

23 September 2008

# Cryo-Save Group NV

## Revenues up 57%, samples stored up 40%

Cryo-Save Group N.V. (AIM: CRYO, "Cryo-Save" or "the Group"), Europe's leading adult stem cell storage bank, has published interim results for the six months to 30 June 2008.

### Financial highlights

- Underlying revenue up 57% to €11.3 million (1HY 2007: €7.2 million), reflecting strong organic and acquisitive growth
- Underlying gross margin increased to 67.7% (1HY 2007: 62.4%)
- Underlying operating profit was €1.1 million (1HY 2007: €1.7 million) - includes €0.3 million of one-off costs.
- Pre-tax profit up 9% to €1.8 million (1HY 2007: €1.7 million)
- Earnings per share of 3.5 euro cents (1HY 2007: 4.2 cents)
- Net cash of €14.9 million

### Operational highlights

- Number of samples stored up 40% to 12,537 (1HY 2007: 8,948)
- Stronger second quarter sales of 6,634 (Q2 2007: 4,865)
- Strong organic growth in Spain, Italy and Hungary
- Acquisitions completed in Hungary, Czech Republic, South Africa, Spain and the Balkans (July 2008)
- Significant investment in international operational infrastructure
- Accelerated investment in India - laboratory build and first samples sales expected shortly
- New product CryoCord launched

**Rob Koremans**, Chief Executive, commented:

*"2008 is a year of transition and investment for the Company. In less than a year since the Group listed on AIM, we have completed eight acquisitions across Europe to cement our position as the leading stem cell storage company. The Board has decided to take advantage of consolidating the Company's position by investing in the Group's infrastructure and developing potentially lucrative new markets to maximise longer term shareholder value.*

*"This accelerated investment programme, combined with delays to implementing price rises in two key territories has impacted our financial performance and following a weaker than expected August, we expect our results for 2008 will fall below our previous expectations. We remain profitable and cash generative and early indications for September and beyond are positive.*

*"With the development of our operational infrastructure completed, we now expect our cost base to grow at a much slower, normalised rate, while revenues should grow strongly as a result of our increased scale, wider distribution and new products. We are now extremely well positioned to capitalise on our leading international position and our high operational gearing in 2009 and 2010."*

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## Overview

In the first half of 2008 the Group has continued to grow strongly, generate cash from its operations and remain debt free. It has successfully delivered against all of its strategic objectives, specifically:

- Organic growth as a result of developing existing markets, particularly Spain and Italy and penetrating new markets in Europe (France, Slovenia, Bulgaria and Romania). The Group has also invested in a start up in India
- Acquisitive growth as a result of acquisitions of subsidiaries and business partners, as well as independent businesses
- Significant investment in international sales and marketing infrastructure
- Development and launch of Cryo-Cord, its key new product and
- Implemented price increases across most markets.

Total sample sales volume grew by 40% during the first half to 12,537 samples stored (1HY 2007: 8,948). As at 30 June 2008, the Group had stored more than 80,000 samples, confirming its position as Europe's market leading stem cell storage group.

Since January 2008, the Group has concluded the acquisitions of six entities in Germany, Hungary, Czech Republic, South Africa and Spain. In addition, during July 2008 Cryo-Save acquired the outstanding 50% shareholding of its joint venture Cryo-Save Balcanica. These acquisitions are expected to improve the Group's gross margins as a result of Cryo-Save improving the managerial infrastructure of these businesses, as well as exploiting the high operation gearing as sample volumes increase.

Cryo-Save now operates in 37 countries, providing not only a wide addressable market, but also a robust business model with no single geographic dependency.

## Financial review

Underlying revenues for the six months to 30 June 2008, excluding the Group's non core logistics operation, increased by 57% to €11.3 million (1HY 2007: €7.2 million). Reported revenue was €12.2 million (1HY 2007: €7.2 million), up 70%.

The Group saw a strong recovery of sales in Q2 2008 with 6,634 samples stored after a relatively weak first quarter (5,903 samples stored). Total sales volume for the first half grew by 40% to 12,537 samples stored, (1HY 2007: 8,948 samples stored). As all the businesses acquired by Cryo-Save were either subsidiaries or existing distribution partners, the volume growth in samples stored is all organic. The number of new clients, which provides an indication of forward samples stored, in Q2 2008 was up 27% over Q2 2007 to 7,412 (Q1 2008: 6,823 new clients).

During the first half of 2008, a price rise was implemented across most of the Group's markets, increasing by an average of approximately €300 per sample to €1,750. This brings Cryo-Save more in line with the prices of its competitors.

The acquisitions in Spain and Hungary took longer to complete than initially expected as the Board was determined to acquire these businesses on favourable terms. This resulted in one-off delays of three to four months before similar price rises in these two key markets could be implemented, following the successful completion of the integration process. The impact on Group revenues for the whole of 2008 as a result of these delays is expected to be some €1.1 million less than previous expected.

Revenues by country:

	<b>% 1HY'08 vs 1HY'07</b>	<b>1HY2008 €millions</b>	<b>% 2008 revenues</b>	<b>1HY2007 €millions</b>	<b>% 2007 revenues</b>
Spain	<b>44</b>	3.0	27	2.1	29
Hungary	<b>184</b>	2.3	20	0.8	11
Italy	<b>162</b>	1.8	16	0.7	9
Balkan	<b>31</b>	1.7	15	1.6	22
Other countries	<b>21</b>	2.5	22	2.0	29
Sub-total revenues from samples stored	<b>40</b>	<b>11.3</b>	100	<b>7.2</b>	100
Other revenues	-	0.9		-	
<b>Total revenues</b>	<b>70</b>	<b>12.2</b>		<b>7.2</b>	

Underlying gross profit, excluding the Group's non core logistics operation of €0.6 million, increased by 71% to €7.7 million. Reported gross profit was €8.3 million (1HY 2007: €4.5 million). Underlying gross margin increased to 67.7% (1HY 2007: 62.4%).

As planned, the Group continued to invest in essential international operational infrastructure to support the long term growth including sales, marketing and country management. As a result the Group's operating cost base has increased. Some €0.3 million of these investments are one off costs in the first six months of the financial year. The operating costs in H2 2008 will increase to reflect the acquisition of CrioCord in Spain and Cryo-Save Balcanica in the Balkans and will include the one-off investment in India and France. Thereafter the Board expects the cost base to grow in line with the Group's operations. The average number of employees, expressed in full-time equivalents, increased to 118 (31 December 2007: 63) principally as a results of the acquisitions.

The Group also accelerated its investment programme of which €0.2 million was expensed, into India and France, see below for more details.

As a result of the additional cost base as well as the one-off investment cost and delayed price rises in Hungary and Spain, underlying operating profit, excluding the Group's non core logistics operation and amortisation, was €1.1 million (1HY 2007: €1.7 million). Reported operating profit was €1.0 million (2007: €1.7m).

Pretax profit was €1.8 million (1H 2007: €1.7 m) after interest income increased to €0.8 million (1HY 2007: €15,000). The effective tax rate was 8.8%.

Earnings per share were 3.5 euro cents (1HY 2007: 4.2 euro cents). The Board is not paying a dividend.

Net cash generated from operations was €0.8 million in the first half of 2008.

*Share buyback*

The Group continued the share buyback programme in 2008. During the period the Group acquired 1,410,000 of its own shares for treasury. The Group holds 1,565,000 repurchased treasury shares at 30 June 2008. Treasury shares are recorded at cost, representing the market price on the acquisition date.

## Operating review

### *Spain*

The strong growth reported in Spain in 2007 continued in the first half of 2008. Revenues increased to €3.0 million (1HY 2007 €2.1m), with an overall volume growth of 67%.

There were no prices increase in the first half of 2008 but a price increase to approximately €300 per sample is being implemented now. The Group is continuing to generate sales through contracts with maternity hospitals and private insurance companies.

On 27 June 2008 the Group acquired its business partner Crio-Cord, S.L., for an initial consideration of €16 million payable. The business has now been fully integrated into the Group.

### *Hungary*

At 1 February 2008, the Group acquired its business partner Sejtbank. In the first half of the financial year, the sales volume increased by 37% compared to the same period last year. Revenue jumped from €0.8 million to €2.3 million as a result of the volume growth and the acquisition of Sejtbank.

In the first half of 2008, Sejtbank experienced strong competition both from a new market entrant and increased marketing activity from its main competitor in Hungary. As a consequence, Sejtbank responded with an increase in its own marketing expenditure, which has resulted in satisfying sales growth, despite the increased competitive pressure.

### *Italy*

In the first half of 2008, the Group benefited from the investments made during the prior year in Italy. Sales volume increased by 129% and revenues grew to €1.8 million (1HY 2007: €0.7 million), with a clear increase month over month. During the period, the Group signed contracts with leading clinics, hospitals and diagnostic centres, which generated a strong increase of sales leads.

In addition, in collaboration with an Italian bank, a new financing structure was implemented at the start of the year which enables parents to use a staged payment plan for the Group's service. So far over 100 customers opted for this loan facility with the bank, which results in upfront payments to Cryo-Save.

The Italian operation was also the first of the Group's businesses to introduce a mixed private public banking storage model in a joint venture with an Italian public stem cell storage bank and the Cryo-Save's own private banking facilities. During the first six months, 200 customers decided to use this facility.

### *The Balkan countries (including Greece)*

In the first half of 2008, sales significantly increased in the Balkan countries, particularly in Slovenia, Bulgaria and Rumania. The new sales in the Balkans successfully offset lower sales experienced in Greece. The Greek organisation has now been restructured and the sales organisation improved, which should result in regaining market share. Overall this region reported revenues of €1.7 million (1HY 2007: €1.6 million).

On 22 July 2008, the Group acquired the leading Balkan distributor Cryo-Save Balcanica for an initial consideration of €4.1 million payable.

### *Geographic expansion into new markets*

In less than four months this year, the Group has built a storage laboratory and established its own trading entity in Bangalore, India. Staff have been recruited and trained and the first samples are expected to be stored over the next few months following final accreditation. The Group will initially target five key cities and implement a phased roll out to a further three during 2009. The Group will incur some €0.6 million expenses during 2008, of which €0.2 million was included in the first six months.

The Group is the only international operator in India and has an established track record. The market potential is substantial. Currently there are some 200,000 births per year in the middle class potential customer base in the initial eight cities being targeted. This is similar in size to the entire Benelux region birth rate.

The Group is also exploring very promising opportunities in France. With 850,000 births per year, this represents the largest potential market in Europe for adult stem cell storage at birth. Germany has some 650,000 births per year. The Group plans to acquire a site and build a laboratory. It is pilot marketing in three regions of France with a public banking organisation. The Group is confident that once the local regulatory environment changes, it will be able to benefit from its early investments by having first mover advantage. The Group expects to incur some €0.5 million start up costs in Q4 2008.

### *Applied Research & Development of new products*

The Group's new product development also made strong progress. On 4 June 2008, the Group launched its new product CryoCord in Spain and Benelux. CryoCord allows for the collection and storage of adult mesenchymal stem cells ('MSCs') from the lining of umbilical cord tissue. Cryo-Save is the first company to offer this service to customers. The Group will continue the phased roll out of this product to all territories and hopes to have CryoCord available in all the key markets by H1 2009. Furthermore, the processing procedure of CryoCord samples has also become more efficient and is cheaper than initially anticipated.

The Group considers the collection and storage of MSCs to be a major technological innovation and a significant differentiator. MSCs are becoming extremely important in many clinical applications, such as in tissue reconstruction and repair.

The isolation of MSCs is particularly significant as clinical research indicates these stem cells might have even greater potential for use in future medical therapies than HSCs derived from umbilical cord blood. MSCs are also found in far greater numbers in the umbilical cord tissue than HSCs are found in cord blood. Until now, the conventional source of MSCs has been bone marrow. However, the frequency and differentiation potential of MSCs decreases significantly with age, and there are significant benefits to collection and cryopreservation at birth. The Group believes that this new methodology represents the first validated available opportunity to collect MSCs without invasive surgical techniques.

The launch of a second new product Cryo-Lip is also progressing to plan. Cryo-Lip involves the collection and storage of fat tissue containing MSCs obtained via liposuction. Validation and development progressed well in the first half of 2008. The Group is on track for launching this new service later this year in Spain.

### **Current trading and outlook**

After a period of rapid acquisitive growth and investment to secure its leading position across Europe, the Board is now focussed on realising the benefits from the enlarged group, both operational and financially.

The Group had 7,412 new clients in Q2 2008 (Q1 2008: 6,823 new clients), which is expected to result in a further organic growth of sales in H2 2008. However, August volumes were lower than

expected, which combined with the delay in price increases in the large markets of Spain and Hungary plus the costs relating to Group infrastructure and the Indian and French investments, means that the Group's financial performance in 2008, will be less than initially expected. Since August there has been a return to normal sales volumes. The Group expects to publish its Q3 storage volumes in the second week of October.

The Board remains confident that the Group's sales and profitability will grow strongly in 2009 and 2010 as a result of a combination of the price rises implemented across Europe, new sales channels such as insurance companies and hospitals; the widening of the geographical coverage from acquisitions; and the introduction of CordPlus across Europe. Furthermore the investments ahead of plan made in France and India, two very substantial markets, are expected to show real returns in the medium term.

## Consolidated interim financial report

This report has been prepared in accordance with IFRS. The data in this report is unaudited.

### Condensed consolidated interim income statement

#### For the six months ended 30 June

in thousands of euro	Notes	2008	2007
Revenue	5	12,235	7,177
Cost of sales		(3,919)	(2,695)
<b>Gross profit</b>		<b>8,316</b>	<b>4,482</b>
Marketing and sales expenses		3,059	1,204
Research and development expenses		59	26
General and administrative expenses		4,207	1,595
Total operating expenses		7,325	2,825
<b>Operating profit</b>		<b>991</b>	<b>1,657</b>
Finance income		1,037	28
Finance costs		(213)	(13)
<b>Profit before taxation</b>		<b>1,815</b>	<b>1,672</b>
Income tax expense		159	200
<b>Profit for the period</b>		<b>1,656</b>	<b>1,472</b>
Attributable to:			
- Equity holders of the Company		1,656	1,507
- Minority interests		-	(35)
<b>Profit for the period</b>		<b>1,656</b>	<b>1,472</b>
<b>Earnings per share (in euro cents)</b>	6		
- Basic		3.5	4.2
- Diluted		3.5	4.2

## Condensed consolidated interim balance sheet

in thousands of euro

	Notes	30 June 2008	31 December 2007	30 June 2007
<b>Assets</b>				
Intangible assets	7	34,962	1,943	0
Property, plant and equipment		4,599	1,126	716
Investments in associates		0	0	0
Deferred tax assets		308	172	0
Trade receivables		1,789	527	480
<b>Total non-current assets</b>		<b>41,658</b>	<b>3,768</b>	<b>1,196</b>
Inventories		365	170	39
Trade and other receivables		9,358	8,093	5,995
Current tax assets		477	418	379
Cash and cash equivalents		14,908	39,465	6,212
<b>Total current assets</b>		<b>25,108</b>	<b>48,146</b>	<b>12,625</b>
<b>Total assets</b>		<b>66,766</b>	<b>51,914</b>	<b>13,821</b>
<b>Equity</b>				
	8			
Issued share capital		964	964	711
Share premium reserve		38,178	38,178	3,585
Legal reserve		58	58	0
Translation reserve		7	(20)	0
Treasury shares		(3,451)	(435)	0
Retained earnings		6,017	4,176	1,823
<b>Equity attributable to equity holders of the parent</b>		<b>41,773</b>	<b>42,921</b>	<b>6,119</b>
Minority interest		-	-	1
<b>Total equity</b>		<b>41,773</b>	<b>42,921</b>	<b>6,120</b>
<b>Liabilities</b>				
Deferred revenue		4,273	3,669	3,700
Deferred tax liabilities		3,998	-	0
Other liabilities		7,609	-	0
<b>Total non-current liabilities</b>		<b>15,880</b>	<b>3,669</b>	<b>3,700</b>
Deferred revenue		379	259	120
Trade and other payables		3,870	2,141	2,090
Current tax liabilities		2,114	1,499	687
Other current liabilities		2,750	1,425	1,104
<b>Total current liabilities</b>		<b>9,113</b>	<b>5,324</b>	<b>4,001</b>
<b>Total liabilities</b>		<b>24,993</b>	<b>8,993</b>	<b>7,701</b>
<b>Total equity and liabilities</b>		<b>66,766</b>	<b>51,914</b>	<b>13,821</b>

## Condensed consolidated interim statement of changes in equity

in thousands of euro	Issued share capital	Share premium reserve	Legal reserve	Translation reserve	Treasury shares	Retained earnings	Shareholders' equity	Minority interest	Total equity
<b>1 January 2007</b>	<b>711</b>	<b>3,585</b>	-	-	-	<b>316</b>	<b>4,612</b>	<b>35</b>	<b>4,647</b>
Issued share capital	-	-	-	-	-	-	-	1	1
Profit for the period	-	-	-	-	-	1,507	1,507	(35)	1,472
<b>30 June 2007</b>	<b>711</b>	<b>3,585</b>	-	-	-	<b>1,823</b>	<b>6,119</b>	<b>1</b>	<b>6,120</b>
<b>1 January 2008</b>	<b>964</b>	<b>38,178</b>	<b>58</b>	<b>(20)</b>	<b>(435)</b>	<b>4,176</b>	<b>42,921</b>	-	<b>42,921</b>
Exchange differences on translating foreign operations	-	-	-	27	-	-	27	-	27
Net income recognized directly in equity	-	-	-	27	-	-	27	-	27
Profit for the period	-	-	-	-	-	1,656	1,656	-	1,656
Total recognized income and expense for the period	-	-	-	27	-	1,656	1,683	-	1,683
Share-based payments	-	-	-	-	-	185	185	-	185
Repurchased shares	-	-	-	-	(3,016)	-	(3,016)	-	(3,016)
<b>30 June 2008</b>	<b>964</b>	<b>38,178</b>	<b>58</b>	<b>7</b>	<b>(3,451)</b>	<b>6,017</b>	<b>41,773</b>	-	<b>41,773</b>

## Condensed consolidated interim cash flow statement

in thousands of euro

For the six months ended 30 June

	2008	2007
<b>Cash flows from operating activities</b>		
Profit for the period	1,656	1,472
Adjustments for:		
Income tax expense	159	200
Finance costs	213	13
Finance income	(1,037)	(28)
Depreciation and amortization	478	97
Share-based payments	69	-
	<b>1,538</b>	<b>1,754</b>
<b>Autonomous movements in working capital</b>		
(Increase)/decrease in (non)current trade and other receivables	(1,508)	(277)
(Increase)/decrease in inventories	(99)	7
(Increase)/decrease (non)current tax assets	(166)	-
Increase/(decrease) in (non)current liabilities	1,219	2,390
Increase/(decrease) in current tax liabilities	(210)	-
<b>Net cash from operations</b>	<b>774</b>	<b>3,874</b>
Interest (paid)/received	965	21
Income taxes (paid)/received	(215)	(384)
<b>Net cash from operating activities</b>	<b>1,524</b>	<b>3,511</b>
<b>Cash flows from investing activities</b>		
Interest received/(paid) regarding borrowings	-	28
Increase/(decrease) minority interest	-	(35)
Purchase of property, plant and equipment	(2,865)	(331)
Acquisitions spending	(20,130)	-
Intangible assets	(78)	-
Payment for investment property	-	(146)
<b>Net cash (used in)/generated by investing activities</b>	<b>(23,073)</b>	<b>(484)</b>
<b>Cash flows from financing activities</b>		
Repurchase of own shares	(3,016)	-
<b>Net cash generated by/(used in) financing activities</b>	<b>(3,016)</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(24,565)</b>	<b>3,027</b>
Cash and cash equivalents at 1 January	39,465	3,185
Exchange differences on cash and cash equivalents	8	-
<b>Cash and cash equivalents at 30 June</b>	<b>14,908</b>	<b>6,212</b>

## Notes to the condensed consolidated interim financial information

(in thousands of euro, unless indicated otherwise)

### 1. Company 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 Group interim financial statements for the period from 1 January 2008 until 30 June 2008 were approved for publication by the Board of Directors on 22 September 2008.

### 2. Basis of preparation

The condensed consolidated interim financial statements of the Company for the period 1 January 2008 until 30 June 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended 31 December 2007.

For further details on the principle accounting policies of the Company, we refer to our website, [www.cryo-savegroup.com](http://www.cryo-savegroup.com), Investor Relations.

### 3. Significant accounting policies

The accounting policies applied by the Company in these condensed consolidated interim financial statements are the same as those applied by the Company in its consolidated financial statements as at and for the year ended 31 December 2007.

The company has applied IFRS 8 Operating Segments as of 1 January 2008. This did not result in significant effects on the interim financial statements.

### 4. Seasonality

The interim operations of the Company are not impacted by seasonality or cyclicity.

### 5. Segment reporting

#### *Operating 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 currently consists of Output only.

For the period ended 30 June 2008	<b>Stem cell storage</b>	<b>Other</b>	<b>Total</b>
<b>Revenue</b>			
Segment revenue	11,338	897	12,235
<b>Other segment information</b>			
Segment profit for the period	1,582	74	1,656
Segment assets	66,179	587	66,766
Segment liabilities	24,637	356	24,993

For the period ended 30 June 2007	<b>Stem cell storage</b>	<b>Other</b>	<b>Total</b>
<b>Revenue</b>			
Segment revenue	7,177	-	7,177
<b>Other segment information</b>			
Segment profit for the period	1,472	-	1,472
Segment assets	13,821	-	13,821
Segment liabilities	7,701	-	7,701

### ***Information about geographical areas***

The Company's geographical segments are determined by the location of Company's assets and operations. Management considers that the Company operates in two geographical segments.

For the period ended 30 June 2008	<b>Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Revenue</b>			
Segment revenue	11,842	393	12,235
<b>Other segment information</b>			
Segment assets	65,865	901	66,766
Segment liabilities	24,822	171	24,993

For the period ended 30 June 2007	<b>Europe</b>	<b>Rest of the world</b>	<b>Total</b>
<b>Revenue</b>			
Segment revenue	7,031	146	7,177
<b>Other segment information</b>			
Segment assets	13,588	233	13,821
Segment liabilities	7,603	98	7,701

Intersegment revenue amounted to €0.2 million (1HY 2007: €0.1 million).

Revenue from external customers attributed to the Company's country of domicile, The Netherlands, amounted €0.2 million (1HY 2007: €0.1 million).

Revenue include €30,000 interest related to customer payment in instalments (1HY 2007: €9,000). Interest is charged at 7% in 2008 (1HY 2007: 7%).

## **6. Earnings per share**

	<b>30 June 2008</b>	<b>30 June 2007</b>
Basic earnings per share (in euro cents)	3.5	4.2
Diluted earnings per share (in euro cents)	3.5	4.2

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 issue of shares on the assumed exercise of the dilutive warrant and the conversion of all dilutive share options.

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

	<b>30 June 2008</b>	<b>30 June 2007</b>
Issued ordinary shares at 1 January	48,195,986	7,107,450
Effect of share split	-	28,429,800
Shares held in treasury	(789,926)	-
Weighted average number of shares	47,406,060	35,537,250

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

	<b>30 June 2008</b>	<b>30 June 2007</b>
Weighted average number of shares	47,406,060	35,537,250
Warrants	-	-
Share options	-	-
Diluted weighted average number of shares	47,406,060	35,537,250

Profit attributable to ordinary equity holders of the Company	1,656	1,507
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The average market value of ordinary shares during the period when the warrants and share options were outstanding did not exceed the exercise price of the warrants (210pence), and the options (221pence for 2007 share options, 210pence for 2008 share options), hence the warrants and options had no dilutive effect.

## 7. Acquisitions

Total acquisition spending in the first half of 2008 was €20.1 million (1 HY 2007: nil). This includes an amount of €139,000 relating to costs that are directly attributable to acquisitions, such as legal fees and audit fees.

Since the acquisition date, these acquisitions have contributed €2.3 million to revenue, and €0.2 million to operating income. If the acquisitions had been executed on 1 January 2008, half year 2008 revenue for the Group would have been approximately €12.5 million, and operating income €1.0 million.

	<b>Carrying amount</b>	<b>Fair value adjustment</b>	<b>Recognized values</b>
Non-current assets	1,550	14,685	16,235
Current assets	4,804	-	4,804
Non-current liabilities	(198)	-	(198)
Current liabilities	(4,701)	-	(4,701)
Deferred tax liabilities	-	(3,746)	(3,746)
Net identifiable assets and liabilities	1,455	10,939	12,394
Goodwill on acquisition			18,199
<b>Consideration</b>			<b>30,593</b>
Cash acquired			(1,975)
Deferred payments			(8,488)
<b>Net cash outflow</b>			<b>20,130</b>

The fair value of the acquirees' identifiable assets and liabilities of some acquisitions could only be determined provisionally and will be subject to change based on the outcome of the purchase price allocation which will be completed within 12 months from the acquisition date.

*Output Pharma Services GmbH*

At 1 January 2008, the Company completed the acquisition of Output Pharma Services GmbH in Germany for a total consideration of €350,000. Since the acquisition date, this acquisition has contributed €0.9 million to revenue, and €0.1 million to operating income.

#### *Stemcell GmbH*

At 1 January 2008, the Company completed the acquisition of Stemcell GmbH in Germany for a total consideration of €400,000.

#### *Sejtbank Egészségügyi Szolgáltató Kft.*

At 1 February 2008, the Company has acquired a 70% interest in its Hungarian distributor Sejtbank Egészségügyi Szolgáltató Korlátolt Felelősségű Társaság ("Sejtbank") for an initial consideration of €3.25 million paid in cash. The vendors have an option to put the outstanding 30% of Sejtbank to Company for a sum of €1.4 million plus a performance bonus based on revenue growth. The terms of the acquisition also provide for the vendors to waive all rights to dividends on the 30% of shares still held by them, in lieu of which they will receive an annual payment of 3% of the combined total revenues of Sejtbank for a maximum of 30 years. Should the put option be exercised, this payment will cease.

Since the acquisition date, this acquisition has contributed €1.2 million to revenue, and €0.1 million to operating income. If the acquisition had been executed on 1 January 2008, half year 2008 revenue for the Group would have been approximately €12.5 million, and operating income €1.1 million.

#### *Archiv Bunek s.r.o.*

At 1 February 2008, the Company has acquired a 70% interest in Sejtbank's subsidiary in the Czech Republic, Archiv Bunek s.r.o. for an initial consideration of €6,000. The vendors have a performance bonus based on revenue growth. The terms of the acquisition also provide for the vendors to waive all rights to dividends on the 30% of shares still held by them, in lieu of which they will receive an annual payment of 3% of the combined total revenues of Archiv Bunek for a maximum of 30 years. Should the put option be exercised, this payment will cease.

#### *Cryoclinic (Pty) Ltd.*

At 1 March 2008, the Company acquired the remaining 50% of the shares of its South African joint venture Cryoclinic (PtY) Ltd. for €440,000. The company operates in the Durban area, and stem cells samples are stored in the Group's laboratory in Belgium.

#### *Crio-Cord S.L.*

At 27 June 2008, the Company acquired a 100% interest in its Spanish distributor Crio-Cord, S.L., for an initial consideration of €16 million paid in cash plus a performance bonus based on sales growth. This acquisition did not affect result during the interim reporting period.

## **8. Issuances, repurchases, and repayments of debt and equity securities**

#### *Warrant*

The Company has issued warrants to its nominated advisor and broker, Kaupthing Singer & Friedlander Capital Markets Limited, over 733,649 ordinary shares, being equal to 1.5% of the Company's share capital on a fully diluted basis at Admission at the placing price of £2.10 pursuant to a warrant instrument. The warrants are exercisable for five years after Admission (6 November 2007).

For the services received in respect of this equity instrument, share based payment expenses are recognized. The fair market value of each warrant to Kaupthing was 109.95 pence as at 6 November 2007, as determined by an outside consulting firm. The fair value of the services received in return for the warrants is based on the fair value of share options granted, measured using a binomial model.

With effect from 1 July 2008 the warrant instrument with Kaupthing was cancelled.

### *Share options*

At 7 December 2007, the Company has granted 340,000 ordinary shares to staff of the Company, at an exercise price of 221pence per share.

At 20 May 2008, options were granted for 350,000 ordinary shares to staff of the Company, at an exercise price of 210pence per share. The fair market value of each conditionally awarded share was 93pence, as determined by an outside consulting firm. The fair value of services received in return for share options granted is based on the fair value of share options granted, measured using a binomial model.

### *Treasury shares*

To cover the dilutive effect of the granted share options under the 2007 and 2008 Share Option Scheme to staff, and the warrant to Kaupthing, the Company continued the share buyback programme in 2008. During the period the Company acquired 1,410,000 own shares in treasury. The Company holds at balance sheet date 1,565,000 repurchased treasury shares. Treasury shares are recorded at cost, representing the market price on the acquisition date.

## **9. Related parties**

Transactions between the Company and its subsidiaries, which are related parties of the Company, haven been eliminated on consolidation and are not disclosed in this note. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. Details of transactions between the Company and other related parties are disclosed below. Already in 2007 most related party transactions ceased.

	<b>30 June 2008</b>	<b>30 June 2007</b>
Group entities with related parties – purchase transactions		
- Life-Sciences NV	369	270
Group entities with associates – sales transactions		
- Cryo-Save Arabia FZ-L.L.C.	90	-
Group entities with related parties – consultancy transactions		
- Hof te Bayghem (HTB) NV	-	45
- Contra NV	-	62
Group entities with related parties – interest received on loans		
- Life-Sciences NV	-	11
- Pharmaceuticals Enterprises S.A.	-	7
- Hof te Bayghem (HTB) NV	-	6

Life-Sciences NV, Belgium is a related party as it is a company controlled by Marc Waeterschoot, a director of the Group.

## **10. Events after balance sheet date**

### *Acquisition Cryo-Save Balcanica S.A.*

On 22 July 2008, the Group announced the acquisition of the leading Balkan distributor Cryo-Save Balcanica S.A. of Athens, for an initial consideration of €4.1 million payable in cash, and a deferred payment based on the performance of Cryo-Save Balcanica S.A. during a three year period. The acquisition has been effected by the purchase of the remaining 50% of the shares in Cryo-Save Balcanica S.A. which the Group did not already own.

### *Cancellation warrant*

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 no longer incur the related finance costs under IFRS of approximately EUR 0.2 million per annum.

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