

# VITA 34 International AG

## New Issue - Initiating Coverage

26 | 02 | 07

### Fair Value / share (€)

20.71

### Key Data

ISIN Code	DE000A0BL849
Ticker Symbol	V3V
Fiscal Year	31/12
Accounting Standard	IFRS
MarketCap (€ '000)	57,915.5
Adj. No. Of Shares ('000)	2,796.5

### Valuation (x)

	06	07e	08e	09e	10e
MC/Tot. Sales	5.0	4.3	3.1	2.1	1.5
P/E	-14.8	-32.6	-48.0	114.7	13.1
P/CEPS	87.7	-38.2	-79.6	46.1	9.8
PEG	-0.2	-0.5	-0.8	1.9	0.2
EV/Tot. Sales	---	4.0	2.4	1.6	1.1
EV/EBIT	---	-18.4	-20.7	91.2	7.1

### Per Share Data (€)

	06	07e	08e	09e	10e
EPS	-1.40	-0.63	-0.43	0.18	1.58
CEPS	0.24	-0.54	-0.26	0.45	2.12
BVPS	6.32	8.41	7.97	8.15	9.73

### Financials (€ '000)

	06	07e	08e	09e	10e
Total Sales	11,556.0	13,542.0	18,861.0	27,345.0	38,225.0
EBIT	496.0	-2,956.0	-2,182.0	483.0	5,868.0
% of total Sales	4.3	-21.8	-11.6	1.8	15.4
EBT	470.0	-2,956.0	-2,182.0	483.0	5,868.0
% of total Sales	4.1	-21.8	-11.6	1.8	15.4
Adj. Net Profit	-2,866.0	-1,774.0	-1,207.0	505.0	4,414.0
% of total Sales	-24.8	-13.1	-6.4	1.8	11.5

### Main Shareholders post IPO (%)

Independence Blue Cross (IBC)	17.21
Sachsen LB	10.03
Sächsische Beteiligungsfonds GmbH	7.12
E. Lampeter (Vorstand)	6.41
Prof. Frank und Margit Emmrich	5.89
Concord Effekten AG	1.57
	<b>48.23</b>

### Concord Equity Research

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### IPO Data

Lead Manager	<b>Concord Effekten AG</b>
Co-Manager	<b>Deutsche Apotheker- und Ärztebank</b>
Public Offering	750.000 shares - Rights Offering 150.000 shares - Selling Shareholders 112.500 shares - Green Shoe Option
First Quote	expected on March 27, 2007
Market Segment	Prime Standard - FWB

### Please note:

- An investment in shares of this company entails a high degree of risk. There is a risk that prices of the shares may decline significantly or such shares may even be worthless.
- There is a prospectus for this public offering. This prospectus is the only legally binding document pertaining to the offering of shares of VITA 34 International AG to the public.

Please read the disclaimer on the last page of this document

## European market leader for the preservation of adult stem cells

VITA 34 AG has developed an integrated process for the sampling, preparation, transportation and storage of blood from the umbilical cord of newborns. This blood, once cryopreserved, represents a lifetime reservoir for stem cells in the case of eventual future disease of the donor.

Stem cells from cord blood have therapeutically been used in thousands of transplantations in order to restore bone marrow, damaged in the course of high-dose chemo- and/or radiation therapy to treat leukaemia. Ongoing extensive research for future applications of stem cells in general and of cord blood derived stem cells in particular in the context of tissue engineering clearly demonstrates the potential benefits of stem cell banking.

In Germany, less than 2% of the total market universe, i.e. the overall number of births, is being penetrated by the cord blood-storing industry as a whole. The reason of this low penetration rate is attributable to scarce public awareness of this service and the potential benefits of cord blood storage. As a clear market leader in Germany with a market share of more than 66%, VITA will highly benefit from an increase in market penetration.

Therefore, VITA's management is now challenged to increase market penetration by aggressively scaling up marketing and distribution activities. Key to such actions is the strategic integration of opinion leaders. It is Management's prime objective to further penetrate the German market on a nation-wide scale gradually cashing-in the excess returns by 2009 from an investment just possible as the "first mover" in the industry.

Given the significant investment in marketing and distribution, bottom line results will now be cash-negative in 2008/2009. Without this additional investment into marketing and distribution, the Company's operations would continue to be profitable as already shown in the past.

In this Financial Analysis we used the corporate name of the issuer - "VITA 34 International AG" - Interchangeably as :  
„VITA“, „VITA 34“, „VITA 34 AG“, „VITA 34 International AG“

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## Investment Criteria

- In Germany, VITA 34 AG is a clear market leader with a market share of > 66%
- The Company's business model entails solid economies of scale with a positive impact on reliable financial budgeting
- VITA 34 has successfully demonstrated a cash-positive operation of their business in the past 5 years.
- Similar to an insurance company, VITA is closing long-term contracts generating a stable and continuous stream of earnings
- A completely new market segment will be providing significant prospects of growth to this market leader
- The infrastructure, VITA 34 has achieved (sampling, processing, and logistics), has created a high entry barrier within the competitive arena
- As a first mover, VITA's founders have paved the way into this new market with a strong medical expertise and entrepreneurial courage
  - no other European company has written agreements and obtained regulatory approval with a network of more than 800 relevant hospitals (ca. 85% coverage) providing the backbone of future sales
- Highly attractive and risk-limited investment into a marketing and distribution infrastructure resulting in excellent margins and a sustainable market leadership position
- VITA 34 was able to document first applications using cord blood stored by the company
- We estimate that VITA 34 has a competitive edge of three years+ compared to the next closest market participant

With a valuation of ca. 4x sales (multiple based on 2007) we still see an upside in the share value, especially in the light of VITA's market leadership position (> 40.000 storages) and given the growth momentum in the "new storages" business.

## Strengths

### SWOT Analysis

- Within the German market, VITA 34 enjoys a market share of > 66%
- To date, out of ca. 950 obstetric clinics, VITA has contracts with more than 800+ clinics pertaining to the sampling of cord blood; since such contractual agreements with hospitals imply a time-consuming and rigorous regulatory approval process to be handled, long lasting relationship will unfold
- This regulatory/administrative issue represents a significant entry barrier for competitors
- Experienced management with profound scientific and long-term industry background
- Highest quality standards for sampling, processing, transportation and storage of cord blood in a GMP-certified laboratory
- Strategic co-operations with prominent partners, i.e. insurance companies and hospital syndicates
- High gross margin: >65%

## Weaknesses

- To date, VITA's field force is still missing a critical mass
- Although patents exist, a significant part of the IP can not be protected by patents but rather consists of long-term, profound expertise, R&D activities and the establishment of a strategic network (nota bene: likewise this issue may be considered as a strength regarding entry barriers, VITA has already established in the market)

## Opportunities

- In Germany, < 2% of the relevant market potential is developed by the cord blood industry as a whole, implying a significant growth potential
- (Re)focusing on the German-speaking market VITA's management clearly allocates a marketing and distribution budgets used to increase market penetration
- A successful translation of the Marketing and Distribution strategy including a further strategic marketing partnerships, i.e. opinion leaders and partnering models with hospital syndicates and insurance companies will translate into a significant increase in cord blood storages
- The spectrum and number of therapeutic indications are likely to increase in the future

## Threats

- Some experts and opinion leaders publicly doubt about the cost/benefit ratio of the prophylactic cryo-preservation of stem cells in general. It is pivotal for the Company's further success to convince/convert such opinion leaders of the potential benefits of cryo-preservation of stem cells
- A significant proportion of VITA's IP can not be protected by patents. Competitors may use VITA's know-how to their advantage
- Alternative sources of stem cell (bone marrow, fat tissue etc.), might have a negative impact pertaining to the relevance of cord blood-derived stem cells

## Company Profile

### Business Model/Operations

**Cord blood-derived stem cells are a life-time reservoir for the donor and its relatives**

VITA 34 is a service provider for the long-term cryo-preservation of cord blood cells. Cord blood is a valuable source of adult stem cells which are intended for future use in potential pathologic conditions the donor and "blood relatives" may suffer from. These cells are being obtained immediately after birth, transported to the Company's headquarters in Leipzig and - upon a thorough quality testing - frozen in liquid nitrogen. The cryo-preserved cells remain viable for several decades, i.e. for the life-time of the donor.

**Established process chain for cord blood cell banking**

The underlying scientific rationale pertaining to the biology of cord blood stem cells has widely been explored within the scientific community.

VITA's founding management were pioneers and a driving force in this scientific discipline, importing the basis of the company's philosophy and business model.

Since VITA's inception in 1998 the operating process of cord blood banking has been constantly refined and commercialized - from isolation to storage.

Nowadays, VITA's GMP controlled operations are exemplar in Europe.

**The service on offer is externally supported by progress in basic and clinical research**

Within the business model, the Company does not pursue the development of stem cell-based therapies on its own but maintains co-operations with research institutions active in this area. This position supports the Company's marketing efforts as the range of potential applications with cord blood cells will be more frequent. In addition, the commitment in basic/clinical research will positively contribute to VITA 34's reputation and perception as a market leading company. This strategy also reflects management's awareness of the costs and inherent risks of in-house clinical development.

**Scalable operating business**

Sources of revenues consist of an initial fee (€1.990) and recurring payments on an annual basis (€30.p.a.); one-off payment of €2.400 including 20y storage - is a contractual option.

### Management

The Company was founded by Dr. Eberhard Lampeter, the key personnel with respect to know-how and expertise and Dr. Uwe Marx, who is now a member of the Board of Directors.

Executive Management of VITA 34 AG:

#### **Dr. Eberhard Lampeter (CEO), \*1955**

Co-founder of VITA 34 AG and CEO of Vita 34 AG and VITA 34 International AG.

CV Highlights: 1990-97

Director "Früherkennungs-Zentrum" at the Diabetes Research Institute, University of Düsseldorf

1989-90	Member of the research group "Diabetes" at the Municipal Hospital München-Schwabing
1988	Laureat of the Virchow Prize
1987/89	Research fellow at the St. Bartholemew Hospital in London, Dept. Diabetes and Immunogenetics

Numerous publications in the area of diabetes, immunology, and stem cell transplantation

#### **Dipl.-Betriebswirt Peter Boehnert (CFO), \*1953**

CFO of VITA 34 AG and VITA 34 International AG.

CV Highlights: 1999-01	Morgan Metroc Ltd. - Finance Director and member of the management board
1991-99	Schindler Deutschland GmbH - Group Controller
1978-91	Gillette Deutschland GmbH - Manager Financial Planning, Central Europe

#### **Dipl.-Kfm. Oliver Papavlassopoulos (CMO), \*1964**

Since 2006, Chief Marketing Officer (CMO) of VITA 34 AG.

CV Highlights: 2003-05	Marketing Director and Head of Center Parks Deutschland
2002-03	Marketing Manager - Lindt & Sprüngli Switzerland
2000-01	CMO - youSmile.de
1997-99	Marketing Manager - Lindt & Sprüngli Germany
1995-97	Verlagsgruppe Holzbrink
1991-94	International Marketing Manager - Procter & Gamble, Schwalbach

### **Company History**

#### **VITA 34 was established in 1997**

VITA 34 was founded in 1997 in the legal form of a GmbH (limited liability corporation). The objective of the Company is the sampling, processing and storage of stem cells from cord blood for future, autologous usage in eventual pathological conditions. These conditions may be defined as life threatening diseases, which are - from today's perspective - not curable by means other than tissue replacement/regeneration.

Stem cells from umbilical cord are of adult nature, and must not be confused with the ethically critical embryonic stem cells. Cord blood cells represent an individual reservoir for usage in eventual diseases throughout the donor's life; in addition, such stem cells are suited for the therapeutic application in pathologic conditions to blood relatives of the donor.

### International expansion via „VITA 34 International Holding“

### Divestiture of the US business and re-focusing on the German-speaking market

In 2004, VITA 34 AG, together with its US subsidiary CorCell Inc., were merged into VITA 34 International AG - a holding company with the objective to penetrate foreign markets.

Due to the difficult entry into the US market - fierce competition and a high cash burn i.e. consumption of significant capital resources related to marketing and distribution activities - the US business was divested by the end of 2006. Today, VITA 34 International AG has subsidiaries in Germany (VITA 34 AG), Austria, and Switzerland (DACH Countries).

As per January 2007, the Company has 81 employees, many of them are highly qualified holding academic degrees.

#### Corporate Milestones

1997	Foundation of VITA 34 Gesellschaft für Zelltransplantate mbH, production approval, first storages
1999	Grant of the Bundesministerium für Bildung und Forschung for the development of the „Dezentralized System“ (DESY)
2001	€ 0.7 Mill. grant from Saxonian State Ministry of Economic Affairs and Employment for research projects
2002	Change of legal form GmbH into AG (limited liability Company to stock corporation)
2003	Move of offices to „Bio City Leipzig“ and establishment of the „vitreous laboratory“
2003	Successful in vivo treatment of stroke in co-operation with the University of Leipzig
2004	Foundation of VITA 34 International AG
2004	Transfer of VITA 34 AG into VITA 34 International AG
2005	Successful in vivo treatment of myocardial infarction in co-operation with the University of Rostock
2005	Introduction of a sampling kit, developed by VITA 34
2005	First successful application of a cord blood sample stored at VITA 34
2006	Divestiture of the CorCell's new business activities (Marketing & Distribution)
2006	Approval for the production of cord blood for allogenic usage (public cord blood banking)
2006	All-time record in storage contracts (> 7.900 new contracts)
2007	US journal „Pediatrics“ publishes first successfull application of autologous cord blood in the course of the treatment of leukemia. This NSB sample was stored at the former US subsidiary Corcell, Inc.
2007	The number of customers exceeds 40.00 by January, 2007
2007	Divestiture of the CorCell's lucrative cord blood inventory

## Shareholder Structure/Holdings

Shareholder Structure / Holdings	... pre IPO		... post IPO <sup>1)</sup> (ex Greenshoe)		Greenshoe		... post IPO <sup>2)</sup> (incl. Greenshoe)	
	No.	in % <sup>3)</sup>	No. <sup>4)</sup>	in % <sup>3)</sup>	No.	in % <sup>3)</sup>	No. <sup>4)</sup>	in % <sup>3)</sup>
<b>Management</b>								
Dr. Eberhard Lampeter <sup>5)</sup>	179.313	8,76%	179.313	6,41%	0	0,00%	179.313	6,41%
Peter Boehnert	11.157	0,55%	11.157	0,40%	0	0,00%	11.157	0,40%
<b>Supervisory Board</b>								
Dr. Uwe Marx	80.740	3,94%	80.740	2,89%	0	0,00%	80.740	2,89%
Joseph H. Jacovini	7.354	0,36%	7.354	0,26%	0	0,00%	7.354	0,26%
<b>Other Major Shareholders</b>								
Independence Blue Cross (IBC)	547.994	26,77%	481.309	17,21%	50.015	44,46%	431.294	15,42%
SachsenLB Corporate Finance Holding GmbH	319.379	15,60%	280.513	10,03%	29.149	25,91%	251.364	8,99%
Sächsische Beteiligungsfonds GmbH	226.719	11,08%	199.129	7,12%	20.692	18,39%	178.437	6,38%
Prof. Frank u. Margit Emmrich	164.586	8,04%	164.586	5,89%	0	0,00%	164.586	5,89%
Concord Effekten AG	43.900	2,14%	43.900	1,57%	0	0,00%	43.900	1,57%
Sonstige	465.528	22,75%	448.499	16,04%	12.644	11,24%	435.855	15,59%
<b>Free Float</b>								
Selling shareholders (Financial Investors, only)			150.000	5,36%			262.500	9,39%
Rights Offering			750.000	26,82%			750.000	26,82%
<b>Summe</b>	<b>2.046.670</b>	<b>100,00%</b>	<b>2.796.500</b>	<b>100,00%</b>	<b>112.500</b>	<b>100,00%</b>	<b>2.796.500</b>	<b>100,00%</b>

1): s.t. complete placement of the new shares from the rights offering ex Greenshoe

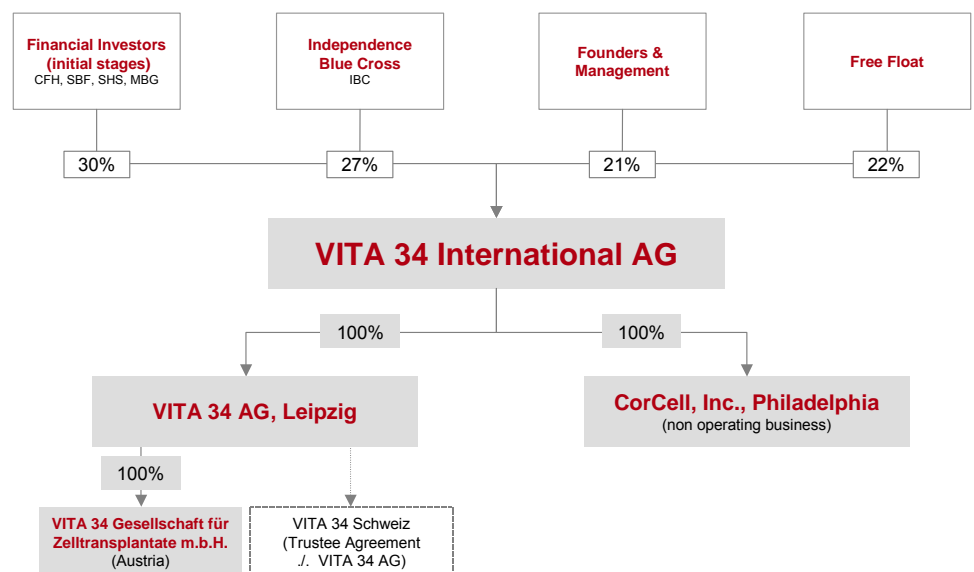
2): s.t. complete placement of the new shares from the rights offering incl. full exercise of Greenshoe

3): Due to rounding errors, difference may occur

4): upon registration of the cash offering of up to TEURO 750 according to board approved on January 1, 2007

5): incl. 24.500 shares of his wife

## Organizational Structure





**Adult stem cells from umbilical cord have a differentiation potential closest to embryonal stem cells**

**Stem cells from cord blood are enjoying an increasing relevance**

## Technology and Scientific Rationale

### Introduction

Stem cells are terminally non-differentiated cells having the potential to develop into different cell types in the adult organism. While the highest differentiation potential is inherent to embryonic stem cells leading to virtually all tissues and organs (pluripotency), adult stem cells are already partially differentiated and have a gradually reduced pluripotency (multipotency).

In many countries, amongst others in Germany, the usage of **embryonic** stem cells, either for basic research or for therapeutic use, is prohibited by law. Prima vista (at first glance), such a regulatory limitation might suggest the usage of **adult** stem cells as being a "second best choice". However, a plethora of scientific publications documents the potential of tissue-specific adult stem cells as progenitors for the respective cell types. Adult stem cells are found in various tissues like bone marrow, fat, muscle, skin, cord blood etc. While organ-specific stem cells represent a reservoir for terminally differentiated cells of that same organ, i.e. they are already programmed, adult stem cells from cord blood hold a less restricted program and thus are closest comparable to embryonic stem cells. It is well documented, that adult stem cells of various origins differentiate into liver, muscle, cartilage, heart, and neuronal tissue. Cord blood-derived stem cells are being used in the replacement of damaged bone marrow (see below), i.e. the therapeutic principle is clinically validated.

In general, stem cells are suitable for autologous (identity of donor and recipient) and allogenic (non-identity of donor and recipient) transplantations. Within an allogenic context, the transplantation antigens have to be match closely to avoid graft-versus-host reactions. Therefore, allogenic transplantation is a therapeutic option for blood relatives and for unrelated recipients, whose tissue antigens have been matched via a database.

### Relevance of Stem Cells in the Context of Therapeutic Use

By far the highest number of therapeutic applications addressable by adult stem cells is the restoration of bone marrow, which is destroyed in the course of leukaemia treatment by high-dose chemo- and/or radiotherapy: self-regeneration of the blood tissue by endogenous blood stem cells (hematopoiesis) and the formation of a functionally intact immune system is not possible. For more than 20 years, the conventional therapy consists in collection of a blood marrow sample prior to initiation of chemo-/radiotherapy and subsequent re-transplantation. A serious disadvantage of such a treatment is the invasive, painful sampling of the bone marrow. In addition to autologous transplantation (donor is identical with recipient), which represents ca. 67% of the treatments, 22% are being employed for allogeneic, intra-familial transplantation.

Within the scope of the treatment described above, the therapy with stem cells from cord blood is gaining more and more relevance. Currently, ca. 43% of the transplantations are performed with such type of cells.

### **Therapeutic use of stem cells is continuously diversifying**

Further applications - beside leukemia and bone marrow tumor - where stem cells from cord blood are currently employed, are

- Aplastic anaemia
- Sickle cell anaemia (pathological deformation of red blood cells)
- Retinoblastoma

### **High potential of stem cells in „Tissue Engineering“**

Consistent with the multipotent nature of adult stem cells is their usage in regenerative medicine (Tissue Engineering). This future field of application is subject to numerous clinical and pre-clinical studies targeted at indications like cancer, nerve cell degeneration, metabolic diseases and cardio surgery.

### **VITA 34 has been continuously developing and improving the process chain in cord blood banking....**

#### **Technological position of VITA 34**

Since inception, VITA 34 has constantly been working on the improvement and the advancement of the scientific rationale, the manufacturing process and the logistic infrastructure. This has resulted in USPs which enhance customer confidence and reliability but also contribute to the reduction of costs.

The major corporate improvements and developments can be summarized:

- Design of a cord blood sampling kit in cooperation with a prominent medical device manufacturer
- Stabilization of the temperature within a defined range
- Constant monitoring of the temperature within the logistical chain
- Full integration of the whole process in CE-certified Decentralized System (DESY®) which allows
  - GMP-conform sampling and processing under quasi-sterile conditions
    - reduction of capital intensive laboratory equipment
  - more efficient in the logistic chain
    - higher quality of the sample, and reduction of transport costs

### **.... resulting in a clear market leadership**

In summary, VITA 34 shows a profound scientific expertise and a strong IP position pertaining to the isolation, processing and cryo-preservation of cord blood cells. Together with the organization of the logistic process from the clinic to the final storage destination, this is a clear technological leadership position for VITA 34 regarding their operations, in Europe.

**The currently low penetration rate in the marketplace is - in conjunction with the market leader position - the basis for significant future growth potential**

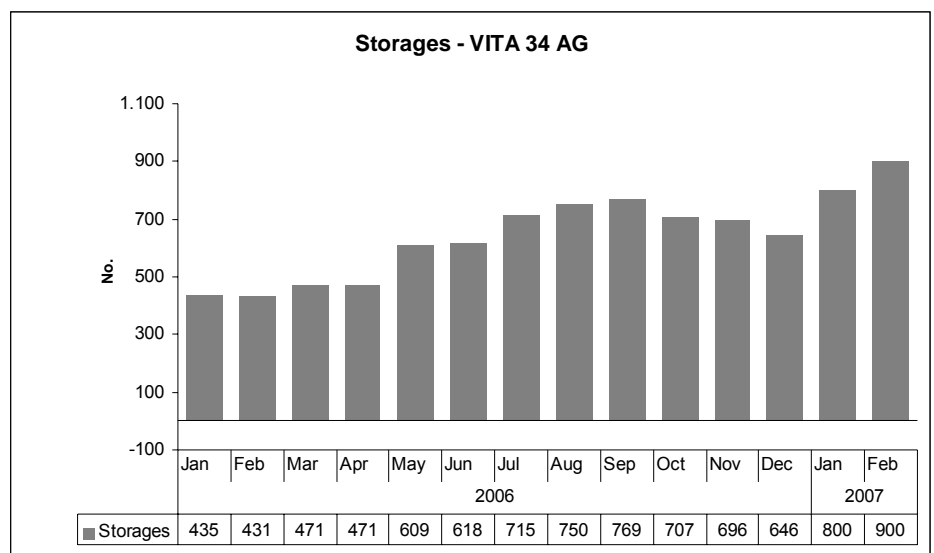
## Growth Strategy

In Germany, less than 2% of the total market potential, i.e. the overall number of births, is being penetrated by the cord blood-storing industry as a whole.

This small figure results from the under-developed public awareness of the service on offer and the potential benefits associated with it. The poor penetration provides the basis for a significant growth potential, given efficient, though capital consuming, marketing efforts. Since 2003, VITA 34 has been allocating significant resources for marketing - and will continue to do so - in order to reach the relevant market, i.e. expectant parents. During this period, VITA 34 has captured the market leadership position enjoying a current market share of > 66%, in Germany.

The sustainability of the revenues has been constantly improved. This was achieved by switching from a "one-off fee-only" model to a combination of an upfront fee with recurring fees due after the first year of storage until maturity of the contract, depending on the duration of the contract.

Upon divestiture of the US business in autumn 2006, management's resources were released to a degree allowing a consistent focus on the German speaking market. Since then, the number of storages increased from ca. 600 to 700+ p.m. documenting the success of the new strategy in tandem with the recent marketing and distribution efforts pursued by the Company (see picture below).



Source: Vita 34 AG, Concord Effekten AG

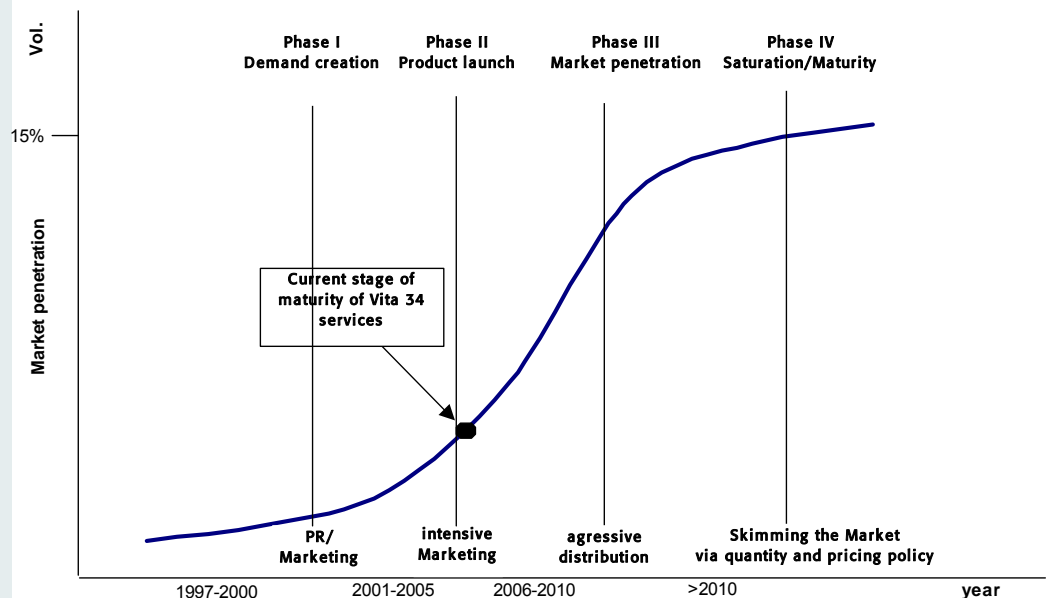
**International comparison substantiates the potential of market penetration**

The implementation and the success of the anticipated marketing and distribution actions, i.e. direct customer approach and involvement of opinion leaders (experts, insurances, clinics), will be pivotal for the Company's future growth prospects. As a surrogate for the German (and other) market(s), we would like to quote the situation in South-Korea and Taiwan, where the rate of cord blood storage currently amounts to 15% and 9%, respectively, relating to the number of births.

In addition to the marketing-dependent success, any “good news” resulting from basic stem cell research or therapeutic use of such cells in bone marrow restoration will contribute to the upside potential of this industry in general and of VITA 34 in particular.

Given the historically persistent decline in the birth rate in Germany, one might be tempted to perceive VITA’s growth potential as limited. However, we do not see such a limitation for the next few years en face the current low level of market penetration which invites strong roll-out of VITA’s products and services.

Currently, the Company is in the early stage of market penetration in which the positioning of the brand is ongoing and the demand for aggressive distribution is high ( see Figure).



Source: Concord Effekten

In order to create public perception as an all-round service provider, the Company is envisaging to establish an allogenic bank, sponsored and backed by private funds, other than VITA’s corporate budget.

**Brand management is key in penetrating the market**

## Marketing and Distribution Strategy

### Marketing

VITA 34 is faced with a complex marketing and sales environment. With a completely new product, the company has to educate users of their services prior to a product roll-out. Due to this novelty characteristic, comparisons are difficult to draw; as a surrogate we would like to compare this situation with the introduction of loan default insurances or insurances against the consequences of unemployment. Such products were scarcely known ten years ago, yet in broad usage nowadays.

A successful Marketing and Distribution strategy for a new product/service category changes with the maturity stage of the product and, in case of VITA 34, with the maturity stage of the Company.

Currently, the service package offered by VITA 34 is characterized by little public awareness, mainly due to the lack of comparison. It is Management's ambition to lay the foundation for such awareness and concurrently to establish the brand "VITA 34".

During the past four years, the Company has been investing considerable financial resources in PR activities and has established a network of co-operating hospitals and gynaecologists in tandem with the association of opinion leaders (hospital syndicates and insurance companies).

For the investor, it is important to understand, that VITA's marketing model has multiple layers, comparable to e.g. corporate pension plans: The product is not only marketed to the end user; significant efforts have to be channelled to intermediaries like gynaecologists, midwives, etc. Such a multi-channelled marketing and Distribution strategy is a challenging entrepreneurial task.

Upon successful demand evocation and product launch, VITA 34 is now the market leader with a share of >66% in Germany. Given the current low penetration rate of < 2%, management has to take adequate actions. In addition, the Company as well as the service on offer have reached a degree of maturity that calls for a massive product roll-out. This is the major reason, VITA 34 invites public investment to participate in realizing this market opportunity to further penetrate this market. Considering VITA's momentum we see a highly attractive yield.

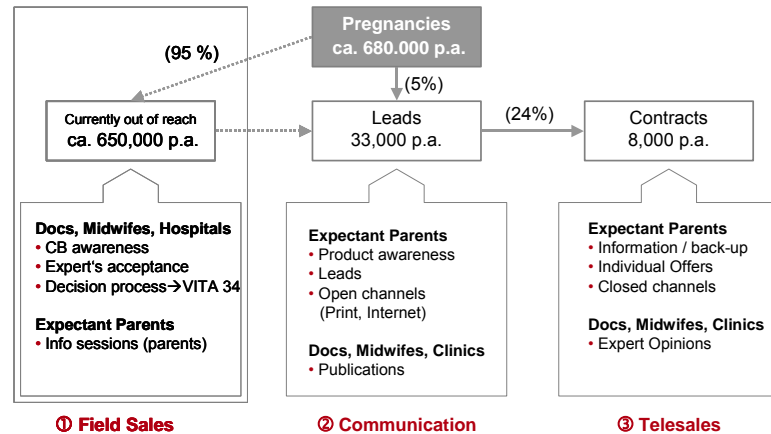
**Several marketing channels have been established and need to be extended**

The marketing actions, VITA's management will be pursuing can be summarized:

- Broad public relations campaigns in relevant media tailored for expectant parents
- Acquisition of opinion leaders, i.e. gynaecologists, obstetricians, midwives

- Strategic partnerships with private clinics
- Implementation of the service as an additional product offered by joint insurance agencies
- Strengthening of Direct Marketing / TeleSales

## Marketing & Sales Process



Source: VITA 34 - Marketing

The exhibit above shows the strategic marketing options of VITA 34 AG and illustrates how and how many customers are currently reached by such channels.

**The core message to be conveyed by all these activities is the potential benefit a donor may enjoy his/her lifetime from having a "tissue resource" in the event of severe disease. The ultimate objective is to choose VITA as the service provider.**

**Streamlining and enhancement of marketing activities is capital intensive**

In recent years, VITA 34 has allocated considerable resources for marketing and distribution activities. By consistently monitoring the success rates of the different marketing channels, management has streamlined these activities and established the respective marketing and distribution infrastructure with a focus on print media and internet.

Regarding (cost intensive) print media VITA's marketing management is confident that the current signal strength has reached an optimal level.

Now, the company has to build further brand awareness and to position VITA's services in the marketplace to translate the marketing actions into sales (via the regional penetration plan)

## Sales / Distribution

Since VITA 34 has been receiving more and more awareness from potential customers - in tandem with a growing brand positioning - management is now challenged to establish the distribution network on a German-wide basis (later: DACH-Countries). This capital intensive plan will translate into a sustainable and faster market rate of market penetration. Growth rates and sales are modelled in our financial planning scenario.

**Key Account Management – considers strategic partnerships with hospital syndicates and insurance companies**

Our forecasting was guided by VITA's management considering the company's resources.

**1. Indirect distribution channels**

Parallel to the direct market approach the Company has successfully established a Key Account Management which will further be strengthened in the future.

Two important customer groups and opinion leaders are being considered:

1. Hospitals / hospital syndicates
2. Strategic partners within the insurance industry

Since inception, VITA has managed to receive regulatory approval with more than 800 hospitals in Germany - the highest absolute number compared to the Company's competitors. Based on these approvals, VITA maintains contracts with such hospitals for sampling and training. This is the legal and commercial basis to offer VITA's services vis-à-vis pregnant women. Hospital syndicates like Hirslanden, Rhön-Klinikum, Asklepios, Maternus, etc. play an important part because of their aggregate reach.

Since 2005, VITA managed to partner with three prominent private medical insurance companies, Debeka, Delta Lloyd, and BKK Fahr. Negotiations with additional key partners are currently ongoing.

The strategic partners have implemented the services of VITA 34 and are actively marketing these services.

**Skilled Field force and a TeleSales Team to execute the marketing activities**

**2. Direct distribution channels**

To generate direct orders from the end customer VITA has established direct distribution channels which will gradually be expanded in the future:

1. Field Sales Force
2. TeleSales

The mission of VITA's Field Sales Force can be described as of more "educational / explanatory" nature than with an objective to pure "selling". It is the mission of VITA's sales force to receive a basic acceptance and the support of gynaecologists, obstetricians, midwives, so that clinics have a positive attitude for the company's product/service portfolio.

Secondly, VITA's sales representatives make use of these professional groups to get into direct contact to pregnant women by conducting presentations. All three professional groups have to be convinced and an incentive system has to be established to integrate this pivotal group into VITA's "sales" process. These professionals are in direct contact with the end customer, i.e. the pregnant woman - they enjoy their confidence.

In 2003, VITA 34 has started to establish a first test market with a dedicated field sales force in the region of Leipzig/Dresden, i.e. in the proximity of VITA's corporate headquarters. In this covered region, the Company has gained a market penetration of currently >4%. Following

this model, further regions will be developed on a cluster model. This strategy is a good indication of management distribution plans to gradually capture a German-wide market penetration rate of ca. 5%+ within the next 4 to 5 years.

In support of VITA's field sales force, a 24/360 Call Center has been established. This team helps customers to facilitate the contractual process that is necessary for an adequate client relationship. The new strategy also implies a direct approach en face expectant parents via phone and mail.

Marketing & Distribution (M&D) will be of paramount importance for VITA's growth strategy and will be directly related to the expected sales growth. Notably, in 2007 and 2008, the company will invest a significant portion of the proceeds from the offering into its M&D activities.

This is the reason why VITA 34 will not be cash positive in the next two years (VITA 34 AG has been cash positive since 2001). At first glance, the near-term future free cash-flows appears critical; however, this phenomenon has to be understood in the context of substantial investments in M&D, which will rebound beginning in 2009. With this investment, VITA 34 addresses two objectives:

1. higher rate of penetration in the company's relevant market
2. increasing the leadership position with respect to number of storages and market share

These achievements will enable VITA not only to maintain but also increase its market leadership position in the future; it will also result in cashing-in excess returns that may just be obtained by the first mover.

Below we have created a synoptic scenario demonstrating the P&L effects with and without an additional investment in M&D. Our model highlights the appropriate differentials:

Proforma P&L - No investment in Marketing & Distribution Infrastructure -

Fiscal Year 31/12 • IFRS	06	07e	08e	09e	10e	11e	12e
Net Sales	11,556.0	13,173.8	15,545.1	18,343.3	21,645.0	25,541.1	30,138.6
COGS	3,661.0	3,952.2	4,352.6	4,585.8	5,411.3		
<b>Gross Profit</b>	<b>7,895.0</b>	<b>9,221.7</b>	<b>11,192.5</b>	<b>13,757.4</b>	<b>16,233.8</b>		
Other Operating Income	358.0	185.0	185.0	185.0	185.0		
Sales & Marketing Expenses	5,396.0	5,092.0	6,556.0	7,833.0	11,005.0		
Administrative Expenses	2,118.0	3,101.0	2,036.0	2,863.0	3,217.0		
General Expenses	243.0	620.0	1,720.0	1,900.0	320.0		
<b>Operating Result (EBIT)</b>	<b>496.0</b>	<b>593.7</b>	<b>1,065.5</b>	<b>1,346.4</b>	<b>1,876.8</b>	<b>2,200.0</b>	<b>2,400.0</b>

source: Concord Effekten AG

P & L (actual) - incl. investments in Marketing and Distribution Infrastructure -

Fiscal Year 31/12 • IFRS	06	07e	08e	09e	10e	11e	12e
Net Sales	11,556.0	13,542.0	18,861.0	27,345.0	38,225.0	46,875.0	57,200.0
COGS	3,661.0	3,770.0	5,216.0	7,231.0	10,100.0		
<b>Gross Profit</b>	<b>7,895.0</b>	<b>9,772.0</b>	<b>13,645.0</b>	<b>20,114.0</b>	<b>28,125.0</b>		
Other Operating Income	358.0	185.0	185.0	185.0	185.0		
Sales & Marketing Expenses	5,396.0	7,892.0	9,956.0	13,333.0	17,705.0		
Administrative Expenses	2,118.0	3,301.0	3,536.0	3,863.0	4,417.0		
General Expenses	243.0	1,720.0	2,520.0	2,620.0	320.0		
<b>Operating Result (EBIT)</b>	<b>496.0</b>	<b>-2,956.0</b>	<b>-2,182.0</b>	<b>483.0</b>	<b>5,868.0</b>	<b>6,562.5</b>	<b>7,436.0</b>

source: Concord Effekten AG

G & V Differential - Investment / Non-Investment in M&D -

Fiscal Year 31/12 • IFRS	06	07e	08e	09e	10e	11e	12e
Δ Sales (Invest/Non-Invest)	0.0	368.2	3,315.9	9,001.7	16,580.0	21,333.9	27,061.4
Δ EBIT (Invest/Non-Invest)	0.0	-3,549.7	-3,247.5	-863.4	3,991.2	4,362.5	5,036.0

source: Concord Effekten AG



Given the non-investment scenario, VITA 34 would still generate positive cash flows, however, at a lower pace. In this case, the Company would not be able to benefit from its market leadership and first mover advantage. It is the second scenario which will result in excess returns, starting in 2010.

### Cost Controlling of VITA's growth strategy / Controlling of M&D expenditures

As shown below, we have controlled for the unit costs in the course of VITA's growth process to elaborate on the economies of scale pertaining to the envisaged M&D investments:

Marketing & Distribution per Unit

Fiscal Year 31/12 • IFRS	06	07e	08e	09e	10e	11e	12e
Net Sales	11,556.0	13,542.0	18,861.0	27,345.0	38,225.0	46,875.0	57,200.0
No. of new contracts	7,318	9,300	12,565	17,164	24,100	33,000	43,000
Growth rate - contracts		27.1%	35.1%	36.6%	40.4%	36.9%	30.3%
Sales & Marketing Expenses	5,396.0	9,492.0	12,156.0	14,433.0	17,805.0		
<b>M&amp;D per contract (unit)</b>	<b>737.4</b>	<b>1,020.6</b>	<b>967.4</b>	<b>840.9</b>	<b>738.8</b>		
<b>Revenues per new contract</b>	<b>1,579.1</b>	<b>1,456.1</b>	<b>1,501.1</b>	<b>1,593.2</b>	<b>1,586.1</b>		

source: Concord Effekten AG

VITA 34 will be able to amortize the M&D investment injected in 2007, not before 2009/10. At this time, "unit costs" per contract will back up to a level similar to 2006.

Considering VITA's expansion strategy the company will have further substantiated its market leadership position to enjoy a strategic flexibility such as to set the tone in the market regarding pricing.

Further medical applications should be at hand by then to provide a further boost in the industry.

The underlying spectrum of medical stem cell applications are by far more attractive than the business case that we are currently discussing.

### VITA's regional coverage and reach

After the divestiture of VITA's US business (CorCell), the Company's operating activities have been re-focussed to the German speaking market, i.e. Germany, Austria, Switzerland (DACH-countries). Outside this region - within the pan-European market - VITA 34 is seeking for partnership opportunities in the context of licensing/franchising, know-how transfer, and production.

Due to the sensibility of the parents (customers), the services offered by VITA 34 are regionally focussed. Expectant parents tend to confide to a greater extend in a Company, storing the cord blood samples not too far away from their domicile. This is the reason, why VITA has decided establish co-operations with companies outside Germany: while VITA brings in the specific know-how, the foreign partner takes responsibility for marketing and distribution.

**Abandonment of the US market releases management capacities to consistently target the DACH countries**

In Germany with ca. 680.000 births - the cord blood industry's current market penetration is < 2% (source: VITA 34) with VITA 34 holding a ca. two-third market share (i.e. VITA achieved a penetration of 1.2%).

<b>Total Contract Base</b>	<b>06</b>	<b>07e</b>	<b>08e</b>	<b>09e</b>	<b>10e</b>	<b>11e</b>	<b>12e</b>
Contract inventory - Germany	39,241	48,448	60,983	78,117	102,177	135,097	177,977
thereof - non German	207	300	330	360	400	480	600
total Contract inventory	<b>39,448</b>	<b>48,748</b>	<b>61,313</b>	<b>78,477</b>	<b>102,577</b>	<b>135,577</b>	<b>178,577</b>
Revenues per Contract Base	293	278	308	348	373	346	320

source: Concord Effekten AG

<b>Market Share</b>	<b>06</b>	<b>07e</b>	<b>08e</b>	<b>09e</b>	<b>10e</b>	<b>11e</b>	<b>12e</b>
No. of births	680,000	690,000	670,000	660,000	650,000	650,000	650,000
Market share	1.08%	1.35%	1.88%	2.60%	3.71%	5.08%	6.62%

source: Concord Effekten AG

### Cluster strategy and expansion beyond Germany to increase market penetration

The Company's strongest presence/acceptance is still the Saxonian region around VITA headquarter. VITA is challenged to increase their market penetration into other German regions like Munich, Rhein-Main, Hamburg, and the Ruhr area - all such clusters (regions) with a high population density and purchasing power. As the market leader, the Company will benefit above average from an increase in market penetration. Should VITA manage to increase the market penetration in Germany from currently 1.3% to 2.6% only, investors could expect an increase of sales by 100% combined with a solid margin; we perceive a doubling of the current penetration rate within the next two years as the minimum success.

Regarding VITA's non German activities, a cooperation was established with the Spanish company Secuvita in 2006. The Spanish partner is responsible for marketing and distribution; VITA 34 takes responsibility for processing and preparation of the cord blood samples.

In 2001 and 2004, VITA entered the Austrian and Swiss market, respectively. Due to the low absolute number of births in these countries, the whole administrative, logistic and marketing process is managed by VITA's German headquarters.

While the company's experience with CorCell on the US market was inevitable because of the tempting returns (high margins), management has learned that an international roll-out is more than risky. Without considerable financial resources (€100+ Mill.) at hand an entry and a concurrent visible penetration in a competitive market is next to impossible.

Therefore, we are confident that VITA's current international strategy (pan-Europe) is consistent with a successful expansion plan crossing German borders.

**The integration of the process - from sampling to storage - together with a well developed network constitute efficient market entry barriers**

**Restructured operations – geographic focus and brand management**

**VITA's relevant market potential amounts to one third of all births, i.e. to ca. 275.000, annually**

## Patent-/IP-Situation - Entry barriers

VITA 34 AG has national and international patents. These patents pertain to the sampling, logistics and cryo-preservation of body fluid in general, in particular cord blood samples. This information is based on VITA's current prospectus.

We would like to emphasize, that a significant portion of the IP is not protectable with patents, moreover VITA's IP position relates to expertise and specific Know-how. Thus, a clear USP regarding market entry barriers consists of the fully integrated process of sampling, preparation and logistic system from initial sampling to final storage, strengthening the competitive position in this attractive market

In addition, no other European competitor of VITA is able to rely on an established, widespread network consisting of specialists in the medical "production chain" like hospitals, laboratories and practical physicians as well as "multipliers" such as insurance companies and hospital syndicates. The integration of >800 cooperating maternity clinics in conjunction with a demanding regulatory approval (German Pharmaceutical Act) process is a clear market entry barrier competitors will have difficulties to match.

## Recent Developments

The most important strategic decision was the divestiture of the US-based subsidiary CorCell. This corporate action was necessary in order to release management's capacity which was significantly absorbed by the draw the conclusion that the resources allocated for such activities would exceed the Company's financial capabilities at that time. Instead, management now focuses on the German speaking market, a decision which – shortly after the abandonment of the US business in autumn, 2006 – resulted in a significant increase in storages. CorCell was sold to Cord Blood America Inc.

Also VITA's marketing management changed from a medical-driven model to a consumer marketing (brand management) approach. To further stream-line the strategic restructuring, the unit "Marketing & Distribution" was established as an "executive level unit". The new CMO, Oliver Papavlasopoulos, has an adequate background to further develop VITA's branding and distribution strategy.

## Market and Competition

### Market

The total market for the storage of cord blood cells as a lifelong insurance option is generally defined by the number of births. Currently, the birth rate in Germany amounts to ca. 680.000, in Austria to ca. 70000 and in Switzerland to ca. 70000 (data are for year 2005).

The accessible relevant market for VITA 34 is triggered by

- The degree of expectant parent's awareness of this service
- The level of income and educational background of the target group
- Positive news flow pertaining to the development of potential therapeutic uses of stem cells in general and of cord blood-derived stem cells in particular
- The establishment of references from within the environment of experts and opinion leaders, and the acquisition of further multipliers

Applying these reductions, we estimate the relevant market at one third of the total (theoretical) market in D, A, and CH, totalling to 275.000 births, annually, corresponding to ca. one third of the total market.

**Market research reveals the importance of raising public awareness of VITA's services.....**

Considering the industry as a whole, the market penetration is currently <2% of all births, in Germany. The major reason for this poor penetration is the missing awareness of the service and the associated benefits. A market research, performed in the US - due to missing data for Germany, we assume this research as representative - revealed that ca. 70% of the interviewed pregnant women had poor knowledge about the possibility of storing cord blood for future therapeutic use. Having learned about this possibility, 14% of these women declared to be willing to invest in this option (*Fernandez et al.: Knowledge and attitudes of pregnant women with regards of collection, testing and banking of cord blood stem cells. CMAJ. 2003 Mar 18; 168 (6): 695-8*).

**... demanding for enhancing marketing and distribution activities**

The result of this study clearly points to the enormous market potential to be tapped (exploited) and illustrates – in tandem with a shortcoming of awareness within the target group(s) – the strategic importance of intensified marketing and distribution activities.

In defined geographical regions within Germany, VITA 34 has arrived at storage rates of >4%. Therefore, it is justifiable to assume, that the Company will achieve ca. 5% on average German-wide market penetration, given the anticipated investment in marketing and distribution.

### Competition

**First mover advantage of VITA 34 within the competitive arena**

Within the German-speaking region, VITA 34 is the market leader with a share of > 2/3.

Contrary to the situation in the US, the competitive environment in the German-speaking Countries is represented by a transparent number stem cell banking companies. Thus, the market leader position of VITA 34 is a function of the "first mover advantage" and the resulting long-term experience regarding marketing activities and developing a high level of quality standards.

As a further measure to substantiate public confidence and visibility, VITA 34 has conceptually designed its laboratory in Leipzig as a "transparent Laboratory (gläsernes Labor)".

<http://www.vita34.de/vita34/wDeutsch/qualitaet/stammzelllabor.shtml?navanchor=1010004>

The competitive environment is composed of

- Basiccell GmbH
- Eticur GmbH
- Lifecord GmbH / Eccocell GmbH
- Life-Sciences Group (formerly Cryo-Cell Europe) with its operating subsidiaries Cryo-Care GmbH and Cryo-Save GmbH
- Stellacure GmbH

#### Basiccell

##### ***Basiccell GmbH, Wolfratshausen, D***

The company has a production permission according to the German Pharmaceuticals Act ("Deutsches Arzneimittelgesetz") pertaining to the sampling, processing, and storage of umbilical stem cells. Basiccell has developed a sampling kit providing a defined temperature window with constant monitoring during transportation.

Total costs for sampling, transportation and storage for 20 years amounts to €2.000-2.500.

#### Eticur

##### ***Eticur GmbH, Erlangen, D***

Eticur offers the storage of cord blood in co-operation with the University Hospital of Erlangen. Total costs for sampling, transportation and storage for 21 years amount to €2.400.

#### Eccocell / Lifecord

##### ***Eccocell GmbH, Bregenz, A / Lifecord GmbH, Graz, A***

In 2004, the companies entered into a co-operation for the marketing and distribution of cord blood banking services. With the integration of this product, eccocell has sensibly extended its pipeline consisting of genetic diagnostic kits. The sampling kit is available at pharmacies at a price of €64; the kit is designed for maintaining the temperature during transportation. The costs for sampling, transportation and storage for five years amount to €1.460. Thereafter, an annual storage fee of €22 is charged.

#### Life-Sciences Group

##### ***Life-Sciences Group, NL***

Life-Sciences Group is a holding with headquarters in The Netherlands and operating subsidiaries in Belgium and Mannheim, Germany. The main laboratory in Belgium has been accredited by the Federal authorities and has an ISO certificate (EN/ISO/IEC 17025). The laboratory in Mannheim is operating according to GMP principles. For security reasons all stem cell samples are stored at two different locations.

Life-Sciences Group is actively involved in research & development through different collaborations with universities, foundations and other biotech companies.

In addition to the storage of cord blood, the company also offers the cryo-preservation of adult stem cells from other sources. Cord blood banking services are offered under the trademark "Cryo-Save" (Cryo-Save GmbH

Aachen, D), and Cryo-Care, Köln, D). The costs for the whole service with a storage duration of 20 years amounts to €1.375.

Currently Life-Sciences Group is active in 28 countries and 3 continents and has a portfolio of more than 55.000 customers.

## Stellacure

### ***Stellacure GmbH, Hamburg, D***

Stellacure enjoys the co-operation with the public blood donation service "Deutsches Rotes Kreuz". This non-profit institution is sampling blood cord for allo-transplantation, only, i.e. donor and recipient are usually different individuals. While Stellacure's prime focus is on sampling and storing of cord blood for autologous usage, the company benefits from this co-operation by means of scientific basics and image.

The costs for the service pertaining to autologous cord blood banking amount to €1.950 – 2.300.

## Further investment is pivotal to maintain and expand VITA's market position

### **Use of Proceeds from the offering**

The proceeds resulting from the rights offering amounting to ca. €12,5 Mill. will be used for the following purposes:

- Strengthening of Marketing and distribution activities in order to further increase the penetration rate within the German-speaking market
- Strengthening of the equity basis and balance structure
- Increase of Working Capital to adequately support the Company's growth
- Maintenance of an adequate liquidity reserve
- Redemption of a loan of VITA 34 International AG amounting up to T€400

In addition, part of the proceeds may be used to provide flexibility in the context of potential corporate actions (co-operations, holdings etc.) though this is not a current issue.

No investments in fixed assets are projected; the proceeds are primarily used in operating activities to strengthen Marketing and Distribution.

With VITA's > 66% market share, an increase in the market penetration will be directly proportional to the company's top line growth, i.e. an investment of €5 Mill. into M&D over a period of three years might at least double VITA's top line on a sustainable basis. Thereafter, marketing expenses will be adjusted to further growth possibilities.

We perceive this investment in VITA's brand building and distribution network as highly profitable returning an attractive NPV for investors.

## Valuation

Our valuation is based on the analysis of future free cash flows and a peer group comparison.

### DCF analysis

#### DCF analysis

In our DCF analysis we apply a 2-phase model:

Phase I 2007 - 2015

Phase II terminal value starting with 2016

VITA has a clear value driver: Storage contracts, i.e. storages of cord blood samples for their clients. We have described the company's market position and expansion (market penetration) strategy in detail. We also closely monitored the Company's performance on such terms for the past 15 months.

While our average sales growth forecast of >25% p.a. looks ambitious we know about the performance VITA's management is up to if the resources are concentrated properly to the company's marketing and sales strategy.

#### Key Model Assumptions

Cost of Equity	11,05%
Cost of Debt	6,00%
Industry-Beta	1,5
Riskfree Return	4,20%
10-year German Government Bond	
Market Return	8,80%
5 year S&P 1200	
WACC	8,99%
Growth Rate Terminal Value	1.20%

in € '000	2006	2007e	2008e	2009e	2010e	2011e	2012e	2013e	2014e	2015e	
	<i>Base</i>	1	2	3	4	5	6	7	8	9	<i>Terminal</i>
Revenue Growth Rate		17.2%	39.3%	45.0%	39.8%	22.6%	22.0%	20.5%	18.5%	17.0%	1.2%
Revenues	11,556.0	13,542.0	18,861.0	27,345.0	38,225.0	46,875.0	57,200.0	68,926.0	81,677.3	95,562.5	
EBIT Margin	4.3%	-21.8%	-11.6%	1.8%	15.4%	14.0%	13.0%	12.0%	11.0%	10.0%	
EBIT	496.0	-2,956.0	-2,182.0	483.0	5,868.0	6,562.5	7,436.0	8,271.1	8,984.5	9,556.2	
Taxes	287.0	-1,182.0	-975.0	-22.0	1,454.0	2,493.8	2,825.7	3,143.0	3,414.1	3,631.4	
Earnings before Interest	209.0	-1,774.0	-1,207.0	505.0	4,414.0	4,068.8	4,610.3	5,128.1	5,570.4	5,924.9	
+ Depreciation	3,349.0	371.7	490.0	650.0	800.0	937.5	1,144.0	1,378.5	1,633.5	1,911.2	
- Capex	800.0	1,100.0	1,200.0	1,450.0	1,750.0	1,125.0	1,372.8	1,654.2	1,960.3	2,293.5	
- Change in WC	668.0	-88.0	-648.0	-443.0	84.0	129.8	154.9	175.9	191.3	208.3	
= Free CF to Firm (FCFF)	2,090.0	-2,414.3	-1,269.0	148.0	3,380.0	3,751.5	4,226.6	4,676.5	5,052.4	5,334.3	5,398.4
Terminal Value											81,992.1
<b>WACC Calculation</b>											
Tax rate (s)	61.1%	40.0%	44.7%	-4.6%	24.8%	38.0%	38.0%	38.0%	38.0%	38.0%	38.0%
Debt Ratio	32.52%	12.91%	0.00%	0.00%	0.00%	12.00%	15.00%	18.00%	18.00%	18.00%	20.00%
Beta	1.50	1.50	1.50	1.50	1.50	1.50	1.40	1.30	1.20	1.10	1.00
Cost of Equity	11.05%	11.05%	11.05%	11.05%	11.05%	11.05%	10.60%	10.15%	9.70%	9.25%	8.80%
Cost of Debt	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
After tax cost of debt	2.34%	3.60%	3.32%	6.27%	4.51%	3.72%	3.72%	3.72%	3.72%	3.72%	3.72%
Cost of Capital WACC	8.22%	10.09%	11.05%	11.05%	11.05%	10.17%	9.57%	8.99%	8.62%	8.25%	7.8%
<b>Present Value Calculation</b>											
Present Value of FCFF		-2193.1	-1029.0	108.1	2222.5	2311.4	2442.8	2559.4	2606.8	2612.5	
Present Value of Terminal Value										40,156.4	
<b>The Valuation</b>											
PV of FCFF (High growth phase)	11,641.5	22%									
+ PV of Terminal Value	40,156.4	77%									19.57
= Value of operating assets of the firm	51,837.8										
+ Value of cash & non-operating assets	5,000.0										
= Value of firm	56,837.8										
- Value of outstanding debt and pensions	3,100.0										
Asset Value CorCell	1,000.0										
= Value of Equity	54,737.8										
<b>Price per Share</b>	<b>19.57</b>										

**FCF Value: € 19.57/shr.  
→ CorCell factored in  
with the Asset Value of  
€1 Mill.**

We added € 1,0 Mill. as a net residual value for CorCell, Inc., VITA's operating company in the U.S. that management has decided to dispose. In the course of the disposal VITA 34 International AG has received a 25.27% interest in Cord Blood America. We have not included the resulting arithmetic value of ca. €2 Mill. in our model.

On the company's financials CorCell, Inc. is already accounted for as a "discontinued operations".

With our model we obtain a discounted cash flow of €54.7 Mill. which translates in a share price of €19.57/shr.

Sensitivity Analysis - NPV Terminal Value

		Discount Rate							
		6.5%	7.0%	7.5%	8.0%	8.5%	9.0%	9.5%	7.8%
Growth Rate of Terminal Value	$\beta=1.0$	22.36	20.94	19.74	18.71	17.82	17.04	16.35	19.12
	1.0%	23.04	21.51	20.23	19.13	18.18	17.36	16.63	19.57
	1.2%	23.77	22.12	20.75	19.58	18.57	17.70	16.94	20.05
	1.4%	24.56	22.78	21.30	20.05	18.98	18.06	17.25	20.55
	1.6%	25.42	23.49	21.89	20.56	19.42	18.44	17.59	21.09
	1.8%								

## Peer group analysis

### Peer group analysis

In order to allow for a more differentiated approach and to account for the industry-specific parameters as well as for the mechanics inherent to the business model, we have set up two Peer groups:

- Cord Blood industry
- Growth companies within the Prime Standard (Deutsche Börse)

In our peer group we included international cord blood companies that are publicly traded. It should be noted that the most prominent cord blood bank in the US, Cord Blood Registry is highly profitable with a similar market position as VITA 34, but not quoted on an exchange. Therefore, we were not able to include this company in our analysis.

With the exception of Golden Meditech (China Stem Ceklls Holding Ltd.), none of the publicly traded cord blood companies in this peer group is profitable; therefore we used sales margins as an indicator for evaluation purposes (MarketCap/Sales). In fact, sales, i.e. storage contracts are the best measure to determine the value of a distribution-driven business model.

While CyGenics Ltd., operating out of Melbourne is also a clear pioneer in cord blood banking, the company has ca. 40% medical service revenues that we would not like to associate with the cord blood storage business. Therefore, we have just allocated 60% of the value of CyGenics in our peer group analysis.

VITA's business model is unique because the Company is entering a completely new market with new products and services. VITA's services have the following characteristics:



- a. B2C - business to consumer (end user market)
- b. recurring revenues similar to that of a life insurance company
- c. Highly marketing and distribution driven (first mover!)

To compare the mechanics of the service-market VITA 34 is targeting we refrain from including pure MedTech or Pharmaceutical Companies, although VITA 34 has legal approvals for their products similar to a Pharma company.

Instead, we included growth companies with the business/market characteristics described above (a - c).

### 1. Industry specific Peer Group

Peer Group - Cord Blood	----- Sales in T€ -----			MarktCap in (€ Mill.) **)	MarktCap./ Sales	
	2005	2006	2007e		Stat. Mean	Median
CyGenics, Ltd. *)	1,162	1,744	2,616	9.96	3.81	
CryoCell	10,167	11,410	12,780	20.81	1.63	
Viacell, Inc.	36,847	40,940	45,034	159.53	3.54	
Lifebank Canada	735	1,251	1,751	0.77	0.44	1.92
BioNet Corp, Taiwan (1784)	6,107	7,432	8,542	16.57	1.94	
Golden MediTech (8180.HK)	23,307	27,363	46,516	469.57	10.09	
Cord Blood America	1,200	2,600	3,900	7.38	1.89	
Cryosite Int.	820	3,123	3,653	5.42	1.48	

\*) recognized with 60% of actual MCap

for Info: stat. Mean 3.10

\*\*\*) data as per Feb 22, 2007

The industry-specific peer group shows a sales multiple of ca. 1.6 - 3.8X (extreme values not included; for info: mean = 3.1X).

All companies within this sub peer group - with the exception of China Stem Cell Holdings, Ltd. (included in Golden MediTech) - are not profitable and do not enjoy a market leader position. The US market leader, CordBlood Registry, is highly profitable, but not publicly listed and therefore not included in our analysis.

### 2. Peer Group (Consumer driven Growth Companies, Germany)

Peer Group - Prime Standard Growth Companies / GER	----- Sales in T€ -----			MarktCap in (€ Mill.) **)	MarktCap./ Sales	
	2005	2006	2007e		Stat. Mean	Median
Pulsion	24,890	32,315	30,700	59.54	1.94	
go yellow	3,224	3,000	3,500	42.94	12.27	
hotel.de	12,400	19,699	30,300	107.41	3.54	7.91
open BC	1,600	3,500	7,000	159.69	22.81	

\*\*) data as per Feb 22, 2007

for Info: stat. Mean 10.14

We would like to give VITA's business model a reasonable impact by weighting the industry specific peer group with 80% and the German peer group of growth companies with 20%.

	MEDIAN	MEAN
80% Segment CordBlood banking	1.53	2.48
20% German Growth Companies	1.58	2.03
<b>100% Weighted</b>	<b>3.11</b>	<b>4.51</b>

Considering VITA's sales level in 2007 of ca. €13.5 Mill., we apply a sales multiple of 4,51x derived from the Median to calculate a Market Value of €61.086.

	----- Sales in T€ -----			MarketCap in € Mill.	
	2005	2006e	2007e		
VITA 34 AG	10,142	10,379	13,542	42,173	applying Median
VITA 34 AG	10,142	10,379	13,542	61,086	applying stat. Mean

### Valuation summary

Our aggregated valuation receives an equal weight that we derived from an FCF calculation and from our peer Group analysis.

in €

Methodology	Firm Value	Value/ share
Sales Multiple - Aggregated Peer Group	61,086,246	21.84
Discounted Cash Flow - Vita 34 Internat. AG *)	54,719,463	19.57

\*) DCF Value + Residual Value CorCell €1.0 Mill.

Mean of both Valuation Methods:

**20.71**

Both values come in at the € 50 Mill.+ level, i.e. € 61,086,246 from our peer Group measured with sales multiples and € 54,719,463 based on an FCF calculation.

**Fair Value: €20.71**

After the offering of 750,000 shares VITA 34 International will have 2,796,500 shares outstanding. On a per share value we propose a fair value of €20.71 for one share of VITA 34 International AG stock.

Considering the growth prospects we perceive VITA's market potential as a rare situation. With a clear market leader position in the Cord Blood Banking business in Germany fuelled by a market share of ca. two-third VITA 34 will gradually enhance the penetration rate from currently 1.3% in this attractive market.

## Consolidated Income Statement (€ '000)

Fiscal Year 31/12 • IFRS	06	07e	08e	09e	10e	07e	08e	09e	10e
						Chances YoY (%)			
Net Sales	11,556.0	13,542.0	18,861.0	27,345.0	38,225.0	17.2	39.3	45.0	39.8
COGS	3,661.0	3,770.0	5,216.0	7,231.0	10,100.0	3.0	38.4	38.6	39.7
<b>Gross Profit</b>	<b>7,895.0</b>	<b>9,772.0</b>	<b>13,645.0</b>	<b>20,114.0</b>	<b>28,125.0</b>	<b>23.8</b>	<b>39.6</b>	<b>47.4</b>	<b>39.8</b>
Other Operating Income	358.0	185.0	185.0	185.0	185.0	-48.3	0.0	0.0	0.0
Sales & Marketing Expenses	5,396.0	7,892.0	9,956.0	13,333.0	17,705.0	46.3	26.2	33.9	32.8
Administrative Expenses	2,118.0	3,301.0	3,536.0	3,863.0	4,417.0	55.9	7.1	9.2	14.3
General Expenses	243.0	1,720.0	2,520.0	2,620.0	320.0	N/A	46.5	4.0	-87.8
<b>Operating Result (EBIT)</b>	<b>496.0</b>	<b>-2,956.0</b>	<b>-2,182.0</b>	<b>483.0</b>	<b>5,868.0</b>	<b>N/A</b>	<b>-26.2</b>	<b>-122.1</b>	<b>---</b>
Interest Income	192.0	200.0	180.0	130.0	150.0	4.2	-10.0	-27.8	15.4
Interest Expenses	218.0	200.0	180.0	130.0	150.0	-8.3	-10.0	-27.8	15.4
<b>Financial Result</b>	<b>-26.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>N/A</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Income from Ordinary Business</b>	<b>470.0</b>	<b>-2,956.0</b>	<b>-2,182.0</b>	<b>483.0</b>	<b>5,868.0</b>	<b>N/A</b>	<b>-26.2</b>	<b>-122.1</b>	<b>---</b>
<b>EBT</b>	<b>470.0</b>	<b>-2,956.0</b>	<b>-2,182.0</b>	<b>483.0</b>	<b>5,868.0</b>	<b>N/A</b>	<b>-26.2</b>	<b>-122.1</b>	<b>---</b>
TAXES	287.0	-1,182.0	-975.0	-22.0	1,454.0	-511.8	-17.5	-97.7	---
<b>Earnings from cont. Operations</b>	<b>183.0</b>	<b>-1,774.0</b>	<b>-1,207.0</b>	<b>505.0</b>	<b>4,414.0</b>	<b>---</b>	<b>-32.0</b>	<b>-141.8</b>	<b>774.1</b>
Result from discontinued OPS	-3,049.0	0.0	0.0	0.0	0.0	-100.0	0.0	0.0	0.0
<b>Net Profit</b>	<b>-2,866.0</b>	<b>-1,774.0</b>	<b>-1,207.0</b>	<b>505.0</b>	<b>4,414.0</b>	<b>-38.1</b>	<b>-32.0</b>	<b>-141.8</b>	<b>774.1</b>
Depreciation / Tangibles	300.0	371.7	490.0	650.0	800.0	23.9	31.8	32.7	23.1
Depreciation / Goodwill	3,049.0	0.0	0.0	0.0	0.0	-100.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>3,845.0</b>	<b>-2,584.3</b>	<b>-1,692.0</b>	<b>1,133.0</b>	<b>6,668.0</b>	<b>N/A</b>	<b>-34.5</b>	<b>-167.0</b>	<b>488.5</b>
<b>EBITA</b>	<b>3,545.0</b>	<b>-2,956.0</b>	<b>-2,182.0</b>	<b>483.0</b>	<b>5,868.0</b>	<b>N/A</b>	<b>-26.2</b>	<b>-122.1</b>	<b>---</b>
Material Expenses	2,500.0	2,450.5	3,390.4	4,700.2	6,565.0	0.0	0.0	0.0	0.0
Personnel Expenses	3,508.0	5,135.0	7,050.0	8,791.0	10,682.0	0.0	0.0	0.0	0.0
Saels & Marketing Expenses, total	5,396.0	9,492.0	12,156.0	14,433.0	17,805.0	0.0	0.0	0.0	0.0
Adj. No. of shares	2,046.5	2,796.5	2,796.5	2,796.5	2,796.5	36.6	0.0	0.0	0.0
<b>Adj. EPS</b>	<b>-1.40</b>	<b>-0.63</b>	<b>-0.43</b>	<b>0.18</b>	<b>1.58</b>	<b>-54.7</b>	<b>-32.0</b>	<b>-141.8</b>	<b>774.1</b>
<b>Adj. EPS ex Goodwill</b>	<b>0.09</b>	<b>-0.63</b>	<b>-0.43</b>	<b>0.18</b>	<b>1.58</b>	<b>-809.4</b>	<b>-32.0</b>	<b>-141.8</b>	<b>774.1</b>
<b>Adj. Cash Earnings / share</b>	<b>0.24</b>	<b>-0.54</b>	<b>-0.26</b>	<b>0.45</b>	<b>2.12</b>	<b>N/A</b>	<b>-52.0</b>	<b>-272.4</b>	<b>372.0</b>

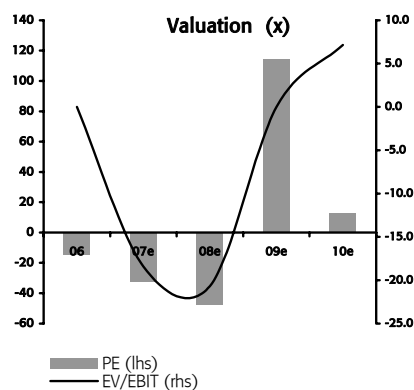
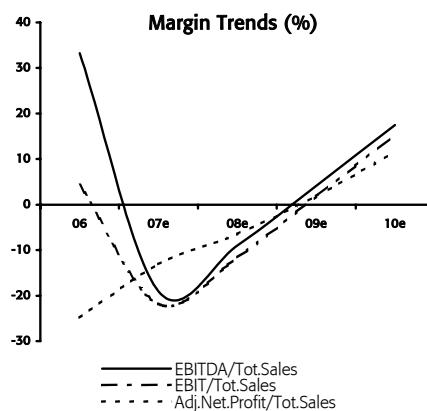
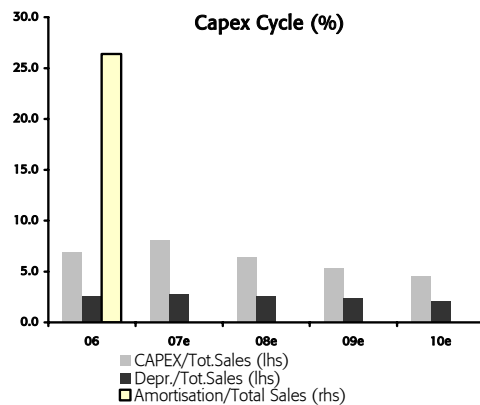
## Consolidated Cash Flow Statements (€ '000)

Geschäftsjahr 31/12 • IFRS	06	07e	08e	09e	10e	07e	08e	09e	10e
						Chances YoY (%)			
Net Profit	-2,866.0	-1,774.0	-1,207.0	505.0	4,414.0	-38.1	-32.0	-141.8	774.1
+ Depreciation	3,349.0	371.7	490.0	650.0	800.0	-88.9	31.8	32.7	23.1
+ change in l/t provisions / accruals	0.0	-113.0	-11.0	100.0	709.0	0.0	-90.3	---	609.0
<b>= Cash Earnings</b>	<b>483.0</b>	<b>-1,515.3</b>	<b>-728.0</b>	<b>1,255.0</b>	<b>5,923.0</b>				
+ Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Chg. in Net Working Capital	668.0	-88.0	-648.0	-443.0	84.0	-113.2	636.4	-31.6	-119.0
<b>= Operating Cash Flow</b>	<b>-185.0</b>	<b>-1,427.3</b>	<b>-80.0</b>	<b>1,698.0</b>	<b>5,839.0</b>				
- CAPEX	800.0	1,100.0	1,200.0	1,450.0	1,750.0	37.5	9.1	20.8	20.7
<b>= Free Cash Flow</b>	<b>-985.0</b>	<b>-2,527.3</b>	<b>-1,280.0</b>	<b>248.0</b>	<b>4,089.0</b>	<b>156.6</b>	<b>-49.4</b>	<b>-119.4</b>	<b>---</b>
- other ((+) Invest, (-) cash increase)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Dividends (prior year)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Erhöhung des gezeichneten Kapitals	0.0	12,500.0	0.0	0.0	0.0	0.0	-100.0	0.0	0.0
- share repurchases	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Bank liabilities	3,281.0	0.0	0.0	0.0	0.0	-100.0	0.0	0.0	0.0
<b>= Net Cash Flow</b>	<b>2,296.0</b>	<b>9,972.7</b>	<b>-1,280.0</b>	<b>248.0</b>	<b>4,089.0</b>				

## Consolidated Bilanz Sheet (in '€ 000)

Fiscal Year 31/12 • IFRS	06	07e	08e	09e	10e	07e	08e	09e	10e
<b>Assets</b>						<b>% of Balance Total</b>			
Tangible Assets	2,182.0	2,753.0	3,463.0	4,263.0	5,213.0	8.1	10.6	11.6	11.8
Other Assets	13,400.0	14,197.0	12,698.4	14,410.3	15,143.9	41.8	38.9	39.3	34.4
t/o Goodwill	12,444.0	12,450.0	3,069.0	2,762.0	2,455.0	36.7	9.4	7.5	5.6
<b>Total Fixed Assets</b>	<b>15,582.0</b>	<b>16,950.0</b>	<b>16,161.4</b>	<b>18,673.3</b>	<b>20,356.9</b>	<b>49.9</b>	<b>49.5</b>	<b>51.0</b>	<b>46.3</b>
Inventories	605.0	693.0	965.2	1,399.4	1,956.1	2.0	3.0	3.8	4.4
Accounts Receivable	861.0	616.0	858.0	1,243.9	1,738.8	1.8	2.6	3.4	4.0
Total Liquid Funds	6,722.0	15,028.0	13,748.0	13,996.0	18,085.0	44.3	42.1	38.2	41.1
Other Current Assets	2,040.0	660.0	919.2	1,332.7	1,863.0	1.9	2.8	3.6	4.2
<b>Total Current Assets</b>	<b>10,228.0</b>	<b>16,997.0</b>	<b>16,490.4</b>	<b>17,971.9</b>	<b>23,642.9</b>	<b>50.1</b>	<b>50.5</b>	<b>49.0</b>	<b>53.7</b>
<b>Balance Sheet Total</b>	<b>25,810.0</b>	<b>33,947.0</b>	<b>32,651.8</b>	<b>36,645.3</b>	<b>43,999.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>
<b>Liabilities</b>						<b>% of Balance Total</b>			
Subscribed Capital	2,047.0	2,797.0	2,797.0	2,797.0	2,797.0	8.2	8.6	7.6	6.4
Share Premium	15,629.0	27,178.0	27,178.0	27,178.0	27,178.0	80.1	83.2	74.2	61.8
Retained Earnings & Other Reserves	-4,741.0	-6,468.0	-7,675.0	-7,170.0	-2,756.0	-19.1	-23.5	-19.6	-6.3
<b>Shareholders Equity</b>	<b>12,935.0</b>	<b>23,507.0</b>	<b>22,300.0</b>	<b>22,805.0</b>	<b>27,219.0</b>	<b>69.2</b>	<b>68.3</b>	<b>62.2</b>	<b>61.9</b>
Minorities	1,442.0	1,475.0	1,500.0	940.0	940.0	4.3	4.6	2.6	2.1
<b>Group Equity</b>	<b>14,377.0</b>	<b>24,982.0</b>	<b>23,800.0</b>	<b>23,745.0</b>	<b>28,159.0</b>	<b>73.6</b>	<b>72.9</b>	<b>64.8</b>	<b>64.0</b>
Provisions	1,136.0	239.0	332.9	482.6	674.6	0.7	1.0	1.3	1.5
t/o Pension Provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Liabilities	10,297.0	8,726.0	8,518.9	12,417.7	15,166.2	25.7	26.1	33.9	34.5
<b>Total Liabilities</b>	<b>11,433.0</b>	<b>8,965.0</b>	<b>8,851.8</b>	<b>12,900.3</b>	<b>15,840.8</b>	<b>26.4</b>	<b>27.1</b>	<b>35.2</b>	<b>36.0</b>
t/o Interest Bearing Liabilities	4,676.0	3,225.0	0.0	0.0	0.0	9.5	0.0	0.0	0.0
t/o Non Interest Bearing Liab. <1Y	6,757.0	5,740.0	7,994.5	11,590.6	16,202.3	16.9	24.5	31.6	36.8
<b>Balance Sheet Total</b>	<b>25,810.0</b>	<b>33,947.0</b>	<b>32,651.8</b>	<b>36,645.3</b>	<b>43,999.8</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

In our Forecast, proceeds from the offering are included with an amount of €12.5 Mill.



## Ratios & Margins

<b>Fiscal Year 31/12 • IFRS</b>	<b>06</b>	<b>07e</b>	<b>08e</b>	<b>09e</b>	<b>10e</b>
<b>Profitability (%)</b>					
Gross Profit / Total sales	68.3	72.2	72.3	73.6	73.6
EBITDA / Total Sales	33.3	-19.1	-9.0	4.1	17.4
EBITA / Total Sales	30.7	-21.8	-11.6	1.8	15.4
EBIT / Total Sales	4.3	-21.8	-11.6	1.8	15.4
EBT / Total Sales	4.1	-21.8	-11.6	1.8	15.4
After Tax Earnings / Total Sales	-24.8	-13.1	-6.4	1.8	11.5
Free Cash Flow / Total Sales	-8.5	-18.7	-6.8	0.9	10.7
<b>Cost Structure (%)</b>					
Material Exp./Total Sales	21.6	18.1	18.0	17.2	17.2
Personnel Exp./Total Sales	30.4	37.9	37.4	32.1	27.9
Depreciation/Total Sales	46.7	70.1	64.5	52.8	46.6
Amortisation/Total Sales	2.6	2.7	2.6	2.4	2.1
Goodwill/Total Sales	26.4	0.0	0.0	0.0	0.0
TAXES/EBT	61.1	40.0	44.7	-4.6	24.8
<b>Productivity Ratios (T€)</b>					
Avg. Head Count (Ø/Jahr)	69	100	138	173	190
per Head sales	167.5	135.4	136.7	158.1	201.2
Average Personnel Costs	50.8	51.4	51.1	50.8	56.2
EBIT per Employee	7.2	-29.6	-15.8	2.8	30.9
Value Added per Employee	106.6	25.5	38.8	57.4	91.3
<b>Other Financial Rations (%)</b>					
Capex / Total Sales	6.9	8.1	6.4	5.3	4.6
Inventories/Total Sales	5.2	5.1	5.1	5.1	5.1
Net Working Capital/Total Sales	0.0	0.0	0.0	0.0	0.0
Equity Ratio	55.7	73.6	72.9	64.8	64.0
Gearing	18.1	9.5	0.0	0.0	0.0
Net Debt/Equity	32.5	-47.2	-57.8	-58.9	-64.2
Net Debt /Free Cash Flow	-474.0	4.7	10.7	-56.4	-4.4
Return on Equity (net)	-22.2	-7.5	-5.4	2.2	16.2
Return on Capital Employed	1.7	-13.1	-10.3	4.0	36.7
Goodwill/Equity	86.6	49.8	12.9	11.6	8.7
Goodwill/Balance Sheet Total	48.2	36.7	9.4	7.5	5.6
EBITDA/Goodwill	30.9	-20.8	-55.1	41.0	271.6
<b>EV-Based Valuation (x)</b>					
EV/Tot.Sales	N/A	4.0	2.4	1.6	1.1
EV/EBITDA	N/A	-21.0	-26.7	38.9	6.3
EV/EBITA	N/A	-18.4	-20.7	N/A	7.1
EV/EBIT	N/A	-18.4	-20.7	N/A	7.1
EV/Free Cash Flow	N/A	-21.5	-35.3	177.6	10.2
EV/Capital Employed	N/A	4.0	3.8	3.5	3.5
<b>Calc. Of Capital Invested (€ m)</b>					
Total Fixed Assets	15.6	17.0	16.2	18.7	20.4
Accumulated Depreciation of TFA	0.0	0.4	0.9	1.5	2.3
Net Working Capital (NWC)	-3.3	-3.8	-5.3	-7.6	-10.6
<b>Capital Employed (CE)</b>	<b>12.3</b>	<b>13.6</b>	<b>11.8</b>	<b>12.6</b>	<b>12.0</b>
<b>( in '000 Euro)</b>					
Net Debt (+) / Cash (-)	4,669.3	-11,803.0	-13,748.0	-13,996.0	-18,085.0
Ø Market Cap	N/A	57,915.5	57,915.5	57,915.5	57,915.5
Ø Financial Position (+) (-)	0.0	-3,566.9	-12,775.5	-13,872.0	-16,040.5
<b>Enterprise Value (EV)</b>	<b>N/A</b>	<b>54,348.7</b>	<b>45,140.0</b>	<b>44,043.5</b>	<b>41,875.0</b>

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