unit “Spain”
The recoverable amount of the cash-generating unit “Spain” is also determined based on a value-in-use calculation using cash flow projections based on financial budgets prepared by management for a three-year period and approved by the Supervisory Board. The discount rate used for the cash flow forecasts is 9.9% before taxes (previous year: 12.1%). Cash flows beyond the three-year period are extrapolated using a growth rate of 1%.

Basic assumptions for the calculation of the value in use of the business units as of December 31, 2019 and December 31, 2018
The basic assumptions on which management has based its cash flow projections for the impairment test of goodwill are explained below.

Budgeted gross profit margins – Gross profit margins are determined on the basis of the average gross profit margins achieved in the immediately preceding fiscal year for newly concluded contracts.

Discount rates – The discount rates reflect management’s estimates of the specific risks associated with each cash-generating unit. This represents the benchmark used by management to assess operating performance and to evaluate future investment projects. The starting point for the derivation of the capitalization rate is a risk-free interest rate with additional consideration of a market risk premium, a country-specific risk surcharge and a company-specific beta factor.

Sensitivity of the assumptions made
In the context of a sensitivity analysis for the cash-generating units, a reduction in the planned gross profit margins by one percentage point or an increase in the discount rates (after taxes) by one percentage point was assumed. On this basis, there is no impairment requirement for the cash-generating units.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment developed as follows:

Overview of tangible assets as of December 31, 2019

EUR thousand	Land and buildings	Technical equipment	Operating equipment	**Total**
Acquisition costs as of January 1, 2019	306	8,354	2,006	10,667
Additions	0	779	48	827
Disposals	0	–157	–210	–367
Acquisition costs as of December 31, 2019	**306**	**8,977**	**1,844**	**11,127**
Accumulated depreciation and impairments as of January 1, 2019	0	2,369	1,390	3,759
Depreciation of the fiscal year	0	321	126	447
Disposals	0	–157	–206	–363
Accumulated depreciation and impairments as of December 31, 2019	**0**	**2,533**	**1,310**	**3,843**
Carrying amount as of January 1, 2019	306	5,985	617	6,908
Carrying amount as of December 31, 2019	**306**	**6,444**	**534**	**7,285**

Overview of tangible assets as of December 31, 2018

EUR thousand	Land and buildings	Technical equipment	Operating equipment	**Total**
Acquisition costs as of January 1, 2018	306	7,813	1,858	9,977
Additions	0	544	251	795
Disposals	0	–3	–102	–105
Acquisition costs as of December 31, 2018	**306**	**8,354**	**2,006**	**10,667**
Accumulated depreciation and impairments as of January 1, 2018	0	2,052	1,290	3,342
Depreciation of the fiscal year	0	320	197	517
Disposals	0	–3	–98	–101
Accumulated depreciation and impairments as of December 31, 2018	**0**	**2,369**	**1,390**	**3,759**
Carrying amount as of January 1, 2018	306	5,761	568	6,635
Carrying amount as of December 31, 2018	**306**	**5,985**	**617**	**6,908**

11. LEASES

The Group mainly leases rented premises and motor vehicles. The leases have terms of between three and four years.

The rights to use assets under leases developed as shown in the following table:

Overview of rights of use under leases as of December 31, 2019

EUR thousand	Land and buildings	Operating equipment	**Total**
Acquisition cost at January 1, 2019	1,215	44	1,260
Additions	123	111	234
Changes in leases	943	0	943
Acquisition cost at December 31, 2019	**2,282**	**155**	**2,437**
Accumulated depreciation and impairment as of January 1, 2019	0	0	0
Depreciation for the fiscal year	484	48	531
Accumulated depreciation and impairments as of December 31, 2019	**484**	**48**	**531**
Booking value at January 1, 2019	1,215	44	1,260
Booking value at December 31, 2019	**1,798**	**107**	**1,905**

The corresponding leasing liabilities developed as follows:

EUR thousand	**2019**
Leasing liabilities as of January 1	1,260
Payments for the repayment of leasing liabilities	−541
Additions from new leases	220
Changes in leases	943
Non-cash interest effects	20
Leasing liabilities as of December 31	**1,902**

Leases had the following effects on the result for the period:

EUR thousand	**2019**
Amortization of leases	531
Interest expense for leases	20
Expenses from short-term leases	10
Expenses from low-value leases	12
Expenses from leases	**574**

Total payments for leases in the fiscal year 2019 amounted to EUR 563 thousand.

The Group has concluded various leasing agreements which include an extension option. Management is assessing whether this renewal option can be exercised with reasonable certainty. As of December 31, 2019, the exercise of the existing extension options is not assumed to be sufficiently certain, with the result that they have not been taken into account in the measurement of lease liabilities.

12. INVENTORIES

Inventories are composed as follows:

EUR thousand	**2019**	2018
Raw materials, consumables and supplies	283	381
Unfinished services	11	75
	294	**456**

In 2019, impairment losses on inventories in the amount of EUR 0 thousand (previous year: EUR 0 thousand) were recognized.

13. TRADE RECEIVABLES

Trade receivables are composed of the following:

EUR thousand	2019	2018
Non-current trade receivables	632	1,088
Current trade receivables	2,879	2,744
	3,511	**3,832**

Due to the sometimes long term duration of the receivables, trade receivables with a term of more than twelve months are reported separately under non-current assets and discounted at a standard market interest rate.

Impairment allowances on trade receivables have developed as follows:

EUR thousand	2019	2018
Balance of impairment allowances at January 1	844	853
Additions (expenses for impairment allowances)	223	0
Utilization	–139	94
Release	0	–45
Balance as of December 31 of the fiscal year	928	–57
Balance as of December 31 of the fiscal year	**928**	**844**

In the fiscal year 2019, expenses for the complete write-off of trade receivables amounting to EUR 26 thousand (previous year: EUR 2 thousand) were recognized. All expenses from impairment allowances and write-offs of trade receivables are reported under other operating expenses. Of the trade receivables written off in fiscal year 2019, receivables in the amount of EUR 68 thousand are subject to enforcement measures.

14. OTHER RECEIVABLES AND ASSETS

	2019		2018	
EUR thousand	Total	Thereof short-term	Total	Thereof short-term
Financial receivables and assets				
Securities investments	100	0	345	0
Other financial assets	233	0	233	0
Miscellaneous other financial assets	116	109	176	132
	449	**109**	**754**	**132**
Non-financial assets				
Accrued expenses	984	311	949	259
Other assets	139	139	4	4
	1,122	**450**	**953**	**263**
	1,571	**559**	**1,707**	**395**

The securities investments were pledged as collateral in connection with the granting of a loan and a bank guarantee. The change in fiscal year 2019 results from the sale of securities.

Other financial assets include investments in non-consolidated companies.

Other financial assets include in particular rent deposits for laboratory and office premises used by Group companies.

15. CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH

EUR thousand	2019	2018
Restricted cash	540	296
Cash and cash equivalents	9,102	6,960
	9,642	**7,256**

Cash and cash equivalents are composed of bank balances and cash on hand. Bank balances bear interest at variable interest rates for balances redeemable on demand. The item cash and cash equivalents corresponds to the level of cash and cash equivalents for the purposes of the cash flow statement.

Restricted cash are pledged as collateral for bank loans or rental payments.

16. EQUITY

EUR thousand	2019	2018
Subscribed capital	4,146	4,146
Capital reserves	24,012	23,913
Retained earnings	2,440	1,848
Other reserves	–183	–145
Treasury shares	–261	–337
Non-controlling interests	114	122
	30,268	**29,546**

The **subscribed capital** includes the statutory share capital of Vita 34 AG according to German stock corporation law. Equity is divided into 4,145,959 (previous year: 4,145,959) bearer shares of no par value.

The **capital reserves** include payments and other payments by shareholders in excess of the share capital as part of capital measures as well as reserves for share price-based compensation. The disposal result of EUR 99 thousand realized from the sale of 14,101 treasury shares was recorded in the capital reserves.

The accumulated results including the current annual result are reported in the **retained earning**. Retained earnings decreased by EUR 656 thousand in the year under review due to a dividend payment. The distribution per share amounted to EUR 0.16.

The Management Board and Supervisory Board of Vita 34 AG propose to distribute a dividend of EUR 0.16 per participating no-par value share with profit entitlement on the balance sheet profit reported in the annual financial statements of Vita 34 AG as of December 31, 2019. This corresponds to a total amount of EUR 656 thousand.

The **other reserves** include actuarial gains and losses from defined benefit pension plans, gains and losses of the financial assets measured at fair value through other comprehensive income and gains and losses from foreign currency translation.

As of the balance sheet date, the Group held 47,806 **treasury shares** (previous year: 61,907 shares).

AUTHORIZED CAPITAL

According to sec. 7 para. 2 of the Vita 34 AG Articles of Association, there is an authorized capital. By resolution of the Annual General Meeting on June 4, 2019, the Management Board is authorized, with the approval of the Supervisory Board, to increase the company's share capital in one or more stages in a period up to June 3, 2024 by up to a total of EUR 2,072,979 by issuing up to 2,072,979 new registered no-par value ordinary shares against cash or non-cash contributions.

INFORMATION ON INVESTMENTS IN THE CAPITAL OF VITA 34 AG

The company had the following information on shareholdings subject to disclosure requirements pursuant to sec. 160 para. 1 no. 8 AktG (as of December 31, 2019):

Mr. Michael Köhler notified us on August 10, 2017, that on August 4, 2017, his share of voting rights in Vita 34 AG, held directly or indirectly, exceeded the threshold of 10% of the voting rights in our company and amounted to 482,401 voting rights or 11.64% of the voting rights on that date.

Dr. Peter Haueisen notified us on April 23, 2019 that his share of voting rights in Vita 34 AG, held directly or indirectly on April 15, 2019, exceeded the threshold of 3% of the voting rights in our company and amounted to 126,100 voting rights or 3.04% of the voting rights on that date.

Dr. André Gerth and Polski Bank Komórek Macierzystych S.A., Warsaw, Poland, informed us on November 25, 2019 that they will no longer be acting in concert. On the date of notification, 355,171 voting rights or 8.57% of the voting rights were attributed to Dr. André Gerth and 124,207 voting rights or 2.99% of the voting rights were attributed to Polski Bank Komórek Macierzystych S.A.

17. LOANS

	2019		2018	
EUR thousand	**Total**	Thereof short-term	**Total**	Thereof short-term
Liabilities to banks	5,282	1,543	6,974	1,693
Other financial liabilities	0	0	550	550
Liabilities from hire purchase loans	102	41	163	62
	5,383	**1,584**	**7,687**	**2,305**

The loan liabilities break down as follows:

EUR thousand	Interest in %	Due date	**2019**	2018
Loan of EUR 7,500 thousand	2.48	2018 – 2023	5,206	6,694
Loan of EUR 1,000 thousand	1.25	2015 – 2020	50	250
Loan of EUR 137 thousand	0.00	2013 – 2024	25	30
Other financial liability of EUR 2,042 thousand	0.00	2015 – 2019	0	550
Hire-purchase loan of EUR 242 thousand	2.86	2017 – 2022	102	142
Hire-purchase loan of EUR 308 thousand	3.39	2017 – 2019	0	22
			5,383	**7,687**

Loans reported in the balance sheet in the amount of EUR 5,256 thousand (nominal amount EUR 8,500 thousand) are secured by a global assignment of the company’s receivables from third-party debtors under the storage agreements with the initial letters A to Z, as well as by the pledging of securities held as fixed assets and related settlement accounts in the restricted cash.

The loan liabilities developed as follows:

EUR thousand	**2019**	2018
Loans as of January 1 of the fiscal year	7,687	9,177
Payments for the repayment of financial loans	–1,767	–1,045
Payments for the acquisition of companies	–550	–475
Non-cash interest effects	13	30
Loans as of December 31 of the fiscal year	**5,383**	**7,687**

The payments for the acquisition of companies relate to the payment of the installment loan for the acquisition of Vita 34 ApS (formerly: StemCare ApS) in fiscal year 2015.

18. PROVISIONS

EUR thousand	**2019**	2018
Balance as of January 1 of the fiscal year	164	3
Addition	49	164
Utilization	95	0
Release	0	3
Balance at December 31 of the fiscal year	**118**	**164**

The provisions include the expected costs in connection with a legal dispute from the fiscal year 2018 in the amount of EUR 69 thousand. The Group assumes that provisions of EUR 104 thousand will be utilized in 2020.

19. PENSION PROVISIONS

In 2014, the pension commitment with a former member of the Management Board was revised. Accordingly, the pension commitment valid until then was limited to the entitlements earned until July 31, 2014. This is a defined benefit pension plan (funded), for which contributions were made to a separately administered pension fund. The amounts included in the financial statements have developed as follows:

EUR thousand	**2019**	2018
Present value of the defined benefit obligation	–443	–347
Fair value of plan assets	387	381
Effects of the recognition ceiling	0	–34
Defined benefit obligation	**56**	**0**

In accordance with IAS 19.113, the present value of the defined benefit obligation and the fair value of plan assets are netted. The plan assets include a qualifying insurance contract that precisely covers all promised benefits in terms of their amount and maturity. The recognition of plan assets is therefore limited to the present value of the covered obligations.

Development of the present value of the defined benefit obligation

EUR thousand	**2019**	2018
Present value of the defined benefit obligation as of January 1	347	361
Interest expense	7	6
Revaluations		
Actuarial gains/losses due to changes in financial assumptions	88	–20
Present value of the defined benefit obligation as of December 31	**443**	**347**

Development of the fair value of plan assets

EUR thousand	**2019**	2018
Fair value of plan assets as of January 1	381	375
Interest income	8	7
Revaluations		
Income from plan assets excluding amounts included in net interest income expenses and income	–2	–1
Fair value of plan assets as of December 31	**387**	**381**

The pension obligations as of December 31, 2019 were measured using the biometric calculation basis Heubeck DIRECTIVE 2018 G according to the modified entry age normal method.

Assumptions for determining the pension obligations

in %	**2019**	2018
Discount factor	1.10	2.10
Salary trend	0.00	0.00
Pension trend	1.90	1.90

Due to the reinsurance policy taken out, no effects on the pension plan obligation are expected to be recognized in profit or loss even if valuation assumptions are changed.

20. DEFERRED GRANTS

The investment grants and subsidies reported under grants developed as follows:

EUR thousand	**2019**	2018
Balance as of January 1 of the fiscal year	890	957
Released to income	48	66
Balance as of December 31 of the fiscal year	**842**	**890**
Current grants	45	63
Non-current grants	797	827
Balance as of December 31 of the fiscal year	**842**	**890**

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

21. CONTRACT LIABILITIES

EUR thousand	**2019**	2018
Obligation to fulfil concluded storage contracts	1,457	1,619
Advance payment for storage – non current	10,106	9,736
Advance payment for storage – current	2,871	2,803
	12,977	12,539
	14,434	**14,158**

The obligations to fulfil concluded storage contracts are obligations to store stem cell deposits for a contract-specific storage period assumed in the context of mergers. The corresponding contracts are not offset by any revenues until the expiry of the contract-specific storage period.

Advance payments for storage include storage fees received in advance from customers for periods between one year and 50 years, which are recognized as revenue on a straight-line basis over the period of storage.

The item developed as follows in the reporting period:

EUR thousand	**2019**	2018
Balance as of January 1 of the fiscal year	12,539	12,012
Advance payments from previous periods included in revenue from storage	–2,803	–2,552
Prepayments received in the fiscal year	3,241	3,078
Balance as of December 31 of the fiscal year	**12,977**	**12,539**

22. TRADE PAYABLES AND OTHER LIABILITIES

EUR thousand	**2019**	2018
Financial liabilities		
Trade payables	1,266	1,106
Other financial liabilities	76	48
	1,341	1,154
Non-financial liabilities		
Payments to employees and Management Board	580	445
Other non-financial liabilities	643	673
	1,223	1,118
	2,564	**2,272**

Trade payables are non-interest-bearing and are normally due within 30 days.

Other non-financial liabilities mainly include liabilities from wage and sales taxes.

23. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

23.1 CARRYING AMOUNTS AND FAIR VALUES

The carrying amounts of financial assets and financial liabilities are presented in the following tables. The carrying amount corresponds to the fair value.

EUR thousand	**2019**	2018
Financial assets		
Financial assets at amortized costs		
Trade receivables	3,511	3,832
Other financial assets	116	176
	3,628	**4,007**
Financial assets at fair value through other comprehensive income (debt instruments)		
Securities investments	100	345
Financial assets at fair value through other comprehensive income (equity instruments)		
Other financial assets	233	233
Total financial assets	**3,960**	**4,585**
Financial liabilities		
Financial liabilities at amortized cost		
Interest-bearing loans	5,383	7,687
Trade payables	1,266	1,106
Other financial liabilities	76	48
	6,725	**8,842**
Total financial liabilities	**6,725**	**8,842**

Current trade receivables, other financial receivables, trade payables and other financial liabilities regularly have short remaining terms; the values shown in the balance sheet approximate the fair values.

The fair values of non-current trade receivables with remaining terms of more than one year correspond to the present values of the payments associated with the assets using a standard market interest rate. The classification was made in Level 2 of the fair value hierarchy.

The fair value of securities investments is determined on the basis of stock exchange prices in active markets. The classification was made in Level 1 of the fair value hierarchy.

The fair values of non-current loans and silent partnership interests measured at amortized cost in the balance sheet were determined by discounting the expected future cash flows using standard market interest rates. In each case, they were allocated to Level 2 of the fair value hierarchy.

The fair value of other financial assets is determined on the basis of suitable valuation methods. In each case, classification was made in Level 3 of the fair value hierarchy.

23.2 NET RESULT BY VALUATION CATEGORY

The net results of financial assets and financial liabilities by measurement category were as follows:

EUR thousand	Financial income	Financial expenses	Other operating expenses	Other comprehensive income	**Total**
2019					
Financial assets at amortized cost	63	–22	–250	0	**–209**
Financial assets measured at fair value through other comprehensive income (debt instruments)	0	–5	0	4	**–1**
Financial liabilities at amortized cost	0	–162	0	0	**–162**
	63	**–189**	**–250**	**4**	**–372**
2018					
Financial assets at amortized cost	44	–642	–73	0	**–671**
Financial assets measured at fair value through other comprehensive income (debt instruments)	0	–22	0	7	**–15**
Financial assets measured at fair value through other comprehensive income (equity instruments)	0	0	0	–24	**–24**
Financial liabilities at amortized cost	0	–226	0	0	**–226**
	44	**–891**	**–73**	**–17**	**–935**

23.3 LIQUIDITY RISK

The Group's objective is to maintain a balance between the continuous coverage of financial requirements and ensuring flexibility by using loans and medium-term investments such as securities. The Group continuously monitors the risk of a possible liquidity bottleneck using a liquidity planning tool. This tool takes into account the maturities of financial assets and financial liabilities as well as expected cash flows from operating activities.

The following tables show the contractually agreed (undiscounted) remuneration and redemption payments of the primary financial liabilities:

EUR thousand	2020	2021	2022 ff.
Liabilities from loans	1,596	1,547	2,239
Leasing liabilities	539	500	475
Trade payables and other liabilities	1,823	267	528
	3,958	**2,314**	**3,242**

All instruments held as of December 31, 2019 and for which payments had already been contractually agreed were included. Target figures for future new liabilities are not included. Financial liabilities repayable at any time are always allocated to the earliest time period.

23.4 CREDIT RISK

The credit risk is the risk that a business partner does not meet its obligations under a financial instrument and that this leads to a financial loss. In the course of its operating activities, the Group is exposed to default risks, particularly in relation to trade receivables and other financial assets.

Trade receivables

The Group conducts business with both private and corporate customers. Outstanding customer receivables and contract volume are monitored regularly. Credit checks are carried out by an external credit institution within the framework of instalment payment agreements in the "stem cell banking - Germany" segment.

At each balance sheet date, an analysis of expected credit losses is performed using an impairment matrix. The provision rates are based on days past due for groupings of different customer segments with similar loss patterns (e.g. by geographical region, customer type and coverage by collateral provided by the customer). The calculation reflects the probability-weighted outcome, the time value of money and appropriate and understandable information available at the balance sheet date about past events, current conditions and projections of future economic conditions. The maximum default risk is limited to the carrying amount shown in note 13. There are no significant concentrations of default risks in the Group. Collateral provided by customers is considered an integral part of trade receivables and is taken into account in the calculation of impairment. As of December 31, 2019, 13% (December 31, 2018: 25%) of the Group's trade receivables are covered by collateral in the form of a bank guarantee and the pledging of equity instruments in favor of the Group.

The following table shows the information on the credit risk exposure of the Group's trade receivables using a provision matrix:

		Receivables overdue in days				
EUR thousand	**Total**	Not due	Less than 60 days	Between 60 and 180 days	Between 180 and 360 days	More than 360 days
December 31, 2019						
Gross carrying amount	**4,440**	2,922	288	166	107	956
Expected loss rate		0 %	8 %	20 %	31 %	88%
Expected credit loss	**928**	1	23	33	33	838
December 31, 2018						
Gross carrying amount	**4,676**	3,119	397	78	123	959
Expected loss rate		1 %	2 %	24 %	42 %	77 %
Expected credit loss	**844**	28	8	19	52	737

Other financial assets

Other financial assets mainly comprise rental deposits paid by the Group for rental and office premises. The Group considers the risk of default to be very low, and therefore no impairment loss was recognized. The maximum credit risk in the event of counterparty default corresponds to the carrying amount of these instruments.

23.5 MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk includes the risk types interest rate risk and foreign currency risk. The main financial instruments exposed to market risk include interest-bearing loans and trade receivables.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. There are no significant interest rate risks in the Group, as the main loan and financing agreements were concluded with fixed interest rates. Further information on this can be found in note 17.

Foreign curreny risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates. The Group is exposed to foreign currency risks in the course of its operating activities (when sales revenues and expenses are denominated in a foreign currency). During the period under review, the Group generated revenues and expenses in Swiss francs (CHF) and Danish krones (DKK). A change in the exchange rate can therefore generally have an impact on the consolidated balance sheet.

The Group has carried out an analysis of the effects of changes in exchange rates of 5% on the Group result. A change in the exchange rate would not have a material effect on the Group result before taxes or on the Group's equity.

24. CONTINGENCIES AND OTHER OBLIGATIONS

As of the balance sheet date December 31, 2019, the Group has obligations to purchase property, plant and equipment in the amount of EUR 211 thousand (December 31, 2018: EUR 349 thousand). In addition, as of the balance sheet date December 31, 2019, the Group has obligations to purchase goods and services amounting to EUR 0 thousand (December 31, 2018: EUR 14 thousand).

25. INFORMATION ON RELATIONS WITH RELATED PARTIES

Related parties are subsidiaries not included in the consolidated financial statements, associated companies, shareholders with significant influence and persons in key positions of the company.

The following table shows the total amounts resulting from transactions with related parties for the fiscal year in question:

EUR thousand	Revenues and earnings	Receivables
2019		
Non-consolidated subsidiaries	73	9
Other related parties	0	0
2018		
Non-consolidated subsidiaries	97	11
Other related parties	0	0

The Group maintains relations with non-consolidated subsidiaries in the course of its ordinary business activities. The Group generally sells services at market conditions.

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

EUR thousand	**2019**	2018
Short-term benefits		
Supervisory Board remuneration	105	110
Management Board salaries (without pension expenses)	507	624

Individualized information on the remuneration of the Management Board and Supervisory Board is provided in sections 27 and 28.

26. DISCLOSURE OF THE GROUP'S SHAREHOLDINGS ACCORDING TO SEC. 313 PARA. 2 HGB

The following companies are included in the Group as of the balance sheet date of December 31, 2019 :

Name	Registered office	Capital share in %
Subsidiaries		
Seracell Pharma GmbH (formerly: Seracell Pharma AG)	Rostock, Germany	100
Novel Pharma S.L.	Madrid, Spain	100
Secuvita S.L.	Madrid, Spain	88
Vita 34 Gesellschaft für Zelltransplantate mbH	Vienna, Austria	100
Vita 34 ApS	Søborg, Denmark	100

In addition, the following other investments existed at the balance sheet date:

	Registered office	Capital share in %	Equity in EUR thousand	Annual result in EUR thousand
Vita 34 Slovakia s.r.o.[1]	Bratislava, Slovakia	100	−602	−8
Vita 34 Suisse GmbH[1, 3]	Muttenz, Switzerland	100	n/a	n/a
Kamieniniu lasteliu bankas UAB „Imunolita"[1, 2]	Vilnius, Lithuania	35	−262	92
Bio Save d.o.o.[4, 5]	Belgrade, Serbia	30	128	69

1 Waiver of inclusion in the consolidated financial statements due to immateriality
2 Equity and annual result according to the annual financial statements as of December 31, 2018
3 Company founded in 2018, no financial statements available yet
4 Equity and annual result according to the annual financial statements as of December 31, 2016
5 There is no significant influence.

27. REMUNERATION OF THE MANAGEMENT BOARD IN ACCORDANCE WITH SEC. 314 HGB

The following gentlemen were appointed to the Management Board in the fiscal year 2019:

Dr. Wolfgang Knirsch	Chief Executive Officer
Falk Neukirch	Chief Finanacial Officer

Remuneration of the Management Board of Vita 34 AG (remuneration report)
The following disclosures on the remuneration of the Management Board are legally required disclosures in the notes to the financial statements in accordance with the German Commercial Code (cf. sec. 314 HGB) and disclosures based on the requirements of the Corporate Governance Code.

The Management Board of Vita 34 AG consisted of two members in the fiscal year 2019. The employment contract regulations were adjusted for the last time in fiscal year 2018.

Remuneration system for the Management Board and review
The amount and structure of the remuneration of the Management Board is determined by the Supervisory Board in accordance with sec. 87 of the German Stock Corporation Act. The remuneration of the Management Board of Vita 34 AG comprises fixed and variable components as well as other remuneration.

Fixed remuneration, variable performance-related remuneration and fringe benefits
The fixed component is the contractually agreed basic remuneration, which is paid monthly in equal amounts. The variable remuneration component, which relates to targets for a three-year period, is based on the achievement of certain quantitative targets. The target amount of the variable remuneration is capped at 100% for all agreed sub-targets and including the discretionary bonus.

A new Management Board contract with a term of three years was concluded with the Chief Executive Officer, Dr. Wolfgang Knirsch, effective January 1, 2018. As part of the variable compensation, the contract defines the four sub-components “performance indicators” EBITDA, number of deposits in Germany, XETRA average price of the Vita 34 share over the last 40 trading days of the year, and a discretionary bonus.

A new Management Board contract with a term of three years was concluded with the Chief Financial Officer, Falk Neukirch, with effect from January 1, 2019. All entitlements earned under the previous contract up to December 31, 2018 were paid out in April 2019. The contract, which is valid from January 1, 2019, defines the four sub-components “performance indicators” EBITDA, number of deposits in Germany, XETRA average price of the Vita 34 share over the last 40 trading days of the year and a discretionary bonus.

In addition, the members of the Management Board received fringe benefits, which mainly consist of benefits paid into provident funds, insurance benefits and the private use of a company car and are taxable individually by the members of the Management Board.

Remuneration of the Management Board for the fiscal year 2019

For the fiscal year 2019, the remuneration of the members of the Management Board for their activities totaled EUR 507 thousand (2018: EUR 624 thousand). Details of the remuneration of the members of the Management Board are shown in individualized form in the following tables.

Grants to the Management Board of Vita 34 AG for the fiscal year 2019

Dr. Wolfgang Knirsch CEO EUR thousand	2018	**2019**	2019 (min)	2019 (max)
Non-performance-related component:				
Fixed remuneration	250	250	250	250
One-time joining or extension premium	72	0	0	0
Fringe benefits	13	15	15	15
Total	**335**	**265**	**265**	**265**
Performance-related component:				
One-year variable remuneration	52	30	0	30
Multi-year variable remuneration	0	23	0	84
Total	**387**	**318**	**265**	**379**
Pension expenses	0	0	0	0
Total remuneration	**387**	**318**	**265**	**379**

Falk Neukirch CFO EUR thousand	2018	**2019**	2019 (min)	2019 (max)
Non-performance-related component:				
Fixed remuneration	156	160	160	160
Fringe benefits	8	9	9	9
Total	**164**	**169**	**169**	**169**
Performance-related component:				
One-year variable remuneration	41	20	0	20
Multi-year variable remuneration	32	0	0	57
Total	**237**	**189**	**169**	**246**
Pension expenses	12	12	12	12
Total remuneration	**249**	**201**	**181**	**258**

Inflow of grants made to the Management Board of Vita 34 AG in fiscal year 2019

	Dr. Wolfgang Knirsch CEO		Falk Neukirch CFO	
EUR thousand	2018	**2019**	2018	**2019**
Non-performance-related component:				
Fixed remuneration	250	250	156	160
One-time joining or extension premium	72	0	0	0
Fringe benefits	13	15	8	9
Total	**335**	**265**	**164**	**169**
Performance-related component:				
One-year variable remuneration	43	52	43	41
Multi-year variable remuneration	54	0	0	69
Total	**432**	**317**	**207**	**279**
Pension expenses	0	0	12	12
Total remuneration	**432**	**317**	**219**	**291**

No member of the Management Board received benefits or corresponding commitments from a third party in the past fiscal year with regard to his activities as a member of the Management Board.

Premature termination of the employment relationship
For the members of the Management Board the following was agreed on: In the event of the revocation of the appointment for good cause, which is not at the same time a good cause pursuant to sec. 626 BGB for the termination of the employment contract without notice, and the resulting termination of the employment contract, the company commits itself to pay the respective Management Board member a severance payment in the amount of the annual fixed remuneration for two years, but not exceeding the remuneration for the remaining term of the employment contract. In the event of incapacity for work, the company will continue to pay the contractually agreed fixed remuneration for a maximum period of six months.

There are no material agreements of the company that are subject to the condition of a change of control as a result of a takeover bid, with the exception of an agreement concluded with the two members of the Management Board in the event of a change of control ("change of control provision").

If the change-of-control provision applies, it gives both members of the Management Board the right to terminate their employment contracts within six months. If a Management Board member exercises this right of termination, the severance payment amounts to 50% of the remuneration (fixed remuneration and bonus) no longer accruing and no longer being paid due to the premature termination of the contract, assuming 100% target fulfilment, plus the payment of an annual gross basic salary. The total amount of the severance payment may not exceed EUR 750,000 (Dr. Wolfgang Knirsch) or EUR 400,000 (Falk Neukirch).

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

28. REMUNERATION OF THE SUPERVISORY BOARD

The following persons were appointed to the Supervisory Board in the fiscal year 2019:

Frank Köhler	Co-founder of Aroma company GmbH, shareholder and director of Aroma Company Köhler & Weckesser GbR and Supervisory Board Member of Shop Apotheke Europe N.V.
Steffen Richtscheid	Lawyer and partner at the law firm Weidinger Richtscheid
Dr. med. Mariola Söhngen	Chief Executive Officer Convert Pharmaceuticals SA, Belgium, and Managing Director Söhngen-Consult
Nicolas Schobinger (from 06/04/2019)	Member of the Board of Directors of digitaliKa AG and Supervisory Board member of F24 AG and F24 Holding AG
Gerrit Witschaß (until 02/28/2019)	Authorized signatory and head of education at Berufsförderungswerk der Fachgemeinschaft Bau Berlin und Brandenburg gGmbH

Remuneration of the executive bodies was paid in 2019 in the amount of EUR 105 thousand (2018: EUR 110 thousand).

The remuneration of the Supervisory Board members is determined in accordance with sec. 18 of the Articles of Association. The current version of this regulation is based on the resolution of the Annual General Meeting of June 28, 2017 with effect from January 1, 2017. The remuneration is agreed as fixed remuneration and is paid to the Supervisory Board members on a quarterly basis. Special consideration was given to the function of the Chairman of the Supervisory Board and his deputy.

Remuneration of the Supervisory Board of Vita 34 AG

EUR thousand	**2019**
Frank Köhler (Chairman)	40
Steffen Richtscheid (Deputy Chairman from 03/22/2019)	28
Gerrit Witschaß (Deputy Chairman until 02/28/2019)	0
Dr. med. Mariola Söhngen	22
Nicolas Schobinger	14
Total	**105**

With regard to other compensation or benefits granted to members of the Supervisory Board or related parties, please refer to note 25.

29. OBJECTIVES AND METHODS OF FINANCIAL RISK MANAGEMENT

The main financial instruments used by the Group include interest-bearing loans as well as cash and short-term investments. The main purpose of these financial instruments is to finance the Group's business activities. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its business activities. The main risks to the Group arising from the financial instruments are explained in note 23.

Capital management
The Group manages its capital structure and makes adjustments in line with changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust dividend payments to shareholders, make a capital repayment to shareholders or issue new shares. As of December 31, 2019 and December 31, 2018, there were no changes in the objectives, policies and procedures. Capital comprises the equity reported in the balance sheet.

30. AUDITOR'S FEES AND SERVICES IN ACCORDANCE WITH SECTION 314 HGB

The total fee calculated for the auditor PKF Deutschland GmbH for the fiscal year 2019 was EUR 99 thousand and related to auditing services for the statutory audit of the annual and consolidated financial statements of Vita 34 AG.

31. EVENTS AFTER THE BALANCE SHEET DATE

No events have occurred since the end of the fiscal year 2019 that would have had a material impact on the Group's net assets, financial position or results of operations.

Leipzig, March 22, 2020
Management Board of Vita 34 AG

Dr. Wolfgang Knirsch	Falk Neukirch
Chief Executive Officer	Chief Financial Officer

FURTHER INFORMATION

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 net assets, financial position, and results of operations 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 2020

The Management Board of Vita 34 AG

Dr. Wolfgang Knirsch Chief Executive Officer	Falk Neukirch Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To Vita 34 AG, Leipzig

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

AUDIT OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the consolidated financial statements of Vita 34 AG, Leipzig, and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as of December 31, 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in Group equity and the consolidated cash flow statement for the fiscal year from January 1, 2019 to December 31, 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the Vita 34 AG combined management report for the fiscal year from January 1, 2019 to December 31, 2019. 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 secs. 315d and 289f HGB.

In our opinion, based on the findings of our audit,

- the attached consolidated financial statements comply in all material respects with IFRS, as applicable in the EU, and with the German legal provisions applicable in addition pursuant to sec. 315e para. 1 HGB and give a true and fair view of the net assets and financial position of the Group as of December 31, 2019 and of its results of operations for the fiscal year from January 1, 2019 to December 31, 2019 in accordance with these provisions; and

- the attached combined management report provides an accurate overall picture of the Group's situation. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal provisions and accurately presents the opportunities and risks of future development. Our audit opinion on the combined management report does not extend to the content of the above-mentioned Declaration on Corporate Governance pursuant to secs. 315d, 289f HGB.

In accordance with sec. 322 para. 3 sentence 1 first half-sentence HGB, we declare that our audit has not led to any objections 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 sec. 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 German commercial law and the rules of professional conduct, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with sec. 10 para. 2f of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under sec. 5 para. 1 of the EU Audit Regulation and that we have maintained our independence from the Group companies during the course of the audit of the financial statements. 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, 2019 to December 31, 2019. These matters are addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our audit opinion thereon, but we do not provide a separate audit opinion on these matters.

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

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, 2019 include "Goodwill" reported in the balance sheet amounting to EUR 18,323 thousand. The goodwill is subject to an impairment test by the company at least once annually in the fourth quarter of the fiscal year. The valuation is determined by use of a valuation model 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, in our opinion, it 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 verified the appropriateness of the of the future cash inflows used in the calculation. 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 and 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 "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 Supervisory Board is responsible for the Supervisory Board Report. In addition, the company's legal representatives are responsible for the further information.

The other information comprises the following

- the responsibility statement,
- the Declaration on Corporate Governance in accordance with secs. 315d and 289f HGB,
- the Supervisory Board Report, and
- 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 thereon.

In connection with our audit of the consolidated financial statements and the combined management report, our responsibility is to read the other information critically and, in doing so, to consider whether the other information is materially inconsistent with the consolidated financial statements and/or the combined management report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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 sec. 315e para. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the net assets, financial position, and results of operations 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. In addition, they also have the responsibility for disclosing, as applicable, matters related to going concern and for preparing financial reports 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

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 sec. 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.

In performing an audit of financial statements in accordance with sec. 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), 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 financial statement audit 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 or in the combined management report or, if such disclosures are inadequate, to modify our audit opinion. 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 sec. 315e para. 1 HGB.

- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an audit opinion 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 financial statement 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 have been 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 report on the audit of the consolidated financial statements unless law or other regulation precludes public disclosure about the matter.

OTHER LEGAL AND OTHER REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO SEC. 10 OF THE EU AUDIT REGULATION

We were elected as Group auditor by the Annual General Meeting on June 4, 2019 and were engaged by the Supervisory Board on November 13, 2019. 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 Supervisory Board pursuant to sec. 11 of the EU Audit Regulation (audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Patrick Niebuhr.

Berlin, March 22, 2020

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Beier	Niebuhr
Wirtschaftsprüfer	Wirtschaftsprüfer

FINANCIAL CALENDAR 2020

March 23, 2020	Annual Report 2019
May 14, 2020	Quarterly Statement (Q1)
July 1, 2020	Annual General Meeting
August 27, 2020	Half-year Report
November 12, 2020	Quarterly Statement (Q3)

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PHOTO CREDITS
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Vita 34 AG, Leipzig

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 annual report was published in German and English on March 23, 2020 and is available for download on our Internet site. This document is a convenience translation of the legally binding German-language document.

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