ANNUAL REPORT 2018

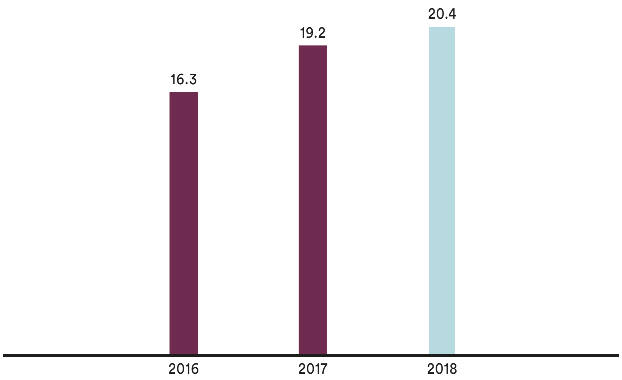
KEY FINANCIAL FIGURES

		2016	2017 (restated)*	2018
Statement of income				
Sales revenue	EUR thousands	16,290	19,192	20,409
Gross profit	EUR thousands	8,620	10,801	11,974
EBITDA	EUR thousands	2,293	1,846	4,722
EBITDA margin as a percentage of sales	%	14.1	9.6	23.1
Operating result (EBIT)	EUR thousands	780	141	2,631
Net result for the period	EUR thousands	617	−325	832
Earnings per share	EUR	0.14	−0.09	0.20
Balance sheet		Dec. 31, 2016	Dec. 31, 2017	**Dec. 31, 2018**
Balance sheet total	EUR thousands	43,422	61,798	59,317
Equity	EUR thousands	23,648	29,528	29,546
Equity ratio	%	54.5	47.8	49.8
Liquid funds	EUR thousands	2,813	4,180	6,960
Cash flow		2016	2017	**2018**
Investments	EUR thousands	566	13,639	1,655
Amortization and depreciation	EUR thousands	1,513	1,707	2,092
Cash flow from operating activities	EUR thousands	2,287	1,537	4,598
Employees				
At the reporting date	Number	122	140	123
Personnel expenses	EUR thousands	6,330	7,575	6,250

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

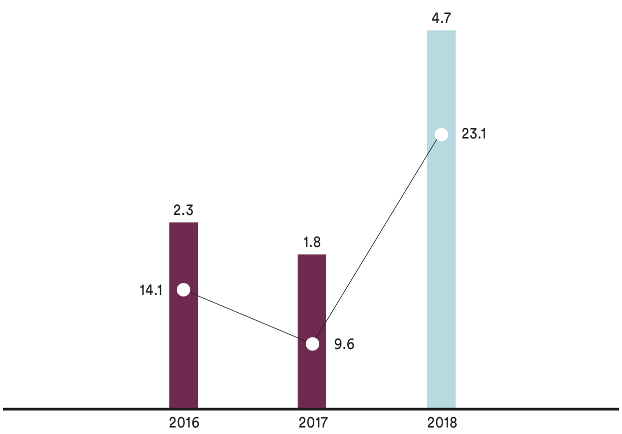
Sales revenues

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 cryo-preservation services for 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 stem cells from autologous fat tissue as well as immune cells and cell preparations from peripheral blood and umbilical cord blood in the future.

Vita 34 has its location in the Leipzig Bio City.

The best time to secure stem cells is birth.

CONTENT

INTERVIEW WITH THE MANAGEMENT BOARD

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)

Interview with the Management Board

with Dr. Wolfgang Knirsch, Chief Executive Officer, and Falk Neukirch, Chief Financial Officer of Vita 34 AG

Are you satisfied with the fiscal year 2018?

FALK NEUKIRCH: Yes, very. Our results speak for themselves. We have been able to increase sales revenue from EUR 19.2 million to EUR 20.4 million, representing growth of 6.3%. At the same time, the growth in our results was more than proportionate to the growth in revenues. EBITDA, for example, increased from EUR 1.8 million to EUR 4.7 million. The number of new deposits was also at a record level. Clearly, it is good to have set a lot of new records; however, it is much more important that we have met, and exceeded, our own business plans and, as a result, have created an excellent foundation for the future.

DR. WOLFGANG KNIRSCH: We have also taken significant strategic steps forward in 2018. We continue to be one of Europe's leading cell banks for umbilical cord blood. In Germany and the DACH region (DACH: Germany, Austria, Switzerland), we are the market leader by a clear margin. In addition, we are well on our way to significantly broadening our portfolio and to becoming a market leader amongst international stem cell banks. This offers ideal conditions for obtaining very strong benefits from the trend towards personalized medicine, benefitting from the use of completely new cell-based therapies. Excellent future prospects are forecasted for this sector.

What were the factors that made these successes in 2018 possible?

DR. WOLFGANG KNIRSCH: The sales revenue trends have clearly shown that our core business continues to have significant development potential – in all regions. In order to optimally make use of this potential, we provided additional demand boost in 2018 with our new product and price model "**VitaPur**". In doing so, we benefit from a 96% clinic coverage in Germany, our core market, and our position as the clear market leader. The marketing and sales measures taken in 2018 have taken effect in the way we expected and hoped.

FALK NEUKIRCH: The results trends are affected by a number of interacting factors. We have recorded very strong growth, primarily in the DACH region, where our revenues generate very high margins. In addition, we have implemented a strict cost optimization program. The growth, as reflected in the numbers, is also helped by the fact that the Seracell acquisition resulted in some charges on the results in 2017 that did not recur in 2018. However, the most important thing is that our business model is highly scalable, which means that growth in results is more than proportional to the revenue growth – and as a result, we have been able to increase the earnings base of the business in a sustainable manner.

Did the cost cutting have a negative effect on your international presence?

FALK NEUKIRCH: On the contrary. It is true that many of the measures that we have taken affected our international activities, in Scandinavia for example, and in Slovakia, tailored to the circumstances in each individual country, and to how we assess the future trends in those countries. There were a few cases of some minor negative one-off effects in 2018. These are now behind us. At the same time, we have taken a number of sales initiatives in our international activities, for example in Denmark, Italy, and Romania.

DR. WOLFGANG KNIRSCH: In fact, I would go further and say that we have been able to successfully conclude all of the smaller remaining open issues by the end of the fiscal year 2018. This doesn‘t mean that there is no more work to do – on the contrary. But what we have done with respect to shaping the future of our Company is to create a launch position to dream of: an excellent market position, healthy profitability, and excellent prospects in new markets that are just opening up, which we will address with a very promising R&D pipeline. We already have all the significant tools and competencies needed to make a successful launch as a provider of high-quality cells in the new markets of personalized medicine.

How exactly does this differ from the strategy followed until now?

FALK NEUKIRCH: Until now, we have concentrated on storing stem cell deposits containing umbilical cord blood and umbilical cord tissue. As a result, our only potential customers were expectant parents. There are already a wide range of medical applications for stem cells obtained from umbilical cord blood. They are, for example, successfully used in cancer therapies, haematopoietic disorders, and in treatment of early childhood brain damage. And the number of therapies and applications continues to grow, for example with therapies for cerebral palsy or for children with autism. To date, we at Vita 34 have now participated in 40 applications using umbilical cord blood. There were five applications in 2018 alone, cases in which mostly young patients have been able to benefit from the cells held in our facilities, thanks to the foresight and caring approach of their parents.

DR. WOLFGANG KNIRSCH: Our new strategic approach of establishing the Company as a cell bank enables us to expand the range of cells that we can hold in storage. One strategic thrust is towards isolating immune cells found in umbilical cord blood. Another direction is providing an offering for the storage of the body’s own adipose tissue and peripheral blood of adults. This results in a significant increase in the range of cell types that can be put into storage – much more than this, however, it enables us to widen our target group, as our new offerings are no longer limited to expectant parents but are of interest to people of all ages.

These trends are the being driven by the major developments in personalized medicine. The specific cell therapies are still new; they are, however, increasingly progressing beyond the clinical test phase. Experts assess the potential of therapeutic applications will be very wide-ranging and promising. The availability of stem and immune cells, stored at the earliest

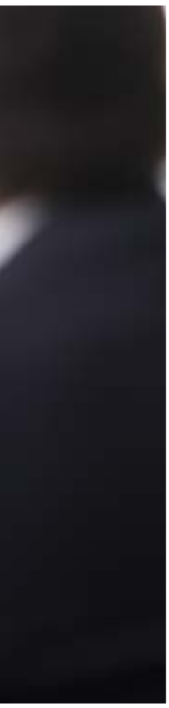
“Our new strategic approach of establishing the Company as a cell bank enables us to expand the range of cells that we can hold in storage.”

possible age, will be a very significant factor for the future of personalized medicine.

FALK NEUKIRCH: In addition to this, there are even more applications in the growing market for aesthetic medicine – for example, the use of adipose tissue cell preparations as a natural and safe alternative to Botox or hyaluronic acid.

Will Vita 34 AG in 2021 still be comparable with Vita 34 as it is today?

DR. WOLFGANG KNIRSCH: Restructuring the Company as a cell bank will take us a significant step forward, both in financial terms and in strategic terms. However, we will not be moving away from our core competency in doing so. This is because the skills and knowledge that have enabled us to become one of Europe's leading providers in the stem cell industry, such as excellent logistics, efficient and certified storage processes, and high levels of clinic coverage, are just as applicable to other cell types and new applications.



"The market for stem cell banks is 100% intact, and the prospects are excellent."

We will certainly see positive changes for our Company from the significant growth that we are expecting, the stronger emphasis on research and development, and as a result of strengthening our role as a partner for those pharmaceutical companies that are actively working on personalized medicine projects. In addition, we will be able to make progress by achieving growth through further acquisitions in future. This has always been part of our Company's DNA. And with the Seracell acquisition, which we have integrated in record time and with great success, we have proved that we have not lost our touch for such projects.

Do you already have specific new projects?

DR. WOLFGANG KNIRSCH: Our market is still very fragmented and offers interesting acquisition targets. We are screening on an ongoing basis and continue to see attractive opportunities for growth, both in geographical terms and along the value-added chain. The market for stem cell banks is 100% intact, and the prospects are excellent. Unfortunately, this is reflected in high acquisition prices – even for businesses that are not at all, in our opinion, as well-positioned as we are.

SUPERVISORY BOARD REPORT

Dear shareholders,

In the reporting year 2018, the Supervisory Board has paid close attention to the tasks entrusted to it in accordance with the law and by the Company's articles of association and internal rules of procedure. The Supervisory Board monitored the activities of the Management Board on an ongoing basis and provided support in an advisory capacity. This was based on written and oral reports provided by the Management Board, as well as information provided by the Management Board at Supervisory Board meetings, and on regular consultations between the Management Board and the Chairman of the Supervisory Board. The Chairman of the Supervisory Board was in regular contact with the Management Board between the dates of the regular Supervisory Board meetings in order to ensure a comprehensive exchange of information between these bodies. Within the Supervisory Board group, the Chairman of the Supervisory Board also exchanged information with the remaining members of the Supervisory Board regarding current Company issues on a regular basis.

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

The Supervisory Board held six Supervisory Board meetings during the fiscal year 2018. The Management Board has provided comprehensive information to the Supervisory Board about the economic and financial development of the Company, including the risk situation, on a regular basis at the Supervisory Board meetings, and has provided additional information on request. With two exceptions, all members of the Supervisory Board were present at all meetings. Ms. Witschaß and Mr. Richtscheid were each unable to participate on one occasion. The Chairman of the Supervisory Board participated in all meetings. Accordingly, all members of the Supervisory Board have participated in more than half of the Supervisory Board meetings (Sec. 5.4.7 German Corporate Governance Code). The Supervisory Board has not formed committees.

In the period under review, the Supervisory Board has not been informed by any of its members of any matters that could give rise to a significant and not merely temporary conflict of interest.

FOCUS OF THE DISCUSSIONS IN THE SUPERVISORY BOARD

In additional to issues of general relevance, the Supervisory Board dealt with topics arising in individual areas and, when required, passed the necessary resolutions. The Supervisory Board meetings in the reporting year focused on the following topics:

- Questions concerning the remuneration of the Management Board of Vita 34 AG as well as the management of Vita 34 Group subsidiaries.
- Proposed resolutions for the 2018 Annual General Meeting, including the proposal for the appropriation of profits.
- Audit of the efficiency of the work performed by the Supervisory Board.
- Merger of the Group's wholly owned subsidiary, Stellacure GmbH, into Vita 34 AG.
- Foreign activities (operations of subsidiaries and sales partners, cost reduction measures).
- The appointment of Falk Neukirch as Chief Financial Officer for a further three years.
- The effects of the legal challenges to Annual General Meeting resolutions as well as a related compulsory information disclosure procedure.
- Sale of the investment in the Group's former sales partner, Biosave d.o.o. (Serbia).
- Strategic further development in the core business, in particular product development, further development by inorganic growth, the status of research and development projects, and location strategy.
- Budget planning for 2019 and medium-term planning.

CORPORATE GOVERNANCE

The Supervisory Board has dealt with corporate governance standards applied in the Company and with the implementation of the recommendations and suggestions of the German Corporate Governance Code in the version dated February 7, 2017. In March 2019, the Management Board and the Supervisory Board issued a Declaration of Conformity, which is printed in the "Corporate Governance" section of the annual report on pages 24 and 25, and which is also published in the "Investor Relations" section of the Company's website.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS, AUDIT

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

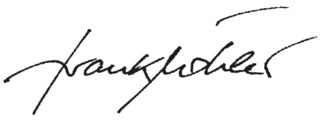
As a result, it should be noted that the financial statements have been prepared in accordance with HGB and IFRS. The annual financial statements and the consolidated financial statements each received an unqualified opinion. The financial statement documents were thoroughly discussed in the annual financial statements meeting of the Supervisory Board in the presence of the auditors, and following a report from the auditors. During this meeting, the auditors' representatives reported on the significant findings of their audit, as well as on the control and risk management system with regard to accounting. They also dealt with the scope, emphasis, and costs of the audit. Furthermore, they noted that they have no conflicts of interest; PKF Deutschland GmbH Wirtschaftsprüfungsgesellschaft only provided audit services.

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

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

Leipzig, March 27, 2019

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 2018 trading year with a closing price of EUR 12.30 on the Xetra stock exchange. There was significant volatility over the course of the year with a high of EUR 17.05 and a low of EUR 10.70. With the share price on the Xetra exchange closing at EUR 10.90 on December 28, 2018, the share price development was -11.4% over the year as a whole. Compared to this, the benchmark indices DAXsector Pharma & Healthcare and NASDAQ HealthCare achieved a performance of -26.4% and -7.9% respectively. The market capitalization of Vita 34 AG totaled EUR 45.2 million on December 28, 2018. An average of 10,819 shares were traded daily on the Xetra stock exchange in the fiscal year 2018.

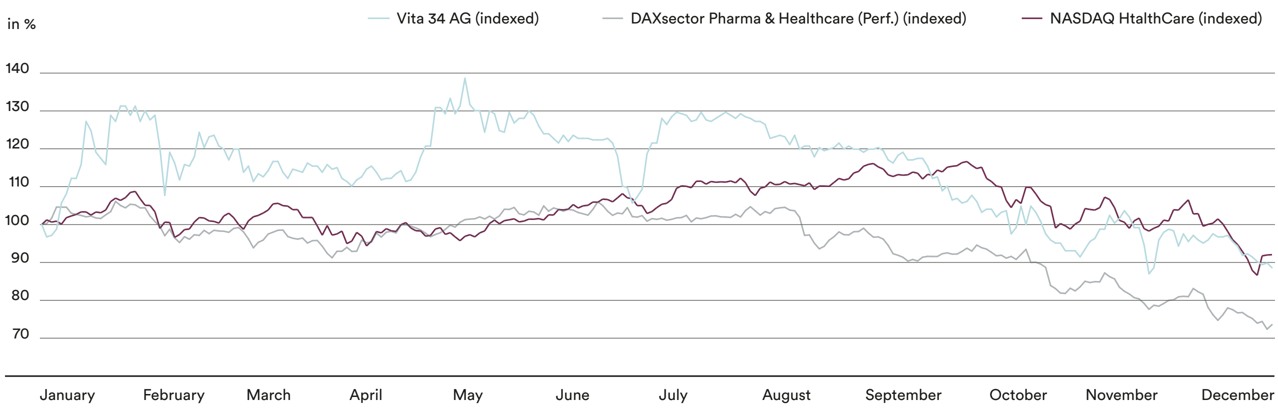
Key Share Data 2018

Ticker symbol/Reuters symbol	V3V/V3VGn.DE
Securities number/ISIN	A0BL84/DE000A0BL849
Initial quotation	March 27, 2007
Market segment	Prime Standard
Indices	CDAX, Prime All Share, Technology All Share, DAXsubsector Biotechnology, DAXsubsector Pharma & Healthcare
Price on January 2, 2018*	EUR 12.30
Price on December 28, 2018*	EUR 10.90
High/low	EUR 17.05/EUR 10.70
Number of shares	4,145,959
Free float on December 28, 2018	75.4%
Market capitalization on December 28, 2018	EUR 45.2 million
Designated Sponsor	Lang & Schwarz Broker GmbH

* Closing prices Xetra trading system of Deutsche Börse AG

Price Development in 2018

Indexed: 100 = Xetra closing price on January 2, 2018

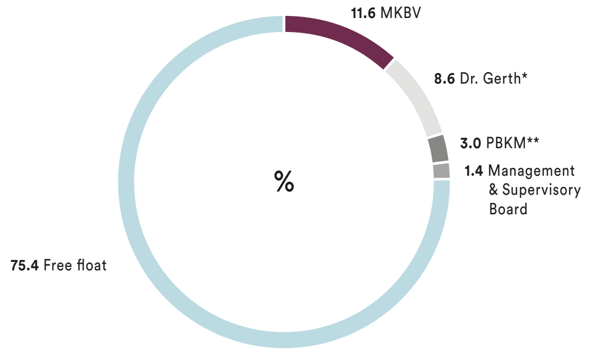


Investor Relations

Vita 34 AG has a broad shareholder base, with a free float of 75.4% on December 31, 2018 (December 31, 2017: 77.8%). Unchanged from the previous year, MKBV, a strategic investor, held 11.6%, Dr. André Gerth held 8.6%, PBKM held 3.0%, and the Management and Supervisory Boards of Vita 34 held 1.4%.

Shareholder Structure

As of December 31, 2018



* Including votes attributable to PBKM treated as "acting in concert"; refer to the voting rights notification dated June 20, 2018
** Including votes attributable to Dr. Gerth treated as "acting in concert"; refer to the voting rights notification dated June 20, 2018

Vita 34 AG maintains an active and transparent information policy to all capital market participants. In addition to regular events for analysts, this also includes participating in capital market conferences, management roadshows, and individual discussions. The explicit objective is to offer an open dialog in order to contribute to a fair valuation of the Company's shares.

The Vita 34 shares were covered by Montega throughout 2018 on an ongoing basis. Additionally, Warburg Research commenced coverage from July 2018. The latter has recommended the shares as a "buy" with a target price of EUR 18.00. The experts at Montega have also given the shares a "buy" recommendation with a target price of EUR 15.00.

Additional information on Vita 34 shares is available for download on the Internet at www.vita34group.de in the "Share" section.


The best time to secure
stem cells is birth.

COMBINED MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT

Fundamentals of the Company and the Group

BUSINESS MODEL

Core business. The core business of Vita 34 AG is the collection, preparation, and storage of stem cells from umbilical cord blood and tissue. With 226,000 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 three largest private umbilical cord blood banks in Europe today. Vita 34's work with umbilical cord blood and umbilical cord tissue means that it operates in highly regulated markets that are covered by the German transfusion and organ transplantation legislation. The Group currently has 123 employees in more than 20 countries around the world with a particular focus on Europe.

Medical potential. The first transplantation of stem cells obtained from umbilical cord blood took place 30 years ago. In the USA alone, 42 transplantations were made in as far back as 2001 and in 2016, the number exceeded 850. In 2017, there were approximately 3,000 transplantations of stem cells from umbilical cord blood worldwide. [2]

In the public's perception, the use of stem cells is still primarily associated with the already established treatment of hematopoietic disorders and illnesses of the immune system such as leukemia or lymphomas. At the same time, the number of applications has been increasing continuously for a number of years, especially in regenerative medicine. Here, there are prospects for the treatment of sport injuries, wear and tear on bones and cartilage as well as the consequential symptoms of heart attacks and strokes. Currently, recent studies published in the USA have shown that there have been particular successes in the treatment of autism.

The great potential of umbilical cord blood is not only in the use of the stem cells found in the blood and the associated hematopoietic and regenerative therapies, but also in the immune cells in the umbilical cord blood that Vita 34would like to make available for current and future therapies. The recently approved CAR-T-cell therapies provide impressive evidence of the great potential offered by immune cells for the treatment of serious and very serious illnesses.

Cooperation with maternity clinics and gynecologists. Vita 34 works with approximately 700 maternity clinics in Germany to collect the body's youngest and most vigorous stem cells at the moment of birth. Vita 34 provides regular training for 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.

Storage and recovery process. After collection, stem cells are transported to the Vita 34 stem cell laboratory in Leipzig via courier using specially designed transport packaging. Once there, they are cryo-preserved and stored in accordance with Good Manufacturing Practice (GMP) Guidelines and based on the corresponding manufacturing permit. This ensures that the stem cells obtained from umbilical cord blood and tissue remain available for therapeutic purposes for many decades to come. With storage, parents make an investment in the participation in medical progress and thus in a preventive product by securing a unique opportunity for their child at birth.

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

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

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

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

- the necessary approvals and permits to offer customers the possibility of storing and dispensing both whole blood and separated blood for medical therapy purposes.

In the first quarter of 2018, Vita 34 received accreditation under the internationally recognized NetCord-FACT Standard (FACT accreditation). The certificate is confirmation that Vita 34's stem cell bank operation meets the highest quality standards. The criteria used to award the accreditation are developed by doctors from a large number of countries and are stricter than the tough requirements already set by the German authorities.

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

COMPREHENSIVE PRODUCT PORTFOLIO

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

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

- 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. In this way, a child's own stem cells are available for therapeutic stem cell use but can also be donated if needed to a third-party individual who is ill.

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

- Vita 34 launched a new price model, "**VitaPur**", in May 2018. This product offers a new price model (a low initial price for the initial stem cell deposit and a higher recurring annual charge), which is particularly designed to appeal to price-sensitive customers and is intended to contribute to a further increase in market penetration in the core markets of the DACH region. The "VitaPur" offer is only for the storage of umbilical cord blood. In order to increase the number of publicly available preparations and thus the number of applications, eligible samples are subject to obligatory tissue typing and registration in the public stem cell register www.stemcellsearch.org established by Vita 34, as is also the case with "VitaPlusDonation".

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

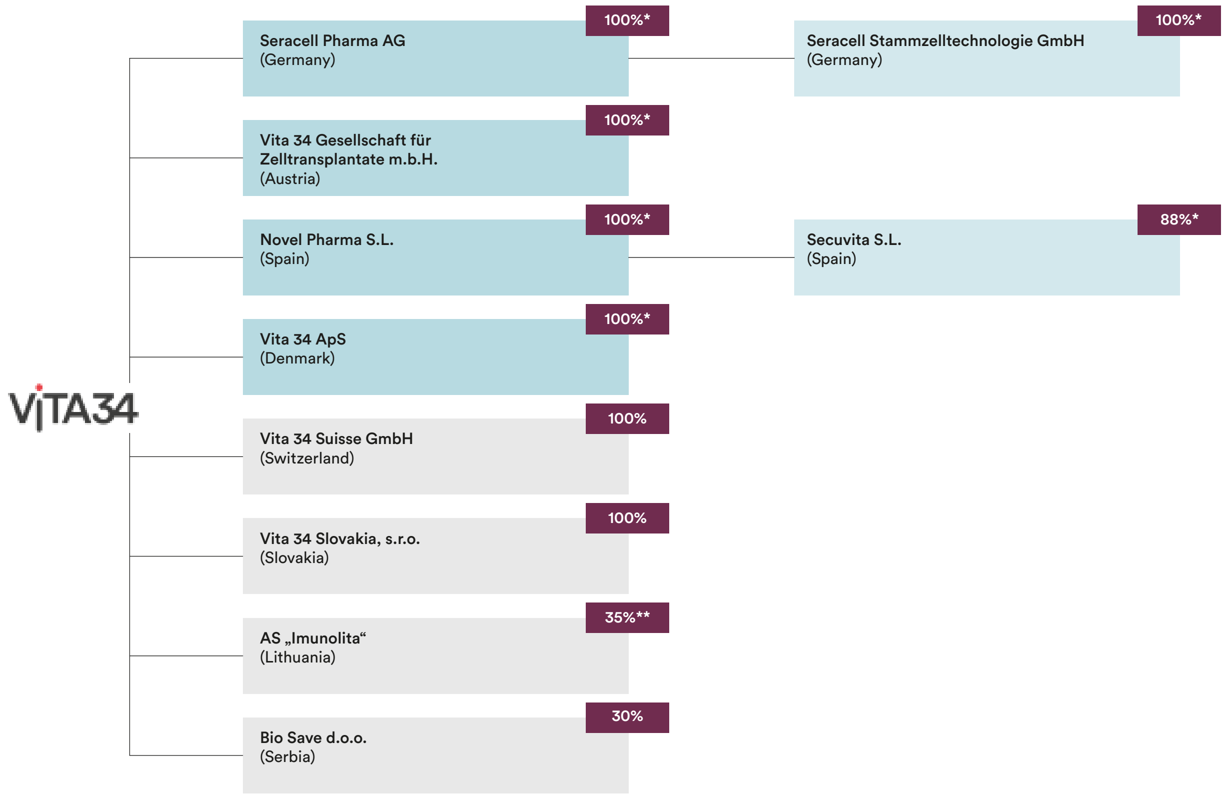
- Vita 34 has established Europe's only **mobile stem cell team** and thus enables the treatment with stem cells from umbilical cord blood in any hospital. The mobile stem cell team from Vita 34 delivers the cryo-preserved stem cells to the respective clinic, performs another quality test before handing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

CORPORATE STRUCTURE AND SHAREHOLDINGS

The parent company of the Group is Vita 34 AG, a stock-exchange-listed and publicly traded company. With the exception of Seracell Pharma AG, Seracell Stammzelltechnologie GmbH, and Vita 34 ApS the European subsidiaries and associated companies operate wholly as sales entities for Vita 34 AG, while the parent company is responsible for strategic and operating activities, such as the preparation and storage of stem cells on behalf of its subsidiaries. Seracell continues to operate as a comprehensive cryobank with its own manufacturing process in Rostock, and thus provides production and storage capacities for the future growth of Vita 34 AG. Active marketing activities in Denmark, Sweden, and Norway were discontinued in July 2018. The Danish company Vita 34 ApS continues to be responsible for storing existing deposits.

Vita 34 Suisse GmbH was founded in July 2018 to secure sales activities in Switzerland. Upon entry in the commercial register on November 2, 2018, stellacure GmbH was merged into Vita 34 AG by way of absorption. The effects of the merger are

Corporate Structure and Shareholdings



* full consolidation
** incl. majority of voting rights

described in the Report on Economic Position of this combined management report. Otherwise, there were no changes to the Group structure compared to the previous year. The following companies have been included in the consolidated financial statements of Vita 34 AG as at December 31, 2018 on a fully consolidated basis: Seracell Pharma AG (Germany), Seracell Stammzelltechnologie GmbH (Germany), Vita 34 Gesellschaft für Zelltransplantate m.b.H. (Austria), Novel Pharma S.L. (Spain), Secuvita S.L. (Spain), Vita 34 ApS (Denmark).

The investment in Bio Save d.o.o. (Serbia) is accounted for within other assets in non-current assets. Vita 34 Suisse GmbH (Switzerland), Vita 34 Slovakia, s.r.o. (Slovakia), and AS “Imunolita” (Lithuania) were not included in the consolidation on materiality grounds.

The Vita 34 Group is subsequently referred to as “Vita 34” unless a specific reference is made to describe matters that exclusively concern the parent company or one of its subsidiaries.

VITA 34 ON THE INTERNATIONAL MARKET

Vita 34 has successfully implemented a strategy of further internationalization in recent years. The Group is currently represented by subsidiaries and sales partners in more than 20 countries.

OBJECTIVES AND STRATEGY

Vita 34 AG is the pioneer of stem cell banking in Europe. In addition to its core business of umbilical cord blood banking, the Company aims to enter new markets in future and thus to become the European market leader in cell banking. The Management Board has identified the following four core building blocks to achieve this strategic objective and the associated growth:

NEW RESEARCH AND DEVELOPMENT AREAS

Through targeted research and development of marketable products and services, Vita 34 is transforming itself from a pure stem cell bank to a more broadly-based cell bank that is able to supply the best available patient’s own cells for current and future cell therapies. For this purpose, Vita 34 is following a clearly focused innovation strategy by developing new products and services based for the cryo-preservation of stem cells or other cell sources in the future. To this end, the Company cooperates with selected renowned research institutions and universities and creates quality standards for later medical use with the storage of various cell materials. In this way, Vita 34 is opening up the potential to benefit in the future from the growing demand for cryo-preserved cell material for personalized use in regenerative medicine or cell therapies. In addition, the value chain is to be expanded by products and services for the pharmaceutical industry or government organizations. Currently, the cryo-preservation of immune cells from peripheral blood and umbilical cord blood is being prepared.

In all research and development activities, projects are selected in a targeted manner to an economically reasonable extent that are oriented to market trends, and have an adequate risk profile in the partnerships. In addition to its current core business, Vita 34 is continuously evaluating the demand for new products in the regenerative medicine sector (storage of adipose tissue as a basis for mesenchymal stem cells and adipocytes) and for cell therapies (storage of T-cells, natural killer (NK) cells, and dendritic cells). The objective is to participate in the progress of further developments in the field of regenerative stem cell medicine and various immuno-oncological 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, internationalization has been successfully driven forward, as the current presence with subsidiaries and sales partners in more than 20 countries clearly demonstrates. In the future, the Company plans to continuously increase market penetration in the high-margin core market of the DACH region. At the same time, the market presence in domestic and foreign markets is to be generally stabilized and expanded.

To this end, Vita 34 has a comprehensive product portfolio within the umbilical cord blood and umbilical cord tissue storage sector. The aim is to continuously broaden the product range for stem cell deposits through active portfolio and lifecycle management.

INORGANIC GROWTH

The growth strategy is also focused on vertical and horizontal acquisitions in Europe that strategically strengthen the market position according to clearly defined criteria and provide additional synergy benefits, in particular in marketing and sales as well as in manufacturing and management areas. The vertical portfolio expansion strategy includes opportunistic acquisitions along the value chain or of companies with complementary product ranges. The horizontal market expansion is focused on selective entry into specific European markets.

INCREASING COST EFFICIENCY

Vita 34 examines all activities on an ongoing basis to assess their contribution to the Group's current and future profitability. This has already led to significant successes in 2018 with the realignment of research and development and sales activities, and with the restructuring of the Danish subsidiary. In order to maintain the 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 the purposes of managing the Group and regular capital market communication, the Vita 34 AG Management Board reports on figures for revenue and earnings before interest, taxes, depreciation, and amortization (EBITDA). The development of the performance indicators as compared with defined targets is monitored internally on an ongoing basis and reported on a quarterly, half-yearly, and annual basis. The key performance indicators are calculated as follows:

REVENUES

Revenues represent the gross inflow of economic benefits from operating activities. Revenues received from storage over several periods are spread over the period in which the storage is performed.

EBITDA

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

The detailed development of these key performance indicators and other key figures is explained in the "Revenue and Income Situation", "Financial Situation", and "Asset Situation" sections. The gross margin is no longer regarded by the Management Board as a relevant performance indicator.

RESEARCH AND DEVELOPMENT

Vita 34 sees research and development as a significant growth driver for the future development of the Company. Accordingly, these activities are built on a careful market analysis. This includes knowledge of the state of the art in science and new developments in therapies and, last but not least, a careful analysis of the targeted markets in order to define the commercial potential of new products.

In the fiscal year 2018, in which the development activities have been realigned, expenditure on research and development totaled EUR 0.5 million, representing 2.4% of revenues (2017: 2.1%). In total, Vita 34 has 9 (2017: 13) employees in the Research and Development department in the year under review.

In the upcoming years, Vita 34 will concentrate on two principal areas, building on its core competencies. On the one hand, research and development activities will focus on the identification, isolation, and characterization of immune cells from umbilical cord blood. On the other hand, Vita 34 will continue to develop the "AdipoVita" product, which makes it possible to collect stem cells from adipose tissue of adults, in order to enter the attractive aesthetic medical market in the medium term.

REGENERATIVE AND AESTHETIC MEDICAL APPLICATIONS

In a joint research project conducted with the Fraunhofer Institute for Cell Therapy and Immunology, Vita 34 has created a Good Manufacturing Practice (GMP) process for the cryo-preservation of adipose tissue for autologous fat transplantation. Currently in a second development stage, the process of isolating mesenchymal stem cells from fresh and cryo-preserved adipose tissue is being established. These stem cells not only offer attractive prospects for regenerative medicine. With the new products based on adipose tissue stem cells, Vita 34 will also be able to participate in the growing market for aesthetic medicine. Already known applications in this field include 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 THERAPIES

In oncology research, high hopes are being placed on immune cell therapy, as it is currently already showing impressive treatment results. This personalized medicine, which is focused on an individual therapy for the patient, is a growth market, in which Vita 34 can participate with its specific competencies.

The immune system is an effective weapon in the battle against cancer. Immuno-oncology therapies are targeted to modify the immune system in such a way that tumorous cells are attacked effectively. Convincing advances in oncology are made by so-called CAR-T cells, which are produced by a genetic modification of the patient's T cells. CAR-T therapies have already been approved by the FDA in the USA and by the EMA in Europe.

The peripheral blood of cancer patients, which is currently used as the standard source for obtaining immune cells for therapeutic use, have significant disadvantages due to aging processes and to the effects of medical and chemotherapy treatments. In addition, the T cells of older patients are less efficient due to their lower reproduction properties. The cryo-preservation of healthy immune cells from the peripheral blood of healthy adults, on the other hand, can provide significantly better basis material for these therapies.

Vita 34 plans to be able to provide the basis material for obtaining individual T cells and converting them to CAR-T cells in future. The preventative storage of autologous peripheral blood of young adults or the preemptive storage at the time of diagnosis provide very good opportunities for Vita 34 to offer new products. Therefore, research and development is not only directed at the manufacturing of cryo-preserved isolated immune cells from the peripheral blood of adults. In parallel, work is being done on manufacturing cryo-preserved isolated immune cells obtained from umbilical cord blood. The objective is to make the young and uncontaminated immune cells from umbilical cord blood available for immune cell therapies. This would also provide additional impetus for the Company's traditional business.

With the manufacturing of cryo-preserved immune cell preparations, Vita 34 is not only entering a sales market with very high potential. Innovative products and services offered by Vita 34 can optimize oncological therapies. By manufacturing cryo-preserved isolated immune cells as a base material for immuno-oncological therapies, Vita 34 is able to develop new products for personal provision. This will mean being able to address a target group that could not be reached under the traditional core business.

EMPLOYEES AND QUALIFICATIONS

Vita 34 has an international team of motivated and qualified employees. They provide the foundation for long-term positive development and for the successful acquisition and integration of newly acquired companies. Vita 34 promotes inter-team cooperation and joint activities. The team structure, a flat corporate hierarchy, and the excellent working environment all make significant contributions to employee satisfaction. In addition, Vita 34 employees can contribute suggestions using the Vita idea management system.

At the December 31, 2018 reporting date, Vita 34 had a total of 123 full or part-time employees (2017: 133) and three trainees (2017: five). The reduction is primarily due to the restructuring of the Danish subsidiary, which was also largely completed by the balance sheet date in terms of personnel.

Employee Structure of Vita 34 and the Subsidiaries in the Consolidated Group as of December 31, 2018

Number	**2018**	2017
Total number of employees*	**123**	**133**
Thereof: Management Board	2	3
Thereof: management	14	13
Trainees	**3**	**5**

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

A high proportion of Vita 34 staff are women, who comprise around 62% of the total. Women hold 43% of the positions with a management role and 67% of the trainees are women. Approximately one quarter of the employees in Germany take advantage of schemes offered that are designed to support them in combining family and career. This includes both part-time employment arrangements as well as the flexible distribution of shifts and personalized maternity leave planning. The arrangements for flexible working hours introduced in 2016 continue to be very well received by staff. In addition, there was a high interest in the precautionary measures offered as part of the health care management program in the fiscal year.

Report on Economic Position

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

MACROECONOMIC ENVIRONMENT

Based on statistics published by the Kiel Institute for the World Economy (IfW)[3], the world economy lost momentum over the course of 2018. The economic mood has worsened significantly in almost all regions. In addition to the uncertainty resulting from the growing threat of trade policy conflicts, the tightening of monetary policy in the United States with associated changes in international capital flows have been a brake on commercial expansion in developing economies. Overall, it is expected that total global production will have grown by 3.7% in 2108, as was the case in the previous year.

The trend in the Eurozone is a similar picture to the global situation overall. The economy was already noticeably losing momentum in the first half of the year. This trend continued into the third quarter. The weakness is primarily driven by falls in automotive production, which is in connection with the introduction of new standards for measuring emissions and which is expected to be temporary in nature. The trend on the employment market, however, tends to suggest that the economy has also slowed in fundamental ways. The IfW expects that gross domestic product (GDP) in the Eurozone for the year 2018 as a whole will have grown by 1.9% (2017: 2.5%).

According to the IfW[4], the economy has also stuttered in Germany. As a result, economic performance fell in the third quarter of 2018, the first fall in three years. This decline was primarily due to one-off factors, in particular in connection with problems associated with the WLTP approval process for vehicle manufacturing. Added to this, there were production difficulties caused by the low water levels in the Rhine. The growth in the economy will increasingly be limited even after these one-off effects cease to apply. While companies will only increasingly find it difficult to continue their fast growth in view of the already high capacity utilization, the noticeable tightness of the employment market is likely to continue. Overall, the German economy is expected to have grown by 1.5% over the year 2018 as a whole (2017: 2.2%).

The purchasing power available to the population is an important factor that affects the choice for umbilical cord blood and tissue storage. The Consumer Research Institute (Gesellschaft für Konsumforschung – GfK) calculated that the purchasing power in Europe increased by approximately 2.5% in 2018 compared to the previous year, with an increase of 3.2% in Germany.[5]

SECTOR-SPECIFIC ENVIRONMENT

Vita 34's commercial success is primarily driven by its ability to continue to further increase the number of new storage deposits. Possible fluctuations in the annual birth rates tend to play only a small role, as there is an enormous potential to increase the number of new storage deposits as a proportion of the overall population. According to the Company's own data and estimates, the new storage deposit ratio in Europe currently varies between 1% and 10% depending on the country. Significant success factors are the willingness to make an investment in future personal provision, which varies according to the capabilities of the respective health systems, and the level of recognition that the product has at the date of birth or prior to the date of birth. In Germany, the storage deposit ratio is less than 2%. This low level of market penetration illustrates the market potential for storage.

COURSE OF BUSINESS

In the fiscal year 2018, Vita 34 has been able to successfully continue the positive revenues trend of the previous year. Reflecting this, sales revenue increased from EUR 19.2 million to EUR 20.4 million, representing growth of 6.3%. This positive trend is primarily driven by the increase in the end-customer business in the high-margin DACH region, the Company's core market. As of December 31, 2018, Vita 34 had 226,000 stem cell deposits in storage (previous year: 215,000).

Cumulated Storage Figures

	2015	2016	2017	**2018**
Total	145,000	155,000	215,000	**226,000**

FACT ACCREDITATION AWARDED

In March 2018, Vita 34 received accreditation under the internationally recognized NetCord-FACT Standard (FACT Accreditation). The certificate is a confirmation that Vita 34's stem cell bank operation meets the highest quality standards. The criteria used to award the accreditation are created by physicians from a large number of countries and are stricter than the tough requirements already set by the German authorities. With the internationally recognized FACT standard accreditation, Vita 34 has further strengthened its strategic positioning for the building on its international business and entering new markets.

LAUNCH OF ENTRY-LEVEL PRICING MODEL "VITAPUR"

Vita 34 launched its new pricing model "VitaPur" in May 2018. It is specifically designed to interest price-sensitive customers and is intended to help to further increase market penetration in the core markets of the DACH region. Compared to the classic pricing models "VitaPlus" and "VitaPlusCord", "VitaPur" is characterized by a significantly reduced upfront payment for the storage of umbilical cord blood. In return, the regularly recurring annual fees of this pricing model are higher. As with "VitaPlusDonation", tissue typing and entry in a public stem cell register is obligatory if suitable, as a result of which the number of publicly available preparations is increased.

COST REDUCTION MEASURES IMPLEMENTED

Following extensive review of all submitted documentation and evidence, the Paul-Ehrlich-Institut, German Federal Institute for Vaccines and Biomedical Pharmaceuticals, granted Vita 34 approval to extend the existing permitted timespan for the logistic process. This increases the maximum permitted transport time for freshly drawn umbilical cord blood from currently 48 to 72 hours in the future, due to the fact that the logistics methodology used by the Company is proven to maintain the blood deposits in perfect condition for at least 72 hours. As a result, the transport and manufacturing process could be structured and reorganized in a manner that is more cost effective overall.

RESTRUCTURING OF SALES AND MARKETING ACTIVITIES

In July 2018, the Company's own marketing activities in Denmark, Sweden and Norway were discontinued, as it has not been possible to establish a sustainable positive new customer business since the market entry in 2015. This is primarily due to the specific market conditions in Scandinavia. The Danish company Vita 34 ApS will continue to exist and to be responsible for storing existing deposits already held. As a result, the Scandinavian subsidiary will generate a sustained positive EBITDA from 2019. In addition, the Group has entered into a partnership in Denmark with a chain of clinics in Copenhagen, which has already led to first deposits from the region in the third quarter.

The change in sales partners in Italy and Romania has now been completed. These changes should result in a resumption of the growth trend in those regions in 2019. The change of sales partner in the Serbia region, which began at the end of 2017, was also completed in 2018. The investment in the former Serbian sales partner no longer has any significant influence. It will be reduced as planned in the coming years.

GROUP REVENUE AND EARNINGS (IFRS)

Revenues in the fiscal year 2018 increased by 6.3% compared to the previous year to EUR 20.4 million (2017: EUR 19.2 million). The positive revenue trend is primarily attributable to the positive business development in the DACH core market, while at the same time foreign business has been generally stable.

In EUR thousands	**2018**	2017
Sales revenue	20,409	19,192
Cost of sales	–8,435	–8,391
Gross profit	**11,974**	**10,801**
Marketing and selling costs	–4,925	–5,430
Administrative expenses	–4,805	–4,956
Other operating income, less expenses	387	–274
Operating profit/EBIT	**2,631**	**141**
Financial result	–847	–156
Share of result of associates	0	–140
Income tax expense	–952	–171
Net result for the period	**832**	**–325**
Operating profit/EBIT	2,631	141
Depreciation for the period	2,092	1,705
EBITDA	**4,722**	**1,846**

The growth in the DACH region, with its strong margins, has resulted in a growth in gross profit to EUR 12.0 million (2017: EUR 10.8 million) as well as an increase in gross margin to 58.7% (2017: 56.3%).

The positive effects of the strict cost discipline and the cost savings resulting from the measures taken, in particular in the Danish market, can be clearly seen in the cost base in the fiscal year 2018. The previous year was also influenced by effects from the initial consolidation of Seracell in the form of acquisition and integration costs, which no longer occurred in 2018. The net figure for other operating income and expenses improved in the reporting period from EUR –0.3 million to EUR 0.4 million. Here, the non-recurrence of the acquisition and integration costs had a positive effect, with other operating income at a similar level as in the previous year. At the same time, legal consulting costs and provisions for personnel costs in connection with ceasing the active marketing activities in Denmark, Sweden, and Norway from July 2018 resulted in an increase of other operating expenses. The marketing and selling costs (EUR 4.9 million; 2017: EUR 5.4 million) were reduced by 9.3% in 2018. An increase in the first half-year, primarily as a result of targeted marketing activities in the DACH region was followed by a second half-year in which the positive effects of the measures taken in the Scandinavian, and in particular in the Danish market already had an impact. The ratio of marketing and selling costs to sales revenues has increased again to 24.1% in 2018 (2017: 28.3%). Administrative expenses also fell from EUR 5.0 million in the previous year to EUR 4.8 million in the reporting period. The fall is primarily due to charges in the previous year such as the increased consulting costs in connection with the Seracell acquisition and additional personnel expenses due to the restructuring of the Management Board. Research and development expenses in the fiscal year 2018 totaled EUR 0.5 million (previous year: EUR 0.4 million).

The positive earnings effects of the increase in revenue and the cost reduction measures resulted in a disproportionately high increase in earnings. In comparison with the previous year, it also had a positive effect that there were no comparable one-off effects in the year under review to offset those from the acquisition and the change in management in 2017, which had a negative impact on earnings. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased more than proportionally by 155.9% to EUR 4.7 million compared to EUR 1.8 million in the previous year. Accordingly, the EBITDA margin also improved significantly from 9.6% to 23.1%.

The operating result (EBIT) increased to EUR 2.6 million in the past fiscal year, following EUR 0.1 million in the previous year, which was primarily due to the positive changes in EBITDA described above. A contrary effect resulted from the depreciation effects from the purchase price allocation, which only had a pro rata effect in 2017 and the full-year effect in 2018.

The financial result in 2018 amounted to EUR –0.8 million, following EUR –0.2 million in the previous year. The increase resulted from an impairment charge on a loan and on the investment in the Slovakian subsidiary, which was required as a result of the withdrawal from the Slovakian market.

The income tax expense increased in 2018 to EUR 1.0 million (previous year: EUR 0.2 million). This is mainly due the Group's significantly improved profit situation.

The net result for the period in the fiscal year 2018 was EUR 0.8 million (2017: EUR –0.3 million). Earnings per share, taking account of non-controlling interests, based on 4,084,052 shares, amounted to EUR 0.20 (2017: EUR -0.09 based on 3,549.543 shares on a weighted annual average).

For the year as a whole, sales development was slightly below the forecast range of EUR 21.0 to 23.0 million, as foreign business was below expectations. EBITDA, on the other hand, slightly exceeded the expected range of EUR 4.0 to 4.6 million.

FOURTH QUARTER 2018

In total, sales in the fourth quarter of 2018 totaled EUR 4.9 million after EUR 5.4 million in the same quarter of 2017, as the foreign revenue remained below the previous year as a consequence of the change in sales partner. The positive trend for revenue increases in the DACH region could partially offset this change. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased very pleasingly by 36.3% to EUR 1.4 million (Q4 2017: EUR 1.1 million), and the EBITDA margin was 29.7%, compared to 19.5% in the same period in the previous year. EBIT increased to EUR 0.9 million, following EUR 0.5 million in the previous year. Administrative costs were reduced slightly in the fourth quarter of 2018 to EUR 1.1 million (Q4 2017: EUR 1.2 million) and marketing and selling costs to EUR 1.1 million (Q4 2017: EUR 1.5 million).

GROUP FINANCIAL POSITION

Based on earnings before taxes of EUR 1.8 million in the fiscal year 2018 (2017: EUR –0.2 million) and taking account of non-cash income and expenses, the cash flow from operating activities amounted to EUR 4.6 million, approximately a three-fold increase compared to the previous year (EUR 1.5 million). The increase in the cash flow from operating activities is primarily due to the positive trend in results as well as to an optimization of working capital, particularly in the management of accounts receivable.

The cash flow from investing activities amounted to EUR 0.8 million in the reporting period. This consisted of a cash inflow from the sale of financial assets of EUR 2.4 million, offset in particular by investments in property, plant, and equipment of EUR 0.8 million and subsequent payments made in connection with the last acquisitions of EUR 0.8 million. The equivalent figure of EUR –13.6 million in the previous year primarily contained the cash outflow for the Seracell acquisition.

The cash flow from financing activities in the fiscal year 2018 totaled EUR –2.6 million. This primarily consists of dividend payments and scheduled repayments. The cash flow from financing activities in the previous year of EUR 13.4 million was primarily attributable to the proceeds from the private placement and the capital increase with subscription rights as well as the changes in the loans due to the raising of a bank loan (both in connection with the Seracell acquisition). As in the previous year, the dividend payment was EUR 0.16 per share. With 4,084,052 shares, this corresponds to a total distribution of EUR 0.7 million, after EUR 0.5 million in the previous year.

Vita 34 had cash and cash equivalents of EUR 7.0 million at the reporting date (December 31, 2017: EUR 4.2 million). Vita 34 thus has solid liquidity as a basis for further organic and inorganic growth.

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

GROUP NET ASSETS

At December 31, 2018, the balance sheet total amounted to EUR 59.3 million, EUR 2.5 million lower than at December 31, 2017 (EUR 61.8 million). On the asset side of the balance sheet, the non-current assets including goodwill were EUR 47.9 million as of December 31, 2018, following EUR 52.2 million as of the end of 2017. This decrease is primarily due to two factors: scheduled depreciation of intangible assets identified as part of the Seracell acquisition and the sale of other assets. The intangible assets fell accordingly from EUR 21.5 million to EUR 20.0 million. Goodwill was unchanged at EUR 18.3 million at December 31, 2018. Other financial assets fell to EUR 1.3 million (December 31, 2017: EUR 3.7 million).

Current assets totaled EUR 11.4 million at the reporting date (December 31, 2017: EUR 9.6 million). The increase was primarily due to the increase in cash and cash equivalents, which increased from EUR 4.2 million to EUR 7.0 million by the end of the reporting period. This increase more than offset the simultaneous fall in trade receivables at the end of the period to EUR 2.7 million (December 31, 2017: EUR 3.7 million).

On the equity and liabilities side of the balance sheet, equity totaled EUR 29.5 million at the December 31, 2018 reporting date (December 31, 2017: EUR 29.5 million). The equity ratio increased to 49.8% (2017: 47.8%).

Non-current liabilities fell to EUR 21.9 million at December 31, 2018 compared to EUR 24.1 million at the end of 2017. This fall is primarily due to reclassifications of bank loans to current liabilities. Current liabilities fell to EUR 7.9 million following EUR 8.2 million the previous year.

Overall, non-current and current interest-bearing loans, including silent partners' interests, fell by 24.0% from EUR 10.1 million to EUR 7.7 million mainly due to the repayment of silent partners' interests of EUR 0.9 million and the scheduled repayment of loans of EUR 1.5 million. The most significant component of the non-current and current contract liabilities of EUR 14.2 million (December 31, 2017: EUR 13.8 million) includes deferred income from advance payments of customer storage fees for subsequent years.

Major Balance Sheet Items

Assets In EUR thousands	**Dec. 31, 2018**	Dec. 31, 2017
Non-current assets	47,917	52,155
Thereof: goodwill	18,323	18,323
Current assets	11,401	9,643
Thereof: liquid funds	6,960	4,180

Equity and liabilities In EUR thousands	**Dec. 31, 2018**	Dec. 31, 2017
Equity	29,546	29,528
Non-current liabilities	21,870	24,071
Thereof: contract liabilities	11,355	11,269
Current liabilities	7,901	8,198

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

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

Sales revenues in the reporting year were EUR 14.3 million, representing an increase of 3.6% compared with the previous year's figure of EUR 13.8 million. Other operating income of EUR 0.3 million was lower than the previous year's figure of EUR 0.6 million.

Cost of sales in the fiscal year 2018 totaled EUR 5.1 million, below the level of the previous year. The gross profit from sales increased to EUR 9.3 million as compared with EUR 8.4 million in the fiscal year 2017. This is equivalent to a gross margin (based on sales) of 64.6%, as compared with 60.7% in the reference period of the previous year. The increase is mainly due to the higher share of high-margin sales in the fiscal year 2018.

In EUR thousands	**2018**	2017
Sales revenue	14,325	13,825
Cost of sales	−5,074	−5,427
Gross profit	**9,252**	**8,398**
- Marketing and selling expenses	−3,156	−3,164
- Administrative expenses	−3,958	−4,065
- Other operating income, less expenses	−1,099	−161
Operating profit/EBIT	**1,039**	**1,008**
Financial result	474	272
Income tax expense	−368	−270
Net result for the period	**1,145**	**1,009**
Operating profit/EBIT	1,039	1,008
Depreciation for the period	677	624
EBITDA	**1,716**	**1,632**

The net amount of other operating income and expenses fell in the fiscal year 2018 to EUR –1.1 million following EUR –0.2 million in the previous year. This is primarily due to a compensation payment received by a Group subsidiary as part of a non-competition agreement and to a one-off accounting loss recorded on a merger.

Marketing and selling costs were consistent with the previous year at EUR 3.2 million. Administrative expenses fell to EUR 4.0 million in the reporting period compared to EUR 4.1 million in the previous year, a decrease of 2.6%. The fall is primarily due to the fact that the previous year's figures included one-off effects (consultancy costs incurred in connection with the Seracell transaction) and the disclosure of research and development expenses of EUR 0.5 million in this item.

The primary key performance indicator, earnings before interest, taxes, depreciation, and amortization (EBITDA), improved in the fiscal year 2018 by 5.1% from EUR 1.6 million to EUR 1.7 million.

The financial result was EUR 0.5 million (2017: EUR 0.3 million). The EUR 1.9 million increase in income from investments from Seracell Pharma AG, which primarily consisted of compensation payments for a contractual non-competition agreement and from the Company's existing customer business, was offset by write-downs on financial investments of EUR –1.8 million. EUR –0.6 million of this is attributable to the devaluation of the loans and investments of the Slowakian company and EUR –1.2 million to the investment in Seracell Pharma AG, which no longer conducts any active business in the German market since the acquisition of the company in 2017. The write-down on the investment results from the profit distribution of Seracell Pharma AG to Vita 34 AG in the amount of EUR 2.5 million (previous year: EUR 0.5 million) and the associated reduction in substance at Seracell Pharma AG. The net effect from profit distribution and devaluation of the investment included in the earnings before taxes at Vita 34 AG amounts to EUR +1.3 million (previous year: EUR +0.5 million).

As a result, the net result for the period was EUR 1.1 million, following EUR 1.0 million in the previous year.

Financial Position of Vita 34 AG (HGB)

In EUR thousands	**2018**	2017
Cash flow from operating activities	2,607	1,709
Cash flow from investing activities	1,620	–15,408
Cash flow from financing activities	–749	13,458

The cash flow from operating activities improved from EUR 1.7 million to EUR 2.6 million in the reporting period, primarily as a result of the positive development in EBITDA and the reduction in working capital. The cash flow from investing activities resulted in a net cash inflow of EUR 1.6 million, primarily from the reversal of assets of EUR 2.1 million. The previos year's figure of EUR –15.4 million was significantly influenced by the Seracell acquisition.

The cash flow from financing activities fell from EUR 13.5 million to EUR –0.7 million as, in contrast to the previous year, there were no new capital increases and no new loan borrowings in the reporting period. In addition, the financing activities reflected higher dividend payments and, in particular, the scheduled repayments.

This resulted in a change in liquid funds of EUR 3.5 million. Cash funds as of December 31, 2018 totaled EUR 5.5 million (previous year: EUR 2.0 million).

Net Assets of Vita 34 AG (HGB)

Assets In EUR thousands	**Dec. 31, 2018**	**Dec. 31, 2017**
Property, plant, and equipment and other intangible assets	3,860	3,931
Financial assets	23,015	26,709
Liquid funds	5,769	2,725
Other assets	7,104	7,933
Balance sheet total	**39,748**	**41,298**

Equity and liabilities In EUR thousands	**Dec. 31, 2018**	**Dec. 31, 2017**
Equity	20,380	19,889
Loans and silent partnerships	7,000	8,899
Other liabilities	5,676	6,118
Deferred income	6,692	6,392
Balance sheet total	**39,748**	**41,298**

The property, plant, and equipment and other intangible assets as of December 31, 2018 were EUR 3.9 million (previous year: EUR 3.9 million).

Financial assets fell to EUR 23.0 million at December 31, 2018 (previous year: EUR 26.7 million) and consist of investments in affiliated companies of EUR 20.7 million (previous year: EUR 21.9 million), investment securities of EUR 0.3 million (previous year: EUR 2.4 million), and loans to affiliated companies of EUR 2.0 million (previous year: EUR 2.4 million). Other assets as of December 31, 2018 totaled EUR 7.1 million (previous year: EUR 7.9 million). These primarily consist of trade receivables of EUR 2.4 million (previous year: EUR 3.4 million) and receivables from affiliated companies of EUR 2.4 million (previous year: EUR 2.3 million). In addition, it contains prepaid expenses of EUR 0.9 million (previous year: EUR 0.9 million).

On the equity and liabilities side of the balance sheet, equity totaled EUR 20.4 million at the end of the year (2017: EUR 19.9 million). The increase is attributable to the balance sheet profit for the financial year, which is offset by the distributions in 2018. The equity ratio increased to 51.3% (previous year: 48.2%).

Loans and silent partnerships as of December 31, 2018 totaled EUR 7.0 million (previous year: EUR 8.9 million). The fall was due to the repayment of silent partners' interests of EUR 0.9 million and scheduled loan repayments of EUR 1.0 million. The other liabilities at December 31, 2018 amounted to EUR 5.7 million at the end of the year, following EUR 6.1 million the previous year. These primarily include liabilities to affiliated companies of EUR 2.4 million (previous year: EUR 2.0 million), the special item for grant and subsidy income of EUR 0.5 million (previous year: EUR 0.6 million), and provisions of EUR 1.0 million (previous year: EUR 1.0 million).

Deferred income increased from EUR 6.4 million to EUR 6.7 million at the balance sheet date. This includes the storage fees that are collected from customers via a one-off advance payment which are then released on a straight-line basis over the agreed storage period.

OVERALL STATEMENT ON ECONOMIC POSITION

The Management Board is of the opinion that the economic position of the Company at the date of the publication of the Annual Report continues to be very satisfactory. In recent years, we have implemented our strategy of combining organic and inorganic growth with drive and great determination. As a result, we are able to successfully follow a stable and profitable growth path. New deposits and revenues are up on the previous year and, as forecast in the Annual Report 2017, EBITDA is significantly higher than in the previous year. We have made significant improvements in our corporate and sales structure in both the DACH region, our core market, as well as in the international markets. Parallel to this, we are transforming our Company more and more into a cell bank with a significantly wider potential customer base. On the basis of our very solid earnings, together with a high level of liquidity and a strong equity ratio, we have the resources to significantly grow our business organically and inorganically.

EMPLOYEES OF VITA 34 AG (HGB)

On average in 2018, Vita 34 employed 95 people (on a full-time basis, excluding members of the Management Board, agency staff, casual labor, and employees on parental leave). In addition, the Company had an annual average of three trainees. A high proportion of Vita 34 staff are women, who comprise 74% of the total.

REPORT ON POST-BALANCE SHEET EVENTS

Since the end of the fiscal year 2018, there have been no events that have had a significant effect on the net assets, financial position, or results of operations of the Group.

Corporate Governance

DECLARATION ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SEC. 289A (HGB)

DECLARATION OF CONFORMITY IN ACCORDANCE WITH SEC. 161 GERMAN STOCK CORPORATION ACT (AKTG)

The Management Board and Supervisory Board of a German corporation listed on a stock exchange are required, in accordance with Sec. 161 AktG, to declare once annually whether the recommendations of the Government Commission on the German Corporate Governance Code have been complied with and are being complied with, or which recommendations have not been applied or are not being applied. The following Declaration of Conformity was made permanently accessible on the Company's website on March 25, 2019, along with the last five years' Declarations of Conformity.

"The Management Board and the Supervisory Board of Vita 34 AG declare, in accordance with Sec. 161 of the German Stock Corporation Act (AktG), 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 was issued on March 26, 2018 and will continue to be complied with in the future, with the exception of the points listed below:

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

- Sec. 4.1.3 DCGK: Vita 34 AG has taken measures, appropriate to the Company's risk situation, to ensure that the provisions of law and the Company's internal policies are complied with. The existing risk management system is audited annually as part of the annual audit of the financial statements; no objections have been raised to date. The Management Board and the Supervisory Board believe that the introduction of an additional compliance management system is not necessary in view of the good experience in the past and in view of the Company's size. In addition, it has been decided that a protected whistle-blower system will not be implemented at present as in the view of the Management Board and Supervisory Board there is still insufficient practical experience of this in Germany. Further, it is not intended to preempt any legislative initiatives at the European level. Accordingly, the intention at the present time is to continue to wait and observe whether the arguments against a whistle-blower system, such as high costs in particular, possible negative consequences for the working atmosphere, and susceptibility to abuse, are in fact relevant in practice and which solutions will be established to avoid these issues. The Management Board and the Supervisory Board will continue to observe the developing practice concerning this matter.

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

- Secs. 5.3.1, 5.3.2, 5.3.3 and Sec. 5.4.6. DCGK: The establishment of committees (i.e. a body that is only comprised of part of the members of the Supervisory Board), especially the establishment of an Audit Committee and a Nomination Committee, does not make sense due to the size of the Vita 34 AG Supervisory Board. Accordingly, membership of a committee is not a factor in determining the remuneration of the Supervisory Board.

- Sec. 7.1.2 DCGK: The Company complies with the legally prescribed deadlines with regard to its publishing obligations in order to avoid otherwise higher administrative effort and associated costs as well as the additional commitment of management capacity. This is also in accordance with the intention of the legislator, which has extended the deadline for the publication of half-year financial statements from two to three months."

Leipzig, March 25, 2019

The Supervisory Board The Management Board

CORPORATE GOVERNANCE PRACTICES

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

MANAGEMENT AND SUPERVISORY BOARD PROCEDURES

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

The Vita 34 AG Management Board consists of two members. Dr. Wolfgang Knirsch is Chief Executive Officer and Falk Neukirch is Chief Financial Officer. The Management Board is independently responsible for the management of Vita 34 AG, and in doing so it aims to achieve a sustainable increase in the Company's value.

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

The Management Board informs the Supervisory Board regularly, promptly and comprehensively about all issues relevant to the Company related to strategy, planning, business development, risk situation and risk management, and compliance. Currently, no member of the Management Board holds a position as a Supervisory Board member of a company outside the Group.

The Supervisory Board of Vita 34 AG consisted of four members in the fiscal year 2018. Since Gerrit Witschaß resigned from office on February 28, 2019, the Supervisory Board consists of three members. It supervises and advises the Management Board regarding the management of the business. To this end, the Supervisory Board regularly discusses business development, planning, strategy, and their implementation. It approves the annual plan prepared by the Management Board, accepts the annual financial statements, and approves the consolidated financial statements. Furthermore, it is responsible for appointing and removing the members of the Management Board, as well as for representing the Company in dealings with the Management Board.

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

The Supervisory Board has not received any notice of conflicts of interest from either the Management Board or from Supervisory Board members in the year under review. To date, no Management Board member of Vita 34 AG has moved to the chairmanship of the Supervisory Board. The Supervisory Board currently consists of three independent persons: Frank Köhler, Dr. Mariola Söhngen, and Steffen Richtscheid.

The compensation of Management Board members consists of a fixed component and a variable, performance-based component. Vita 34 AG publishes the Management Board compensation individually. Supervisory Board compensation is regulated in Sec. 18 of the articles of association. The members of the Supervisory Board of Vita 34 AG receive a fixed compensation. There are no performance-based arrangements. Additional details on the compensation of the Management and Supervisory Boards can be found in notes 28 and 29 to the consolidated financial statements.

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

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

All mandatory publications as well as additional investor relations publications of the Company are published in German and in English. All information relevant for capital markets is available in German and English on the Vita 34 AG website at www.vita34group.de.

In accordance with Art. 19 of Regulation (EU) No. 596/2014 (Market Abuse Regulation), members of the Management Board and the Supervisory Board, certain employees with management duties, and persons closely related to such persons are required to make disclosures of purchase and sale transactions involving Vita 34 AG shares and financial instruments based on Vita 34 AG shares ("directors' dealings"). Securities transactions requiring notification that took place in fiscal year 2018 were also published on the Company's website. The publication documents as well as the corresponding announcements were submitted to the German Federal Financial Supervisory Authority.

TARGET VALUES FOR FEMALE QUOTAS

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

- Supervisory Board: The Supervisory Board has set a target of 0% for the Supervisory Board of Vita 34 AG, effective from June 30, 2017 for the period up to June 30, 2022.
- Management Board: The Supervisory Board has set a target of 0% for the Management Board of Vita 34 AG, effective from June 30, 2017 for the period up to June 30, 2022. There are currently two members of the Management Board. The Supervisory Board does not intend to increase the size of the Management Board or to make any other changes to the membership of the Management Board.

The Management Board has set a target of 40% female participation for positions in the management level below the Management Board for the period up to June 30, 2022.

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

The Management Board and the Supervisory Board have not yet drawn up an independent diversity policy in accordance with Sec. 289f Para. 2 No. 6 HGB covering the composition of the Company's representative body and the Supervisory Board in matters such as age, gender, educational or professional background. The Management Board and the Supervisory Board are of the opinion that there is no substantial benefit to be obtained by implementing a further diversity policy concerning the composition of the Management and Supervisory Boards in addition to the targets for the composition of the Management Board and the Supervisory Board and the measures already taken and planned to date to promote diversity. However, the Management and Supervisory Boards will examine the matter again in the fiscal year 2019 to decide whether the preparation of a separate diversity policy makes sense.

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

Structure of the Registered Capital

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

Authority of the Management Board to Issue or Repurchase Shares

The Company has created authorized capital in accordance with Sec. 7 Para. 2 of the Vita 34 AG articles of association. The Management Board is authorized, in accordance with a resolution of the Annual General Meeting on August 28, 2014, to increase the Company's share capital on one or more occasions by up to a total of EUR 393,791.00 by August 27, 2019 by means of the issuance of up to 393,791 new, non-par value registered shares, in exchange for cash or in-kind contributions (Authorized Capital 2014). If the share capital is increased in exchange for cash contributions, the shareholders must be granted subscription rights. The subscription rights may also be granted to the shareholders indirectly in accordance with Sec. 186 Para. 5 AktG. The Management Board is, however, authorized to decide, in each case with the approval of the Supervisory Board, on the exclusion of shareholders' subscription rights.

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

- to compensate for fractional amounts;
- to issue shares as employee shares to the Company's employees and to employees of the Company's affiliates;
- to increase capital in exchange for contributions in kind;
- to the extent required to grant the holders of current conversion and/or option rights 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 at the time the Authorized Capital 2014 is utilized 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 fulfillment of a conversion obligation;
- if the issue price of the new shares in the case of capital increases in exchange for contributions in cash is not significantly lower than the stock market price of already listed shares at the time of the final determination of the issue price, and the shares issued do not exceed in total 10% of the share capital either at the time of effectiveness or at the time this authorization is exercised. This limitation covers shares that have been sold or issued or are to be issued during the term of this authorization up to the point

of its exercise based on other authorizations with direct or corresponding application of Sec. 186, Para. 3, Sentence 4 AktG with exclusion of subscription rights.

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

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

The Management Board and Supervisory Board were empowered by a resolution under Topic 10 approved at the Annual General Meeting held on May 15, 2018 to issue, by December 31, 2021, stock options with rights to acquire up to 100,000 shares to members of the Management Board and members with management roles of the Vita 34 Group. At the same time, conditional capital of EUR 100,000 was created in order to fulfill the stock options. One shareholder has raised a legal challenge against this resolution. The legal proceedings in this case are ongoing.

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

Each share entitles the holder to one vote at the Annual General Meeting and is the basis for calculating the shareholder's share of the Company's profits. This does not apply to own shares held by the Company, from which the Company has no rights. The voting rights of the shares concerned are excluded by law in the cases set out under Sec. 136 AktG.

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

Major Shareholders of the Company

The following direct or indirect participations in the capital of Vita 34 AG, which exceed 10%, were notified to Vita 34 AG during the fiscal year 2018 by means of voting rights notifications as of the date of preparation of this report:

- Voting rights notification of Michael Köhler (with the two subsidiary companies MK Beleggingsmaatschappij Venlo B.V. and Koehler Invest N.V.): 11.64%
- Voting rights notification of Dr. André Gerth: 11.58% (directly held 8.57%, attribution of 3.01% due to "acting in concert" with Polski Bank Komorek Macierzystych S.A.)
- Voting rights notification of Polski Bank Komorek Macierzystych S.A.: 11.58% (directly held 3.01%, attribution of 8.57% due to "acting in concert" with Dr. André Gerth)

Supplementary disclosures in accordance with § 160 AktG

Reference is made to the explanations in the notes to equity.

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

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

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

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

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

Should a member of the Management Board exercise this right, the termination payment is 50% of the salary (fixed salary and variable compensation) no longer due and payable over the remaining period of the contract due to the termination, whereby a 100% target fulfilment is assumed, plus the payment of one year's gross basic salary. The total termination payment may not exceed EUR 750,000 (Dr. Wolfgang Knirsch) or EUR 400,000 (Falk Neukirch).

Opportunity and Risk Report

INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEM

Vita 34 has had an internal risk and opportunity management system in place since 2006 that covers both Vita 34 AG and the Group as a whole. It identifies, evaluates, and prioritizes all significant risks and opportunities, in order to take steps to manage them. In accordance with the German Accounting Standards No. 20 (DRS 20), a risk is defined as the possibility of a negative deviation from the company forecast, whereas an opportunity is the possibility of a positive deviation from the defined corporate objectives.

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

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

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

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

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

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

COMPANY RISKS

PRODUCT RISK

Future research might show that stem cells from other sources represent an equivalent alternative to stem cells from umbilical cord blood and tissue that can be obtained at any time within the framework of therapeutic use. The diseases treated with autologous stem cells mainly occur at an advanced age. Today, however, these patients do not have an autologous umbilical cord blood deposit. A risk could arise that, for this reason, research with bone marrow or peripheral stem cells is pursued more quickly. Currently, autologous bone marrow stem cells are used for treatments following heart attacks, although research in animal models has shown that umbilical cord blood stem cells are more effective.

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

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

STRATEGIC RISKS

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

FINANCIAL RISKS

Both price fluctuations as well as bad debt losses could result from changes in the economic conditions in markets or influences on consumers. Particularly in foreign markets, financial risks could arise from changes to interest and tax policies, as well as exchange rate fluctuations. An increase in competition could result in financial or liquidity risks. Risks are to be avoided and mitigated by long-term business planning and liquidity planning with foresight, as well as controlling of the subsidiaries. Receivables default risks are controlled by permanent monitoring of receivables and their maturities. In the sales partner business, risks are minimized as far as possible by hedging receivables and, in some cases, prepayment agreements.

LEGAL RISKS

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

MARKETING AND SALES RISKS

Potential customers could be influenced by negative, unobjective, or incorrect reporting in the media concerning the storage of umbilical cord blood or stem cell applications. This as well as a change in consumer behaviour as a result of macroeconomic developments can lead to decreases in revenues. In addition, the selection of cooperations or cooperation partners can lead to loss in revenue due to damages to reputation or contractual constellations. There is a risk that the business activity of Vita 34 will be negatively influenced by an increase in the intensity of competition. This includes both aggressive low-price offers as well as significant price reductions on the part of competitors or new companies entering the market. Such events could lead to weaker than expected revenue and profit development at Vita 34.

The Company counters these risks with its new product "**VitaPur**" with an entry price of less than EUR 1,000, by further strengthening the Vita 34 brand as a quality leader in the German market through targeted marketing campaigns and through innovative development work in 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 Vita 34 share price can be influenced by external events, e.g. a financial market crisis. The associated investment decisions by shareholders are in part controlled by factors that have no connection with the fundamental Vita 34 key figures. The Company will continue to promote its recognition on the capital market by observing laws and regulations, as well as by ensuring transparent communication with shareholders.

PERSONNEL RISKS

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

INFRASTRUCTURE RISKS

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

The risks listed are currently not specified. On the whole, there are currently no risks that threaten the ability to continue as a going concern.

OPPORTUNITIES FOR FUTURE DEVELOPMENT

PRODUCT OPPORTUNITIES

In 2012, Vita 34 developed a method, based on Good Manufacturing Practice (GMP), of conserving umbilical cord tissue for use in collecting mesenchymal stem cells as starting cells in regenerative medicine. Since 2013, Vita 34 has been the only private stem cell bank in Germany that can store umbilical cord blood and umbilical cord tissue in accordance with GMP Guidelines, based on the corresponding permits. This unique selling proposition provides Vita 34 with the opportunity to open up additional market potential with its "VitaPlusCord" product offering, and as a consequence to profit from an increased number of new storages.

In addition to this, Vita 34 has developed a process for the collection and cryo-preservation of autologous adipose tissue. Permission to collect and manufacture adipose tissue preparations for possible later use in the isolation of adult stem cells was already applied for.

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

OPPORTUNITIES FROM INTERNATIONALIZATION

Together with its subsidiaries and sales partners, Vita 34 is active in more than 20 international markets. The Company is continuing to open up attractive new markets that can generate contributions to profits in the medium term. Within the scope of these cooperations, the partner companies enjoy independence in marketing and sales. Thereafter, Vita 34 is responsible for the preparation and storage of the umbilical cord blood and tissue in Leipzig and Rostock. Through this form of cooperation, Vita 34 can profit from additional income, without incurring its own selling costs abroad. Through geographic diversification, the Company is expanding its stable foundation, which opens up the possibility of participating in the potential of several target markets.

MARKET OPPORTUNITIES VIA ACQUISITIONS

In the past, Vita 34 has put attractive growth surges into motion by means of targeted strategic acquisitions, which puts the Company in a position to sustainably strengthen its leading position in the European market. These generate synergy effects and competitive advantages, which offer new opportunities for customer acquisition, particularly through the various options available. In addition, they give access to new technologies and to qualified staff. Vita 34 has built up excellent expertise in planning the integration of the acquired companies in a targeted manner and implementing it quickly and successfully.

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

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

OVERALL ASSESSMENT OF THE MANAGEMENT BOARD

As one of the leading stem cell banks in Europe and the market leader in the German-speaking market, and taking into account the associated opportunities and risks, Vita 34 considers itself well positioned to ensure the continued existence of the Company in the long term, and to utilize the opportunities that present themselves. A risk management system classifies the probability of occurrence and the consequences, thus enabling risks to be monitored on an ongoing basis. After reviewing the risk situation as of the balance sheet date, December 31, 2018, there were no risks that endanger the continued existence of the Company. The overall risk situation of Vita 34 has not fundamentally changed as compared with the previous year. There are also no recognizable risks for the future that threaten the continued existence of the Company.

Forecast Report

The following statements on the future course of business of Vita 34 and the assumptions regarding the economic development of markets that are considered significant in making such statements are based on Company’s assessments made by management, which it considers to be realistic at present based on information currently available. These are, however, subject to uncertainties given the background of the current economic environment, and accordingly carry the unavoidable risk that the forecast developments will not actually occur either in terms of their trend or their extent.

EXPECTED MACROECONOMIC DEVELOPMENT

Based on statistics published by the IfW[6], global production is expected to grow at a slower rate than has been the case until now. Accordingly, these forecasts indicate global economic growth of 3.4% in 2019. Capacity utilization in developed economies is not likely to increase further, and in many developing countries production will only increase at a moderate rate given a disadvantageous economic framework and a difficult financial environment. In addition, it is assumed that, step by step, political trade conflicts will be resolved, with the result that the inhibiting factors will decrease over time. GDP growth in the Eurozone is expected to be 1.7%. According to the IfW[7], the German economy is expected to grow by 1.8% in the current year. GfK estimates that purchasing power in Germany will increase by a nominal 3.3%.[8]

EXPECTED DEVELOPMENT OF VITA 34

Vita 34 will consistently drive forward the initiated transformation process from a pure stem cell bank to a more broadly-based cell bank, in order to offer further storage options 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 tap additional market potential via new business areas. By developing new products and services relevant to the cryo-preservation of stem cells or, in future, of cells from other sources, the Company intends to position itself at an early stage in promising medical fields so that it can benefit from the identified market potential. The first revenue contributions from the new business area of cryo-preservation of immune cells from peripheral blood and umbilical cord blood are already expected in the fiscal year 2020.

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. The aim here is to also take advantage of targeted opportunities in the business-to-government (B2G) and business-to-business (B2B) sectors. There is increasing demand for cell isolation, cell multiplication, and cell modification, particularly due to the further establishment of individualized cell therapies. Vita 34 is examining further strategic options for new offerings in this area that may arise through partnerships or acquisitions.

The Company intends to build on or expand the market position that it has already achieved in European markets by increasing sales and earnings in line with market growth. The primary objective in the German-speaking countries is to sustainably strengthen the market presence and leading market position through targeted marketing activities. The change in sales partners for foreign countries should result in a resumption of a moderate growth trend in those regions from 2019.

The industry is currently undergoing a consolidation process, in which Vita 34 AG would like to play an active role. The Company therefore intends to open up new markets in attractive European regions through opportunistic acquisitions or beneficial partnerships.

The cost reduction measures implemented, especially in the sales companies, will have a very positive effect on the future profitability and cash flow strength of the Company.

FINANCIAL FORECAST

For the fiscal year 2019, the Management Board expects that the profitable growth trend will continue, and expects (excluding acquisitions) sales revenue of between EUR 21.0 million and EUR 23.0 million and EBITDA of between EUR 5.0 million and EUR 5.6 million.

FORWARD-LOOKING STATEMENTS

This Annual Report contains forward-looking statements. They are based on the current information available to Vita 34 at the date of the preparation of the Annual Report. However, such forward-looking statements are subject to risks and uncertainties. Should the underlying assumptions not transpire or should additional opportunities/risks arise, the actual results could deviate from the forecasts made. Accordingly, Vita 34 can assume no responsibility for this information.

Leipzig, March 27, 2019

The Vita 34 AG Management Board

Dr. Wolfgang Knirsch
Chief Executive Officer

Falk Neukirch
Chief Financial Officer

Management Report – Footnotes

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

[2] WMDA global trend report 2017: https://www.wmda.info/wp-content/uploads/2018/06/20180531-GTR-Graphs-2017-Summary.pdf

[3] Kieler Konjunkturberichte – Weltkonjunktur im Winter 2018, No. 49 (2018/Q4) dated December 11, 2018 (in German):https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KKB_49_2018-Q4_Welt_DE.pdf

[4] Kieler Konjunkturberichte – Deutsche Konjunktur im Winter 2018, No. 50 (2018/Q4) dated December 11, 2018 (in German):https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KKB_50_2018-Q4_Deutschland_DE.pdf

[5] GfK-Press release: “Europäer haben 2018 rund 355 Euro mehr zur Verfügung“ dated October 30, 2018 (in German): https://www.gfk.com/de/insights/press-release/europaeer-haben-2018-rund-355-euro-mehr-zur-verfuegung/

[6] Kieler Konjunkturberichte – Weltkonjunktur im Winter 2018, No. 49 (2018/Q4), dated December 11, 2018 (in German): https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KKB_49_2018-Q4_Welt_DE.pdf

[7] Kieler Konjunkturberichte – Deutsche Konjunktur im Winter 2018, No. 50 (2018/Q4), dated December 11, 2018 (in German): https://www.ifw-kiel.de/fileadmin/Dateiverwaltung/IfW-Publications/-ifw/Konjunktur/Prognosetexte/deutsch/2018/KKB_50_2018-Q4_Deutschland_DE.pdf

[8] GfK-Press release: “Deutsche haben 2019 rund 763 Euro mehr zur Verfügung“ dated December 13, 2018 (in German): https://www.gfk.com/de/insights/press-release/deutsche-haben-2019-rund-763-euro-mehr-zur-verfuegung/


The best time to secure
stem cells is birth.

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income

In EUR thousands	Note	2018	2017 (restated)*
Sales revenue	5.1	20,409	19,192
Cost of sales	5.2	−8,435	−8,391
Gross profit on sales		**11,974**	**10,801**
Other operating income	5.3	716	717
Marketing and selling costs	5.4	−4,925	−5,430
Administrative expenses	5.5	−4,805	−4,956
Other operating expenses	5.6	−329	−991
Net operating result (EBIT)		**2,631**	**141**
Financial income	5.8	44	44
Financial expenses	5.7	−891	−200
Share of result of associates	11	0	−140
Earnings before taxes		**1,784**	**−154**
Income tax expense/income	6	−952	−171
Net result for the period		**832**	**−325**
Attributable to:			
Owners of the parent company		828	−323
Non-controlling interests		4	−2
Earnings per share, basic/diluted (EUR) Basic and diluted, relating to the net result for the period attributable to the holders of ordinary shares of the parent company	8	0.20	−0.09

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income

In EUR thousands	Note	**2018**	2017 (restated)*
Net result for the period		**832**	**−325**
Other comprehensive income			
Currency translation differences	16	−7	−3
Net gain/loss on available-for-sale financial assets	16	7	3
Income tax effect	6	−2	−1
Other comprehensive income to be reclassified to the statement of income in subsequent periods		**−2**	**−1**
Result from equity instruments measured at fair value with no effect on income	24	−24	0
Other comprehensive income not to be reclassified to the statement of income in subsequent periods		**−24**	**0**
Other comprehensive income		**−25**	**−1**
Total comprehensive income after tax:		**807**	**−326**
Attributable to:			
Owners of the parent		803	−324
Non-controlling interests		4	−2

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

Consolidated Balance Sheet

Assets

In EUR thousands	Note	**Dec. 31, 2018**	Dec. 31, 2017 (restated)*
Non-current assets			
Goodwill	9	18,323	18,323
Intangible assets	8	19,990	21,536
Property, plant, and equipment	10	6,908	6,635
Investments in associates	11	0	129
Other assets	14	1,312	3,665
Trade receivables	13	1,088	1,103
Restricted cash	15	296	763
		47,917	**52,155**
Current assets			
Inventories	12	456	438
Trade receivables	13	2,744	3,705
Current tax assets	6	845	782
Other receivables and assets	14	395	538
Cash and cash equivalents	15	6,960	4,180
		11,401	**9,643**
Total Assets		**59,317**	**61,798**

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

Equity & Liabilities

In EUR thousands	Note	Dec. 31, 2018	Dec. 31, 2017 (restated)*
Equity			
Registered capital	16	4,146	4,146
Capital reserves	16	23,913	23,913
Retained earnings	16	1,848	1,810
Other reserves	16	−145	−120
Treasury shares	16	−337	−337
Non-controlling interests	16	122	117
		29,546	**29,528**
Non-current liabilities			
Interest-bearing loans	17	5,383	8,032
Deferred grants	21	827	890
Contract liabilities	22	11,355	11,269
Deferred income tax	6	4,306	3,880
		21,870	**24,071**
Current liabilities			
Trade payables	23	1,106	949
Provisions	19	164	3
Income tax payable	6	294	11
Interest-bearing loans	17	2,305	1,145
Silent partners' interests	18	0	940
Deferred grants	21	63	66
Contract liabilities	22	2,803	2,552
Other liabilities	23	1,166	2,532
		7,901	**8,198**
Total Equity & Liabilities		**59,317**	**61,798**

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

Consolidated Statement of Changes in Group Equity

In EUR thousands	Equity attributable to the owners of the parent company			
	Registered capital	Capital reserves	Retained earnings	Reserves for available-for-sale financial assets
Balance as of Jan. 1, 2017	**3,027**	**18,213**	**2,865**	**−10**
First-time application effect of IFRS 15	0	0	−113	0
Balance as of Jan. 1, 2017 (restated)*	**3,027**	**18,213**	**2,751**	**−10**
Net result for the period (restated)*	0	0	−323	0
Other comprehensive income	0	0	0	2
Total comprehensive income (restated)*	**0**	**0**	**−323**	**2**
Capital increase from issue of new shares	1,120	5,700	0	0
Dividend payment	0	0	−474	0
Increase in shareholding in subsidiary	0	0	−144	0
Balance as of Dec. 31, 2017 (restated)*	**4,146**	**23,913**	**1,810**	**−8**
Balance as of Jan. 1, 2018 (restated)*	**4,146**	**23,913**	**1,810**	**−8**
Net 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	−653	0
Other changes	0	0	−136	0
Balance as of Dec. 31, 2018	**4,146**	**23,913**	**1,848**	**−26**

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

Revaluation reserves	Currency translation differences	Total equity	Treasury shares, at cost	Non-controlling interests	Total equity
−122	**13**	**23,985**	**−337**	**0**	**23,648**
0	0	−113	0	0	−113
−122	**13**	**23,871**	**−337**	**0**	**23,534**
0	0	−323	0	−2	−325
0	−3	−1	0	0	−1
0	**−3**	**−324**	**0**	**−2**	**−326**
0	0	6,819	0	0	6,819
0	0	−474	0	0	−474
0	0	−144	0	119	−25
−122	**10**	**29,749**	**−337**	**117**	**29,528**
−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**

Consolidated Statement of Cash Flows

In EUR thousands	Note	**2018**	2017 (restated)*
Cash flow from operating activities			
Earnings before taxes		1,784	–154
Adjusted for:			
Amortization and depreciation	8, 10	2,092	1,707
Gains/losses on disposal of non-current assets		5	16
Other non-cash expenses/income		–237	–40
Financial income	5.8	–44	–44
Financial expenses	5.7	891	200
Changes in working capital:			
+/- Inventories		–18	163
+/- Receivables and other assets		1,156	119
+/- Liabilities		–850	–873
+/- Contract liabilities		337	1,084
+/- Provisions		161	–13
Interest paid		–236	–169
Income taxes paid		–443	–457
Cash flow from operating activities		**4,598**	**1,537**
Cash flow from investing activities			
Purchase of intangible assets	8	–17	–75
Purchase of property, plant, and equipment	10	–795	–678
Purchase of companies, net of assumed cash	17, 23	–825	–12,886
Purchase of long-term financial investments		–17	0
Cash receipts from the disposal of property, plant, and equipment		5	8
Cash receipts from the sale of financial investments	14	2,446	0
Payments for the acquisition of non-controlling interests		0	–25
Interest received		25	44
Cash flow from investing activities		**821**	**–13,612**

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

In EUR thousands	Note	2018	2017 (restated)*
Cash flow from financing activities			
Cash receipts from share issues		0	6,741
Dividend payment	16	−653	−474
Cash receipts from loan drawdowns	17	0	7,425
Cash outflows from loan repayments	17, 18	−1,985	−249
Cash flow from financing activities		**−2,637**	**13,443**
Net change in cash and cash equivalents		2,780	1,368
Cash and cash equivalents at the beginning of the reporting period		4,180	2,813
Change in cash and cash equivalents resulting from changes in currency exchange rates		**6,960**	**4,180**
Cash and cash equivalents at the end of the reporting period (liquid funds)	**15**	**6,960**	**4,180**

* The comparative figures were restated due to the effects of the first-time application of IFRS 15. Information on the adjustments to the prior-year figures can be found in note 2.3 of the notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements for the Fiscal Year 2018

1 INFORMATION ON THE PARENT COMPANY AND THE GROUP

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

The declaration on the German Corporate Governance Code required by Sec. 161 German Stock Corporation Act (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 ended December 31, 2018 were approved for publication by the Management Board on March 27, 2019. Vita 34 AG is a limited liability stock corporation incorporated and domiciled in Germany whose shares are admitted for public trading.

2 ACCOUNTING AND VALUATION PRINCIPLES

2.1 BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The consolidated financial statements of Vita 34 AG were prepared in accordance with the provisions of the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable as of the balance sheet date, and with the additional requirements of the German commercial law to be observed pursuant to Sec. 315e Para. 1 German Commercial Code (HGB). All IFRS binding for the fiscal year 2018 and the pronouncements of the International Financial Reporting Interpretations Committee (IFRIC) were applied to the extent that these have been endorsed by the European Union.

The consolidated financial statements of Vita 34 AG are generally prepared in euros on the amortized cost basis with the exception of certain financial assets which are measured at fair value. Unless indicated otherwise, all amounts have been rounded to thousands of euros (kEUR).

2.2 CONSOLIDATION PRINCIPLES

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

Subsidiaries are included in the consolidated financial statements when they are controlled by the Company. In particular, the Group controls a subsidiary if it has all of the following characteristics:

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

In addition to Vita 34 AG, the parent company, the subsidiaries listed in note 27 are included in the scope of consolidation. stellacure GmbH, which was consolidated in full in the fiscal year 2017, has been merged into Vita 34 AG in 2018.

In the fiscal year 2018, the Group concluded that it no longer exercises any significant influence over Bio Save d.o.o., Belgrade, Serbia. As a result, the investment in the company is reported within other assets under non-current assets from January 1, 2018.

2.3 CHANGES IN ACCOUNTING POLICIES AND VALUATION METHODS

The accounting policies and valuation methods applied are generally unchanged from those applied in the prior period. The Group has applied IFRS 9 and IFRS 15 for the first time in the fiscal year 2018. The transition effects on the Group following the initial application of IFRS 9 and IFRS 15 as of January 1, 2018 and resulting from the change in accounting policies are described in this section.

Various other standards and amendments to standards will be applied for the first time in 2018. These did not have any effect on the consolidated financial statements of Vita 34 AG. The Group has not applied any standards, amendments or interpretations early that have been issued but have not become effective yet.

For transparency purposes, the income tax receivables are reported separately in the balance sheet of the fiscal year 2018. The corresponding amounts were included in other receivables and assets in previous financial statements. In addition, a payment of the installment loan from the acquisition of a subsidiary made in the previous year is reported in cash flow from investing activities in both the reporting period and the comparative period. In the previous year's financial statements, the cash outflow of EUR 472 thousand was reported in cash flow from financing activities.

IFRS 15 "Revenue from Contracts with Customers"

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

Vita 34 applies IFRS 15 for the first time to the fiscal year beginning January 1, 2018, using the full retrospective approach. The figures reported for the previous year have been adjusted for the effects of the changes resulting from IFRS 15. In particular, the initial application of IFRS 15 leads to the following changes affecting Vita 34:

<u>Contract liabilities</u>

IFRS 15 includes disclosure requirements of performance surpluses or obligations at contract level. These assets and liabilities from customer contracts arise depending on the services performed by the company and the customer's payment. Taking these requirements into account, reclassifications have been made from the balance sheet items trade payables and deferred income.

Contract liabilities primarily include prepayments received on customer contracts as well as obligations acquired as part of business combinations to fulfill storage contracts which will no longer be matched by payments in the future.

<u>Long-term service contract</u>

For a service contract whose settlement is spread over several business periods, revenues are recognized in accordance with IFRS 15 corresponding to the stage of completion of each of the individual separate performance obligations agreed under the contract, taking into account the allocated individual selling price. Compared with the revenue recognition method used in previous financial statements, this results in a lower revenue volume in 2016 and 2017.

<u>Contracts with multiple performance obligations</u>

IFRS 15 specifies the requirements concerning the timing of accounting for contracts with customers. As a result, for contracts with multiple performance obligations concluded in the years 2013 to 2015 (for the services "creation of a stem cell deposit" and "storage of a stem cell deposit"), a lower allocation of sales revenue is made in accordance with IFRS 15 to the service "creation of a stem cell deposit" realized in the years 2013 to 2015; the resulting trade receivables recorded in previous financial statements are not recognized in accordance with IFRS 15. By contrast, the sales revenue realized from these contracts for the "storage of a stem cell deposit" is higher. Compared to the revenue recognition method used in previous financial statements, this results in a slightly higher revenue volume in 2017.

Effect of IFRS 15 on the consolidated financial statements

The following table shows the effects resulting from the application of IFRS 15 on the consolidated income statement for the period from January 1 to December 31, 2017:

In EUR thousands	Jan 1. - Dec. 31, 2017
Sales revenue	6
Interest income	−8
Income tax expense	1
Group net result	**−1**

There has been no change to the basic and diluted earnings per share for the period from January 1 to December 31, 2017 as a result of the application of IFRS 15.

The following table shows the effect resulting from the application of IFRS 15 on the consolidated balance sheet as of January 1, 2017 and as of December 31, 2017:

In EUR thousands	Dec. 31, 2017	Jan. 1, 2017
Assets		
Inventories	−62	0
Trade receivables (current)	−101	−104
Total assets	**−163**	**−104**
Equity and liabilities		
Equity	−115	−113
Trade payables (non-current)	−1,808	−437
Deferred income (non-current)	−9,460	−9,011
Contract liabilities (non-current)	11,269	9,448
Deferred income tax	−54	−53
Deferred income (current)	−2,547	−1,782
Contract liabilities (current)	2,552	1,787
Other liabilities	0	57
Total equity and liabilities	**−163**	**−104**

IFRS 9 “Financial Instruments”

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

The Group applies the standard for the first time for the fiscal year commencing on January 1, 2018 and, in accordance with the transition arrangements, does not restate the previous year’s figures.

The following table shows the reconciliation of the carrying values of financial instruments by classes of the consolidated balance sheet and by categories in accordance with IFRS 9 to the previous categories in accordance with IAS 39:

In EUR thousands	IFRS 9 category	Carrying amount Jan. 1, 2018	IAS 39 category	Carrying amount Dec. 31, 2017
Financial Assets				
Trade receivables[1]	AC	4,808	KuF	4,808
Other receivables and assets				
Financial securities	FVtOCI	2,342	ZVvfV	2,342
Other financial investments	FVtOCI	119	ZVvfV	119
Other financial assets	AC	677	KuF	677
Financial liabilities				
Interest-bearing loans	AC	9,177	FbzfA	9,177
Silent partners' interests	AC	940	FbzfA	940
Trade payables[1]	AC	949	FbzfA	949
Other financial liabilities	AC	853	FbzfA	853
Summarized by category				
Financial assets at amortized cost	AC	5,485		
Financial assets at fair value through other comprehensive income (debt instruments)	FVtOCI	2,342		
Financial assets at fair value through other comprehensive income (equity instruments)	FVtOCI	119		
Financial liabilities at amortized cost	AC	11,919		
Loans and receivables			KuF	5,485
Financial assets available for sale			ZVvfV	2,461
Financial liabilities measured at amortized cost			FbzfA	11,919

[1] The carrying amounts as of January 1, 2018 were restated due to the effects of the first-time application of IFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND VALUATION METHODS

Business Combinations and Goodwill

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

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

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

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

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

As of December 31, 2018, the Group’s cash-generating units to which goodwill arising in a business combination has been assigned were as follows:

- Stem Cell Banking – Germany; and
- Spain.

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

Fair Value Measurement

All assets and liabilities for which the fair value is reported in the financial statements are classified in accordance with the fair value hierarchy described below, based on the lowest level input parameter that is significant for the measurement of the fair value of the instrument as a whole.

a. Level 1 – Prices for identical assets or liabilities quoted in active markets (non-adjusted)
b. Level 2 – Measurement procedures in which the lowest level input parameter that is significant overall to the measurement of the fair value is directly or indirectly observable on the market
c. Level 3 – Measurement procedures in which the lowest level input parameter that is significant overall to the measurement of the fair value not directly or indirectly observable on the market

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

Research and Development Costs

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

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

Intangible Assets

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

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

Intangible assets with a finite useful life are amortized over their economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each fiscal year. If the expected useful life of the asset or the expected amortization pattern of the asset has changed, a different amortization period or method is selected. Such changes are treated as changes in an estimate. Amortization of intangible assets with a finite useful life is recognized in the statement of income in the expense category consistent with the function of the intangible asset. Such changes are treated as changes in an estimate. The amortization expense on intangible assets with a finite life is recognized in the statement of income in the expense category consistent with the function of the intangible asset.

For intangible assets with indefinite useful lives, impairment testing is carried out at least annually for the individual asset or at the cash-generating unit level. These intangible assets are not subject to planned amortization. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the assessment of an indefinite useful life is still justified. If this is not the case, a change in the evaluation from indefinite to finite useful life is conducted prospectively.

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

	Development costs	Patents and licenses	Acquired contracts	Customer relationships and trademarks
Useful lives	Finite useful lives, amortization over the expected product lifecycle	Finite useful lives, amortization over the expected useful life of 5 to 15 years	Finite useful lives, amortization over the expected period of the contract of 23 to 28 years	Finite useful lives, amortization over the expected period of 4 to 5 years
Amortization methods used	Straight-line amortization over the expected useful life			
Internally generated or acquired	Internally generated	Acquired	Acquired	Acquired

One license acquired as part of a business combination was assigned an indefinite useful life in the financial statements prepared in previous years. During the annual review of whether the assessment of an indefinite useful life is still justified, it was determined that this assessment is no longer appropriate in the fiscal year 2018. Accordingly, the license will be amortized over its identified useful life from this year.

Gains or losses arising on 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 the statement of income in the period in which the item is derecognized.

Property, Plant, and Equipment

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

Useful Life of the Assets

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

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

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

Investments in Associates

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

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

In the fiscal year 2018, the Group assessed the overall circumstances and came to the conclusion that there was no longer any significant influence over Bio Save d.o.o., Belgrade, Serbia. This is reflected among other things in the fact that the existing business relationships have been terminated and no financial information for the application of the equity method is provided by the company.

Impairment of Non-Financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If such indications exist, or if an annual impairment test of an asset is required, the Group estimates the 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 minus the disposal costs and its value in use. The recoverable amount needs to be determined for each asset, unless an asset does not generate any cash inflows that are mostly independent of those of other assets or other groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. To assess value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments regarding the interest effect and the risks specific to the asset. To determine the fair value less costs to sell, an appropriate valuation model is used. This is based on valuation multipliers, stock market prices of publicly traded company shares or other available indicators of fair value. Impairment losses attributable to continuing operations are recognized in the expense categories that correspond to the function of the impaired asset.

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

After a reversal of an impairment loss, the depreciation charge is 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.

For goodwill, the Group determines at each balance sheet date whether there is any indication that goodwill is impaired. Goodwill is tested for impairment at least once annually. Impairment tests are also conducted if events or circumstances indicate that the goodwill may be impaired. Impairment is determined by finding the recoverable amount of the cash-generating unit that the goodwill is attributable to. If the recoverable amount of the cash-generating unit is less than the carrying amount of this unit, an impairment loss is recorded. Any impairment loss recognized on goodwill may not be reversed in subsequent reporting periods.

Financial Assets

Initial Recognition and Measurement of Financial Assets

Financial assets are classified into the following measurement categories in accordance with IFRS 9:

- Financial assets at amortized cost (debt instruments)
- Financial assets at fair value through other comprehensive income (debt instruments)
- Financial assets at fair value through profit or loss
- Financial assets at fair value through other comprehensive income (equity instruments)

The classification of financial assets on initial recognition is dependent on the characteristics of the cash flows conditions and the business model conditions of the financial asset. Financial assets are measured on initial recognition at fair value. In the case of financial assets that are not measured at fair value through profit or loss, transaction costs 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, where allowed and appropriate, re-evaluates this classification at the end of each reporting period.

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

Subsequent Measurement of Financial Assets

- Financial assets at amortized cost (debt instruments)

The Group classifies financial assets in this category when the following conditions are fulfilled:

— 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 result in cash flows at specified dates that represent only principal and interest payments on the principal amount outstanding.

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

Financial assets at amortized cost primarily consist of the Group’s trade receivables.

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

The Group classifies financial assets in this category when the following conditions are fulfilled:

— as part of the Group's business model, the financial asset is held both to collect the contractual cash flows and to sell financial assets; and
— the contractual terms of the financial asset result in cash flows at specified dates that represent only principal and interest payments on the principal amount outstanding.

Gains and losses on financial assets which are measured at fair value through other comprehensive income are recognized in other comprehensive income, with the exception of impairment losses and income, interest from the use of the effective interest method, and gains and losses on currency translation. If the financial asset is derecognized, the accumulated gain or loss previously recognized in other comprehensive income is reclassified to the statement of income.

Financial assets from debt instruments that are measured at fair value through other comprehensive income include financial securities presented under non-current assets.

- Financial assets 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 other comprehensive income if they meet the definition of equity in IAS 32 and are not held for trading purposes. The classification is made separately for each instrument.

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

Financial assets from equity instruments that are measured at fair value through other comprehensive income include the shareholdings in other investments listed in note 27.

- Financial assets at fair value through profit or loss

Financial assets in this category include financial assets held for trading purposes, financial assets which are measured at fair value through profit or loss on initial recognition, or financial assets that must be measured at fair value. Financial assets are classified as held for trading purposes if they are acquired with the intention of sale or repurchase in the near future. Derivatives, including separately embedded derivatives, are also classified as held for trading purposes, unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified independently of the business model and are measured at fair value through profit or loss. Irrespective of the criteria for the classification of debt instrument at amortized cost or at fair value through other comprehensive income, as described above, debt instruments can, on initial recognition, be measured at fair value through profit or loss if an accounting error is resolved or reduced significantly.

Financial assets in this category are recognized at fair value in the balance sheet, and the net changes in the fair value are reported in the statement of income.

The Group does not hold any such financial assets.

Derecognition of Financial Assets

A financial asset is derecognized when the right to the cash flows from the financial asset expires, or the financial asset is transferred.

Impairment of Financial Assets

The Group recognizes impairments for expected credit losses (ECLs) for all debt instruments that are not measured 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 formed for credit losses resulting from default events that are possible within the next twelve months (twelve-month ECLs). For credit risks that have increased significantly since initial recognition, an allowance for expected credit losses is recorded over the remaining term of the engagement, independent of the timing of the default (lifetime ECL).

The Group applies a simplified method for determining ECLs for trade receivables. As a result, the Group does not track changes in credit risk, but records an impairment allowance at each reporting date based on lifetime ECLs. The Group has created an impairment matrix based on its historical credit risk experience, adjusted for forward-looking factors which are specific for the debtors and the economic environment.

The Group applies the simplified method of assessing the credit risk of debt instruments that are measured at fair value through other comprehensive income. At each reporting date, the Group makes an assessment of whether the debt instrument has a low credit risk, taking into consideration all reasonable and relevant information that is available without undue effort or cost. In this assessment, the Group makes a new assessment of the internal credit quality of the debt instrument. In addition, the Group is of the opinion that the credit risk has significantly increased when contractual payments are overdue by more than 30 days.

Financial Liabilities

Initial Recognition and Measurement of Financial Liabilities

All financial liabilities are initially recognized at fair value and for loans and liabilities at fair value less directly attributable transaction costs.

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

Subsequent Measurement of Financial liabilities

The measurement of financial liabilities is dependent on their classification as described below:

- Interest-bearing loans

This is the category with the most relevance for the Group. After initial recognition, interest-bearing loans are subsequently measured at amortized cost under the effective interest method. Gains and losses are reported in profit or loss on derecognition and as part of the amortization process under the effective interest method.

The amortized cost is calculated taking into account any discounts or premiums on acquisition and any fees or costs that are an integral part of the effective interest rate. Amortization under the effective interest method is recognized in the statement of income as financing costs.

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

- Financial Liabilities Measured at Fair Value through Profit or Loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading purposes and financial liabilities which are classified on initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading purposes if they are created for the purpose of repurchasing them in the short-term. This category includes derivative financial instruments entered into by the Group which are not designated as hedging instruments in hedging relationships in the sense of IFRS 9. Separated embedded derivatives are also classified as held for trading purposes, unless they are designated as effective hedging instruments.

Gains and losses on liabilities held for trading purposes are recognized in the statement of income. Financial liabilities which are to be measured on initial recognition at fair value through profit or loss are classified as such at the date of initial recognition and only if the criteria under IFRS 9 are fulfilled.

The Group has no financial liabilities that are measured 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 canceled, or expires. When an existing financial liability is replaced by another from the same lender on significantly different terms or when the terms of an existing financial liability are significantly modified, such an exchange or modification is accounted for by derecognizing the original liability and recognizing a new liability. The difference between the respective carrying amounts is recognized in the statement of income.

Treasury Shares
If the Group acquires its own shares, they are recognized at acquisition cost and deducted from equity. The purchase, the sale, the issuance, or the retirement 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 and net realizable value.

In addition to production materials and wages, the production costs for work in progress also include appropriate portions of production overheads and depreciation to the extent that they relate to production. Administrative and selling costs and interest were not taken into account.

Cash and Cash Equivalents
Cash and cash equivalents in the balance sheet consist of cash at bank and on hand and short-term deposits with an original maturity of no more than three months. Restricted cash is disclosed separately.

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

Provisions
Provisions are recognized when the Group has a present obligation (legal, contractual, or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the Group expects at least a partial reimbursement for a provision, the reimbursement is only recognized as a separate asset if the reimbursement is virtually certain. The expense relating to the recognition of the provision is recognized in the statement of income net of the reimbursement. If the effect of the interest effect 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 an interest expense. Legal disputes are often based on complex legal issues and involve considerable uncertainty. Accordingly, the assessment of whether there is a probable present obligation at the balance sheet date as a result of a past event, whether a future cash outflow is probable and the amount of the obligation can be estimated reliably is based on significant estimates. The assessment is generally made with the involvement of external lawyers. It may be necessary to establish a provision for an ongoing case due to new developments or to adjust the amount of an existing provision. In addition, the outcome of a lawsuit for Vita 34 may result in expenses that exceed the provision recognized for the facts of the case.

Pensions

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

The amount to be recognized as an asset or liability under a defined benefit plan comprises the cash value of the defined benefit obligation (applying a discount rate based on senior, fixed-rate corporate bonds; see note 20) and the fair value of the plan assets available to settle obligations directly. Plan assets consist of qualifying insurance policies. The plan assets are protected against any claims of the Group's creditors and cannot be paid directly to the Group. The fair value is based on market price information. The value of a recognized asset of the defined benefit plan is generally equivalent to the cash value of any economic benefit in the form of reimbursement from the plan or in the form of a reduction in the future contribution payments to the plan. Since the plan assets consist of a qualifying insurance policy, which precisely covers all of the promised benefits with regard to their amount and due date, the recognition of the plan assets is limited to the cash value of the obligations covered.

Leasing Arrangements

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an estimate of whether the fulfillment of the contractual arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A distinction is drawn between operating leases and finance leases depending on whether all of the risks and rewards incidental to ownership are substantially transferred. The Group's leasing arrangements in the fiscal year 2018 were limited to leases in as lessee.

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

In the case of finance leases, an asset and a liability are recognized at the beginning of the lease term. Lease payments are then separated into finance costs and the repayment portion of the residual debt in such a manner as to produce a constant interest rate on the remaining lease liability. Leased assets are depreciated on a scheduled basis over the useful economic life of the asset.

Sales Revenue from Contracts with Customers

The Group earns the largest proportion of its sales revenues from rendering services. The most significant sources of revenue are generated by the manufacture and storage of stem cell deposits. The Group recognized revenue when it fulfills a performance obligation by transferring a promised good or service to a customer. In addition, the following conditions must be satisfied for revenue to be recognized.

Provision of Services

- Manufacture and storage of stem cell deposits

As part of the provided services, these are either sold individually to the customers, with the storage invoiced on an annual basis ("annual payment contracts") or sold as a package with a contractually agreed storage period for the stem cell deposit ("advance payment contracts"). Both the manufacture of the stem cell deposits and the storage of the stem cell deposits represent separate performance obligations. If the services are sold individually, the transaction price can clearly be allocated to the performance obligation. If the two services are sold as a package to the customer, the transaction price is allocated to the performance obligations on the basis of the relative individual sale prices. Revenue from the manufacturing of the stem cell deposits is recognized at the point in time, once the process of collecting, preparing, and storing the stem cells has been completed. Revenue from the storage of stem cell deposits is recognized over time, over the contractually agreed storage period.

In the case of advance payment contracts, the Group receives advance payments from the customer for the storage of stem cell deposits covering multiple years. The customer advance payments received are reported in the balance sheet under contract liabilities.

Sale of Goods

Revenue is recognized at the moment in time when the control of the asset is transferred to the customer. This usually occurs when the goods are delivered.

Government Grants

Government grants are recognized when there is reasonable assurance that the grants will be received and that the Company will meet the associated conditions met. If the grants relate to an expense item, they are recognized as income over the period necessary to match the grants on a systematic basis to the costs that they are intended to compensate. If the grant relates to an asset, it is recognized as deferred income and amortized on a straight-line basis over the expected useful life of the relevant asset.

Taxes

Current Tax Assets and Liabilities

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The calculation of the amount is based on the tax rates and tax laws that are applicable on the balance sheet date or will shortly be applicable.

Deferred Taxes

Deferred taxes are recognized using the balance sheet orientated liability method on all temporary differences as of the balance sheet date, between the carrying amount of an asset or a liability in the balance sheet and its tax bases.

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

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

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

Value-Added Tax

Revenue, expenses, and assets are recognized net of value-added tax. Exceptions are:

- If the value-added tax incurred on the purchase of goods or services is not recoverable from the taxation authority, the value-added tax is recognized as part of the cost of the asset or as part of the expenses.
- Receivables and payables are stated with the amount of value-added tax included.

The amount of value-added tax recoverable from or payable to the taxation authority is recognized under receivables or payables in the balance sheet.

2.5 SIGNIFICANT ESTIMATES AND ASSUMPTIONS

The key forward-looking assumptions 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

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

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

Treatment of Tax Loss Carry-forwards and Deferred Tax Assets

As part of a tax audit carried out at Vita 34 AG, covering assessment periods up to 2009, the tax authorities did not agree with Vita 34 AG’s tax treatment of allowances made against loans to affiliated companies.

The amended assessment issued by the tax authority differed from Vita 34 AG’s tax returns, resulting in a reduction of the tax loss carry-forwards as of December 31, 2009 of EUR 2,553 thousand. Vita 34 AG made a legal challenge against these assessments. During the fiscal year 2017, a ruling was obtained in Vita 34 AG’s favor. The tax authorities have appealed against this ruling, with the effect that it is not yet legally binding. On the basis of this development, Management continues to assume that the allowances recorded against the loans made to affiliated companies must be taken into account for tax purposes.

The tax expenses and the recognized tax receivables on excess advanced income tax payments have been calculated as of the closing date and based on this assumption.

Deferred tax assets on loss carry-forwards of Novel Pharma S.L. were not capitalized. This company is purely a holding company, in which no sufficient taxable income is expected in the future based on the current tax situation.

Deferred tax assets were capitalized on the loss carry-forwards of the other Group companies at the balance sheet date, to the extent it is probable, based on the business plan, that the loss carry-forwards will be utilized. Deferred tax assets arising on differences between the tax balance sheet values and the IFRS balance sheet values of the corresponding companies were offset against deferred tax liabilities. In the case of an excess of deferred tax assets over liabilities, the assets have been capitalized to the extent that it is considered likely that taxable income for this will be available.

We refer to the explanations in note 6, “Income Taxes”.

Sales Revenue from Contracts with Customers

Allocation of the transaction price in advance payment contracts

The manufacture of the stem cell deposits and the storage of the stem cell deposits represent separate performance obligations. When advance payment contracts are entered into, both services are sold to the customer in a single package. The transaction price is allocated to the performance obligations on the basis of the relative individual sales prices.

The Group has concluded that the most appropriate way to determine the relative individual sales prices is to apply the “expectedcost-plus-a-margin” approach.

Existence of a financing component in advance payment contracts

In the case of advance payment contracts, the Group receives advance payments from the customer for the storage of stem cell deposits covering multiple years. Under consideration of the nature of the service offered, the Group notes that the payment terms are designed for reasons other than the provision of financing for the Group.

Accordingly, the Group has concluded that the advance payments do not contain a financing component.

Recognition of Grants for Development Projects

Grant income awarded for work on publicly funded development projects is recognized in the income statement at the date on which the relevant qualifying expenditures are incurred by the Company. The recognition of income in profit or loss requires a grant award notice from the public-sector sponsors.

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

2.6 NEW ACCOUNTING STANDARDS

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued new standards, interpretations, and amended standards that are not yet mandatory for the fiscal year 2018 and have not yet been applied to these consolidated financial statements. In the following, only those standards and interpretations are explained that the Group expects to have a significant effect on the Group's net assets, financial position and results of operations or on the disclosures in the notes to the consolidated financial statements. Other standards and interpretations that have already been published but have not yet entered into force do not currently have any material impact on the net assets, financial position and results of operations of the Group.

IFRS 16 "Leases"

IASB published the new standard for accounting for lease arrangements in January 2016. This provides the obligatory application of the right of use of the leased object and a corresponding lease liability for lessees for most lease arrangements. For lessors, on the other hand, there are only slight changes as compared with classification and recognition of lease arrangements under IAS 17. IFRS 16 requires increased disclosure requirements both for lessees and lessors. IFRS 16 shall be applied for the first time for fiscal years beginning on or after January 1, 2019.

The Group will apply the standard for the first time for the fiscal year commencing on January 1, 2019 and will, in accordance with the transition arrangements, not restate the previous year's figures. Based on the initial recognition of the right to use the leased asset and the corresponding lease obligation, the Group expects a balance sheet extension of approximately EUR 1.4 million as of January 1, 2019. In addition, the Group expects that the application of IFRS 16 will not have a significant effect on the Group's operating results. The additional amortization recorded on the right-of-use-assets recorded for the leased assets in the amount of EUR 0.5 million will be offset by similar amounts of lower expenses recorded for leasing expenses. The Group also anticipates additional interest expense from leases of EUR 0.02 million. Repayments of lease liabilities are reported in cash flow from financing activities in accordance with IFRS 16.

3 SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

Minority shareholders hold interests in the following companies:

	Share of equity/ share of voting rights	
Name, Location	**2018 in %**	2017 in %
Secuvita, S. L., Madrid, Spain	12.0	12.0

The shares of minority shareholders for significant subsidiaries are as follows:

	Shares of minority shareholders	
In EUR thousands	**2018**	2017
Secuvita, S. L., Madrid, Spain	122	117

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

	Secuvita, S. L., Madrid, Spain	
In EUR thousands	**2018**	2017
Non-current assets	6,469	6,499
Current assets	2,679	2,595
Non-current liabilities	3,665	3,635
Current liabilities	3,038	3,050
Net assets	2,446	2,409
Sales revenue	2,501	2,749
Net result for the period	38	– 4
Total comprehensive income	38	– 4
Earnings attributable to non-controlling interests	4	0

4 SEGMENT REPORTING

4.1 INFORMATION ON BUSINESS SEGMENTS

In the fiscal year 2018, the Group again only had the “Stem Cell Banking” reporting segment, which is active in the field of collecting, processing, and storing stem cells from umbilical cord blood and tissue, and in the development of cell therapy processes.

4.2 INFORMATION ON GEOGRAPHIC REGIONS

The following tables contain information on the revenues and non-current assets in accordance with IFRS 8.33 (a) and (b) according to geographic activity areas of the Group for the fiscal years 2018 and 2017:

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

In EUR thousands	2018	2017
Domestic	13,975	10,487
Spain	2,501	2,752
Other foreign countries	3,933	5,953
Group	**20,409**	**19,192**

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

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

In EUR thousands	2018	2017
Domestic	36,908	38,667
Spain	4,588	4,742
Denmark	4,894	5,168
Other foreign countries	1,181	1,239
Group	**47,571**	**49,816**

5 REVENUE, OTHER INCOME, AND EXPENSES

5.1 SALES REVENUE FROM CONTRACTS WITH CUSTOMERS

The sales revenue disclosed in the statement of income for continuing operations breaks down by the nature of the service provided as follows:

In EUR thousands	2018	2017
Revenue from processing/manufacturing	14,601	14,771
Revenue from storage	4,930	3,750
Other revenues	879	672
	20,409	**19,192**

5.2 COST OF SALES

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

In EUR thousands	2018	2017
Cost of materials	1,125	1,209
External services	2,273	2,214
Personnel expenses	2,130	2,479
Amortization and depreciation	1,608	1,214
Premises costs	555	471
Other expenses	744	804
	8,435	**8,391**

5.3 OTHER OPERATING INCOME

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

In EUR thousands	2018	2017
Government grants	78	324
Income from derecognition of accrued liabilities	355	129
Income from damage settlements	0	5
Sundry other income	283	258
	716	**717**

The income from government grants primarily consists of income from the release of deferred grant income of EUR 66 thousand. There are no unfulfilled conditions or other uncertainties attached to the government grants.

Income from derecognition of accrued liabilities primarily includes derecognition of financial obligations from deliveries and services deferred in the prior year, from which the Group made less use than expected of in the reporting year.

5.4 MARKETING AND SELLING COSTS

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

In EUR thousands	2018	2017
Personnel expenses	1,657	1,784
Amortization and depreciation	295	213
Marketing expenses	2,114	2,477
Other expenses	859	957
	4,925	**5,430**

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

5.5 ADMINISTRATIVE EXPENSES

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

In EUR thousands	2018	2017
Personnel expenses	2,437	2,698
Amortization and depreciation	189	278
Legal, consulting, and audit fees	639	839
Other expenses	1,540	1,142
	4,805	**4,956**

The other expenses primarily include administration-related office costs and IT costs. Administrative expenses include research and development expenses of EUR 470 thousand.

5.6 OTHER OPERATING EXPENSES

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

In EUR thousands	2018	2017
Bad debt losses	96	230
Sundry other expenses	233	760
	329	**991**

The sundry other expenses primarily include expenses in connection with the cessation of active sales activities in the Danish market. In the previous year, this expense position included costs incurred in connection with the integration of Seracell.

5.7 FINANCIAL EXPENSES

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

In EUR thousands	2018	2017
Loans and overdraft facilities	193	104
Remuneration for silent partnerships	33	66
Other interest expenses	20	30
Realized losses from financial investments	645	0
	891	**200**

The losses on financial investments mainly result from the impairment allowances recorded on a loan granted to Vita 34 Slovakia.

5.8 FINANCIAL INCOME

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

In EUR thousands	2018	2017
Interest income	44	26
Income from non-current financial investments	0	19
	44	**44**

5.9 EMPLOYEE BENEFIT EXPENSE

The expense for employee benefits breaks down as follows:

In EUR thousands	2018	2017
Wages and salaries	5,245	6,610
Social security costs	956	904
Pension costs	49	60
	6,250	**7,575**

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

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

Number	**2018**	2017
Employees	125	120
Trainees/interns	4	4
	129	**124**

6 INCOME TAXES

The main components of income tax expense for the fiscal years 2018 and 2017 consist of the following:

In EUR thousands	**2018**	2017
Consolidated statement of income		
Current income tax expense	663	354
Deferred tax on the creation and reversal of temporary differences	−609	−142
Deferred tax on tax losses	898	−41
Income tax expense	**952**	**171**
Consolidated statement of comprehensive income		
Unrealized gains on available-for-sale financial assets	−2	−1
Income taxes recognized in equity	−2	−1

The income tax receivables shown in the balance sheet represent the reimbursement claims for overpayments of taxes and advance tax payments. Please refer to note 2.5 for details of the treatment of tax losses carried forwards.

The reconciliation between income tax expense and the product of the balance sheet result for the period and the Group's applicable tax rate for the fiscal years 2018 and 2017 is as follows:

In EUR thousands	**2018**	2017
Earnings before income taxes	**1,784**	**–154**
Income tax expense (–) or income (+) at the Group tax rate of 30.5% (2017: 28.6%)	–548	44
Adjustments since results of Novel Pharma S.L. do not lead to an income tax expense	4	2
Adjustments due to tax free income	11	12
Adjustments due to non-deductible expenses	–250	–124
Elimination of tax losses carried forward	–59	0
Unrecognized deferred taxes on losses carried forward	–34	–27
Foreign exchange effects	0	1
Deviations from tax rate differences	–77	–78
Income tax expense	**–952**	**–171**

The change in the Group tax rate results from the greater weighting attributable to the Group's German companies in determining the Group tax rate due to higher earnings contributions.

Deferred income taxes at the reporting date consist of the following:

	Consolidated balance sheet		Consolidated statement of income	
In EUR thousands	**2018**	2017	**2018**	2017
Deferred taxes on temporary differences				
Intangible assets	–5,325	–5,502	412	216
Property, plant, and equipment	–152	–97	–55	–45
Other non-current assets	–111	–97	–15	6
Current assets	47	47	0	86
Contract liabilities	–1,417	–1,549	132	95
Non-current liabilities	–145	–148	3	–61
Current liabilities	1	–129	132	98
	–7,102	–7,475	609	395
Tax losses carried forward	2,796	3,595	–898	–212
Deferred tax liabilities (net)	**–4,306**	**–3,880**		
Deferred tax expense/income			**–289**	**183**

A change in the applicable tax rate at a subsidiary in the fiscal year 2018 led to an adjustment to the carrying amount of the recognized deferred tax liabilities. As the deferred tax liabilities were recognized in prior periods outside the statement of income, the carrying amount of deferred tax liabilities was also adjusted outside the statement of income. The change in the tax rate led to an increase in deferred tax liabilities of EUR 136 thousand, and the adjustment was recorded in the Company's retained earnings.

The losses carried forward by the Group companies developed as follows:

Name	Place of business	Income tax rate	2018 In EUR thousands	2017 In EUR thousands
Seracell Pharma AG	Germany	32%	3,481	5,708
stellacure GmbH	Germany	32%	*	753
Vita 34 ApS	Denmark	22%	3,698	3,412
Secuvita S.L.	Spain	25%	3,824	4,238

* Merged into Vita 34 AG in 2018

The income tax losses carried forward that may exist in Germany, Denmark, and Spain can be can be used indefinitely by the Group to offset future taxable income of the respective company.

Deferred tax assets on these tax losses carried forward were capitalized to the extent that it can be assumed based on business planning that the losses carried forward will be utilized.

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

No deferred tax assets have been recognized for tax losses carried forward in the amount of EUR 89 thousand.

7 EARNINGS PER SHARE

Basic/Diluted Earnings per Share

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

Basic/diluted earnings per share are calculated as follows:

In EUR thousands	**2018**	2017
Profit/loss from continuing operations	832	−325
Less: portion attributable to non-controlling interests	−4	2
Result from continuing operations attributable to shareholders of Vita 34 AG	**828**	**−323**
Number of shares outstanding (weighted average)	4,084,052	3,549,543
Earnings per share (EUR)	**0.20**	**−0.09**

8 INTANGIBLE ASSETS

Intangible assets developed as follows:

Overview of intangible assets as of December 31, 2018

In EUR thousands	Development costs	Patents and licenses	Acquired contracts	Customer relationships and trade-marks	**Total**
Acquisition cost as of Jan. 1, 2018	502	3,869	23,732	1,996	30,099
Additions	26	17	0	0	43
Disposals	0	−66	−97	0	−164
Currency differences	0	−6	−17	0	−23
Acquisition cost as of Dec. 31, 2018	**528**	**3,814**	**23,618**	**1,996**	**29,955**
Cumulative amortization and impairment as of Jan. 1, 2018	4	3,362	4,967	230	8,563
Amortization for the year	47	201	865	461	1,574
Disposals	0	−66	−97	0	−164
Currency differences	0	−6	−2	0	−8
Cumulative amortization and impairment as of Dec. 31, 2018	**51**	**3,491**	**5,733**	**691**	**9,966**
Carrying amount as of Jan. 1, 2018	498	507	18,765	1,766	21,536
Carrying amount as of Dec. 31, 2018	**477**	**323**	**17,885**	**1,305**	**19,990**

Overview of intangible assets as of December 31, 2017

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

The acquired contracts and development projects acquired and the customer relationships and trademarks contain the following significant assets as of December 31, 2018:

In EUR thousands	Carrying amount	Remaining useful life
Acquired storage contracts Secuvita	3,570	17 years
Acquired storage contracts Vita 34 ApS	4,844	22 years
Acquired storage contracts Vivocell	1,177	21 years
Acquired storage contracts Seracell	8,279	24 - 27 years
Trademarks Seracell	330	3 years
Customer relationships Seracell	976	3 - 6 years

9 GOODWILL

In EUR thousands	**2018**	2017
Acquisition cost as of Jan. 1	18,323	13,942
Acquisition of subsidiaries	0	4,909
Changes in the consolidated group	0	0
Disposals	0	–528
Acquisition cost as of Dec. 31	**18,323**	**18,323**
Cumulative amortization and impairment as of Jan. 1	0	528
Amortization for the year	0	0
Disposals	0	–528
Accumulated amortization and impairment as of Dec. 31	**0**	**0**
Carrying amount as of Jan. 1	18,323	13,414
Carrying amount as of Dec. 31	**18,323**	**18,323**

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

	Stem Cell Banking Germany		Spain		Total	
In EUR thousands	**2018**	2017	**2018**	2017	**2018**	2017
Goodwill	17,731	17,731	592	592	18,323	18,323
License with indefinite useful life	0	43	0	0	0	43

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

Cash-Generating Unit “Stem Cell Banking – Germany”

The recoverable amount of the “Stem Cell Banking – Germany” cash-generating unit is determined based on a value in use calculation using cash flow projections updated from the prior year and based on financial budgets prepared by Management covering a three-year period, and approved by the Supervisory Board. The discount rate used for the cash flow forecasts for the “Stem Cell Banking – Germany” segment before tax is 9.8% (prior year: 10.7%). Cash flows beyond the three-year period are extrapolated using a 1% growth rate.

Cash-Generating Unit “Spain”

The recoverable amount of the cash-generating unit “Spain” is also determined based on a value in use calculation, using cash flow projections based on financial budgets prepared by Management covering a three-year period, and approved by the Supervisory Board. The pre-tax discount rate applied to the cash flow projections is 12.1% (prior year: 13.4%). Cash flows beyond the three-year period are extrapolated using a 1% growth rate.

Key Assumptions Used in Value in Use Calculation of the Business Units as of December 31, 2018 and December 31, 2017

The basic assumptions on the basis of which Management has prepared its cash flow projections for impairment testing of goodwill are explained below.

Budgeted Gross Profit Margins – The gross profit margins are derived from the average gross profit margins achieved for new agreements concluded in the immediately preceding fiscal year.

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

Sensitivity of the Assumptions Made

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

10 PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment developed as follows:

Property, Plant and Equipment as of December 31, 2018

In EUR thousands	Land	Technical equipment	Operating and business equipment	Total
Acquisition cost as of Jan. 1, 2018	306	7,813	1,858	9,976
Additions	0	544	251	795
Disposals	0	−3	−102	−105
Acquisition cost as of Dec. 31, 2018	**306**	**8,354**	**2,006**	**10,666**
Cumulative depreciation and impairment as of Jan. 1, 2018	0	2,052	1,289	3,341
Depreciation for the year	0	320	197	517
Disposals	0	−3	−98	−101
Cumulative depreciation and impairment as of Dec. 31, 2018	**0**	**2,369**	**1,389**	**3,758**
Carrying amount as of Jan. 1, 2018	306	5,761	568	6,635
Carrying amount as of Dec. 31, 2018	**306**	**5,985**	**617**	**6,908**

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

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

The carrying amount of technical equipment held under lease purchase arrangements amounted to EUR 380 thousand as of December 31, 2018 (previous year: EUR 391 thousand).

11 INVESTMENTS IN ASSOCIATES

In the fiscal year 2017, the investment in Bio Save d.o.o., Belgrade, Serbia was accounted for as an associated company and included in the consolidated financial statements of Vita 34 AG using the equity method. In the fiscal year 2018, this investment is presented in other assets under non-current assets.

In EUR thousands	2017
Summarized financial information	
Non-current assets	241
Current assets	666
Non-current liabilities	166
Current liabilities	735
Sales revenue	1,313
Net result for the period	–465
Total comprehensive income	–465
Dividends paid during the fiscal year	0
Reconciliation to balance sheet and statement of income	
Net assets of the associate	6
Group shareholding in associate	30%
Goodwill	128
Carrying amount of the Group's interest in the associate	129
Group's share in the result of the associate	–140

12 INVENTORIES

Inventories consist of the following:

In EUR thousands	**2018**	2017
Raw materials, consumables, and supplies	381	305
Work in progress	75	134
	456	**438**

Impairment allowances of EUR 0 thousand were recorded in 2018 against inventories (previous year: EUR 48 thousand).

13 TRADE RECEIVABLES

Trade receivables consist of the following:

In EUR thousands	**2018**	2017
Non-current trade receivables	1,088	1,103
Current trade receivables	2,744	3,705
	3,832	**4,808**

Due to the partly long term of the receivables, trade receivables due in more than twelve months are reported separately under non-current assets.

The impairment allowances recorded against trade receivables developed as follows:

In EUR thousands	2018	2017
Impairment allowances as of Jan. 1	853	617
Changes in the consolidated group	0	15
Additions (expenses for impairment)	94	220
Utilization	–45	0
Release	–57	0
As of Dec. 31 of the fiscal year	**844**	**853**

Expenses of EUR 2 thousand were recorded in the fiscal year for the full write-off of trade receivables (previous year: EUR 10 thousand). All expenses from impairment allowances and write-offs of trade receivables are disclosed under other operating expenses.

14 OTHER RECEIVABLES AND ASSETS

	2018		2017	
In EUR thousands	**Total**	Of these: current	**Total**	Of these: current
Financial receivables and assets				
Financial securities	345	0	2,342	0
Other financial investments	233	0	119	0
Other financial assets	176	132	677	181
	754	**132**	**3,138**	**181**
Non-financial assets				
Prepaid expenses	949	259	897	188
Other assets	4	4	168	168
	953	263	1,065	356
	1,707	**395**	**4,203**	**538**

The financial securities have been used as collateral security for the purposes of obtaining a loan and a bank guarantee. The change in the fiscal year results from the sale of securities.

Investments in unconsolidated subsidiaries are presented in other financial assets.

Other financial assets include in particular deposits paid on rental properties for laboratory and office space used by Group companies. In the previous year, this item primarily included receivables from loans to subsidiaries of Vita 34 AG which are not included in the consolidated financial statements.

15 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

In EUR thousands	2018	2017
Restricted cash	296	763
Cash and cash equivalents	6,960	4,180
	7,256	**4,943**

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

The restricted cash represents collateral pledged for bank loans and rental payments.

16 EQUITY

In EUR thousands	2018	2017
Registered capital	4,146	4,146
Capital reserves	23,913	23,913
Retained earnings	1,848	1,810
Other reserves	−145	−120
Treasury shares	−337	−337
Non-controlling interests	122	117
	29,546	**29,528**

Vita 34 AG's **registered capital** represents the Company's issued share capital as stated in the Company's articles of incorporation and pursuant to German stock corporation law. Equity is divided into 4,145,959 (previous year: 4,145,959) non-par value registered shares.

Capital reserves comprise contributions beyond the issued share capital and other payments by shareholders in connection with capital measures as well as reserves for share-price-based payments.

Retained earnings comprise the cumulative results including the net result for the current year. Retained earnings were reduced by EUR 653 thousand in the reporting year by a dividend payment. The dividend per share was EUR 0.16.

The Management Board and Supervisory Board of Vita 34 AG propose that a dividend of EUR 0.16 per qualifying share be paid on the balance sheet profit reported in the annual financial statements of Vita 34 AG as of 31 December 2018. This represents a total payment of EUR 656 thousand.

Other reserves comprise actuarial gains and losses from defined benefit pension plans, gains and losses on financial assets measured at fair value through other comprehensive income, and gains and losses on foreign currency translation.

As of the balance sheet date, the Group owned 61,907 **treasury shares** (1.49%), as in the previous year.

AUTHORIZED CAPITAL

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

INFORMATION CONCERNING SHAREHOLDINGS IN VITA 34 AG

The Company has been notified of the following shareholdings requiring notification under Sec. 160 Para. 1 no. 8 AktG (as of December 31, 2018):

Michael Köhler informed us on August 10, 2017 that his direct or indirect voting rights in the Company had exceeded the 10% threshold on August 4, 2017 and that, as of that date, he held a total of 482,401 or 11.64% of Vita 34 AG's total voting rights.

Dr. André Gerth and Polski Bank Komórek Macierzystych S.A., Warsaw, Poland, informed us on June 18, 2018 that they will in future be acting in concert and that the joint share of direct or indirect voting rights in Vita 34 AG has exceeded the 10% threshold of the voting rights in our Company on April 18, 2018 and that, as of that date, it amounted to 480,099 voting rights or 11.58% of the voting rights. Of these, 355,171 voting rights or 8.57% of the voting rights are attributable to Dr. André Gerth and 124,928 voting rights or 3.01% of the voting rights to Polski Bank Komórek Macierzystych S.A.

17 LOANS

	2018		2017	
In EUR thousands	**Total**	Of these: current	**Total**	Of these: current
Liabilities to banks	6,974	1,693	7,913	580
Other financial liabilities	550	550	1,012	475
Lease purchase loan	163	62	253	89
	7,687	**2,305**	**9,177**	**1,145**

The loan liabilities consist of the following:

In EUR thousands	Interest rate in %	Maturity	**2018**	2017
Loan of EUR 7,500 thousand	2.48	2018 – 2023	6,694	7,431
Loan of EUR 1,000 thousand	1.25	2015 – 2020	250	450
Loan of EUR 137 thousand	0	2013 – 2024	30	31
Other financial liability of EUR 2,042 thousand	0	2015 – 2019	550	1,012
Lease purchase loan of EUR 242 thousand	2.86	2017 – 2022	142	181
Lease purchase loan of EUR 308 thousand	3.39	2017 – 2019	22	72
			7,687	**9,177**

Security has been provided on the loans shown in the balance sheet totaling EUR 6,944 thousand (with a nominal amount of EUR 8,500 thousand) as follows:

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

There is a bank guarantee amounting to EUR 550 thousand for another loan of the same amount (nominal amount EUR 2,042 thousand). Financial securities have been provided as collateral to the guaranteeing bank as a security for the bank guarantee.

The movements on the loans were as follows:

In EUR thousands	**2018**	2017
Loans as of Jan. 1	9,177	2,142
Cash receipts from loan drawdowns	0	7,425
Cash outflows from loan repayments	–1,045	–249
Cash flow from business acquisitions	–475	–472
Non-cash interest effects	35	35
Additions resulting from business combinations	0	296
Loans as of Dec. 31	**7,687**	**9,177**

Cash outflows from the acquisition of companies represent the repayments made for the installment loan drawn down in connection with the acquisition of Vita 34 ApS (formerly: StemCare ApS) in the fiscal year 2015.

18 SILENT PARTNERS' INTERESTS

The silent partners' interests of EUR 940 thousand, an investment in the Group held by Mittelständische Beteiligungsgesellschaft Sachsen mbH (MBG), Dresden, were repaid in the fiscal year consistent with the terms of the agreement.

19 PROVISIONS

In EUR thousands	2018	2017
As of Jan. 1 of the fiscal year	3	16
Additions	164	0
Release	3	13
As of Dec. 31 of the fiscal year	**164**	**3**

The provisions made during the reporting year cover the costs expected to be incurred in connection with a legal dispute. The Group expects the legal dispute to be resolved in 2019.

20 PROVISIONS FOR PENSION OBLIGATIONS

In 2014, the pension obligations towards one Management Board member were restructured. Accordingly, the previous pension obligation was limited to the benefits accrued up to July 31, 2014. This is a defined benefit pension plan (covered by investments) for which contributions were made to a separately administered pension fund. The amounts included in the financial statements developed as follows:

In EUR thousands	2018	2017
Cash value of the defined benefit pension plan obligation	–347	–361
Fair value of plan assets	381	375
Effect of asset ceiling	–34	–14
Defined benefit obligation	**0**	**0**

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

Assumptions for Determining the Pension Fund Obligations

in %	2018	2017
Discount rate	2.10	1.80
Salary trend	0.00	0.00
Pension trend	1.90	1.90

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

21 DEFERRED GRANTS

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

In EUR thousands	**2018**	2017
As of Jan. 1 of the fiscal year	957	1.037
Released to income	66	80
As of Dec. 31 of the fiscal year	**890**	**957**
Current grants	63	66
Non-current grants	827	890
As of Dec. 31 of the fiscal year	**890**	**957**

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

22 CONTRACT LIABILITIES

In EUR thousands	**2018**	2017
Obligations to fulfill concluded storage contracts	1,619	1,808
Advance payments for storage – non-current	9,736	9,460
Advance payments for storage – current	2,803	2,552
	12,539	12,012
	14,158	**13,821**

The obligations to fulfill concluded storage contracts concern obligations acquired under business combinations to store stem cell deposits over a contractually agreed period of time. The contracts in question are not matched by revenues until the contract-specific storage period expires.

The advance payments for storage comprise storage fees collected from customers in advance for periods between one year and 50 years, which are recognized as revenue on a straight-line basis over the term of storage.

This item developed as follows in the reporting period:

In EUR thousands	**2018**	2017
As of Jan. 1 of the fiscal year	12,012	10,798
Advance payments from prior periods recognized in storage revenue	–2,552	–1,787
Deferred advance payments received during the fiscal year	3,078	3,001
As of Dec. 31 of the fiscal year	**12,539**	**12,012**

23 TRADE PAYABLES AND OTHER LIABILITIES

In EUR thousands	2018	2017
Financial liabilities		
Trade payables	1,106	949
Other financial liabilities	48	853
	1,154	**1,802**
Non-financial liabilities		
Payments to employees and members of the Management Board	450	972
Other non-financial liabilities	667	707
	1,118	**1,679**
	2,272	**3,481**

Current trade payables are non-interest bearing and are normally due for settlement after 30 days.

Other financial liabilities are non-interest bearing. The security retention of EUR 350 thousand in connection with the acquisition of Seracell Pharma AG in the fiscal year 2017 reported within other financial liabilities at December 31, 2017 was paid to the seller in the fiscal year 2018 and reported in the consolidated statement of cash flows as a cash outflow for the purchase of companies.

The other non-financial liabilities primarily include liabilities for wages and for value added taxes.

24 FINANCIAL ASSETS AND FINANCIAL LIABILITIES

24.1 CARRYING AMOUNTS AND FAIR VALUES

The carrying amounts of financial assets and financial liabilities are as presented in the following table. The carrying amount and the fair value are identical.

In EUR thousands	**2018**	2017
Financial assets		
Financial assets at amortized cost		
Trade receivables	3,832	4,808
Other financial assets	176	677
	4,007	**5,485**
Financial assets at fair value through other comprehensive income (debt instruments)		
Financial securities	345	2,342
Financial assets at fair value through other comprehensive income (equity instruments)		
Other financial investments	233	119
Total financial assets	**4,585**	**7,946**
Financial liabilities		
Financial liabilities at amortized cost		
Interest-bearing loans	7,687	9,177
Silent partners' interests	0	940
Trade payables	1,106	949
Other financial liabilities	48	853
	8,842	11,919
Total financial liabilities	**8,842**	**11,919**

Current trade receivables, other financial receivables, trade payables, and other financial liabilities generally have short remaining terms; the carrying amounts approximate the fair values.

The fair values of non-current trade receivables with a remaining term of more than one year correspond to the present values of the payments associated with the assets using an interest rate customary in the market. They were classified in Level 2 of the fair value hierarchy.

The fair value of financial securities is based on stock exchange prices quoted on active markets. They are classified in level 1 of the fair value hierarchy.

The fair values of non-current loans and silent partners' interests measured in the balance sheet at amortized cost were determined by discounting the expected future cash flows using a standard market rate of interest. They were classified in Level 2 of the fair value hierarchy.

The fair value of other financial assets is determined using appropriate valuation techniques. They are classified in Level 3 of the fair value hierarchy. The development of other financial assets is shown in the following overview:

In EUR thousands	**2018**
As of Jan. 1 of the fiscal year	119
Additions in the fiscal year	17
Reclassification from associated companies	120
Revaluation in other comprehensive income	–24
As of Dec. 31 of the fiscal year	**233**

24.2 NET RESULT BY MEASUREMENT CATEGORY

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

In EUR thousands	Financial income	Financial expenses	Other operating expenses	Other comprehensive income	Total
2018					
Financial assets at amortized cost	44	–642	–96	0	–671
Financial assets at fair value through other comprehensive income (debt instruments)	0	–22	0	7	–15
Financial assets 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**
2017					
Loans and receivables.	34	–30	–230	0	–227
Available-for-Sale Financial Assets	19	0	0	3	22
Financial liabilities measured at amortized cost	0	–169	0	0	–169
	52	**–200**	**–230**	**3**	**–375**

No adjustments have been made to the previous year's figures. We refer to the disclosures in note 2.3.

24.3 LIQUIDITY RISK

The Group's objective is to maintain a balance between continuously covering its financial requirements and ensuring flexibility through the use of loans, and medium-term forms of investment such as securities. The Group continually monitors the risk of a shortage of funds using a liquidity planning tool. This tool considers the maturity of both its financial assets and financial liabilities as well as expected cash flows from business activities.

The following table presents the contractually agreed (undiscounted) remuneration and principal repayments for primary financial liabilities:

In EUR thousands	2019	2020	2021 and thereafter
Loan liabilities	2,317	1,597	3,773
Trade payables	2,277	800	615
Other financial liabilities	48	0	0
	4,642	**2,397**	**4,388**

All instruments on hand as of December 31, 2018 for which payments had already been contractually agreed were included. Budgeted figures for future new liabilities are not included. Financial liabilities that are repayable at any time are always allocated to the earliest period.

24.4 CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument, leading to a financial loss. As part of its operating activities, the Group is exposed to default risks, in particular with regard to trade receivables and other financial assets.

Trade Receivables

The Group enters into transactions both in the private customer sector as well as in the corporate customer sector. Outstanding customer receivables and contract volumes are monitored on a regular basis. Credit ratings are carried out by an external financial institution as part of contracts with installment payments in the “Stem Cell Banking – Germany” segment.

An analysis of expected credit losses is made at each reporting date using an impairment matrix. The provision rates are based on the number of days overdue for groupings of various customer segments with similar loss characteristics (e.g. by geographic region, customer type and coverage by collateral provided by the customer). The calculation reflects the probability-weighted result, the time value of money and appropriate and verifiable information available at the balance sheet date concerning past events, current conditions and forecasts of future economic conditions. The maximum default risk is limited to the carrying amount disclosed in note 13. There are no significant concentrations of default risks in the Group. Securities provided by customers are regarded as an integral part of trade receivables and taken into account when calculating impairment allowances. At December 31, 2018, 25% (previous year: 0%) 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 provides information on the credit risk exposure to the Group's trade receivables based on a provision matrix:

		Receivables, overdue in days				
In EUR thousands	Total	Not due	Less than 60 days	Between 60 and 180 days	Between 180 and 360 days	More than 360 days
Dec. 31, 2018						
Gross carrying amount	4,676	3,119	397	78	123	959
Expected loss rate		1%	2%	24%	42%	77%
Expected credit losses	844	28	8	19	52	737
Dec. 31, 2017						
Gross carrying amount	5,660	3,951	558	222	177	752
Expected loss rate		0%	1%	41%	47%	88%
Expected credit losses	853	11	8	91	84	659

Other financial assets

Other financial assets primarily consist of rental deposits paid by the Group for rented property and office space. The Group assesses the default risk as very low and has therefore not made any value adjustments. The maximum credit risk in the event of counterparty default corresponds to the carrying amount of these instruments.

One receivable from loans granted to subsidiaries of Vita 34 AG not included in the consolidated financial statements in the amount of EUR 613 thousand reported in this item has been written down in full as the risk of default has increased significantly in the fiscal year 2018.

24.5 MARKET RISK

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

INTEREST RATE RISKS

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes to market rates of interest. The Group is not exposed to any significant interest rate risks since the Group's significant loan and financing agreements were concluded at fixed rates of interest. Further information is provided in note 17.

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument may fluctuate as a result of changes in foreign exchange rates. The Group is exposed to foreign exchange rates in its operating business activities (when sales revenues and expenses are denominated in a foreign currency). In the reporting period, the Group recorded sales and expenses in Swiss francs (CHF) and in Danish crowns (DKK). Accordingly, changes in the exchange rate can affect the consolidated balance sheet.

The Group has made an analysis of the effect on the Group result of changes of 5 percent in the exchange rate. A change in the exchange rate would have no significant effect on the Group earnings before taxes or on the Group equity.

25 CONTINGENCIES AND OTHER OBLIGATIONS

25.1 OBLIGATIONS UNDER OPERATING LEASES – GROUP AS LESSEE

The Group has entered into leases on various motor vehicles and technical equipment. The leases have an average term of between two and five years with no renewal option. There are no obligations imposed on the lessee upon entering into these leases. In addition, the Group has rental agreements for the use of premises.

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

The following future minimum lease payment obligations existed due to non-cancellable operating leases as of the balance sheet:

In EUR thousands	**2018**	2017
Within one year	843	878
Between one and five years	1,484	1,282
More than five years	0	0
	2,327	**2,160**

The expenses recorded for minimum leasing payments under operating leases in the fiscal year 2018 amounted to EUR 761 thousand (previous year: EUR 785 thousand).

25.2 OBLIGATIONS UNDER LEASE PURCHASE ARRANGEMENTS – GROUP AS LESSEE

As part of the Seracell acquisition in the fiscal year 2017, the Group assumed lease purchase arrangements for technical equipment. These agreements are classified and measured as financing leases under IAS 17.

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

In EUR thousands	**Minimum lease payments**	Present value of minimum lease payments
Within one year	65	62
Between one and five years	105	102
More than five years	0	0
Total minimum lease payments	**171**	**163**
Less interest share	–7	0
Present value of minimum lease payments	**163**	**163**

25.3 OTHER FINANCIAL OBLIGATIONS

As of December 31, 2018, the Group had purchasing obligations for property, plant, and equipment amounting to EUR 349 thousand (2017: EUR 385 thousand).

In addition, as of the December 31, 2018 closing date, there are purchase obligations for goods and services amounting to EUR 14 thousand (2017: EUR 197 thousand).

26 INFORMATION ON RELATED PARTY TRANSACTIONS

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

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

In EUR thousands	Services received and other expenses	Sales and earnings	Receivables
2018			
Unconsolidated subsidiaries	0	97	11
Other related parties	0	0	0
2017			
Unconsolidated subsidiaries	0	111	18
Associated companies and subsidiaries of associated companies	0	1,472	1,049
Other related parties	79	0	0

The Group enters into transactions with unconsolidated subsidiaries in the ordinary course of business. The Group generally sells services at market conditions.

Services totaling EUR 79 thousand were rendered in 2017 by a company which is related to a member of the Supervisory Board.

A working capital credit line was granted to Vita 34 Slovakia s.r.o. The loan granted was written down in full in 2018.

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

In EUR thousands	**2018**	2017
Short-term benefits		
Supervisory Board remuneration	110	130
Management Board salaries (excluding pension expenses)	624	1,261

The individualized information on the remuneration of the Management and Supervisory Boards is provided in notes 28 and 29.

27 DISCLOSURE OF GROUP SHAREHOLDINGS IN ACCORDANCE WITH SEC. 313 PARA. 2 HGB

The following companies were included in the Group as of December 31, 2018:

Name	Location	Shareholding in %
Subsidiaries		
Seracell Pharma AG	Rostock, Germany	100
Seracell Stammzelltechnologie GmbH	Rostock, Germany	100
Vita 34 Gesellschaft für Zelltransplantate m.b.H.	Vienna, Austria	100
Novel Pharma S.L.	Madrid, Spain	100
Secuvita S.L.	Madrid, Spain	88
Vita 34 ApS (formerly: StemCare ApS)	Gentofte, Denmark	100

In addition, the Group had the following other shareholdings:

Name	Location	Shareholding in %	Equity in EUR thousands	**Net result for the year in EUR thousands**
Vita 34 Slovakia s.r.o. [1,2]	Bratislava, Slovakia	100	−495	−164
Vita 34 Suisse GmbH [1,3]	Muttenz, Switzerland	100	17	n/a
Kamieniniu lasteliu bankas UAB "Imunolita" [1,2]	Vilnius, Lithuania	35	−352	76
Bio Save d.o.o. [4,5]	Belgrade, Serbia	30	128	69

[1] Not included in the consolidated financial statements due to minor significance
[2] Equity and net result for the year in the annual financial statements as of December 31, 2017
[3] Company founded in 2018
[4] The Group did not have significant influence in the fiscal year 2018
[5] Equity and net result for the year in the annual financial statements as of December 31, 2016

28 REMUNERATION OF THE MANAGEMENT BOARD PURSUANT TO SEC. 314 HGB

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

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

In fiscal year 2018, the following people were appointed to the Management Board:

Dr. Wolfgang Knirsch	Chief Executive Officer (CEO)
Falk Neukirch	Chief Financial Officer (CFO)

The terms of the service contracts were last amended in the fiscal year 2018.

System of Management Board Remuneration and Review

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

Fixed Remuneration, Variable Success-Based Compensation, and Other Benefits

The fixed component is the contractually defined basic salary that is paid out in equal monthly amounts. The variable remuneration component which relates to the targets for a three-year period is based on whether certain quantitative targets are met. The target amount of the variable remuneration is limited if the degree of target achievement is 100% for all agreed sub-targets and including the discretionary bonus.

A new Management Board contract with a term of three years was entered into with Dr. Wolfgang Knirsch, Chief Executive Officer, with effect from January 1, 2018. All rights accruing up until December 31, 2017 from the previous contract were paid out in April 2018. The contract in effect from January 1, 2018 defines four components used as “performance indicators” to determine variable compensation; these consist of EBITDA, the number of deposits in Germany, the average XETRA share price for Vita 34 shares over the last 40 trading days of the year, and a discretionary bonus.

For the contract with Falk Neukirch, Chief Financial Officer, which has been in effect since October 1, 2015, the variable compensation is comprised of four partial components: “strategic corporate objectives” (Component I), “EBIT goal” (Component II), “stock price performance” (Component III), and “discretionary bonus” (Component IV).

In addition, the members of the Management Board received other benefits which consist principally of payments to support funds, insurance payments, and the private use of a company car and which are subject to individual taxation by the members of the Management Board.

Remuneration of the Vita 34 AG Management Board for the Fiscal Year 2018

The remuneration of the members of the Management Board for their activities in fiscal year 2018 totaled EUR 624 thousand (2017: EUR 1,261 thousand). The table below provides a breakdown of Management Board remuneration by person. The variable compensation, calculated on the basis of an annual intermediate goal of the three-year period, was stated together with the amounts calculated based on the Group's 2018 net result.

Contributions Granted to the Vita 34 AG Management Board for the Fiscal Year 2018

Dr. Wolfgang Knirsch Chief Executive Officer In EUR thousands	2017	**2018**	2018 (min)	2018 (max)
Non performance-related component:				
Fixed salary	166	250	250	250
One-off joining or extension bonus	0	72	72	72
Fringe benefits	13	13	13	13
Total	**179**	**335**	**335**	**335**
Performance-related components:				
Variable remuneration for one year	43	52	0	84
Variable remuneration for multiple years	35	0	0	0
Total	**257**	**387**	**335**	**419**
Pension expenses	0	0	0	0
Total remuneration	**257**	**387**	**335**	**419**

Falk Neukirch Chief Financial Officer In EUR thousands	2017	**2018**	2018 (min)	2018 (max)
Non performance-related component:				
Fixed salary	156	156	156	156
Fringe benefits	8	8	8	8
Total	**164**	**164**	**164**	**164**
Performance-related components:				
Variable remuneration for one year	32	41	0	96
Variable remuneration for multiple years	35	32	0	84
Total	**231**	**237**	**164**	**344**
Pension expenses	12	12	12	12
Total remuneration	**243**	**249**	**176**	**356**

Inflow of Grants Made to the Management Board of Vita 34 AG in the Fiscal Year 2018

	Dr. Wolfgang Knirsch Chief Executive Officer		Falk Neukirch Chief Financial Officer		Dr. André Gerth Chief Executive Officer Leaving date: Jun. 16, 2017	
In EUR thousands	2017	2018	2017	2018	2017	2018
Non performance-related component:						
Fixed salary	166	250	156	156	242	0
One-off joining or extension bonus	0	72	0	0	0	0
Compensation payment for termination of employment agreement	0	0	0	0	243	36
Fringe benefits	13	13	8	8	16	0
Total	**179**	**335**	**164**	**164**	**501**	**36**
Performance-related components:						
Variable remuneration for one year	29	43	49	43	127	0
Variable remuneration for multiple years	0	54	0	0	70	0
Total	**208**	**432**	**213**	**207**	**698**	**36**
Pension expenses	0	0	12	12	12	0
Total remuneration	**208**	**432**	**225**	**219**	**710**	**36**

No member of the Management Board received benefits or corresponding commitments by a third party in the past fiscal year for his activity as member of the Management Board.

Premature Termination of the Employment Agreement

The following has been agreed with the Management Board: In case that the appointment is revoked for an important reason, which is not also an important reason pursuant to Section 626 of the German Civil Code (BGB) for the termination without notice of the employment agreement, and the resulting termination of the employment agreement, the Company commits itself to pay the respective Management Board a compensation payment in the amount of the annual fixed remuneration for two years, but at most in the amount of the remuneration for the remaining term of the employment agreement. In the event of incapacity to work, the Company will continue to pay the contractually agreed fixed remuneration for a maximum period of six months.

There are no significant agreements of the Company that are subject to the condition of a change of control following a takeover offer, except for an agreement made with the two members of the Management Board for the case of a change of control ("change of control term"). If the change of control term is applied, it provides that both members of the Management Board have the right to terminate their respective employment contracts within six months.

Should a member of the Management Board exercise this right of termination, the termination payment is 50% of the salary (fixed salary and bonus) no longer due and payable over the remaining period of the contract due to the premature termination, whereby a 100% achievement of the target will be assumed, plus the payment of one year's gross basic salary. The total termination payment may not exceed EUR 750,000 (Dr. Wolfgang Knirsch) or EUR 400,000 (Falk Neukirch).

Share-Based Payments

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

29 REMUNERATION OF THE SUPERVISORY BOARD (REMUNERATION REPORT)

In the fiscal year 2018, the following persons were appointed to the Supervisory Board:

Frank Köhler	Co-founder of Aroma Company GmbH, Shareholder and Director of Aroma Company Köhler & Weckesser GbR and member of the Supervisory Board of Shop Apotheke Europe N.V.
Gerrit Witschaß (until February 28, 2019)	Authorized officer and Director of Education at Berufsförderungswerk der Fachgemeinschaft Bau Berlin und Brandenburg gGmbH
Dr. med. Mariola Söhngen	Chairwoman of the Management Board of Convert Pharmaceuticals SA, Belgium, Managing Director of Söhngen-Consult
Steffen Richtscheid	Attorney at Law and Partner at the law firm Weidinger Richtscheid

Remuneration paid totaled EUR 110 thousand in 2018 (previous year: EUR 130 thousand).

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

Remuneration of the VITA 34 AG Supervisory Board – Fixed Remuneration

In EUR thousands	2018
Frank Köhler (Chairman)	40
Gerrit Witschaß (Vice Chairman until February 28, 2019)	30
Dr. med. Mariola Söhngen	20
Steffen Richtscheid	20
Total	**110**

Refer to note 26 for details of other remuneration or benefits awarded to members of the Supervisory Board or their related companies or persons.

30 FINANCIAL RISK MANAGEMENT OBJECTIVES AND METHODS

The Group's principal financial instruments comprise interest-bearing loans as well as cash and cash equivalents and short-term investments. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. Excess liquid funds are invested in securities. The main risks to the Group arising from financial instruments are explained in note 24.

Capital Management

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. No changes were made to the objectives, guidelines, and methods as of December 31, 2018 and December 31, 2017. Capital comprises the equity disclosed in the balance sheet.

31 AUDITOR'S FEES AND SERVICES PURSUANT TO SEC. 314 HGB

Total fees charged by PKF Deutschland GmbH, the auditor for the fiscal year 2018, amounted to EUR 95 thousand, consisting of fees charged for audit services for the statutory audits of the annual and consolidated financial statements of Vita 34 AG.

32 EVENTS AFTER THE BALANCE SHEET DATE

After the end of the fiscal year 2018, no events occurred that would have had a special significance for or significant impact on the net assets, financial position or results of operations of the Group.

Leipzig, March 27, 2019
The Vita 34 AG Management Board

Dr. Wolfgang Knirsch
Chief Executive Officer

Falk Neukirch
Chief Financial Officer


The best time to secure stem cells is birth.

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 assets, liabilities, financial position, and profit or loss of the Company and the Group, and the combined management report includes a fair review of the development and performance of the business of the Company and the Group, together with a description of the principal opportunities and risks associated with the expected development of the Company and the Group.

Leipzig, in March 2019

The Vita 34 AG Management Board

Dr. Wolfgang Knirsch
Chief Executive Officer

Falk Neukirch
Chief Financial Officer

INDEPENDENT AUDITOR'S REPORT

To the 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 at December 31, 2018, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in Group equity and the consolidated statement of cash flows for the fiscal year from January 1, 2018 to December 31, 2018, 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, 2018 to December 31, 2018. 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 of the German Commercial Code (Handelsgesetzbuch – HGB).

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

- the accompanying consolidated financial statements comply in all material respects with International Financial Reporting Standards (IFRS) as applicable in the EU and the supplementary requirements of German commercial law pursuant to Sec. 315e Para. 1 of the German Commercial Code (HGB), and give a true and fair view of the net assets and financial position of the Group as at December 31, 2018 as well as the results of operations for the fiscal year from January 1, 2018 to December 31, 2018; and
- the attached combined management report, as a whole, provides an appropriate view of the Group's position. In all material respects, this combined management report is consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. Our opinion on the combined management report does not cover the statements made in the Declaration on Corporate Governance prepared pursuant to Secs. 315d and 289f HGB described above.

Pursuant to Sec. 322 Para. 3, first sub-sentence HGB, we declare that our audit has not led to any reservations with respect to the propriety of the consolidated financial statements and the combined management report.

BASIS FOR THE AUDIT OPINIONS

We conducted our audit of the consolidated financial statements and the combined management report in accordance with 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 Group 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 Article 10 Para. 2f of the EU Audit Regulation we declare that we have not provided non-audit services prohibited under Article 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 Group 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, 2018 to December 31, 2018. 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, 2018 include "Goodwill" reported in the balance sheet amounting to EUR 18,323 thousand. The goodwill is subjected to an impairment test by the Company at least once annually at December 31 in each 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 satisfied ourselves of the appropriateness of the calculations made to determine the future cash flows. In doing so we have, among other things, compared these amounts with current budgets included in the business plans resolved by the Management Board and approved by the Supervisory Board, and with general market expectations. As a relatively small change in the discount rate used can have a significant effect on the amount of the enterprise value calculated under this method, we have also placed focus on the inputs used to calculate the discount rate used in the calculation, including the determination of the weighted average cost of capital 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 note 9, "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 other 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 so doing, 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 assets, liabilities, financial position, and financial performance of the Group.

In addition, the Company's legal representatives are responsible for such internal controls as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Company's legal representatives are responsible for assessing the Group's ability to continue as a going concern. In addition, they also have 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 Group 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 ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as Group auditor by the Annual General Meeting on May 15, 2018. We were engaged by the Supervisory Board on October 12, 2018. 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 Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT
The German Public Auditor responsible for the engagement is Patrick Niebuhr.

Berlin, March 27, 2019

PKF Deutschland GmbH
Wirtschaftsprüfungsgesellschaft

Beier	Niebuhr
Wirtschaftsprüfer	Wirtschaftsprüfer

FINANCIAL CALENDAR 2019

March 28, 2019	Analysts conference call
March 28, 2019	Annual Report 2018
May 9, 2019	Analysts conference call
May 9, 2019	Quarterly Statement (Q1)
June 4, 2019	Annual General Meeting
August 29, 2019	Analysts conference call
August 29, 2019	Interim Report (January to June)
November 21, 2019	Analysts conference call
November 21, 2019	Quarterly Statement (Q3)

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Vita 34 AG, Leipzig
Better Orange IR & HV AG, Munich

CONCEPT & DESIGN
Silvester Group, Hamburg

PHOTO CREDITS
Strandperle
Vita 34 AG

PRODUCTION
The production of the paper is certified in accordance with DIN ISO 9001 and 14001. The cellulose and paper plants of the manufacturer are certified in accordance with FSC Chain of Custody. The wood originated exclusively from controlled and sustainably managed forests.

PUBLICATION
This annual report was published in German and English on March 28, 2019 and is available for download on our Internet site. This document is a convenience translation of the original German-language document.

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