

VITA 34 INTERNATIONAL AG

GERMANY / HEALTH CARE

Primary exchange: Frankfurt
 Bloomberg symbol: V3V GR
 ISIN: DE000A0BL849

Q3 RESULTS

RATING:	Buy
PRICE TARGET:	€7.00
RETURN POTENTIAL:	30.8%
RISK RATING:	Medium

PROFIT ESTIMATES DECREASE DUE TO FINANCE COSTS

Vita 34 published Q3 results last week announcing revenues of €4.3m (Q3 2009 €4.1m) and a gross profit of €3.1m (Q3 2009 €2.7m). Revenues and gross profit increased over Q3 2009 due to the inclusion of Secuvita. The company reported EBIT of €190k (Q3 2009 €246k) and a net profit of €32k (Q3 2009 €400k). The company remains on target to meet our 2010 EBIT estimates. However, after discussions with management we have made negative revision to our estimates for financial income and tax for 2010-2013. As a result we have lowered our price target to €7.00, but maintain our Buy rating.

Gross profit margins increase, but EBIT margins down Gross profit margins increased from 67% in Q3 2009 to 72% in Q3 2010 due to optimisation measures in cord blood processing. However, since acquisition, a loss of €614k has been recognised in Secuvita due to acquisition costs, write-offs, and accounting adjustments. Going forward we anticipate these one off expenses will subside. A comparison to our estimates can be seen in Table 1 overleaf.

Profit forecasts decrease The financial result decreased from income of €209k in Q3 2009 to expense of €38k in Q3 2010. This is partially attributable to the recognition of one-off gains in 2009, but financial revenues remain below forecasts. In addition, Vita 34 intends to recognise financial losses in the coming years due to interest payments on loans. We have revised our estimates downward. Changes can be seen in Table 2 overleaf.

Storages expected to increase through 2010 Vita 34 reported 3,141 storages in Q3, which is 38% of the 8,293 total storages for the year to date. However, due to negative revisions to our forecasts for the financial result and tax during 2010-2013, we lower our price target to €7.00. We maintain our Buy rating.

FINANCIAL HISTORY & PROJECTIONS

	2007	2008	2009	2010E	2011E	2012E
Revenue (€m)	15.43	14.96	15.10	17.46	19.91	21.06
Y-o-y growth	33.5%	-3.0%	0.9%	15.7%	14.0%	5.8%
EBIT (€m)	-0.83	-2.27	0.16	0.50	1.18	1.40
EBIT margin	-5.4%	-15.2%	1.1%	2.9%	5.9%	6.6%
Net income (€m)	-1.19	-1.71	0.60	0.34	0.70	0.45
EPS (diluted) (€)	-0.45	-0.65	0.23	0.13	0.27	0.17
P/E (x)	na	na	23.8	41.2	20.1	31.4
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF (€m)	7.04	-2.63	-0.32	-6.92	2.79	1.98
Net gearing	0.2%	0.1%	0.3%	0.1%	-0.1%	-0.2%
Liquid assets (€m)	10.95	7.25	8.06	4.22	3.74	2.44

RISKS

Risks to our price target include but are not limited to: marketing risk, competition risk, financial risk, and a lack of progress in scientific research.

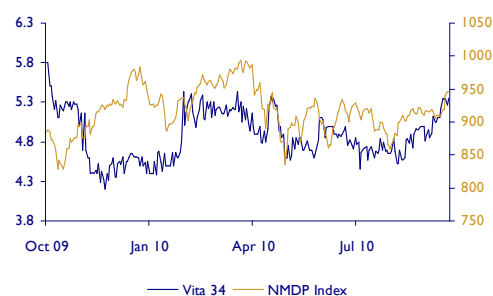
COMPANY PROFILE

Vita 34 International AG is a private umbilical-cord blood bank headquartered in Leipzig, Germany. The company offers expectant parents the one-time opportunity to preserve and store their baby's umbilical-cord blood for potential medical use. As of 30 September, Vita 34 had 131 full-time employees.

TRADING DATA

Closing price (15.10.10)	€5.35
Shares outstanding	2.65m
Market capitalisation	€14.16m
52-week range	€4.20 / 5.90
Average volume (12 months)	4,700

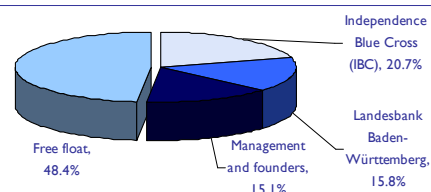
STOCK OVERVIEW



COMPANY DATA (as of 30 September 2010)

Liquid assets (incl. securities)	€4.78m
Current assets	€9.91m
Intangible assets	€20.90m
Total assets	€37.02m
Current liabilities	€8.50m
Shareholders' equity (incl. minorities)	€18.80m

SHAREHOLDERS





COMPARISON TO OUR ESTIMATES

All figures in € '000	Q3 Estimate	Q3 Actual	Difference	% Difference
Sales	4,439	4,355	-84	-2%
Gross Profit	3,075	3,126	51	2%
Operating Profit	148	190	42	28%
Net Profit	295	32	-263	-89%

Table 1

Source: First Berlin

CHANGES TO OUR FORECASTS

All figures in €M	2010E			2011E			2012E			2013E		
	old	new	% change	old	new	% change	old	new	% change	old	new	% change
Revenues	17.46	17.46	0%	19.91	19.91	0%	21.06	21.06	0%	22.46	22.50	0%
Operating profit	0.50	0.50	0%	1.18	1.18	0%	1.40	1.40	0%	1.72	1.72	0%
Net profit	1.02	0.34	-66%	1.84	0.70	-62%	1.21	0.45	-63%	1.40	0.45	-68%
Diluted EPS (€)	0.39	0.13	-66%	0.70	0.27	-62%	0.46	0.17	-63%	0.53	0.17	-68%

Table 2

Source: First Berlin

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	12 July 2007	€12.43	Buy	€20.00
2...13	↓	↓	↓	↓
14	9 March 2010	€5.20	Buy	€7.80
15	16 April 2010	€5.30	Buy	€7.80
16	7 September 2010	€4.57	Buy	€7.92
17	Today	€5.35	Buy	€7.00

Emily Haines

First Berlin
Equity Research GmbH

Mohrenstraße 34
10117 Berlin

Tel. +49 (0)30 - 80 93 96 83

Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

FIRST BERLIN POLICY

In an effort to assure the independence of First Berlin research neither analysts nor the company itself trade or own securities in subject companies. In addition, analysts' compensation is not directly linked to specific financial transactions, trading revenue or asset management fees. Analysts are compensated on a broad range of benchmarks. Furthermore, First Berlin receives no compensation from subject companies in relation to the costs of producing this report.

ANALYST CERTIFICATION

I, Emily Haines, certify that the views expressed in this report accurately reflect my personal and professional views about the subject company; and I certify that my compensation is not directly linked to any specific financial transaction including trading revenue or asset management fees; neither is it directly or indirectly related to the specific recommendation or views contained in this research. In addition, I possess no shares in the subject company.

INVESTMENT RATING SYSTEM

First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: BUY: expected return greater than 15%; HOLD: expected return between 0% and 15%; and SELL: expected negative return.

ADDITIONAL DISCLOSURES

This report is not constructed as an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer would be illegal. We are not soliciting any action based upon this material. This material is for the general information of clients of First Berlin. It does not take into account the particular investment objectives, financial situation or needs of individual clients. Before acting on any advice or recommendation in this material, a client should consider whether it is suitable for their particular circumstances and, if necessary, seek professional advice. The material is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should be relied upon as such. Opinions expressed are our current opinions as of the date appearing on this material only; such opinions are subject to change without notice.

Copyright © 2008 First Berlin Equity Research GmbH. All rights reserved. No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without First Berlin's prior written consent. The research is not for distribution in the USA or Canada. When quoting please cite First Berlin as the source. Additional information is available upon request.