

24 March 2009

Cryo-Save Group NV

Strong organic growth, profitable and cash generative

Cryo-Save Group N.V. (AIM: CRYO, "Cryo-Save" or "the Group"), Europe's leading adult stem cell storage bank, announces its final results for the year to 31 December 2008.

Financial highlights

- Revenue up 67% to €29.5 million (2007: €17.7 million)
- EBITDA €4.0 million (2007: €4.4 million)
- Underlying* profit before taxation €3.9 million (2007: €4.5 million)
- Underlying* earnings per share 7.2 euro cents (2007: 10.3 euro cents)
- Net cash from operations €1.9 million (underlying** 2007: €1.7 million)

Operational highlights

- Number of samples stored up 21% to 25,169 (2007: 20,814)
- Strong organic growth especially in Spain, Italy, Hungary and South Eastern European countries
- Commenced operations in India and France
- Launch of new service offering: CryoCord Gold
- 100,000th sample stored on 12 March 2009

* Underlying profit before taxation and underlying earnings per share are the reported numbers adjusted for amortisation of identified intangible assets, amounting to €1.1 million before tax.

** Underlying net cash from operations 2007 is the reported number adjusted for €3 million repaid loans by related parties.

Rob Koremans, Chief Executive, commented:

"2008 was a year of transition, growth and substantial international investment for Cryo-Save. It was characterised by further organic growth in storage volumes, growth in revenue and strong operational cash generation. Our recent milestone, the storage of the 100,000th sample, underlines our leading position in Europe, where we have a 50% market share.

"Despite the worldwide economic downturn, the number of samples stored in the fourth quarter of 2008 and the first two months of 2009 remained stable.

"We are now extremely well positioned to capitalise on our international position. Our first dividend is a clear demonstration of our confidence for the future."

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Overview

In 2008 the Group achieved organic growth of 21% in the number of samples stored up from 20,814 to 25,169, a revenue growth of 67%, EBITDA of €4.0 million and generated €1.9 million net cash from operations. At year end, the cash position was €4.7 million. This was all achieved despite the substantial investments made in Cryo-Save's international organisation and new geographic markets, and the difficult macro-economic conditions prevalent in the fourth quarter of the year.

As a result of all the investments made during the year, Cryo-Save was transformed from a company with a central lab in Belgium and a few sales offices and business partners, into a multinational firm with subsidiaries across Europe, Asia, and South Africa. This transition laid the foundations for the strong growth in 2008 and beyond, and places the Group well ahead of its competitors.

The Group delivered on all its strategic objectives for the year, including acquiring seven entities, expanding its operations across Europe, and starting new operations in India and France. This has expanded the Group's international reach to 38 countries, providing not only a wide addressable market, but also a robust business model with no single geographic dependency.

During the year, the Group also launched its new product CryoCord Gold that allows customers to store the umbilical cord tissue containing mesenchymal stem cells ("MSCs"), in addition to the hematopoietic stem cells ("HSCs") taken from umbilical cord blood. The Group is also expanding its laboratory and storage capability, by building a new state-of-the-art processing and storage facility in Belgium and it acquired a new site in France. To support, manage and develop all of these activities, the Group has also accelerated its investment in its international operational infrastructure.

As at 31 December 2008, the Group had stored more than 95,000 samples, confirming its position as Europe's market leading stem cell storage group. The Group also achieved another notable milestone with the storage of its 100,000th sample on 12 March 2009.

Financial review

Revenue

Group revenue increased by 67% to €29.5 million (2007: €17.7 million). Revenue was positively impacted by the release of deferred revenue of €0.3 million, representing income for the annual storage of all stored samples.

Revenue growth was driven by a combination of the price increase implemented during 2008 across the Group's operations (which brought Cryo-Save in line with most of its competitors) and the 21% growth in sales volume (2008: 25,169 samples stored, 2007: 20,814 samples stored). The increase in the number of samples stored was entirely organic, as all of the acquisitions made were of partners who already stored their samples with the Group. The bulk of this growth was achieved in Italy, Spain, Hungary and South Eastern Europe.

Price increases in the key markets of Hungary and Spain were only implemented in Q4 2008, under challenging economic circumstances, but despite this increase, the Group did not see any adverse impact on its sales volume.

The global economic downturn impacted the number of samples stored in Q4 2008, but the Group's revenue nevertheless increased as a result of the successful increase in prices, especially in the key markets of Hungary and Spain. Q4 2008 storage volume was 6% below that of Q3 2008, but remained stable month on month and slightly above that of Q4 2007. The storage volumes in the second half of the year were also impacted by a strategic decision not to extend a contract with one of the leading maternity hospitals in Athens, Greece although as a result, the profitability of the Greek subsidiary improved.

Acquisitions contributed €6.8 million during 2008, excluding €1.8 million revenue from Output Pharma Services GmbH. The acquisitions impacted revenue, as on completion the Group recognised the full customer fee as revenue, instead of the processing and storage fee the Group used to receive from its partners.

The Group also consolidated 100% of the revenue of Cryo-Save's previous joint ventures in South Eastern Europe and South Africa.

Geographical breakdown of revenue:

	2008 in €'000	2007 in €'000
Spain	9,778	5,051
Hungary	4,942	1,989
Italy	4,177	1,824
South Eastern Europe (including Greece)	3,426	3,474
Other countries	5,375	4,868
<i>Sub-total revenue from samples stored</i>	27,698	17,206
Other revenue	1,787	500
Total revenue	29,485	17,706

Other revenue relates to sales from Output Pharma Services GmbH, acquired in January 2008, that provides services to pharmaceutical companies.

Profitability

Gross profit increased by 78% to €20.2 million (2007: €11.3 million). The impact from acquisitions, and the price increase, were the main drivers for growth.

Operating expenses, excluding depreciation and amortisation, as planned increased to €16.3 million (2007: €6.9 million), as a result of the Group's acquisitions and substantial investment programme to support the international growth strategy. The consolidation of operating expenses from acquisitions, mainly relating to marketing and sales expenses of the acquired entities, amounted to €4.3 million.

The Group expensed start-up costs for its new operations in India (€0.4 million) and France (€0.2 million). In India sales activities started in November 2008, following accreditation of the laboratory by the Indian authorities. Over 30 people have been recruited, mainly sales staff. In France, a new General Manager was appointed on 1 October 2008, together with some employees to start up the business.

The Group incurred the full year impact of the Italian and German sales organisation which were recruited during 2007 and early 2008, as well as the costs of the new General Managers for these countries, both of whom started at 1 October 2008. Operating expenses of these two countries, excluding the acquired company Output Pharma Services in Germany, increased by €1.7 million in total compared to 2007.

The number of full time staff increased to 196 (from 63), reflecting the acquisitions, the start up of operations in India and the substantial strengthening of the Group's operational infrastructure.

EBITDA was €4.0 million (2007: €4.4 million) as a result of strategic decisions to accelerate the Group's international investment and growth strategy.

Underlying operating profit (operating profit before €1.1 million amortisation) was €3.4 million (2007: €4.2 million). Amortisation relates to the identified intangible assets (brand name, customer database) of the acquired companies. Reported operating profit was €2.3 million (2007: €4.2 million).

Finance income increased from €0.4 million in 2007 to €1 million in 2008 mainly because of the interest on bank deposits (€0.4 million) and translation differences of the Hungarian Forint (€0.2 million). The increase of finance costs of €0.4 million is mainly caused by the non-cash unwinding of the net present value of earn-out liabilities regarding the acquisitions.

The Group's underlying pretax profit (pretax profit before €1.1 million amortisation) was €3.9 million (2007: €4.5 million) with reported profit before tax of €2.9 million (2007: €4.5 million).

Taxation

The 2008 effective tax rate was 10.2% (2007: 13.9%). Taxation in countries with high profits like Spain and Hungary with tax rates around 30% and 20% respectively, was more than offset in 2008 by profits in Switzerland taxable at 10%, and by untaxed profits in The Netherlands due to previously unrecognised tax losses.

Earnings per share

Underlying earnings per share were 7.2 euro cents (2007: 10.3 euro cents). Reported basic and diluted earnings per share were 5.5 euro cents (2007: 10.3 euro cents).

Dividend

The Board is recommending a maiden dividend of €0.01 per share for the year ended 31 December 2008. If approved at the Annual General Meeting on 20 May 2009, the dividend will be paid on 2 July 2009 to shareholders on the register at 5 June 2009. The ex-dividend date will be 3 June 2009.

Cash flow

The Group generated net cash from operations of €1.9 million (2007: €1.7 million, excluding the one-off €3 million redemption of loans by related parties). Working capital increased due to higher trade receivables (€1.1 million) and tax assets (€1.0 million). Trade receivables increased in line with the growth of the business, mainly caused by higher volume and higher prices, whilst the average days of outstanding receivables did not change materially. Tax assets include a one-off VAT receivable of €0.7 million relating to the purchase of the French building, which was collected in March 2009.

In 2008 the Group spent €24.4 million on acquisitions (2007: €1.8 million) and €9.0 million on property, plant and equipment, mainly related to the new buildings in Belgium and France. The buildings are expected to be refinanced in 2009.

The Group repurchased 1,615,000 of its own shares in 2008, which are kept in treasury, for an amount of €3.1 million.

As a result, the cash position decreased from €39.5 million to €4.7 million at 31 December 2008.

Strategy

The Board's ambition is to become the world's leading stem cell storage company.

During the year the Group delivered on all of its strategic objectives including: achieving organic growth in almost all of its markets particularly Spain, Italy, Hungary and South Eastern Europe; the implementation of price increases across most markets; commencing operations in India and France; the successful completion of the acquisition of seven subsidiaries and business partners in Germany, Hungary, Czech Republic, South Africa, Spain and South Eastern Europe; and the launch of CryoCord Gold.

Further steps in 2009 include the further international roll-out of CryoCord Gold and the launch of the new product Cryo-Lip, which involves the collection of mesenchymal stem cells ("MSCs") from fat tissue obtained from liposuction, in the first half of the year.

Operating review

Key Geographies

Spain, Hungary, Italy and the South Eastern European region were the geographies that successfully generated the key volume growth for the Group. Germany and Greece were behind the Board's expectations, Germany mainly because of an increase in the regulations, whilst Greece suffered from the impact of local competition with lower ethical and quality standards and a strategic decision not to extend a contract with one of the leading maternity hospitals in Athens, due to excessive commission fees.

Spain

Spain was Cryo-Save's largest market in 2008. After the acquisition of CrioCord in June 2008, the Group continued to operate with two subsidiaries, CrioCord and Cryo-Save Espana, both of which have a strong brand name in the Spanish market. Sales volume grew by 42% compared to 2007, strengthening the Group's market position in Spain.

During 2008, CrioCord benefited from contracts signed with private insurers and maternity hospitals, which gave the business a significant competitive advantage. CrioCord also started joint marketing campaigns with private insurers in the second half of the year, which created more awareness and credibility for its services amongst potential customers. Prices in Spain are traditionally low, but CrioCord and Cryo-Save Espana increased their prices in Q4 2008, to bring them in line with most of our competitors. The Group did not experience any adverse impact of this price increase, on the contrary, sales remained strong.

Hungary

Cryo-Save acquired its Hungarian partner Sejtbank on 1 February 2008. By increased marketing spend in combination with a targeted promotion campaign towards pregnant women, Sejtbank strengthened its leading position, resulting in sales volume up 15% on 2007. Although local competition is strong in Hungary, Sejtbank increased its prices in Q4 2008, to bring it in line with its competitors. Like Spain, Sejtbank did not see a negative impact on sales volume from this price increase.

Italy

During 2008 the Group clearly benefited from the investments made in the Italian sales force. Sales volume more than doubled compared to 2007, in combination with a price increase from the beginning of 2008. Italy is the first country where the Group has introduced its Controlled Sharing Program which allows customers to opt for combined private/public storage. The Italian operation also offers the customers a down payment facility. On 1 October 2008 a General Manager was appointed in Italy to further strengthen and manage the organisation's growth in this important market.

South Eastern Europe (including Greece)

In July 2008 the Group acquired the remaining 50% of the shares in its joint venture Cryo-Save Balcanica, which has been the Group's leading distributor in Greece since 2005, and operates in the South Eastern European countries through a partnership model.

During 2008 the Group suffered from fierce competition from small local players in Greece, resulting in a decrease in sales. Cryo-Save remains fully committed to its high ethical standards and qualitative business procedures, and does not compromise its standards or service quality. As a result the Group chose not to pursue some sectors of the Greek market.

Sales were also lower in the second half of 2008 because the Group chose not to extend a contract with one of the leading maternity hospitals in Athens which had requested prohibitively high fees for Cryo-Save to provide its services. As a consequence, the profitability of the Greek subsidiary improved, although the number of samples stored was reduced by 2,000 on an annual basis. In January 2008 the prices were increased in Greece, in line with the rest of the Group's European markets without any adverse effect on sales volume.

In response to these market conditions, the Greek operation changed its sales strategy during the year to engage local sales agents who are closer to the markets in which Cryo-Save Balcanica operates. Sales in the countries in the South Eastern European region (Romania, Bulgaria, Croatia, Serbia, Slovenia, Cyprus, Malta, Macedonia) almost tripled compared to 2007, making it a successful and important region for the Group. Cryo-Save successfully operates with partners in these countries, which work exclusively with the Group.

Other countries

The other countries, including Switzerland, South Africa, Czech Republic, The Netherlands, and Belgium account for 20% of Group revenue. The number of samples stored from Swiss customers was 20% up on 2007. The remaining countries all performed in line with previous year.

Acquisitions

Cryo-Save acquired the following entities during 2008: Sejtbank in Hungary (January), Archiv Bunek in Czech Republic (January), CrioCord in Spain (July), and StemCell in Germany (January). Cryo-Save also acquired the remaining 50% of the shares in Cryo-Save Balcanica (July), which operates in South Eastern Europe and in Cryo-Save South Africa (March).

In addition, Cryo-Save acquired Output Pharma Services GmbH, in Germany (January 2008), a logistical service provider to pharmaceutical companies. The Group will benefit from Output's logistical experience in Germany, and will achieve synergies by housing its two former offices of Cryo-Save GmbH and Cryo-Care GmbH in the office of Output, well located at the Aachen hospital site. Furthermore Output has lab facilities that can also be used by Cryo-Save for processing and storage.

By the end of 2008, the acquisitions had been successfully integrated into the Group. One of the goals for 2009 is to adopt an increasingly integrated approach to sales and marketing across these recently acquired businesses.

New markets in India and France

During 2008, the Group successfully introduced its services into India with the establishment in March 2008 of a wholly-owned subsidiary. The Group invested €1.2 million to build a laboratory (€0.8 million) and start marketing and sales activities (€0.4 million), immediately assuming a leading position as the only international operator with an established track record. The market potential is substantial as currently there are some 200,000 births per year in the urban upper and middle class customer segment, and 25 million births per year in total in India.

The Group's experience and industry knowledge of state-of-the-art stem cell processing facilities, has enabled the Indian subsidiary to be licensed by the Indian authorities to start operations within only nine months. The Indian operation is headquartered in Bangalore, from where it operates its processing and storage facility which has the same equipment, techniques and procedures as the Group's other laboratories. There are also sales offices in Mumbai, Ahmedabad, Delhi and Pune and the objective is to become successful in these five important and highly populated cities first, before expanding sales activities to other major cities across India.

India did not contribute to the Group's storage and revenue figures for 2008 as sales only started in November 2008. The Group expensed €0.4 million of start-up costs in its income statement in 2008.

Cryo-Save plans to scale up its investment in its Indian subsidiary and Asia Pacific region to meet the emerging demands of these high-growth markets.

Ahead of schedule, in the second half of 2008, Cryo-Save explored opportunities to start sales in France. This represents potentially the largest market in Europe with 850,000 births per year. The Group acquired a property for a net consideration of €3.5 million in Lyon in September 2008 and expensed €0.2 million of start-up costs in its income statement in 2008. The Group is currently pilot marketing in three regions of France in conjunction with a public banking organisation. Samples will be stored in the French laboratory as soon as it is built and accredited. The official launch of sales activities in France is expected mid 2009.

International infrastructure

During 2008, Cryo-Save invested significantly in building up its senior management to support and lead the international growth and further development of the Group. This included the appointment of an International Marketing Director, area directors for Southern and Northern Europe, General Managers in Italy, Germany and France, a Group Financial Controller and a web based communications manager. No further senior appointments are currently planned in 2009, except for the new scientific director, who was appointed on 1 January 2009.

In 2008 Cryo-Save started to develop an integrated sales and marketing approach for its services, especially across Europe. During the last six month period the Group also successfully developed a new website which was launched in February 2009, and new marketing material including flyers and brochures. However, the Group remains committed to its strategy of physician-enabled marketing and will not spend extensively on consumer marketing.

Development of new products

In June 2008 the Group launched its new product CryoCord Gold. Spain and the Benelux were the first markets to introduce the product, with a phased roll out to other countries which is planned for completion by mid 2009. Cryo-Save is the first stem cell storage company to offer this service to customers.

The development of the second new product, Cryo-Lip, which involves the collection and storage of fat tissue containing mesenchymal stem cells ("MSCs") obtained via liposuction from adults, has progressed well. Validation has been completed and the phased launch is scheduled for the first half of 2009.

Medical developments

It has now been over 30 years since the first stem cell transplants were attempted and 20 years since the first validated success. Since then, the terms "stem cells" and "regenerative medicine" have moved from theories, to practice. For umbilical cord blood transplants, there has, in recent years, been an exponential explosion of new therapies. Originally it was mostly blood-related diseases that were being treated. Now, "regenerative medicine", the ability to heal and support the body, has become a reality.

Leading adult stem cell scientists, including those working at Cryo-Save, were some of the first to show that umbilical cord and cord blood could produce stem cells. They pioneered the strategy to be the first to turn them into liver, nervous tissues, blood vessels and pancreas tissues. In preclinical trials (pre-human testing) stem cells have now been proven to support liver, cardiac, kidney and nervous diseases amongst others. The possibility that diseases previously categorised as untreatable or "poor outcomes" could benefit from stem cell therapy, started to show promise. Now around 20 human organ-based tissues can be made from cord and cord blood in the laboratory.

Clinical trials using stem cells from humans to treat humans have now moved from not only blood related problems to treating organ-based diseases. Advances have shown that human umbilical cord blood can aid in the support of Type 1 Diabetes, Cerebral Palsy, Metabolic liver diseases, Beta Thalassaemia, Sickle Cell Disease, and a wide range of immune deficiencies, particularly in children. While these trials need more development, the range of new diseases treated in only the last few years, has been astounding. This leads then to the direct need to consider stem cell banking.

Outlook 2009

Despite the worldwide economic downturn, the number of samples stored in the fourth quarter of 2008 and the first two months of 2009 remained stable. The Group will benefit in 2009 from the price increases implemented during 2008 and from the start of operations in India and France. Cryo-Save has also taken appropriate measures to save costs where possible and has made its cost base more variable.

The strong performance in the last quarter of 2008, under difficult economic circumstances, is a clear sign that the Group is well equipped to pursue its strategic objectives combined with a healthy profit and cash generation.

Consolidated income statement

in thousands of euros

	Notes	2008	2007
Revenue	6	29,485	17,706
Cost of sales		(9,278)	(6,361)
Gross profit		20,207	11,345
Marketing and sales expenses	7	7,817	2,551
Research and development expenses	8	97	45
General and administrative expenses	9		
– Other general and administrative expenses		9,986	3,682
– Non-recurring IPO expenses		-	852
Total operating expenses		17,900	7,130
Operating profit		2,307	4,215
Finance income	12	988	362
Finance costs	13	(434)	(67)
Profit before taxation		2,861	4,510
Income tax expense	14	293	627
Profit for the year		2,568	3,883
Attributable to:			
– Equity holders of the Company		2,568	3,883
– Minority interests		-	-
Profit for the year		2,568	3,883
Earnings per share (in euro cents)	15		
– Basic		5.5	10.3
– Diluted		5.5	10.3

Consolidated balance sheet

in thousands of euros
at 31 December

	Notes	2008	2007
Assets			
Intangible assets	16	37,438	1,943
Property, plant and equipment		10,421	1,126
Investments in associates		0	0
Deferred tax assets		640	172
Trade receivables	17	1,304	527
Total non-current assets		49,803	3,768
Inventories		287	170
Trade and other receivables	17	8,156	8,093
Current tax assets		1,205	418
Cash and cash equivalents		4,697	39,465
Total current assets		14,345	48,146
Total assets		64,148	51,914
Equity	18		
Issued share capital		964	964
Share premium reserve		38,178	38,178
Revaluation reserve		769	-
Legal reserve		108	58
Translation reserve		(448)	(20)
Treasury shares		(3,497)	(435)
Retained earnings		6,979	4,176
Equity attributable to equity holders of the parent		43,053	42,921
Minority interest		-	-
Total equity		43,053	42,921
Liabilities			
Deferred revenue	19	4,885	3,669
Deferred tax liabilities		2,827	-
Borrowings		111	-
Other liabilities	20	5,830	-
Total non-current liabilities		13,653	3,669
Deferred revenue	19	389	259
Trade and other payables		5,052	3,566
Current tax liabilities		1,963	1,499
Borrowings due within one year		38	-
Total current liabilities		7,442	5,324
Total liabilities		21,095	8,993
Total equity and liabilities		64,148	51,914

Consolidated statement of changes in equity

in thousands of euros

	Issued share capital	Treasury shares	Other reserves	Minority interest	Total equity
At 1 January 2007	711	-	3,901	35	4,647
IPO expenses			(3,139)		(3,139)
Exchange differences on translating foreign operations			(20)		(20)
Net income recognized directly in equity			(3,159)		(3,159)
Profit for the year			3,883		3,883
Total recognized income and expense for the year			724		724
Issue of new shares	253		37,660		37,913
Share-based payments	0		72		72
Repurchased shares		(435)			(435)
Other movements			35	(35)	-
At 31 December 2007	964	(435)	42,392	-	42,921
Exchange differences on translating foreign operations			(428)		(428)
Net income recognized directly in equity			(428)		(428)
Profit for the year			2,568		2,568
Total recognized income and expense for the year			2,140		2,140
Share-based payments			211		211
Repurchased shares		(3,062)			(3,062)
Acquisitions			843		843
At 31 December 2008	964	(3,497)	45,586	-	43,053

Consolidated cash flow statement

in thousands of euros

	2008	2007
Cash flows from operating activities		
Profit for the year	2,568	3,883
Adjustments for:		
Income tax expense	293	627
Finance costs	434	67
Finance income	(988)	(362)
Gain on sale of disposals	(27)	-
Depreciation and amortization	1,644	227
Share-based payments	211	27
	4,135	4,469
Organic movements in working capital		
(Increase)/decrease in (non)current trade and other receivables	(1,105)	(2,379)
(Increase)/decrease in inventories	(67)	(124)
(Increase)/decrease in (non)current tax assets	(1,024)	(294)
Increase/(decrease) in (non)current liabilities	227	2,763
Increase/(decrease) in current tax liabilities	(290)	286
Net cash from operations	1,876	4,721
Interest (paid)/received	788	297
Income taxes (paid)/received	(628)	(285)
Net cash from operating activities	2,036	4,733
Cash flows from investing activities		
Net acquisitions spending	(24,445)	(1,750)
Purchase of property, plant and equipment	(9,006)	(872)
Purchase of intangible assets	(400)	(193)
Disposals of non-current assets	123	-
Interest received/(paid) regarding borrowings	-	23
Net cash (used in)/generated by investing activities	(33,728)	(2,792)
Cash flows from financing activities		
Repurchase of own shares	(3,062)	(435)
Redemption of borrowings	(15)	-
Proceeds from borrowings	15	-
Gross proceeds from issuance of new shares	-	37,913
Expenses directly related to the issuance of new shares	-	(3,139)
Net cash generated by/(used in) financing activities	(3,062)	34,339
Net increase/(decrease) in cash and cash equivalents	(34,754)	36,280
Cash and cash equivalents at 1 January	39,465	3,185
Exchange differences on cash and cash equivalents	(14)	-
Cash and cash equivalents at 31 December	4,697	39,465

Notes to the consolidated financial information

(in thousands of euro, unless indicated otherwise)

1. General information

Cryo-Save Group N.V. ('the Company' or 'the Group') is a limited company incorporated in The Netherlands. The address of its registered office and principal place of business is IJsselkade 8, 7201 HB Zutphen, The Netherlands.

The financial statements for the year ended 31 December 2008 were authorized for issue by the Board of Directors on 23 March 2009.

2. Change in accounting estimates

As from January 2008 the Group changed its accounting estimates with respect to the depreciation term of office equipment from 5 years to 10 years as this is more in line with the estimated useful lives of these assets.

Furthermore, the Group decided to differentiate between laboratory equipment related to storage and other laboratory equipment as this is more in line with the estimated useful lives of these assets.

As from 2008 laboratory equipment for storage purposes is depreciated in 10 years. The depreciation term for other laboratory equipment remained unchanged at 5 years.

The impact of these changes in accounting estimates has been assessed as not material.

3. Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) prevailing per 31 December 2008, as adopted by the International Accounting Standards Board (IASB) and as endorsed for use in the European Union by the European Commission as at 31 December 2008, and are prepared on a historical cost basis unless stated otherwise.

For further details on the principle accounting policies of the Group, we refer to our website, www.cryo-savegroup.com, Investor Relations.

4. Acquisitions

The following acquisitions were completed in 2008:

Acquisition	Interest in %	Country	Contribution to 2008 revenue		Contribution to 2008 operating profit	
			From acquisition date	Full year	From acquisition date	Full year
Output Pharma Services	100	Germany	1,787	1,787	216	216
Stemcell	100	Germany	-	-	-	-
Sejtbank	70	Hungary	2,718	2,945	370	378
Archiv Bunek	70	Czech Republic	366	382	(110)	(129)
Cryoclinic	50	South Africa	168	201	46	54
CrioCord	33.25	Spain	3,070	5,853	1,082	2,085
Valor Conexo	100	Portugal	-	-	-	-
Cryo-Save Balcanica	50	Greece	442	1,109	119	327
			8,551	12,277	1,723	2,931

Germany

On 1 January 2008, Cryo-Save acquired Output Pharma Services GmbH and Stemcell GmbH for a total considerations of €0.8 million. Stemcell GmbH, based in Cologne, was the service company to the German subsidiary Cryo-Care GmbH. Output Pharma Services GmbH, based in Aachen, is strategically well located at the University site and specialized in services to pharmaceutical companies and logistic services across Germany.

Hungary

On 1 February 2008, Cryo-Save acquired a 70% interest in the Hungarian distributor Sejtbank Egeszegugyi Szolgaltato Korlatolt Felelossegu Tarsasag ('Sejtbank') and Sejtbank's subsidiary in the Czech Republic, Archiv Bunek s.r.o, for an initial consideration of €3.25 million payable in cash. As long as the sellers of the shares remain minority shareholders of Sejtbank and Archiv Bunek, the minority shareholders will receive on a quarterly basis the variable purchase price, equalling to 3% of the revenues for the respective quarter of Sejtbank and Archiv Bunek, but for a maximum period of 30 years. Furthermore, the sellers have a put option right for a maximum period of 30 years, to transfer their 30% shareholding to Cryo-Save for a consideration of €1.4 million increased on a yearly basis by the average of the increase of revenue of Sejtbank and Archiv Bunek respectively in the last three calendar years preceding the exercise of the put option.

South Africa

On 1 March 2008, Cryo-Save acquired the remaining 50% of the shares in its South African joint venture Cryoclinic (Pty) Ltd for €0.4 million. During 2008 the name of Cryoclinic was changed into Cryo-Save South Africa.

Spain

On 27 June, Cryo-Save acquired the Spanish distributor CrioCord S.L. for an initial consideration of €15 million payable in cash and a variable price of €310 per sample that arrives at the Cryo-Save laboratory, exceeding a minimum number of samples per year, until 31 December 2011. The acquisition was effected by the purchase of the Portuguese holding company of CrioCord, Valor Conexo (which controls 66.75% of CrioCord) and the outstanding 33.25% from the management of CrioCord.

South Eastern Europe including Greece

On 17 July, Cryo-Save purchased 50% of the remaining shares in Cryo-Save Balcanica which the Group did not already own. The consideration consisted of an initial consideration of €4.1 million and a deferred payment of €100 per sample stored, exceeding a minimum number of samples per year, until 30 June 2011. Cryo-Save Balcanica operates in Greece and via partners in Romania, Bulgaria, Croatia, Serbia, Slovenia, Macedonia, Malta and Cyprus.

Breakdown

Total net acquisition spending in 2008 was €24.4 million (2007: €1.8 million). This includes an amount of €0.4 million relating to costs that are directly attributable to acquisitions, such as legal fees and audit fees.

The acquisitions during 2008 had the following effects on the assets and liabilities of the Group:

	Carrying amount	Fair value adjustments	Recognized values
Non-current assets	1,702	9,654	11,356
Current assets	7,983	-	7,983
Non-current liabilities	(148)	-	(148)
Current liabilities	(10,962)	-	(10,962)
Deferred tax liabilities	-	(2,462)	(2,462)
Net identifiable assets and liabilities	(1,425)	7,192	5,767
Goodwill on acquisitions			25,087
Consideration			30,854
Cash acquired			128
Deferred considerations			(6,537)
Net acquisition spending			24,445

5. Segment reporting

Business segments

Since the acquisition of Output Pharma Services GmbH ('Output') in January 2008, the Group identified two operating segments: the extraction and storage of adult human stem cells, and other types of products and services. The latter mainly consists of Output. Management considers this to be the primary reporting segment.

Operating segments

for the year ended 31 December	Stem cell storage		Other		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Segment revenue	27,698	17,206	1,787	500	29,485	17,706
Other segment information						
Finance income	987	362	1	-	988	362
Finance expense	(426)	(67)	(8)	-	(434)	(67)
Depreciation and amortization	(1,621)	(227)	(23)	-	(1,644)	(227)
Profit before taxation	2,652	4,510	209	-	2,861	4,510
Segment assets	63,662	51,914	486	-	64,148	51,914
Segment liabilities	20,908	8,993	187	-	21,095	8,993
Capital expenditure	9,381	1,065	25	-	9,406	1,065

Revenue from external customers attributed to the Company's country of domicile, The Netherlands, amounted to €0.3 million (2007: €0.2 million).

In 2007 the operating segment 'other' comprised of service fees for providing services to its associate Cryo-Save Arabia in United Arab Emirates.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

for the year ended 31 December	Revenue		Non-current assets	
	2008	2007	2008	2007
Spain	9,778	5,051	248	30
Hungary	4,942	1,989	1,375	-
Italy	4,177	1,824	438	272
South Eastern Europe including Greece	3,426	3,474	91	34
Other countries	7,162	5,368	47,651	3,432
Total	29,485	17,706	49,803	3,768

6. Revenue

	2008	2007
Stem cell extraction and storage	27,698	17,206
Other products and services	1,787	-
Service fees	-	500
Total revenue	29,485	17,706

Revenue from stem cell extraction and storage include the fees charged for stem cell extraction and the movement, on balance, in deferred revenue in respect of stem cell storage for the respective years.

7. Marketing and sales expenses

	<u>2008</u>	<u>2007</u>
Employee benefit expenses	5,465	1,563
Other marketing expenses	2,352	988
Total marketing and sales expenses	7,817	2,551

8. Research and development expenses

	<u>2008</u>	<u>2007</u>
Employee benefit expenses	69	37
Other research and development costs	28	8
Total research and development expenses	97	45

Expense on research or the research phase of an internal project is recognized as an expense when incurred. Development costs are expensed as far as they do not comply with the accounting requirements to capitalize the expenditures.

9. General and administrative expenses

	<u>2008</u>	<u>2007</u>
Employee benefit expenses	3,455	1,726
Other expenses	6,531	1,956
Non-recurring IPO expenses	-	852
Total general and administrative expenses	9,986	4,534

General and administrative expenses mainly increased due to the increase of depreciation and amortization (+€1.4 million), office and rental costs (+€1.2 million) and advisors and governance costs (+€1.2 million).

10. Employee benefit expenses

	<u>2008</u>	<u>2007</u>
Salaries and wages	7,308	2,791
Social security costs	1,016	382
Cost of defined contribution plans	74	34
Share-based payment expenses	211	27
Other personnel expenses	380	92
Total employee benefit expenses	8,989	3,326

The number of employees, expressed in full-time equivalents, is 196 as at 31 December 2008 (2007: 63). Full time equivalents (FTEs) increased organically by 77, mainly reflecting the increase of investments in sales staff in India and Italy.

11. Depreciation and amortization expenses

	<u>2008</u>	<u>2007</u>
Depreciation of property, plant and equipment	551	227
Amortization of intangible assets	1,093	-
Total depreciation and amortization expenses	1,644	227

The increase of amortization expenses is due to the amortization of identified intangible assets, such as customer relationship, brand name, contracts and order backlog.

12. Finance income

	<u>2008</u>	<u>2007</u>
Interest income bank and deposits	789	362
Currency translation differences	199	-
Total finance income	988	362

Interest income mainly comprise of interest on bank deposits.

13. Finance costs

	<u>2008</u>	2007
Bank charges and other finance costs	192	67
Unwinding of discounted deferred considerations	242	-
Total finance costs	434	67

The unwinding of discounted deferred considerations relate to three performance plans with former shareholders of acquired companies. These costs are non-cash items.

14. Income tax expense

	<u>2008</u>	2007
Income tax recognized in profit or loss	293	627
Tax expense comprises:		
Current tax expense/(income)	988	739
Deferred tax expense/(income)	(695)	(172)
Prior year's tax difference	-	60
Total tax expense	293	627

Reconciliation of the effective tax rate:

Profit before taxation	2,861	4,510
Income tax using the Company's domestic tax rate (Dutch nominal tax rate 2008: 25.5%; 2007: 25.5%)	730	1,150

Tax effect of:

Effect of tax rates in other countries	(538)	(781)
Non-deductible expenses	95	9
Profits offset with unused tax losses for which no deferred tax asset had been recognized	(128)	(7)
Unused tax losses not recognized as deferred tax assets	134	256
Income tax expense	293	627

Effect of tax rates in other countries of €0.5 million mainly relates to the Swiss subsidiary Cryo-Save AG, that operates in a tax jurisdiction with lower tax rates, partly offset by higher tax rates in Spain and Hungary.

The Company's unused tax losses amount to €3.9 million (2007: €3.9 million). Due to the uncertainty of realising these unused tax losses in future periods, a deferred tax asset (in any of the above years) has not been recognized in respect of those losses. Part of the unused tax losses will expire on 31 December 2013 (€2.1 million), €1.8 million can be compensated indefinitely.

15. Earnings per share

	<u>2008</u>	2007
Basic earnings per share (in euro cents)	5.5	10.3
Diluted earnings per share (in euro cents)	5.5	10.3

Basic earnings per share (EPS) are calculated by dividing profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

The calculation of diluted earnings per share is based on the calculation of the basic earnings per share, adjusted to allow for the assumed conversion of all dilutive share options.

The average market value of ordinary shares during 2008 did not exceed the exercise price of the options (210 pence and 221 pence respectively), hence the options had no dilutive effect.

With effect from 1 July 2008 the warrant instrument was cancelled, hence no impact on dilution.

Reconciliation between number of shares and weighted average number of shares:

	2008	2007
Issued ordinary shares at 1 January	48,195,986	7,107,450
Effect of share split	-	28,429,800
Effect of issued shares	-	2,107,816
Shares held in treasury	(1,221,335)	(4,389)
Weighted average number of shares	46,974,651	37,640,677

Reconciliation between weighted average number of shares and diluted weighted average number of shares:

	2008	2007
Weighted average number of shares	46,974,651	37,640,677
Warrants	-	6,647
Share options	-	-
Diluted weighted average number of shares	46,974,651	37,647,324
Profit attributable to ordinary equity holders of the Company	2,568	3,883

16. Intangible assets

	Goodwill	Identified intangible assets	Internally generated intangible assets	Other intangible assets	2008	2007
At 1 January						
Cost	1,750	-	193		1,943	-
Amortization	-	-	-		-	-
Net book value at 1 January	1,750	-	193	-	1,943	-
Movements						
Acquisitions	25,391	10,784	-	13	36,188	-
Investments	-	-	368	32	400	1,943
Reclassification	(1,194)	1,194	-	-	-	-
Amortization	-	(1,077)	-	(16)	(1,093)	-
Total movements	24,197	10,901	368	29	35,495	1,943
At 31 December						
Cost	25,947	11,978	561	45	38,531	1,943
Amortization	-	(1,077)	-	(16)	(1,093)	-
Net book value at 31 December	25,947	10,901	561	29	37,438	1,943

Reclassification includes the intangible assets of the 2007 acquisition (Cryo-Save Italy), identified within 12 months from acquisition. All purchase price allocations of the 2008 acquisitions were completed before 31 December 2008.

The amortization expense is recorded under 'General and administrative expenses' in the income statement.

The impairment test performed in 2008 showed that the recoverable amount for each cash-generating unit exceeded the carrying amount, hence no impairment of goodwill or identified intangible assets was recognized in 2008 (2007: €0).

Identified intangible assets

The items such as brand name, customer relationship and contracts with distributors and insurers concern assets with a limited useful life. The value of these identified intangible assets are mainly determined by ongoing strength of the brand name, retention rate of satisfied customers and potential customers from contracts with hospitals and insurers.

Internally generated intangible assets

Internally generated intangible assets arose from the development of the new products CryoCord Gold and Cryo-Lip and the Company's website. The capitalized costs consist of directly attributable costs of employee benefits, as well as materials and services used. Amortization for the new products will begin when the developed products are available for sale as intended by management. Amortization for the website will start in 2009 when the website is officially launched.

In 2008 no impairment of these intangible assets was deemed necessary.

Other intangible assets

Other intangible assets relate mainly to capitalized software licences and is amortised in three years.

In 2008 no impairment of these intangibles was deemed necessary.

As in previous year, no intangible assets have been pledged as security for liabilities.

17. Current trade and other receivables

	<u>2008</u>	<u>2007</u>
Trade receivables	7,014	6,019
Other receivables	1,142	2,074
Total current trade and other receivables	8,156	8,093

Trade receivables with a contractual payment term over a year are classified as non-current trade receivables.

18. Equity

Share capital and share premium

Authorized shares

The total authorized share capital consists of 177,686,250 shares with a par value of €3,553,725 as per 31 December 2008.

Issued shares

The total issued ordinary share capital consists per 31 December 2008 of 48,195,986 shares (31 December 2007: 48,195,986 shares) with a par value of €0.02.

At the Annual General Meeting of Shareholders held on 11 June 2008, it was resolved to delegate to the Board of Directors the power (a) to issue a maximum of 9,639,197 shares and/or rights to subscribe for shares, and (b) to restrict or exclude the pre-emptive rights in connection with an issue of such number of shares or rights to subscribe for shares, each for a period of 18 months.

Translation reserve

The translation reserve contains exchange rate differences arising from the translation of the net investment in foreign operations, and of the related hedges. When a foreign operation is sold, exchange differences that were recorded in equity prior to the sale are recycled through the income statement as part of the gain or loss on divestment. This reserve is not available for distribution.

Revaluation reserve

The revaluation reserve relate to the accounting of the acquisition of 50% of the remaining shares of Cryo-Save Balcanica S.A. As part of the purchase price allocation, the intangible assets relating to the 50% of the shares already owned by Cryo-Save were revalued. Along with the amortization, the reserve will be released to retained earnings. This reserve is not available for distribution.

Legal reserve

Legal reserve contains appropriations of profits of Group companies which are allocated to a legal reserve based on statutory and/or legal requirements. This reserve is not available for distribution.

Treasury shares

To cover the dilutive effect of the granted share options in 2007 and 2008 under the 2007 Share Option Scheme to staff and to fund acquisitions, the Group started a share buyback programme in 2007. At 31 December 2008 the Group had acquired 1,770,000 of its own shares in treasury (2007: 155,000). Treasury shares are recorded at cost (31 December 2008: €3.5 million), representing the market price on the acquisition date.

At the Annual General Meeting of Shareholders held on 11 June 2008, it was resolved to delegate to the Board of Directors the power (a) to repurchase shares up to a maximum of 10% of the Company's issued shares as at 11 June 2008, (b) by acquiring depository interest; (c) for a purchase price not less than two euro cents and not higher than the mid-market trading price quoted by the AIM market on the London Stock Exchange as at the date of acquisition plus a 10% premium; (d) for a period of 18 months.

	Number of shares		Purchase price	
	2008	2007	2008	2007
Balance at 1 January	155,000	-	435	-
Share buyback	1,615,000	155,000	3,062	435
Balance at 31 December	1,770,000	155,000	3,497	435

The purchase price of the share buyback transactions during 2008 ranged from 19.95 pence to 202 pence.

19. Deferred revenue

	2008	2007
Deferred revenue – non-current liabilities	4,885	3,669
Deferred revenue – current liabilities	389	259
Total deferred revenue	5,274	3,928

Deferred revenue will be earned as revenue by means of the annual storage over a contractually committed 20 years period. The part of deferred revenue that will be recognized as revenue within one year, is disclosed under current liabilities.

20. Non-current other liabilities

	2008	2007
Deferred considerations	5,777	-
Other non-current liabilities	53	-
Total non-current other liabilities	5,830	-

Deferred considerations relate to three performance plans agreed with former owners of acquired entities. The duration of the contracts is 4 and 30 years respectively.

21. Share-based payments

In 2008 the Group recognized €0.2 million share-based payment costs, relating to two option plans issued in 2007 and 2008 respectively (2007: €27,000).

Warrants

With effect from 1 July 2008 the warrant instrument over 733,649 shares with Kaupthing Singer and Friedlander Capital Markets Limited ('Kaupthing') was cancelled. As a result, the Group will not incur the related finance costs under IFRS of approximately €0.2 million per annum as of 2008.

Share option scheme

At 20 May 2008 options were granted for 340,000 ordinary shares in Cryo-Save Group N.V. The Company granted 175,000 options to Directors of the Company and 165,000 options to certain other employees of the Company all at an exercise price of 210 pence per share.

Share options

	Share option plan 2007	Share option plan 2008	Total
Outstanding at 1 January 2008	340,000	-	340,000
Conditionally awarded	-	340,000	340,000
Vested	-	-	-
Forfeited	-	-	-
Outstanding at 31 December 2008	340,000	340,000	680,000
End of period	2017	2018	
Exercise price in pence	221	210	

The fair market value of each conditionally awarded share under the 2008 Share Option Scheme was 93 pence (Share option plan 2007: 94.8 pence), as determined by an outside consulting firm.

Shareholding of the Directors

The Directors hold the following interest in the Company as at 31 December 2008:

	2008	2007
R. Koremans	156,186	121,186
A.P. van Tulder	35,000	15,000
M.J. Waeterschoot*	9,251,670	5,873,170
J.P.G. Goossens*	8,060,635	6,410,635
W.A.A. van Pottelberge	56,054	56,054
W. Spinner	134,868	9,868

* The interest of these Directors includes the interests of their immediate families and any other persons connected with them, and of companies of which the Directors are a controlling shareholder.

22. Events after the reporting period

Share buy back

After the reporting period the Company purchased 250,000 ordinary shares of €0.02 in total for an average price of 39 pence, to be held in treasury. Following the purchase of these shares, the Company holds 2,020,000 of its own ordinary shares in treasury, representing approximately 4.19% of the Company's issued share capital, and has 46,175,986 ordinary shares in issue (excluding treasury shares).

The Annual Report 2008 will be available on the Company's website www.cryo-savegroup.com, and is expected to be sent to shareholders in April 2009.

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